



Office of Inspector General  
United States Department of State

DEPARTMENT  
OF  
STATE

Inspector General Statement on the Department of State's

# Major Management and Performance Challenges

FISCAL YEAR 2023

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## Introduction

Each year, in accordance with the Reports Consolidation Act of 2000,<sup>1</sup> the Office of Inspector General (OIG) for the Department of State (Department) identifies the most significant management and performance challenges facing the Department and provides a brief assessment of the Department's progress in addressing those challenges. We evaluate progress primarily through our compliance process, which tracks and assesses the Department's efforts to implement corrective actions related to OIG recommendations. We determine challenges by taking a qualitative and holistic view of our body of oversight work, giving particular weight to common issues that appear to impact the Department systemically. While focusing largely on those issues that are most persistent and longstanding, we use the unique window our work gives us into the programs and operations of the Department to highlight emergent issues that we see becoming more pervasive in our reporting.

Although our methodology for developing this report—as just described—is largely unchanged, consistent readers will notice a few updates to the report's format and substance this year. Aesthetically, we gave the report a more modern look and represented information graphically where possible to make the information contained in this report easier to digest and more visually compelling. Substantively, we streamlined our assessment of the Department's challenges and progress toward addressing those challenges. At a fundamental level, the major management and performance challenges affecting the Department are unchanged. Although the Department continues to struggle with the same issues, we simplified and reframed the representation of these issues to make this report more accessible, not only to the Department, but to all OIG stakeholders, including Congress and the public.

With that in mind, OIG identified the following major management and performance challenges facing the Department:

- **Safety and Security:** Deficiencies that implicate the Department's ability to ensure the safety and security of its personnel and their families, its facilities and other property, or its information.
- **Stewardship:** Deficiencies that implicate the Department's ability to efficiently and effectively manage its significant resources, financial and otherwise.
- **Staffing and Organizational Structure:** Deficiencies that implicate the Department's ability to manage its human capital and design and maintain an organizational structure that conveys clear lines of authority and responsibility.

Additionally, we highlight throughout this report some of the difficulties the Department faces when operating in contingency environments and crisis situations. Our oversight work offers examples that reveal weaknesses in the Department's ability to quickly adjust in response to contingency and crisis situations. Although this clearly represents a challenge for the Department in the plain sense of the word, we prefer to assess it here as a cross-cutting issue that has implications for the three major challenges identified above.

Lastly, this document includes examples of OIG reports and findings completed in FY 2023 that illustrate these challenge areas. In addition to publicly available work, OIG issues Sensitive But Unclassified<sup>2</sup> and Classified reports throughout the year. Although we are unable to discuss these reports publicly, many of the findings in them reinforce our assessment of these management challenges.

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<sup>1</sup> The Reports Consolidation Act of 2000, § 3, Public Law 106-531 (amending 31 United States Code [U.S.C.] § 3516)

<sup>2</sup> Sensitive But Unclassified material is information that is not classified for national security reasons, but warrants/requires administrative control and protection from public or other unauthorized disclosure for other reasons.

# Safety and Security

The Department of State is responsible for advancing the interests and security of Americans abroad through the implementation of U.S. foreign policy. As such, it operates in more than 190 countries around the world. Given the geographical breadth and diversity of its operating environments, safeguarding its personnel, property, and information against hostile or natural threats is a perennial challenge for the Department.

Much of our oversight work related to safety and security is classified; the unclassified examples and findings that follow represent only a fraction of what our work reveals about this challenge. Our routine inspections of U.S. embassies and consulates abroad are the primary source of insight on this challenge. As of the end of FY 2023, OIG was tracking 575 open recommendations designed to guide the Department toward improvements in these areas.

## *Ensuring the Safety of Personnel*

One aspect of this challenge is ensuring the health and safety of Department personnel and their families. The Department has extensive rules and policies with this aim, but it struggles to ensure compliance with its own standards. Issues most commonly identified include failures to:

					
Perform seismic evaluations of residential and non-residential properties	Enforce driver duty limits and training requirements related to operating official vehicles	Complete and document safety certifications for residential properties	Correct identified safety deficiencies at residences before occupancy	Mitigate the fire and life-safety risks of high-rise residential properties	Implement fire protection programs at facilities and residences

In FY 2023, our work contained 116 recommendations to remedy deficiencies like those listed above.

From [Beirut](#) to [Buenos Aires](#) and beyond, we identified many opportunities for the Department to bring its overseas operations in line with standards meant to protect its people. For example, in Lebanon, the embassy could not provide documentation demonstrating it had an active fire watch program, performed daily checks of the fire alarm panel, completed monthly inspections of all residential and non-residential fire extinguishers, or performed monthly tests of the emergency lighting systems, all important elements of the Department's fire protection program.<sup>3</sup>

<sup>3</sup> OIG, *Inspection of Embassy Beirut, Lebanon* (ISP-I-23-10, April 2023).

Also in FY 2023, we conducted an [audit](#) related to the Department’s temporary structures—such as containerized housing units, hardened alternative trailers, and shipping containers—that serve as residential or functional space at overseas posts when permanent structures for these purposes are unavailable. We conducted testing on six posts to determine whether the Department managed the use of temporary structures at overseas posts in compliance with applicable physical security standards and procedures. We found that the Department could not provide an accurate or complete inventory of temporary structures at posts. Moreover, for those that were inventoried, we identified some temporary structures that did not comply with the Department’s physical security standards and did not have required waivers or exceptions to those standards, which gives the Department limited assurance that physical security mitigation actions have been taken to address security and life safety concerns.<sup>4</sup>

### *Planning for a Crisis*

Another aspect of this challenge is emergency or crisis preparedness. Again, the Department struggles to meet its own standards. Our inspection work often finds failures to:

 <p>Implement emergency exit plans in non-residential facilities</p>	 <p>Regularly test emergency lighting systems in its facilities</p>	 <p>Stay current with consular crisis preparedness activities, including maintaining a crisis response planning handbook and list of host country emergency contacts</p>	 <p>Regularly conduct drills in accordance with standards</p>
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Although sometimes overlooked due to competing priorities, our work attempts to highlight how vitally important it is for the Department’s posts to meet emergency preparedness standards in an increasingly unstable world. For example, in [Nigeria](#), we found the mission’s consular crisis preparedness did not fully comply with Department guidance. Consular personnel were unfamiliar with the emergency action plan, did not know what their roles might be in a crisis, had not received relevant training, and did not believe the Consular Section was fully prepared to respond to a crisis. Staff told OIG they did not make time for more crisis management training or exercises due to staffing gaps and a demanding workload.<sup>5</sup>

### *Safety and Security in Contingency and Crisis Environments*

The Department operates in countries that face critical terrorism, political violence, and crime threats. Emergency planning and crisis preparedness challenges at these posts are often exacerbated by security threats, evacuations, and other disruptions. A salient example is described in our classified [Review of Emergency Action Planning Guiding the Evacuation and Suspension of Operations at U.S. Embassy Kabul](#), which sought to determine whether the embassy followed established Department guidance in preparation for and execution of the evacuation of U.S. government personnel, U.S. citizens, Afghans at risk, and others from Afghanistan in August 2021.<sup>6</sup>

<sup>4</sup> OIG, *Audit of Physical Security Standards for Department of State Temporary Structures at Selected Overseas Posts* (AUD-SI-23-30, September 2023).

<sup>5</sup> OIG, *Inspection of Embassy Abuja and Constituent Post, Nigeria* (ISP-I-23-09, June 2023).

<sup>6</sup> OIG, *Review of Emergency Action Planning Guiding the Evacuation and Suspension of Operations at U.S. Embassy Kabul, Afghanistan* (AUD-MERO-23-15, May 2023).

The [unclassified summary](#) of this report explains that while Embassy Kabul complied with applicable emergency planning guidance and took some preparatory actions, it was not fully prepared for the challenges it encountered. Among other things, we found that embassy leadership’s concerns that overt evacuation planning would cause panic and undermine support for the Afghan government resulted in unclear communication with embassy personnel about the timing and scope of a potential evacuation. This lack of communication caused confusion among staff and reduced the preparedness of some personnel for an evacuation. We also found that the embassy did not have clearly defined eligibility criteria for the evacuation and used unreliable data regarding the potential number of evacuees. This resulted in a far greater number of people being evacuated than had been anticipated. We further found that, as the evacuation was unfolding, unclear leadership, logistical changes, and communication issues contributed to the chaos around the evacuation at the international airport in Kabul.<sup>7</sup>

### Protecting its Information

The Department depends on information systems to function, and the security of these systems is vital to protecting national and economic security, public safety, and the flow of commerce. The Department acknowledges that its information systems and networks are subject to serious threats that can exploit and compromise sensitive information, and it takes steps to address these concerns. Nonetheless, some of the failures our work continues to identify include failures to:

 <p>Develop and test contingency plans</p>	 <p>Ensure information systems security officers perform all required duties</p>	 <p>Maintain safe and secure server rooms</p>	 <p>Monitor and configure dedicated internet networks</p>	 <p>Adhere to records management standards</p>
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In FY 2023, our work included more than 140 recommendations to remedy deficiencies like those listed above.

For instance, the annual audit of the Department’s information security program found, as in previous years, that it did not have a fully implemented program based on evidence of security weaknesses identified in eight of nine domains, including risk management, configuration management, identity and access management, and security training. The information security standards that form the criteria for this audit represent foundational guidelines for managing and reducing cyber risk by protecting networks and data. The Department’s persistent inability to comply with those standards creates significant risk and will be a continued focus of our work. To illustrate, we are tracking 11 significant recommendations stemming from these annual security audits, two of which date to 2015, that the Department still has not taken sufficient action on to close.<sup>8</sup>

In another example, we [inspected](#) the Bureau of Information Resource Management’s Mobile and Remote Access Division and found that the division did not perform all information system security officer duties for its own systems or for the enterprise mobile devices it manages for the Department. This is a deficiency that places at risk IT security for approximately 83,000 mobile devices worldwide.<sup>9</sup>

### Progress

The Department understands and is engaged on its safety and security challenges. For example, the Bureau of Diplomatic Security, along with the Bureau of Overseas Buildings Operations, took the necessary steps to close an outstanding OIG

<sup>7</sup> OIG, *Information Brief: OIG’s Review of the Department of State’s Evacuation of U.S. Embassy Kabul, Afghanistan* (AUD-MERO-23-33, September 2023).

<sup>8</sup> OIG, *Audit of the Department of State FY 2023 Information Security Program* (AUD-IT-23-31, September 2023).

<sup>9</sup> OIG, *Inspection of the Bureau of Information Resource Management’s Mobile and Remote Access Division* (ISP-I-23-23, June 2023).



recommendation that called on them to develop standardized designs for physical security structures for use at volatile posts in high-threat, high-risk areas around the world. We issued this recommendation in a 2019 audit of the execution of security-related construction projects at Embassy Kabul in response to finding that a typical design development and design review process could take up to 18 months, which is unacceptable for urgent physical security upgrades intended to protect personnel and property from potential attacks. Closing this recommendation gives the Department a valuable tool for addressing urgent physical security projects in conflict areas and other high-threat environments.<sup>10</sup>

Related to information security, the Department took action during FY 2022 to address some longstanding deficiencies, leading to the closure of 12 recommendations made in prior audit reports. The actions taken also led to an improved maturity rating for two of nine domains assessed in the annual audit of its information security program – supply chain risk management and security training.

Additionally, during the reporting period, the Department demonstrated it had taken the necessary actions to close 291 recommendations related to safety and security of personnel and property and information security.

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<sup>10</sup> OIG, *Audit of the Execution of Security-Related Construction Projects at U.S. Embassy Kabul, Afghanistan* (AUD-MERO-19-14, September 2019).

# Stewardship

The Department has significant resources – financial and otherwise. Whether its resources are used for core operations or destined for contracts, cooperative agreements, or grants that further foreign assistance programs, the Department’s ability to manage its significant resources efficiently and effectively continues to be a challenge.

## *Oversight of Federal Funding Instruments*

Those responsible for overseeing contracts, grants, and agreements must:

 <p>Monitor and document performance</p>	 <p>Confirm that work has been conducted in accordance with the terms of the contract, grant, or agreement</p>	 <p>Hold partners accountable for nonperformance</p>	 <p>Ensure that costs are effectively contained</p>
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Deficient oversight in any of these duties can lead to delays, have significant cost implications for the Department, and undermine advancement of the Department’s policy goals. As of the end of FY 2023, OIG was tracking 141 open recommendations intended to improve contract and grant oversight at the Department.

In an example from FY 2023 work, during an audit related to the construction of a new embassy compound in Mexico City, Mexico, we learned of ongoing and increasing delays to the construction project that would impact the date buildings would be ready for occupancy. We [reported](#) that bureaus responsible for the relevant contract administration processes—the Bureau of Overseas Buildings Operations (OBO) and the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management (AQM)—did not fully comply with Department guidance addressing schedule delays. For example, OBO and AQM did not determine the type of delay, document the delay, develop the government’s position, discuss the government’s position with the contractor, adjust the government’s position based on the discussions with the contractor, and prepare a final decision. As a result, the Department could not be certain that the contractor would meet the contractually required substantial completion date.<sup>11</sup> Moreover, we found that the Department, in response to a contractor request for a schedule extension, issued a unilateral modification to the contract without determining whether an extension was justified. As a result, the Department will accrue additional expenses to complete the new embassy compound project.<sup>12</sup>

In another example, we conducted an [audit](#) to determine whether selected recipients of cooperative agreement funds supporting refugee resettlement support centers—overseas centers that assist in the processing of refugee

<sup>11</sup> OIG, *Management Assistance Report: Actions To Address Ongoing Construction Schedule Delays at New Embassy Compound Mexico City Are Needed* (AUD-CGI-23-16, April 2023).

<sup>12</sup> Ibid.

applications—adhered to applicable federal requirements. We found that the recipients audited did not always comply with requirements, due in part to insufficient oversight by the Bureau of Population, Refugees, and Migration, which could result in inconsistent refugee application information being processed. In addition, refugees can wait years for the adjudication process to be completed, and inconsistent application information could delay the already lengthy process. Additionally, selected award recipients did not always spend funds in accordance with federal requirements and award terms and conditions, which led us to question more than \$750,000.<sup>13</sup>

### *Financial and Property Management*

Internal controls over financial and property management have historically been a challenge for the Department. Weaknesses in property and equipment management were initially reported during the audit of the Department's FY 2005 financial statements and have persisted since then. In FY 2022, the Department's internal control structure continued to exhibit several deficiencies that negatively affected the Department's ability to account for real and personal property in a complete, accurate, and timely manner. An independent contractor [concluded](#) that the combination of property-related control deficiencies was a significant deficiency. The individual deficiencies identified were related to overseas real property, domestic construction projects, leases, personal property, and software. The audit also identified internal control deficiencies related to unliquidated obligations and financial reporting.<sup>14</sup>

Another [audit](#) highlighting financial management issues related to the Department's furniture and appliance pool program, which consolidates the purchase, replacement, refurbishment, maintenance, inventory control, warehousing, pick-up, delivery, and disposal of residential furniture and equipment at overseas posts. We looked specifically at whether the Department established fees for participation in the program in accordance with policies and procedures and found that posts did not set fees in accordance with requirements. For example, posts did not always maintain and use reliable inventory and financial data, which impacted fee determinations. Without quality data, proper asset management practices, and key documentation, program personnel cannot reliably or effectively determine current and future program financial needs and are hindered from establishing fees that will provide the appropriate level of funding to cover costs without accumulating excess funds.<sup>15</sup>

### *Stewardship in Contingency and Crisis Environments*

For programs and posts operating in contingency and critical environments, pervasive security concerns, dramatic swings in personnel and funding, and widespread reliance on contractors and grantees all serve to contribute further to the Department's stewardship challenge.

In an [inspection](#) of the Bureau of International Narcotics and Law Enforcement Affairs, we found that the bureau reassessed and significantly reduced its assistance programs in Afghanistan following the Taliban takeover in August 2021, but did not update the risk assessment and monitoring plans for all its federal assistance awards that continued there after the U.S. withdrawal. Failure to update these plans elevates the risks of waste, fraud, and mismanagement and could impede program performance and outcomes.<sup>16</sup>

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<sup>13</sup> OIG, *Audit of Selected Cooperative Agreements Supporting Department of State Refugee Resettlement Support Centers* (AUD-SI-23-28, September 2023).

<sup>14</sup> OIG, *Independent Auditor's Report on the U.S. Department of State FY 2022 and FY 2021 Financial Statements* (AUD-FM-23-07, November 2022).

<sup>15</sup> OIG, *Audit of Department of State Procedures To Establish Program Fees for the Furniture and Appliance Pool Program* (AUD-FM-23-22, June 2023).

<sup>16</sup> OIG, *Inspection of the Bureau of International Narcotics and Law Enforcement Affairs* (ISP-I-23-08, January 2023).

We also reported that the Department did not adequately identify contracts that would require termination prior to or after the suspension of operations in Afghanistan. The Bureau of Administration did not have a process defined in its policy and procedures to facilitate the identification of unneeded contracts following a suspension of operations. Consequently, the Department was unprepared to promptly terminate unneeded contracts and deobligate excess contract funds for application to other purposes.<sup>17</sup>

In another review, OIG found that Embassy Kyiv had not updated its Integrated Country Strategy due to staffing limitations related to the embassy's closure and subsequent reopening in wartime conditions. The Integrated Country Strategy is a whole-of-government strategic planning document that establishes goals, objectives, and sub-objectives for an embassy. Without an updated strategy, Department bureaus and other agencies lacked guidance for designing programs and developing performance indicators aligned with common strategic goals.<sup>18</sup>

### *Progress*

During OIG's review of foreign assistance coordination and oversight at Embassy Kyiv,<sup>19</sup> the Department began to draft a Ukraine assistance strategy for 2023–2025. Additionally, the embassy has since updated its Integrated Country Strategy as OIG recommended in the review. Such action is vital to ensure that Department bureaus and agencies can design programs linked to whole-of-government priorities and ensure alignment of policy, planning, resources, and program decision-making.

Additionally, during the reporting period, the Department demonstrated it had taken the necessary actions to close 129 recommendations related to stewardship.

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<sup>17</sup> OIG, *Audit of Department of State Efforts To Identify and Terminate Unneeded Contracts Related to Afghanistan* (AUD-CGI-23-26, September 2023).

<sup>18</sup> OIG, *Review of Ukraine Foreign Assistance Coordination and Oversight* (ISP-I-23-18, July 2023).

<sup>19</sup> *Ibid.*

# Staffing and Organizational Structure

The Department must recruit, retain, and sustain a diverse and talented workforce that is prepared to advance the Department’s foreign policy mission and priorities in every corner of the world. Given the vital nature of that mandate, OIG identifies managing human capital and designing and maintaining an organizational structure that conveys clear lines of authority and responsibility as a major management challenge facing the Department.

The kinds of workforce or human capital management issues that OIG’s work identifies varies widely, but it tends to include staffing gaps, frequent turnover, and inexperienced and undertrained staff. Our work also often highlights structural issues that confuse staff, lead to gaps or overlap in authority, and ultimately weaken accountability. As of the end of FY 2023, OIG was tracking 72 open recommendations designed to guide the Department toward improvements in these areas.

An example of personnel and internal coordination weaknesses is found in our [audit](#) of the management and administration of the Consular Systems Modernization program. The program was conceived to modernize and consolidate approximately 90 discrete consular legacy IT systems into a common technology framework for the Bureau of Consular Affairs (CA). The program is expensive and has broad implications for the bureau’s ability to meet its mission, which, among other important duties, includes issuing passports, visa, and other documents to citizens and foreign nationals to facilitate travel to and from the United States.

We found that bureau leadership did not ensure that the program was properly designed to meet its goals. Furthermore, insufficient management oversight from key Department bureaus contributed to problems with the program. Responsible personnel failed to:

 <p>Develop a monitoring plan that complied with Department guidance</p>	 <p>Evaluate the program</p>	 <p>Perform required reviews</p>
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Among other factors, we found that unqualified project managers contributed to the deficiencies we identified with the program. Of the seven project managers appointed to projects within the Consular Systems Modernization program, we found that none could provide a record of having taken the required training, none could provide a record of having met the annual continuing professional education requirement, and three stated that they did not believe they had received sufficient training to successfully execute the responsibilities of their respective positions. Moreover, we found that

bureau leadership did not consider the experience of personnel before assigning them to project management positions.<sup>20</sup>

### *Staffing and Organizational Structure in Contingency and Crisis Environments*

As with security and stewardship, the Department must sometimes face its staffing and organizational structure challenge in contingency and crisis environments, which simultaneously exacerbates its effects and makes it more difficult to address the underlying challenge. For example, we inspected both [Embassy Juba](#), South Sudan,<sup>21</sup> and [Embassy Khartoum](#), Sudan,<sup>22</sup> during this fiscal year, and both reports highlighted longstanding and pervasive staffing challenges for these posts, the latter of which underwent a suspension of operations in April 2023. In Juba, we noted that because of limited staffing, the embassy's management struggled to address communication, coordination, and internal control deficiencies. Chronic staffing shortages in the consular, public diplomacy, and political sections at Embassy Khartoum weakened the embassy's ability to advance U.S. foreign policy interests in a strategically important and unstable country.

In an [inspection](#) of the Afghanistan Affairs Unit, the center of diplomatic operations in Doha that was formalized after the Department suspended operations at Embassy Kabul in August 2021, Department and interagency stakeholders told OIG they were unclear about the lines of responsibility among the multiple Department entities that had a role in managing U.S. government policy or programs for Afghanistan. We learned of instances where multiple entities or individuals assumed they had the lead on a particular policy or an activity, which resulted in mixed messages or instructions.<sup>23</sup>

Similarly, we reported that multiple Ambassadors present in Kabul during the evacuation operations from the Hamid Karzai International Airport caused confusion. Although Department staff told OIG that the presence of a second Ambassador was an asset, Department staff also said that having two people perform the role of the Chief of Mission led to uncertainty about leadership among DoD officials leading the evacuation.<sup>24</sup>

### *Progress*

We recommended that the Bureau of South and Central Asian Affairs delineate and publicize the roles and responsibilities of the Afghanistan Affairs Unit and other Department offices that deal with Afghanistan issues. During the reporting period, the Department took the appropriate action to close the recommendation. We believe such action has the potential to help the Department avoid duplication of effort, delayed action, and resource misallocation in its Afghanistan-related policies and programs.<sup>25</sup>

During the reporting period, the Department demonstrated it had taken the necessary actions to close 46 recommendations related to staffing and organizational structure.

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<sup>20</sup> OIG, *Audit of the Management and Administration of the Consular Systems Modernization Program* (AUD-CGI-23-20, July 2023).

<sup>21</sup> OIG, *Inspection of Embassy Juba, South Sudan* (ISP-I-23-12, April 2023).

<sup>22</sup> OIG, *Inspection of Embassy Khartoum, Sudan* (ISP-I-23-13, March 2023).

<sup>23</sup> OIG, *Inspection of the Afghanistan Affairs Unit* (ISP-I-23-05, November 2022).

<sup>24</sup> OIG, *Information Brief: OIG's Review of the Department of State's Evacuation of U.S. Embassy Kabul, Afghanistan* (AUD-MERO-23-33, September 2023).

<sup>25</sup> Ibid.

# Appendix A: U.S. Department of State Response, As Printed in The 2023 Agency Financial Report



## The Department's Challenges and Management's Response

### Office of Inspector General Introduction

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when operating in contingency environments and crisis situations. Our oversight work offers examples that reveal weaknesses in the Department's ability to quickly adjust in response to contingency and crisis situations. Although this clearly represents a challenge for the Department in the plain sense of the word, we prefer to assess it here as a cross-cutting issue that has implications for the identified three major challenges.

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### Management Introduction

In October 2021, Secretary Blinken laid out his Modernization Agenda, an ambitious effort to build the Department of State fit for meeting the emerging challenges of our age. Through new investments and innovation, the Department continued to make significant progress in 2023 to advance Modernization Agenda initiatives and to address major management and performance challenges, including those flagged by the Office of Inspector General in this report. The Modernization Agenda is a multi-faceted approach to ensure the Department is equipped with the tools, resources, skills, and expertise to take on our most pressing strategic challenges and to succeed in critical mission areas and is focused in three lines of effort: Critical Missions, Workforce, and Risk and Innovation.

In December 2022, the Department launched the Office of China Coordination, or China House, an integrated collaborative structure that draws expertise and resources from across Department bureaus and offices as well as staff on detail from other agencies into a one-stop office for developing, integrating, implementing, and communicating our policies surrounding the People's Republic of China, to ensure a coordinated approach to

address the complex and significant foreign policy challenges posed by the People's Republic of China. China House has already been instrumental in facilitating an uptick in bilateral engagements and continues to grow and evolve to meet new challenges posed by our greatest competitor.

To enhance our presence and influence in critical parts of the world, the Department also opened new posts in Maldives, the Solomon Islands, Tonga, and the Seychelles in the Indo-Pacific region. In October 2023, the Department will open an American Presence Post in Tromsø, Norway, the United States' only diplomatic post above the Arctic Circle. These posts were opened in record time and from existing resources, in large part by thinking and working in a more innovative way. U.S. Embassy Honiara, Solomon Islands opened on January 27, 2023, and U.S. Embassy Nuku'alofa, Tonga opened on May 9, 2023. These embassies will be staffed with four Foreign Service Officers, including one Chief of Mission and one Deputy Chief of Mission. The Department officially opened its newest embassy in Africa in the Seychelles on June 1, 2023. The first U.S. direct-hire position in the embassy will arrive later this year when the senior advisor for Seychelles issues based

<sup>2</sup> Sensitive But Unclassified material is information that is not classified for national security reasons, but warrants/requires administrative control and protection from public or other unauthorized disclosure for other reasons.

in Port Louis, Mauritius transfers to Victoria. The Chief of Mission position has been placed on the Summer 2024 bid cycle.

Building on the successful establishment of the Bureau of Cyberspace and Digital Policy in 2022, the Department launched the Bureau of Global Health Security and Diplomacy (GHSD) on August 1, 2023, to lead and coordinate the Department's work on strengthening global health security to prevent, detect, and respond to infectious diseases, including HIV/AIDS. GHSD leverages and helps coordinate U.S. foreign assistance and promotes international cooperation at the national, regional, and multilateral levels to better protect the United States and the world from health threats. GHSD elevates and integrates global health security as a core component of U.S. national security and foreign policy.

The Department continued efforts to ensure the Department's workforce is resilient, agile, secure, and inclusive, in line with the Secretary's vision of the Department as a model workplace that attracts and retains top talent. Areas of focus this year included Civil Service mobility, Foreign Service promotion and incentive systems, and professional development.

The Department also continued to expand paid internship opportunities for students in post-secondary degree programs to gain experience and insight into the variety of careers available in the Department and its diplomatic missions worldwide and established the Colin Powell Leadership Program to further advance its efforts to attract and hire a workforce that reflects the diversity of the United States.

In support of the Modernization Agenda's focus on professional development, the Foreign Service Institute, launched its first

Core Curriculum for mid-career Foreign Service and Civil Service professionals. The Core Curriculum includes a broad range of courses on critical skills, from leadership to strategic planning, negotiation, and working in the interagency. Similarly, to enhance career-long training and professional development, the Department launched its first Learning Policy where employees are offered and encouraged to engage in a broad range of training and development opportunities. The policy strongly encourages up to 40 hours of annual dedicated learning, on top of completion of any mandatory training requirements, to help employees expand their skills and pursue professional development goals (the hours can be taken throughout the year in increments as short as 15 minutes). It also strongly encourages use of Individual Development Plans for both Foreign Service and Civil Service employees – to support employee-manager discussions about the specific career development activities employees will undertake in the near term to pursue their career goals. This Learning Policy applies to all Department U.S. direct-hire employees and eligible family members on family member appointments, and the Department encourages overseas posts to adopt similar practices to the extent possible for locally employed staff and other employed eligible family members in accordance with other agency policies and availability of funds.

The Bureau of Information Resource Management launched a Tech for Life pilot, a new initiative that allows Department personnel to keep their government-issued devices as they transfer domestically or international for the lifecycle of the device. Tech for Life devices will be associated with the employee, as opposed to the position or location, and will enable the employee flexibility to stay connected as they travel or telework, eliminating the need to return

devices when moving to another position and furthering mission and user effectiveness.

The Department's also continued efforts to advance a culture of smart risk management to enable agility and innovation. Risk@State is the Department's one-stop-shop for risk management resources. Department of State employees are encouraged to utilize and adapt these resources to guide their risk management efforts. Through the Success@State series, we have shared stories from colleagues around the world who took risks to advocate for LGBTQ+ persons, counter racism, and mitigate COVID-19.

In October 2023, Deputy Secretary for Management and Resources Verma will convene his first global town hall alongside Chief Information Officer Dr. Kelly Fletcher and Chief Data and Artificial Intelligence Officer Dr. Matthew Graviss, where they will illuminate various facets of technological and innovative advancements, ranging from Artificial Intelligence and data science to emerging technologies, all underpinning a transformative culture for the ensuing era of American diplomacy. Our Center for Analytics also partnered with a range of bureaus to leverage data as a critical instrument of diplomacy, surging analytic resources to top-priority foreign policy and management challenges, and facilitating Department personnel around the world to obtain the right data at the right time.

The Department continued to make progress on major management and performance challenges, some of which are flagged in this OIG report. A key success this past year was the marked progress in improving its cybersecurity posture. Recently, the Office of Management and Budget provided agencies with a set of five precise 2023 implementation targets defined as the President's five high-impact cybersecurity practices by the end of 2023: (1) multi-factor authentication; (2) endpoint detection and response; (3) encryption; (4) logging; and (5) establishing skilled security teams. The Department has met three of these five targets and has provided the requested timeline and plan for compliance with the remaining two, which are logging and establishing skilled security teams.

The Department appreciates the information and constructive feedback in this OIG assessment. The streamlining of key issues into three major areas makes OIG's report easier to digest not only to the Department, but to all OIG stakeholders, including Congress and the public. The Department commits to continue to address major challenges and take corrective actions in response to OIG findings and recommendations and welcomes continued cooperation with the OIG towards that end. Department responses are summarized in the respective sections that follow.

## Safety and Security

The Department of State is responsible for advancing the interests and security of Americans abroad through the implementation of U.S. foreign policy. As such, it operates in more than 190 countries around the world. Given the geographical breadth and diversity of its operating environments, safeguarding its personnel, property, and

information against hostile or natural threats is a perennial challenge for the Department.

Much of our oversight work related to safety and security is classified; the unclassified examples and findings that follow represent only a fraction of what our work reveals about this challenge. Our routine inspections of U.S. embassies and consulates abroad are the primary source of insight on this

challenge. As of the end of 2023, OIG was tracking 575 open recommendations designed to guide the Department toward improvements in these areas.

### Ensuring the Safety of Personnel

One aspect of this challenge is ensuring the health and safety of Department personnel and their families. The Department has extensive rules and policies with this aim, but it struggles to ensure compliance with its own standards. Issues most commonly identified include failures to:

- Perform seismic evaluations of residential and non-residential properties,
- Enforce driver duty limits and training requirements related to operating official vehicles,
- Complete and document safety certifications for residential properties,
- Correct identified safety deficiencies at residences before occupancy,
- Mitigate the fire and life-safety risks of high-rise residential properties, and
- Implement fire protection programs at facilities and residences.

In 2023, our work contained 116 recommendations to remedy deficiencies like those listed above.

From Beirut to Buenos Aires and beyond, we identified many opportunities for the Department to bring its overseas operations in line with standards meant to protect its people. For example, in Lebanon, the embassy could not provide documentation demonstrating it had an active fire watch program, performed daily checks of the fire alarm panel, completed monthly inspections of all residential and non-residential fire extinguishers, or performed

monthly tests of the emergency lighting systems, all important elements of the Department's fire protection program.<sup>3</sup>

Also in 2023, we conducted an audit related to the Department's temporary structures – such as containerized housing units, hardened alternative trailers, and shipping containers – that serve as residential or functional space at overseas posts when permanent structures for these purposes are unavailable. We conducted testing on six posts to determine whether the Department managed the use of temporary structures at overseas posts in compliance with applicable physical security standards and procedures. We found that the Department could not provide an accurate or complete inventory of temporary structures at posts. Moreover, for those that were inventoried, we identified some temporary structures that did not comply with the Department's physical security standards and did not have required waivers or exceptions to those standards, which gives the Department limited assurance that physical security mitigation actions have been taken to address security and life safety concerns.<sup>4</sup>

### Planning for a Crisis

Another aspect of this challenge is emergency or crisis preparedness. Again, the Department struggles to meet its own standards. Our inspection work often finds failures to:

- Implement emergency exit plans in non-residential facilities,
- Regularly test emergency lighting systems in its facilities,
- Stay current with consular crisis preparedness activities, including maintaining a crisis response planning handbook and list of host country emergency contacts, and
- Regularly conduct drills in accordance with standards.

<sup>3</sup> OIG, *Inspection of Embassy Beirut, Lebanon* (ISP-I-23-10, April 2023).

<sup>4</sup> OIG, *Audit of Physical Security Standards for Department of State Temporary Structures at Selected Overseas Posts* (AUD-SI-23-30, September 2023).

Although sometimes overlooked due to competing priorities, our work attempts to highlight how vitally important it is for the Department's posts to meet emergency preparedness standards in an increasingly unstable world. For example, in Nigeria, we found the mission's consular crisis preparedness did not fully comply with Department guidance. Consular personnel were unfamiliar with the emergency action plan, did not know what their roles might be in a crisis, had not received relevant training, and did not believe the Consular Section was fully prepared to respond to a crisis. Staff told OIG they did not make time for more crisis management training or exercises due to staffing gaps and a demanding workload.<sup>5</sup>

### Safety and Security in Contingency and Crisis Environments

The Department operates in countries that face critical terrorism, political violence, and crime threats. Emergency planning and crisis preparedness challenges at these posts are often exacerbated by security threats, evacuations, and other disruptions. A salient example is described in our classified *Review of Emergency Action Planning Guiding the Evacuation and Suspension of Operations at U.S. Embassy Kabul*, which sought to determine whether the embassy followed established Department guidance in preparation for and execution of the evacuation of U.S. Government personnel, U.S. citizens, Afghans at risk, and others from Afghanistan in August 2021.<sup>6</sup>

The unclassified summary of this report explains that while Embassy Kabul complied with applicable emergency planning guidance and took some preparatory actions, it was not fully prepared for the challenges it encountered. Among other things, we found that embassy leadership's concerns that overt evacuation planning would cause panic and undermine

support for the Afghan government resulted in unclear communication with embassy personnel about the timing and scope of a potential evacuation. This lack of communication caused confusion among staff and reduced the preparedness of some personnel for an evacuation. We also found that the embassy did not have clearly defined eligibility criteria for the evacuation and used unreliable data regarding the potential number of evacuees. This resulted in a far greater number of people being evacuated than had been anticipated. We further found that, as the evacuation was unfolding, unclear leadership, logistical changes, and communication issues contributed to the chaos around the evacuation at the international airport in Kabul.<sup>7</sup>

### Protecting its Information

The Department depends on information systems to function, and the security of these systems is vital to protecting national and economic security, public safety, and the flow of commerce. The Department acknowledges that its information systems and networks are subject to serious threats that can exploit and compromise sensitive information, and it takes steps to address these concerns. Nonetheless, some of the failures our work continues to identify include failures to:

- Develop and test contingency plans,
- Ensure information systems security officers perform all required duties,
- Maintain safe and secure server rooms,
- Monitor and configure dedicated internet networks, and
- Adhere to records management standards.

In 2023, our work included more than 140 recommendations to remedy deficiencies like those listed above.

<sup>5</sup> OIG, *Inspection of Embassy Abuja and Constituent Post, Nigeria* (ISP-I-23-09, June 2023).

<sup>6</sup> OIG, *Review of Emergency Action Planning Guiding the Evacuation and Suspension of Operations at U.S. Embassy Kabul, Afghanistan* (AUD-MERO-23-15, May 2023).

<sup>7</sup> OIG, *Information Brief: OIG's Review of the Department of State's Evacuation of U.S. Embassy Kabul, Afghanistan* (AUD-MERO-23-33, September 2023).

For instance, the annual audit of the Department's information security program found, as in previous years, that it did not have a fully implemented program based on evidence of security weaknesses identified in eight of nine domains, including risk management, configuration management, identity and access management, and security training. The information security standards that form the criteria for this audit represent foundational guidelines for managing and reducing cyber risk by protecting networks and data. The Department's persistent inability to comply with those standards creates significant risk and will be a continued focus of our work. To illustrate, we are tracking 11 significant recommendations stemming from these annual security audits, two of which date to 2015, that the Department still has not taken sufficient action on to close.<sup>8</sup>

In another example, we inspected the Bureau of Information Resource Management's Mobile and Remote Access Division and found that the division did not perform all information system security officer duties for its own systems or for the enterprise mobile devices it manages for the Department. This is a deficiency that places at risk IT security for approximately 83,000 mobile devices worldwide.<sup>9</sup>

### Progress

The Department understands and is engaged on its safety and security challenges. For example,

the Bureau of Diplomatic Security, along with the Bureau of Overseas Buildings Operations, took the necessary steps to close an outstanding OIG recommendation that called on them to develop standardized designs for physical security structures for use at volatile posts in high-threat, high-risk areas around the world. We issued this recommendation in a 2019 audit of the execution of security-related construction projects at Embassy Kabul in response to finding that a typical design development and design review process could take up to 18 months, which is unacceptable for urgent physical security upgrades intended to protect personnel and property from potential attacks. Closing this recommendation gives the Department a valuable tool for addressing urgent physical security projects in conflict areas and other high-threat environments.<sup>10</sup>

Related to information security, the Department took action during 2022 to address some longstanding deficiencies, leading to the closure of 12 recommendations made in prior audit reports. The actions taken also led to an improved maturity rating for two of nine domains assessed in the annual audit of its information security program – supply chain risk management and security training.

Additionally, during the reporting period, the Department demonstrated it had taken the necessary actions to close 291 recommendations related to safety and security of personnel and property and information security.

### Management Response

Safety and security remain the number one priority for the Department. While this year's management challenges highlighted some

areas for opportunity, the Department has made considerable progress on safety, facilities, crisis management, and cyber concerns.

<sup>8</sup> OIG, *Audit of the Department of State FY 2023 Information Security Program* (AUD-IT-23-31, September 2023).

<sup>9</sup> OIG, *Inspection of the Bureau of Information Resource Management's Mobile and Remote Access Division* (ISP-I-23-23, June 2023).

<sup>10</sup> OIG, *Audit of the Execution of Security-Related Construction Projects at U.S. Embassy Kabul, Afghanistan* (AUD-MERO-19-14, September 2019).

The Department continues to provide the most effective facilities for U.S. diplomacy abroad. The Department's overseas diplomatic real estate portfolio, managed by the Bureau of Overseas Buildings Operations (OBO), is comprised of over 25,000 properties valued at \$73.7 billion, spanning 289 locations in more than 175 countries and directly supporting more than 91,000 personnel from approximately 30 U.S. Government agencies with 16,000 residential leases in a wide range of operating environments overseas under Chief of Mission authority.

With a constant focus on employee safety overseas, the Department continues to set higher standards when it comes to safety and health. In 2023, the Department improved its collection of Post Occupational Safety and Health certification documentation for residential properties by 11 percent and for non-residential properties by 18 percent. Furthermore, the Department expanded the number of posts in its successful DriveCam program to 29 and implemented lessons learned from this program to all posts, saving lives and reducing hospitalizations by 20 percent. The DriveCam program installs event data recorders in motor vehicles in difficult driving environments around the world, resulting in safer driving and reduced motor vehicle fatalities by identifying risky driving and holding drivers accountable through coaching and discipline.

The Department continued to improve its driver safety and armored vehicle familiarization training program for overseas posts increasing the number of certified instructors to over 300 and conducting 60 yearly train-the-trainer seminars who, in turn, train thousands of American and local national drivers worldwide. OBO documents driver training and duty hours as part of mishap reporting and audits driver training and duty limits during site visits, records

findings and assessments in online tracking systems that requires post compliance and shares these reviews and records with the OIG in advance of post inspections as well, a testament to the effective partnership between the OIG and the Department.

The Department continues to improve its fire protection program for its overseas posts. The Department includes and constantly refines post certification of fire prevention controls in its annual Statement of Assurance process. OBO has added new specifications to its Real Property Application that allow the Department to better distinguish high-rise facilities and, as a result, implement appropriate fire safety measures and training for those properties. Also, staffing increases to the Office of Fire Protection will allow the Department to increase the average frequency of fire/life safety assessments at posts from two years to 12-15 months.

The Department is appreciative of the OIG's continued reviews of safety and security through audits like that related to temporary structures. The Department shares the OIG's concerns about posts changing the use of shipping containers from their originally intended purpose of transporting goods without obtaining required authorization, permits, and waivers. Shipping containers are categorized as personal property and are not recorded in the Department's real property application as real property unless their conversion is authorized by the Department for the newly intended use to ensure the safety and security of the converted structure, whether occupied or not. Although the Department does not categorize its real property in terms of "temporary" and "permanent" outside the built environment, the Department is working to improve existing guidance in the Foreign Affairs Manual requiring posts to request authorization and permits before changing the intended and permitted

use of any structure. The Department is also working to develop definitions, naming and categorization convention of real property assets to ensure such structures are recorded in the Department's real property inventory in a standardized and consistent manner.

In 2023, the Department managed eight evacuations and responded to several crises ranging from coups, natural disasters, to civil unrest, along with new, and continuing conflicts in Israel, Sudan, Ukraine, Azerbaijan, and Armenia. Optimizing lessons learned from previous crises resulted in improved preparedness and response efforts. On crisis management training, the Foreign Service Institute incorporated leadership, strategic communication, and personnel accountability as a focal point. As a result, the Department increased overall participation in overseas training, expanding its reach beyond our personnel to the U.S. military, host nation counterparts, and community partners.

Additionally, the Department increased its use of data and technology to monitor and assess risks through its launch of a crisis data management campaign. While each crisis was different, the crisis data campaign represented a renewed conglomeration of the tools required to safely prepare for and respond to any crisis. Improved preparedness, contingency planning, communication tools, and resources enabled the Department to respond more effectively in the most recent crises. For example, in Sudan, the Department launched an extensive campaign, contacting every U.S. citizen using who wished to depart the country via the land route. The Department continues to conduct and collect lessons learned to adapt and tailor our crisis management program.

The Department remains committed to adopting and embedding the best cybersecurity practices into our culture. As a result, we continue to improve our cybersecurity posture

and provide transparency internally and with our partners in other Federal agencies. The Department's 2023 Annual FISMA Report demonstrates our continued efforts to improve IT security by prioritizing and aligning initiatives with Executive Order 14028. The Department has strengthened its investment in a Zero Trust architecture, expanding the number of systems utilizing secure cloud capabilities and implementing multi-factor authentication, data-at-rest, and data-in-transit encryption across the enterprise. In the third quarter of 2023, the Department exceeded 90 percent of FISMA systems compliant with multi-factor authentication, data-at-rest, and data-in-transit requirements.

The Department is also establishing the National Institute of Standards and Technology Supply Chain Risk Management Framework to identify critical software and secure hardware and software purchases that enhance our IT security environment. The Department has drafted a cyber supply chain risk management policy, which is presently under review. The Department plans to continue refining and implementing risk management indicators, developing cybersecurity governance policies, and collaborating with partners across the Federal Government to guide investment and leadership decisions and enhance our overall cybersecurity posture. In 2022, 311 FISMA systems were authorized out of 436, or 71 percent. In 2023, 372 FISMA systems were authorized out of 433, or 86 percent. This increase demonstrates a rise in the number of authorized systems by 15 percent.

Currently, the percentage of high impact systems authorized is 95 percent, while the percentage of moderate impact systems authorized has reached 91 percent. The creation of bureau cyber risk scorecards has increased visibility of key risk metrics and is helping inform senior leaders of gaps in their organization's cybersecurity posture.

## Stewardship

The Department has significant resources – financial and otherwise. Whether its resources are used for core operations or destined for contracts, cooperative agreements, or grants that further foreign assistance programs, the Department's ability to manage its significant resources efficiently and effectively continues to be a challenge.

### Oversight of Federal Funding Instruments

Those responsible for overseeing contracts, grants, and agreements must:

- Monitor and document performance,
- Confirm that work has been conducted in accordance with the terms of the contract, grant, or agreement,
- Hold partners accountable for nonperformance, and
- Ensure that costs are effectively contained.

Deficient oversight in any of these duties can lead to delays, have significant cost implications for the Department, and undermine advancement of the Department's policy goals. As of the end of 2023, OIG was tracking 141 open recommendations intended to improve contract and grant oversight at the Department.

In an example from 2023 work, during an audit related to the construction of a new embassy compound in Mexico City, Mexico, we learned of ongoing and increasing delays to the construction project that would impact the date buildings would be ready for occupancy. We reported that bureaus responsible for the relevant contract administration processes – the Bureau of Overseas Buildings Operations (OBO) and the Bureau of Administration, Office of the

Procurement Executive, Office of Acquisitions Management (AQM) – did not fully comply with Department guidance addressing schedule delays. For example, OBO and AQM did not determine the type of delay, document the delay, develop the government's position, discuss the government's position with the contractor, adjust the government's position based on the discussions with the contractor, and prepare a final decision. As a result, the Department could not be certain that the contractor would meet the contractually required substantial completion date.<sup>11</sup> Moreover, we found that the Department, in response to a contractor request for a schedule extension, issued a unilateral modification to the contract without determining whether an extension was justified. As a result, the Department will accrue additional expenses to complete the new embassy compound project.<sup>12</sup>

In another example, we conducted an audit to determine whether selected recipients of cooperative agreement funds supporting refugee resettlement support centers – overseas centers that assist in the processing of refugee applications – adhered to applicable Federal requirements. We found that the recipients audited did not always comply with requirements, due in part to insufficient oversight by the Bureau of Population, Refugees, and Migration, which could result in inconsistent refugee application information being processed. In addition, refugees can wait years for the adjudication process to be completed, and inconsistent application information could delay the already lengthy process. Additionally, selected award recipients did not always spend funds in accordance with Federal requirements and award terms and conditions, which led us to question more than \$750,000.<sup>13</sup>

<sup>11</sup> OIG, *Management Assistance Report: Actions To Address Ongoing Construction Schedule Delays at New Embassy Compound Mexico City Are Needed* (AUD-CGI-23-16, April 2023).

<sup>12</sup> Ibid.

<sup>13</sup> OIG, *Audit of Selected Cooperative Agreements Supporting Department of State Refugee Resettlement Support Centers* (AUD-SI-23-28, September 2023).

## Financial and Property Management

Internal controls over financial and property management have historically been a challenge for the Department. Weaknesses in property and equipment management were initially reported during the audit of the Department's 2005 financial statements and have persisted since then. In 2022, the Department's internal control structure continued to exhibit several deficiencies that negatively affected the Department's ability to account for real and personal property in a complete, accurate, and timely manner. An independent contractor concluded that the combination of property-related control deficiencies was a significant deficiency. The individual deficiencies identified were related to overseas real property, domestic construction projects, leases, personal property, and software. The audit also identified internal control deficiencies related to unliquidated obligations and financial reporting.<sup>14</sup>

Another audit highlighting financial management issues related to the Department's furniture and appliance pool program, which consolidates the purchase, replacement, refurbishment, maintenance, inventory control, warehousing, pick-up, delivery, and disposal of residential furniture and equipment at overseas posts. We looked specifically at whether the Department established fees for participation in the program in accordance with policies and procedures and found that posts did not set fees in accordance with requirements. For example, posts did not always maintain and use reliable inventory and financial data, which impacted fee determinations. Without quality data, proper asset management practices, and key documentation, program personnel cannot reliably or effectively determine current and future program financial needs and

are hindered from establishing fees that will provide the appropriate level of funding to cover costs without accumulating excess funds.<sup>15</sup>

## Stewardship in Contingency and Crisis Environments

For programs and posts operating in contingency and critical environments, pervasive security concerns, dramatic swings in personnel and funding, and widespread reliance on contractors and grantees all serve to contribute further to the Department's stewardship challenge.

In an inspection of the Bureau of International Narcotics and Law Enforcement Affairs, we found that the bureau reassessed and significantly reduced its assistance programs in Afghanistan following the Taliban takeover in August 2021, but did not update the risk assessment and monitoring plans for all its Federal assistance awards that continued there after the U.S. withdrawal. Failure to update these plans elevates the risks of waste, fraud, and mismanagement and could impede program performance and outcomes.<sup>16</sup>

We also reported that the Department did not adequately identify contracts that would require termination prior to or after the suspension of operations in Afghanistan. The Bureau of Administration did not have a process defined in its policy and procedures to facilitate the identification of unneeded contracts following a suspension of operations. Consequently, the Department was unprepared to promptly terminate unneeded contracts and deobligate excess contract funds for application to other purposes.<sup>17</sup>

In another review, OIG found that Embassy Kyiv had not updated its Integrated Country

<sup>14</sup> OIG, *Independent Auditor's Report on the U.S. Department of State FY 2022 and FY 2021 Financial Statements* (AUD-FM-23-07, November 2022).

<sup>15</sup> OIG, *Audit of Department of State Procedures To Establish Program Fees for the Furniture and Appliance Pool Program* (AUD-FM-23-22, June 2023).

<sup>16</sup> OIG, *Inspection of the Bureau of International Narcotics and Law Enforcement Affairs* (ISP-I-23-08, January 2023).

<sup>17</sup> OIG, *Audit of Department of State Efforts To Identify and Terminate Unneeded Contracts Related to Afghanistan* (AUD-CGI-23-26, September 2023).

Strategy due to staffing limitations related to the embassy's closure and subsequent reopening in wartime conditions. The Integrated Country Strategy is a whole-of-government strategic planning document that establishes goals, objectives, and sub-objectives for an embassy. Without an updated strategy, Department bureaus and other agencies lacked guidance for designing programs and developing performance indicators aligned with common strategic goals.<sup>18</sup>

### Progress

During OIG's review of foreign assistance coordination and oversight at Embassy Kyiv,<sup>19</sup>

the Department began to draft a Ukraine assistance strategy for 2023–2025. Additionally, the embassy has since updated its Integrated Country Strategy, as OIG recommended in the review. Such action is vital to ensure that Department bureaus and agencies can design programs linked to whole-of-government priorities and ensure alignment of policy, planning, resources, and program decision making.

Additionally, during the reporting period, the Department demonstrated it had taken the necessary actions to close 129 recommendations related to stewardship.

### Management Response

The Department benefits from the OIG's review of its processes such as those outlined in the Management Assistance Report on construction schedule delays at the New Embassy Compound in Mexico City. Regarding the OIG's reference that the Department, in response to a contractor request for a schedule extension, issued a unilateral modification to the contract without determining whether an extension was justified, the Department is pleased to share its progress since the OIG published its report. The Bureau of Administration, OBO, and the general contractor settled a contract claim that resulted in equitable adjustment for COVID-19 related delays and expenses.

OBO continues to engage with peers in the government and its Industry Advisory Group for leading-edge best practices to make project schedules as practical and efficient as possible. For example, through OBO's formal partnering initiative OBO engages with contractors throughout the projects to identify and resolve contract disputes,

including schedule disputes. In addition, OBO and the Bureau of Administration signed a Service Level Agreement to address improved Departmental collaboration for procurement in areas such as scope, performance dependencies, performance measures, governance, and issue management.

The Department appreciates the OIG's careful review of property management financial statements. Regarding the significant deficiency in internal controls for accounting for real and personal property in a complete, accurate, and timely manner, the Bureau of the Comptroller and Global Financial Services (CGFS) continues to work closely with multiple Department stakeholders including OBO, and the Bureau of Administration's Office of Real Property Management and Office of Logistics Management, to improve financial reporting and operational controls. CGFS has established working groups to collaborate with real and personal property program level leaders in the effort to identify control risks, recommend improvements,

<sup>18</sup> OIG, *Review of Ukraine Foreign Assistance Coordination and Oversight* (ISP-I-23-18, July 2023).

<sup>19</sup> *Ibid.*

develop sound policy, and implement changes across the organization. While there is still more to achieve in this area, CGFS has successfully implemented additional reconciliation and cut-off procedures for overseas and domestic real property acquisitions and disposals to improve the accuracy and timing of reporting. CGFS has also worked closely with the Office of Real Property Management and Office of Logistics Management on recommendations for additional user communications and potential system updates to the Integrated Logistics Management System (ILMS) to assist in improving personal property reporting.

The Department property portfolio is highly complex and requires stakeholders, worldwide, to participate in property acquisitions, inventory, reporting, and sound stewardship controls. Designing appropriate controls for this environment is equally as complex. CGFS is committed to continuing to provide sound financial internal control recommendations and expects that our recent changes as well as our continued collaboration with Department property stakeholders will reduce this deficiency over time.

The Bureau of European and Eurasian Affairs began drafting a Ukraine foreign assistance strategy in November 2022 to guide allocation of resources for Ukraine after the full-scale invasion in February of that year. In the course of OIG's review of foreign assistance coordination and oversight at Embassy Kyiv, the Department and interagency adopted the draft strategy, which continues to evolve.

Mission Ukraine engaged in the Integrated Country Strategy (ICS) development process from the Department's launch in November 2021 until February 2022, when the Russian invasion of Ukraine put the process on hold given the immediate crisis and staffing drawdown. After the reopening of

U.S. Embassy Kyiv, the Department continued to offer support to the mission to redevelop and finalize its ICS. The Department published the current Ukraine ICS in September 2023, thus closing the OIG recommendation in ISP-I-23-18. The ICS will serve as a management tool for Mission Ukraine to align policy, planning, programs, and resources in light of the ongoing challenges posed by the Russian invasion.

The Department concurred with all eleven recommendations of the OIG's audit of the procedures to establish fees for furniture and appliance pools. CGFS and the Bureau of Administration, in responding to the recommendations, have identified actions (some planned before the audit) to address deficiencies. These include increased training for staff overseas who manage furniture pools, making systems changes to the Department's property management application to eliminate data entry errors and increase data integrity in the system, and reviewing and updating policies and procedures to clarify language and to support and incentivize post compliance with policies and guidelines. Over its first nine months of operation, the office collaborated with CGFS staff to assist 96 posts to improve data integrity related to more than 11,000 assets with more than \$5 million in funding, aligning them properly in the system. Such improvements, which will continue to be high priorities for both bureaus, improve internal controls and the accuracy of the data used for budgeting.

The Office of Logistics Management continues to work with CGFS to address OIG's recommendations of establishing fees for participation in the program in accordance with policies and procedures. Recent examples of steps the Office of Logistics Management has taken to identify gaps and improve the processes to strengthen internal management

controls, while simultaneously improving data integrity through systems enhancements and dedicating staff to assist posts in cleaning up their data, are listed below.

- The primary cause of errors in the Furniture and Appliance Program (FAP) data is manual entry at post for the agency code field in ILMS. To prevent future FAP data errors, we automated the process of assigning the FAP Agency Code to assets that were purchased with FAP funds using the global residential catalog. Working with the ILMS Analytics team, the FAP Unit reviewed and improved the Asset Class table in ILMS to simplify and streamline FAP asset data.
- Since the beginning of 2023, the team has responded to 377 FAP service request tickets from just over 100 posts where close to 13,000 asset agency code challenges were addressed, correcting the proper alignment of \$6.2 million in FAP funds.
- The Office of Logistics Management created a “Received Damaged/ Discrepancy” button when receiving assets and added a “Cancelled” status for vendor payments. These improvements streamline the process of identifying and addressing issues with damaged or inaccurate shipments and cancelled payments.
- The Bureau of Administration and CGFS continue discussions on the budget and resource requirements necessary to establish an operation that provides direct oversight and guidance of the FAP program.

As noted in OIG’s inspection report, the Bureau of International Narcotics and Law Enforcement Affairs’ (INL) Afghanistan assistance programs that remained after the suspension of Embassy Kabul’s operations in August 2021, were determined as part of a “stoplight” risk assessment process that was led by the National Security Council. In response to the OIG inspection report (ISP-I-23-08, January 2023), INL began reassessing risk for the remaining programs from May 2023 to August 2023. Despite the significant reduction in INL programming in Afghanistan, the reassessment took a considerable amount of time due to the complexity of risks involved, a significant changeover in staff, and several complex issues such as abandoned assets and counterterrorism considerations. Since the “stoplight” risk assessment, some INL programs for Afghanistan have closed and there are additional plans for program closure. INL has several ongoing activities to monitor program risk. Going forward, INL will be reassessing risks for Afghanistan programs at least annually.

### Staffing and Organizational Structure

The Department must recruit, retain, and sustain a diverse and talented workforce that is prepared to advance the Department’s foreign policy mission and priorities in every corner of the world. Given the vital nature of that mandate, OIG identifies managing human capital and designing and maintaining an organizational structure that conveys clear lines of authority and responsibility as a major management challenge facing the Department.

The kinds of workforce or human capital management issues that OIG’s work identifies varies widely, but it tends to include staffing gaps, frequent turnover, and inexperienced and undertrained staff. Our work also often highlights structural issues that confuse staff, lead to gaps or overlap in authority, and ultimately weaken accountability. As of the end of 2023, OIG was tracking 72 open recommendations designed to guide the Department toward improvements in these areas.

An example of personnel and internal coordination weaknesses is found in our audit of the management and administration of the Consular Systems Modernization program. The program was conceived to modernize and consolidate approximately 90 discrete consular legacy IT systems into a common technology framework for the Bureau of Consular Affairs (CA). The program is expensive and has broad implications for the bureau's ability to meet its mission, which, among other important duties, includes issuing passports, visa, and other documents to citizens and foreign nationals to facilitate travel to and from the United States.

We found that bureau leadership did not ensure that the program was properly designed to meet its goals. Furthermore, insufficient management oversight from key Department bureaus contributed to problems with the program. Responsible personnel failed to:

- Develop a monitoring plan that complied with Department guidance,
- Evaluate the program, and
- Perform required reviews.

Among other factors, we found that unqualified project managers contributed to the deficiencies we identified with the program. Of the seven project managers appointed to projects within the Consular Systems Modernization program, we found that none could provide a record of having taken the required training, none could provide a record of having met the annual continuing professional education requirement, and three stated that they did not believe they had received sufficient training to successfully execute the responsibilities of their respective positions. Moreover, we found that bureau leadership did not consider the experience of

personnel before assigning them to project management positions.<sup>20</sup>

### Staffing and Organizational Structure in Contingency and Crisis Environments

As with security and stewardship, the Department must sometimes face its staffing and organizational structure challenge in contingency and crisis environments, which simultaneously exacerbates its effects and makes it more difficult to address the underlying challenge. For example, we inspected both Embassy Juba, South Sudan,<sup>21</sup> and Embassy Khartoum, Sudan,<sup>22</sup> during this fiscal year, and both reports highlighted longstanding and pervasive staffing challenges for these posts, the latter of which underwent a suspension of operations in April 2023. In Juba, we noted that because of limited staffing, the embassy's management struggled to address communication, coordination, and internal control deficiencies. Chronic staffing shortages in the consular, public diplomacy, and political sections at Embassy Khartoum weakened the embassy's ability to advance U.S. foreign policy interests in a strategically important and unstable country.

In an inspection of the Afghanistan Affairs Unit, the center of diplomatic operations in Doha that was formalized after the Department suspended operations at Embassy Kabul in August 2021, Department and interagency stakeholders told OIG they were unclear about the lines of responsibility among the multiple Department entities that had a role in managing U.S. Government policy or programs for Afghanistan. We learned of instances where multiple entities or individuals assumed they had the lead on a particular policy or an activity, which resulted in mixed messages or instructions.<sup>23</sup>

<sup>20</sup> OIG, *Audit of the Management and Administration of the Consular Systems Modernization Program* (AUD-CGI-23-20, July 2023).

<sup>21</sup> OIG, *Inspection of Embassy Juba, South Sudan* (ISP-I-23-12, April 2023).

<sup>22</sup> OIG, *Inspection of Embassy Khartoum, Sudan* (ISP-I-23-13, March 2023).

<sup>23</sup> OIG, *Inspection of the Afghanistan Affairs Unit* (ISP-I-23-05, November 2022).

Similarly, we reported that multiple Ambassadors present in Kabul during the evacuation operations from the Hamid Karzai International Airport caused confusion. Although Department staff told OIG that the presence of a second Ambassador was an asset, Department staff also said that having two people perform the role of the Chief of Mission led to uncertainty about leadership among DoD officials leading the evacuation.<sup>24</sup>

### Progress

We recommended that the Bureau of South and Central Asian Affairs delineate and publicize the

roles and responsibilities of the Afghanistan Affairs Unit and other Department offices that deal with Afghanistan issues. During the reporting period, the Department took the appropriate action to close the recommendation. We believe such action has the potential to help the Department avoid duplication of effort, delayed action, and resource misallocation in its Afghanistan-related policies and programs.<sup>25</sup>

During the reporting period, the Department demonstrated it had taken the necessary actions to close 46 recommendations related to staffing and organizational structure.

### Management Response

The Department is committed to recruiting, retaining, and sustaining a diverse and talented workforce that is enabled and equipped to advance the Department's foreign policy mission and priorities in every corner of the world. As noted above, the Modernization Agenda is focused on ensuring the Department's organizational structure and workforce are equal to the task of advancing U.S. foreign policy priorities around the world. In an era of limited resources, the Department has launched new efforts to improve recruitment and ensure that staffing is appropriately aligned to Department priorities.

In 2023, to continue to attract top talent that represents all segments of society, the Department expanded its Talent Sourcing Unit, launched the William D. Clarke Sr. Diplomatic Security Fellowship Program, onboarded the first Colin Powell Leadership Program cohort, and expanded the paid student internship program. Additionally, the representation of employees with disabilities increased from

14.3 percent to 16.8 percent over the last two years. To help fill Civil Service positions more efficiently and effectively, the Department secured direct-hire authority for the Foreign Affairs occupational series from OPM and is setting up a Civil Service Strategic Hiring Support Unit. To attract and retain science, technology, engineering, and mathematics talent, the Department expanded its Student Loan Repayment Program to all Civil Service employees in science, technology, engineering, and mathematics positions.

The Department is committed to retaining employees by providing and enhancing professional development opportunities and improving the overall employee experience. In addition to the new Learning Policy noted earlier in this report, the Bureau of Global Talent Management (GTM) launched the Professional Development Mobility Program to foster career growth for Civil Service employees while aligning with mission critical needs. The Department also is in the process

<sup>24</sup> OIG, *Information Brief: OIG's Review of the Department of State's Evacuation of U.S. Embassy Kabul, Afghanistan* (AUD-MERO-23-33, September 2023).

<sup>25</sup> Ibid.

of expanding domestic and overseas detail opportunities, fellowships, and other external development opportunities for Foreign Service and Civil Service employees to help them grow and gain knowledge and experience in critical mission subject areas. In support of the Secretary's Modernization Agenda, GTM's Retention and Employee Experience Unit undertook a detailed investigation of retention and employee experience challenges faced by the Department and is finalizing the first-ever Talent Retention Plan that will include policy and program recommendations.

Despite these efforts, staffing shortfalls continue across all regions worldwide, including posts in contingency and crisis environments which impair these posts' capacity to manage different types of crises, as highlighted in recent OIG reports. The Department continues to address these issues in various ways. Sometimes, staff from Washington are deployed at posts in advance of a crisis or during it, to provide additional support, as in the case of Ukraine and in Sudan, as the Department sent out advanced teams. In other cases, the Department augments posts through the establishment of a task force, representing another tool to unify response efforts.

Understaffing is a particular concern for the Bureau of African Affairs (AF) both overseas and domestically. Despite the inclusion of two

additional posts, Bamako and Ouagadougou, in the Special Incentive Posts program this year, current incentives are insufficient to attract the staff needed, and making cost neutral adjustments is not enough. AF has multiple barriers to overseas recruitment, including security concerns and restrictions, lack of quality health care, limited schooling options, remoteness, and expense of traveling back to the United States, and poor physical infrastructure. Aggravating the issue is the fact that the Department itself is not fully staffed. With a deficit of employees in many skill codes and at many levels, our voluntary assignments system perpetuates staffing gaps at our seemingly less-appealing posts.

To address personnel and internal coordination weaknesses and increase the oversight of the Consular Systems Modernization in the Consular Systems Modernization (CSM) program, the Department directed the Bureau of Consular Affairs to lead a new working group and report quarterly to the Under Secretary on the working group's activities and progress toward key milestones. The working group is developing a model that tracks the three pillars of measuring performance of CSM: investments, vehicles, and outcomes. In the end, an interactive dashboard is envisioned to enable better transparency and visibility into the health of CSM and eventually all our programs.



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