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United States Department of State
and the Broadcasting Board of Governors
Office of Inspector General

Report of Inspection

The Executive Office Bureau of Diplomatic Security

Report Number ISP-I-09-16, April 2009

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and the Broadcasting Board of Governors**

Office of Inspector General

PREFACE

This report was prepared by the Office of Inspector General (OIG) pursuant to the Inspector General Act of 1978, as amended, and Section 209 of the Foreign Service Act of 1980, as amended. It is one of a series of audit, inspection, investigative, and special reports prepared by OIG periodically as part of its responsibility to promote effective management, accountability and positive change in the Department of State and the Broadcasting Board of Governors.

This report is the result of an assessment of the strengths and weaknesses of the office, post, or function under review. It is based on interviews with employees and officials of relevant agencies and institutions, direct observation, and a review of applicable documents.

The recommendations therein have been developed on the basis of the best knowledge available to the OIG and, as appropriate, have been discussed in draft with those responsible for implementation. It is my hope that these recommendations will result in more effective, efficient, and/or economical operations.

I express my appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in black ink, appearing to read "H. W. Geisel".

Harold W. Geisel
Acting Inspector General

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KEY JUDGMENTS

- Reflecting the enhanced threats facing the United States, the Bureau of Diplomatic Security (DS) is in a period of unprecedented expansion, directly impacting the bureau's Executive Directorate (DS/EX). The overall DS budget, which DS/EX manages, has grown from \$350 million in FY 1995 to \$2.6 billion in FY 2009. In FY 2009, DS/EX will process 426 new personnel and is scheduled to absorb an additional 484 in FY 2010.
- DS/EX is bearing the brunt of this expansion and is coping despite staff shortfalls, resource constraints, and its outdated organizational structure. Today, DS/EX is providing an adequate level of support overall; however, it will need significant increases in support staff and resources to keep up with the demands facing DS in the next few years.
- DS/EX needs to embark on a program to revamp the DS/EX organizational structure to better reflect new, expanded demands on the directorate, particularly in human resources (HR); strengthening institutional support for the executive director; and realigning the Policy and Planning Division (DS/MGT/PPD) to better conform to DS/EX priorities.
- The Office of the Chief Financial Officer (DS/EX/CFO) manages well the appropriations totaling \$2.6 billion. DS/EX/CFO adequately supports the bureau and its external customers, despite understaffing. DS/EX needs to strengthen the policy-budget interaction.
- The Office of the Chief Technology Officer (DS/EX/CTO) faces challenges in poor inventory management and insufficient software licenses. The systems development process lacks sufficient control gates to document and approve all stages. DS/EX/CTO also faces major challenges with the information technology (IT) consolidation effort with the Bureau of Information Resource Management (IRM), with significant unresolved questions yet to be addressed.
- The bureau's management and oversight of \$200 million of nonexpendable property inventory need strengthening to correct a serious deficiency. Poor record keeping resulted in writing off a shortage of \$1.7 million of administrative property. In addition, outdated and ineffective inventory systems have resulted in the bureau writing off shortages of program property in excess of \$1 million, without any research on possible causes for the loss.

- The DS Records Management program, which handles highly sensitive Department records, needs improvement. The program needs a full-time records management coordinator, a trained network of bureau contacts, and clarification of records management requirements.

The inspection took place in Washington, DC between September 15 and November 25, 2008. Ambassador Daniel O'Donohue (team leader), Alan Berenson (deputy team leader), Don Bramante, Christine Grauer, Dolores Hylander, Jacqueline James, Barry Langevin, Ruth McIlwain, Vandana Patel, Matthew Ragnetti, Iris Rosenfeld, and Timothy Wildy conducted the inspection.

CONTEXT

Over the past decade, DS has faced unprecedented challenges: defending against the growing threat of terrorism; protecting personnel and facilities in the Iraq and Afghanistan war zones; and implementing the transformational diplomacy initiative. These diverse and pressing challenges have led to a massive increase in DS responsibilities and the resources required to support them.

DS/EX has struggled to manage the dramatic, persistent growth in DS budget and personnel resources. In FY 1995, the DS budget was \$350 million; in FY 2009 it will reach \$2.6 billion, and, in FY 2010, funding levels are projected to increase to \$3.2 billion. DS personnel levels have doubled since 1995. DS now has 1,454 special agents and a total staff of 2,400 personnel, including domestic and overseas staff. In addition, DS has 2,075 contract personnel, including 775 uniformed security officers. DS is projected to add 426 new permanent positions in FY 2009 and 484 in FY 2010, in part to implement the congressionally mandated Visa and Passport Security Strategic Plan.

Currently, DS/EX has 121 Civil Service staff, 11 Foreign Service staff, and 18 personal services contractors (PSC). There are 261 contract personnel on board. DS/EX also supports eight DS field offices, 16 DS resident offices, and seven field offices of the Office of Foreign Missions. DS/EX has ongoing, direct responsibility for the recruitment and processing of special agents, security engineers, and security technical specialists. In addition, DS/EX is putting together a pilot program in which DS will recruit and train security protective specialists for deployment in Iraq and elsewhere.

EXECUTIVE DIRECTION

OVERVIEW

DS/EX has borne the administrative brunt of a decade-long, dramatic expansion of DS programs, resources, and personnel. DS/EX infrastructure and resources, however, have not kept pace with the expanded demands on the directorate. DS/EX deserves great credit for coping with the continuing escalation in DS responsibilities. DS/EX has managed to provide an adequate level of overall support, despite staff shortfalls, resource constraints, and an outdated organizational structure. However, it will be hard put to keep up with the demands facing DS in the coming years unless it makes changes.

Those demands include:

- hiring 426 new personnel in FY 2009 and another 484 projected in FY 2010
- opening three new resident field offices in FY 2009 and establishing a consolidated training center in West Virginia
- creating a cadre of security protective specialists
- executing the DS Visa and Passport Security Strategic Plan
- implementing the IRM/IT consolidation program

In addition, DS and DS/EX are continually faced with unanticipated overseas crises threatening U.S. personnel and demanding sudden diversion of resources. In one example during the inspection, the assassination of a contractor near Peshawar and a concomitant upsurge in violence there necessitated providing 39 armored vehicles on an emergency basis, costing \$6.7 million.

ORGANIZATIONAL ISSUES

The Office of Inspector General (OIG) team commends the executive director and the deputy for keeping DS/EX afloat and functioning, despite organizational and resource shortcomings. The two have managed to meet the bureau's unending series of high priority demands. The executive director, a senior Foreign Service security engineer, entered on duty two years ago at a time when the DS front office viewed DS/EX as nearly dysfunctional. He has been energetic, determined, and persistent in dealing with the directorate's weaknesses. Within DS, he is recognized as having improved the directorate's performance overall, although problem areas identified in this report persist. As now constituted, the executive director has only two assistants for staff support.

The deputy director of DS/EX also serves as director of the large Office of Management Services (DS/EX/MGT) with four divisions: policy and planning, human resources, logistics services, and contracting and procurement. Within the bureau, the distinction between her two hats is blurred, since her supervisory portfolio includes every DS/EX function outside of the financial and IT functions. While some of her subordinate offices come under criticism within the bureau, DS staff view the deputy director as readily accessible and a problem solver.

The current structure puts too heavy a burden on both the director and the deputy. The fact that both are coping with the major issues facing the directorate is a tribute to their skills. In the OIG team's view, DS/EX has insufficient institutional support to manage the full range of DS/EX activities, and the deputy director's supervisory reach is already strained in managing her "mega office" with its four diverse divisions.

DS/EX has grown too big, and the range of issues demanding senior level attention continues to expand. There is more than enough work for a front office duo working closely in concert. That will be particularly true with the elevation of the Human Resources Management Division (DS/EX/HRM) to the office level, as recommended by DS/EX, and attaching DS/MGT/PPD directly to DS/EX. Under the executive director, the deputy director could retain oversight of the management services and the new HR offices, as well as act as the executive director's alter ego.

Recommendation 1: The Bureau of Diplomatic Security, in coordination with the Bureau of Human Resources, should assign the deputy executive director as a full-time deputy to the executive director and establish a Management Services director position. (DS, in coordination with HR)

DS/EX RESTRUCTURING

Key offices, including DS/EX/CFO and DS/EX/HRM, have provided solid support in the past year. However, the current DS/EX organizational structure does not adequately reflect the directorate's priorities, nor does it provide sufficient institutional support to DS/EX leadership. As described below in this report, DS needs to restructure and refocus DS/MGT/PPD and designate it as the DS/EX Strategic Planning and Coordination unit. At present the division is buried too low in the DS/EX organizational structure to deal with major policy matters or senior level coordination.

The OIG team recommended that DS reconstitute DS/EX as follows to provide a more cohesive organizational framework.

- Directly attach the redesignated Strategic Planning and Coordination unit to DS/EX to strengthen its ability to carry out coordination with other directorates and provide the executive director and deputy with institutional support and better integration of strategic planning with the budget process. (Recommendation 2)
- Raise the DS/EX/HRM to office status, reporting directly to DS/EX. DS/EX and the OIG team agree that DS/EX/HRM has significantly outgrown its divisional status, both in size and level of responsibility. (Recommendation 4)
- Directly attach the Freedom of Information Act/Privacy Act Division (DS/CTO/FOIA-PA), now in DS/EX/CTO, to DS/EX. (Recommendation 23)
- Retain the remaining divisions in the Office of Management Services, Logistics Services, and Contracting and Procurement in that office.

These recommendations and fuller justification are contained in the body of this report.

THE POLICY PLANNING FUNCTION IN THE BUREAU OF DIPLOMATIC SECURITY

Nominally, DS policy planning function is placed in DS/MGT/PPD; however, that division does not have the bureaucratic standing or the personnel to deal with broader policy issues affecting the bureau. Given the expansion of DS responsibi-

ties, the OIG team suggested to DS that it consider establishing a policy unit, appropriately staffed, and attached to the DS front office to give it access to senior DS officers and the bureaucratic weight to deal with major policy matters. The OIG team believes the bureau needs a better locus for policy development. Currently, DS has only two offices with cross-cutting, bureau-wide responsibilities — DS/EX and the public affairs office.

CORE FUNCTIONS

OFFICE OF MANAGEMENT SERVICES

Policy and Planning Division

DS/MGT/PPD consists of two units, the Policy Analysis Branch and the Strategic Planning Branch, with a total of about 16 employees. DS/MGT/PPD is one of four divisions in DS/EX/MGT.

DS/MGT/PPD works on such specific projects as preparing the annual DS Bureau Strategic Plan for inclusion in Department-wide plans, and the Joint Highlights of Performance, Budget, and Financial Information for the Office of Management and Budget and for Congress. The division also coordinates changes to the Foreign Affairs Manual (FAM) and the Foreign Affairs handbook (FAH), and is the DS point of contact for compliance with OIG, Government Accountability Office, and Accountability Review Board recommendations. It also acts as the secretariat for the Firearms Policy Review Board and the Overseas Security Policy Board.

DS/MGT/PPD has undergone three leadership changes in the past year, including a short period of interim, temporary management. During that time, the division experienced significant personnel losses. Given the difficulties of recruitment for the vacant positions, employees already on board took on additional responsibilities. As a result of these changes in leadership and staff, morale and work production suffered.

It was in this atmosphere that the current division chief took over her duties. Under her direction, the division has begun to settle down. The many new employees are acquiring the skills their jobs demand. Yet, a relatively new staff, working under unforgiving deadlines, faces formidable challenges, not the least of which is a long-standing condition of diminished influence in DS and ambiguous responses from other DS offices to DS/MGT/PPD coordinating and clearing requests.

DS can improve new employees' skills and performance by expanding the nascent training plan undertaken by the new division director. A consistent, proactive and personal approach to outreach to the division's contacts and customers, a concept endorsed by the new director, could broaden the unit's influence and improve communications.

DS/MGT/PPD is not well-positioned as a division under DS/EX/MGT to accomplish effectively its reporting, coordination, and clearance functions. The bureau may be better served by repositioning the division within DS/EX. Doing so will give added visibility and influence to the division, improve bureau-wide coordination, and expedite clearance processes. It also will strengthen DS' position with entities outside the Department, such as federal or state organizations, the Congress and other agencies.

Recommendation 2: The Bureau of Diplomatic Security should position the Policy and Planning Division in the office of the executive director and redesignate it as the Strategic Planning and Coordination Unit. (Action: DS)

The work of DS/MGT/PPD Strategic Planning Branch has many policy coordination activities in common with the Policy Analysis Branch and other elements that relate to financial resources. For better effectiveness and accuracy, the elements of the Strategic Planning Branch that relate to budget resources need closer coordination with DS/EX/CFO.

Led by one of two branch chiefs in the division, DS/MGT/PPD Strategic Planning Branch is composed of three employees, only one of whom works exclusively within the branch. The other two staff include a recently assigned contractor, who divides his time between the strategic planning branch and the division chief office; and a new employee, who shares time between the branch and the DS/EX Performance Plan and Measurement System program. The branch does not have enough personnel to be viable as a stand-alone unit.

Recommendation 3: The Bureau of Diplomatic Security should consolidate the Policy Analysis and the Strategic Planning branches in the Policy and Planning Division into one division unit. (Action: DS)

Human Resources Management Division

Overall, DS/EX/HR is operating well and DS customers are satisfied with HR support. Nevertheless, HR managers recognize the need for improvements in customer service, continuing professional development of HR staff, and additional codification and dissemination of DS/EX/HR policies and procedures to bureau employees. DS/EX/HR customers cited improvements in service delivery over the past several months. However, like HR operations throughout the Department, the division struggles with vacancies, high turnover, and uneven performance and morale. Staffing is adequate, as the use of contractors relieves workload pressures. In the most recent executive budget request, DS/EX/HR asked for two full-time-equivalent (FTE) positions; these would be used to replace two of eight contractors currently working in the division.

The DS/EX/HR provides the full range of HR services for the bureau's approximately 550 Civil Service employees on board at the time of the inspection. DS/EX/HR also provides various services to 1,850 Foreign Service personnel in DS, while the Bureau of Human Resources, Office of Career Development and Assignments (HR/CDA) manages the positions and the assignments process. Nine DS Foreign Service specialists are assigned to HR/CDA as career development and assignments officers

DS is unique among the Department's bureaus because it administers its own nationwide recruitment and examination processes for Foreign Service positions. The bureau employs a specialized cadre of direct-hire, when-actually-employed staff, and contract employees, which can be augmented as needed when intake targets are increased. Despite post-9/11 hiring pressures, unprecedented recruitment efforts over the past few years have enabled DS to meet targets, although it is a challenge to recruit security engineering officers and security technical specialists as engineering skills are at a premium in today's market. In 2008, DS/EX received about 6,700 applications after only two advertisements for special agent positions; of those, about 2,700 scored competitively.

HR/CDA officials and DS employees in HR/CDA said relations with DS/EX/HR were excellent. The DS employees in HR/CDA are hard-pressed to keep up with the increasing numbers of DS employees and large intake numbers, although additional staff has provided some relief. HR/CDA employees are working full-out to process new DS employees as fast as DS recruiters and examiners bring them in. An HR/CDA official overseeing this process views this as a Department-HR systemic issue and has addressed it with Department management.

Shared Services

In June 2008, the Under Secretary for Management selected DS as the pilot bureau for its tiered delivery model of providing HR services. This model was to be implemented in DS through a carefully planned, phased approach. On November, 3, 2008, during the course of the inspection, Phase 1 of the pilot program went live. This phase consists of establishing a self-service Web portal for several routine personnel transactions and locating customer service representatives at a new HR service center in Charleston, South Carolina. Customer service representatives are available to respond to e-mail and phone service requests for routine Civil Service and Foreign Service inquiries. As of mid-November, implementation was working smoothly; the Charleston service center reports that the majority of inquiries have been from overseas posts, not DS employees based in the United States.

Throughout the development, preparation, and implementation of the initiative, DS/EX/HR and Department officials worked closely, and all characterized the relationship as collegial, positive and productive. Within DS/EX/HR, reaction to the new model is mostly positive. During this first implementation phase, there is little impact on most employees' daily activities. Some HR assistants expressed anxiety about their job security, though DS and senior Department officials, including the Director General, have provided repeated reassurance on the issue. Other HR assistants, as well as the HR specialists, see the advent of the shared services model as the wave of the future and as an opportunity to expand their professional development.

Human Resources Organizational Placement and Reporting Lines

What had once been a modest HR operation with a GS-13 director is now one of the Department's largest HR operations, with a GS-15 director position, a staff of 28 direct-hire positions, 10 contract employees, and approximately 10 when actually employed and personal services contract full- and part-time employees. Yet, in contrast to the structure of other Department executive offices, the chief of HR operations is not an office director, nor does he report to the executive director or to a full-time deputy director. Rather, the HR director is one of four division chiefs reporting to the DS/EX/MGT.

Since the present organizational and reporting structure was institutionalized years ago, DS/EX/HR's operations have been transformed in many ways. These include: the hiring surge following September 11, 2001; the assumption of recruitment responsibility; designation as an HR Center of Excellence; new authority to process its own PSC personnel actions; and, as described above, designation as the pilot bu-

reau for the Department's shared service center initiative. In 2005, the Department raised DS-delegated personnel authority from the GS-13 to the GS-15 level. The size of the HR operation, and the expanding scope of the issues and transactions it handles, warrants raising it to an office, with a direct reporting relationship to the executive director.

Recommendation 4: The Bureau of Diplomatic Security should raise the Human Resources Management Division to office status, reporting directly to the Office of the Executive Director. (Action: DS)

Personal Services Contracts

DS/EX/HR is performing properly its assigned function in the personal services contract process. The DS contracting officer stated that the personal services contract packages received from DS/EX/HR for approval and signature are complete and conformed to regulations.

As of October 2008, DS employed 133 PSCs, the second largest number of PSCs in the Department. DS/EX/HR coordinates the PSC hiring process, including advertising, rating, and ranking applicants. The Contracting and Procurement division (DS/MGT/CAP) reviews the final HR contract packages. In January 2008, the Office of Acquisitions (A/LM/AQM) granted DS authority to approve and sign personal services contracts.

After receiving a program office PSC hiring request, DS/EX/HR classifies the position's grade level based on the duties outlined in the statement of work. In some cases, the classification unit director determined that a proposed grade level is too high, when compared to Office of Personnel Management classification standards and similar jobs in DS. In those instances, grade levels were reduced. Salary levels may be affected by factors such as a bureau's determination that the selected applicant has "superior qualifications" or a former federal employee's previous salary. The majority of PSCs in DS are GS-13 and GS-14. The HR classification unit also reviews statements of work to ensure that proposed PSC job duties do not include any inherently governmental functions.

Contracting and Procurement Division

DS/MGT/CAP is accomplishing its primary function of providing acquisition advice and support to DS program offices. Responses to OIG survey questionnaires reflect customer service and technical support that range from satisfactory to outstanding. DS program offices report that the division has a competent interface with A/LM/AQM staff. A/LM/AQM staff is similarly complimentary of DS/MGT/CAP. DS/MGT/CAP staff members view their unit as collegial, and they praise management for its open door policy. DS/MGT/CAP management supports training certification for contract specialists, and many employees are in active training.

Contractors are adequately supervised, and they do not perform inherently governmental functions. The ratio of direct-hires to contractors is appropriate. The section has a staff of 19, six of whom are contractors.

The division effectively manages one of the Department's largest purchase card programs. It adheres to management controls and carefully documents purchase card holders. Four purchase card holders handle the bulk of DS credit card transactions, using multiple purchase cards. In FY 2007, these purchase card holders processed 70 percent of all DS credit card transactions, or \$5.7 million of a total of \$8 million of purchases. There are 54 active purchase cards allocated to DS staff. The Bureau of Administration and Citibank officials praised the section's management of the purchase card program.

The division's outreach to other DS program offices could be improved. While some program offices are knowledgeable about the division's role in the procurement process, some expressed confusion. The disparity is linked to how often the division provides services to a particular customer. Use of the services is not mandatory, so frequent users are far more familiar with the DS/MGT/CAP role than intermittent users. Regular turnover of DS agents in program offices increases the likelihood of a breakdown in communication between DS/MGT/CAP and its clients. Moreover, some DS/MGT/CAP staff members indicated that management sometimes limits their interaction with DS program offices, negatively affecting their ability to serve clients. By modifying and improving its outreach and communication, the division could serve its clients more effectively and efficiently.

Grants Management

DS/MGT/CAP handles grants and cooperative agreements for domestic protective services and law enforcement training. A review of these files revealed that financial status reports and performance reports are missing from many folders. Many

of the cooperative agreements are outdated and need to be revised. Correspondence is also poorly organized. There is little or no indication of coordination with the grants officer representatives, and DS/MGT/CAP is not handling the process in accordance with good management practices. The division chief acknowledged that the files are not in good working order. The OIG team counseled the section on good grants and cooperative agreement procedures. The division chief said that the grants officer position is vacant and is likely to remain so for several months. Until a new grants officer is selected, the division chief will take responsibility for grants and cooperative agreements.

Recommendation 5: The Bureau of Diplomatic Security should conduct a review of its grants and cooperative agreement files to identify and correct deficiencies, update and revise outdated agreements, and better organize cooperative and grants agreement files. (Action: DS)

Logistics Services Division

The Logistics Services Division provides administrative and logistics services to the bureau, including program management for domestic and overseas administrative and program property with a total value of about \$200 million, with serious problems that are discussed below in the Management Controls section of this report; administration of travel management; and management of the motor vehicle fleet. There is also a Space Management Branch that attempts to duplicate functions assigned to the Bureau of Administration. The division is staffed by 15 direct-hire employees and 15 contract employees. There are serious problems in each of these areas.

Motor Vehicle Management

Centralized controls over the domestic motor vehicle fleet need strengthening. For example, there is no system to enforce policies, procedures and requirements. The Logistics Services Division's Motor Vehicle unit, which comprises two direct-hire and three contract employees, manages the bureau's domestic vehicle fleet that consists of about 894 vehicles—139 owned and 755 leased. Over 80 percent of the vehicles are assigned to field offices throughout the United States, Puerto Rico, and other locations, such as the training center. Actual control of vehicle use rests primarily with special-agents-in-charge and other activity directors. There are problems,

both potential and actual, with ensuring DS officials use vehicles only for official purposes; documenting required enforcement of disciplinary action for traffic violations, and verifying that contractors using official vehicles have liability insurance.

Home-to-Work Transportation in Government Vehicles

DS requested the Secretary's approval for home-to-work transportation in government vehicles for a limited number of designated DS positions when it was essential for the performance of intelligence, counterintelligence, protective services, or criminal law enforcement duties. As part of the request, DS stated it would establish controls so that employees would be accountable for the use of vehicles, and would revise the FAH to reflect the procedures. The Secretary approved the request on December 12, 2003, without any time limitation or provision for review. DS has yet to revise 12 FAH-3 H-222, titled *To and From Home/Work*, dated December 4, 1995. DS also stated that home-to-work transportation would be limited to employees actually requiring a car for specifically identified duties, but there is no assurance that DS is limiting vehicle use. The number of vehicles assigned to offices is virtually on a one-to-one ratio with the number of agents assigned.

Recommendation 6: The Bureau of Diplomatic Security should establish controls over vehicle use to make employees accountable for use, and submit revisions to volume 12 of the Foreign Affairs Handbook. (Action: DS)

Traffic Violations

In 2005, DS published standard operating procedures (SOP) for the Motor Vehicle Fleet Management Program. Included in the SOP are provisions to suspend an employee's driving privileges for failure to pay for violations or tickets. As of May 31, 2008, the New York City Parking Violations Bureau showed 321 judgments for outstanding tickets that totaled \$61,535. Many of the tickets were outstanding for several years. There was no procedure in place to coordinate in a timely fashion with the City of New York Police Department (NYPD) to identify vehicles on official "police" business and dismiss the tickets. As a corrective measure, the New York DS field office and New York City have improved communications and have instituted monthly notification of outstanding tickets. As a result, the 321 tickets are now under review. An initial submission of 50 tickets to the New York City Parking Viola-

tions Bureau resulted in the dismissal of 41 tickets. In addition to problems between DS and the NYPD, there also are inadequate procedures to ensure DS drivers report their traffic violations to DS.

Recommendation 7: The Bureau of Diplomatic Security should implement procedures to require timely reporting of traffic violations and their resolution, to include procedures requiring payment of fines and suspension of driving privileges for repeat offenders. (Action: DS)

Liability Insurance

DS provides contractors, both those on the guard force and those in various DS entities, with self-drive vehicles. There is no process for ensuring that vehicle operators have liability insurance, either as individuals or as employees of contractors. Motor vehicle dispatchers do not have the necessary information to ensure driver insurance coverage.

Recommendation 8: The Bureau of Diplomatic Security should establish procedures to ascertain that liability insurance is in force for contractor employees before dispatching self-drive vehicles. (Action: DS)

Space Planning

The Logistics Services Division could not provide any formal justification for its Space Management Branch, established about 2000. As of November 17, 2008, all space planning projects in process are actually the responsibility of the Bureau of Administration, Office of Real Property Management, as defined in 1 FAM 213.6 and 6 FAM 1710, titled *Office Space Assignment and Utilization, Design and Construction*.

DS assigned 10 employees, including four direct-hire and six contractor employees to the Space Management Branch, but eight of these employees have no space management duties and instead work on inventory control or as custodians.

DS offices complained about the lack of adequate space management support. Because DS is expanding rapidly, there is need for additional space and adequate

space management support. Unfortunately, there is little likelihood the branch can provide that needed support. The OIG team conservatively estimates that DS will reduce its costs by about \$500,000, if it eliminates the Space Management Branch.

Recommendation 9: The Bureau of Diplomatic Security, in coordination with the Bureau of Administration, should abolish the Logistics Services Division, Space Management Branch, and should transfer the function and the full-time-equivalent positions to the Bureau of Administration, Office of Real Property Management. (Action: DS, in coordination with A)

OFFICE OF THE CHIEF FINANCIAL OFFICER

Overview

The DS/EX/CFO provides an adequate level of support to DS and its external customers. The office manages all aspects of bureau financial resources, including preparation of the annual financial plan for all DS operating accounts, and serves as the primary liaison between DS and the Bureau of Resource Management (RM). The office has two divisions, the Financial Planning Division and the Financial Execution Division, which manage a complex budget of ten funding sources, totaling about \$2.6 billion in FY 2009. A budget analyst on the staff, reporting directly to DS/EX/CFO, is dedicated to the Office of Foreign Missions (OFM), and handles budget formulation and the OFM \$4.7 million Diplomatic and Consular Programs appropriation and fee collections. Since arriving in 2004, the chief financial officer has focused on improvements in customer service, communication, and transparency, with positive results. Customers are generally pleased with DS/EX/CFO support.

As a result of the Department's global repositioning initiative, the office lost two FTE positions in its authorized ceiling and is also under a hiring freeze. The office also experienced turnover among its budget analysts because promotion opportunities for mid-level financial positions in DS are limited. As a result, the current staffing level for the office is 32 positions: 20 General Service (GS) authorized positions, one personal services contractor handling the Iraq budget, and 11 contract positions. Of the 20 GS positions, six are vacant. The staff is stretched performing assigned tasks, in addition to handling tasks that would normally be assigned to employees in the vacant positions. The workload is especially heavy for the DS/EX/CFO and other senior staff in the office. Though they complete the day-to-day work, attention

to other important initiatives is lacking, such as comprehensive analysis of prior-year execution to adjust financial plans, if necessary, and cost benefit and other analyses to provide necessary financial data to comply with required reporting.

Budget Analysis

Because budget support for overseas programs such as Iraq and the worldwide local guard program take up considerable resources, analyses of domestic program budgets do not receive the same attention. DS/EX would like to strengthen its ability to analyze budget requests against operational and strategic plans, which would require closer coordination between policy and planning operations and financial formulation and execution activities. This effort requires additional office staffing. Strengthening this function would also correspond with RM's implementation of the Office of Management and Budget's initiative on program evaluation as part of the Department's Strategic and Performance Planning process. Through this initiative, managers can use program evaluations as a tool to provide information on the effectiveness of a program, which they can in turn use for making planning and management decisions.

Budget Shortfalls and Unfunded Requests

DS/EX/CFO plans to address shortfalls and unfunded requirements in the bureau's current resource levels, particularly diplomatic and consular program funding. Increases for DS/EX have not grown commensurate with the DS budget, which increased from \$350 million in 1997 to \$2.6 billion in 2008. In FY 2009, the bureau will contribute to Worldwide Security Protection (WSP) program funds for operating expenses and diplomatic and consular program funds for International Cooperative Administrative Support Services invoices, a change from previous years. DS/EX/CFO also plans to implement a managerial cost accounting (MCA) program so the office can track overhead costs for programs to provide services to other agencies. Through this program, DS will bill agencies for overhead costs, as applicable, for which it currently receives reimbursable billings. Currently, other agencies are not reimbursing DS fully and DS is funding the shortfall from its appropriation. Implementing the MCA program will free up additional DS funding.

Protection of Foreign Missions and Officials Account

One area of concern for DS/EX/CFO is the disparity between the funding levels authorized and appropriated for the Protection of Foreign Missions and Officials

(PFMO) account for the NYPD, and the submitted, validated claims. For FY 2002-07, validated claims from the NYPD have far surpassed authorized and appropriated funding, and outstanding claims for these years total \$43.2 million. The purpose of PFMO is to compensate U.S. law enforcement authorities and qualified security contractors for extraordinary reimbursable expenses at the municipal, state and federal levels. The program currently operates under a 1993 cooperative agreement with the NYPD to provide extraordinary protective services for visiting and resident foreign officials and their facilities within the jurisdiction of the NYPD. NYPD has a separate account, because it uses a large portion of PFMO resources. Congress authorizes and appropriates that funding and, until 2007, Congress appropriated about \$9 million to \$10 million annually for the New York PFMO account.

Since September 11, 2001, costs for security have increased dramatically while authorized and appropriated funding for PFMO have remained constant. The intent of current legislation is to offset costs, rather than fund the total amount required for extraordinary security. The legislation mandates that DS will fund the program to the extent that funds are available. Part of the problem is estimating expenses, which in turn makes it difficult to know how much funding to request from Congress. For example, in FY 2008, Congress appropriated \$22.8 million for the NYPD account, while valid prior-year submitted claims totaled \$38 million. The FY 2009 President's request for the PFMO account is \$18 million. Though this is sufficient to cover estimated costs for the year, it is insufficient to pay for prior year claims. DS and the City of New York are working to finalize an updated cooperative agreement to state the amount of funding for which the Department is liable. DS, rightly, has concerns about this issue, ranging from continuance of services, if valid claims remain unpaid, to the potential financial liability of operating in arrears, including earmarks in the WSP account.

Accomplishments

DS/EX/CFO has successfully secured a 42 percent increase in the WSP account from \$690 million to \$1 billion for diplomatic security in FY 2007 and 2008. The FY 2007 increase was due largely to exchange rates, which previously had not been included in calculations for the WSP account, and to increased costs of doing business overseas. In recent years the costs for LGP contracts, at some posts, have increased by as much as 200 percent.

DS/EX/CTO implemented a SharePoint site for DS/EX/CFO to improve efficiency and transparency of office operations. The use of SharePoint provides transparency, accuracy, and timeliness of data for all users. Examples of SharePoint use include: posting financial plans, to which bureaus and program offices have

immediate access; posting allocations for all appropriations; standardizing internal cuff records in the office; and collecting cost data to bill other Federal agencies for residential guard services.

Another of DS/EX/CFO's accomplishments is the continued focus on monitoring unliquidated obligations, an area that received little attention before the arrival of the current CFO. In FY 2008, about 1,600 deobligations were made, creating over \$12.3 million in recoveries across various accounts.

Best Practice: Implementation of SharePoint for the collection and dissemination of budget information in the Bureau of Diplomatic Security

Issue: Before using SharePoint, DS program offices and overseas posts obtained the status of financial transactions and the status of funds by contacting their assigned DS/EX/CFO budget analyst. This was time consuming for analysts, who had to stop other duties, such as certifying funds availability, to provide financial status reports, frustrating to embassies that needed the information, and inefficient, especially given time zone differences.

Response: DS/EX/CTO implemented a SharePoint site for DS/EX/CFO to disseminate and collect budget information. The office uses SharePoint to post data such as financial plans, budget allocations, obligation status reports, and cuff records for program offices and posts, resulting in immediate access to current budget information for these users. DS/EX/CFO also uses the site to collect reimbursable cost data for invoicing other Federal agencies for residential guard services.

Results: The use of SharePoint in DS for collecting and disseminating budget information provides transparency, accuracy, and timeliness of financial data to all users of the budget. Without the use of SharePoint, billable data to invoice other agencies for residential guard services would have to be collected by e-mail and entered manually into spreadsheets. SharePoint allows the information to be rolled-up automatically by agency, once posts have submitted the data.

The anticipated new version of SharePoint will allow DS/EX/CFO to automate budget processes that are performed manually. It will allow the program office to send to DS/EX/CFO the requests for allotments and other miscellaneous obligations, reimbursements, and transfers, making it a paperless system, saving time and eliminating lost paperwork. Currently, paper copies are sent through inter-office mail or hand carried by DS personnel.

OFFICE OF THE CHIEF TECHNOLOGY OFFICER

DS/EX/CTO has taken positive steps to improve services. Recent initiatives to produce a strategic plan outlining the DS/EX/CTO mission and goals and creating an IT inventory baseline are good steps in addressing identified areas of weakness. The OIG team commends performance of the information systems security officers (ISSO) within DS/EX. With a staff of only four employees, the office effectively handles security responsibilities for 48 domestic locations and assistance to all overseas posts. This includes operational activities, such as new user requests; security oversight functions, such as monitoring computer-incident-response-team activities; certification and accreditation for DS systems; and ensuring compliance with statutory requirements, such as the Federal Information Security Management Act. The Department recently selected the security branch chief as the ISSO of the Year, a well-deserved honor.

Despite these developments, there are still areas of improvement that the CTO and DS/EX management need to address. The DS/EX/CTO draft strategic plan is a good step, but does not include linkages to the Department and bureau strategic plans, nor does it outline the functions of each division. DS has not clearly defined roles and responsibilities of divisions and branches, hindering DS/EX/CTO's ability to meet its goals and objectives. Properly documenting the DS/EX/CTO organizational structure also requires attention because it affects the ability to fill key vacancies. Contract documentation and performance measures lack the clarity to ensure accurate standards for evaluating deliverables. DS/EX/CTO also needs to address the lack of inventory management and software licensing agreements. The software development process lacks sufficient control gates to ensure the completion of necessary stages of the methodology. And finally, the IT consolidation effort with IRM looms over all aspects of DS/EX/CTO operations, with the potential to draw away resources and affect the organizational structure, customer service, and security posture of DS in yet unknown ways.

CTO Staff and Organization Structure

DS/EX/CTO provides DS with one central office for managing and implementing information technology support, including computer center operations and maintenance, general automated data processing support, software development, IT security, and training. DS/EX/CTO consists of three divisions—Capital Planning (DS/CTO/CPA), Systems Management (DS/CTO/SMD), and DS/CTO/FOIA-PA—with a staff of 31 full-time employees and 167 contractors. DS/CTO/CPA consists of five branches, each providing a core function in DS/EX/CTO's project management process. DS/CTO/SMD consists of three branches, which are

responsible for the development, operations and maintenance, and security of DS IT systems and applications. DS/CTO/FOIA-PA handles the retention, scheduling, and disposition of DS records. Domestically, DS/EX/CTO supports approximately 3,500 users across 48 domestic locations.

DS/EX/CTO FTE and contract employees recently developed a strategic plan. It was the first such office endeavor, and a good step toward information sharing among DS/EX/CTO divisions, enabling them to think about larger strategic issues, rather than specific projects. The draft plan describes six strategic goals: communication and collaboration, customer focus, service orientation, modernized infrastructure, fiscal responsibility, and process efficiency. These are laudable objectives in their own right; however, the draft strategic plan has no link to the Department's or DS' bureau strategic plans, nor does it outline how the functions of each division and branch meet bureau goals and objectives. Without addressing those links, upper management may not see the full picture of DS/EX/CTO responsibilities and projects and how they relate to the mission, ultimately resulting in a lack of alignment of information technology resources to mission needs.

Recommendation 10: The Bureau of Diplomatic Security should complete the strategic plan for the Office of the Chief Technology Officer to include linkages to the Department and bureau strategic plans and a description of functions for each division and branch. (Action: DS)

Between DS/CTO/CPA and DS/CTO/SMD, there are eight branches. However, there appear to be unresolved conflicts in roles and responsibilities from the time of a simpler DS/EX/CTO organizational structure. For example, the Operations Branch and the Systems Integration Branch both have a part to play in infrastructure maintenance. Yet, while it is clear that Systems Integration Branch handles the most complex helpdesk issues, the line is less clear when the branch turns matters back to the Operations Branch, once they have resolved complex issues. The lack of clarity in the role of contractors and their direction is another problem. More details on this aspect are discussed later in this report. Equally unclear is the interaction between the Project Management, Capital Planning, and Requirements and Business Analysis branches of the DS/CTO/CPA and the software branch of DS/CTO/SMD in the software development process. Finally, the use of matrices in forming project teams compounds the issue; this practice forms teams comprised of members from disparate branches and contractors from different companies. Such teams are fraught with opportunities for conflict of interest and blurred chains of command.

Recommendation 11: The Bureau of Diplomatic Security should clearly define and disseminate the roles and responsibilities of organizational units and employees in the Office of the Chief Technology Officer to ensure that the office meets its goals and objectives. (Action: DS)

Vacancies in several key positions negatively affect CTO operations. These include lead employees in the Enterprise Architecture and Requirements and Business Analysis branches. An enterprise architecture position is key for an organization to understand and document business capabilities, processes, resources, systems, and infrastructure. Filling the requirements and business analysis position will ensure that development and implementation of systems and applications follow relevant regulations and meet customer needs. DS has difficulty filling vacancies, in part because its actual organization does not match the official structure for the office. For example, DS/EX/HR provided the OIG team with documentation showing only three CTO divisions, with no branches.

Recommendation 12: The Bureau of Diplomatic Security should document the organizational structure and the appropriate grade structure of the Office of the Chief Technology Officer approved by the executive director and coordinated with the Human Resources Management Division. (Action: DS)

Contractors

DS/EX/CTO depends heavily on contractors. Contract staff account for approximately 85 percent of the workforce, and 88 percent of the DS/EX/CTO budget. Currently, DS/EX/CTO is expected to spend close to \$85 million for their four major contracts, covering a period of 1 to 6 years, depending on the contract. The two biggest contracts are with Catapult, which focuses on operational support and maintenance, and CACI, which primarily focuses on systems development.

Contractors have a hand in almost all aspects of DS/EX/CTO operations, from strategic and capital planning to project prioritization and budget analysis. For example, in management the contractors draft strategic and program plans, produce annual budget plans and acquisition plans, and consult on IT solutions. In development activities, contractors plan and oversee technical activities and project schedules, and lead software application development projects. In operations, contractors provide integrated IT support services, such as network infrastructure and security management services; maintain networks; and support customer service activities. They are

also involved in security activities normally associated with the information systems security officer, such as security certification and accreditation and systems security administration.

The number of contractors and the breadth of services they provide raise concerns about the ability of DS/EX/CTO government staff to maintain control and oversight over the direction of DS/EX/CTO operations. Much of the contract documentation fails to detail a full description of services contractors are to provide. Descriptions are very general in nature, perhaps purposely so, to allow flexibility in the use of contract personnel. Some documentation is so vague as to provide no indication of the tasks or services to be performed. DS/EX/CTO provided performance metrics documentation consisting of status updates and performance reports the contractor prepared. However, there were no benchmarks for performance, either in the contract itself or subsequent documentation. In fact, the scoring system used, with no justification as to how scores are determined, assumes at least satisfactory performance, and has higher gradations to allow for performance awards.

Such paucity of detail hinders the ability of DS/EX/CTO managers to review and evaluate contractor performance. The management of IT inventory and helpdesk services are two examples. The bureau finds the maintenance and updating of IT inventory lacking, a task it has delegated to contractors. Contractors' poor performance can be traced to the lack of benchmarks for measuring performance, combined with inadequate oversight by government managers. Helpdesk service is a similar example. The OIG team heard numerous anecdotal complaints about the quality and responsiveness of helpdesk services. Some users noted it took days to receive a response from the helpdesk; others said that trouble tickets were closed, even though the issue remained. A review of helpdesk trouble tickets shows that over 20 percent of tickets remain unresolved after 192 hours (8 days).

Differing opinions on the proper role of contractors hamper contract management. The OIG team heard numerous accounts of possible conflicts of interest among contractors, arising from the opposing goals and objectives of DS/EX/CTO and contract companies. The OIG team heard allegations that contract project managers are steering DS/EX/CTO toward a course of action in the best interest of their company rather than DS. This is compounded by the fact that contractors from different companies often work on the same project. There is also an improper tendency to treat contract staff as full-time government employees by providing tasks and direction to contractors without going through the contract project manager. This practice results in conflicting direction for the contractor. Some government supervisors work through the contract supervisor to meet project requirements, allowing the contract supervisor to manage contractors as necessary to fulfill those

goals. Without a consistent approach to managing contract staff, both government employees and the contractors themselves will find ambiguity in their proper roles. For example, the OIG team spoke with several contractors who could not clearly define their job or their role in CTO operations.

With adequate description of services and performance measures in contract documentation, DS/EX/CTO government supervisors should be able to submit their work requests to the contract project managers according to the terms of the contract. Contract program managers can then interface with the contract staff to complete requirements on behalf of DS/EX/CTO. Government supervisors should be able to evaluate performance based on metrics and benchmarks described in the contract and take corrective measures, as needed, to ensure adequate quality of service and performance.

Recommendation 13: The Bureau of Diplomatic Security, in coordination with the Bureau of Administration, should review and amend all contract documentation to include a full and complete description of services and tasks to be performed for the Office of the Chief Technology Officer and should institute benchmarks for evaluating contractor performance. (Action: DS, in coordination with A/LM/AQM)

Inventory Management

As described previously, and as discussed in the Management Controls section of this report, IT inventory management is inadequate. Currently, DS/EX/CTO does not have an accurate baseline of its IT inventory. There is no process for maintaining an adequate inventory, no single application for tracking inventory, and inadequate oversight of contractors tasked with the functions. The lack of standardized acquisition processes for IT equipment compounds the problem. Some equipment is procured under the Global Information Technology Modernization program, while other offices simply buy their own. None is properly tracked through the life cycle of assets. DS is trying to rectify the situation by contracting for a “wall-to-wall” inventory of assets, including IT inventory. Once a baseline is established, the IT inventory maintenance and updating will be the responsibility of DS/EX/CTO. To ensure that IT inventory remains on target, the DS/EX/CTO has hired a PSC to help oversee the function.

Recommendation 14: The Bureau of Diplomatic Security should develop and implement procedures for the acquisition and tracking of information technology equipment throughout its life cycle for the Office of the Chief Technology Officer. (Action: DS)

Another issue of serious importance to the DS/EX/CTO is enterprise licensing of software installed on desktop workstations in DS. DS first broached the topic with IRM amid efforts to resolve outstanding licensing issues, and IRM provided DS with an unofficial estimate that DS has 2,215 enterprise licenses. However, the latest IT consolidation discovery report shows that DS has approximately 6,189 workstations in use. The discrepancy is mainly to the rapid expansion of DS operations since application of the Department enterprise licensing agreement. DS/EX/CTO has procured and installed many new workstations that came with bundled operating system and productivity software, with the necessary licenses. However, to stay current with Department configuration standards, DS/EX/CTO installed standard Microsoft products, as provided by the Office of Enterprise Network Management. DS is still responsible for the cost of the enterprise licensing agreement that accompanied that installation.

The licenses in question include operating system software, Microsoft Office, Structured Query Language (SQL), and other necessary components of the licensing agreement. Licenses for the four elements required for a workstation to join OpenNet cost \$1,229.21. DS currently operates almost 4,000 workstations in varying degrees of compliance with copyright law. Without accurate inventory information detailing licensing information of the software installed on each workstation, including the version and whether it is eligible for upgrades, CTO cannot know exactly how much is owed; the figure may approach \$4.9 million.

Recommendation 15: The Bureau of Diplomatic Security, in coordination with the Bureau of Information Resource Management, should purchase enterprise software licenses for all workstations in use. (Action: DS, in coordination with IRM)

Applications Development

One of the functions of DS/EX/CTO is the development of software applications to support mission-based goals and objectives. DS/EX/CTO developed a project management process, the CTO Unified Project Process (CUPP), for acquiring and developing information systems throughout their life cycle. CUPP is based on a hybrid of the Department's Managing State Projects (MSP) methodology, one of three project management methodologies approved by the Department for systems development. While MSP is not mandatory, the Department suggests bureaus map their processes closely to it, and requires that bureaus map their chosen methodology to the same control gates as MSP. CTO staff recently revised the CUPP process, noting several areas of improvement.

When the OIG team began to review systems development operations, it quickly became evident that there was no definitive inventory of software applications. The OIG team requested the DS/EX/CTO inventory and reviewed software inventory documentation from other Department sources. The number of applications reported by DS/EX/CTO varies, depending on the reviewed report or the individual asked. For example, the DS/EX/CTO inventory showed 46 applications, including two retired applications. FY 2008 Federal Information Security Management Act (FISMA) reported inventory for DS/EX lists 43 applications. There are several applications listed on the DS/EX/CTO-provided list that do not appear on FISMA records, and vice versa. Meanwhile, the IT Consolidation Discovery Report lists 67 applications including active, retired, and those not listed in the Department's IT application baseline. Such variance in inventory numbers hampers the ability of DS/EX/CTO to ensure adequate documentation and security controls.

The OIG team requested systems documentation for a sample of DS/EX/CTO applications to assess the effectiveness of the CUPP process and how consistently DS is applying it during the systems development life cycle. Documentation was not readily available and existed in various states throughout DS/EX/CTO. Upon receipt of the documentation, the OIG team observed inconsistencies in the DS/EX/CTO completion of documents. Further, the OIG team found that several required milestone products of the CUPP process itself were only in draft form. None of the applications selected by the OIG team had all the documentation required by the CUPP process. One application had documentation that tracked more closely with MSP requirements than those of CUPP. The OIG team heard from various sources that the CUPP process does not have sufficient control gates to ensure all necessary approval at a given stage before proceeding to the next stage. The lack of, or incomplete, documentation provided to the OIG team proves that point.

Recommendation 16: The Bureau of Diplomatic Security should include control gates in its systems development process for the completion of required documentation and for proper official approval at each stage for all applications. (Action: DS)

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Recommendation 17:

IT Consolidation

DS/EX is currently going through IT Consolidation with IRM. The IT consolidation effort, which the Secretary supports, is intended to centralize IT support services for all 34 domestic bureaus and offices across the Department. The intent of consolidation is to offer bureaus better customer service and IT security, a standard operating environment for desktops, and staff training and development, and to achieve economies of scale resulting in lower costs to the Department. During the course of the inspection, DS/EX management expressed concerns to the OIG team about the consolidation. The OIG team spoke with DS officials and with IT managers in other bureaus to assess the effects of IT consolidation on their operations. The OIG team observed that DS concerns appear to be well-founded. On October 24, 2008, the OIG team sent a memo to IRM requesting information on various consolidation issues, and to date has not received a response.

A key concern with DS was the added cost to their operations. DS/EX/CTO currently pays around \$350-\$700 per workstation under the existing service contract. IRM has provided a cost estimate of \$1,850 per workstation. It is a pay for service fee. However, what has not been considered in cost estimates is the impact on DS' six current IT service contracts as well as any outstanding software license fees. Considering only service fees to IRM, DS/EX/CTO estimates they will need additional funds in the amount of \$5.7 to \$7.6 million per year to continue supporting current needs that are expected to fall outside the scope of IT Consolidation.

though they had no hand in where the equipment resided. The OIG team spoke with bureaus who confirmed the ambiguity of roles and responsibilities of ISSOs and inventory controls.

Recommendation 18: The Bureau of Diplomatic Security, in coordination with the Bureau of Information Resource Management, should define and document details relating to in-scope and out-of-scope services, information technology roles and responsibilities, staffing resources, and costs before the completion of consolidation. (Action: DS, in coordination with IRM)

Records Management

DS and DS/EX need to place greater emphasis on records management. The Bureau of Administration is hosting a records review project for several bureaus in an attempt to produce required disposition schedules and organize and reduce records holdings, as appropriate. The Bureau of Administration project was launched in DS in June of 2006. At the time of the OIG inspection, only 12 of 132 DS bureau offices had completed the project. There are indications that some DS offices are not willing to participate, due to work schedules, and also that the Bureau of Administration has not been available 100 percent of the time to facilitate the project. With a 9 percent completion rate on a project that has been on-going for over 2 years, DS has made little progress.

The DS/CTO-FOIA-PA division is responsible for oversight of all bureau records. Currently, the bureau records coordinator oversees the 132 bureau offices as an additional duty. There is no comprehensive list of persons responsible for records in each DS office, and there is no formal structure to ensure oversight of official bureau records. In September 2008, the DS/CTOP/FOIA-PA submitted a proposal to DS/EX which included hiring a full-time bureau records coordinator; DS has not yet established the position. Given the bureau's size, the presence of a full-time records coordinator is essential to maintaining proper control of records.

The OIG team surveyed 25 DS employees responsible for office records. Of the 18 who responded, 94 percent said they received no formal records management training, and 83 percent said they had no on-the-job training. Nine employees said that records management was not a work requirement and thus not part of their performance evaluations. In accordance with 5 FAM 414.4 b. (6), it is the direct responsibility of the records management coordinator to analyze bureau records management needs and follow-up with the Office of Information Programs and Services.

Recommendation 19: The Bureau of Diplomatic Security should establish a full-time records management coordinator position to oversee records management for all bureau offices. (Action: DS)

Recommendation 20: The Bureau of Diplomatic Security, in coordination with the Bureau of Administration, should identify and formally train all employees responsible for records management. (Action: DS, in coordination with A)

Recommendation 21: The Bureau of Diplomatic Security should include records management duties as a work requirement in the performance evaluations of all employees performing such work. (Action: DS)

The DS Countermeasures Program Division has 117 documents in its Top Secret inventory. Many are extremely old and DS should have destroyed, downgraded, or declassified them. An OIG team discussion with the Top Secret Control Officer revealed that many documents were produced and classified by other government agencies, and that past attempts to reduce the inventory were fruitless because the originating authorities would not participate. If the originating government agencies are unresponsive to the disposition of their top secret documents, DS should either destroy the documents in accordance with 12 FAM 535.1-3 f., using form DS-1902, or return the documents to the originating agencies. Records destruction and retirement should be done in accordance with appropriate disposition schedules. The current size of the document inventory places an undue burden on office personnel.

Recommendation 22: The Bureau of Diplomatic Security should review and reduce the size of its Top Secret Document inventory in its Countermeasures Program Division. (Action: DS)

As indicated elsewhere in this report, structural issues pervade DS/EX. DS/CTO/FOIA-PA is similarly affected. DS/CTO/FOIA-PA, renamed recently from the prior Records Management Division, handles the retention, scheduling, and disposition of DS records, and responds to Freedom of Information Act requests and to congressional requests for information. However, their work is for the most part paper-based and does not have a records management function. The division is nontechnical and rarely interacts with other elements of DS/EX/CTO. DS/CTO/FOIA-PA would be better placed within the executive office, similar to other privacy offices within the Department, to perform its liaison responsibilities more effectively.

Recommendation 23: The Bureau of Diplomatic Security should transfer the Freedom of Information Act/Privacy Act Division of the Office of the Chief Technology Officer to the Office of the Executive Director. (Action: DS)

MANAGEMENT CONTROLS

The Assistant Secretary's Management Control Statement of Assurance for DS, dated September 2, 2008, included a deficiency report that highlighted a shortage of administrative property valued at \$1.7 million. The report discussed some of the causes of the shortages:

- DS did not properly conduct interim inventory reconciliations throughout the year.
- Over 90 percent of the missing property is more easily portable computer equipment.
- DS tracked IT equipment in an inventory system separate from the main inventory.
- There was a lack of documentation for the transfer, replacement, or installation of IT equipment.

These factors also contributed to significant overages of \$742,844 that also point to a serious lack of control. DS prepared a thorough corrective action plan that included training of area custodial officers, development of written guidelines, and revision of SOPs for domestic offices. Under current IT consolidation planning, DS will remain responsible for the equipment but will not have operational control, so the problem may remain.

The statement of assurance however, did not discuss major problems in the management and control of program property.

Program Property

There are serious deficiencies in DS's management and oversight of about \$175 million of nonexpendable property. The executive director is the designated Accountable Property Officer for Administrative Property valued at about \$25 million and Program Property valued at about \$175 million.

When shortages are found after an inventory, applicable rules are in 14 FAM 426.2 c. for domestic bureaus, and in 14 FAM 416.5-1 (B) for posts abroad. The regulations state that, if a shortage does not exceed 1 percent of the total value of the inventory, the accountable property officer or the property management officer

may authorize an inventory adjustment, only if that officer is satisfied that efforts to reconcile have been reasonable and sufficient. As discussed above, shortages in administrative property were excessive and resulted in a write-off of \$1.7 million. However, there were no inquiries into the reason for shortages in program property, even when reported shortages exceeded \$1.1 million, because the shortage amount was less than 1 percent of \$175 million. DS also based the certification on incomplete data. DS had not considered drafting a memorandum to highlight shortages of sensitive items to be resolved. Loss of adequate oversight and control was even more apparent, because reported overages exceeded \$834,227. For the past several years, the Department has been criticized for its worldwide property management program. Property accountability has been identified as a potential material weakness.

One of the most highly criticized issues is the Department's use, or misuse, of multiple systems to account for its assets, including high-value capitalized assets. DS uses various inventory systems, and consolidates and reports all program property purchased with program funds. Although the bureau's total shortage did not exceed one percent of consolidated inventory, individual posts had shortages ranging from 5 to 30 percent. In addition, losses of about \$517,000 of equipment at a contractor-operated warehouse were written off without any apparent investigation because DS compared the amount to a worldwide total of \$82 million, rather than to the total value of inventory in the contractor's warehouse.

To improve visibility, system accountability, internal controls, and audit trail capabilities of DS program assets, DS will have to convert its various inventory systems to the Department's standard property accountability system, the Integrated Logistics Management System, (ILMS). ILMS also will provide a standard data feed for RM's quarterly data call for capitalized assets.

Recommendation 24: The Bureau of Diplomatic Security, in coordination with the Bureau of Administration, should eliminate Diplomatic Security-developed program asset systems and convert their asset data to the Integrated Logistics Management System. (Action: DS, in coordination with A)

LIST OF RECOMMENDATIONS

Recommendation 1: The Bureau of Diplomatic Security, in coordination with the Bureau of Human Resources, should assign the deputy executive director as a full-time deputy to the executive director and establish a Management Services director position. (DS, in coordination with HR)

Recommendation 2: The Bureau of Diplomatic Security should position the Policy and Planning Division in the office of the executive director and redesignate it as the Strategic Planning and Coordination Unit. (Action: DS)

Recommendation 3: The Bureau of Diplomatic Security should consolidate the Policy Analysis and the Strategic Planning branches in the Policy and Planning Division into one division unit. (Action: DS)

Recommendation 4: The Bureau of Diplomatic Security should raise the Human Resources Management Division to office status, reporting directly to the Office of the Executive Director. (Action: DS)

Recommendation 5: The Bureau of Diplomatic Security should conduct a review of its grants and cooperative agreement files to identify and correct deficiencies, update and revise outdated agreements, and better organize cooperative and grants agreement files. (Action: DS)

Recommendation 6: The Bureau of Diplomatic Security should establish controls over vehicle use to make employees accountable for use, and submit revisions to volume 12 of the Foreign Affairs Handbook. (Action: DS)

Recommendation 7: The Bureau of Diplomatic Security should implement procedures to require timely reporting of traffic violations and their resolution, to include procedures requiring payment of fines and suspension of driving privileges for repeat offenders. (Action: DS)

Recommendation 8: The Bureau of Diplomatic Security should establish procedures to ascertain that liability insurance is in force for contract employees before dispatching self-drive vehicles. (Action: DS)

Recommendation 9: The Bureau of Diplomatic Security, in coordination with the Bureau of Administration, should abolish the Logistics Services Division, Space Management Branch, and should transfer the function and the full-time-equivalent positions to the Bureau of Administration, Office of Real Property Management. (Action: DS, in coordination with A)

Recommendation 10: The Bureau of Diplomatic Security should complete the strategic plan for the Office of the Chief Technology Officer to include linkages to the Department and bureau strategic plans and a description of functions for each division and branch. (Action: DS)

Recommendation 11: The Bureau of Diplomatic Security should clearly define and disseminate the roles and responsibilities of organizational units and employees in the Office of the Chief Technology Officer to ensure that the office meets its goals and objectives. (Action: DS)

Recommendation 12: The Bureau of Diplomatic Security should document the organizational structure and the appropriate grade structure of the Office of the Chief Technology Officer approved by the executive director and coordinated with the Human Resources Management Division. (Action: DS)

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Recommendation 14: The Bureau of Diplomatic Security should develop and implement procedures for the acquisition and tracking of information technology equipment throughout its life cycle for the Office of the Chief Technology Officer. (Action: DS)

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Recommendation 16: The Bureau of Diplomatic Security should include control gates in its systems development process for the completion of required documentation and for proper official approval at each stage for all applications. (Action: DS)

Recommendation 17:

Recommendation 18: The Bureau of Diplomatic Security, in coordination with the Bureau of Information Resource Management, should define and document details relating to in-scope and out-of-scope services, information technology roles and responsibilities, staffing resources, and costs before the completion of consolidation. (Action: DS, in coordination with IRM)

Recommendation 19: The Bureau of Diplomatic Security should establish a full-time records management coordinator position to oversee records management for all bureau offices. (Action: DS)

Recommendation 20: The Bureau of Diplomatic Security, in coordination with the Bureau of Administration, should identify and formally train all employees responsible for records management. (Action: DS, in coordination with A)

Recommendation 21: The Bureau of Diplomatic Security should include records management duties as a work commitment in the performance evaluations of all employees performing such work. (Action: DS)

Recommendation 22: The Bureau of Diplomatic Security should review and reduce the size of its Top Secret Document inventory in its Countermeasures Program Division. (Action: DS)

Recommendation 23: The Bureau of Diplomatic Security should transfer the Freedom of Information Act/Privacy Act Division of the Office of the Chief Technology Officer to the Office of the Executive Director. (Action: DS)

Recommendation 24: The Bureau of Diplomatic Security, in coordination with the Bureau of Administration, should eliminate Diplomatic Security-developed program asset systems and convert their asset data to the Integrated Logistics Management System. (Action: DS, in coordination with A)

INFORMAL RECOMMENDATIONS

Informal recommendations cover operational matters not requiring action by organizations outside the inspected unit and/or the parent regional bureau. Informal recommendations will not be subject to the OIG compliance process. However, any subsequent OIG inspection or on-site compliance review will assess the mission's progress in implementing the informal recommendations.

Some DS program offices expressed confusion about the role of the DS Contracting and Procurement section in the overall procurement process.

Informal Recommendation 1: The Bureau of Diplomatic Security, Contracting and Procurement section should hold periodic information meetings with DS program offices and Office of Acquisition staff to disseminate DS Contracting and Procurement capabilities and services and to differentiate the DS Contracting and Procurement role from the role of Office of Acquisitions staff.

Of the 25 surveyed DS employees responsible for office records, 12 of the 18 responding did not know who their primary or alternate bureau records coordinators were. This indicates that DS/EX is disconnected from many bureau personnel responsible for management of office records.

Informal Recommendation 2: The Bureau of Diplomatic Security should provide the names and contact information for the bureau records coordinator and alternate to all personnel performing records management work.

PRINCIPAL OFFICIALS

	<u>Name</u>	<u>Arrival Date</u>
Executive Director	Stephen Mergens	2/07
Deputy Executive Director and Chief of Management Services	Tracy H. Mahaffey	07/07
<u>Division Chiefs:</u>		
Policy Planning	Linda S. Watts	07/08
Human Resources Management	TJ Shelton	05/08
Logistics Services	Marilyn Stoll	03/07
Contracting and Procurement	William J. Black	04/07
Chief Financial Officer	William Terrini	08/04
<u>Division Chiefs:</u>		
Financial Planning	Gloria J. Williams	08/08
Financial Execution	Robert Baldre	05/08
Chief Technology Officer	Brian Jablon	06/08
<u>Division Chiefs:</u>		
Capital Planning	Elizabeth H. Murphy	01/08
Systems Management	John Clynch	11/04

ABBREVIATIONS

A/LM/AQM	Office of Acquisitions Management
CUPP	CTO Unified Project Process
DS	Bureau of Diplomatic Security
DS/CTO/CPA	Capital Planning Division
DS/CTO/FOIA-PA	Freedom of Information Act-Privacy Act Division
DS/CTO/SMD	Systems Management Division
DS/EX	Office of the Executive Director
DS/EX/CFO	Office of the Chief Financial Officer
DS/EX/CTO	Office of Chief Technical Officer
DS/EX/HRM	Human Resources Management Division
DS/EX/MGT	Office of Management Services
DS/MGT/CAP	Contracting and Procurement Management Division
DS/MGT/PPD	Policy and Planning Division
FAH	Foreign Affairs Handbook
FAM	Foreign Affairs Manual
FISMA	Federal Information Security Management Act
FTE	full-time-equivalent
GS	General Services
HR	human resources
HR/CDA	Bureau of Human Resources, Career Development and Assignments
ILMS	Integrated Logistics Management System
IRM	Bureau of Information Resource Management
ISSO	information systems security officer
IT	information technology
MCA	managerial cost accounting

MSP	Managing State's Projects
NYPD	City of New York Police Department
OFM	Office of Foreign Missions
OIG	Office of Inspector General
PFM	Protection of Foreign Missions and Officials
PSC	personal services contractor
RM	Bureau of Resource Management
SQL	Structured Query Language
SOP	standard operating procedures
WSP	Worldwide Security Protection

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