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IMPROVING THE EFFICIENCY AND EFFECTIVENESS OF THE DEPARTMENT OF STATE

HEARING

BEFORE THE

SUBCOMMITTEE ON STATE DEPARTMENT AND USAID MANAGEMENT, INTERNATIONAL OPERATIONS, AND BILATERAL INTERNATIONAL DEVELOPMENT

OF THE

COMMITTEE ON FOREIGN RELATIONS UNITED STATES SENATE

ONE HUNDRED FOURTEENTH CONGRESS

FIRST SESSION

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CONTENTS

	Page
Hon. David Perdue, U.S. Senator From Georgia	1
Hon. Tim Kaine, U.S. Senator From Virginia	2
Hon. Steve A. Linick, Inspector General, U.S. Department of State, Washington, DC	2
Prepared statement	4

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

Responses to questions submitted for the record by Senator Perdue	25

IMPROVING THE EFFICIENCY AND EFFECTIVENESS OF THE DEPARTMENT OF STATE

TUESDAY, APRIL 21, 2015

U.S. SENATE, SUBCOMMITTEE ON STATE DEPARTMENT AND USAID MANAGEMENT, INTERNATIONAL OPERATIONS, AND BILATERAL INTERNATIONAL DEVELOPMENT, COMMITTEE ON FOREIGN RELATIONS,

Washington, DC.

The subcommittee met, pursuant to notice, at 10:06 a.m., in room SD–419, Dirksen Senate Office Building, Hon. David Perdue (chairman of the subcommittee) presiding.

Present: Senator Perdue, Johnson, Kaine, and Murphy.

OPENING STATEMENT OF HON. DAVID PERDUE, U.S. SENATOR FROM GEORGIA

Senator PERDUE. Both of us are in order, so we will proceed. [Laughter.]

Senator PERDUE. This hearing of the Subcommittee on State Department and USAID Management, International Operations, and Bilateral International Development is entitled "Improving the Effectiveness of the State Department."

I would like to begin by welcoming our witness, Inspector General of the State Department and Broadcasting Board of Governors, Steve Linick.

Steve, thank you for being here today. I understand you changed your schedule to be here today, and we very much appreciate that and look forward to your testimony.

The OIG is dedicated to assessing the State Department's programs and operations, and making recommendations to strengthen its integrity, effectiveness, and accountability. As such, the OIG is dedicated to detecting and preventing waste, fraud, abuse, and mismanagement.

Today's hearing will be an important opportunity to examine the State OIG's mission and oversight efforts, your new initiatives, and to hear about any challenges you face in carrying out your mission. It has come to our attention, Mr. Linick, that there are a number of things that we, in Congress, can do to help you in your job. I look forward to discussing those with you this morning and to get your insights.

As you may know, Chairman Corker is leading the effort to draft and pass into law the first State Department reauthorization bill in 13 years. We certainly welcome your suggestions.

With that, I would like to thank and recognize our ranking member, Senator Kaine. I look forward to working with you on these important issues.

Senator Kaine.

OPENING STATEMENT OF HON. TIM KAINE, U.S. SENATOR FROM VIRGINIA

Senator KAINE. Thank you, Mr. Chair.

And thanks to our witness, Steve Linick.

We do begin this hearing as part of a set of hearings about State Department authorization. As Chairman Perdue mentioned, we have not done this in over a decade, so it is very important that we get to this work, and today's hearing is part of that effort.

Thank you for the testimony today and testimony before other Senate committees recently. I also want to highlight your service as assistant U.S. attorney in Virginia from 1999 to 2006. You have a long and distinguished track record as a public servant.

OIGs serve an essential and critical role in holding government agencies and officials accountable to citizens. There is a trend toward use of OIGs not just in the Federal Government, but in State and local governments as well, which is very positive. One of the newest State IG offices was created in Virginia in 2011.

And I look forward to your assessment of your office's strengths, challenges, and priorities based upon your 19 months in service to the Department of State.

I know that you have highlighted a couple issues in your testimony. I am particularly interested in ongoing coordination of OCO accounts used in Iraq, Afghanistan, and elsewhere. I also want to make sure that we can discuss what we can do together to ensure that the Department of State is more quickly complying with and implementing important OIG recommendations.

But thanks again for your service and your testimony today. I believe this can be a helpful exchange as we work toward the broader issue of both the effectiveness of your office and the State Department reauthorization.

Thanks, Mr. Chairman.

Senator PERDUE. Thank you.

Now we are going to hear from our witness, Inspector General Steve Linick.

Mr. Linick.

STATEMENT OF HON. STEVE A. LINICK, INSPECTOR GENERAL, U.S. DEPARTMENT OF STATE, WASHINGTON, DC

Mr. LINICK. Chairman Perdue, Ranking Member Kaine, members of the subcommittee, thank you for inviting me to testify regarding the work of the Office of Inspector General for the Department of State and the Broadcasting Board of Governors, the BBG.

Today, I will be addressing four topics. First, I am going to start by giving you an overview of OIG's missions and priorities. Second, I am going to describe some new initiatives my staff and I have put into place since I was sworn in almost 19 months ago. Next, I am going to discuss some of the most significant challenges facing OIG specifically and the Department as a whole. And finally, I am going to talk about the impact of OIG's work.

Let me start with an overview. Because OIG's focus is on the operations and work of the State Department and the BBG, its inspectors, auditors, investigators, and evaluators focus on U.S. Government operations worldwide, involving more than 72,000 employees and 280 overseas missions, along with oversight of the Department's and BBG's significant domestic operations. But our office is unique from others because OIG has historically, as is required by law, served as the Department of State's inspection arm.

Let me turn to my priorities. First, protecting the people who work in the Department is our top priority. OIG has inspected physical security at overseas posts for years. However, since the September 2012 attacks on U.S. diplomatic facilities and personnel in Benghazi, Libya, OIG has stepped up its oversight efforts related to security. There is no doubt the Department. has made progress in improving overseas security. Nonetheless, challenges still remain. Through our inspection and audit work, we continue to find notable security deficiencies placing at risk our posts and personnel.

Second, OIG has enhanced its efforts to oversee the Department.'s management of contracts and grants, which totaled approximately $10 billion in 2014. Contract and grant management deficiencies, including lack of training, weak oversight, and inadequate monitoring, have come to light repeatedly in OIG audits, inspections, and investigations over the years.

Lastly, we continue to be very concerned about the Department's management of IT security. OIG's assessments of the Department's efforts to secure its IT infrastructure have found significant recurring weaknesses, including inadequate controls around who may access and manipulate systems.

I now turn to new OIG initiatives. Since joining the OIG, my staff and I have implemented a number of new practices intended to enhance the effectiveness of our work. We have adopted the practice of issuing management alerts and management assistance reports in order to flag high-risk issues requiring immediate attention.

Another new initiative has been our creation of a new office in OIG, the Office of Evaluations and Special Projects, also known as ESP. This office complements the work of the OIG's other offices by focusing on high-risk special projects and evaluations of pressing concern to the Department, the Congress, and to the American people.

We also have enhanced our efforts to identify and refer appropriate cases to the Department for suspension and debarment.

Next, I would like to address two significant challenges facing OIG that I believe impede the OIG's ability to conduct effective oversight.

First, although the Inspector General Act requires OIG to be independent, my IT infrastructure lacks independence because it is largely controlled by the Department. While we have no evidence that our data has been compromised, the fact that the contents of our network may be accessed by numbers of Department administrators puts us at unnecessary risk and does not reflect best practices on IT independence within the IG community.

Second, unlike other IGs, my office is not always afforded the opportunity to investigate allegations of criminal or serious administrative misconduct by Department employees. Department components, including the Bureau of Diplomatic Security, are not required to notify OIG of such allegations that come to their attention. If we are not notified, we have no opportunity to investigate.

This arrangement is inconsistent with the Inspector General Act and appears to be unique to the Department. The Departments of Defense, Justice, Homeland Security, the Treasury and the IRS, Agriculture, and Interior defer to their IGs for the investigation of criminal or serious misconduct by their employees. Their IGs have the right to decide whether to conduct investigations themselves or refer them back to the agency components.

Particularly where senior officials are involved, the failure to refer allegations of misconduct to an independent entity like the OIG necessarily creates a perception of unfairness, as management is seen as to be investigating itself.

Finally, I would like to close by talking about the impact of our work. In my written testimony, I quantified some financial metrics demonstrating our positive return on investment to taxpayers. But financial statistics do not adequately reflect some of our most significant impacts, the safety and security of people, and the integrity of the Department's operations and reputation. Those are key motivators for our employees, many of whom are on the road for long periods of time or who serve for extended periods at dangerous posts. I am honored to serve alongside and lead them.

In conclusion, Chairman Perdue, Ranking Member Kaine, members of the subcommittee, thank you again for the opportunity to testify before you today. I take seriously my statutory requirement to keep the Congress fully and currently informed, and I look forward to your questions.

[The prepared statement of Mr. Linick follows:] [

PREPARED STATEMENT OF STEVE A. LINICK

Chairman Perdue, Ranking Member Kaine, and members of the subcommittee, thank you for inviting me to testify today regarding the work of the Office of Inspector General (OIG) for the Department of State (Department) and the Broadcasting Board of Governors (BBG). In my testimony, I will highlight some of our recent oversight work, our new initiatives, and the challenges we face in performing our oversight. I will also address the results and impact of OIG work.

I. STATE OIG'S MISSION AND OVERSIGHT EFFORTS

It is my honor to have led the State OIG for the past 19 months—since the end of September 2013. OIG's mandate is broad and comprehensive, involving oversight of the full scope of Department and BBG programs and operations, including more than 72,000 employees and 280 overseas missions and domestic entities, as well as the U.S. Section of the International Boundary and Water Commission. These agencies are funded through combined annual appropriations of approximately $15 billion and nearly $7 billion in consular fees and other income. OIG also is responsible for full or partial oversight of an additional $17 billion in Department-managed foreign assistance. In total, OIG is responsible for overseeing approximately $40 billion.

State OIG differs from most OIGs in that it has a mandated inspection function. We are statutorily required to periodically inspect and audit every domestic and overseas operating unit around the world. Since the beginning of my tenure, we have redoubled our efforts to address some of the top challenges of the Department, including the protection of people and facilities, the management of contracts and grants, and the security of sensitive information around the world. I will elaborate on each of these.

Improving Security

Protecting the people who work for the Department is a top priority for the Department and for OIG. OIG has inspected physical security at overseas posts for years; however, since the September 2012 attacks on U.S. diplomatic facilities and personnel in Benghazi, Libya, OIG has significantly stepped up its oversight efforts related to security, including targeted audits and evaluations. We help safeguard the lives of people who work in or visit our posts abroad by performing independent oversight to help the Department improve its security posture. Unlike our other oversight activities, as well as more traditional governmentwide work conducted by the Inspector General (IG) community, we cannot attach a dollar-value metric to our efforts related to improving physical security, which often involve costs related to improving security rather than saving money. Achievement in this area is not reflected in our monetary "return on investment" statistics. However, our security contributions are a great source of pride because people are the Department's most valuable asset. OIG will continue to highlight security deficiencies to the Department and Congress and will continue to provide value-added recommendations to address vulnerabilities.

Although the Department has made significant improvements on overseas security, challenges remain. Through our inspection and audit work, OIG continues to find security deficiencies that put our people at risk. Those deficiencies include failing to observe set-back and perimeter requirements and to identify and neutralize weapons of opportunity. Our teams also identified posts that use inadequately secured warehouse space and other substandard facilities for offices.[1] Our audit of the Local Guard Program found that firms providing security services for embassy compounds were not fully performing all vetting requirements contained in the contract, placing our posts and personnel at risk. The audit also found that regional security officers at posts could not demonstrate that they vetted and approved the local guards employed to protect their posts.[2] In other reports, we found that the Bureau of Diplomatic Security (DS) (responsible for carrying out ongoing security functions and for setting security standards) and the Bureau of Overseas Buildings Operations (responsible for constructing facilities to meet those standards) often do not coordinate adequately to address important security needs in a timely manner.[3] In accordance with OIG recommendations, those Bureaus have taken steps to improve their communication and coordination. OIG will, through its compliance process, closely monitor whether these steps actually sustain improved joint performance to mitigate security vulnerabilities.

OIG also has examined the Department's reviews of, and lessons learned from, significant security incidents that result in the death of U.S. Government personnel and may require the appointment of an Accountability Review Board (ARB). For example, in September 2013, OIG published a report on its special review of the ARB Process.[4] The Secretary of State convenes an ARB when serious injury, loss of life, or significant destruction of property occurred at or related to a U.S. Government mission abroad. The most recent ARB was convened following the 2012 attacks in Benghazi.

OIG's special review examined the process by which the Department's ARBs are established, staffed, supported, and conducted as well as the manner in which the Department tracks the implementation of ARB recommendations. We found that follow-through on long-term security program improvements involving physical security, training, and intelligence-sharing lacked sustained oversight by the Department's most senior leaders. Over time, implementation of recommended improvements slows. The lack of follow-through explains, in part, why a number of Benghazi ARB recommendations mirror previous ARB recommendations. This underscores the need for a sustained commitment by the Department's most senior leaders to ensure that ARB recommendations are timely and effectively carried out.

OIG continues to increase its focus on security issues. OIG currently is following up on the Department's compliance with OIG recommendations in the ARB special review. OIG also is reviewing the Department's reported compliance with the 29 recommendations in the Benghazi ARB report. In addition, FY 2015 security audits (planned or ongoing) include an audit of compliance with vetting requirements for locally employed staff and foreign contractors, an audit of emergency action plans for U.S. missions in the Sahel region of Africa, and an audit of the Vital Presence Validation Process (VP2). VP2 is the Department's formal process for assessing the risks and costs of maintaining its presence in dangerous locations around the world. Finally, our inspection of DS' International Programs Directorate will underscore and support our ongoing priority focus on security.

Improving Oversight of Contracts and Grants

Contracts and grants have become increasingly critical to the Department's mission as it takes on additional responsibilities that require the services of contractors to manage. The Department's obligations in FY 2014 included approximately $9 billion for contracted services and $1.5 billion in grants.[5] However, the Department faces continuing challenges managing its contracts, grants, and cooperative agreements because of systemic weaknesses that have not been effectively addressed. These challenges have come to light repeatedly in OIG audits, inspections, and investigations over the years. They also were highlighted in two recent OIG Management Alerts provided to senior Department officials.

In FY 2014, more than 50 percent of post or bureau inspections contained formal recommendations to strengthen controls and improve the administration of grants. In our March 2014 Management Alert focusing on contract management deficiencies, we reported that, over the past 6 years, files relating to Department contracts with a total value of more than $6 billion were either incomplete or could not be located at all.[6] In a September 2014 Management Alert on grant management deficiencies, we highlighted weaknesses in oversight, insufficient training of grant officials, and inadequate documentation and closeout of grant activities.[7] In FY 2012 alone, the Department obligated more than $1.6 billion for approximately 14,000 grants and cooperative agreements worldwide.[8] This is a significant outlay of taxpayer funds, which makes oversight and accountability even more critical. Grants and cooperative agreements present special oversight challenges because, unlike contracts, they imply a hands-off style of "management" and do not generally require the recipient to deliver specific goods or services that can be measured easily. To better utilize grant and cooperative agreement dollars, the Department must determine what can be measured to document the achievement of objectives, including tracking and measuring outcomes.

The Department has agreed to adopt most of the recommendations in OIG's Management Alerts. OIG will continue to monitor the Department's compliance with OIG recommendations and seek additional improvements in this important area.

Enhancing Information Security

Another top management challenge concerns information security. The Department is entrusted with sensitive information, both classified and unclassified, which continuously is targeted by entities, including terrorist and criminal organizations across the globe. OIG's assessments of the Department's cybersecurity programs found recurring weaknesses and noncompliance with the Federal Information Security Management Act (FISMA) with respect to its unclassified systems. For example, we found: (1) that the Department's unclassified systems lacked adequate controls, allowing unauthorized individuals to access and manipulate systems; (2) ineffective security scanning; and (3) weaknesses in cybersecurity management, including the absence of a strategic plan. In a November 2013 Management Alert,[9] I raised these concerns with senior Department officials, recommending, among other things, that independent penetration testing be conducted to assess the system's vulnerabilities to cyber attack. This effort has been completed.

II. NEW OIG INITIATIVES

Since joining OIG, I have implemented a number of new initiatives to enhance the effectiveness and efficiency of OIG's independent oversight of the Department's programs and operations.

Management Alerts and Management Assistance Reports

Soon after my arrival, we began to issue Management Alerts [10] and Management Assistance Reports.[11] They alert senior Department leadership to significant issues that require immediate corrective action. For example, we issued two Management Assistance Reports recommending that the Department take immediate action against grantees who misused grant funds.[12] The Department's response to these products has been favorable, and it has concurred with most of our recommendations.

Moreover, Congress also recognized their value. The explanatory statement to the FY 2015 Omnibus Appropriations bill included language directing the Secretary of State to submit to Congress a report detailing the status of each of the recommendations included in OIG's FY 2014 Management Alerts. The Department responded to this directive last month indicating concurrence and resolution of most of OIG's recommendations.

Office of Evaluations and Special Projects

The Office of Evaluations and Special Projects (ESP) was established in 2014 to enhance OIG's oversight of the Department and BBG. In particular, ESP undertakes special evaluations and projects and complements the work of OIG's other offices by further developing the capacity to focus on broader, systemic issues. For example, in October 2014, ESP published a review of selected internal investigations conducted by DS,[13] which addressed allegations of undue influence by Department management. Currently, ESP is undertaking a joint review with the Department of Justice OIG of a number of shooting incidents in Honduras in 2012, which involved Drug Enforcement Administration (DEA) and Department of State personnel.

Emphasis on Whistleblower Protections

OIG is also using ESP to improve OIG's capabilities to meet statutory requirements of the Whistleblower Protection Enhancement Act of 2012 and other whistleblower statutes and policies. Department employees, employees of contractors and grantees, and others have been encouraged to report fraud, waste, abuse, and misconduct. Such reporting must take place without fear of retaliation. We designated an ombudsman (a senior ESP attorney) for these purposes. We also produced an educational video and published a guide regarding whistleblower protections, both of which are available on our Web site.[14]

Oversight of Overseas Contingency Operations

Through a 2014 amendment to the Inspector General Act of 1978 (IG Act), Congress tasked the IG community with the important responsibility of providing oversight for our Nation's overseas contingency operations (OCOs). Three OCOs have been established in recent months: Operation Inherent Resolve (OIR), to degrade and defeat the forces of the Islamic State in Iraq and the Levant (ISIL); Operation United Assistance (OUA), to support international efforts to fight the Ebola outbreak in Africa; and Operation Freedom's Sentinel (OFS), to partner with Afghan forces to combat terrorism and continue assisting the Afghan Government to build its capacity and self-sufficiency.

The amendment specified that the three OIGs for the Departments of Defense (DOD) and State and the U.S. Agency for International Development (USAID) share this responsibility jointly. Each of the respective OIGs has dedicated staff to these important projects.

Jon T. Rymer, DOD's IG, was designated Lead Inspector General (LIG) for each of the three current OCOs. On December 18, 2014, Mr. Rymer appointed me as his Associate IG for OIR. He tasked me to develop joint investigative capabilities among the IG personnel and external partner agencies dedicated to the effort. For each of the three OCOs, we are working jointly on: (1) strategic planning, to provide comprehensive oversight of all programs and operations in support of the OCOs; (2) program management, to track, monitor, and update information provided by our agencies in support of the OCOs; and (3) communications, to collect information and prepare periodic reports for Congress on projects related to the OCOs.[15] On March 31, 2015, we issued our FY 2015 "Joint Strategic Oversight Plan for OIR."

Data and Technology

OIG is developing an automated evidence tracking system to enhance evidence processing accuracy and efficiency and employee computer-forensics and data-processing. Further, we are building the capacity of our new data analytics group and developing a fusion cell consisting of special agents, forensic auditors, criminal analysts, and computer specialists. This group of specialists will enable all of our divisions to proactively analyze financial and other data to identify potential vulnerabilities in Department programs and processes and to perform fraud risk assessments.

Suspension and Debarment

We have enhanced our efforts to identify and refer appropriate cases to the Department for suspension and debarment. Our Office of Investigations and Office of Audits prepare detailed suspension and debarment recommendation packages, in consultation with our Office of General Counsel. These recommendation packages include referral memoranda summarizing all relevant facts and setting forth the specific grounds for suspension or debarment and are submitted to the Department's Suspension and Debarment Officials (SDOs) for action. Between FY 2011 and FY 2014, OIG referred more than 100 cases to the Department for action.

New Locations

To further enhance our oversight efficiency and to have "boots on the ground" at key financial locations, OIG placed staff in Charleston, South Carolina, where the

Department's Global Financial Services Center is located, and soon OIG staff will reside in Frankfurt, Germany, the site of one of the Department's regional procurement centers.[16] Both locations are responsible for billions of U.S. taxpayer dollars.

Investigation and Prosecution of Cases

OIG has a program to place one or more Special Assistant U.S. Attorneys (SAUSAs) in appropriate positions in the Department of Justice in order to prosecute more quickly and effectively cases involving fraud against the Department of State. For example, an OIG attorney-investigator now works as a full-time SAUSA in the U.S. Attorney's Office for the Eastern District of Virginia.

III. CHALLENGES OIG FACES IN PERFORMING OVERSIGHT

Next, I want to address two challenges that impede OIG's ability to conduct effective oversight and are generally inconsistent with practices in the IG community.

OIG Network Vulnerabilities

Vulnerabilities in the Department's unclassified network directly affect OIG's IT infrastructure, which is part of the same network. We noted in our November 2013 Management Alert on information security that there are thousands of administrators who have access to the Department's computer network. That access runs freely throughout OIG's IT infrastructure and increases risk to OIG operations. For example, a large number of Department administrators have the ability to read, modify, or delete any information on OIG's network including sensitive investigative information and email traffic, without OIG's knowledge.[17] OIG has no evidence that administrators have compromised OIG's network. At the same time, had OIG's network been compromised, we likely would not know. The fact that the contents of our unclassified network may be easily accessed and potentially compromised places our independence at unnecessary risk and does not reflect best practices within the IG community. OIG seeks to transition to an independently managed information system, which will require the Department's cooperation[18] and support from Congress.

Right of First Refusal To Investigate Allegations of Criminal or Other Serious Misconduct

Unlike other OIGs, my office is not always afforded the opportunity to investigate allegations of criminal or serious administrative misconduct by Department employees. Department components, including DS, are not required to notify OIG of such allegations that come to their attention. For example, current Department rules provide that certain allegations against chiefs of mission shall be referred for investigation to OIG or DS. However, that guidance further states that "[in] exceptional circumstances, the Under Secretary for Management may designate an individual or individuals to conduct the investigation."[19] Thus, DS or the Under Secretary may initiate an investigation without notifying us or giving us the opportunity to evaluate the matter independently and become involved, if appropriate. Accordingly, OIG cannot undertake effective, independent assessments and investigations of these matters as envisioned by the IG Act.[20]

The directives establishing this arrangement appear to be unique to the Department. By contrast, the Departments of Defense, Justice, Homeland Security, the Treasury (and the IRS), and Agriculture, all of which had within them significant law enforcement entities prior to the establishment of their respective offices of Inspector General (OIG), defer to their OIGs for the investigation of criminal or serious administrative misconduct by their employees or with respect to their programs. Notice must be provided by all agency components to their respective OIGs of, at a minimum, allegations of misconduct by senior employees. In some agencies, notice must be provided of such allegations with respect to all employees. The respective OIGs have the right to decide whether to conduct investigations themselves or refer matters back to the relevant agency component for investigation or other action. However, in some cases, when requested by OIG to do so, the relevant agency component to which the OIG referred back the matter must report to the OIGs on the progress or the outcome of investigations.[21]

Particularly where senior officials are involved, the failure to refer allegations of misconduct to an independent entity like OIG necessarily creates a perception of unfairness, as management is seen to be, as the U.S. Government Accountability Office (GAO) notes, "investigating itself."[22]

This risks undermining confidence in the integrity of the Department. Moreover, this arrangement prevents OIG from carrying out its clear statutory duty, set forth in the IG Act, "to provide policy direction for and to conduct, supervise, and coordi-

nate . . . investigations relating to the programs and operations" of the Department.

Accordingly, we are seeking legislative support—similar to that provided to other OIGs—for early notification to OIG of allegations of certain types of misconduct. In addition, OIG is seeking legislative clarification of its right to investigate such allegations.[23] Current Department directives are a barrier to achieving accountable and transparent government operations.

IV. IMPACT OF OIG WORK

Through our audits, evaluations, inspections, and investigations, OIG returns significant value to U.S. taxpayers. In FY 2014, we issued 77 reports, which included audits of annual financial statements, procurement activities, and funds management. During this period, we identified $43.3 million in taxpayer funds that could be put to better use by the Department. Additionally, our criminal, civil, and administrative investigations resulted in the imposition or identification of $75 million in fines, restitution, recoveries, and other monetary results last fiscal year. This was in addition to the $1 billion in financial results from audit- or inspection-related findings[24] and more than $40 million in investigative-related financial results that OIG identified in the previous 5 fiscal years.

However, these financial statistics do not adequately take into account our most significant impact—our oversight efforts and recommendations to improve the safety of people and facilities, our investigations that help ensure that Department employees conduct themselves appropriately, and our work to strengthen the integrity of the programs, operations, and resources that are at the foundation of the Department's ability to help preserve our national security. Indeed, the work of our talented staff in reviewing security and leadership at our overseas and domestic posts has significant and positive effects on the lives and well-being of employees throughout the Department. That is what motivates our employees, many of whom are on the road for long periods of time or who serve for extended periods at high-threat posts.

In conclusion, I want to thank Chairman Perdue, Ranking Member Kaine, and the other members here today for the opportunity to testify. I take my statutory requirement to keep the Congress fully and currently informed seriously, and I appreciate your interest in our work and for providing me the opportunity to articulate the challenges faced by my office. I look forward to your questions.

End Notes

[1] "Review of Overseas Security Policy Board Exceptions and Secure Embassy Construction and Counterterrorism Act of 1999 Waivers" (ISP–I–13–06, January 2013).

[2] "Audit of Contractor Compliance With and Department of State Oversight of the Process Required for Vetting Local Guards" (AUD–HCI–14–24, June 2014).

[3] "Inspection of the Bureau of Diplomatic Security, High Threat Programs Directorate" (ISP–I–14–23, September 2014); "Compliance Follow-up Review of the Bureau of Overseas Buildings Operations" (ISP–C–11–26, May 2011); "Audit of the Process To Request and Prioritize Physical Security-Related Activities at Overseas Posts" (AUD–FM–14–17, March 2014).

[4] "Special Review of the Accountability Review Board Process" (ISP–I–13–44A, September 2013).

[5] USASpending, <www.usaspending.gov>, accessed on February 19, 2015.

[6] "Management Alert: Contract File Management Deficiencies" (MA–A–0002, March 20, 2014).

[7] "Management Alert: Grants Management Deficiencies" (MA–14–03, September 26, 2014).

[8] U.S. Government Accountability Office, STATE DEPARTMENT, Implementation of Grants Policies Needs Better Oversight (GAO–14–635, July 2014).

[9] "Management Alert: OIG Findings of Significant and Recurring Weaknesses in the Department of State Information System Security Program" (MA–A–0001, November 12, 2013).

[10] Ibid; "Management Alert: Contract File Management Deficiencies" (MA–A–0002, March 2014); "Management Alert: Grants Management Deficiencies" (MA–14–03, September 2014).

[11] "Management Assistance Report: Department Financial Systems Are Insufficient To Track and Report on Foreign Assistance Funds" (ISP–I–15–14, February 26, 2015); Management Assistance Report: Military Liaison Elements (ISP–S–15–12, February 11, 2015); "Management Assistance Report: Grant Improprieties by Nour International Relief Aid" (AUD–CG–15–19, January 15, 2015);"Management Assistance Report: Importance of Securing Fire Accelerants and Similar Weapons of Opportunity" (ISP–S–15–06, January 13, 2015); "Management Assistance Report: Concerns with the Oversight of Medical Support Service Iraq Contract No. SAQMMA11D0073" (AUD–MERO–15–20, December 23, 2014); "Management Assistance Report: Termination of Construction Grants to Omran Holding Group" (AUD–CG–14–37, September 18, 2014).

[12] As a result, the Department took action to address each of these reports. For one, the Department disallowed certain costs; for the other, the Department requested certain information from the grantee to determine whether costs are allowable.

[13] "Review of Selected Internal Investigations Conducted by the Bureau of Diplomatic Security" (October 2014, ESP–15–01).

[14] OIG, Whistleblower Protection, <http://oig.state.gov/hotline/whistleblower>.

[15] Oversight of three OCOs has proven to be a significant challenge for OIG. OIG did not receive additional funding for OCO oversight in 2015. In 2016, OIG received a total budget increase of $9 million, which the Office of Management and Budget passback stated is intended "to address any expanded oversight requirements resulting from the FY 2015 counter-ISIL OCO budget amendment and the Counterterrorism Partnership Fund (CTPF), if enacted." Until the scope of the OIR response is fully developed, OIG can neither predict the resources needed for effective oversight nor the resources needed for the other two OCO established recently. Presently, OIG's oversight of all three OCOs is being funded through its existing resources, a situation that necessarily reduces oversight for our other mission-critical priorities and operational needs.

[16] OIG currently has staff located in Afghanistan and Pakistan.

[17] Recently, DS and the Bureau of Information Resource Management agreed to notify and receive confirmation from OIG prior to accessing OIG systems in most circumstances.

[18] Secretary Kerry and Deputy Secretary Higginbottom are aware of this issue.

[19] As outlined in the Foreign Affairs Manual (FAM), 3 FAM 4322.2, "Chiefs of Mission," states, "Incidents or allegations which could serve as grounds for disciplinary action and/or criminal prosecution against a chief of mission (or official in a position of comparable importance) will immediately be referred to the Office of Inspector General (OIG) or the Bureau of Diplomatic Security (DS), or comparable offices in other foreign affairs agencies. In exceptional circumstances, the Under Secretary for Management for State . . . may designate an individual or individuals to conduct the investigation."

[20] Of course, if OIG receives a referral in the first instance, it can effectively undertake an independent assessment of the matter.

[21] Defense: (DoD Directive 5505.06 "Investigations of Allegations Against Senior DoD Officials," June 2013) (reissuing similar 2006 Directive), IG Act, sections 4(a), 6(a), 7, 8; 28 CFR 45.11; Justice: (Reporting Violations to the Office of the Inspector General and the Office of Professional Responsibility; Delegations of Authority, September 2006); IG Act, sections 4(a), 6(a), 7, 8E(b) and (d)); Homeland Security (DHS Management Directive System MD 0810.1 – The Office of Inspector General, June 2004; IG Act, sections 4(a), 6(a), 7, 8I(c) and (e)); Treasury/IRS: (Memorandum of Understanding Between the Internal Revenue Service Criminal Investigation Division and Treasury Inspector General for Tax Administration, Office of Investigations Regarding Investigative Responsibility, December 2008; IG Act, sections 4(a), 6(a), 7, 8D; Agriculture: IG Act, sections 4(a), 6(a), 7; Interior: IG Act, sections 4(a), 6(a), 7; Department Manual 355 DM 2. It should be noted that the existence of a special provision (e.g., IG Act section 8E (d)) "relate only to the establishment mentioned . . . and no inference shall be drawn from the presence or absence of a provision . . . with respect to an establishment not named . . . ." IG Act section 8J.

[22] See, e.g., GAO, Inspectors General: Activities of the Department of State Office of Inspector General at 25–26. (GAO–07–138, March 2007) ([B]ecause DS reports to the State Department's Under Secretary [sic] for Management, DS investigations of Department. employees, especially when management officials are the subjects of the allegations, can result in management investigating itself.); see also OIG's Review of Selected Internal Investigations Conducted by the Bureau of Diplomatic Security (ESP–15–01, October 2014) (Department policies and procedures appear to have significant implications and created an appearance of undue influence and favoritism, which undermines public confidence in the integrity of the Department and its leaders).

[23] We also have requested that the Department revise its policies to require notification to OIG of, and the right to investigate, such allegations.

[24] Financial results from audit- or inspection-related findings include the value of questioned costs and funds put to better use from OIG recommendations.

Senator PERDUE. Thank you, Mr. Linick. I appreciate your comments.

I will begin the questioning today. We will have 7 minutes. Senator Kaine and I are the two members here. As other members join us, we will have them engage as well.

My first question follows some testimony that you gave about 2012 and the attacks there on U.S. diplomatic personnel in Benghazi. The OIG since then has stepped up its oversight efforts, as you testified.

Can you describe what those efforts are to improve the physical security? And also, how do you go about evaluating the security of other embassies around the world?

Mr. LINICK. Senator, we actually assess security in two ways. First of all, we have looked at security from a systemic point of view. In a 2013 report on the Accountability Review Board process, we looked at how the Department implements Accountability Review Board recommendations across the board. The Accountability Review Board, as you know, is convened by the Secretary where there is loss of life, substantial injury, et cetera.

We found, in that report, that after reviewing 126 recommendations from 12 different ARBs, between Dar es Salaam and Benghazi, 40 percent of the recommendations were repeat recommendations pertaining to security, intelligence-gathering, and training. And we found the reason why that occurred is because of a lack of sustained commitment over the years by Department principles in making sure recommendations were implemented.

In fact, we found many of the recommendations in the Accountability Review Board for Benghazi to be the same recommendations.

Senator PERDUE. I am sorry, would that go back years, that practice of having recommendations like that, the past decade or so?

Mr. LINICK. Yes, sir. We looked at 14 years' worth of recommendations over 12 Accountability Review Boards. We found that, in order to properly implement those recommendations, accountability had to be at the highest levels of the Department. We have made recommendations to that effect.

We also look at security on a more targeted basis. As you know, we conduct inspections of posts around the world. Every single inspection we do of an embassy involves a security inspection. We have highly qualified security inspectors who look at everything from whether or not the walls are high enough, to whether or not there is a proper setback, to whether their emergency action plans are properly in order. We do that across the board. We do continue to find deficiencies when we go to various locations.

The other way we do it is through our audits. We do audits of various programs. For example, we reviewed the local guard force that protects our embassies, whether or not they are properly vetted by security contractors who hire the guards and whether they are properly overseen by our regional security officers who have responsibility for making sure that they are doing their job.

So those are the ways in which we conduct our inspections.

Senator PERDUE. How often do you do those inspections?

Mr. LINICK. Well, let us say every 8 years we are able to perform a domestic inspection and every 11 years an overseas inspection. We try to get to as many locations as possible. But really, we use a risk-based approach, so we do a survey and we find out if there are problems at any particular post. We also look at a post and assess whether it is receiving a large amount of money for foreign assistance. If it is a high-threat post, we will take that into consideration as to whether or not to go to a particular facility.

Now that we have responsibility for joint oversight of the Operation Inherent Resolve, we look at posts that play a role in that effort.

Senator PERDUE. Well, I just returned from a trip out there, and I can tell you that State Department people are an amazing group, dedicating their careers to multiple assignments around the world, changing every few years. I was very impressed with their morale and their effectiveness out there. I am encouraged by your testimony.

I did have one question. You testified that you are having trouble with the 5-year inspection requirement. Help me understand what is involved in that, as well.

Mr. LINICK. So the Foreign Service Act requires our office to conduct inspections once every 5 years. And I just want to step back and make one observation about that.

We are unique among the IG community, in that we have a statutory requirement to conduct these inspections, because we are also doing audits and investigations, so that obviously reduces our ability to do some of the other work.

But on the 5-year inspections, we are not able to meet that requirement. We simply do not have the staff. But I really think that a better approach, frankly, is to do it on a risk-based approach, like we are doing it now.

We try to get out to posts where there are truly issues, whether we think they are financial issues or some of the other issues I just mentioned. But we are not able to get out every 5 years. It would take an extraordinary increase in staff and resources in order to be able to do that.

Senator PERDUE. All right, let me change gears just a minute.

As we work on this reauthorization bill in the full committee, what opportunities for increased ineffectiveness do you see? And if this is a long-winded answer, I will have time to come back. I have about a minute left, so if you will just give me quite the highlights here.

In terms of improving effectiveness of the State Department, if you had the top two or three priorities, what would you recommend, based on all the work you have been doing?

Mr. LINICK. In terms of items that would help the IG perform its job?

Senator PERDUE. Right.

Mr. LINICK. So I would say there are two issues that come to mind. Number one is our ability to get early notification of misconduct involving serious or criminal activity, and our ability to investigate that, at least decide whether or not we are going investigate that or turn it back to the Department. So that is sort of the number one.

The second issue is what I mentioned in my oral testimony, IT independence. We really need to be independent from the Department.. We have a lot of sensitive information on our network.

So I would say those two things would be on the top of my list.

Senator PERDUE. Okay, well, thank you, Mr. Linick.

My time is up. I will yield to Senator Kaine. Thank you.

Senator KAINE. Thank you, Mr. Chair.

I think my questions are going to go significantly more than 7, so I will just do 7, and then we will probably have a second round.

Mr. Linick, I will take them in the order that you did. I am going to go missions and priorities, sort of new missions, and then challenges.

On the missions and priorities, I am glad that your first one is protecting embassy personnel. Like Chairman Perdue, I have been so proud of the people I have met. When you go to any of the facilities that we have around the world, you really are proud of our people.

I went to the U.S. Embassy in Beirut, and when you see the memorial there to all the folks with the State Department who lost their lives in the 1980s and 1990s, it is very sobering.

The sacrifices are sometimes more mundane than that, but they are sacrifices of being away from family and serving in tough places. So that has to be number one.

Your written testimony suggests that you think that the focus on security improvements has not been one that I guess has been subject to sustained oversight from the State Department leadership. I think that is the word that you used, in particular with respect to ARB recommendations following in Benghazi. But I think more generally, when there are recommendations about security improvements, it sounds as if what you are testifying is that there is sort of really sharp focus on it, but then maybe wavering attention because of other priorities.

Could you elaborate on that a little bit, because that should be all of our concern?

Mr. LINICK. Let me say this, I think the Department has taken significant steps in addressing our security recommendations.

In fact, we are currently reviewing the Department's compliance with the Benghazi ARB recommendations. There 29 of them. So I am encouraged by the steps they are taking.

Senator KAINE. Is that the kind of thing where you will issue a report that we have reviewed compliance with the Benghazi ARB recommendations and here is our assessment? Is that foreseen? And when might that happen?

Mr. LINICK. Yes, sir. We are actually in progress with that report. We should be issuing something probably in the next couple months on that.

But in terms of implementation of recommendations, I think you got it right when you said, what happens is, if they are not implemented from the top, they tend to be delegated out to the bureaus, and there is a dispersion of authority.

So implementation, the responsibility is delegated down the chain. With the changes of administration, institutional shift, there tends not to be the followthrough that you would want to see, especially with the ARB recommendations over the years. There has not been a loop back to the principles, the Deputy Secretary, the Secretary, on the progress of implementation of those recommendations.

So what we are trying to do is say, look, accountability for those recommendations needs to be at the Deputy Secretary level. And I know the Department is working on that, and we are assessing that right now.

Senator KAINE. One of the areas that I was very concerned about in reading the ARB report, and you may just want to highlight this briefly, because if you are going to report this, we will get the report later, is the use of private contract security at some of the embassies and consular facilities, whether there is sufficient vetting when private contract security is used.

I know in Benghazi, some of the private contract security was local folks. They were on sort of a work stoppage because of debates about pay that could have led them to be, frankly, less than focused on doing the job, because of some dispute with the State Department over that.

How is your review going on this question of do we appropriately vet local security when we hire them abroad?

Mr. LINICK. So that is an area of concern to me, because all it takes is one bad actor who is guarding our embassy for something to happen. We did do some work on vetting security guards. We looked at six of them at various posts around the world, including some high-threat posts. We found that all of them were not thoroughly vetting security guards.

Again, you have to make sure that these guards do not have criminal histories. There is a whole panoply of qualities that you need to check.

So not only do the companies who hire these guards have responsibilities but also the Department does, in making sure they know who is guarding their embassies. So we found problems with that.

And this is an issue that we are pursuing. We are currently looking at the employment, how vetting is going with the locally employed folks at our embassies as well.

So this is a constant issue that I think deserves a lot of attention because, as I said, all it takes is one bad actor.

Senator KAINE. Is the responsibility for doing the vetting of local security fully on the State Department shoulders? Or do the Marine security guard units that are assigned to diplomatic posts have any responsibility over that role?

Mr. LINICK. No, the responsibility is really on both the contractors who are hired, but ultimately it is the regional security officer who needs to make sure that he is satisfied with the guards that are selected.

Senator KAINE. It segues nicely into your second mission, which is managing contracts and grants. I mean, security contracts are just a kind of contract. I am on the Armed Services Committee. We have a Readiness Committee hearing this afternoon where acquisition reform and managing contracts and grants is going to be the topic. So I think this is a big picture issue.

I noticed that the next mission and priority you have of your three is a maintaining IT security. I would suspect that that may also tie into managing contracts and grants, because I would imagine that some of that within the State Department is done by outside contractors. Am I right about that?

Mr. LINICK. I think that is right, yes.

Senator KAINE. I have often heard it said in the Northern Virginia contracting community, which is pretty big, there is a lot of general concern about sort of the acquisition and grant management workforce. So to what extent, to the extent that you have an opinion about this, in managing contracts and grants, or maintaining IT security, to the extent that it is contracted out, are there issues kind of on the personnel side about the size, the qualifications, the numbers or qualifications of our acquisition workforce that manage these contracts and grants?

Mr. LINICK. Well, I guess there are two issues here. We have definitely identified issues with the folks who are supposed to be managing the contracts at the Department. There are not enough of them. And we are doing one audit right now where we found that a contractor was submitting invoices, but the invoices, there were not enough contracting personnel within the State Department to oversee those invoices, so they were just basically signing

off without validating them or double-checking them. So there is that issue.

There is an issue of lack of training, as well. We need contracting officers, grant officers, who understand all the rules and so forth.

We have a problem with the rotation. Our RSOs, regional security officers at post, are also responsible for overseeing contracts and grants, and they are rotating in and out, so there is a lack of continuity there.

Another significant issue is the maintenance of our contract files. We recently did a report where we looked at contracts over the last 6 years and found that there was 6 billion dollars' worth of contracts that were either incomplete or missing. Now since then, the Department has found some of those contracts.

But if you do not have the contract files, if you are a contracting officer, how do you ensure that the government is getting the goods that it has bargained for?

Senator KAINE. I am over time, but I am going to come back to this. I am going to pick up right there when I come back, Mr. Chair.

Senator PERDUE. Thank you, Ranking Member.

Senator Johnson, you are up.

Senator JOHNSON. Thank you, Mr. Chairman.

Inspector General Linick, in your testimony, you are talking about a review that your office has conducted. Was that under your guidance, on the ARB with Benghazi?

Mr. LINICK. No, the Benghazi ARB was completed right before I got there.

Senator JOHNSON. But you have reviewed the process of that ARB? Is that correct?

Mr. LINICK. Well, since I arrived, we have undertaken work to see how the Department is complying with the Benghazi ARB recommendations. On the 29, how are they doing? What progress have they made?

Senator JOHNSON. Okay, that is what I gleaned from your testimony.

Do you have any plans whatsoever to still try to get some answers to a number of unanswered questions in terms of who knew what when? Whatever happened to security requests? Where were those security requests denied? Where were the decisions made that security should be ramped down in Benghazi?

Are you thinking about taking a look at that? The ARB did not answer those questions. We have had several probes. I know there is a special committee in the House trying to get to those answers, but we are very frustrated. This is 2½ years since the tragedy in Benghazi, and we still do not know some very basic answers to some very basic questions.

Mr. LINICK. Well, there have been a lot of probes, as you mentioned, on this topic. We have been forward-looking. We have taken our resources and tried to figure out whether or not the Department is currently complying with security guidelines and so forth, and whether they are implementing the ARB recommendations. That is the direction we have been going.

Senator JOHNSON. Which is important. Obviously, we have to look forward. We need to make sure that these tragedies do not occur in the future.

But from my standpoint, one of the primary functions of the Inspector General's office is not only making recommendations that are forward-looking, but also looking back and being able to hold people accountable.

I am not aware that the primary actors in the Benghazi incident have been held accountable. Do you believe so?

Mr. LINICK. You know we did not look at that. Obviously, the Benghazi Accountability Review Board made a number of conclusions on that. Again, there have been a lot of reports, a lot of probes on that.

I am happy to work with the committee, if you think I should be looking at something in particular. As I said, I have been trying to take our limited resources and at least try to make sure that we do not have another tragedy again, through our inspections and so forth.

Obviously, we will never be able to stop them completely, but that is——

Senator JOHNSON. We had Deputy Secretary Kennedy in front of our Homeland Security subcommittee in the last Congress. Because he refused the invitation to testify before this committee on the same day, I took that opportunity to ask him a series of questions to which I did not get very forthright answers. Then we submitted those questions for the record; we have not gotten any reply whatsoever.

I am not quite sure how we can hold an administration accountable, how we can hold those officials who were at the heart of the matter, those who made the key decisions, those who I think were really derelict in their duty, resulting in the death of four Americans, if we do not know who made the decisions. How do we actually hold people accountable?

Mr. LINICK. Look, accountability is obviously part of our job, and we try to hold people accountable in the Department through a variety of mechanisms, through investigations, our inspections, audits. There are three areas, which I think pertain to accountability. One is accountability for implementing ARB recommendations over time, and that is something that we have been focusing on heavily. The other is accountability for making sure our contracts and grants are overseen properly and our contracting offices are held accountable. And the other area is making sure that there is accountability for the IT network, which has huge vulnerabilities.

Senator JOHNSON. As you are aware, I am certainly highly supportive of strengthening the Office of Inspector General, especially in your ability to access information. I would like to be able to strengthen Congress' ability to actually get information from this administration.

One of the things I will do is submit a letter to you asking those exact same questions, and maybe you can have greater success in your role within that Department as the independent auditor, the Office of Inspector General. Maybe you can get answers to some of these questions that not only I think you should be asking, not only that I think the administration should be asking, not only that I

think this Congress should be asking, but that I think are questions to answers that the American people deserve.

The American people deserve to know the truth. They have not gotten it yet.

I will submit that letter to your office, and I would appreciate the help of your office in trying to get those answers for the American people.

Mr. LINICK. Yes, sir.

Senator JOHNSON. Thank you, Mr. Linick.

Thank you, Mr. Chairman.

Senator PERDUE. Thank you.

Mr. Linick, we are going to start a second round. I know the ranking member has other questions. I have a few here.

I would like to change direction and talk about the IT point that you brought up in your testimony this morning. You mentioned that there have been attacks on the State Department's network and that that compromises the IG's work relative to being on the same network.

Can you talk about that in a little more detail, and talk about what you are doing to protect your independence and whether you need to be totally independent on a separate network? What is your recommendation there? What are you doing to protect the IG's independence?

Mr. LINICK. I think that your point is well taken. To the extent that the Department suffers from attacks, we suffer from attacks because we are on the same network.

We have taken a number of steps since I have been in office. First of all, we have asked the Department to agree not to come onto our system without asking permission. We finally have gotten that agreement from the Department.

But we need more than that, because right now, we are sort of in a gated community, if you will, where we rent. We rent our IT system, and the IT folks at the Department have the keys to our IT system.

So they really have access, unfettered access, to the system. If they wanted to, they could read, modify, delete any of our work. We have sensitive grand jury materials. We have law——

Senator PERDUE. I am sorry to interrupt. How far down in the State Department organization is that access provided? Is that throughout the organization?

Mr. LINICK. Well, the State Department administrators have access to our system, as well as any other——

Senator PERDUE. So during an investigation, your files are open to the hierarchy of the State Department?

Mr. LINICK. Well, they are not open, but if an administrated wanted to—and again, we do not have evidence of this. If an administrator wanted to, he or she could come onto our system with their access.

That is the problem. They come onto our system as it is with security patching, for legitimate reasons.

Senator PERDUE. So how is that done in other Departments?

Mr. LINICK. Well, at the very basic level, Departments differ in the way they handle it. Generally, there is a firewall or some sort or form of protection against that type of intrusion, because an IG

just cannot protect confidentiality of witnesses and information, if there is a possibility.

Now the other way some IGs do it, and this is the way I did it when I was Inspector General at the Federal Housing Finance Agency, I had a completely separate system and network with my own email address. I was completely off the Department's grid.

Senator PERDUE. What keeps you from doing that here?

Mr. LINICK. Well, I need money, and I need the Department's cooperation. I would like to be completely separate from the Department, to ensure the integrity of our system. But I also need the Department to give us access to the same systems that we have now. I have actually broached this topic with the Secretary last Friday and Deputy Secretary Higginbottom.

Senator PERDUE. Do you have evidence that State Department network has been attacked? And does that affect you guys?

Mr. LINICK. There is evidence it has been attacked, and it has affected us. I cannot really go into details, because of the nature of information.

Senator PERDUE. I understand that completely.

So what are you doing to protect the independence? And how can you—short of separating yourself on a separate network, which takes money, and you said—protect the independence of your investigations?

Mr. LINICK. Well, we have taken the first step, in getting the Department to agree to not come onto our system. But the next step is developing a firewall around our network. Again, this really depends on the Department's willingness to do this quickly with us.

The other thing we are trying to do, we have published four FISMA reports over the last 4 years where we found recurring weaknesses in the Department. system. That has given us a lot of pause, because I am not so sure, if we have problems in the Department. system, that obviously leads to vulnerability in our own system.

Senator PERDUE. So just let me be clear. Do not let me put words in your mouth. Are you getting cooperation from the organization, the State Department organization, with regard to this particular IT issue, relative to independence? I think independence is critical, if you are going to be objective in your evaluations. You have to have access, but you also have to be protected in terms of the information and confidentiality, as you just said.

Is it a cooperative attitude that you are seeing? Is this something that is moving forward? Can we bank on the fact that this is going to be taking care of? Or do we need to talk to the other members of leadership in the State Department?

Mr. LINICK. Well, I know that Deputy Secretary Higginbottom is looking into this issue. She has been very receptive and helpful to us, in general.

I will say the process has been very slow. It took us months just to get the Bureau of Diplomatic Security to sign an agreement not to come onto our system without approval. And that is only in limited circumstances.

So it is a slow process. It is a big bureaucracy. So I am cautiously optimistic.

Senator PERDUE. Well, good. I am going to yield the rest of my time and ask Senator Murphy to have his questions now, at this point. Thank you.

Senator MURPHY. Thank you very much, Mr. Chairman.

Thank you for being here today. I note that your official title is Inspector General for the U.S. Department of State and the Broadcasting Board of Governors. So I wanted to ask you just a few questions as to the second appendage on your title.

The work of the BBG is perhaps more important now than ever, as we are fighting very sophisticated propaganda campaigns from nonstate actors like ISIS or Boko Haram, but also very complicated propaganda efforts from state actors, like Russia and their efforts to try to essentially buy up press outlets all around their periphery.

Having an efficiently run Broadcasting Board of Governors and all of their constituent entities is critical to the work that we do abroad. And yet, the previous reports on both the work culture and the efficiency of the operation have been damning, to say the least.

I mean, you very rarely get IG reports that are as straightforward as at least the 2012 report was about the work culture at the BBG. And you had a much older report, I think from 2004, 2005, that talked about tremendous levels of redundancy and duplication within the organization.

So I guess my question is open-ended. I would just be interested to hear any updates that you have on what followup there has been at the Broadcasting Board of Governors following that 2012 report, whether you have information that suggests that the kind of inefficiencies that were identified in earlier reports still exist, and whether that is going to be subject to further introspection or examination for your office moving forward?

Mr. LINICK. Well, thank you for that question. The BBG, I would say, is a work in progress. As you noted, we did issue some damning reports within the last couple years, primarily focused on leadership.

It is a part-time board. There are conflicts of interest.

They did not have a CEO. We recommended that the hire a CEO. There has been a new CEO, but apparently, he has left. So it is without a CEO again. There were morale problems.

I must say, in the contracting and grant area, there is room for improvement. We issued a report recently on their acquisitions, and we found violations of the Antideficiency Act, conflicts of interest, problems with their grants.

So it continues to be a problem. I know that the new folks who are over there are trying to address these issues, and we are working with them on following through. We actually issued some recommendations on contract and grant management pertaining to the BBG, and they are actually required by the Appropriations Committee to respond to some of those recommendations.

So this is a work in progress. We are on it. And we will keep the committee briefed on this issue.

Senator MURPHY. Again, I sort of read it as two different sets of problems. You have a leadership vacuum there that continues, and leadership deficiencies. Then you have identified structural issues with respect to how they contract. Also again, an older IG report talked about tremendous redundancies and duplication.

You referenced it as a work in progress, which is often a way of talking about something that is slowly getting better, but far too slowly.

If you identify those two problems as distinct, is one getting better at a rate that is faster than the other? Is one a more lingering and festering problem than the other?

Mr. LINICK. I would say, I think the leadership issue is probably getting better at a faster rate. There is a new board member since we issued our report and so forth. I think they are really trying to address those issues.

I think the contracting issue is not so much a structural problem but just complying with the rules, the Federal Acquisition Regulations, just doing it right. So I know they are working on that as well.

Since we have a more recent report on that, I would say that is probably the more pressing issue at the moment.

Senator MURPHY. There is a bipartisan group of us in the House and the Senate working on a BBG reform package. We would be hopeful to work with you and the folks who have worked this book of business, as we move forward.

Thank you very much, Mr. Chairman.

Senator PERDUE. Thank you.

I think the ranking member has a few more questions.

Senator KAINE. Great. Thank you.

Mr. Linick, I wanted to just pick right up where I left off. We were talking about the management of contracts and maybe some IT contracts. You were talking about, in some instances, it does not seem like there are enough contract management personnel.

Do you reach a conclusion about that? Is there any degree to which that is because of sequester? Is it because choices have been made internally to hire more of one staff and less contract acquisition folks? What is your conclusion about that?

Mr. LINICK. We do not have any work to support an opinion one way or another on whether they are having problems hiring folks. From the work we have done, I would say it is really a cultural issue, because contracts and grants have skyrocketed in the Department over the last 5 to 10 years. The Department, I think, is having problems keeping up with it. They are trying to do a better job, and there have been improvements, and they have accepted many of our recommendations in this area. So I think it is an issue of priorities, and where they want to put the resources.

I think it is a cultural issue. Contract and grant management is not like diplomacy.

Senator KAINE. Yes, that is not why anybody signed up, why they want to go to the State Department.

Mr. LINICK. Right.

Senator KAINE. I had the same issue when I was Governor with my Department of Transportation. They used to do a lot of projects. And over time, they migrated to an organization that managed a lot of projects. But they did not necessarily migrate their skill set from project engineers to contract managers, so then there was kind of a mismatch. Maybe there is some of that going on.

On your new mission, you talked about the use of management alerts, and these management assessment reports that you do. Has

that been well-received, as you have been doing that within the Department of State? Are folks responsive and respond positively to the alerts and reports that you give them?

Mr. LINICK. I think they responded very positively. The majority of our recommendations in our management alerts have been accepted and the Department has been working on them.

The purpose of them is really twofold. One is to stop the bleeding. If we are in the middle of an audit, we do not want to wait until the end of an audit to tell the Department, hey, you have a problem because somebody is cheating you, so let us try to stop the bleeding before it happens.

Then the second thing we have been trying to do is, to the extent that we find issues and recommendations unimplemented over the years, the point of the management alert is to try to repackage it and aim it at leadership, a different set of leadership, maybe a higher set of leaders, and then also repackage the recommendations so they can be more broadly applied across the Department..

So, for example, on the contract management, we asked the Department to do a sampling of their contract files to make sure the files are in order across the board, to consider putting more resources into it, to consider looking at how a work plan for personnel can be developed so they have enough grant officers and contracting officers.

So it has been well-received. And in fact, the Appropriations Committee, in their joint explanatory statement, picked up on our recommendations and asked the Department to respond to those recommendations, which they have. So that really helped us out, having Congress' endorsement behind the recommendations and support with complying with them.

Senator KAINE. You did not flag this in your oral testimony in the new challenge category, but as I read your written testimony, I would call OCO a new challenge because it was kind of handed to you in 2014, along with the DOD and what is the other agency?

Mr. LINICK. USAID.

Senator KAINE. USAID. So talk a little bit about the work you guys are doing together to get a handle on the way we manage OCO expenditures.

Mr. LINICK. So we have three OCOs, which have developed in the last 4 months, which is quite a stretch for our resources. We have Operation United Assistance for Ebola and Operation Freedom's Sentinel for Afghanistan, and, of course, Operation Inherent Resolve, which is ISIL.

On the first one, Operation Inherent Resolve, we have been coordinating intensely for many months, and we have accomplished a lot. We became official in December. John Rymer, the Inspector General for DOD, was appointed the lead IG.

Since then, we have been coordinating very closely. We have a joint strategic plan, which we published on March 31, which addresses how we are coordinating together. We are in the process of putting together our quarterly report, which is going to be published sometime at the end of April.

And the way we have set it up is Operation Inherent Resolve outlined nine lines of effort in the initiative to address ISIL, one being governance, another being countermessaging, and then there

are others. The way we have split up our duties is, if the State Department is responsible for some of those lines of effort, that would be within my wheelhouse. If some of those lines of effort pertain to DOD, then DOD would be doing the audits on those. To the extent that there are crossjurisdictional issues, then we do them together.

So we are jointly working on strategy. We are jointly working on program analysis and development. And we are jointly working on publishing those reports. We meet regularly. I am going to be going on a trip to Jordan and Turkey to see how the State Department is addressing ISIL issues in those two areas.

So it has been robust, but difficult, because we are taking it out of base. We do not have special resources for those.

Senator KAINE. We may give DOD OCO, but we have not given you an OIG OCO, have we?

Mr. LINICK. No.

Senator KAINE. Let me switch to the third part of your testimony, challenges. The Chair talked to you well about this IT independence issue, but I want to focus on two.

This issue about not being given the same ability as other IG offices to investigate wrongdoing, I think that is an interesting one. I know you are seeking some assistance from us as we do the reauthorization.

As I looked at a footnote in your testimony: Incidents or allegations which could serve as grounds for disciplinary action or criminal prosecution will immediately be referred to the OIG or the Bureau of Diplomatic Security or comparable offices. In exceptional circumstances, the Under Secretary for Management for State may designate an individual.

So there is sort of a requirement that if there is wrongdoing that fits in that category, that either Diplomatic Security or the OIG or potentially somebody else be notified.

What would the norm be, like in another agency, in your previous work as Inspector General? Is it a dual-reporting requirement? You know, report it to Diplomatic Security and OIG? How would it in a more normal way be structured?

Mr. LINICK. Well, in those agencies, which have a law enforcement component like DS, so in DOD with a law enforcement component, DHS, and so forth, their law enforcement components are required to notify them about allegations of serious or criminal misconduct.

Senator KAINE. Are required to notify the IG's office?

Mr. LINICK. Correct. They are required either by statute or by regulation.

And then the IG has the discretion to decide whether it wants to take those cases or ship them back. That is the norm. The reason for that is because there are certain cases that may not be appropriately investigated by the host agency.

Senator KAINE. Right. So your request of us would be, in a reauthorization, we try to structure the reporting language to the IG somewhat similar to the way DOD would have it?

Mr. LINICK. Exactly. We are asking for what the other IGs have, in terms of legislation. We would ask that you track that legislation. That would be what we would like.

Senator KAINE. Mr. Chair, I have two more lines of questions.

Senator PERDUE. Go ahead.

Senator KAINE. Another change that you asked for—actually, I am not sure. You had this in your written testimony, but I just want to make sure that we understand it.

The congressional budget justification includes a request to change how personnel authorities can be exercised by the OIG to expedite reemployment and compensation of retired annuitants to support oversight of the OCO operation.

Could you explain the rationale for that request, so, again, as we are working on reauthorization, we understand why you are requesting that? We want to be helpful, if we can.

Mr. LINICK. So we have difficulties in our shop of hiring the right people with the right skill set to meet the demands of our mission. As I mentioned in my testimony, we have a unique mission in that we have this inspection requirement. We need people who know how embassies run and security. We have the three OCOs. And we also have these unanticipated special projects, like the special review of the Accountability Review Board and numerous other special projects that we have teams of people working on.

So what we are seeking is more flexible hiring authorities just generally, so we can hire people who understand embassies better, who understand war zone contracting. In terms of reemployed annuitants right now, we are only able to hire part-time reemployed annuitants. Many of them are doing our inspections, so our Foreign Service employed annuitants can only work a half year, which creates a tremendous lack of continuity. And then we have to hire a lot more of them in order to get the job done. We would like to be able to hire full-time rehired annuitants.

Similarly, SIGIR, Special Inspector General for Iraq Reconstruction, we have a hard time hiring those folks. They know a lot about wartime contracting, and so forth. They have the skill sets, but they do not have competitive status. So we are looking for opportunities to grab them as well.

Senator KAINE. Well, that will be helpful to us as we tackle reauthorization.

Finally, in the last section of your testimony, and your written testimony too, is the impact of your work. I found this kind of interesting. The first paragraph you talk about the financial savings that you have achieved by implementation of reports, but then the second paragraph begins: However, these financial statistics do not adequately take into account our most significant impact, our oversight efforts and recommendations to improve the safety of people and facilities; our investigations that help ensure that Department. employees conduct themselves appropriately; and our work to strengthen the integrity of the programs, operations, and resources that are at the foundation of the Department's ability to help preserve national security.

When I read that, I was kind of interested in it because when I was Mayor of Richmond, we did not have an OIG. We had an auditor, and the auditor kind of looked at just the numbers. But I guess the difference between an OIG and an auditor is that the OIG is looking at the numbers but also looking at the broader mission.

And as I kind of interpret that testimony, it is that we are going to look at the numbers and find savings, but at the end of the day, there is a broader mission. And first is protecting the security of our personnel, making sure that folks do not do things wrong without a consequence, and ultimately promoting national security.

That is really what determines the success of an OIG office and what the priorities are. You want to make sure that the State Department's priorities are in the right order. Is that a fair read of your testimony?

Mr. LINICK. Yes. And in the State Department, obviously, the priority is to protect personnel. Department personnel are the most important asset in the Department. They really are heroes.

The folks who are at these dangerous posts, Senator Perdue said earlier that they do yeoman's work. We do need to protect them.

It is not just about the numbers. We differ from a lot of office of inspectors general in that we have the security mission, which makes the job so gratifying and great.

Senator KAINE. And sadly, on the security mission and how important it is, since Benghazi, you have had to evacuate in calendar year 2014 the Embassy in Libya. And in calendar year 2015, we had to evacuate our Embassy in Yemen. These are not minor matters. When the United States has to evacuate an embassy because of security concerns, this is a big, big deal.

So that demonstrates that, as much as we might wish the Benghazi incident was just a complete lightening strike not likely to occur again, we have to assume that the security challenges, which are first priority, are going to continue to be very important to all of us. Correct?

Mr. LINICK. Yes, sir.

Senator KAINE. Thank you, Mr. Chairman. No other questions.

Senator PERDUE. Very good questions. Great answers.

Mr. Linick, I just have one quick question here, and we can wrap this up.

I want to talk about your relationship to the line management, if you will, of the State Department. One of the causes that you have, security, you are looking at misconduct, obviously national security, and also the operational effectiveness of the State Department itself, because that affects all of the above.

How would you rate the relationship of the IG to the State Department, with State Department leadership? Are you getting what you need? You mentioned resources twice. Talk to us just a little bit, you said IT independence. You also talked about getting access to these investigations to help you do a better job.

I am looking at, really, in this line of questioning, what have you found operationally inside the State Department that we need to be aware of as we look at this reauthorization?

Mr. LINICK. Well, in terms of the relationship with the Department, I have a very good working relationship with the Deputy Secretary, and I meet with the Secretary periodically as well. I just met with him last Friday.

They are open to oversight. They recognize its importance. They recognize it is a unique role of the IG.

They have been responsive to resource requests. Both of the requests that I have in my testimony, they are aware of and the Deputy Secretary has been working on. So I think that works well.

We also try to meet regularly with other senior leaders in the Department, as well. So I think that relationship is important. To be an effective IG, you need to have that kind of good working relationship, because we cannot obviously force them to comply with recommendations.

In terms of operationally, I would say that the implementation of the recommendations of the ARBs, that is something that has been a problem, but the Department is working on now. That is something that we are monitoring.

The contracting and grant, I would say, is one of the bigger issues. I really think that they need to step up their oversight of contracts and grants. So I would say that is probably an extremely important priority.

And then the IT infrastructure, I mean, after all we have heard about hacking in the news and so forth. This is a very serious issue. There is a lot of sensitive information on the networks, and we need to make sure that information security system is protected.

To me, those are the top priorities.

Senator PERDUE. Well, that is all I have.

Senator Kaine, do you have any other questions?

With that, again, thank you for being here today. This has been very enlightening. We appreciate your insights, your experience, your work, your dedication that went into your statements, and also the effectiveness of your work. You do hero's work as well, and I want to thank you for that.

The record is going to remain open until the close of business on Thursday, April 23, for any future submissions, if you would like. You may receive questions from other members in that period of time, as well. I would encourage you to answer those in the same manner that you have answered the ones heretofore.

Senator PERDUE. And with that, this hearing is adjourned.

Thank you very much, Mr. Linick.

[Whereupon, at 11:02 a.m., the hearing was adjourned.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

RESPONSES TO QUESTIONS SUBMITTED FOR THE RECORD BY SENATOR PERDUE

Question #1. You testified that since the September 2012 attacks on the U.S. diplomatic personnel and facilities in Benghazi, the OIG has stepped up its oversight efforts. Can you describe the OIG's efforts to improve the physical security of our embassies?

Answer. OIG helps safeguard the lives of people who work in or visit our posts abroad by performing independent oversight to help the Department improve its security posture.

Although the Department has made significant improvements on overseas security, challenges remain. Through our inspection and audit work, OIG continues to find security deficiencies that put our people at risk. Those deficiencies include failing to observe set-back and perimeter requirements and to identify and neutralize weapons of opportunity. Our teams also identified posts that use inadequately secured warehouse space and other substandard facilities for offices. Our audit of the Local Guard Program found that firms providing security services for embassy compounds were not fully performing all vetting requirements contained in the con-

tract, placing our posts and personnel at risk. The audit also found that regional security officers at posts could not demonstrate that they vetted and approved the local guards employed to protect their posts. In other reports, we found that the Bureau of Diplomatic Security (DS) (responsible for carrying out ongoing security functions and for setting security standards) and the Bureau of Overseas Buildings Operations (responsible for constructing facilities to meet those standards) often do not coordinate adequately to address important security needs in a timely manner. In accordance with OIG recommendations, those bureaus have taken steps to improve their communication and coordination. OIG will closely monitor whether these steps actually sustain improved joint performance to mitigate security vulnerabilities.

OIG also examined the Department's reviews of, and lessons learned from, significant security incidents that result in the death of U.S. Government personnel and may require the appointment of an Accountability Review Board (ARB). For example, in September 2013, OIG published a report on its special review of the ARB process. The Secretary of State convenes an ARB when serious injury, loss of life, or significant destruction of property occurred at or related to a U.S. Government mission abroad. The most recent ARB was convened following the 2012 attacks in Benghazi.

OIG's special review examined the process by which the Department's ARBs are established, staffed, supported, and conducted as well as the manner in which the Department tracks the implementation of ARB recommendations. We found that follow-through on long-term security program improvements involving physical security, training, and intelligence-sharing lacked sustained oversight by the Department's most senior leaders. Over time, implementation of recommended improvements slows. The lack of follow-through explains, in part, why a number of Benghazi ARB recommendations mirror previous ARB recommendations. This failure underscores the need for a sustained commitment by the Department's most senior leaders to ensure that ARB recommendations are timely and effectively carried out.

OIG continues to increase its focus on security issues. OIG currently is following up on the Department's compliance with OIG recommendations in the ARB special review. OIG also is reviewing the Department's reported compliance with the 29 recommendations in the Benghazi ARB report. In addition, FY 2015 security audits (planned or ongoing) include an audit of compliance with vetting requirements for locally employed staff and foreign contractors, an audit of emergency action plans for U.S. missions in the Sahel region of Africa, and an audit of the Vital Presence Validation Process (VP2). VP2 is the Department's formal process for assessing the risks and costs of maintaining its presence in dangerous locations around the world. Finally, our inspection of DS' International Programs Directorate will underscore and support our ongoing priority focus on security.

Question #2. You testified that the OIG is not meeting its 5 year inspection requirements. How often are posts abroad actually being inspected?

Answer. At current staffing levels, it takes us roughly 8 years to inspect all overseas missions. We apply a risk-based approach in selecting the posts to be inspected and in determining how often they are inspected.

Question #3. What resources do you need to meet your goals?

Answer. OIG is unique in the oversight community in its mandate to inspect all domestic entities and overseas posts at least once every 5 years. Meeting the 5-year inspection mandate would require approximately 46 additional staff (36 inspectors and 10 support staff) at a cost of approximately $10 million. In order to meet the 5-year mandate, OIG's Office of Inspections (ISP) would need to use a streamlined approach to conducting inspections, which would assume smaller teams; a more limited inspections scope; and shorter, more targeted reports. In addition, the new approach would require a significant change to ISP's planning, operations, and products to realize economies of scale and improved organizational efficiencies.

Question #4. Does the 5-year mandate work? Is there a better way to handle inspections?

Answer. The 5-year mandate is not feasible at the present time because OIG does not have the staff necessary to inspect every domestic and overseas operating unit once every 5 years. In addition, complying with the mandate does not allow OIG to provide sufficient focus on the highest risk posts and bureaus in the Department. We propose that Congress eliminate the 5-year mandate and require that OIG periodically inspect every operating unit using a risk-based approach that takes into consideration factors such as reports of problematic leadership and management, the size and threat level of the unit; survey results completed by the unit; and the

value of grants, contracts, and foreign assistance administered or monitored by the unit. We would be pleased to work with you and your staff on drafting legislative language to accomplish this.

Question #5. You also mentioned that recommendations from Accountability Review Boards (ARB) that are appointed for significant security incidents have not been followed through. This has been most recently and tragically evidenced by the attack on Benghazi in September 2012. You testified that a number of Benghazi ARB recommendations mirrored previous these recommendations into practice?

Answer. OIG currently is following up on the Department's compliance with OIG recommendations in its ARB special review. OIG also is reviewing the Department's reported compliance with the 29 recommendations in the Benghazi ARB report. We would be pleased to brief the committee once the review is completed.

Question #6. IG Linick: As you mentioned in your testimony, vulnerabilities in the State Department's network directly affect OIG's IT infrastructure, which is part of the same network. What steps is the OIG taking to become more independent?

Answer. OIG has worked with the Department's Bureaus of Information Resource Management (IRM) and Diplomatic Security (DS) to ensure that OIG's information is protected from unauthorized access by Department employees or outsiders. OIG determined that, in the absence of an independent IT network, a formal agreement with IRM and DS concerning control of, and access to, OIG's information by their staffs was an interim, but necessary, first step. We have been working with outside experts to determine the cost and feasibility of several approaches to achieving enhanced independence of our unclassified network, while also retaining our needed read-only access to Department systems to support our investigative, audit, inspection, and evaluation work. We are seeking the Department's cooperation and congressional assistance toward achieving enhanced IT independence.

Question #7. Has the State Department been cooperative?

Answer. Since March 2014, we have discussed with the Department the need for firewalls to protect OIG's IT network from unauthorized access by Department employees and outsiders. As a first step, we entered into formal agreements with IRM and DS concerning control of, and access to, OIG's information by their staffs. We currently are seeking the Department's cooperation in assisting us in developing an independent unclassified IT network. To date, we have not received a commitment from the Department achieving this objective.

Question #8. Could you tell us a little more about your agreement with the Department not to enter your files?

Answer. The agreement provides that IRM and DS will:

- Maintain a list of all employees and contractors who have authorized access to OIG systems. This list is provided to OIG quarterly, and shall include the names and functional titles of the employees that use those accounts and have authorized access;
- Request, in advance of any attempts to access OIG systems, written access, and receive OIG's written approval, to access OIG's systems, except when conducting investigations involving the Foreign Intelligence Surveillance Act (FISA), or in the event of a critical vulnerability or security incident that requires immediate action;
- Alert OIG when information is accessed, intercepted, viewed, modified, altered, or deleted without OIG's consent; and
- Provide real or near real-time audit log access to systems in the OIG.state.gov Active Directory domain and sites to the OIG Information System Security Officer.

Question #9. How much would it cost to become fully independent on IT?

Answer. Based on an analysis conducted by an outside expert, we have determined that it would initially cost approximately $5 million to separate from the Department's IT infrastructure and approximately $3 million annually to maintain an independent IT network thereafter. These costs are to separate from the Department's unclassified network only. OIG would remain on the Department's classified network for the foreseeable future.

Question #10. Discuss recent invasions of State IT systems by foreign nations and malicious actors—how does this impact the IG?

Answer. We are unable to provide information about recent invasions of State IT systems in an unclassified environment. However, we would be happy to discuss this matter with you or your staff in a secure environment.

Question # 11. How can we help you protect against this problem?

Answer. Vulnerabilities in the Department's unclassified network directly affect OIG's IT infrastructure, which is part of the same network. OIG believes that the best approach to protecting OIG information from unauthorized access is to create, with the cooperation of the Department, a separate and independent IT network.

Question #12. Looking to the lack of parity of the State Department IG compared to other OIGs across the executive branch. IG Linick, you testified that your office is not always given the opportunity to investigate allegations of criminal or serious administrative misconduct by State Department employees. Can you elaborate on how this does not reflect best practices in the IG community? Why is this important?

Answer. See response to Question No. 18.

Question #13. Can you note any examples of the appearance of undue influence?

Answer. In 2012, during the course of an inspection of DS, OIG inspectors learned of allegations of undue influence and favoritism related to the handling of a number of internal investigations by the DS internal investigations unit. The allegations initially related to eight, high-profile, internal investigations.

OIG undertook a significant review of those eight cases and found, in a report issued in October 2014, that in three of the eight cases, a combination of factors in each case created an appearance of undue influence and favoritism by Department management. Two examples cited in OIG's report are discussed below.

U.S. Ambassador

In May 2011, DS was alerted to suspicions by the security staff at a U.S. embassy that the U.S. Ambassador solicited a prostitute in a public park near the embassy. DS assigned an agent from its internal investigations unit to conduct a preliminary inquiry. However, 2 days later, the agent was directed to stop further inquiry because of a decision by senior Department officials to treat the matter as a "management issue." The Ambassador was recalled to Washington and, in June 2011, met with the Under Secretary of State for Management and the then-Chief of Staff and Counselor to the Secretary of State. At the meeting, the Ambassador denied the allegations and was then permitted to return to post. The Department took no further action affecting the Ambassador.

OIG found that, based on the limited evidence collected by DS, the suspected misconduct by the Ambassador was not substantiated. DS management told OIG, in 2013, that the preliminary inquiry was appropriately halted because no further investigation was possible. OIG concluded, however, that additional evidence confirming or refuting the suspected misconduct could have been collected. For example, before the preliminary inquiry was halted, only one of multiple potential witnesses on the embassy's security staff had been interviewed. Additionally, DS never interviewed the Ambassador and did not follow its usual investigative protocol of assigning an investigative case number to the matter or opening and keeping the investigative case files.

The Under Secretary of State for Management told OIG that he decided to handle the suspected incident as a "management issue" based on a disciplinary provision in the FAM that he had employed on prior occasions to address allegations of misconduct by chiefs of mission. The provision, applicable to chiefs of mission and other senior officials, states that when "exceptional circumstances" exist, the Under Secretary need not refer the suspected misconduct to OIG or DS for further investigation (as is otherwise required). In this instance, the Under Secretary cited as "exceptional circumstances" the fact that the Ambassador worked overseas. OIG concluded that the Under Secretary's application of the "exceptional circumstances" provision to remove matters from DS and OIG review could impair OIG's independence and unduly limit DS's and OIG's abilities to investigate alleged misconduct by chiefs of mission and other senior Department officials. OIG also concluded that these circumstances created an appearance of undue influence and favoritism.

DS Manager

Another DS internal investigation in which OIG found an appearance of undue influence and favoritism concerned a DS Regional Security Officer (RSO) posted overseas, who, in 2011, allegedly engaged in sexual misconduct and harassment. DS commenced an internal investigation of those allegations in September 2011. However, at the time the investigation began, the RSO already had a long history of similar misconduct allegations dating back 10 years at seven other posts where he worked. A 2006 DS investigation involving similar alleged misconduct led to the RSO's suspension for 5 days.

OIG found that there was undue delay within the Department in adequately addressing the 2011 misconduct allegations and that the alleged incidents of similar misconduct prior to 2011 were not timely reported to appropriate Department officials. OIG also found that, notwithstanding the serious nature of the alleged misconduct, the Department never attempted to remove the RSO from Department work environments where the RSO could potentially harm other employees, an option under the FAM. Notably, the DS agent investigating the 2011 allegations reported to DS management, in October 2011, that they had gathered "overwhelming evidence" of the RSO's culpability.

The agents also encountered resistance from senior Department and DS managers as they continued to investigate the RSO's suspected misconduct in 2011. OIG found that the managers in question had personal relationships with RSO. For instance, the agents were directed to interview another DS manager who was a friend of the RSO and who was the official responsible for selecting the agents' work assignments. During the interview, the manager acted in a manner the agents believed was meant to intimidate them. OIG also found that Department and DS managers had described the agents' investigation as a "witch hunt," unfairly focused on the RSO. Even though OIG did not find evidence of actual retaliation against the investigating agents, OIG concluded that these circumstances, including the undue delay, created an appearance of undue influence and favoritism concerning DS's investigation and the Department's handling of the matter.

Question #14. Does the OIG have sufficient resources (funding and staff) to carry out its FY 2015 work plan?

Answer. Although our appropriation has increased in recent years, we still face significant challenges, given the growth of Department funding compared to our own. In 1996, when our mission was expanded to absorb the U.S. Information Agency, OIG's budget represented 0.70 percent of the Department's appropriation. Over the following decade, OIG's budget was largely flat.

Through the support of Congress and the administration, OIG's funding has more than doubled in the last few years. By comparison, however, the Department's funding nearly quadrupled (more than 380 percent) between 1996 and 2014, accompanied by significant increases in foreign assistance for which OIG also provides oversight. As a result, even with the increase included in the 2015 budget and the President's FY 2016 request, OIG still represents less than one-third of one percent of the Department's operating budget. This percentage drops to less than one-quarter of one percent when Department-managed foreign assistance is included.

In addition to the substantial number of programs and dollars for which we have oversight, another challenge that we face now is the new requirement that OIG conduct joint oversight of Operation Inherent Resolve (OIR) to defeat the Islamic State of Iraq and the Levant. Since we are still in the process of defining the scope of our OIR oversight commitments, long-term impacts on mission priorities are difficult to predict. Currently, we are funding these responsibilities out of existing resources, a situation that necessarily reduces oversight resources for our other mission-critical priorities and operational needs.

Question #15. What efforts do you take to be more effective, to do more with less?

Answer. Since joining OIG, I have implemented a number of new initiatives to enhance the effectiveness and efficiency of OIG's independent oversight of the Department's programs and operations.

Soon after my arrival, we began to issue management alerts and management assistance reports. They alert senior Department leadership to significant issues that require immediate corrective action. For example, we issued two management assistance reports recommending that the Department take immediate action against grantees who misused grant funds. The Department's response to these products has been favorable, and it has concurred with most of our recommendations.

The Office of Evaluations and Special Projects (ESP) was established in 2014 to enhance OIG's oversight of the Department and BBG. In particular, ESP undertakes special evaluations and projects and complements the work of OIG's other offices by further developing the capacity to focus on broader, systemic issues. For example, in October 2014, ESP published a review of selected internal investigations conducted by DS, which addressed allegations of undue influence by Department management. Currently, ESP is undertaking a joint review with the Department of Justice OIG of a number of shooting incidents in Honduras in 2012, which involved Drug Enforcement Administration and Department of State personnel.

OIG is also using ESP to improve OIG's capabilities to meet statutory requirements of the Whistleblower Protection Enhancement Act of 2012 and other whistle-

blower statutes and policies. Department employees, employees of contractors and grantees, and others have been encouraged to report fraud, waste, abuse, and misconduct. Such reporting must take place without fear of retaliation. We designated an ombudsman (a senior ESP attorney) for these purposes. We also produced an educational video and published a guide regarding whistleblower protections, both of which are available on our Web site.

OIG is developing an automated evidence tracking system to enhance evidence processing accuracy and efficiency and employee computer-forensics and data-processing. Further, we are building the capacity of our new data analytics group and developing a fusion cell consisting of special agents, forensic auditors and analysts, and computer specialists. This group of specialists will enable all of our divisions to proactively analyze financial and other data to identify potential vulnerabilities in Department programs and processes and to perform fraud risk assessments.

We have enhanced our efforts to identify and refer appropriate cases to the Department for suspension and debarment. Our Office of Investigations and Office of Audits prepare detailed suspension and debarment recommendation packages, in consultation with our Office of General Counsel. These recommendation packages include referral memoranda summarizing all relevant facts and setting forth the specific grounds for suspension or debarment and are submitted to the Department's Suspension and Debarment Officials (SDOs) for action. Between FY 2011 and FY 2014, OIG referred more than 100 cases to the Department for action.

To further enhance our oversight efficiency and to have "boots on the ground" at key financial locations, OIG placed staff in Charleston, SC, where the Department's Global Financial Services Center is located, and soon OIG staff will reside in Frankfurt, Germany, the site of one of the Department's regional procurement centers. Both locations are responsible for billions of U.S. taxpayer dollars.

Question #16. As we work on a new State Department Authorization bill in the full committee, what opportunities for increased effectiveness do you see from a broader, operational perspective?

Answer. See response to Question No. 17.

Question #17. What are your top priorities, particularly in terms of cost effectiveness?

Answer. In terms of cost effectiveness, OIG's top priorities include management of contracts and grants, financial management, foreign assistance coordination and oversight, and rightsizing.

Contract and Grants

The Department faces challenges managing contracts and grants, including cooperative agreements. The challenges have been reported in OIG audits, inspections, and investigations and were highlighted in two management alerts for senior Department management. For example, in FY 2014, more than 50 percent of the inspections carried out in overseas posts and domestic bureaus contained formal recommendations to strengthen controls and improve administration of contracts and grants. In a number of sites inspected during FY 2014, inspectors recommended increased training for grant officer representatives (GOR).

In one management alert, OIG reported that, over the past 6 years, OIG had identified Department contracts with a total value of more than $6 billion in which contract files were incomplete or could not be located at all. The alert stated that failure to maintain contract files creates significant financial risk, demonstrates a lack of internal control over the Department's contract actions, creates conditions conducive to fraud, impairs the ability of the Department to take effective and timely action to protect its interests, and limits the ability of the Government to punish and deter criminal behavior.

In another management alert, OIG highlighted deficiencies with overall grants management caused by too few staff managing too many grants, including weaknesses in oversight; insufficient training of grant officials; and inadequate documentation and closeout of grant activities. The alert stated that failure to maintain appropriate oversight of grants results in a lack of internal control and exposes the Department to significant financial risk. These conditions could lead to the misuse or misappropriation of grant funds, failure to meet grant program objectives, and inability to utilize unused grant funds that have expired. Both management alerts made recommendations to senior Department officials to mitigate the highlighted vulnerabilities.

Financial Management

Financial management remains a significant management challenge for the Department. During the audit of the FY 2014 financial statements, an independent

auditor identified significant internal control deficiencies related to financial reporting, property and equipment, budgetary accounting, unliquidated obligations, and information technology. In another audit report, OIG found that although the Department had generally used most of its available funds within the periods of availability, there were opportunities to improve fund management. OIG identified two issues that had negatively affected fund management and that could be improved: insufficient oversight of unliquidated obligations and delays in the contract closeout process. Because of limitations in funds management in these two areas, the Department lost the use of approximately $153 million in funds. Based on information provided during the compliance process, bureaus have taken action to improve their efforts to oversee unliquidated obligations in response to this audit.

Foreign Assistance

Foreign assistance resources managed by the Department and the U.S. Agency for International Development (USAID) under the direction of the Secretary of State have grown substantially over the last 10 years. Coordinating foreign assistance programs among agencies, Department bureaus, and missions is a continuing challenge as is the proper design and oversight of Department-managed assistance programs.

Coordination problems plague domestic bureaus. For example, during the inspection of the Bureau of Conflict Stabilization and Stabilization Operations (CSO), OIG noted that the bureau's mission overlapped with other U.S. Government entities, including USAID's Office of Transition Initiatives and the Bureau of Democracy, Human Rights, and Labor; the Bureau of International Narcotics and Law Enforcement Affairs; and the Bureau of Near Eastern Affairs' Middle East Partnership Initiative. This overlap appeared to extend into CSO's programs; OIG found that although CSO had not received appropriated foreign assistance funds, it had competed to obtain these funds from other entities.

In addition to problems with program coordination, the Department also struggles to track the status of its foreign assistance funds. Neither the domestic Global Financial Management System and its data repository, nor the Overseas Regional Financial Management System and its data repository, can easily collect and analyze funding and expenditures by program, project, or country.

At the same time, the Department has made some progress in facilitating transparency and coordination. It recently posted some, but not all, foreign assistance information by country to www.foreignassistance.gov. The Department also started posting completed mission and bureau program evaluations on the Internet. Additionally, the Department required that work commitments of contracting officer representatives (CORs) spending more than 25 percent of their time on COR duties, reflect those duties; however, the requirement did not extend to GORs.

Rightsizing

During inspections, OIG frequently questions the Department's rationale for maintaining embassies, consulates, and other diplomatic facilities in certain locations considering the costs versus the benefits and the security and safety concerns. Establishing optimal staffing levels also presents an ongoing management challenge. For example, OIG recommended that the Department clarify mission staffing projections during four inspections in 2014. The cost of assigning an employee overseas is almost triple that of basing an employee domestically ($601,139/year vs. $228,282/year). OIG continues to find unneeded positions overseas, which also place employees and their families at unnecessary security risk. At the same time, more employees are needed in other locations.

Question #18. What challenges is the State Department OIG facing that are impeding it being a catalyst for effective management and efficient use of taxpayer dollars in conducting U.S. diplomacy and aid?

Answer. OIG faces several challenges, identified below, that impede its ability to conduct effective oversight.

OIG Network Vulnerabilities

Vulnerabilities in the Department's unclassified network directly affect OIG's IT infrastructure, which is part of the same network. We noted in our November 2013 management alert on information security that there are thousands of administrators who have access to the Department's computer network. That access runs freely throughout OIG's IT infrastructure and increases risk to OIG operations. For example, a large number of Department administrators have the ability to read, modify, or delete any information on OIG's network including sensitive investigative information and email traffic, without OIG's knowledge. OIG has no evidence that administrators have compromised OIG's network. At the same time, had OIG's net-

work been compromised, we likely would not know. The fact that the contents of our unclassified network may be easily accessed and potentially compromised places our independence at unnecessary risk and does not reflect best practices within the IG community. OIG seeks to transition to an independently managed information system, which will require the Department's cooperation and support from Congress.

Right of First Refusal to Investigate Allegations of Criminal or Other Serious Misconduct

Unlike other OIGs, my office is not always afforded the opportunity to investigate allegations of criminal or serious administrative misconduct by Department employees. Department components, including DS, are not required to notify OIG of such allegations that come to their attention. For example, current Department rules provide that certain allegations against chiefs of mission shall be referred for investigation to OIG or DS. However, that guidance further states that "[in] exceptional circumstances, the Under Secretary for Management may designate an individual or individuals to conduct the investigation." Thus, DS or the Under Secretary may initiate an investigation without notifying us or giving us the opportunity to evaluate the matter independently and become involved, if appropriate. Accordingly, OIG cannot undertake effective, independent assessments and investigations of these matters as envisioned by the IG Act.

The directives establishing this arrangement appear to be unique to the Department. By contrast, the Departments of Defense, Justice, Homeland Security, the Treasury (and the IRS), and Agriculture, all of which had within them significant law enforcement entities prior to the establishment of their respective offices of inspector general, defer to their OIGs for the investigation of criminal or serious administrative misconduct by their employees or with respect to their programs. Notice must be provided by all agency components to their respective OIGs of, at a minimum, allegations of misconduct by senior employees. In some agencies, notice must be provided of such allegations with respect to all employees. The respective OIGs have the right to decide whether to conduct investigations themselves or refer matters back to the relevant agency component for investigation or other action. However, in some cases, when requested by OIG to do so, the relevant agency component to which the OIG referred back the matter must report to the OIGs on the progress or the outcome of investigations.

Particularly where senior officials are involved, the failure to refer allegations of misconduct to an independent entity like OIG necessarily creates a perception of unfairness, as management is seen to be, as the U.S. Government Accountability Office (GAO) notes, "investigating itself." [1] This risks undermining confidence in the integrity of the Department. Moreover, this arrangement prevents OIG from carrying out its clear statutory duty, set forth in the IG Act, "to provide policy direction for and to conduct, supervise, and coordinate . . . investigations relating to the programs and operations" of the Department.

Accordingly, we are seeking legislative support—similar to that provided to other OIGs—for early notification to OIG of allegations of certain types of misconduct. In addition, OIG is seeking legislative clarification of its right to investigate such allegations. Current Department directives are a barrier to achieving accountable and transparent government operations.

Hiring Authorities

State OIG is unique in several respects. Much of its oversight involves programs and operations overseas. Moreover, OIG is statutorily required to inspect every domestic and overseas operating unit around the world. In addition, as mentioned above, OIG now has shared statutory responsibility to oversee current and future overseas contingency operations. OIG also frequently faces unanticipated "special projects," such as the special review of the ARB process, as a result of global security incidents and congressional requests.

OIG needs the ability to quickly hire additional highly skilled and experienced individuals (such as those who can do a security inspection in a high-threat post

[1] See, e.g., GAO, Inspectors General: Activities of the Department of State Office of Inspector General at 25–26. (GAO–07–138, March 2007) ([B]ecause DS reports to the State Department's Undersecretary [sic] for Management, DS investigations of department employees, especially when management officials are the subjects of the allegations, can result in management investigating itself."); see also OIG's Review of Selected Internal Investigations Conducted by the Bureau of Diplomatic Security (ESP–15–01, October 2014) (Department policies and procedures appear to have significant implications and created an appearance of undue influence and favoritism, which undermines public confidence in the integrity of the Department and its leaders).

and/or who know how to investigate contract fraud in a war zone) and to quickly release them when their services are no longer needed.

We would be pleased to work with the committee and discuss various options for enhancing our hiring authorities.

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