

OFFICE OF INSPECTOR GENERAL

Proposed Appropriation Language

OFFICE OF INSPECTOR GENERAL

For necessary expenses of the Office of Inspector General, [~~\$65,622,000~~]~~\$69,406,000~~, notwithstanding section 209(a)(1) of the Foreign Service Act of 1980 (Public Law 96–465), as it relates to post inspections.

OFFICE OF INSPECTOR GENERAL (Overseas contingency operations)

For an additional amount for "Office of Inspector General", [~~\$49,901,000~~]~~\$49,650,000~~, to remain available until September 30, [~~2014~~]~~2015~~, [of which \$49,901,000 shall be] for the Special Inspector General for Afghanistan Reconstruction for reconstruction oversight: *Provided*, That such amount is designated by the Congress for Overseas Contingency Operations/Global War on Terrorism pursuant to section 251(b)(2)(A) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended: *Provided further*, That such amount shall be available only if the President designates such amount for Overseas Contingency Operations/Global War on Terrorism pursuant to section 251(b)(2)(A).

OFFICE OF INSPECTOR GENERAL

Resource Summary

(\$ in thousands)

Appropriations	FY 2012 Actual	FY 2013 CR ⁽¹⁾	FY 2014 Request	Increase/Decrease From FY2012
Positions - Enduring	318	318	318	0
Enduring Funds	61,904	62,283	69,406	7,502
Overseas Contingency Operations Funds	67,182	67,182	49,650	(17,532)
Total Funds	129,086	129,465	119,056	(10,030)

Funding for DOS OIG is discussed in this chapter. Funding for the Special Inspector General for Afghanistan Reconstruction (SIGAR) is reflected in the Overseas Contingency Operations (OCO) Chapter.

(1) The FY 2013 CR is based on the annualized continuing resolution calculation for FY 2013 (P.L. 112-175).

Program Description

The Office of Inspector General (OIG) has the lead role in helping the Department of State (Department) and the Broadcasting Board of Governors (BBG) improve management, strengthen integrity and accountability, investigate and deter fraud, and ensure the most efficient, effective, and economical use of resources. OIG's oversight extends to the Department's and BBG's 70,000+ employees and 280 missions and other facilities worldwide that are funded through combined annual appropriations of more than \$18 billion and \$2.4 billion in fee-based services. OIG also provides oversight for the United States Section of the International Boundary and Water Commission. OIG remains at the forefront of efforts to identify potential savings and cost efficiencies for the Department and BBG, striving to provide timely, relevant, and useful feedback that supports decision makers in strengthening critical programs and operations to promote U.S. interests, as well as strengthening the security of those programs and operations. As detailed in the performance section below, OIG has consistently exceeded its performance target related to the identification of potential savings for the Department and BBG. OIG has exceeded its target in four of the past six years related to acceptance of OIG recommendations by the Department and BBG within targeted timeframes.

Since 2008, OIG has strengthened its oversight of high-cost and high-risk Department activities in South and Central Asia and the Middle East by establishing overseas offices in five countries. The Middle East Region Operations (MERO) Directorate within the Office of Audits, and the Middle East Investigative Branch (MEIB) within the Office of Investigations, dedicate on-the-ground resources, expertise, and oversight to critical Department programs and U.S. interests in the frontline states and other crisis and post-conflict countries. MERO is headquartered in Washington, DC, with temporary satellite offices in Kabul, Afghanistan; Baghdad, Iraq; and Islamabad, Pakistan. MEIB, based in Washington, DC, has a field office in Amman, Jordan, and temporary satellite offices in Baghdad, Iraq, and Kabul, Afghanistan. A fifth overseas office in Cairo, Egypt, will close by the end of FY 2013.

The additional resources requested will sustain these initiatives, and maintain the level of oversight that the size, complexity, and importance of Department and BBG programs demand.

Goals, Priorities, and Challenges for FY 2014

OIG's mandate encompasses all domestic and overseas activities, programs, and missions of the Department and BBG. OIG's overarching goal for FY 2014 is to effect positive change by being a valued resource to the Department and BBG in promoting U.S. interests and sustained leadership, with emphasis on the following:

OFFICE OF INSPECTOR GENERAL

- **Relevance:** OIG work will be directed at Department and BBG priorities, including those identified in the Quadrennial Diplomacy and Development Review (QDDR). OIG's work will emphasize critical, resource-intensive programs and operations in the frontline states; global issues; the effectiveness of foreign assistance programs; regional management activities and the use of new technologies and innovative approaches; priority posts and bureaus; and the Department's coordination with other U.S. Government agencies.
- **Value Added:** OIG will recommend actions that correct identified vulnerabilities and result in savings, cost recoveries, funds put to better use, restitutions and fines, prevention of losses, and improved efficiencies and security.
- **Usefulness:** OIG products will assist decision makers in improving programs and making the most effective spending decisions in an environment of increasingly constrained financial resources.
- **Timeliness:** OIG will continually strive to reduce the time for completing its audits, inspections, and reviews by using appropriate technologies to start jobs sooner, finish them more quickly, and disseminate the results broadly and rapidly.

OIG will face several challenges in FY 2014 as it strives to achieve these goals. OIG is a small office, and yet operates on a worldwide basis, with offices in four countries overseas and a complex workforce comprised of Civil Service and Foreign Service personnel, rehired annuitants, contractors, personal services contractors, and locally employed staff. OIG continually adjusts its work plan to juggle competing priorities with respect to mandated audits, inspections, and reviews; planned work that addresses critical priorities of the Department and the Administration; and frequent special requests from external stakeholders such as the Congress. Changing conditions on the ground in crisis and post-conflict regions require frequent adjustments to OIG's plans. The Special Inspector General for Iraq Reconstruction's (SIGIR) scheduled sunset in FY 2013 will result in the transfer of additional oversight responsibilities to OIG. The FY 2014 Request would bring OIG to 262 funded positions relative to its Department-authorized level of 318 positions.

OIG's funding priorities for FY 2014 are to strengthen its focus on the frontline states and other crisis/post-conflict areas, and maintain its core audit, inspection, and investigative capabilities. These funding priorities will enable OIG to sustain its capacity to produce relevant, useful, and timely work that contributes to the highest priorities of the Department, and adds value to its programs and operations.

Strengthening OIG's Presence in the Frontline States and Other Crisis/Post-Conflict Areas

OIG's top priority is to maintain and strengthen its presence in Afghanistan, Iraq, and Pakistan in order to provide dedicated oversight to the Department's critical programs in those countries. OIG also is committed to providing oversight to other crisis and post-conflict areas, and to meeting the anticipated increase in oversight responsibilities in Iraq.

OIG established its overseas offices, at the request of the Department and Congress, to provide dedicated oversight of critical Department activities in the Middle East and South and Central Asia. As Department commitments and expenditure of resources in Afghanistan, Iraq, and Pakistan have grown, OIG's oversight responsibilities have increased correspondingly. OIG will continue to support the Department's critical priorities by providing audit and investigative oversight in the frontline states and other crisis/post-conflict areas, to the extent it has the resources to do so.

SIGIR's closure in FY 2013 will result in an increase in OIG's oversight responsibilities in Iraq. SIGIR received approximately \$19 million in funding in FY 2012. SIGIR's workload, which in 2011 included 24 completed audits and 54 new investigations, will transfer to the Inspectors General of the Department of State, Department of Defense, and U.S. Agency for International Development (USAID). OIG will assume primary oversight responsibility for civilian assistance programs in Iraq, as well as continuing oversight of State operations in Iraq.

OFFICE OF INSPECTOR GENERAL

Maintaining OIG's Core Audit, Inspection, and Investigative Capabilities

OIG's second priority is to maintain its ability to fulfill statutory responsibilities and respond to the increasing demands for review of Department and BBG programs, operations, and foreign affairs activities. OIG is facing increased demand for audits and inspections on physical security at high-threat posts in connection with the recent Accountability Review Board assessment of the attack on U.S. facilities in Benghazi, Libya. OIG's mandate includes traditional areas of focus, including security, diplomatic and consular affairs, international broadcasting, administrative and financial management, and information technology. The mandate also includes new initiatives and priorities, as identified in the QDDR and the joint strategic goal framework of the Department and USAID.

OIG as an organization supports all of the Department's strategic goals. OIG's FY 2014 plan reflects its commitment to add value to the Department's mission, meet the needs of Congress and the foreign affairs community, and fulfill OIG's traditional mandate to deter waste, fraud, and mismanagement. OIG is committed to assisting the Department and BBG to strengthen the effectiveness and efficiency of their programs, operations, and initiatives.

As a result of the considerable demands placed on OIG with respect to mandated and requested work, OIG has limited flexibility to redirect existing resources to new priorities or take advantage of programmatic tradeoffs. OIG's Office of Audits workload for FY 2014 is estimated to include 13 congressional and OMB mandated assignments, including annual requirements relating to financial management and information technology security stemming from the *Chief Financial Officers Act* and the *Federal Information Security Management Act*. The Office of Investigations is expected to process an estimated 2,500 Hotline complaints annually by FY 2014, up from 2,248 such complaints in FY 2012, in addition to responding to approximately 4,000 Department and White House name-check requests annually. The Office of Inspections, which also responds to special requests from senior Department management, Congress, and the White House, uses risk assessments in planning its work to ensure the most effective use of its resources. However, there currently are about 85 posts and bureaus that have not been inspected in the past five years.

Performance

OIG's work results in recommendations and monetary benefits that improve overall management, security, and efficiency of programs and operations in the Department and BBG. Security has been and will continue to be a significant focus of OIG's work. Approximately one quarter of OIG reports issued since the beginning of 2012 have addressed security issues.

Monetary benefits from OIG's work result in more effective and efficient use of U.S. taxpayer dollars, and are a primary mandate of the Office of Inspector General. Monetary benefits include potential cost savings, recoveries, questioned costs, funds put to better use, efficiencies, restitutions, and fines. OIG audits, inspections, evaluations, and investigations result in potential and actual cost savings and efficiencies to the Department and the Broadcasting Board of Governors. OIG has consistently exceeded its target for monetary benefits, with \$34 million in monetary benefits in FY 2012 against a target of \$19 million. FY 2011 results for this indicator were \$261.9 million, well exceeding the target of \$17.8 million. Results in 2011 reflect both the unusually large recoveries and joint work with other Federal agencies that are not expected to recur in the future.

OFFICE OF INSPECTOR GENERAL

Strategic Goal 7: Build a 21st century workforce; and achieve U.S. government operational and consular efficiency and effectiveness, transparency and accountability; and a secure U.S. government presence internationally								
Strategic Priority		Planning and Accountability through QDDR Implementation						
Active Performance Indicator		Monetary benefits: questioned costs, funds put to better use, cost savings, recoveries, efficiencies, restitutions, and fines						
Prior Year Results and Ratings					FY 2012		Planned Targets	
FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Target	Result and Rating	FY 2013	FY 2014
\$52.6 million	\$23 million	\$26.4 million	\$25.5 million	\$261.9 million	\$19.0 million	\$33.8 million	\$21.5 million	\$22.5 million
N/A	▲ Above Target	▲ Above Target	▲ Above Target	▲ Above Target		▲ Above Target		
Reason for Exceeding Target		The FY 2012 result for monetary benefits was chiefly due to a single large fine of \$7.5 million and monetary benefits of \$7.5 million on one inspection.						
Impact		Monetary benefits reported by OIG represent: (1) actual and potential monetary recoveries to the Department and BBG, and (2) more effective and efficient use of U.S. taxpayer dollars. OIG's performance on this indicator helps the Department achieve its strategic priority of operational efficiency and effectiveness in an environment of constrained resources.						
Methodology		OIG management analysts monitor, follow-up, and report on the status and value of monetary benefits reported by audit, inspection, and evaluation teams. These amounts are entered and their status tracked in OIG's databases for compliance (audits, inspections, and evaluations) and investigations.						
Data Source and Quality		Recoveries, questioned costs, and funds put to better use are based on amounts identified in OIG reports, as agreed to by the agency and tracked in OIG's compliance database. Investigative recoveries reflect court-ordered fines, restitutions, and recoveries based on information received from external prosecutorial and administrative authorities. The Data Quality Assessment revealed no significant data limitations.						

Recommendations are a major product of OIG audits, inspections, and evaluations, and serve as the vehicle for correcting vulnerabilities and realizing positive change in the Department and the Broadcasting Board of Governors. Resolution of recommendations reflects management's willingness to take the actions recommended by OIG to correct identified problems and improve their programs and operations. The percentage of recommendations resolved within six months (inspections) or nine months (audits and evaluations) indicates to what extent management has agreed to take timely action to correct identified problems in line with OIG recommendations, or has identified acceptable alternatives that are expected to result in improved programs and operations.

OFFICE OF INSPECTOR GENERAL

Strategic Goal 7: Build a 21st century workforce; and achieve U.S. government operational and consular efficiency and effectiveness, transparency and accountability; and a secure U.S. government presence internationally								
Strategic Priority		Planning and Accountability through QDDR Implementation						
Active Performance Indicator		Percentage of recommendations resolved within the appropriate timeframe (six months for inspections and nine months for audits and evaluations)						
Prior Year Results and Ratings					FY 2012		Planned Targets	
FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Target	Result and Rating	FY 2013	FY 2014
88%	87%	91%	79%	89%	86%	78%	87%	87%
N/A	▲ Above Target	▲ Above Target	▼ Below Target	▲ Above Target		▼ Below Target		
Steps to Improve		The FY 2012 result for percentage of recommendations resolved within appropriate timeframes was chiefly due to staffing shortages in one office. Staff is being put in place.						
Impact		The percentage of recommendations resolved within appropriate timeframes indicates to what extent the Department has agreed to take timely action to correct problems reported by OIG, or identified acceptable alternatives expected to improve operations. OIG's performance on this indicator helps the Department achieve its strategic priority of operational efficiency, effectiveness, & accountability.						
Methodology		The OIG offices assess and track compliance of each recommendation based on ongoing correspondence with the Department, and update each recommendation's status in the compliance database. In addition, each month OIG sends individual Department bureaus a status report of OIG recommendations directed to them. OIG and the bureaus follow up on and reconcile any discrepancies, and the OIG compliance database is updated when necessary.						
Data Source and Quality		The percentage of recommendations resolved within the stated timeframes is derived from information in OIG's compliance database. Recommendations in OIG reports are entered into the database, and their status is updated by the OIG offices that did the work, based on ongoing correspondence with the Department and analysis of Department responses. The Data Quality Assessment revealed no significant data limitations.						

Justification of Request

To support its activities in FY 2014, OIG is requesting \$69.4 million, an increase of \$7.5 million over the FY 2012 Actual. The request includes a shift of \$3.2 million from OCO to Enduring for MERO, and an increase of \$500,000 to maintain the FY 2012 level of activity, including required funding for increased ICASS and in-country support costs associated with activities in the frontline states. The increase also includes funding to fill five authorized, direct-hire positions in Baghdad, Iraq. The five additional positions in Iraq include three MERO auditor positions and two MEIB investigators, which are funded in this request at \$3.8 million, including \$2 million to cover ICASS and security costs in Iraq. (A portion of

OFFICE OF INSPECTOR GENERAL

the additional ICASS and security costs for these positions will be covered by the savings that OIG will realize in current ICASS costs when it closes its Cairo office in 2013.) These positions will allow OIG to accomplish the increased workload in Iraq resulting from SIGIR's anticipated closure, and meet its FY 2014 priority of strengthening its oversight of critical Department programs and operations in that country.

OIG's base request for FY 2014 also includes \$311,000 for training, inclusive of continuing professional education requirements, and \$468,000 for its mandatory contribution to the Council of the Inspectors General on Integrity and Efficiency.

Office of Audits

The Office of Audits consists of two directorates: the MERO and the Audit Directorate. The Audit Directorate is charged with conducting audits and program evaluations of the management, security, and financial operations of the Department and BBG, including their audited financial statements, information security, internal operations, and external activities funded by the Department through contracts or financial assistance. It also conducts annual evaluations of Department and BBG compliance with the Federal Information Security Management Act. The MERO Directorate is responsible for performing engagements within the Middle East Region covering the Bureaus of Near Eastern Affairs and South and Central Asian Affairs, in addition to the general operation of overseas offices in Baghdad, Iraq; Kabul, Afghanistan; and Islamabad, Pakistan.

OIG's FY 2014 Request, as distributed through the Office of Audits, includes approximately \$2.2 million allocated for three positions, including ICASS and support costs, in the MERO Directorate's Baghdad office. These three MERO positions would enable OIG to meet the increased oversight requirements in Iraq. With the anticipated closure of SIGIR in FY 2013, the MERO Directorate will assume primary oversight responsibility for civilian assistance programs in Iraq, as well as continued oversight of high-cost contracts for services such as security, aviation, medical, and life support. The anticipated cost for these programs, as represented by the Department's FY 2014 budget request for State Operations in Iraq, is about \$1.2 billion. MERO's audit work also would assess the transition to a civilian-led mission in Afghanistan, the Department's management of the Pakistan counterinsurgency fund, and the Middle East Partnership Initiative.

Office of Inspections

The Office of Inspections assesses domestic and overseas operations and facilities of the Department and BBG. Inspections review executive direction, policy and program implementation, resource management, and management controls. The Office of Inspections also provides oversight of programs and operations relating to foreign assistance funding, public diplomacy, and Department efforts to counter terrorism worldwide, including Afghanistan, Iraq, Pakistan, and other crisis and post-conflict areas. In addition, the Office of Inspections is frequently tasked with urgent requests for special reviews by the Department, Congress, and the White House. The Office of Inspections will review Department progress in achieving efficiencies, including rightsizing and consolidating Department and other agency platforms overseas, and increasing the use of regional centers. Inspections will continue to provide oversight of priority programs and operations of the Department and BBG, particularly for foreign assistance, information technology, consular programs, economic diplomacy, public diplomacy, and global security.

Office of Investigations

The Office of Investigations, based in Washington, DC, conducts worldwide investigations of criminal, civil, and administrative misconduct related to programs and operations of the Department, BBG, and the United States Section, International Boundary and Water Commission. The office investigates specific allegations, reports, or other information indicating possible violations of law or regulation. Investigative results are referred to the Department of Justice for prosecution, and to the Bureaus of Human Resources

OFFICE OF INSPECTOR GENERAL

and Diplomatic Security, the Office of the Procurement Executive, or other agencies for administrative or other appropriate action. MEIB, also based in Washington, DC, has a field office in Amman, Jordan, and satellite offices in Baghdad, Iraq and Kabul, Afghanistan. MEIB will continue to play a vital role in OIG's investigative oversight of the Department's high-risk, high-cost programs and operations in the Middle East, and South and Central Asia.

The Office of Investigations FY 2014 Request includes approximately \$1.6 million for two investigator positions, including ICASS and support costs, for MEIB's Baghdad office. The two additional investigators in Baghdad would provide increased oversight of the Department's high-risk, high-cost programs in Iraq, and respond to the additional workload resulting from SIGIR's scheduled closure in FY 2013. OIG will continue its increased emphasis on investigations of procurements and grants—including foreign assistance funds—particularly for the Middle East. Oversight is most effective when the investigators have “boots on the ground” where violations occur. OIG's investigative presence in Iraq has resulted in several successful large-scale criminal and civil prosecutions, including \$17 million in recoveries in the past two years, as well as 30 suspension and debarment actions of Department contractors and grantees in the region.

Funds by Program Activity

(\$ in thousands)

Office of Inspector General (OIG)	FY 2012 Actual	FY 2013 CR	FY 2014 Request	Increase/Decrease From FY2012
Administration and Staff Activities	15,618	15,723	16,287	669
Inspections, Audits, Investigations	43,446	43,723	45,150	1,704
Policy Formulation	2,840	2,837	2,769	-71
Middle East Regional Office	0	0	5,200	5,200
Total	61,904	62,283	69,406	7,502

Funds by Object Class

(\$ in thousands)

Office of Inspector General (OIG)	FY 2012 Actual	FY 2013 CR	FY 2014 Request	Increase/Decrease From FY2012
1100 Personnel Compensation	39,864	40,143	44,537	4,673
1200 Personnel Benefits	9,416	9,482	10,529	1,113
2100 Travel & Trans of Persons	4,922	4,384	6,125	1,203
2200 Transportation of Things	1,528	2,111	1,014	(514)
2300 Rents, Comm & Utilities	1,004	1,011	1,113	109
2400 Printing & Reproduction	533	535	607	74
2500 Other Services	3,222	3,245	3,560	338
2600 Supplies and Materials	245	246	501	256
3100 Personal Property	723	728	805	82
4100 Grants, Subsidies & Contributions	447	398	615	168
Total	61,904	62,283	69,406	7,502

OFFICE OF INSPECTOR GENERAL

Inspector General Act Reporting

(\$ in thousands)

Appropriation	FY 2014 IG Request to Agency	FY 2014 OMB Request	FY 2014 President's Request	FY 2014 CIGIE Contribution* within President's Request	FY 2014 Training Funds within President's Request
OIG	71,840	72,471	69,406	468	311
SIGAR	50,904	49,650	49,650	128	552
Total	122,744	122,121	119,056	596	863

*CIGIE Contribution – IG contribution to the Council of the Inspectors General on Integrity and Efficiency