



Office of Inspector General

UNCLASSIFIED

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

Office of Audits

**Limited-Scope Audit of
Department of State Management
of the Afghanistan Civilian Uplift**

Report Number AUD/SI-12-36, May 2012

~~Important Notice~~

~~This report is intended solely for the official use of the Department of State or the Broadcasting Board of Governors, or any agency or organization receiving a copy directly from the Office of Inspector General. No secondary distribution may be made, in whole or in part, outside the Department of State or the Broadcasting Board of Governors, by them or by other agencies or organizations, without prior authorization by the Inspector General. Public availability of the document will be determined by the Inspector General under the U.S. Code, 5 U.S.C. 552. Improper disclosure of this report may result in criminal, civil, or administrative penalties.~~

UNCLASSIFIED



**United States Department of State
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
Deputy Inspector General

Acronyms

DS	Bureau of Diplomatic Security
FAH	<i>Foreign Affairs Handbook</i>
FAM	<i>Foreign Affairs Manual</i>
GEMS	Global Employment Management System
GFMS	Global Financial Management System
HR	Bureau of Human Resources
OIG	Office of Inspector General
RM	Bureau of Resource Management
SCA	Bureau of South and Central Asian Affairs
SIGAR	Special Inspector General for Afghanistan Reconstruction
S/SRAP	Office of the Special Representative for Afghanistan and Pakistan

UNCLASSIFIED

Table of Contents

<u>Section</u>	<u>Page</u>
Executive Summary	1
Background.....	3
Objective.....	6
Audit Results	6
Accounting, Management, and Reporting of Afghanistan Civilian Uplift Costs	6
Accounting for and Reporting Security Costs	10
Other Matters	13
Management Controls Over Staffing Complement of Department Civilian Personnel Assigned to Afghanistan	13
Management’s Additional Comments to Report and Office of Inspector General Responses.....	14
List of Recommendations	15
Appendices	
A. Scope and Methodology.....	16
B. Secretary of State Special Representative for Afghanistan and Pakistan Response	18
C. Bureau of Diplomatic Security Response	20
D. Bureau of Resource Management Response.....	23
Major Contributors to This Report	32

Executive Summary

The U.S. Strategy in Afghanistan introduced in 2009 focused on disrupting, dismantling, and defeating al-Qaeda and denying access to safe havens. A key element of this strategy has been the expansion of civilian-led efforts aimed at building Afghanistan governing capacity at all levels; improving the rule of law; and initiating sustainable economic growth, primarily through agricultural development. A significant increase, or “uplift,” in U.S. civilian employees deployed to Afghanistan is intended to support this effort. To bolster the civilian-led efforts, along with program operations and foreign assistance for Afghanistan, Congress provided the Department of State (Department) supplemental funding in the Diplomatic and Consular Programs appropriation.

A September 2011 audit report¹ prepared jointly by the Special Inspector General for Afghanistan Reconstruction (SIGAR) and the U.S. Department of State, Office of Inspector General (OIG), determined that approximately \$2 billion had been expended on “civilian uplift” efforts since the uplift’s inception in January 2009 and that the Department should strengthen its oversight of funds transferred to other agencies. During the audit, OIG identified issues outside the original audit scope that warranted further examination specific to the Afghanistan payroll, Bureau of Diplomatic Security (DS) fund controls, and the Mission Afghanistan staffing complement. Therefore, OIG conducted this audit to determine the effectiveness of the Department’s accounting, management, and reporting of Afghanistan civilian uplift costs specific to payroll operations; DS controls over funds; and management controls over the Department’s Afghanistan civilian staffing complement.

OIG found that the Bureau of South and Central Asian Affairs (SCA) had used restricted funds² to reimburse the American Salaries Account, as defined in the *Foreign Affairs Handbook* (FAH),³ for the payroll costs of civilian uplift personnel who had left Afghanistan and were transitioning to their next assignments. The costs included only transitioning costs for personnel after they had left Afghanistan but did not include costs incurred before the personnel had arrived in Afghanistan, such as the costs of specialized Afghanistan training. This condition occurred because the Department, specifically the Bureau of Human Resources (HR), had not modified its routine payroll reimbursement procedures and instructed bureaus and posts to immediately update the Global Employment Management System (GEMS) by changing the

¹ *The U.S. Civilian Uplift in Afghanistan Has Cost Nearly \$2 Billion, and State Should Continue to Strengthen Its Management and Oversight of the Funds Transferred to Other Agencies* (SIGAR Audit-11-17 & State OIG AUD/SI-11-45 Civilian Uplift, Sept. 8, 2011).

² The funds used were designated to support operations and security requirements in Afghanistan, Pakistan, and Iraq, in addition to supporting increased requirements for certain global activities, including Envoys and Special Representatives–Operations, Public Diplomacy–Arab Youth Programs, and Worldwide Security Protection (H.R. Conf. Rep. No. 111-151, 111th Cong., 1st Sess., Title XI, “Department of State,” (2009)). OIG found that none of the sampled cases it reviewed met the aforementioned uses.

³ 6 FAH-5 H-809.1-7(a), “ICASS Financial Procedures–Budget Development–American Salaries (AmSal),” states, “The American Salaries account is centrally managed by [the Bureau of Resource Management, Budget and Planning] to cover the salaries, benefits . . . and, where applicable, post hardship differential costs of permanent, full-time U.S. citizen employees. The account is centrally estimated and managed based on liquidations posted each pay period. The variability of U.S. citizen personnel cost elements and their dispersion over approximately 260 locations abroad precludes individual bureaus or posts from budgeting and managing their own salaries and benefits on an obligation basis.”

UNCLASSIFIED

organization code to identify the posts for incoming and departing Afghanistan civilian uplift personnel. As a result, by following its routine procedures to reimburse the payroll costs during the period in which an employee was transitioning to a new post, the Department used funds that were designated to “support operations and security requirements for Afghanistan, Pakistan, and Iraq,” in addition to supporting increased requirements for certain global activities, including “Envoys and Special Representatives–Operations, Worldwide Security Protection, and Public Diplomacy–Arab Youth Programs,”⁴ which did not meet the Congressional intent of the appropriation.

OIG found that DS did not implement an account structure to budget and account for expenditures made from supplemental appropriations of \$116.5 million received in June 2009 designated for security programs in Afghanistan. This occurred because the Bureau of Resource Management (RM) had not established policies and procedures that required DS to account for security costs using a designated country code for Afghanistan. Federal appropriations law⁵ requires that appropriations be applied only to the objects for which the appropriations were made. Without a designated country code for Afghanistan, DS could not verify that the supplemental funds were available, expended, or used for their intended purpose. Subsequent to its audit fieldwork, OIG learned that RM had established a new mechanism to track and account for security costs for Afghanistan and other front-line states. This mechanism mandates the use of project codes for tracking obligations and costs. Increased guidance is needed, however, to ensure users in the bureaus understand the new methodology and are using it consistently.

During its fieldwork of the joint audit of the civilian uplift with SIGAR, OIG found that the Department’s Afghanistan civilian staffing complement was not always accurate, complete, or updated, as required by the FAH.⁶ OIG found that 67 personnel (or 14 percent) of 496 personnel assigned to Afghanistan were not included on the master list of Department civilian personnel in-country. The discrepancies occurred because SCA’s newly implemented database, the Afghanistan Civilian Personnel Tracking System, was not accurate or complete and improvements were needed. Without an accurate number of civilian personnel staffing in Afghanistan, there was an increased risk that civilian personnel in Afghanistan might not be properly accounted for in the event of an emergency evacuation. OIG subsequently discussed this matter with SCA officials, who stated that the database was being perfected so that the reported Department civilian personnel assigned to Afghanistan could be tracked accurately.

OIG made recommendations for SCA, HR, DS, and RM to improve the accounting, management, and reporting of Afghanistan civilian uplift costs specific to payroll operations and security costs and funds control.

⁴H.R. Conf. Rep. No. 111-151, Title XI, “Department of State,” Table “Diplomatic and Consular Programs.”

⁵ 31 U.S.C. § 1301(a).

⁶12 FAH-1 Annex K 2.3, “Drawdown and Evacuation–Organizing for the Drawdown,” provides guidance to posts on the development of Emergency Action Plans (EAP) to include requirements for transmitting “up-to-date staffing pattern to post’s regional bureau, including a breakdown of employees and family members . . . and the names of TDY personnel.” Posts should also indicate “number of employees out of country and their status (TDY, annual leave, home leave, R&R).” Also, 12 FAH-1 H-036(a), “Post Planning–Periodic Revisions and Updates,” states that posts “must conduct a comprehensive review of their entire EAP and update it annually.”

UNCLASSIFIED

Management Comments

In March 2012, OIG provided a draft of this report to SCA, HR, DS, RM, and the Bureau of Administration. OIG received responses from the Office of the Special Representative for Afghanistan and Pakistan (S/SRAP) (see Appendix B), which responded on behalf of SCA; from DS (see Appendix C); and from RM (see Appendix D). HR and the Bureau of Administration did not provide responses to the report. Therefore, the recommendations addressed to those entities (No. 1 and No. 3, respectively) are unresolved.

S/SRAP recommended that Recommendation 2 be “closed” because “significant improvements” have been made in reporting employee departure dates from Afghanistan. S/SRAP stated that the “Kabul HR and the HR Bureau have repaired a technical issue in the systems interface,” which has resulted in “real-time reporting of departures of Foreign Service personnel assigned to Afghanistan.” S/SRAP further stated that with “full implementation” beginning in May 2012, all issues relating to Recommendation 2 should be resolved. OIG considers Recommendation 2 resolved, pending further action.

DS stated, in response to Recommendation 4, that it had already adopted a new methodology, designed by RM, to track and account for Afghanistan costs. OIG acknowledges the new methodology being used but is still requesting that DS provide clear guidance describing the new policies and procedures in the *Foreign Affairs Handbook*. OIG considers Recommendation 4 resolved, pending further action.

RM requested that Recommendation 5 “be removed from the audit report,” stating that it had “sufficient tools that enabled bureaus to track any funds by country.” OIG considers the recommendation resolved, pending further action.

All comments received from the bureaus have been considered and incorporated into the report as appropriate. The bureaus’ responses to the recommendations and OIG’s replies are presented after each recommendation. In addition, specific comments from RM are presented in the section “Management’s Additional Comments to Report and OIG Responses.”

Background

A key element of the U.S. Strategy for Afghanistan is the expansion of civilian-led efforts aimed at building Afghanistan governing capacity at all levels; improving the rule of law; and initiating sustainable economic growth, primarily through agricultural development. The Department received appropriations⁷ in the Diplomatic and Consular Programs appropriation to fund activities related to the uplift, including security and infrastructure costs. Additionally, Congress authorized the Department to transfer appropriated funds to other Government agencies to support operations and assistance for Afghanistan.

⁷Per 4 FAH-3 H-111(a), “Budgeting–Definitions,” an appropriation act is “[a] public law passed by Congress and signed by the President that provides funds for committing obligations and making payments (expenditures) out of the [U.S.] Treasury for specified purposes.”

UNCLASSIFIED

Department of State Role in the U.S. Strategy for Afghanistan

The Department is charged with conducting foreign policy and managing the civilian uplift in Afghanistan. Congress authorized the Department to use appropriations to transfer funds to other civilian agencies to support operations and assistance for Afghanistan. According to Department officials, the Chief of Mission at U.S. Embassy Kabul, Afghanistan, formulates personnel and associated budget requirements needed to fulfill the U.S. Government's nonmilitary strategy for Afghanistan reconstruction.

Bureau of South and Central Asian Affairs

SCA, in conjunction with S/SRAP, is responsible for managing and overseeing the civilian uplift in Afghanistan. SCA officials review the embassy's staffing requirements and coordinate within the Department and with other civilian agencies to determine the Afghanistan staffing complement that will support the U.S. Government strategy for reconstruction in Afghanistan. SCA requested, in the FY 2012 Congressional Budget Justification, \$789.5 million for operations in Afghanistan: \$31.9 million within the core budget, which represents SCA's enduring effort,⁸ and \$757.5 million in Overseas Contingency Operations⁹ funds, which represents SCA's civilian uplift effort. Up to \$230 million of the total FY 2012 Overseas Contingency Operations request for SCA could be made available for transfer to other Federal agencies. Per the September 2011 joint report,¹⁰ SCA is also the primary source of information on civilian personnel deployed to Afghanistan and on the costs to implement and sustain the increase of civilian personnel in Afghanistan covering FYs 2009–2012. After staffing targets are determined, SCA officials work with officials from the other agencies to determine the funding levels required to deploy the uplift personnel. SCA works closely with S/SRAP to manage and oversee the civilian uplift.

Bureau of Human Resources

HR is the personnel management arm of the Department. Among its many organizational responsibilities, HR oversees the formulation and implementation of the human resources policies and programs of the Department and the Foreign Service and activities of various operating elements responsible for administering selected human resources programs of the Department and the Foreign Service. When an employee completes an Afghanistan tour, HR enters Standard Form (SF)-50, Notification of Personnel Action, into the Global Employment Management System (GEMS), which supports human resources management business processes for the Department, to initiate the employee's next assignment. GEMS is designed to track the progress of a personnel action from the initial request until the action has been completely processed and made a part of the employee's permanent employment history record. GEMS is

⁸ The term "enduring" is the funding "for ongoing responsibilities and core programs and operations." (Source: The Secretary of State Congressional Budget Justification for Fiscal Year 2013, vol. 1: Department of State Operations.)

⁹ Overseas Contingency Operations (OCO) funds are separate from the Department's base budget (or enduring funds) and are meant to fund the extraordinary operations in Afghanistan that are above and beyond the Department's normal mission costs. As OCO funds are designed as temporary funding to meet the significant demands of operating in Afghanistan, OCO funding will decrease as the need for resources in Afghanistan ebbs.

¹⁰ SIGAR Audit-11-17 and State OIG AUD/SI-11-45 Civilian Uplift, Sept. 8, 2011.

UNCLASSIFIED

also accessible by RM's Global Financial Services, American Pension and Payroll Operations, in Charleston, SC, which is responsible for processing the Department's biweekly payroll. As part of its normal procedures, American Pension and Payroll Operations routinely uses GEMS to update employees' payroll records. Once an employee's organization code is updated in the payroll records, the employee is no longer financially attached to the bureau from which the employee left. Organization codes identify the benefiting organizations for cost purposes and payroll and indicate where the managers and supervisors are located. HR also uses the organization codes to provide official human resources statistical information to various bureaus within the Department. Officials in RM's Office of State Programs, Operations, and Budget (RM/BP) rely on HR statistical information on the personnel assigned with an Afghanistan organization code to calculate RM/BP's estimate of funding that bureaus would need to reimburse for the salaries and benefits of the Afghanistan civilian uplift personnel using the Afghanistan supplemental appropriation.

Bureau of Diplomatic Security

DS has been providing the security services for all embassies abroad and has had an integral role in the beginning transition from a military-led to a civilian-led mission in Afghanistan as U.S. military combat forces began their withdrawal from Afghanistan in 2011 (with completion planned for 2014). It was anticipated that the security needs in Afghanistan as the U.S. military began its drawdown would be similar to those in Iraq, where as many as 5,500 private security contractors were needed to provide movement and perimeter security to support Department operations. DS requested, in the FY 2012 Congressional Budget Justification, \$261 million for Worldwide Security Protection operations in Afghanistan.

Prior Audit Coverage

In September 2011, OIG issued a joint report¹¹ with the Special Inspector General for Afghanistan Reconstruction (SIGAR) that identified the number of civilian personnel and associated costs of the civilian uplift in Afghanistan and that evaluated the Department's mechanisms to transfer funds to other agencies to support civilian uplift personnel. The report stated that a significant increase, or "uplift," in U.S. civilian personnel assigned to Afghanistan under chief of mission authority tripled, from 320 personnel in January 2009 to 1,040 personnel in June 2011, at a cost of nearly \$2.0 billion. As the primary agency responsible for funding the civilian uplift, the Department incurred \$1.7 billion of the \$2.0 billion obligated to support the civilian uplift initiative. The funds obligated by the Department were for various costs related to salaries and benefits, travel and transportation, housing, technology, training, and security in Afghanistan. The report also noted a weakness in the way the Department monitored interagency-transferred funds.

¹¹ Ibid.

UNCLASSIFIED

Objective

The primary objective of this performance audit was to determine the effectiveness of the Department's accounting, management, and reporting of Afghanistan civilian uplift costs specific to payroll operations; DS controls over funds; and management controls over the staffing complement of Department personnel assigned to Afghanistan. The scope and methodology for this audit are detailed in Appendix A.

Audit Results

Accounting, Management, and Reporting of Afghanistan Civilian Uplift Costs

OIG found that SCA had used restricted funds to reimburse the American Salaries Account for the payroll costs of civilian uplift personnel who had left Afghanistan and who were transitioning to their next assignments. The costs included only transitioning costs for personnel after they had left Afghanistan but did not include costs incurred before the personnel had arrived in Afghanistan, such as the costs of specialized Afghanistan training. This occurred because the Department, specifically HR, had not modified its routine payroll reimbursement procedures and instructed bureaus and posts to immediately update GEMS for the change in organization code for incoming and departing Afghanistan civilian uplift personnel. As a result, by following its routine procedures to reimburse the payroll costs during the transitioning period, the Department used funds that were designated to "support operations in and assistance for Afghanistan," which did not meet the Congressional intent of the appropriation.

Federal Law and Conference Report on the Diplomatic and Consular Programs Supplemental Appropriation

Federal law¹² states, "Appropriations shall be applied only to the objects for which the appropriations were made except as otherwise provided by law." Additionally, the General Accounting Office's Principles of Federal Appropriations Law¹³ interpreted this citation as follows:

Simply stated, [the Code] says that public funds may be used only for the purpose or purposes for which they were appropriated. *It prohibits charging authorized items to the wrong appropriation, and unauthorized items to any appropriation.* [Emphasis added.]

The Afghanistan Supplemental appropriation for the Diplomatic and Consular Programs account¹⁴ authorized the Department to use funds appropriated to "support operations in and assistance for Afghanistan." Additionally, the conference report relating to Public Law 111-32¹⁵ included appropriated funds totaling \$997.9 million for Department of State Diplomatic

¹² 31 U.S.C. § 1301(a).

¹³ "Principles of Federal Appropriations Law," 3rd ed., vol. I (GAO, Jan. 2004).

¹⁴ Pub. L. No. 111-32.

¹⁵ H.R. Conf. Rep. No. 111-151.

UNCLASSIFIED

and Consular Programs, which mirrored the funding made available in the Supplemental Appropriation. The conference report stated that the funds would be used “to support operations and security requirements for Afghanistan, Pakistan, and Iraq” and also would be used “to address increased requirements for global activities.” The table titled “Diplomatic and Consular Programs” in the conference report showed that global programs included funding for “Envoys and Special Representatives–Operations, Worldwide Security Protection, and Public Diplomacy–Arab Youth Programs.” According to the conference report table, the funding specifically allocated to Afghanistan was \$413.2 million, or 41 percent, of the funds appropriated. Congressional conference reports are strong indicators of legislative intent.

Policy on Accounting for Payroll Costs

According to an HR official, the Department accounts for payroll costs for employees transitioning to their new assignments by charging back the transition costs to the posts that the employees departed from until the employees’ transitioning is complete. When an employee arrives at his or her new post, HR processes SFs-50 and inserts a new organization code onto the form to identify a change in post. Once this change is made, the Consolidated American Payroll Processing System associates the new organization code with the employee at his or her new post and interfaces with GEMS to process the payroll costs accordingly. A Department official stated that it is more efficient to allocate the costs in this manner because of the complexity of a Foreign Service Officer’s schedule: that is, being continuously reassigned every 2 to 3 years to a new post.

OIG discussed the Department’s policy for accounting for payroll costs associated with departing personnel with RM and HR officials. When requested to provide specific documentation for the policy, neither RM nor HR could provide documentation in support of this practice. Although the Department consistently follows this practice and generally considers the practice to be equitable because all bureaus allocate their payroll costs in this manner, OIG considers the policy to be informal because the policy has not been documented and formally approved by Department management.

Afghanistan Payroll Testing

OIG found that SCA had reimbursed the American Salaries Account for the payroll costs related to the civilian uplift personnel who had left Afghanistan and who were transitioning to their next assignments. The payroll costs included transitioning costs for personnel after they had left Afghanistan but did not include costs incurred before they had arrived in Afghanistan. For Afghanistan, front-end costs included required specialized training courses, such as the DS Foreign Affairs Counter Threat Training; the Afghanistan Familiarization course; and, for those personnel assigned to field positions, the Afghanistan Provincial Reconstruction Team Orientation and Interagency Integrated Civilian Military Training Exercise for Afghanistan.

OIG judgmentally selected for review the payroll records for personnel assigned to Afghanistan for pay period No. 2 (January 16-29, 2011) in Calendar Year 2011. The payroll

UNCLASSIFIED

consisted of 513 records. Of the 513 records, 473 records were for Department personnel.¹⁶ Further analysis of the 473 records determined that 17 records were for Department employees who had left Afghanistan and who were transitioning to new posts. However, these 17 employees were provided remuneration for salary and benefits from the supplemental appropriation supporting Afghanistan. OIG identified the 17 records by flagging those employees coded to the Afghanistan organization code who were not receiving danger pay; identifying those employees who had been reassigned to a new post; and reviewing travel, Orientation and In-Processing Center,¹⁷ and training records to confirm the employees' activities during their transitioning period. OIG's testing focused on when an employee left Afghanistan (back end of the deployment cycle) and did not include the costs associated with training and deploying employees for their assignment to Afghanistan (front end of the deployment cycle). According to RM officials, the Department's practice is to charge departing posts the front-end costs when personnel leave for their new assignments.

OIG found, based on its sample, that the interval between assignments for the personnel who had left Afghanistan varied from 2 to 11 months. Nine of the 17 personnel selected for OIG analysis were transitioning for at least 7 months between assignments. During the transitioning process, personnel took home leave and attended training at the Foreign Service Institute. Throughout this transitioning period, the salaries and benefits were charged to the supplemental code for Afghanistan, which did not meet Congressional intent of the supplemental appropriation because the charges did not support operations in or provide assistance for Afghanistan. For example, one individual's salary was paid using the Afghanistan supplemental appropriation for a period of 10 months after the employee had left Afghanistan. During that period, the employee attended the Foreign Service Institute for Polish language training in preparation for his next assignment. Similarly, another of the 17 employees attended Indonesian language and Southeast Asia training over a period of 8 months in preparation for her next assignment.

The 17 Department employees identified by OIG were provided remuneration totaling approximately \$1.1 million for salary and benefits from the supplemental funds provided for Afghanistan over an 11-month period. Although OIG identified the \$1.1 million in back-end costs, which should not have been included in supplemental appropriation costs, OIG did not determine the front-end costs for those 17 individuals, as well as for the other 456 Department personnel on the January 16–29, 2011, payroll. Therefore, the front-end costs could have offset some, if not all, of the \$1.1 million.

Organization Code Updating

The Department, specifically HR, did not modify its procedures and instruct bureaus and posts to immediately update GEMS for the change in organization code for incoming and departing Afghanistan civilian uplift personnel. This updating is necessary to capture the full

¹⁶ The remaining 40 personnel (513 minus 473) were other Government employees deployed to Afghanistan and were paid through the International Cooperative Administrative Support Services (ICASS) system. ICASS is the principal means by which the U.S. Government provides and shares the cost of common administrative support at its more than 250 diplomatic and consular posts overseas.

¹⁷ The Orientation and In-Processing Center is the central post in-processing point for U.S. Government employees of all agencies deploying to Afghanistan.

UNCLASSIFIED

cost of personnel deployed to Afghanistan. Based on the Principles of Appropriation Law, the Department's methodology to track and account for Afghanistan-specific supplemental funds in the same manner as for routinely appropriated funds did not provide an accurate reflection of costs associated with Afghanistan.

Use of Supplemental Funds

The Department's current procedures caused salary and benefit costs to be paid with supplemental funds designated for Afghanistan and other front-line states and global activities during the transitioning period, which did not meet the Congressional intent of the supplemental appropriation. Accordingly, the front-end costs of training and preparation for civilian personnel deploying to Afghanistan represented costs associated with the Afghanistan civilian uplift and therefore should have been tracked and recorded as such to provide an accurate reflection of costs associated with Afghanistan.

Recommendation 1. OIG recommends that the Bureau of Human Resources, in coordination with the Bureau of Administration and the Bureau of Resource Management, codify, in the *Foreign Affairs Manual*, the Department of State (Department) practice of updating the Global Employment Management System for all Department personnel by changing the organization code to the code for the newly assigned posts effective on the date that the personnel leave post.

Management Response and OIG Reply: HR did not respond to the recommendation; therefore, the recommendation is unresolved.

Recommendation 2. OIG recommends that the Bureau of South and Central Asian Affairs immediately update the Global Employment Management System for all civilian uplift personnel leaving Afghanistan by changing their organization code to the code of their newly assigned posts effective on the date the personnel leave Afghanistan.

Management Response: S/SRAP, responding on behalf of SCA, recommended that Recommendation 2 be considered "closed." S/SRAP stated, "There are significant improvements in the reporting of employee departure dates from Afghanistan." S/SRAP further stated that "Kabul's HR and HR" have "repaired a technical issue in the systems interface" that resulted in "real-time reporting of departures of Foreign Service personnel assigned to Afghanistan." Also, the Executive Director for SCA has "worked closely with . . . HR . . . to develop a 'bridge' between" the Afghanistan Civilian Tracking System and the WebPASS/Post Personnel system. According to S/SRAP, "full implementation" was to have begun on May 11, 2012, which "should resolve all issues relating to the change in the organization codes for all civilian personnel departing from Afghanistan."

OIG Reply: OIG considers the recommendation resolved, pending further action. This recommendation can be closed when OIG reviews and approves documentation showing that systems are reporting in real time and that implementation of the "bridge" between the two personnel tracking systems has been accomplished.

Recommendation 3. OIG recommends that the Bureau of Human Resources direct overseas posts and domestic offices that have civilian personnel being assigned to Afghanistan or to another post where restricted funds are being used to immediately update the Global Employment Management System by changing the organization code to the code of the newly assigned posts for incoming and departing Afghanistan civilian uplift personnel.

Management Response and OIG Reply: HR did not respond to the recommendation; therefore, the recommendation is unresolved.

Accounting for and Reporting Security Costs

OIG found that DS did not fully implement an account structure to budget and account for expenditures made from supplemental appropriations received on June 24, 2009, which designated \$116.5 million for security programs in Afghanistan. This occurred because RM had not established policies and procedures that required DS to account for security costs using a designated country code for Afghanistan. Federal appropriations law¹⁸ requires that appropriations be applied only to the objects for which the appropriations were made. Without a designated country code for Afghanistan, DS could not verify that the supplemental funds were available, expended, or used for their intended purpose. To address the issue, DS, in January 2012, implemented a new mechanism, established by RM, to track and account for security costs in Afghanistan and other front-line states. This mechanism mandated the use of project codes for tracking obligations and costs. Increased guidance is needed, however, to ensure that users in the bureaus understand the new methodology and are using it consistently.

Federal appropriations law states, “Appropriations shall be applied only to the objects for which the appropriations were made, except as otherwise provided by law.” Funds are considered to be legally available for a given obligation or expenditure when the purpose is authorized and within specific time limits and established amounts.

The Federal Accounting Standards Advisory Board Statements of Federal Financial Accounting Concepts No. 1 states that an objective of Federal Financial Reporting is Budgetary Integrity. Specifically, Concept 1 states, “Federal financial reporting should provide information that helps the reader to determine how budgetary resources have been obtained and used and whether their acquisition and use were in accordance with the legal authorization.”

Exhibiting guidance in budgetary integrity, the Department’s *Foreign Affairs Manual* (FAM)¹⁹ states that the control of appropriations is exercised by delegations of authority to issue allotments. Allotments are made to officers at the major organizational level. “ Each official who receives an allotment of funds is responsible for: (a) restricting obligations to the amounts available in such allotments; (b) identifying an obligation with the applicable appropriation ... and allotment at the time it is incurred; [and] (c) certifying funds are available *before* the applicable obligation documents are released and recorded [emphasis added].”

¹⁸ 31 U.S.C. § 1301(a).

¹⁹ 4 FAM 032.4-2, “Funds–Funds Control.”

UNCLASSIFIED

In June 2009, the conference committee allocated \$116.5 million in supplemental appropriations²⁰ for Worldwide Security Protection in Afghanistan, but DS did not establish a country code to account for how those funds were to be used. Instead, DS placed the funds into the Worldwide Security Protection Account, which is the primary account supporting DS global operations. DS's Chief Financial Officer stated that DS program offices were directed by the Financial Plan, prepared by DS's Financial Planning Division, to use these funds for Afghanistan purposes only. To track the expenditures of these funds within the Department's financial system, GFMS, DS accounted for the funds by expense class (type of security, such as armored vehicles or static guard services). DS did not perform a reconciliation to confirm that the individual program offices used the supplemental funds for Afghanistan purposes only. However, had a reconciliation of the expenditures provided to the Worldwide Security Protection Account been performed, it would have shown that funds had been spent only for security operations but not for the country associated with the costs because DS does not track costs in that manner.

DS officials stated that they do not track security costs by country because Department guidance contained in the FAH²¹ does not require costs to be tracked in that manner. The guidance states:

The use of bureau, office, and post organization codes is required for accounting purposes. The level to which subordinate organization codes (staffs, divisions, branches, and sections) are to be used for internal management reporting purposes is optional, unless their use has been specifically prescribed for Department-wide financial reporting.

The Department's guidance does provide bureaus with "the option" to account for costs more specifically and beyond the bureau level, but, as structured at that time, GFMS would have required significant manpower effort to account for the costs for Afghanistan. However, DS officials advised OIG that GFMS has the capability to account for costs by country (that is, Afghanistan) by using a project code field.

When DS received its allotment of funds for security operations (\$116.5 million) in FY 2009, it should have restricted obligations against those funds to ensure that the appropriated funds were used for their intended purpose in Afghanistan. Since DS did not fully utilize an account mechanism to identify expenditures related to Afghanistan and to check the availability of funds at the time of obligation, DS was not able to restrict obligations to the amounts available.

During OIG's exit conference, RM officials told the OIG audit team that RM had built upon the existing system to track funding by country by expanding the system to encompass additional point limitations and project codes tied to reporting categories to account for the allotments, disbursements, and obligations of funds by country for operations within the front-

²⁰ H. R. Conf. Rep. No. 111-151.

²¹ 4 FAH-1 H-112-1(c), "Account Structure—Operations, Domestic and Abroad."

UNCLASSIFIED

line states.²² Officials from RM/BP stated that the enhanced mechanisms had been implemented in January 2012. Some guidance and requirements for the Department's bureaus to use the new account mechanism were provided to the OIG audit team by RM/BP, but no documentation of the methodology had been published in the FAH. However, DS did provide OIG with the codes assigned to DS by RM/BP. After the exit conference, DS submitted to OIG an accounting report listing recently processed obligations that indicated use of the new codes.

The fact that DS, as of January 2012, was fully utilizing an enhanced account mechanism to identify expenditures related to Afghanistan is an important step in tracking and accounting for security costs in Afghanistan and other front-line states. However, to continue this process, DS, in coordination with RM, needs to provide the bureaus' users with more specific information on the execution of the improved methodology. Without this account mechanism being applied consistently, the risk increases that funds could be spent for unauthorized purposes and could exceed specified time limits and established amounts. As a result, the Department might not be able to accurately report supplemental spending to the Congress and the American taxpayer, and DS might not be able to provide assurance that the funds spent for security operations in Afghanistan or for other front-line states were used for their intended purposes.

Recommendation 4. OIG recommends that the Bureau of Diplomatic Security adopt a methodology to track and account for security costs specific to Afghanistan or for the costs of security in other front-line states in order to accurately report the extent to which funds designated for Afghanistan have been spent, to check the availability of funds, and to monitor the costs.

Management Response: DS stated that it has, over the past 2 years, "enhanced the process" to track the funding of front-line states "more accurately and efficiently." DS further stated, "Effective January 2012, at the direction of and in consultation with" RM, it "began using a Department-wide methodology to track and account for security costs specific to Afghanistan, Iraq, and Pakistan (AIP)." DS also stated, "All AIP funds are managed by a Financial Execution team that is dedicated to" the three countries.

OIG Reply: OIG considers the recommendation resolved, pending further action. This recommendation can be closed pending OIG's review and approval of documentation showing the continued use of the new methodology for accounting for and tracking Afghanistan security costs.

Recommendation 5. OIG recommends that the Bureau of Resource Management, in coordination with the Bureau of Diplomatic Security, amend the *Foreign Affairs Handbook* (4-FAH-1 H-100) for Afghanistan and other front-line states to incorporate provisions in the Global Financial Management System to allow the coding necessary to track and account for security costs specific to Afghanistan and other front-line states.

²²A front-line state relates to "a country bordering on or close to a hostile country or scene of armed conflict." (Source: *Collins English Dictionary*, < <http://www.collinsdictionary.com/dictionary/english/front-line>>, accessed on March 2, 2012.)

UNCLASSIFIED

Management Response: RM requested that the recommendation “be removed from the audit report.” RM stated that since 2009, GFMS has had “sufficient tools that enabled bureaus to track any funds by country.” RM further stated that in 2010, the Department had “put in place additional mechanisms in GFMS” that allowed RM and other relevant bureaus, including DS and SCA, “to track and account for costs specific to Afghanistan and other front line states in even greater detail.” According to RM, these efforts “were expanded in 2012 with the appropriation of Overseas Contingency Operations (OCO) funds,” which used point limitations to aid in tracking funds allocated under appropriations and the mandatory use of project codes for Department operations activated on January 1, 2012. RM also discussed the input and guidance that it provided to many bureaus and offices on the improved methodology in the form of meetings, conference calls, and updates to the coding in the FAH.

OIG Reply: OIG acknowledges implementation of the new tracking methodology. However, OIG believes, as specified in the recommendation, that RM, in coordination with DS, should document in the FAH the detailed policies and procedures that bureaus should adhere to when executing obligations for expenses within Afghanistan and other front-line states to track and account for security and other costs specific to Afghanistan, including the mandatory use of project codes and reporting categories.

OIG considers the recommendation resolved, pending further action. This recommendation can be closed when OIG reviews and approves documentation showing that the guidance described has been published in the FAH.

Other Matters

Management Controls Over Staffing Complement of Department Civilian Personnel Assigned to Afghanistan

During its fieldwork of the joint audit of the civilian uplift with SIGAR, OIG found that the Department’s Afghanistan civilian staffing complement was not always accurate, complete, and updated, as required by the FAH.²³ OIG identified 67 personnel (or 14 percent) of 496 personnel assigned to Afghanistan who were not included on the master list of Department civilian personnel in-country. The discrepancies occurred because SCA’s newly implemented database, the Afghanistan Civilian Personnel Tracking System, was not accurate or complete and improvements were needed. As a result, there was an increased risk that civilian personnel in Afghanistan might not be accounted for in the event of an emergency evacuation.

OIG subsequently discussed this matter with SCA officials, who stated that the database was being perfected to accurately and completely track the number of reported Department civilian personnel assigned to Afghanistan. In January 2012, OIG followed up with SCA to check on the progress being made to improve the database. SCA officials stated that they had taken steps to ensure that their tracking system was accurate and up to date and were confident

²³12 FAH-1 Annex K, “Drawdown and Evacuation.”

they had achieved their goals. Based on these assertions, OIG did not review the changes made to the tracking system.

Management's Additional Comments to Report and Office of Inspector General Responses

In their responses to the report, the bureaus provided additional information that did not relate directly to the recommendations. Some of that information has been incorporated into the report as appropriate. However, management's specific comments and OIG's responses to these comments are as described.

Department Use of Supplemental Funds

RM Comments

RM, in its April 24, 2012, response to Recommendation 5 (see RM's Appendix C in Appendix D), also provided information on the report's finding. The finding discussed the Department's use of supplemental funds and whether the funds met the Congressional intent of the FY 2009 Supplemental Appropriations Act language.

RM stated that the Supplemental Appropriations Act "provided additional appropriations for Diplomatic and Consular Programs," and it did not agree that the phrase in the report "support operations in and assistance for Afghanistan," which addresses the use of funds, "only appears as it pertains to an authority to transfer [Diplomatic and Consular Programs] funds to other agencies but does not limit the availability of . . . funding more generally." Therefore, according to RM, the funds appropriated under the Act as an additional amount for the funding "are available for salary expenses of the Department."

OIG Response

Because Afghanistan was mentioned in the appropriation only in the context of transferring money to other agencies to support operations and assistance for Afghanistan, the language could be interpreted to mean that funding availability was not limited. However, the accompanying conference report to the appropriation included \$997.9 million for Diplomatic and Consular Programs "to support operations and security requirements for Afghanistan, Pakistan, and Iraq." In addition, the funds supported increased requirements for selected global activities. The allocation table contained in the conference report shows that funding for Afghanistan made up over 40 percent of the total allocated funds. OIG therefore concluded that the Congress intended the funding to be used for expenditures related to Afghanistan, Pakistan, and Iraq but did not intend the funding to be used for expenditures for personnel leaving Afghanistan for a routine reassignment to a country outside of Afghanistan, Pakistan, or Iraq. Language from the conference report clarifying the Congress's intent regarding the funding has been incorporated into the report. (See the section "Federal Law and Conference Report on the Diplomatic and Consular Programs Supplemental Appropriation.")

List of Recommendations

Recommendation 1. OIG recommends that the Bureau of Human Resources, in coordination with the Bureau of Administration and the Bureau of Resource Management, codify, in the *Foreign Affairs Manual*, the Department of State (Department) practice of updating the Global Employment Management System for all Department personnel by changing the organization code to the code for the newly assigned posts effective on the date that the personnel leave post.

Recommendation 2. OIG recommends that the Bureau of South and Central Asian Affairs immediately update the Global Employment Management System for all civilian uplift personnel leaving Afghanistan by changing their organization code to the code of their newly assigned posts effective on the date the personnel leave Afghanistan.

Recommendation 3. OIG recommends that the Bureau of Human Resources direct overseas posts and domestic offices that have civilian personnel being assigned to Afghanistan or to another post where restricted funds are being used to immediately update the Global Employment Management System by changing the organization code to the code of the newly assigned posts for incoming and departing Afghanistan civilian uplift personnel.

Recommendation 4. OIG recommends that the Bureau of Diplomatic Security adopt a methodology to track and account for security costs specific to Afghanistan or for the costs of security in other front-line states in order to accurately report the extent to which funds designated for Afghanistan have been spent, to check the availability of funds, and to monitor the costs.

Recommendation 5. OIG recommends that the Bureau of Resource Management, in coordination with the Bureau of Diplomatic Security, amend the *Foreign Affairs Handbook* (4-FAH-1 H-100) for Afghanistan and other front-line states to incorporate provisions in the Global Financial Management System to allow the coding necessary to track and account for security costs specific to Afghanistan and other front-line states.

Scope and Methodology

This audit was conducted as a follow-on audit to the joint audit conducted by the Special Inspector General for Afghanistan Reconstruction (SIGAR) and the U.S. Department of State (Department), Office of Inspector General (OIG): *The U.S. Civilian Uplift in Afghanistan Has Cost Nearly \$2 Billion and State Should Continue to Strengthen Its Management and Oversight of the Funds Transferred to Other Agencies* (SIGAR Audit-11-17 and State OIG AUD/SI-11-45 Civilian Uplift, September 8, 2011). OIG conducted this limited-scope audit to determine the effectiveness of the Department's accounting, management, and reporting of Afghanistan civilian uplift costs specific to payroll operations; Bureau of Diplomatic Security (DS) controls over funds; and management controls over the staffing complement of Department personnel assigned to Afghanistan.

OIG performed fieldwork for this audit from August 2011 to January 2012 in the Washington, DC, metropolitan area, as well as at the Bureau of Resource Management's (RM) Global Financial Services in Charleston, SC. OIG conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objective. OIG believes that the evidence obtained provides a reasonable basis for its findings and conclusions based on the audit objective.

To obtain background and criteria for the audit, OIG researched and reviewed relevant laws that authorized funding for civilian uplift efforts in Afghanistan. OIG also reviewed the Department's *Foreign Affairs Manual* (FAM) and *Foreign Affairs Handbook* (FAH); Department cables; Office of Management and Budget circulars; and Government Accountability Office (GAO) guidance related to the Department's payroll system for personnel assigned to posts, controls over tracking Department personnel assigned to posts, and bureau funds controls and interagency transfer requirements.

For this limited-scope audit, OIG judgmentally selected for review one payroll period, pay period No. 2 in 2011 (January 16–29, 2011), to determine whether a condition existed that might have warranted management's attention to ensure that appropriated funds were being used as intended for the Afghanistan civilian uplift personnel payroll. The OIG audit team had already received the payroll records for pay period No. 2 and No. 12 (June 5–18, 2011) as a result of its preliminary work performed during the previous joint audit, which provided the impetus for this follow-on audit. Rather than request payrolls for additional pay periods, the team used an already-available payroll to reduce the burden on the auditee as well as to expedite this limited-scope audit, which covered several aspects of the Department's accounting, management, and reporting of Afghanistan civilian uplift costs. Pay period No. 2 was selected because it was a relatively early period in the year when compared with the timeframe of pay period No. 12. Therefore, sufficient time had elapsed to enable the Department to make any adjustments, if necessary, to properly account for Department payroll costs under the Afghanistan supplemental appropriation. The results of OIG's review of the payroll for pay

UNCLASSIFIED

period No. 2, which contained 513 records, of which 473 records were of Department employees, are detailed in the Audit Results section of this report.

OIG interviewed and obtained documentation from officials in DS to identify fund control procedures and documents used by DS to manage the allocation of funds within and between DS accounts. OIG also interviewed officials in the Bureau of South and Central Asian Affairs (SCA) and obtained a list of civilian personnel in Afghanistan to determine the accuracy and completeness of the list and to address the causes for any discrepancies between SCA's February 2011 list of civilian personnel in Afghanistan and the Department's payroll list of personnel assigned to Afghanistan during pay period No. 2 in 2011. In addition, OIG interviewed and obtained documentation from the Bureau of Human Resources (HR) and RM to determine the arrival and departure procedures and dates, as well as the payment process, for civilian uplift personnel in Afghanistan.

Use of Computer-Processed Data

OIG used a significant amount of computer-processed data during this limited-scope audit and assessed the reliability of these data primarily via corroboration with source documentation for its review of Department employees who were assigned to Afghanistan per the payroll for pay period No. 2. These documents included Standard Forms 50, Notification of Personnel Action; TM5, travel message departure from post notice; TM8, travel message arrival at post notice; time and attendance sheets; and travel vouchers. OIG believes that the data were sufficiently reliable for the purposes of this report.

Review of Internal Controls

OIG performed steps to assess the adequacy of internal controls related to the areas audited. For example, OIG gained an understanding of the Department's processes for the payment of salaries and benefits of civilian uplift personnel assigned to Afghanistan. The OIG team also discussed discrepancies identified during its comparison of SCA's February 2011 list of civilian uplift personnel in Afghanistan and the list of personnel assigned to Afghanistan and paid through the American salaries account during pay period No. 2 in 2011. Additionally, OIG reviewed Federal guidance, such as that contained in Federal Appropriations Law, for applicable policies and procedures to determine whether appropriated funds were legally available for purposes of obligation or expenditures and to ascertain whether certain internal controls were in place for accurately tracking Department personnel assigned to posts. OIG also reviewed Department guidance, such as the FAM, the FAH, and Department cables, to determine whether appropriated funds were being used as intended for the Afghanistan civilian uplift personnel payroll and whether DS maintained adequate controls over the allocation and allotment of funds. OIG's conclusions are presented in the Audit Results section of this report.



United States Department of State

Washington, D.C. 20520

April 23, 2012

UNCLASSIFIED

TO: Office of the Inspector General
Evelyn R. Klemstine, Assistant inspector General for Audits
klemstinee@state.gov

FROM: S/SRAP – Frank Ruggiero *SMK/FR*

SUBJECT: Comment on Draft Report on *Limited-Scope Audit of the Department of State Management of the Afghanistan Civilian Uplift*

REF: Draft Report Number AUD/SI-XX-XX, March 2012

S/SRAP appreciates the opportunity to comment on Recommendation 2 of the Draft Limited-Scope Audit of the Department of State Management of the Afghanistan Civilian Uplift.

“Recommendation 2. OIG recommends that the Bureau of South and Central Asian Affairs immediately update the Global Employment Management System for all civilian uplift personnel leaving Afghanistan by changing their organization code to the code of their newly assigned posts effective on the date the personnel leave Afghanistan.”

There are significant improvements in the reporting of employee departure dates from Afghanistan. Kabul HR and the HR Bureau have repaired a technical issue in the systems interface between WebPASS/Post Personnel data maintained at post and the Global Employment Management System (GEMS) maintained by the HR Bureau. This has resulted in real-time reporting of departures of Foreign Service personnel assigned to Afghanistan. Additionally, NEA-SCA/EX has worked closely with the HR Bureau to develop a “bridge” between the Afghanistan Civilian Tracking System (ACTS) which is managed by NEA-SCA/EX and WebPASS/Post Personnel. Full implementation begins on May 11, 2012 and this should resolve all issues relating to the change in the organization codes for all

UNCLASSIFIED

civilian personnel departing from Afghanistan.

We recommend that the status of Recommendation 2 be changed to “closed”.

UNCLASSIFIED



United States Department of State

Washington, D.C. 20520

APR 26 2012

UNCLASSIFIED

**INFORMATION MEMO TO OIG – ASSISTANT INSPECTOR GENERAL
FOR AUDITS EVELYN KLEMSTINE**

FROM: DS – Gentry O. Smith, Acting 

SUBJECT: Limited-Scope Audit of Department of State Management of the
Afghanistan Civilian Uplift

Thank you for the opportunity to review and comment on the subject draft report. Attached please find DS comments on the draft report along with a copy of the report with DS's suggested edit noted in strike-through text and associated comments.

Attachment:

OIG Draft Report

NOTE: The Bureau of Diplomatic Security's attached "OIG Draft Report" was not included by the Office of Inspector General. However, this attachment is available upon request.

**DS Comment on OIG Draft Report
Limited-Scope Audit of Department of State Management of the
Afghanistan Civilian Uplift
(AUD/SI-XX-XX, March 2012)**

***Recommendation 4:** OIG recommends that the Bureau of Diplomatic Security (DS) adopt a methodology to track and account for security costs specific to Afghanistan or for the costs of security in other front-line states in order to accurately report the extent to which funds designated for Afghanistan have been spent, to check the availability of funds, and to monitor the costs. (Action: Diplomatic Security) (page 10)*

DS Comment: Over the past two years, DS enhanced the process to track front-line states funding more accurately and efficiently. Effective January 2012, at the direction of and in consultation with the Bureau of Resource Management (RM), DS began using a Department-wide methodology to track and account for security costs specific to Afghanistan, Iraq, and Pakistan (AIP).

Afghanistan funds are allotted by Enduring and Overseas Contingency Operations (OCO).¹ The Enduring funds are allotted to DS by State Programs, Operations and Budget (RM/BP) under appropriation ID 19__X0113000H, and the OCO portion is allotted to DS by RM/BP under appropriation ID 19__X0113000T. Point T is also used for Pakistan funding. Appropriation 19__230113000E is for Iraq-Enduring funds and 19__230113000EC for Iraq-OCO funds. All front-line states funding is allotted to DS by project codes. The use of project codes for obligated funds is mandatory. (see Appendix A – AIP Account Structure.)

Since the Point T appropriation funds cover more than Afghanistan and Pakistan, DS established reporting categories to help track the country specific costs. (See Appendix A.) This account structure allows DS to run reports directly from the Data Warehouse and track these costs via separate allocation sheets and cuff record systems. Points E and EC are used exclusively for Iraq. All AIP funds are managed by a Financial Execution team that is dedicated to AIP.

¹ OCO funds were appropriated to the Department of State for the first time in FY 2012 pursuant to P.L. 112-74.

UNCLASSIFIED

DS Project Codes and Reporting Categories

Iraq

Enduring 19__230113000E		
Site	Project Code	Reporting Category
Baghdad	BPFLS003	DS8101
Erbil	BPFLS003	DS8102
Kirkuk	BPFLS003	DS8103
Basrah	BPFLS003	DS8104

OCO 19__230113000EC		
Site	Project Code	Reporting Category
Baghdad	BPFLS003	DS8101
	BPFLS005	
Erbil	BPFLS003	DS8102
	BPFLS005	
Kirkuk	BPFLS003	DS8103
	BPFLS005	
Basrah	BPFLS003	DS8104
	BPFLS005	

Pakistan

Enduring 19__X0113000H		
Site	Project Code	Reporting Category
Islamabad	BPFLS003	DS8201
Karachi	BPFLS003	DS8202
Lahore	BPFLS003	DS8203
Peshawar	BPFLS003	DS8204

OCO 19__X0113000T		
Site	Project Code	Reporting Category
Islamabad	BPFLS003	DS8201
Karachi	BPFLS003	DS8202
Lahore	BPFLS003	DS8203
Peshawar	BPFLS003	DS8204

Afghanistan

Enduring 19__X0113000H		
Site	Project Code	Reporting Category
Kabul	BPFLS003	DS8301
Herat	BPFLS003	DS8302
Mazar	BPFLS003	DS8303
Kandahar	<i>Not active for FY 2012</i>	
Jalalabad	<i>Not active for FY 2012 and FY 2013</i>	

OCO 19__X0113000T		
Site	Project Code	Reporting Category
Kabul	BPFLS003	DS8301
Herat	BPFLS003	DS8302
Mazar	BPFLS003	DS8303
Kandahar	<i>Not active for FY 2012</i>	
Jalalabad	<i>Not active for FY 2012 and FY 2013</i>	

NOTE: DS activities fall exclusively under Security (BPFLS003) and Interim Consulate Security (BPFLS005). Other project codes are listed below for reference. The number of digits for each appropriation and reporting category are also cited below.

Code	Description	Code/ID #	# Digits
BPFLS001	Mission Operations/Other Support Activities	Appropriation ID	14
BPFLS002	Logistical Support	Project Code	8
BPFLS003	Security	Reporting Category	6
BPFLS004	Information Technology		
BPFLS005	Interim Consulates/Embassy Branch Office Operations/ Temporary Infrastructure		



United States Department of State

Chief Financial Officer

Washington, D.C. 20520

UNCLASSIFIED

APR 24 2012

MEMORANDUM

TO: OIG – Harold W. Geisel

FROM: RM – James L. Millette *JL*

SUBJECT: OIG Draft Limited-Scope Audit of Department of State Management of the Afghanistan Civilian Uplift AUD/SI-XX-XX March 2012

NOTE: In its response, the Bureau of Resource Management attached a copy of the draft report with its suggested comments. This attachment has not been included by the Office of Inspector General. However, the attachment is available upon request.

In response to the OIG Draft Limited-Scope Audit of Department of State Management of the Afghanistan Civilian Uplift, Resource Management (RM) offers the following responses.

Recommendation 5. OIG recommends that the Bureau of Resource Management, in coordination with the Bureau of Diplomatic Security, amend the Foreign Affairs Handbook (4-FAH H-100) for Afghanistan and other front line states to incorporate provisions in the Global Financial Management System to allow the coding necessary to track and account for security costs specific to Afghanistan and other front line states.

Summary

In FY 2009, the Department’s Global Financial Management System (GFMS) had sufficient tools that enabled bureaus to track any funds by country. Since FY 2010, the Department of State has put in place additional mechanisms in GFMS, which are also reflected in 4-FAH provisions, that allow the Bureau of Resource Management (RM) and relevant bureaus, including but not limited to the Bureau of Diplomatic Security (DS) and the Bureau of South and Central Asian Affairs (SCA), to track and account for costs specific to Afghanistan and other front line states in even greater detail. These efforts were expanded in FY 2012 with the appropriation of Overseas Contingency Operations (OCO) funds. The Department

UNCLASSIFIED

UNCLASSIFIED

UNCLASSIFIED

-2-

requests "Recommendation 5" be removed from the audit report, and that the associated findings be revised to reflect this fact.

Overview of Steps Taken

When the Department was appropriated front line states funding in the FY 2010 supplemental (P.L. 111-212), it established "point limitations" (unique identifiers attached to an appropriation symbol) for Iraq (Pt EE), Afghanistan (Pt AA), and Pakistan (Pt BB). The Department also established point limitations to aid tracking of funds allocated under regular appropriations, i.e. non-supplemental funding (Iraq is Pt E, Afghanistan is Pt A, and Pakistan is Pt B). These point limitations were used throughout FY 2011 to track front line states funding. 4-FAH and GFMS both were updated accordingly.

In the Summer 2011, when it became clear the Department would be appropriated Overseas Contingency Operations (OCO) funding for the front line states in FY 2012, it took steps to update the processes by which front line states funding would be executed. One of the primary goals of the updated processes was to ensure that the Department could track funding not only by OCO and enduring, but the five major Congressional reporting categories, of which "Security" is one. New OCO point limitations were established, including Point T for "Security" funds for Afghanistan. Further, the Department instituted the mandatory use of project codes for State Operations front line states OCO and enduring funding.¹ (Appendix A provides a list of the project codes and how they align with the reporting categories. Project Code BPFLS004 is "Security". It is used primarily by DS.)

The OCO point limitations and mandatory use of project codes for State Operations was activated on January 1, 2012, immediately after the FY 2012 appropriations bill (P.L. 112-74) was signed into law. The Foreign Affairs Handbook (4-FAH) was updated to reflect the OCO point limitations. GFMS and associated systems began processing transactions with the applicable project codes.

The establishment of OCO point limitations and the decision to make project code use mandatory was a collaborative effort. Many bureaus and offices, including the Office of the Chief Financial Officer; the Office of the Deputy Chief Financial Officer; the Office of State Programs, Operations and Budget (RM/BP); DS, SCA, and the Bureau of Near Eastern Affairs, as well as financial management officers

¹ The project codes were made mandatory by placing them above the allotment in the budget hierarchy. This means that bureaus must use the project code when making an obligation. Without the project code, the bureau cannot complete the obligation in GFMS.

UNCLASSIFIED

UNCLASSIFIED

UNCLASSIFIED

-3-

from Baghdad, Kabul, and Islamabad, provided input and guidance on the new policies and procedures. More than two dozen meetings and conference calls were held on this subject and RM/BP representatives hosted a breakout session at the annual NEA/SCA budget planning conference on the use of project codes. The Bureau of Resource Management included a section outlining the new policies and procedures, in its FY 2012 execution guidance to all bureaus (Appendix B).

Conclusion

The Department requests that the Office of the Inspector General (OIG) remove "Recommendation 5" from its limited-scope Audit of Department of State management of the Afghanistan Civilian Uplift (AUD/SI-XX-XX).

FY 2012 is the third year during which the Department has had a methodology to track and account for all security (and operational) costs specific to Afghanistan and other front line states. This process has continued to be improved and strengthened over the past two years, ensuring greater transparency and efficiency in tracking and accounting for enduring and OCO front line states funding. However, these measures were intended to assist bureaus in tracking specific funding, but similar tools were available for bureau level use prior to FY 2010.

Moreover, the Department's most recently updated policies associated with front line states funding were implemented on January 1, 2012 - three months prior to the draft report's issuance. These policies built on two years of established practices for tracking front line states funding. The Department was not afforded the opportunity to demonstrate the steps it has taken until one day prior to the draft report's completion. Had OIG engaged RM/BP, DS, and others about this issue over the past six to eight months, the Department would have provided details on the steps it was taking to amend 4-FAH and incorporate provisions in GFMS to track and account for security costs (and operational costs) associated with Afghanistan and other front line states.

The Department, of its own volition, established and codified the appropriate framework for tracking front line states funding. Coupled with the fact that OIG did not seek information about the Department's tracking of front line states funding, it is only appropriate that Recommendation 5 be removed from the report.

RM appreciates the opportunity to comment on the report. The operational point of contact is Paul McVicker. He may be reached by email at mevickerpj@state.gov or by phone at (843) 202-3858.

UNCLASSIFIED

UNCLASSIFIED

APPENDIX A

OCO PROJECT CODES FOR FRONT LINE STATES

Project Code	Iraq (Points: EO)	Project Code	Afghanistan (Points: AO, AP, T)	Project Code	Pakistan (Points: BO, BP, T)
BLFLS001	Mission Operations/Other Support Activities	BLFLS001	Mission Operations/Other Support Activities	BLFLS001	Mission Operations/Other Support Activities
BPFLS002	Logistical Support	BPFLS002	Logistical Support	BPFLS002	Logistical Support
BPFLS003	Security	BPFLS003	Security	BPFLS003	Security
BPFLS004	Information Technology	BPFLS004	Information Technology	BPFLS004	Information Technology
BPFLS005	Interim Consulate/EBO Ops/Temporary Infrastructure	BPFLS005	Interim Consulate/EBO Ops/Temporary Infrastructure	BPFLS005	Interim Consulate/EBO Ops/Temporary Infrastructure

ENDURING PROJECT CODES FOR FRONT LINE STATES

Project Code	Iraq (Point E)	Project Code	Afghanistan (Point A, 7A, H)	Project Code	Pakistan (Point B, 7B, H)
BLFLS001	Mission Operations/Other Support Activities	BLFLS001	Mission Operations/Other Support Activities	BLFLS001	Mission Operations/Other Support Activities
BPFLS002	Logistical Support	BPFLS002	Logistical Support	BPFLS002	Logistical Support
BPFLS003	Security	BPFLS003	Security Physical/Technical Security	BPFLS003	Security
BPFLS004	Information Technology	BPFLS004	Information Technology	BPFLS004	Information Technology
BPFLS005	Interim Consulate/EBO Ops/Temporary Infrastructure	BPFLS005	Interim Consulate/EBO Ops/Temporary Infrastructure	BPFLS005	Interim Consulate/EBO Ops/Temporary Infrastructure

UNCLASSIFIED

APPENDIX B

UNCLASSIFIED

MEMORANDUM

TO: All Assistant Secretaries and Bureau Executive Directors

FROM: RM – James L. Millette

SUBJECT: FY 2012 Financial Plan Guidance

This memorandum transmits guidance for the development of the FY 2012 financial plans for State Operations accounts. The Department is operating under a Continuing Resolution through November 18, 2011. We need to update our initial recommendations for the FY 2012 Financial Plan now to use as a basis for continued operations.

The requested information is due on the dates specified. Bureaus should submit (as applicable):

1. Administrative Efficiency Savings Tracking Template (due October 28, 2011)
2. Going rate analysis data within the Diplomatic and Consular Programs (D&CP) appropriation (due November 4, 2011);
3. Post Resources - for regional bureaus only (due November 4, 2011).

The RM/BP website will open for bureaus with D&CP-funded programs on October 21, 2011. Please ensure that your bureau enters the requested information by the due date above to allow sufficient time to prepare an integrated plan.

In addition to the above, guidance is also provided regarding inter-bureau payments and transactions. The guidance requires all bureaus, regardless of funding source, to submit planned domestic renovations to A/OPR and RM/BP.

Should you have any questions, or should you require additional information, please contact the RM/BP analyst assigned to your account. We look forward to working with you as we formulate the Department's Initial FY 2012 D&CP Financial Plan.

UNCLASSIFIED

Attachments:

- A. Operating Assumptions under a Continuing Resolution
- B. FY 2012 Financial Plan Guidance – Initial D&CP Financial Plan
- C. FY 2012 Financial Plan Guidance – FTE Purchases
- D. FY 2012 Financial Plan Guidance – Funding for Iraq Operations
- E. Guidance for Inter-Bureau D&CP Payments and Fee-for-Service
- F. Guidance on Domestic Renovations and Information Technology
- G. Executing/Tracking/Reporting of Administrative Efficiency Savings and Campaign to Cut Waste Initiative
- H. Executing Overseas Contingency Operations (OCO) Resources
- I. Executing FY 2011/2012 Carryforward and Recoveries
- J. FY 2012 Financial Plan Calendar

cc: All Bureau Budget Officers

UNCLASSIFIED

Attachment H

Executing Overseas Contingency Operations (OCO) Resources

The Department anticipates that the FY 2012 full year appropriation will include funding under the title Overseas Contingency Operations (OCO) within the Diplomatic and Consular Programs (D&CP) account and the Office of the Inspector General (OIG) account^[1]. The OCO account provides a clear delineation between funds used for activities and programs that are temporary in nature and extraordinary in cost, beyond “normal” ongoing diplomatic operations.

Given the high level of interest in how the Department will execute OCO funds, RM/BP is working to develop options to maximize the efficiency and effectiveness with which OCO is executed.

In developing the plan for executing OCO, project codes and possibly function codes will be established. The use of project codes will be mandatory to obligate OCO funds in RFMS and GFMS.

Further guidance will be provided pending decisions by OMB, Congress and the Department on how to execute OCO funds.

^[1] In the FY 2012 HACFO mark-up, OCO is not specified by name. The House provides “an additional amount” for D&CP under the “Title VIII: Global War on Terrorism.” Funds appropriated under Title VIII would be considered OCO funds and would be executed as such.

UNCLASSIFIED

Appendix C

OIG's draft limited-scope audit of Department of State Management of Afghanistan Civilian Uplift (March 2012) raises an issue concerning funding payroll costs of civilians transitioning out of assignments in Afghanistan. The draft report states that "...by following its routine procedures to reimburse the payroll costs during the period in which an employee was transitioning to a new post, the Department used funds that were designated to 'support operations in and assistance for Afghanistan,' which did not meet the Congressional intent of the appropriation." pp. 1-2, 5, *see also* p. 5 ("The Afghanistan Supplemental appropriation authorized the Department to use funds appropriated to 'support operations in and assistance for Afghanistan.'") As described below, we believe the draft report needs to be substantially revised to more precisely reflect the language of the FY 2009 Supplemental Appropriations Act (P.L. 111-32). We also do not believe the report provides adequate substantiation for the claim that the Department's use of funds did not meet the Congressional intent of the appropriation. As such, we believe that any suggestion that the Department has violated 31 U.S.C. 1301(a) is unfounded as it concerns funding payroll costs of civilians transitioning out of assignments in Afghanistan.

The FY 2009 Supplemental Appropriations Act (P.L. 111-32) provided additional appropriations for "Diplomatic and Consular Programs" (D&CP):

"For an additional amount for "Diplomatic and Consular Programs", \$997,890,000, to remain available until September 30, 2010, of which \$146,358,000 is for Worldwide Security Protection and shall remain available until expended: *Provided*, That the Secretary of State may transfer up to \$137,600,000 of the funds made available under this heading to any other appropriation of any department or agency of the United States, upon the concurrence of the head of such department or agency, to support operations in and assistance for Afghanistan and to carry out the provisions of the Foreign Assistance Act of 1961...."

Contrary to the suggestion in the draft Report, the supplemental appropriation language for D&CP is not limited to "support operations in and assistance for Afghanistan". That phrase only appears as it pertains to an authority to transfer D&CP funds to other agencies, but does not limit the availability of D&CP funding more generally. Further, as GAO has stated, a supplemental appropriation "supplements the original appropriation" and "partakes of its nature". GAO Redbook Vol. II (3d ed.) 6-159, 160. Here, it is beyond dispute that D&CP is the proper appropriation account to pay the payroll costs in question. Thus, in the absence of any specific limitation in the FY 2009 Supplemental Appropriations Act, the funds appropriated under that Act as an additional amount for D&CP are available for salary expenses of the Department.

The FY 2009 Supplemental Appropriations Act contains the following general provision:

"ALLOCATIONS

UNCLASSIFIED

SEC. 1103. (a) Funds appropriated in this title for the following accounts shall be made available for programs and countries in the amounts contained in the respective tables included in the joint statement accompanying this Act:

(1) "Diplomatic and Consular Programs"

....

(b) For the purposes of implementing this section, and only with respect to the tables included in the joint statement accompanying this Act, the Secretary of State and the Administrator of the United States Agency for International Development, as appropriate, may propose deviations to the amounts referenced in subsection (a), subject to the regular notification procedures of the Committees on Appropriations and section 634A of the Foreign Assistance Act of 1961."

The joint explanatory statement accompanying the act (H. Rept. 111-151) includes a table that allocates \$159.1 million for "Afghanistan operations". As such, pursuant to section 1103 of the FY 2009 Supplemental Appropriations Act, the Department was to allocate \$159.1 million of the supplemental amount appropriated to D&CP for "Afghanistan operations". Section 1103 also permits the Department to reprogram such funds for other purposes within D&CP, subject to regular congressional notification procedures. Neither section 1103 or the joint explanatory statement contains any additional limitation relevant to the issue of payroll costs.

There is nothing in the FY 2009 Supplemental Appropriations Act or its accompanying legislative history that suggests any Congressional intent to deviate from the Department's standard practice of having departing posts fund payroll costs of employees transitioning to a future assignment. As the draft Report recognizes, the Department's practice has been to fund payroll expenses for Department personnel transitioning to a new assignment from the departing post's D&CP allotment. To the best of our knowledge, the OIG has never questioned this practice of treating payroll expenses of transitioning employees as properly funded by the departing post.

While the draft Report appears to suggest that it would have been appropriate to fund the payroll expenses of an employee transitioning to Afghanistan prior to their arrival at post, the OIG report fails to justify why such expense would constitute an appropriate expenditure under the FY 2009 Supplemental Appropriations Act, while funding transition costs on the other end would not. In the absence of any indicia of legislative intent, it arguably would have been inappropriate for the Department to deviate from its standard practice and institute a separate system for funding transitional payroll costs for personnel serving tours in Iraq and Afghanistan. While OIG may fairly question whether, as a managerial best practice, the departing post, as opposed to the receiving post, should fund transitional payroll expenses, the Department does not believe that there are legitimate grounds to question the legality of the Department's decision to fund transitional payroll expenses related to Afghanistan using FY 2009 Supplemental D&CP funds.

Major Contributors to This Report

Regina Meade, Director
Security & Intelligence Division
Office of Audits

Bill Irving, Auditor Manager
Security & Intelligence Division
Office of Audits

Frank Forgione, Senior Auditor
Security & Intelligence Division
Office of Audits

Alisha Chugh, Auditor
Security & Intelligence Division
Office of Audits

Timothy Neal, Auditor
Middle Eastern Regional Directorate
Office of Audits

Christopher Yu, Management Analyst
Security & Intelligence Division
Office of Audits

Craig Stafford, Audit Intern
Security & Intelligence Division
Office of Audits

FRAUD, WASTE, ABUSE, OR MISMANAGEMENT

of Federal programs
and resources hurts everyone.

Call the Office of Inspector General

HOTLINE

202/647-3320

or 1-800-409-9926

to report illegal or wasteful activities.

You may also write to
Office of Inspector General
U.S. Department of State
Post Office Box 9778
Arlington, VA 22219

Please visit our Web site at oig.state.gov

Cables to the Inspector General
should be slugged "OIG Channel"
to ensure confidentiality.

UNCLASSIFIED

UNCLASSIFIED