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

Office of Audits

**Audit of Department of State
Use of Consular Fees Collected
in Support of the Border Security Program**

Report Number AUD-FM-12-39, August 2012

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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

CA	Bureau of Consular Affairs
CBJ	Congressional Budget Justification
CWSS	Consular Workload Statistical System
DS	Bureau of Diplomatic Security
DV	Diversity Immigrant Visa
FAH	<i>Foreign Affairs Handbook</i>
FAM	<i>Foreign Affairs Manual</i>
H&L	H and L Visa
ICASS	International Cooperative Administrative Support Services
IV	Immigrant Visa
MRV	Machine Readable Visa
OBO	Bureau of Overseas Buildings Operations
OIG	Office of Inspector General
RM	Bureau of Resource Management
RM/BP	Bureau of Resource Management, Office of State Programs, Operations, and Budget
TDY	temporary duty
U.S.C.	United States Code
WHA	Bureau of Western Hemisphere Affairs
WHTI	Western Hemisphere Travel Initiative
WSP	Worldwide Security Protection

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Executive Summary

The terrorist attacks against the United States on September 11, 2001, demonstrated the importance of having a robust system to process visa requests from people wanting to enter the United States. The National Commission on Terrorist Attacks Upon the United States¹ reported that the hijackers made detectable false statements on visa applications. Since those attacks occurred, the complexity of consular operations has increased greatly. Currently, the Department of State's (Department) Border Security Program supports activities related to consular relations, security, information resource management, and consular training. These activities are needed to help secure America's borders from terrorists, criminals, or individuals whose presence in the United States would violate immigration law. The Department's Border Security Program relies on funding from six consular-related fees and surcharges.

The purpose of this audit was to determine to what extent consular fees collected by the Department were used during FY 2010 for mission priorities of the Border Security Program and in accordance with Department guidelines. The Office of Inspector General (OIG) conducted fieldwork for this audit at the Bureaus of Consular Affairs (CA), Resource Management (RM), Western Hemisphere Affairs (WHA), East Asian and Pacific Affairs, South and Central Asian Affairs, and Diplomatic Security (DS). OIG also conducted fieldwork at Mexico City, Mexico; Beijing and Guangzhou, China; and New Delhi, India. In addition, OIG obtained additional information from officials in Mumbai, India. During FY 2011, the Department transitioned the funding for certain post expenditures to the International Cooperative Administrative Support Services² (ICASS) program with the intent of improving controls over the use of the border security funds at overseas posts. OIG did not audit the new process, since it was not within the scope period of the audit.

OIG found that the Border Security Program did not have a centralized program management structure. Although CA was considered the "lead bureau" for the Border Security Program, it did not exercise authority to oversee all aspects of the program. In addition, OIG found that the program-related roles and responsibilities were not clearly defined; funding decisions were not based on prioritization factors; and overall accomplishments were not being tracked. The Department also did not have sufficient guidance on the use of the funds and did not have an adequate process in place to monitor Border Security Program expenditures.

OIG could not determine whether the Department was using border security funds in accordance with mission priorities because the Department did not have a detailed, comprehensive program plan that identified Border Security Program priorities. OIG also could not ensure that some border security funds were used in accordance with Department guidance because some bureaus moved funds from border security accounts to general accounts, thereby losing the funds' identities.

¹ *The 9/11 Commission Report: Final Report of the National Commission on Terrorist Attacks Upon the United States*, issued on July 22, 2004.

² According to the *Foreign Affairs Handbook* (FAH) (6 FAH-5 H-010, "ICASS Functions"), "ICASS is the principal means by which the U.S. Government provides and shares the cost of common administrative support needed to ensure effective operations" at overseas posts. ICASS "provides a full range of administrative services," including motor pool, purchasing and contracting, and accounting.

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For expenditures that it was able to test, OIG found that border security funds were generally being used for consular-related activities. However, some expenditures were made for items that did not comply with CA guidelines or other approved financial instructions. Specifically, of the 431 expenditures, totaling about \$2.1 million, tested from funds allotted to posts by CA and regional bureaus, OIG found that 71 expenditures, totaling about \$166,000, were not made in accordance with CA's formal guidelines or other approved financial instructions and had not been approved separately by CA or the regional bureaus. Of the 30 expenditures OIG tested from funds allotted to posts by DS, OIG found that the expenditures generally complied with DS-approved post spending plans.

Of the 269 domestic CA expenditures tested, totaling about \$497 million, OIG found that 187 expenditures, totaling about \$280 million, were not spent in accordance with CA's guidelines or lacked sufficient documentation to determine how the funds were used. In addition, OIG tested 35 domestic DS expenditures, totaling about \$15.5 million, and found that three expenditures, totaling approximately \$3.4 million, were not made in compliance with DS spending plans.

OIG found that the individuals filling all of the overseas positions funded by the Border Security Program were performing consular work. However, of the 57 consular positions tested that were not funded by the Border Security Program, 55 individuals filling those positions were performing work similar to individuals in positions funded by the Border Security Program. The Department had not yet converted the 55 positions so that they would be funded from the Border Security Program.

Management Comments

In its draft of this report, OIG made seven recommendations. Six recommendations pertained to improving the program management structure of the Border Security Program, and one recommendation pertained to expenditures erroneously charged to the program.

Specifically, OIG recommended that CA formalize its authority over the Border Security Program and establish a program management structure that would include developing clear roles and responsibilities for the parties involved in the Border Security Program, establishing processes to prioritize funding requests, developing comprehensive goals, preparing comprehensive guidance on the use of border security-related funds, and developing a monitoring process to ensure funds are used in accordance with applicable guidelines. OIG also recommended that DS refund \$2.1 million erroneously charged to the Border Security Program.

In its July 24, 2012 response (see Appendix C) to the draft report, CA agreed with the six recommendations directed to it and indicated that it had begun addressing some of the recommendations. For example, CA stated that it was "in the process of revising" the *Foreign Affairs Manual* (FAM) to describe the Assistant Secretary's responsibilities to oversee the Department's use of consular fee revenue, including the allocation of consular fees to other bureaus. CA also stated that it had "revamped the budget formulation process" in FY 2011 to include a review by CA's Comptroller's Office. CA plans to implement Service Level

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Agreements with bureaus to formalize roles and responsibilities and “the process for prioritizing Border Security Program funding requests.” CA also stated that it is “significantly revising the post allotment process, including updating the CA Post Allotment Funding Matrix.” In addition, CA “recently created a bureau-wide internal review program, which focuses on financial management.” Finally, CA stated that it had volunteered to be a “pilot bureau for the new multi-year strategic planning requirements” developed under the Department’s Quadrennial Diplomacy and Development Review.

Based on the response, OIG considers the six recommendations directed to CA resolved, pending further action. CA also suggested revisions to the report, which OIG considered and incorporated as appropriate.

In its June 18, 2012, response (see Appendix D) to the draft report, DS indicated that it had performed additional research and determined that it had not charged the Border Security Program for a number of invoiced items. As a result, according to DS, the Border Security Program actually owed DS additional funds.

OIG confirmed that DS had in fact provided documentation to CA to support this conclusion. A CA official stated that CA had agreed to reimburse DS for the amount DS had requested. Based on this information, OIG considers Recommendation 5 closed.

In its June 14, 2012, response (see Appendix E), RM suggested revisions to the report, which OIG considered and incorporated as appropriate.

On May 18, 2012, WHA informally provided additional documentation by e-mail to support certain exceptions that the audit had identified in Mexico City. OIG considered the additional documentation and modified the reported exceptions as appropriate.

Background

The terrorist attacks on the United States in September 2001 underscored the importance of consular work in today’s global environment. None of the measures in place at the time were able to stop the terrorist attacks. The 9/11 Commission Report stated that the hijackers had made detectable false statements on visa applications. The report also stated that at the time of the attacks, the Department’s consular officers were not considered full partners in the national counterterrorism effort. Since those attacks, the complexity of consular operations has increased greatly. The purpose of the Department’s Border Security Program is to protect Americans overseas and contribute to the security of the Nation’s borders. The Border Security Program is intended to be a core element of the coordinated national effort to deny individuals who threaten the country entry into the United States and to facilitate the entry of legitimate travelers. The activities performed by the Department related to border security include the following:

- Adjudicating non-immigrant visa requests from foreign tourists, students, individuals conducting business, and Government officials at missions abroad.
- Screening and adjudicating persons seeking immigrant visas.

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- Providing routine and emergency assistance to American citizens overseas.
- Ensuring American travelers are aware of dangerous situations abroad.
- Adjudicating passport applications and issuing or denying passports to American citizens wanting to travel abroad.

The Department's Border Security Program supports domestic and overseas consular operations and has five fundamental objectives:

- Make accurate and timely information available to personnel.
- Ensure worldwide, redundant connectivity.
- Furnish staff with modern equipment and software.
- Safeguard the integrity of consular processes.
- Provide sufficient qualified staff trained in consular processes and anti-fraud techniques.

Consular Fees Collected and Retained

The Department receives funds for consular operations, including staff salaries, equipment, and supplies, from two major sources: funds appropriated by Congress and fees collected for consular services that Congress permits the Department to retain. A CA official stated that since FY 2008, the amount annually appropriated directly to CA through the Diplomatic and Consular Programs appropriation has remained relatively stable at approximately \$320,000. These appropriated funds have historically been used for CA-managed administrative overhead, including travel, training, and office supplies. In FY 2012, CA received an additional \$18 million in appropriated funds for salary costs that had been funded previously by regional bureaus using appropriated funds. These salary costs will be funded from the Border Security Program fees in the future.

The Department also receives funds for consular services from fees that Congress permits the Department to collect and retain and to apply directly to its operations. Consular fees consist of charges for visa and passport services, as well as for other consular services provided. According to the United States Code (U.S.C.),³ the head of each agency can prescribe regulations establishing a charge for a service provided by the agency. Each charge should be fair and based on the costs to the Government, the value of the service to the recipient, public policy or interest served, or other relevant facts.

The Department retains a portion of the consular fees that it collects and remits the remaining portion to the U.S. Department of the Treasury. Prior to 1994, the Department did not retain any of the consular fees collected. Subsequently, Congress authorized the Department to retain Machine Readable Visa (MRV) fees to help fund consular operations related to border security. Currently, the Department is also authorized to collect and retain other fees to fund

³ 31 U.S.C. § 9701, "Fees and charges for Government services and things of value."

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consular-related activities. The amounts collected are treated as an offsetting collection⁴ for the Department. However, the Department is not authorized to retain all of the consular fee revenue it collects. For instance, in FY 2010, the Department collected approximately \$2.62 billion⁵ in fee revenue and was allowed to retain about 70 percent of the fees (or approximately \$1.8 billion). The remaining fees were remitted to the Department of the Treasury.

The six consular fees and surcharges (referred to collectively as “fees”) that fund the Border Security Program are shown in Table 1.

Table 1. Department-Retained Consular Fees Used for the Border Security Program

Type of Fee	Purpose of Fee
Machine Readable Visa (MRV)	A fee charged for processing machine readable non-immigrant visas. These fees finance much of the Department’s Border Security Program.
Western Hemisphere Travel Initiative (WHTI) Passport Surcharge	A fee to cover the costs of meeting increased demand for passports as a result of WHTI. This program implements the requirements of the Intelligence Reform and Terrorism Prevention Act of 2004, which mandates that the Secretary of Homeland Security, in consultation with the Secretary of State, develop and implement a plan to require U.S. citizens and certain non-U.S. citizens to present a passport or other secure documentation denoting identity and citizenship when entering the United States.
Passport Security Surcharge	Part of the passport fee, this surcharge helps recover the costs of increased border security, including the costs of enhanced biometric passport features.
Immigrant Visa (IV) Security Surcharge	This surcharge, which is charged in addition to immigrant visa fees, is to recover the costs of enhanced border security costs related to immigrant visas.
Diversity Immigrant Visa (DV) Lottery Surcharge Fee	This surcharge is used to recover the costs of allocating and processing applications for visas to be used under the Diversity Lottery Program.
H and L (H&L) Visa Fraud Prevention and Detection Fee	A fee collected from visa applications related to employment within the United States. The fee finances the fraud prevention components of the Border Security Program.

Source: Prepared by OIG based on information from the FY 2012 Congressional Budget Justification, the Department’s *Foreign Affairs Manual*, and the United States Code.

The amount of consular fees collected and retained by the Department for the Border Security Program during FYs 2008–2011 is provided in Table 2.⁶

⁴ Office of Management and Budget Circular No. A-11, *Preparation, Submission, and Execution of the Budget*, states that an offsetting collection is a payment to the “Government that, by law, is credited directly to the expenditure account” and is deducted from the agency’s budget authority. Usually, the funds are “authorized to be spent for the purposes of the account without further action by Congress. The authority to spend offsetting collections is a form of budget authority.”

⁵ This amount reflects all consular collections for FY 2010. Border Security Program fees are part of the amount collected.

⁶ Border Security Program consular fees are no-year funds, meaning that the funds are available without fiscal year limitation.

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Table 2. Fees Collected and Retained for the Border Security Program by Fee Type – FYs 2008-2011 (Amounts in thousands)

Type of Fee	FY 2008	FY 2009	FY 2010	FY 2011
MRV	\$926,703	\$819,296	\$976,834	\$1,239,349
WHTI	308,502	253,548	265,748	262,870
Passport	256,609	247,108	302,652	440,661
IV	23,553	23,046	38,729	52,685
DV	20,912	21,560	24,026	27,131
H&L	45,188	35,548	37,859	40,825
Total	\$1,581,467	\$1,400,106	\$1,645,848	\$2,063,521

Source: Prepared by CA.

Responsible Bureaus

The Department's Border Security Program consists of a number of cross-cutting activities to secure America's borders, such as consular relations, diplomatic security, information resource management, and training. Therefore, the border security-related fees are used by functional bureaus, regional bureaus, and posts. Some of the entities more significantly involved in the Department's Border Security Program and their duties pertaining to the program are as follows:

- **Bureau of Consular Affairs** – CA is the lead bureau for the Department's Border Security Program. CA's mission is to protect the lives and interests of American citizens abroad and to strengthen the security of U.S. borders through the vigilant adjudication of visas and passports. CA is responsible for deploying automated systems and developing and implementing policies, procedures, and processes that coordinate with other agencies across the Federal Government in support of homeland security goals. In 2009, CA created the Office of the Comptroller to "ensure that CA resources, at a Bureau level, were strategically tracked, leveraged, and utilized to further the goals of both CA" and the Department. The Office of the Comptroller is responsible for leading "all strategic activities related to contracting, budgeting, accounting, resource management, and outreach related to resources."
- **Bureau of Diplomatic Security** – As the Department's law enforcement arm, DS is a vital component of the Border Security Program's efforts related to consular fraud investigations. DS investigates visa and passport fraud cases and carries out related enforcement functions. Regional Security Officers are the main DS representatives at posts overseas. Through a memorandum of understanding with CA, Regional Security Officers at posts have specific individuals who focus on consular fraud issues.

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- **Foreign Service Institute** – The Foreign Service Institute provides training for consular officers, consular agents, locally employed staff,⁷ and systems staff who support automated consular systems. The training covers the protection of American citizens abroad, including crisis planning and victim assistance; visa adjudication policies and procedures; interviewing techniques; name checks; fraud prevention; and leadership and management principles. The Foreign Service Institute also uses border security funds for administrative support related to conducting this training.
- **Bureau of Administration** – The Bureau of Administration uses border security funds to provide for facilities maintenance, custodial services, and utilities at the National Visa and National Passport Center in New Hampshire, the Kentucky Consular Center, and the Charleston Passport Center in South Carolina. Border security funds are also used to lease domestic consular facilities.
- **Bureau of Information Resource Management** – The Bureau of Information Resource Management provides system monitoring, technical support, and systems software programming.
- **Regional Bureaus and Posts** – Regional bureaus are responsible for posts in the regions covered by the bureau. For the Border Security Program, during FY 2010, regional bureaus received border security funds to support consular operations at overseas posts. For instance, the regional bureaus received funds to pay for the start-up and recurring costs associated with American consular officers and salaries of locally employed staff at the posts for which they are responsible. Regional bureaus allocate these funds directly to their posts.

FY 2010 Border Security Program Expenditures

During FY 2010, the Department expended approximately \$1.2 billion of the \$1.6 billion in consular fees collected for the Border Security Program, as detailed in Table 3. Border security fees support consular-related activities in the Department, including salaries and benefits for consular officers and locally employed staff performing consular functions around the world.

⁷ “Locally employed staff” is the general term used for Foreign Service Nationals and Ordinarily Resident American-Citizen employees. Eligible Family Members are also hired locally and considered to be part of locally employed staff.

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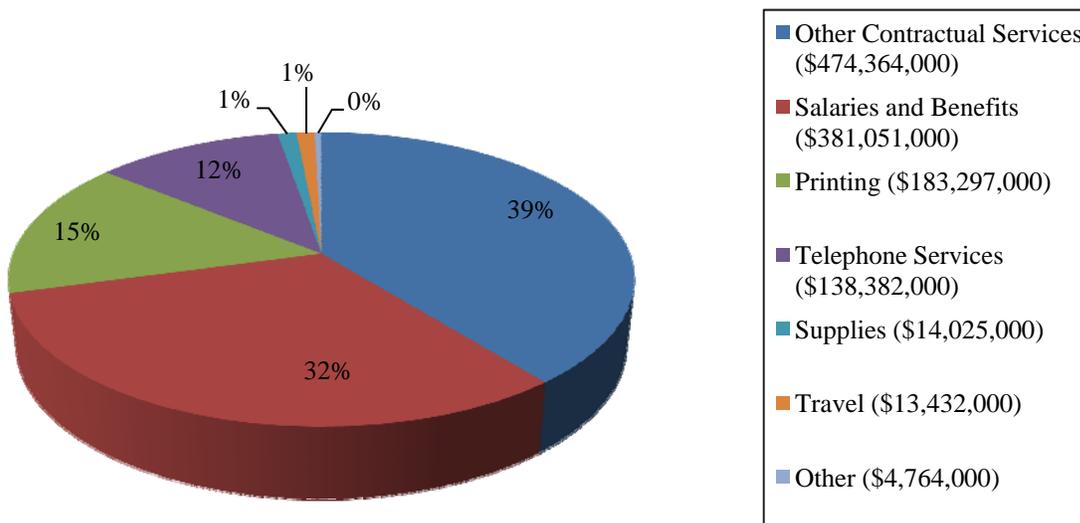
Table 3. FY 2010 Expenditures From Fees Collected for the Border Security Program by Fee Type

Type of Fee	Amount Expended (In thousands)
MRV	\$685,168
WHTI	208,085
Passport	250,583
IV	21,847
DV	17,266
H&L	26,367
Total	\$1,209,316

Source: Prepared by OIG from the Department's FY 2010 Expense Database.

For FY 2010, the Department used Border Security Program consular fees on several different categories of budget object codes.⁸ As shown in Figure 1, the largest amount of expenditures was for a budget object code called "Other Contractual Services," which included items such as off-site MRV fee collection, armored car service, and guard services.

Figure 1. Amount Expended by Budget Object Codes



Source: Prepared by OIG from the Department's FY 2010 Expense Database.

⁸ A budget object code is a type of accounting classification used by the Department to identify the kinds of services or materials for which payments were made.

Objective

The overall objective of this audit was to determine to what extent consular fees collected by the Department were used for mission priorities of the Border Security Program and in accordance with Department guidelines.

Audit Results

Finding A. OIG Could Not Determine Whether All Border Security Funds Were Used in Accordance With Mission Priorities

OIG could not determine whether the Department was using border security funds in accordance with mission priorities. Although the Department had developed high-level objectives for the Border Security Program, it did not have a detailed, comprehensive program plan for the Border Security Program that identified program priorities. OIG was unable to determine whether the Department was using border security funds for priority items because the Department's management structure for the Border Security Program was decentralized. Although CA was considered the "lead" bureau for the Border Security Program, it did not exercise authority to oversee all aspects of the Border Security Program. In addition, OIG found that the program-related roles and responsibilities were not clearly defined; funding decisions were not based on prioritization factors; and overall accomplishments were not being tracked.

Without a centralized management structure, it is difficult for an organization to easily prioritize needs. A program plan would assist CA to more effectively plan activities related to the Border Security Program and would provide a baseline from which CA could measure progress in addressing border security issues. The Department needs to make long-term plans for the Border Security Program to maximize the impact of every dollar spent.

Department Has Established Broad Objectives for the Border Security Program

The Department's FY 2010 Congressional Budget Justification (CBJ) stated that the Border Security Program was a critical element in the Department's fundamental mission of protecting Americans overseas and safeguarding the Nation's borders. The CBJ listed five broad objectives for the Border Security Program:

Information Technology

Enhance data sharing and data analysis initiatives with other agencies and increase the effectiveness and efficiency of the applicant screening process through name checks and biometric technologies (fingerprint scanning, facial recognition). Give consular officials access to information on individuals applying for passports or visas.

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Connectivity

Provide worldwide and redundant connectivity in support of passport and visa adjudication, including sufficient bandwidth to support the Consular Consolidated Database (CCD) and other data sharing and remote management initiatives.

Infrastructure

Provide the most modern equipment and software to support consular operations. Ensure an effective replacement and refresh schedule and development of software programs to meet workload and legislative requirements.

Integrity

Strengthen the integrity of passport and visa issuance processes and products through improvements to the documents themselves, enhancements in information storage and retrieval, expanded training in anti-fraud techniques and procedures, and a comprehensive anti-fraud program.

Human Resources

Supply a sufficient number of qualified staff to fill new and vacant consular positions. Work with the Department to hire, train, and assign personnel to meet increasing workload demands and program growth domestically and overseas.

CA and DS included strategic goals relating to the Border Security Program objectives in their bureau plans. For instance, CA's FY 2010 Bureau Strategic Plan included four strategic goals that related to the Border Security Program: (1) provide passport services to the American public, (2) enhance the security of the visa process, (3) transition to a fully electronic visa process, and (4) prohibit travel of terrorists. DS included a strategic goal in its FY 2010 Bureau Strategic Plan that related to the Border Security Program: detect and counter attempts to commit U.S. visa and passport fraud.

The five Border Security Program objectives generally aligned with the border security strategic goals developed by CA and DS. For example, the Border Security Program Information Technology objective aligned with CA's strategic goal of transitioning to a fully electronic visa process. Likewise, the Integrity objective aligned with CA's strategic goal of enhancing the security of the visa process, as well as DS's strategic goal of detecting and countering attempts to commit U.S. visa and passport fraud.

Department Does Not Have a Detailed Program Plan for the Border Security Program

Although the Department had developed broad program objectives, it did not have a detailed overall program plan for the Border Security Program. In its FY 2010 CBJ, the Department provided information on how it planned to spend funds, such as MRV support costs and passport operations. Although this information is useful for high-level budget determinations, it does not provide the type of information or level of detail that a program plan should provide.

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Strategic planning relates to an organization's process of defining strategies or directions and making decisions on allocating the organization's resources to pursue the strategies. A strategic plan is usually prepared at a high level, while a business or program plan is normally developed for a specific service or program. One important component of a successful program is a detailed program plan, which provides the program's foundation. Specifically, a program plan should include the following components:

- Details on strategy.
- Goals and priorities.
- A scorecard to measure and manage the plan, including key indicators.

The focus of the Department's formal strategic planning process was at the bureau and post levels. While having the focus at these levels may be appropriate for developing a strategic plan for the Department, it is important for programs to have specific program plans, which link to high-level strategic plans, that provide the level of detail needed to assist program management to make informed, evidence-based decisions; prioritize resources; measure progress; and align the use of resources with policies.

Border Security Program Lacked a Centralized Program Structure

OIG was unable to determine whether the Department was using border security funds for priority items because the Border Security Program did not have a centralized program structure. A number of bureaus and posts received funds from the Border Security Program, but the funded projects were being managed decentrally. Although the Border Security Program expended over \$1.2 billion in FY 2010, the Department had not formally designated a program management office that included a manager responsible for the program, had not defined all of the participants' roles and responsibilities in the context of the Border Security Program, did not have a sufficient process in place to prioritize budget needs, and did not sufficiently track Border Security Program accomplishments and measure progress toward meeting Border Security Program goals. Without a centralized program management structure, the Department cannot ensure that overall goals of the program are coordinated.

Designated Program Management Office and Program Manager Needed

The Department had identified the Under Secretary for Management as having authority for the executive direction of the Border Security Program. However, the Department had not formally designated any bureau or office with responsibility for overall program management. Although CA was considered the "lead" bureau for the Border Security Program and had the most significant management role, it did not have the formal authority needed to oversee all aspects of the program—specifically, projects being managed by other bureaus or offices—or to monitor expenditures of border security funds.

The Under Secretary for Management stated that CA was responsible for the Border Security Program and therefore should be considered the program manager for the Department's

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entire Border Security Program. According to the FAM,⁹ the Assistant Secretary for Consular Affairs “[m]anages the worldwide consular function; ensures responsive and efficient provision of consular services abroad” and “presents and justifies resource requirements for the Bureau.” Although the FAM states that CA had the authority to manage consular activities worldwide, neither the FAM nor the *Foreign Affairs Handbook* (FAH) had formally identified CA as the program manager for the Border Security Program.

To achieve program success, CA should be formally designated as the Border Security program manager. As the program manager, CA should provide overall direction and oversight of the program’s implementation, including maintaining control over the program’s budget and ensuring that the program’s overall goals are achieved.

Roles and Responsibilities for Implementing the Border Security Program Needed

A number of bureaus were responsible for Border Security Program activities. For example, the Department’s CBJ stated that DS provides resources to conduct criminal investigations concerning passport and visa fraud and identification document fraud; the Foreign Service Institute provides consular training; the Bureau of Information Resource Management provides system monitoring, operating, and technical support and system software programming; and the Bureau of Administration provides facilities maintenance, custodial services, and utilities at domestic locations. To be successful, a program needs an organizational structure and clearly defined roles and responsibilities. The Department had not developed formal, comprehensive policies that defined all participants’ roles and responsibilities within the context of the Border Security Program.

Process To Identify and Manage Border Security Program Priorities Needed

The Department did not base its border security funding decisions on priority factors. The bureaus that received funding from the Border Security Program prepared annual funding requests that detailed the planned usage of the funds. To develop a budget plan for the upcoming fiscal year, the regional bureaus, CA, and DS obtained information from posts separately. For example, CA obtained requests for overseas Border Security Program funding from posts using the Web-based Consular Affairs Post Allotment System.¹⁰ CA reviewed the information in its post allotment system and determined which funding requests it would include in the CA border security budget request. A CA official stated that CA prioritizes its resource needs in its annual budget request. Regional bureaus sent their own data call requests to posts in their regions requesting information on funding needs to support border security-funded consular positions at post. Once the regional bureaus approved the posts’ requests for Border Security Program funding, the information was submitted to the Bureau of Resource Management, Office of State Programs, Operations, and Budget (RM/BP). DS also requested information from posts and from DS program managers on funding needs and developed a funding request based on the data received. DS submitted its request for Border Security Program funding to both CA and RM/BP.

⁹ 1 FAM 251.1, “Assistant Secretary for Consular Affairs–Responsibilities.”

¹⁰ The Consular Affairs Post Allotment System allows officers at posts to initiate, justify, and track their respective funding requests from “cradle to grave.”

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RM/BP officials stated that RM/BP had reviewed the request in the context of CA's full Border Security Program proposal.

The Department did not have a comprehensive process to evaluate the importance of the requests from posts or bureaus to ensure that funds were used for high-priority needs. During FY 2010, RM/BP was responsible for allotting border security funds to the bureaus involved in the Border Security Program. RM/BP, in consultation with CA, based the funding decisions on the requests for funding and on what had been allotted the previous year.

Border security funds were provided to posts from three different sources: the regional bureaus provided funds to be used for items such as recurring benefit costs for consular officers and salaries of some locally employed staff; CA provided funds to be used for salaries and benefits of certain consular positions overseas as well as for costs incurred for specific travel, certain contracts, and special supplies unique to consular work; and DS provided funds to be used for recurring benefits and operational costs in support of visa and passport investigations. CA provided border security funds to posts based on a post's request. CA did not use a standard methodology for providing these funds to posts. CA officials stated that CA compared the information submitted by posts on the Consular Affairs Post Allotment System with historical and personnel data to determine the amount to fund rather than using standardized factors to prioritize posts' requests. DS also provided border security funds to posts for investigative needs related to the Assistant Regional Security Officer–Investigator program.¹¹

During the audit, CA officials stated that RM and the Under Secretary for Management had authorized CA to have additional control over border security funding to posts. For example, during FY 2011, CA was authorized to provide funds to posts for consular-related ICASS costs that had previously been allotted to the regional bureaus, which then sub-allotted the funds to posts. OIG did not audit the revised process, since it was not within the scope period of the audit; however, according to an RM/BP official, this was part of an initiative to centralize management of Border Security Program requirements and resources. The Under Secretary for Management also stated that the intent of utilizing the ICASS program for the Border Security Program was to improve the controls over the use of the border security funds at overseas posts. CA will also soon be allowed to allot funds directly to posts for the salaries of locally employed staff in consular sections rather than have RM/BP allot the funds first to the regional bureaus, which in turn would sub-allot the funds to posts. Within the next 2 years, CA plans to allot funds directly to posts for the salaries of all individuals assigned to the consular section.

¹¹ Assistant Regional Security Officer–Investigators are the DS representatives at posts overseas who conduct criminal investigations related to the illegal issuance or use of passports or visas.

According to the Project Management Institute,¹² as part of a successful program, the program manager should manage budgets at the program level. The program's resource needs should be prioritized so that funds can be used in the most efficient and effective manner. In order to prioritize activities, program managers should implement a systematic process to select projects and allocate resources to these projects in order to maximize value added. The program manager should develop overall plans that bridge different projects and focus resources on the program's key priorities.

As the program manager, CA should have the authority to approve border security project budgets and to allot funds as appropriate to border security projects. During the development of budgets or spending plans, CA should provide high-level guidance to the bureaus on the types of activities that will be funded. Funding decisions should be based on standardized priority factors that CA has developed.

There is little transparency into how other bureaus are using the border security funds. CA had begun to take a leadership role in developing budgets with other bureaus that receive funding from the Border Security Program and in improving transparency. In FY 2010, RM/BP worked with bureaus to develop border security-related budget requests. RM/BP would confer with CA officials about the budget requests received from other bureaus and ensure that CA agreed with the requests prior to finalizing the allotments.

In FY 2011, CA revamped the budget review process by beginning to hold "hearings," in which officials from bureaus and CA offices met with CA's Comptroller to justify the bureaus' and CA's border security-related budget requests. These hearings provided an opportunity for CA officials to understand other bureaus' needs and plans for the funds, specifically those funds related to border security. A CA official stated that this

Maintenance and Repair Program Management Model

The Department has other programs that it could use as a basis for the Border Security Program structure. Officials from the Bureau of Consular Affairs stated that they had met with officials from the Bureau of Overseas Buildings Operations (OBO) to discuss OBO's maintenance and repair program, which incorporates many of the characteristics of a centralized program. For example,

- OBO has been delegated overall authority for maintenance and repair of overseas real property.
- Roles and responsibilities for OBO, the regional bureaus, and posts have been established.
- Formal policies and procedures for program activities are available.
- OBO has developed a documented process for posts to request funds and has established an electronic application for posts to submit requests.
- OBO has specific, standardized factors that it uses to prioritize requested projects.
- OBO makes the decision on which projects to fund and generally bases its decision on a prioritized list of projects.
- OBO has formal monitoring processes in place, including on-site audits of post's expenditures by headquarters-based auditors and visits by headquarters-based managers who review the adequacy of funding received and any unmet needs.
- OBO tracks its efforts to reduce the backlog of maintenance and repair and reports this information annually in the Long-Range Overseas Maintenance Plan.

¹² The Project Management Institute is a not-for-profit association for the project management profession.

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process included an analysis of the fund requests and could potentially lead to reduced funding based on the analysis. While CA officials stated that they believed the revised Border Security Program budgeting process proved to be useful, they also stated that they would strive for greater transparency and were adjusting the budget review process during FY 2012.

Accomplishments Need Tracking and Progress Needs Measuring

Although some bureaus and posts that received Border Security Program funds had established specific performance indicators for their respective Border Security Program activities, the Department had not established comprehensive performance goals and indicators for the program as a whole that could be used to report on accomplishing the purpose of the program: protecting Americans overseas and contributing to the security of the Nation's borders.

Measuring performance against program goals is an essential part of program management, according to Federal accounting standards.¹³ Program planning provides a base from which progress can be measured. The program should measure its accomplishments by reporting what was provided and what was achieved with the resources used. Measuring performance is a means of improving program efficiency and effectiveness and program results.

A CA official stated that the Department had not developed useful metrics for measuring whether border security had improved. Another CA official stated that it was challenging to determine useful indicators showing that the borders are more secure. For example, it is difficult to develop an indicator that the Department can use to affirmatively link its border security activities to the prevention of a terrorist attack. However, the CA official stated that CA was in the process of rethinking its goals and was striving to develop goals to better track the successes of the Border Security Program. Although it may be difficult to establish useful goals, establishing goals and tracking the accomplishment of those goals are essential parts of any program.

Program Planning and Centralized Management Structure Allow for Efficient and Effective Use of Resources

The Department's lack of clarity in the management structure for the Border Security Program has led to ad hoc program management. Formalizing CA's role as the program manager for the Border Security Program should improve the management of the program. Without a transparent and comprehensive program plan for the Border Security Program, the Department does not have clearly defined roles and responsibilities for the program participants. A program plan would assist CA in more effectively planning activities related to the program based on priorities and would provide a baseline from which CA could measure progress in addressing border security issues. Program planning allows an organization to align resources and guide decision-making to accomplish priorities and improve outcomes. Without a program plan guiding the Border Security Program, it will be difficult to prioritize program needs.

¹³ Statement of Federal Financial Accounting Concepts 1, "Objectives of Federal Financial Reporting."

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Recommendation 1. OIG recommends that the Bureau of Consular Affairs (CA) formalize its authority over the Border Security Program by modifying the *Foreign Affairs Manual* (1 FAM 250) to recognize CA's role as the overall program management office for the Border Security Program.

CA Response: CA agreed with this recommendation, stating that it is revising the FAM to include language describing the Assistant Secretary's authority to oversee the Department's use of consular fee revenue. The FAM revision will also describe the Assistant Secretary's authority to establish policies and procedures that ensure that consular fees are used properly. CA stated that it planned to submit all proposed revisions for appropriate clearances during August 2012.

OIG Reply: OIG considers this recommendation resolved. The recommendation can be closed when OIG reviews and accepts documentation showing that the revised language has been published in the FAM.

Recommendation 2. OIG recommends that the Bureau of Consular Affairs develop clear roles and responsibilities for all parties involved in the Border Security Program and codify this information in the *Foreign Affairs Manual*.

CA Response: CA agreed with this recommendation, stating that it plans to develop Service Level Agreements with Department bureaus that receive consular fee funding, which will "formalize the roles and responsibilities of all parties involved in the Border Security Program." CA further stated that it "anticipates developing and implementing" the Service Level Agreements in FY 2013 and will work to codify the procedures in the FAM.

OIG Reply: OIG considers this recommendation resolved. This recommendation can be closed when OIG reviews and accepts documentation showing the Service Level Agreements procedure that formalizes the Border Security Program's roles and responsibilities and documentation showing that the procedures have been codified in the FAM.

Recommendation 3. OIG recommends that the Bureau of Consular Affairs develop processes to prioritize Border Security Program funding requests and oversee the allocation of funding for prioritized projects of the Border Security Program.

CA Response: CA agreed with this recommendation, stating that in FY 2011 it had "revamped" the budget process, requiring partner bureaus and CA directorates to submit "detailed budget justifications and participate in formal hearings." CA also stated that it plans to use the Service Level Agreements to "formalize the process for prioritizing Border Security Program funding requests."

OIG Reply: OIG considers this recommendation resolved. This recommendation can be closed when OIG reviews and accepts documentation showing the processes for

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submitting budget justifications and for prioritizing Border Security Program funding requests.

Recommendation 4. OIG recommends that the Bureau of Consular Affairs develop comprehensive performance goals and indicators for the Border Security Program and a process to measure the program's accomplishments.

CA Response: CA agreed with this recommendation, stating that it had "pursued a more comprehensive strategic planning process in order to develop an integrated CA-wide plan." CA further stated that it plans to expand the strategic planning initiatives to the Border Security Program.

OIG Reply: OIG considers this recommendation resolved. This recommendation can be closed when OIG reviews and accepts documentation showing Border Security Program specific performance goals and indicators and a process to measure the program's accomplishments, including work performed by other bureaus or posts.

Finding B. OIG Could Not Determine How Some Border Security Funds Were Used and Found That Other Funds Were Not Used in Accordance With Guidelines or Financial Instructions

OIG could not ensure that some border security funds were used in accordance with CA's formal guidelines or other approved financial instructions because several bureaus had moved funds from border security accounts to general accounts, thereby losing the Border Security Program fund identity. For expenditures that it was able to test, OIG found that border security funds were generally being used for consular-related activities. However, some expenditures were made for items that were not in compliance either with CA's guidelines or with other approved financial instructions. Specifically, of the 431 expenditures, totaling about \$2.1 million, made from funds allotted by CA and regional bureaus to overseas posts that were tested, OIG found 174 expenditures, totaling about \$434,000 (approximately 21 percent), made for items that were not allowed by CA's guidelines or the budgets and advice of allotments¹⁴ approved by the regional bureaus. Of the 174 expenditures for which OIG had concerns, OIG found that CA had approved 103 expenditures, totaling about \$268,000. Therefore, 71 expenditures, totaling about \$166,000, of the 431 expenditures tested were not in accordance with CA's guidelines or approved financial instructions and had not been separately approved by CA or the regional bureaus. OIG also tested 30 expenditures, totaling approximately \$5,600, from funds allotted by DS to overseas posts and found that posts generally complied with DS-approved post spending plans.

Of the 269 CA expenditures tested domestically, totaling about \$497 million, OIG identified 187 expenditures, totaling about \$280 million (approximately 56 percent), that were

¹⁴ After the Department receives its apportionment authority, funds are made available through "allotments." Allotment authorities are issued at the highest aggregate funding level to major bureaus, such as the regional bureaus. The subdivision of funds by a regional bureau to its posts, for example, is accomplished by issuing an advice of allotment.

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not spent strictly in accordance with CA guidelines or for which OIG could not determine how the funds were used. For example, funds retained from the Passport Security Surcharge were supposed to be used only for secure mail and postage. However, CA used approximately \$169 million (68 expenditures) for other passport-related costs. In addition, of the 35 DS expenditures tested domestically, totaling \$15.5 million, three expenditures, totaling approximately \$3.4 million (approximately 22 percent), were not in compliance with DS spending plans. These three expenditures should have been charged to Worldwide Security Protection (WSP) funds¹⁵ rather than to border security funds.

OIG also found that staff who filled all of the 51 overseas positions funded by the Border Security Program were performing consular-related work. However, staff filling 55 of the 57 consular positions tested that were not funded by the Border Security Program were performing work similar to staff filling positions funded by the Border Security Program. The Department had not yet converted “legacy” positions¹⁶ funded from appropriated funds to the Border Security Program. As of March 2012, the Department was in the process of transferring the funding for these legacy positions from appropriated funds to border security funds.

OIG found that only CA had developed formal guidelines on how border security funds could be used, and this guidance needed to be updated. None of the other bureaus included in the audit had developed formal guidance on how border security funds could be used. Instead, the other bureaus reviewed the budget requests submitted by the posts to determine the types of expenditures that could be funded using Border Security Program fees. Because CA did not have program management authority for the Border Security Program, CA’s guidelines applied only to funds allotted to CA (and subsequently sub-allotted to posts). In addition, the Department did not have a process in place to monitor the use of the funds. Without sufficient guidance and proper oversight of expenditures, there was no assurance that the border security funds would be used only for border security-related expenditures.

Border Security Program Funds Were Commingled With Other Funds

Federal accounting standards¹⁷ state that “reliable information on the costs of federal programs and activities is crucial for effective management of government operations.” Federal agencies should be able to determine the costs of providing specific programs and activities and the composition of those costs. OIG was unable to determine how some of the consular fees collected for the Border Security Program were used, and so it was unable to ensure that these expenditures were made in accordance with CA guidelines or other approved financial instructions.

The Department uses certain codes to identify and account for the funds it receives and how those funds are used. Currently, funds collected for one type of border security-related

¹⁵ WSP is funded and earmarked within the Department’s Diplomatic and Consular Programs appropriation. A portion of the WSP is used by DS to fund its Diplomatic Readiness Initiative needs.

¹⁶ CA defines “legacy” positions as positions established prior to 1995 that are still paid from appropriated funds.

¹⁷ Statement of Federal Financial Accounting Standards No. 4, “Managerial Cost Accounting Standards and Concepts.”

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consular fee, H&L, have a unique appropriation code (19X5515). The Department accounts for the funds collected from the remaining types of fees by using specific point limitations under the Diplomatic and Consular Programs appropriation.¹⁸ According to the FAH,¹⁹ accounting codes provide essential information about transactions and allow for the summarization of expenditures for accounting and management purposes. Commingling funds from one account with funds from another account lessens the integrity of financial information in the Department's accounting system. Commingling funds also does not provide a useful audit trail on how the funds were used.

OIG noted that several bureaus had moved funds allotted from one of the border security-related point limitations to other bureau accounts. For instance, during FY 2010, CA transferred \$8.7 million of MRV fees, appropriation code 19X0113.6, to the general Diplomatic and Consular Programs fund. A CA official explained that this transfer was done because the amount of funds appropriated to CA was limited and CA needed to use the MRV fees to fund CA operating costs. The official also stated that the estimated amount to transfer was based on past experience and that if CA did not spend the entire amount during the period covered, the extra funds would be transferred back to the MRV point limitation. However, once the funds were moved to the general Diplomatic and Consular Programs appropriation, the funds lost their MRV identity. As a result, it would no longer be possible to determine how the funds were used and what, if any, extra funds would be transferred back to the MRV account.

OIG noted that during FY 2010 WHA received \$48.8 million of MRV funds for certain personnel-related costs. Similar to CA, WHA transferred \$46.1 million of the MRV funds to its general Diplomatic and Consular Program appropriation. WHA allotted funds from the general account to posts for post operations, including consular-related activities. However, because the funds were no longer uniquely identifiable, a post official stated that it would be difficult to determine how the MRV fees were used. Although OIG did not perform testing at the Bureau of European and Eurasian Affairs or the Bureau of African Affairs, CA officials stated that similar to WHA, those two bureaus also commingled funds.

Not All Nonpersonnel Border Security Funds Were Used in Accordance With CA Guidelines or Other Financial Instructions

OIG tested nonpersonnel expenditures overseas and domestically to determine whether the funds were expended in accordance with CA's formal guidelines or other approved financial instructions. OIG found that of the 431 expenditures, totaling about \$2.1 million, from funds allotted by CA and regional bureaus to overseas posts that were tested, 174 expenditures, totaling

¹⁸ A point limitation is a decimal suffix added to the appropriation account symbol. For example, the appropriation code for the Department's general Diplomatic and Consular Programs appropriation is 19X0113. However, by adding a point limitation to this appropriation code, such as 19X0113.Y for Western Hemisphere Travel Initiative fees, the Department is able to track the border security fund types separately. Each fee type has a unique accounting identification.

¹⁹ 4 FAH-1 H-113, "Account Classification Structure."

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about \$434,000, did not comply with CA's Post Allotment Funding Matrix²⁰ (see Appendix B) or the budgets and advice of allotments approved by the regional bureaus. OIG also found that of the 174 expenditures, 103 expenditures, totaling about \$268,000, were approved by CA for purchases that were not in accordance with CA's guidelines. However, of the 174 expenditures, 71 expenditures, totaling about \$166,000, were not in accordance with CA's guidelines or other approved financial instructions and had not been approved separately by CA or the regional bureaus. Of the 71 expenditures, 67 were from one post that was using border security funds allotted by CA for costs associated with consular staff, such as lease payments, and that should have been paid from border security funds allotted by the regional bureaus. OIG also tested 30 expenditures from funds allotted to DS and then were sub-allotted to posts and found that the expenditures were generally in accordance with DS-approved post spending plans.

OIG found that of the 269 CA expenditures tested domestically, totaling about \$497 million, 187 expenditures, totaling about \$280 million (approximately 56 percent), were not used in accordance with CA's Consular Fee Authorities guidelines or OIG was unable to determine how the funds were used. However, most of the expenditures were used for consular-related activities. Also, of the 35 DS expenditures tested domestically, totaling \$15.5 million, DS had erroneously made three charges, totaling about \$3.4 million (approximately 22 percent), against border security funds rather than against WSP funds.

Nonpersonnel Expenditures at Overseas Posts

OIG tested FY 2010 border security nonpersonnel expenditures at three overseas posts: China, India, and Mexico. OIG selected two separate samples of nonpersonnel expenditures, one sample of the expenditures from the funds allotted by the regional bureaus and CA, and another sample of the expenditures from the funds allotted by DS. (Details on the samples chosen are presented in Appendix A, "Detailed Sampling Methodology and Results at Selected Posts and Bureaus.")

Funds Allotted by CA and Regional Bureaus. OIG tested 431 border security-related nonpersonnel expenditures from the funds allotted by the regional bureaus and CA. To determine the allowability of the expenditures from CA-allotted funds, OIG used CA's Post Allotment Funding Matrix.

The regional bureaus did not have formal guidance on the types of activities that were allowable from regional bureau-allotted funds. Therefore, OIG used the bureau-approved post budgets and advices of allotment to determine the allowability of regional bureau-allotted border security funds. Posts may use regional bureau-allotted funds to pay for the initial, nonrecurring costs related to bringing a consular officer to post, such as purchasing residential and office furniture and preparing housing for the employee, as well as for consular officers' recurring expenses, such as education allowances and residential utilities.

²⁰ The Post Allotment Funding Matrix is a CA document that provides guidelines on the types of items for which posts can and cannot use the CA-allotted funds. For example, posts are permitted to spend the funds to obtain a fax or Internet connection for consular agents, but posts may not use the funds for basic office equipment, including printers and shredders.

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As shown in Table 4, OIG found that of the 431 expenditures tested, 174 expenditures (approximately 40 percent) either did not comply with CA guidelines or regional bureau-approved budget requests or the post was unable to provide sufficient documentation to support the expense. For 103 of the 174 expenditures, CA had approved posts' requests to use the funds for items that were not allowed by CA guidelines. The remaining 71 expenditures, totaling about \$166,000, did not comply with the CA guidelines or approved post budget requests (or no support was provided by post), and post did not obtain approval from CA or the regional bureau for the expenditures.

Table 4. Results of Testing Overseas Nonpersonnel Expenditures From Funds Allotted by CA and the Regional Bureaus

	China	Mexico	India	Total
Number of Expenditures	867	1,366	2,205	4,438
Amount of Expenditures	\$567,532	\$799,214	\$1,822,547	\$3,189,293
Number Tested	64	224	143	431
Amount Tested	\$381,461	\$510,663	\$1,194,393	\$2,086,517
Total Number of Exceptions	13	144	17	174
Total Dollar Amount of Exceptions	\$40,371	\$319,553	\$74,107	\$434,031
Number of Exceptions Not in Compliance With Guidance but Allowed by CA	11	77	15	103
Dollar Amount of Exceptions Not in Compliance With Guidance but Allowed by CA	\$29,067	\$169,334	\$69,892	\$268,293
Number of Exceptions Not in Compliance with Guidance and Not Allowed by CA or the Regional Bureau	2	67	2	71
Dollar Amount of Exceptions Not in Compliance With Guidance and Not Allowed by CA or the Regional Bureau	\$11,304	\$150,219	\$4,215	\$165,738

Source: Prepared by OIG based on the results of its testing.

Although CA's Post Allotment Funding Matrix lists the types of expenditures allowed and not allowed using CA-allotted border security funds, CA approved some expenditures that, according to the matrix, were identified as not allowed. For example, the matrix indicates that funds should not be used for temporary duty (TDY) support for constituent posts. All of the exceptions noted by OIG that were allowed by CA were related to TDY travel. For example, CA approved requests from Mexico and China for certain TDY travel between constituent posts in-country and other requests for TDY support to Haiti. CA also approved expenditures related to a TDY travel request from India for a site visit to Yemen.

In general, China and India used the border security funds they received in accordance with CA guidelines and approved budgets, or they obtained approval from CA for using the funds in other ways, as shown in Table 4. OIG tested 64 expenditures, totaling \$381,461, in China and identified 13 expenditures, totaling \$40,371, that were not in accordance with the guidelines. Of the 13 expenditures, China had requested and obtained CA approval for 11 expenditures relating to TDY travel. The remaining two expenditures, totaling \$11,304, were

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also for TDY travel, but post did not request the approval of CA or the regional bureau for these expenditures. OIG tested 143 expenditures, totaling approximately \$1.2 million, in India and identified 17 expenditures, totaling \$74,107, that were not in accordance with the guidelines. Of the 17 expenditures, India requested and obtained CA approval for 15 expenditures relating to TDY travel. The remaining two expenditures, totaling \$4,215, were also related to TDY travel, but the post did not obtain the approval of CA or the regional bureau for these expenditures.

Mexico made a number of expenditures from funds allotted by CA that were not allowed by CA guidelines or approved separately by CA. OIG tested 224 expenditures, totaling \$510,663, and identified 144 expenditures, totaling \$319,553, that were not in accordance with CA guidelines. Of the 144 expenditures, Mexico had requested and obtained CA approval for 77 expenditures relating to TDY travel. However, Mexico did not obtain approval for the remaining 67 expenditures, totaling \$150,219. Many of the 67 expenditures were for janitorial services; electricity; lease payments; TDY travel outside Mexico; and routine office supplies such as mouse pads, copier paper, tape, and toner. Based on information contained in CA's Post Allotment Funding Matrix, discussions with CA officials, and information in the regional bureau's approved budget for post, the post should have requested and used regional bureau-allotted border security funds to pay for these items. Embassy staff stated that they believed post could use the border security funds to pay any costs associated with consular staff. For example, post used the fees to pay for consular staff training courses, even though the courses were unrelated to border security or consular activities such as Equal Employment Opportunity training. CA was aware that Mexico was using funds for certain items that were not allowed by CA guidelines. CA advised Mexico to use the border security funds allotted by the regional bureaus, not the CA-allotted funds, for these activities.

Funds Allotted by DS. OIG tested 30 overseas border security-related nonpersonnel expenditures from the funds allotted by DS. DS did not have formal guidelines on how border security funds that it allotted to posts were to be used. Therefore, to determine the allowability of the expenditures from DS-allotted funds, OIG used DS-approved post budgets. DS allows posts to use border security funds for costs associated with supporting the Assistant Regional Security Officer-Investigator positions at each post, such as residential utilities, office supplies, and education allowances. DS also provides border security funds to post for the salaries and benefits of locally employed staff investigators.

As shown in Table 5, OIG found that posts generally complied with approved budgets and spent the majority of DS border security funds on allowable items. Of the 30 expenditures tested, totaling approximately \$5,600, OIG identified two expenditures, totaling \$343 (approximately 6 percent), that did not comply with the DS-approved post budget. Officials at one post were unable to provide sufficient supporting documentation for one of the expenditures tested. The other expenditure was considered an exception because post used DS-allotted funds to pay a utility bill for a consular position that should have been paid with funds allotted by CA. Although the utility bill was not funded from the correct allotment, the expenditure was a cost that could have been paid using border security-related funds.

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Table 5. Results of Testing Overseas Nonpersonnel Expenditures From DS Allotted Funds

Mission	Number of Expenditures	Amount of Expenditures	Number Tested	Amount Tested	Number of Exceptions	Amount of Exceptions
China	134	\$50,171	10	\$1,256	0	0
Mexico	624	\$150,259	10	\$1,871	2	\$343
India	474	\$136,868	10	\$2,521	0	0
Total	1,232	\$337,298	30	\$5,648	2	\$343

Source: Prepared by OIG based on the results of its testing.

Domestic Nonpersonnel Expenditures

OIG tested FY 2010 border security nonpersonnel expenditures at two domestic bureaus: CA and DS. CA used border security funds domestically to pay for U.S. postal charges, contractor support for consular work related to visa and passport operations, and access to searchable databases containing information on U.S. and foreign companies. DS used border security funds for guard services at domestic consular facilities and for investigative support for visa and passport fraud, including purchasing equipment and providing training for investigators. (Details on the sample chosen are provided in Appendix A.)

Funds Allotted to CA. OIG tested 269 border security-related nonpersonnel expenditures from funds allotted to CA. To determine the allowability of the domestic CA expenditures, OIG used CA's Consular Fee Authorities guidelines. As shown in Table 6, CA's guidelines limit how CA can use border security funds domestically.

Table 6. CA's Consular Fee Authorities Guidelines

Fee Type	Fee Collection Purpose	Fee Usage
MRV	Recovery of costs of providing consular services.	All consular activities as well as reimbursement to the Federal Bureau of Investigation for name checks and fingerprint checks.
WHTI	Recovery of costs of meeting increased demand for passports as a result of actions taken in compliance with WHTI.	Personnel, overtime, contractual services, and passport books and passport cards.
Passport	Payment of consular services in support of border security.	Secure mail and postage.
IV	Payment of consular services in support of border security.	IV-related costs under the Border Security Program.
DV	Recovery of costs of allocating DVs, including the cost of processing all applications for DVs.	Kentucky Consular Center and overseas operations related to the DV program.
H&L	Prevention and detection of visa fraud, including primarily fraud applications for H and L visas.	Programs or activities to prevent and detect visa fraud.

Source: Worksheet provided by CA.

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As shown in Table 7, of the 269 expenditures tested, 187 expenditures (approximately 70 percent), totaling almost \$280 million, were not spent strictly in accordance with CA guidelines or OIG could not determine how the funds were used. Although OIG found that a number of the expenditures tested did not comply with CA’s Consular Fee Authorities guidelines, OIG noted that most of the questioned expenditures were used for consular-related activities.

Table 7. Results of Testing Domestic Nonpersonnel Expenditures From Funds Allotted to CA

Fee Type	Number of Expenditures	Amount of Expenditures	Number Tested	Amount Tested	Number of Exceptions	Amount of Exceptions
MRV	18,715	\$291,767,717	21	\$128,246,638	4	\$8,693,000
WHTI	548	\$122,153,240	111	\$101,944,581	111	\$101,944,581
Passport	81	\$250,582,746	80	\$250,582,138	68	\$168,836,446
IV	205	\$12,230,735	19	\$10,475,684	0	0
DV	193	\$570,968	7	\$151,862	4	\$94,683
H&L	88	\$5,225,687	31	\$5,197,812	0	0
Total	19,830	\$682,531,093	269	\$496,598,715	187	\$279,568,710

Source: Prepared by OIG based on results of its testing.

As described in Finding B, “Border Security Funds Were Commingled With Other Bureau Funds,” OIG was unable to determine how funds related to four MRV sample items, totaling about \$8.7 million, were spent because CA transferred money to another fund. In addition, Western Hemisphere Travel Initiative (WHTI) fees are collected and retained to cover the costs associated with the increased demand for passports as a result of the requirement that citizens who travel to western hemisphere locations, such as Canada and Mexico, must have passports or other secure documentation denoting identity and citizenship when entering the United States. However, CA did not limit the use of WHTI fees in this manner and was unable to show that the 111 expenditures tested, totaling about \$102 million, were used only for the increased costs of complying with WHTI. For example, CA used WHTI fees to support general passport operations, such as purchasing passport card supplies and supporting the costs of operating passport centers. A CA official stated that the Office of the Legal Adviser had interpreted the legislation broadly, allowing the Department to use WHTI funds for items that were not specifically related to the increased demand for passports created because of the requirement for citizens to have a passport to travel to western hemisphere locations.

CA’s Consular Fee Authorities guidelines state that funds retained from the Passport Security Surcharge should be used only for secure mail and postage. However, OIG found that CA used approximately \$169 million of Passport Security Surcharge funds for other types of passport-related costs, such as costs for printing passports and purchasing ink ribbons, film overlays, and secure-coating material.

According to CA’s Consular Fee Authorities guidelines, Diversity Immigrant Visa (DV) fees should be used only for expenditures specifically related to the DV program. However, CA was unable to provide documentation showing that four of the expenditures sampled, totaling

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about \$95,000, were used specifically for DV-related costs. CA paid for contractor-provided fraud prevention support that was not related to the DV program.

Funds Allotted to DS. OIG tested 35 border security-related nonpersonnel expenditures from the funds allotted to DS. DS had not developed formal guidelines on the types of domestic DS activities that could be paid for from the Border Security Program funds. DS officials stated that border security expenditures should fall into two categories: guard services for domestic consular facilities and investigative support for the visa program. OIG used a copy of DS's spending plans to assess the allowability of the DS expenditures tested.

As shown in Table 8, the DS border security-related expenditures were generally in compliance with DS's spending plans. OIG found that of the 35 expenditures tested, totaling approximately \$15.5 million, only three expenditures, totaling approximately \$3.4 million (approximately 22 percent), were not in compliance with DS's spending plans.

Table 8. Results of Testing Domestic Nonpersonnel Expenditures From Funds Allotted to DS

Fee Type	Number of Expenditures	Amount of Expenditures	Number of Expenditures Tested	Amount Tested	Number of Exceptions	Amount of Exceptions
MRV	4,527	\$18,860,180	29	\$14,502,300	3	\$3,421,014
H&L	665	\$1,926,213	6	\$1,001,561	0	0
Total	5,192	\$20,786,393	35	\$15,503,861	3	\$3,421,014

Source: Prepared by OIG based on the results of its testing.

DS is responsible for guard service contracts for the Department's domestic locations, including domestic consular offices. When consular offices are collocated with other Department operations, the costs of the guard services related to the consular space are charged separately from the costs of the guard services for the other space. DS uses border security fees to fund the portion of the guard service contract related to consular space and WSP funds for the remaining costs.

DS erroneously made three charges, totaling \$3.4 million, against border security funds for costs related to guard services that should have been paid using WSP funds. When DS noted the error, rather than correcting the transactions in the accounting system, it used WSP funds to pay for the consular portion of guard services charged in other invoices. However, DS had charged only a total of \$1.4 million of consular costs to the WSP funds, leaving an outstanding amount of approximately \$2.1 million that had not been refunded from WSP to the Border Security Program.

Consular Personnel Overseas Were Not Always Funded From Border Security Funds

Funds for local staff payroll costs and certain allowances provided to American employees overseas are allotted to each post. OIG planned to perform tests of the expenditures made for salaries and benefits. However, the information included in the expenditure reports

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from the Department's accounting system did not provide the level of detail needed to determine the name of the employee paid. For example the "vendor name" section of the expenditure report for most of the payroll expenditures included either "Capps Payroll," which is the American payroll system, or "Rfmsemp1," which is the designation used for Foreign Service National staff paid through the Foreign Service National Payroll system.

OIG attempted to obtain details on the FY 2010 expenditures from the accounting system's helpdesk and from Payroll Customer Support at the Charleston Financial Service Center in South Carolina. Helpdesk personnel stated that they were unable to assist in this effort, and Payroll Customer Support Unit officials stated that it would be a "massive task" to provide additional details. Without having detailed information on payment recipients, neither OIG nor the Department could ensure that Border Security Program funds were used for employees performing work on border security-related issues.

OIG developed an alternative testing methodology for personnel-related expenditures. OIG wanted CA to provide a list of all employees funded using Border Security Program funds, but CA was unable to provide a complete and accurate list of American and local staff by location. A CA official stated that the Department could not easily compile a list of consular employees because the employees worked in various bureaus and posts.

OIG used data from CA's Consular Workload Statistical System²¹ (CWSS) for selecting a sample of positions to be tested at five overseas locations: Beijing and Guangzhou (China), Mexico City (Mexico), and New Delhi and Mumbai (India). Although this system identifies CA-funded positions overseas by post (both American direct hire and local staff), OIG found that the information in the system was not reliable. For example, OIG found three instances at Consulate Mumbai in which consular positions were listed as unfilled for FY 2010. However, documentation from post indicated that the positions were in fact filled.²² OIG also found instances in which the CWSS database listed employees as MRV funded. However, the human resource documents at posts showed that the positions were funded from appropriated funds.

Using the information from posts, OIG tested 108 consular positions, some funded from the Border Security Program and some funded from appropriated funds (see Appendix A). CA did not provide specific guidelines on when consular employees should be funded or should not be funded using Border Security Program funds. Therefore, for the positions that were funded using Border Security Program funds, OIG ensured that the employees were performing consular-related activities. For the consular employees who were not being funded using Border Security Program funds, OIG determined whether the employees were performing activities similar to activities of employees whose positions were funded from the Border Security Program. As shown in Table 9, all of the staff in consular positions funded with Border Security Program funds were performing consular work. However, of the 57 positions tested that were

²¹ CWSS, also referred to as the "consular package," is used by CA and other bureaus and posts to track information related to productivity, efficiency, and management goals and strategies at consular sections. Both CA and posts can enter information into CWSS. CWSS collects data and workload statistics for the previous fiscal year.

²² Data are entered annually into the CWSS schedules. A CA official stated that the data provide a "snapshot in time" of what occurred at post during the year.

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funded from appropriated funds, 55 staff members in these positions were performing work that could have been paid for using Border Security Program funds. The use of appropriated funds for these similar positions occurred because the Department had not converted legacy positions funded from appropriated funds to the Border Security Program funds.

Table 9. Results of Testing the Funding of Overseas Consular Positions

Post	Number of Border Security-Funded Positions Tested	Number of Border Security-Funded Positions Not Related to Consular Work	Number of Appropriation-Funded Positions Tested	Number of Appropriation-Funded Positions Related to Consular Work
Beijing	9	0	14	14
Guangzhou	5	0	15	15
Mexico City	10	0	13	11
Mumbai	15	0	6	6
New Delhi	12	0	9	9
Total	51	0	57	55

Source: Prepared by OIG based on the results of its testing.

The Department was aware that some consular legacy positions were still being funded using appropriated funds. As new consular positions were created, the positions were funded from the Border Security Program. During FY 2012, the Under Secretary for Management instructed CA to fund all consular positions from the Border Security Program. CA planned to transfer the funding for the legacy positions during FY 2012 and FY 2013. For FY 2012, CA was working to transfer the funding for the local staff to the Border Security Program. Additionally, a CA official stated that CA planned to make arrangements to fund all overseas American direct hire consular positions from the Border Security Program in FY 2013. Because the Department was taking steps to address this issue, OIG is not making any formal recommendations.

Department Does Not Have Sufficient, Consistent Guidance on the Use of Border Security Funds

The authorizing legislation for each fee type used for border security activities includes basic information on how the fees can be used. For instance, the authorizing legislation for MRV states that fees collected are for recovering the costs of providing consular services and will be available for the same purposes.²³ The authorizing legislation for WHTI states that the fees collected can be used for the “increased demand for passports as a result of actions taken to comply” with the requirements that all U.S. citizens should present a passport or other secure documentation when entering the United States from any location,²⁴ including from Canada and Mexico.

²³ Pub. L. No. 107-173, as amended, sec. 103, “Machine-Readable Visa Fees.”

²⁴ Pub. L. No. 109-167, as amended, sec. 2, “Authority of Secretary of State to establish and collect a surcharge to cover the costs of meeting the increased demand for passports.”

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While information in the public laws is useful, the laws do not provide the level of detail needed to effectively manage border security expenditures. In general, OIG found that the Department had not developed sufficient guidance on how border security funds should be used. Of the five bureaus included in the audit, only one bureau, CA, had developed formal guidelines on how border security funds should be used. Because CA did not exercise program management authority for the Border Security Program, CA's guidelines did not apply to funds allotted to other bureaus. None of the other bureaus or posts audited had developed formal guidelines on the use of border security funds. CA should be responsible for establishing and maintaining program-related standards, processes, and procedures.

Even though CA had developed some guidelines on the use of CA-allotted border security funds, these guidelines did not accurately reflect how CA allowed the funds to be used. As discussed in Finding B, CA approved requests from posts to spend border security funds on items that were not allowed by the CA guidelines. CA officials stated that the domestic guidelines did not reflect certain expenditures that CA considered to be allowable. For instance, CA's domestic guidelines state that the Passport Security Surcharge should be used only for secure mail and postage. However, a CA official stated that the Passport Security Surcharge legislation²⁵ authorizes the Department to charge surcharges for consular services in support of enhanced border security that are in addition to the passport and immigrant visa fees. The CA official further stated that the Passport Security Surcharge could therefore be used for other items, such as the enhancement of passport documents, secure mail/postage, and security features. During OIG's audit, CA officials acknowledged that CA's guidance should be updated to reflect its current usage of this fee type.

A key factor in helping an agency achieve desired outcomes and minimize operational problems is to implement appropriate internal controls. Internal controls are an integral component of an organization that assist in ensuring that an agency complies with laws and regulations. Internal control activities include having policies and procedures to help ensure that proper actions are taken by the organization. Policies and procedures are the link between what should be done and what is actually done in day-to-day operations. Written policies and procedures allow employees to understand their responsibilities and allow management to guide operations without constant management involvement.

Department Does Not Have an Adequate Centralized Process for Monitoring the Use of Border Security Program Funds

OIG did not find any bureau or office that had been overseeing all expenditures made from the Border Security Program fund or ensuring that bureaus and posts were using the funds in accordance with requirements. RM has a high-level responsibility to monitor all Department funds, but RM is not responsible for ensuring that specific expenditures are made for allowable purposes. Bureaus are responsible for monitoring at this level of detail. Even though CA is considered the "lead" bureau for the Border Security Program, a CA official stated that CA did not know whether bureaus and posts were using border security funds properly in support of the program. CA did not obtain any information from bureaus and posts on how funds were used

²⁵ 8 U.S.C. § 1714, "Surcharges related to consular services."

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and did not have access to information on other bureau and post expenditures in the Department's accounting system.

According to CA officials, consular managers at posts have key roles in overseeing the provision of consular services, including maintaining strong internal controls and accountability for fees. CA has implemented two methods for monitoring consular activities at post: the Consular Management Assistance Team works collaboratively with posts to ensure the post is properly maintaining management controls and effectively utilizing resources, and the Regional Consular Officer program provides oversight, mentoring, and guidance for small, isolated consular sections. Neither method considers the allowability of post border security-related expenditures. CA could take advantage of these methods to have greater coverage of border security expenditures at post. However, to ensure sufficient coverage of all border security-related expenditures, the Department should develop a process to monitor these expenditures that is centrally managed by a program manager.

In addition, program managers need information that would be useful for planning, controlling, and conducting Government operations. During meetings, Department officials told the OIG audit team that there was no standard financial reporting related to the use of the border security funds. While each bureau or post that uses these funds has access to information on its own expenditures in the accounting system, nothing aggregates the information in a manner that can be useful to managers. CA needs information on overall expenditures to ensure that the program is working effectively and efficiently and that funds are being used in accordance with budgetary and legal guidance.

An agency's internal control process should generally be designed to ensure that ongoing monitoring occurs in the course of normal operations. Monitoring should be performed continually and be ingrained in the agency's operations. An important component of strong program management is the establishment of proper oversight of the projects performed as part of the overall program. The program manager should monitor the various projects to ensure that overall goals, budgets, and benefits are achieved.

Reliable Cost Information Is Essential for Effective Management

Managers should be accountable for the integrity, performance, and stewardship of the programs they oversee. Reliable and timely cost information helps managers ensure that resources are spent appropriately and alerts them to waste and inefficiency. Information on the costs of Federal programs is crucial for effective management of Government operations.

Because the Department could not easily determine how all border security funds were used, it could not ensure that the funds were used properly. The lack of sufficient Department guidance on allowable border security expenditures and limited adherence to the CA guidance increase the likelihood that improper payments could be made or that waste, fraud, or abuse could occur and not be detected. Without proper oversight of budget requests and approvals, of the expenditures being made, and of the users' adherence to guidance, there is no assurance that border security funds will be used effectively and efficiently.

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Recommendation 5. OIG recommends that the Bureau of Diplomatic Security refund the \$2.1 million erroneously charged to the Border Security Program fund from the Worldwide Security Protection fund.

DS Response: DS concurred with this recommendation, stating that “after further research,” it had “discovered that a total of 67 FY 2010 invoices were erroneously charged against” the WSP account. The error occurred, according to DS, when “the previous contracting officer’s representative transposed the award lines for MRV and WSP from the account.” Based on its calculations, DS stated that the Border Security Program owes WSP approximately \$1 million.

OIG Reply: OIG confirmed, through a review of supporting documentation provided by DS related to its research, that the documentation DS had provided to CA supported this conclusion. A CA official stated that CA had agreed to reimburse DS for the amount calculated. Therefore, OIG considers this recommendation closed.

Recommendation 6. OIG recommends that the Bureau of Consular Affairs develop Department-wide guidance on the use of border security-related funds and disseminate the guidance to all bureaus and posts that receive border security funds.

CA Response: CA agreed with this recommendation, stating that it plans to include “guidance on the development of budget requests” for border security funds by partner bureaus in the planned Service Level Agreements. CA also stated that it is “significantly revising the post allotment process, including updating the CA Post Allotment Funding Matrix to ensure continuity, transparency, and conformity to standard operating procedures.”

OIG Reply: OIG considers this recommendation resolved. OIG will close this recommendation when it reviews and accepts formal guidance from CA on the use of border security funds and when the new guidance has been disseminated to all bureaus and posts that receive border security funds.

Recommendation 7. OIG recommends that the Bureau of Consular Affairs develop and implement a comprehensive monitoring process, to include periodic reviews of expenditures, for the Border Security Program that will ensure that border security funds are used in accordance with guidelines.

CA Response: CA agreed with this recommendation, stating that it had “recently created a bureau-wide internal review program, which focuses on financial management and contract administration oversight within [CA].” CA further stated that it plans to expand the program to include evaluating whether overseas posts are spending border security funds “in accordance with Department guidelines” and that it also plans to “add a review section to the Bureau Service Level Agreements” that will “indicate how often the reviews will occur.”

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OIG Reply: OIG considers this recommendation resolved. OIG will close this recommendation when it reviews and accepts documentation showing that an internal monitoring process related to the use of border security funds has been implemented.

List of Recommendations

Recommendation 1. OIG recommends that the Bureau of Consular Affairs (CA) formalize its authority over the Border Security Program by modifying the *Foreign Affairs Manual* (1 FAM 250) to recognize CA's role as the overall program management office for the Border Security Program.

Recommendation 2. OIG recommends that the Bureau of Consular Affairs develop clear roles and responsibilities for all parties involved in the Border Security Program and codify this information in the *Foreign Affairs Manual*.

Recommendation 3. OIG recommends that the Bureau of Consular Affairs develop processes to prioritize Border Security Program funding requests and oversee the allocation of funding for prioritized projects of the Border Security Program.

Recommendation 4. OIG recommends that the Bureau of Consular Affairs develop comprehensive performance goals and indicators for the Border Security Program and a process to measure the program's accomplishments.

Recommendation 5. OIG recommends that the Bureau of Diplomatic Security refund the \$2.1 million erroneously charged to the Border Security Program fund from the Worldwide Security Protection fund.

Recommendation 6. OIG recommends that the Bureau of Consular Affairs develop Department-wide guidance on the use of border security-related funds and disseminate the guidance to all bureaus and posts that receive border security funds.

Recommendation 7. OIG recommends that the Bureau of Consular Affairs develop and implement a comprehensive monitoring process, to include periodic reviews of expenditures, for the Border Security Program that will ensure that border security funds are used in accordance with guidelines.

Scope and Methodology

The purpose of this audit was to determine to what extent consular fees collected by the Department of State (Department) were used for mission priorities of the Border Security Program and in accordance with Department guidelines.

The Office of Inspector General (OIG) conducted fieldwork for this audit from September 2011 to February 2012 at the following Washington, DC, bureaus: Consular Affairs (CA), Resource Management (RM), Western Hemisphere Affairs (WHA), East Asian and Pacific Affairs, South and Central Asian Affairs, and Diplomatic Security (DS). OIG also conducted fieldwork at Mexico City, Mexico; Beijing and Guangzhou, China; and New Delhi, India. In addition, OIG obtained information from officials in Mumbai, India, via videoconference.

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 its findings and conclusions based on its audit objectives. Although data provided were not always complete and accurate (as detailed in various sections of this report), OIG concluded that the data were sufficiently reliable for the purposes of the report. OIG therefore believes that the evidence obtained provides a reasonable basis for its findings and conclusions based on the audit objective.

OIG issued the draft report for comment on May 25, 2012. After the draft audit report was issued, OIG met with the Under Secretary for Management on July 9, 2012, who requested that OIG modify the report to redirect six recommendations (Nos. 1, 2, 3, 4, 6, and 7) from the Under Secretary to CA. OIG modified the report as appropriate and reissued the draft report to CA for comments on July 12, 2012.

To obtain background for the audit, OIG researched and reviewed public laws and United States Code sections related to consular fees, Government Accountability Office guidance, the Department's *Foreign Affairs Manual* and *Foreign Affairs Handbook*, Department cables, bureau and post strategic plans, budget-related documents, and other Department guidance and reports.

During the audit, OIG performed work to determine to what extent consular fees collected by the Department were used for mission priorities of the Border Security Program and in accordance with Department guidelines. OIG focused its work on certain consular fees that the Department indicated were used specifically for the Border Security Program:

- Machine Readable Visa (MRV) Fee
- Western Hemisphere Travel Initiative (WHTI) Passport Surcharge
- Passport Security Surcharge
- Immigrant Visa (IV) Security Surcharge
- Diversity Immigrant Visa (DV) Lottery Surcharge

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- H and L (H&L) Visa Fraud Prevention and Detection Fee

To accomplish the audit objective, OIG gained an understanding of the Border Security Program. Specifically, OIG interviewed Department officials to obtain an understanding of the process for requesting and allotting border security funds to bureaus and posts; spending border security-related consular fees, both domestically and overseas; monitoring expenditures; and establishing goals or priorities for the program. OIG also gained an understanding of bureaus' roles and responsibilities. Additionally, OIG interviewed Department and post officials to gain an understanding of the process to determine funding for personnel-related costs.

OIG obtained the Department's FY 2010 expenditure database and identified the universe of Border Security Program expenditures that were both obligated and expended in FY 2010. OIG developed a sampling methodology to test border security expenditures and developed a plan for ensuring overseas consular positions were funded correctly. (Information on the sampling methodology and the plan are detailed in the section "Detailed Sampling Methodology and Results" in this appendix.) OIG reviewed supporting documentation for a selected sample of expenditures in CA and DS; reviewed supporting documentation for a sample of expenditures at Beijing (China), Mexico City (Mexico), and New Delhi (India); and reviewed documentation related to the funding source for a sample of American and locally employed staff from the consular sections at each of these posts.

Prior OIG Reports

In its review of internal OIG audit and inspection reports relating to border security expenditures, OIG identified one audit report related to expenditures of consular fees.¹ However, since the report was issued in 1998, OIG determined that the findings would not be relevant to the current audit. Although OIG identified inspection reports related to CA, these reports did not include findings specifically related to Border Security Program expenditures.

Use of Computer-Processed Data

The audit team used computer-processed data from the Department during this audit. OIG obtained FY 2010 consular fee expenditure information from the Global Financial Management System, identified nonpersonnel expenditures by consular fee type for FY 2010, generated a sample of nonpersonnel related expenditures for testing, and tested the Border Security Program expenditure data from the Global Financial Management System. Issues identified during fieldwork are detailed in the Audit Results section, Finding B, "OIG Could Not Determine How Some Border Security Funds Were Used and Found That Other Funds Were Not Used in Accordance With Guidelines or Financial Instructions." Other than the work described, OIG did not audit the data from these systems.

OIG determined that payroll expenditures could not be identified by employee name, number, or other criteria within the Global Financial Management System. Because of the

¹ *Expenditure of Machine Readable Visa Fees* (98-FM-018, Aug. 1998).

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limitations of the data, OIG could not select a sample of personnel expenditures for testing. Therefore, OIG did not rely on the Global Financial Management System for testing personnel expenditures.

OIG obtained information from CA's Consular Workload Statistical System (CWSS), which identifies consular employees, both American direct hire and locally employed staff, by post, position, and fiscal year. OIG used this information to select a sample of employees to interview at each post to determine their roles and responsibilities during FY 2010. OIG performed testing of the data during its fieldwork. OIG also obtained information from CA's Consular Affairs Post Allotment System to determine whether CA had approved the use of consular fees for certain expenditures. Issues identified during fieldwork are detailed in the Audit Results section, Finding B. Other than the work described, OIG did not audit the data from these systems.

Work Related to Internal Controls

OIG performed steps to assess the adequacy of internal controls related to the areas audited. For example, OIG gained an understanding of and tested the controls over consular fee expenditures at posts and bureaus. OIG discussed exceptions identified during its testing of expenditures with post and bureau officials to better understand the reasons for the exceptions, which would highlight internal control issues. In addition, OIG gained an understanding of the Department's policies and procedures related to consular fee expenditures and of how the Department oversees these expenditures. Work performed on internal controls during the audit is detailed in the Audit Results section of the report.

Detailed Sampling Methodology and Results at Selected Posts and Bureaus

OIG's sampling objective was to determine whether the Department spent border security-related funds for allowable purposes.

Selection of Posts

For its audit, OIG selected overseas posts in China, Mexico, and India. OIG used a nonstatistical sampling method known as "judgment sampling." Because this method uses discretionary criteria to effect sample selection, the audit team was able to use information from its preliminary work to aid in making informed selections.

The primary consideration in selecting the sites, which are shown in Table 1, was the total amount of border security funds expended during FY 2010. The three countries selected had the highest amount of border security expenditures during FY 2010. The geographical distribution of the posts was another factor considered; the three countries selected are in different regional bureaus. In addition to performing work at the three embassies, OIG, to gain a complete understanding of the overseas use of border security funds, chose to perform work on expenditures made at two overseas consulates: Guangzhou, China, and Mumbai, India.

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Table 1. Posts With Highest Amounts of Border Security Program Expenditures During FY 2010

Post	Amount Expended	Regional Bureau
Mexico	\$9,768,579	Western Hemisphere Affairs
India	\$3,976,091	South and Central Asian Affairs
China	\$2,928,221	East Asian and Pacific Affairs
Brazil	\$2,451,239	Western Hemisphere Affairs
Japan	\$1,936,700	East Asian and Pacific Affairs
Germany	\$1,830,028	European and Eurasian Affairs
The Philippines	\$1,465,592	East Asian and Pacific Affairs
Colombia	\$1,447,141	Western Hemisphere Affairs
United Kingdom	\$1,413,286	European and Eurasian Affairs
Saudi Arabia	\$1,365,574	Near Eastern Affairs

Source: OIG analysis of expense databases.

Selection of Bureaus

For its audit, OIG selected CA, RM, WHA, Bureau of East Asian and Pacific Affairs, Bureau of South and Central Asian Affairs, and DS. OIG used the same nonstatistical sampling method that it used for selecting overseas locations (judgment sampling) to select the bureaus.

One consideration for choosing to perform work at these six bureaus was the amount of expenditures related to the Border Security Program extracted from the FY 2010 expenditures database, as shown in Table 2. OIG chose the top two bureaus (CA and RM) in terms of expenditures related to the border security program. These two bureaus accounted for about 90 percent of the domestic expenditures. Another factor considered was the regional bureaus related to the posts selected for site visits. Although only one of the regional bureaus (WHA) related to the posts selected for site visits had domestic expenditures pertaining to the border security program, OIG performed limited procedures at the three regional bureaus (WHA, Bureau of East Asian and Pacific Affairs, and Bureau of South and Central Asian Affairs). Finally, although DS had not spent a significant amount of funds related to border security in FY 2010 (only about 2 percent), OIG included DS in its audit work because DS is a key bureau for fraud deterrence.

Although OIG had planned on performing limited procedures at each of these bureaus, it performed testing only at CA and DS. The three regional bureaus had either very little domestic expenditures or no domestic expenditures. The RM expenditures were transfers of funds to the central payroll account. Payments to personnel were authorized; consequently, OIG determined that no testing would be performed on the transfer of funds in RM.

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Table 2. FY 2010 Domestic Border Security Program Expenditures by Bureau/Entity

Bureau	Amount Expended	Percent of Total
Bureau of Consular Affairs	\$685,145,821	52.34
Bureau of Resource Management	\$510,466,000	38.99
Bureau of Western Hemisphere Affairs	\$47,491,500	3.36
Bureau of Administration	\$24,666,108	1.88
Bureau of Diplomatic Security	\$23,373,971	1.79
Bureau of Human Resources	\$5,997,299	0.46
Bureau of Information Resource Management	\$3,906,682	0.30
Bureau of Near East and South Asian Affairs	\$3,000,000	0.23
Foreign Service Institute	\$2,852,595	0.22
Unknown	\$2,225,746	0.17
Total	\$1,309,125,723	100.00

Source: OIG analysis of expense databases.

Identification of the Border Security Program Expenditure Universes

OIG modified the databases of border security expenditures for FY 2010 to arrive at the overall target universe, or population, which is the universe to be covered. Specifically, OIG extracted the dollar value and number of expenditures that were related to the Border Security Program categories and sorted the data by post for overseas expenditures and by bureau for domestic expenditures. Personnel and nonpersonnel expenditures were extracted separately, and all negative expenditures were excluded.

Nonpersonnel Universes. As shown in Table 3, for nonpersonnel overseas expenditures, OIG separately considered expenditures allotted to posts by the regional bureaus and CA and by DS.

Table 3. Universes of Nonpersonnel Expenditures for Overseas Posts

Post	Nonpersonnel Funds Allotted to Posts by Regional Bureaus and CA		Nonpersonnel Funds Allotted to Posts by DS	
	Universe Total	Universe Amount	Universe Total	Universe Amount
Beijing, China	867	\$567,532	134	\$50,171
Mexico City, Mexico	1,366	\$799,214	624	\$150,259
New Delhi, India	2,205	\$1,822,547	474	\$136,868
Total	4,438	\$3,189,293	1,232	\$337,298

Source: OIG analysis of expense databases.

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As shown in Table 4, for nonpersonnel domestic expenditures, OIG sorted expenditures by the specific type of fund used.

Table 4. Universes of Nonpersonnel Domestic Expenditures by Fund Type for CA and DS

Fee Type	CA Nonpersonnel Expenditures		DS Nonpersonnel Expenditures	
	Universe Total	Universe Amount	Universe Total	Universe Amount
Machine Readable Visa (MRV)	18,715	\$291,767,717	4,527	\$18,860,180
Western Hemisphere Travel Initiative (WHTI) Passport Surcharge	548	\$122,153,240	0	0
Passport Security Surcharge	81	\$250,582,746	0	0
Immigrant Visa (IV) Security Surcharge	205	\$12,230,735	0	0
Diversity Immigrant Visa (DV) Lottery Surcharge Fee	193	\$570,968	0	0
H and L (H&L) Visa Fraud Prevention and Detection Fee	88	\$5,225,687	665	\$1,926,213
Total	19,830	\$682,531,093	5,192	\$20,786,393

Source: OIG analysis of expense databases.

Personnel Universes. To determine the universe for overseas personnel testing, OIG analyzed the expenditure database for each of the three countries (China, India, and Mexico) in which work was going to be performed. OIG found that the database did not contain the information necessary to test the personnel expenditures. Specifically, the database did not contain the information on each expenditure by employee. OIG was not able to obtain detailed information from the accounting system helpdesk or from Payroll Customer Support at the Charleston (SC) Financial Service Center. Helpdesk personnel responded that they were unable to assist the audit team, and Payroll Customer Support personnel stated that it would be a “massive task.” Because of the lack of assistance as well as time constraints, OIG tested personnel expenditures differently than what it had originally planned.

Specifically, OIG tested personnel expenditures by analyzing the work performed by consular staff and the funding used for the staff salaries and benefits. After reviewing the CWSS, the audit team divided consular staff into categories as follows:

- Position Funded by Border Security Program – American
- Position Funded by Border Security Program – Foreign Service National
- Position Funded by Program – American
- Position Funded by Program – Foreign Service National

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- Unfilled Positions Funded by Border Security Program – American
- Unfilled Positions Funded by Border Security Program – Foreign Service National

Information on the number of employees by category by overseas location is in Table 5.

Table 5. Number of Consular Personnel at Overseas Locations

Post	Fund Type	Employee Type	Number of Positions Filled	Number of Positions Unfilled
Beijing	Border Security	American	31	9
	Border Security	Foreign Service National	14	0
	Program Funded Position	American	6	Not Applicable
	Program Funded Position	Foreign Service National	23	Not Applicable
	Subtotal Beijing		74	9
Guangzhou	Border Security	American	37	2
	Border Security	Foreign Service National	10	2
	Program Funded Position	American	4	Not Applicable
	Program Funded Position	Foreign Service National	53	Not Applicable
	Subtotal Guangzhou		104	4
Mexico City	Border Security	American	58	2
	Border Security	Foreign Service National	33	7
	Program Funded Position	American	4	Not Applicable
	Program Funded Positions	Foreign Service National	43	Not Applicable
	Subtotal Mexico City		138	9
Mumbai	Border Security	American	31	2
	Border Security	Foreign Service National	24	3
	Program Funded Position	American	0	Not Applicable
	Program Funded Position	Foreign Service National	26	Not Applicable
	Subtotal Mumbai		81	5
New Delhi	Border Security	American	23	3
	Border Security	Foreign Service National	33	1
	Program Funded Position	American	5	Not Applicable
	Program Funded Positions	Foreign Service National	23	Not Applicable
	Subtotal New Delhi		84	4

Source: OIG analysis of data in CWSS.

Domestically, OIG found that the personnel expenditures for CA and DS—the two bureaus where testing was planned—were immaterial. Specifically, for CA, out of 21,253 expenditures, totaling \$685,145,821, only 1,423 expenditures, totaling \$2,614,728, were personnel related, which is only 0.38 percent of the total amount. For DS, out of 5,296 expenditures, totaling \$20,846,633, only 104 expenditures, totaling \$60,240, were personnel related, which is only 0.29 percent of the amount of the universe. Because of these relatively

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small totals and the lack of readily available information on the individual employees paid, OIG did not perform testing on domestic personnel expenditures.

Selection of Expenditure Samples and Testing Results

OIG selected samples to test overseas nonpersonnel expenditures funded by allotments from the regional bureaus and CA separately from DS. OIG also performed testing of the funding for a sample of consular personnel at overseas locations. In addition, OIG separately tested domestic nonpersonnel expenditures from CA and DS.

OIG noted that the universe of expenditures included certain negative expenditures and excluded them when developing the universe of expenditures to test. However, OIG wanted to gain an understanding of the types of activities that resulted in negative expenditures. Therefore, OIG randomly selected 10 negative expenditures at the three overseas posts and at CA to determine the reasons for these expenditures. OIG found several reasons for the negative expenditures. For example, some of the expenditures were canceled, other expenditures were for refunds from the value added taxes at post or overpayments to employees or vendors, and still other negative expenditures were for error corrections.

Overseas Nonpersonnel Samples. OIG tested funds allotted to overseas posts by DS separately from funds allotted to posts by the regional bureaus and CA. The funding from the regional bureaus and CA was the most significant funding source for overseas nonpersonnel expenditures related to the Border Security Program. To test these expenditures, OIG employed judgment sampling. Specifically, OIG sorted the list of positive expenditures for each post by dollar amount from highest to lowest and then chose the largest dollar expenditures until the cumulative total reached about 70 percent of the universe amount. Consequently, OIG was able to concentrate its testing on the highest dollar expenditures at each post. This procedure yielded the required sample size at each of the posts to attain the 70 percent target. However, OIG found some canceled expenditures, which necessitated substitutions. Consequently, the target percentage was not realized. Nevertheless, the total expenditures tested totaled over 60 percent of the dollar amount of the universe at each post, and the overall rate at the three posts was about 66 percent, although only about 10 percent of the total number of expenditures at all of the posts were tested, as shown in Table 6.

For each of the CA-allotted sample items, OIG determined the allowability of the expenditures based on CA's Post Allotment Funding Matrix. The regional bureaus did not have formal guidance on the types of activities that were allowable from regional bureau-allotted funds. Therefore, OIG used the bureau-approved post budgets and advices of allotment to make a preliminary determination on the allowability of regional bureau-allotted border security funds. To perform its testing, OIG obtained supporting documentation, such as invoices, to determine whether posts had expended funds in accordance with CA's guidelines or approved financial instructions.

As shown in Table 6, OIG determined that out of 431 expenditures, totaling \$2,086,517, 71 expenditures, totaling \$165,738 (or 7.94 percent of amount of expenditures), were not made

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in accordance with CA's guidance or approved financial instructions and had not been separately approved by CA or the regional bureaus.

Table 6. Results of Testing Overseas Nonpersonnel Expenditures From Funds Allotted by CA and the Regional Bureaus

Post	Universe Total	Universe Amount	Number Tested	Amount Tested	Number of Exceptions Not in Compliance With Guidance and Not Allowed by CA or the Regional Bureau	Amount of Exceptions Not in Compliance With Guidance and Not Allowed by CA or the Regional Bureau
China	867	\$567,532	64	\$381,461	2	\$11,304
Mexico	1,366	\$799,214	224	\$510,663	67	\$150,219
India	2,205	\$1,822,547	143	\$1,194,393	2	\$4,215
Total	4,438	\$3,189,293	431 (9.71%)	\$2,086,517 (65.42%)	71 (16.47%)	\$165,738 (7.94%)

Source: Prepared by OIG based on the results of its testing.

DS funds certain overseas expenditures using border security funds. OIG wanted to ensure it tested some of these expenditures and therefore randomly selected 10 expenditures funded by DS allotments for testing at each overseas location. During the testing of DS-allotted funds overseas, OIG obtained supporting documentation, such as invoices, to determine whether posts had spent the funds in accordance with DS-approved post spending plans. The results of the testing at each overseas location for nonpersonnel expenditures funded by DS are in Table 7.

Table 7. Results of Testing Overseas Nonpersonnel Expenditures From Funds Allotted by DS

Post	Universe Total	Universe Amount	Number Tested	Amount Tested	Number of Exceptions	Amount of Exceptions
China	134	\$50,171	10	\$1,256	0	0
Mexico	624	\$150,259	10	\$1,871	2	\$343
India	474	\$136,868	10	\$2,521	0	0
Total	1,232	\$337,298	30 (2.44%)	\$5,648 (1.67%)	2 (6.67%)	\$343 (6.07%)

Source: Prepared by OIG based on the results of its testing.

OIG sampled 30 DS expenditures, totaling \$5,648, for testing and determined that 28 expenditures, totaling \$5,305 (93.93 percent of amount of expenditures), were for allowable items. DS spent border security funds at posts to support its Assistant Regional Security Officer-Investigator program. For example, funds were used for residential utilities, cell phone fees, and vehicle maintenance. Of the two remaining expenditures, OIG could not determine whether one expenditure was allowed because the post could not provide sufficient supporting documentation, and the other expenditure was not in compliance with the guidelines. Specifically, the post paid approximately \$260 for residential electricity expenses for an individual in a consular position using DS-allotted funds instead of CA-allotted funds.

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Overseas Personnel Samples. For overseas personnel testing, OIG planned to sample, when available, six positions at all five posts for each of the following categories:

- Position Funded by Border Security Program – American
- Position Funded by Border Security Program – Foreign Service National
- Position Funded by Program – American
- Position Funded by Program – Foreign Service National
- Unfilled Positions Funded by Border Security Program – American
- Unfilled Positions Funded by Border Security Program – Foreign Service National

Given these parameters, OIG determined, during planning, that it could test a total of 135 positions. However, OIG noted, during fieldwork, that several of the positions that had been filled in FY 2010 were now unfilled, thereby necessitating substitutions. Additionally, some individuals were not available to be interviewed. The sample sizes at the various posts were also affected by disparities between the CWSS data and post documentation, as shown in Table 8.

Table 8. Overseas Unfilled Personnel Sample Sizes and Results

Post	Unfilled Positions in FY 2010 per CWSS	Original Total Number of Positions Unfilled	Original Sample of Positions Unfilled	Number of Positions Correctly Classified by CWSS as Unfilled	Number of Positions Filled (for at Least a Portion of FY 2010)
Beijing	Border Security – American	9	6	4	2
	Border Security – Foreign Service National	0	0	0	0
	Subtotal	9	6	4	2
Guangzhou	Border Security – American	2	2	2	0
	Border Security – Foreign Service National	2	2	2	0
	Subtotal	4	4	4	0
Mexico City	Border Security – American	2	2	0	2
	Border Security – Foreign Service National	7	5	5	0
	Subtotal	9	7	5	2
Mumbai	Border Security – American	2	2	2	0
	Border Security – Foreign Service National	3	3	0	3
	Subtotal	5	5	2	3
New Delhi	Border Security – American	3	3	3	0
	Border Security – Foreign Service National	1	1	0	1
	Subtotal	4	4	3	1
	Total	31	26	18	8

Source: OIG analysis of data provided by CWSS and overseas posts.

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Although OIG originally selected the positions to test overseas using the CWSS database, OIG found that sometimes the information obtained from the CWSS database differed from information in the human resource documents at the overseas posts. In those instances, the post data prevailed because the post data were deemed more accurate. Consequently, positions were sometimes moved from one of the two unfilled categories to one of the four filled and funded categories. The net result of various necessary adjustments was that OIG tested a total of 108 positions distributed among the overseas posts, as shown in Table 9.

Table 9. Overseas Filled and Funded Personnel Sample Sizes and Results

Post	Filled and Funded Position Category	Number of Positions Tested	Number Correct	Number Performing Work Other Than Border Security	Number Performing Border Security Work
Beijing	Border Security – American	4	4	0	N/A
	Border Security – Foreign Service National	5	5	0	N/A
	Program – American	6	0	N/A	6
	Program – Foreign Service National	8	0	N/A	8
	Subtotal	23	9	0	14
Guangzhou	Border Security – American	0	0	0	N/A
	Border Security – Foreign Service National	5	5	0	N/A
	Program – American	5	0	N/A	5
	Program – Foreign Service National	10	0	N/A	10
	Subtotal	20	5	0	15
Mexico City	Border Security – American	4	4	0	N/A
	Border Security – Foreign Service National	6	6	0	N/A
	Program – American	7	2	N/A	5
	Program – Foreign Service National	6	0	N/A	6
	Subtotal	23	12	0	11
Mumbai	Border Security – American	6	6	0	N/A
	Border Security – Foreign Service National	9	9	0	N/A
	Program – American	0	0	N/A	0
	Program – Foreign Service National	6	0	N/A	6
	Subtotal	21	15	0	6
New Delhi	Border Security – American	8	8	0	N/A
	Border Security – Foreign Service National	4	4	0	N/A
	Program – American	2	0	N/A	2
	Program – Foreign Service National	7	0	N/A	7
	Subtotal	21	12	0	9
Total		108	53	0	55

Source: OIG analysis of data provided by CWSS and overseas posts.

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For each of the tested positions, OIG determined the appropriateness of funding used for the work performed. OIG testing disclosed that of 108 individuals, 55 individuals (50.9 percent) were performing work that was not allowable per the funding source. However, none of the 55 individuals were funded with Border Security Program funds. Rather, all 55 individuals were funded with Diplomatic and Consular Program funds but were performing work related to border security.

Domestic CA Nonpersonnel Testing. To test domestic nonpersonnel expenditures from CA, OIG selected all expenditures above various thresholds or cutoff amounts for each fee type of expenditure, thereby allowing OIG to concentrate audit efforts on the highest dollar expenditures for each fee type. Based on this sampling methodology, OIG planned to test a total of 276 expenditures, totaling \$547,233,035. However, OIG noted during fieldwork that seven of the expenditures either were canceled or were attributable to error corrections. Nevertheless, the valid expenditures that were actually tested encompassed more than 70 percent of the nonpersonnel funds spent domestically by CA, although less than 2 percent of the expenditures were tested. Specifically, of CA's 19,830 expenditures, totaling \$682,531,093, OIG tested 269 expenditures, totaling \$496,598,715, which was 72.76 percent of the entire amount of CA's expenditures, as shown in Table 10.

For each of these sample items, OIG determined the allowability of the expenditures based on CA's Consular Fee Authorities guidelines. To perform its testing, OIG obtained supporting documentation, such as invoices, to determine whether CA had expended funds in accordance with its guidelines.

As shown in Table 10, OIG determined that out of a sample of 269 expenditures, totaling \$496,598,715, 187 expenditures, totaling \$279,568,710 (56.30 percent of amount of expenditures), were not used strictly in accordance with CA guidelines or OIG could not determine how the funds were used because of insufficient supporting documentation. Two of the category types, Passport Security Surcharge and WHTI, had the largest rates of error: 85 percent and 100 percent, respectively.

Table 10. Domestic Nonpersonnel Positive Expenditure Testing for CA

Fee Type	Universe Total	Universe Amount	Number Tested	Amount Tested	Number of Exceptions	Amount of Exceptions	Cutoff Amount
MRV	18,715	\$291,767,717	21	\$128,246,638	4	\$8,693,000	\$1,000,000
WHTI	548	\$122,153,240	111	\$101,944,581	111	\$101,944,581	\$100,000
Passport	81	\$250,582,746	80	\$250,582,138	68	\$168,836,446	\$200,000
IV	205	\$12,230,735	19	\$10,475,684	0	0	\$250,000
DV	193	\$570,968	7	\$151,862	4	\$94,683	\$15,000
H&L	88	\$5,225,687	31	\$5,197,812	0	0	\$20,000
Total	19,830	\$682,531,093	269 (1.36%)	\$496,598,715 (72.76%)	187 (69.52%)	\$279,568,710 (56.30%)	

Source: Prepared by OIG based on the results of its testing.

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Domestic DS Nonpersonnel Testing. To test domestic nonpersonnel expenditures from DS, OIG selected all expenditures above a threshold or cutoff amount for each of the two types of fee categories used at DS, thereby allowing OIG to concentrate audit efforts on the highest dollar expenditures for each type of DS expenditures. This sampling methodology encompassed about 75 percent (74.59 percent) of total nonpersonnel funds spent domestically by DS, although less than one percent (0.67 percent) of the expenditures were tested. In fact, this methodology provided testing coverage for more than 75 percent of the dollars spent from MRV fees and more than 50 percent of the dollars spent from H&L fees.

During the testing of domestic DS-allotted funds, OIG obtained supporting documentation, such as invoices, to determine whether DS had spent the funds in accordance with DS spending plans.

As shown in Table 11, OIG found that out of a sample of 35 expenditures, totaling \$15,503,861, three expenditures, totaling \$3,421,014 (22.07 percent of amount of expenditures), were not in compliance with DS spending plans. DS had erroneously funded some local guard services provided to Department annexes with MRV funds. DS was aware of this error, but instead of correcting the entries in the accounting system, it chose to use other funds to pay for expenditures that could have been funded using border security-related funding. As of June 2012, DS had reimbursed the Border Security Program about \$1.4 million using this method. However, the remaining amount of approximately \$2.1 million had not been reimbursed.

Table 11. Domestic Nonpersonnel Positive Expenditure Testing for DS

Fee Type	Universe Total	Universe Amount	Number Tested	Amount Tested	Number of Exceptions	Amount of Exceptions	Cutoff Amount
MRV	4,527	\$18,860,180	29	\$14,502,300	3	\$3,421,014	\$100,000
H&L	665	\$1,926,213	6	\$1,001,561	0	0	\$50,000
Total	5,192	\$20,786,393	35 (0.67%)	\$15,503,861 (74.59%)	3 (8.57%)	\$3,421,014 (22.07%)	

Source: Prepared by OIG based on the results of its testing.

CA Post Allotment Funding Matrix

CA Post Allotment Funding Matrix			
Is it Appropriate for MRV/DV/H&L Post Allotment?			
<i>CA Post Allotment Funds (MRV, DV, and H&L funds) are not intended to supplant or replace Post's Diplomatic and Consular Program (D&CP) funds. Management Analysts must first evaluate all requests.</i>			
Keep in mind the Congressional Intent for the three pots of funds available through CA Post Allotments... MRV - Expenditures must be related to the enhancement of U.S. border security (The visa and passport adjudication processes enhance border security.) DV - Expenditures must be related to the processing of Diversity Visas H&L - Expenditures must be related to fraud prevention programs at posts which process significant numbers of H or L visas.			
Item	May be funded through CA Post Allotments <small>(MRV, DV or H&L as appropriate)</small>	Not funded through CA Post Allotments	Funded on a case-by case basis if CA funds remain at the end of the year
Object Class 1100/1200 - Salaries and Benefits			
Consular Officer Positions		X*	
Permanent LES Positions in consular sections		X	
Temporary (seasonal or short-term) LES Positions in consular sections	X		
LES Positions in consular sections to provide IT support <small>(Note: A handful of such positions do currently receive MRV. These positions should be seen as exceptions and not precedents, and continue to receive funding only as long as the current incumbent is in place.)</small>		X*	
LES DS guard positions for waiting room security		X*	
Professional Adjudication Specialists <small>(Note: this is a pilot program currently established by CA in just a few posts.)</small>	X		
Consular Associates	X		
EFM Consular Assistants	X		
Awards for Consular Section staff		X	
Overtime			
Consular Overtime for untenured ELOs		X*	
Overtime for LES, EFM, PSAs	X		
Overtime or systems support staff, guards and other non-consular support staff for after-hours operations.		X*	
Peak Season Staffing			
Temporary LES for peak season	X		
Student "Summer Hires" or "Interns" in consular section		X	
Object Class 2100 - Travel			
In-country travel for country consular coordinator or regional fraud coordinator	X		
Routine in-country travel by consular officers and LES (includes travel to conduct training for host-country officials, outreach, and ACS visits)		X	
Routine in-country travel by consular officers and LES to conduct fraud investigation <small>(Note: This is approved only in exceptional cases at posts with significant fraud portfolios and a history of CA funding for this purpose.)</small>			X
Post language programs		X	
Cons Associates attending ConGen		X	
Professional Adjudication Specialists attending ConGen		X	
Regional Consular Officer travel	X		
Training			
Post sponsored conferences (Other than those offered by FSI/SPAS/CONS)			X*
FSI/SPAS/CONS sponsored conferences		X*	
RCO-sponsored Conferences		X*	
Non-consular conferences hosted by FSI or Regional Program Offices		X	
Conferences/training offered by outside vendors			X
Consular Agency travel	X		
Officers/LES to nearby posts for training			X
TDY			
TDY support to other posts		X	
TDY support for consistent posts		X	
Object Class 2200 - Transportation of Things (Postage / Shipping / Pouch)			
Routine in-country transfer of items		X	
Special CA Projects (outreach materials, etc.)			X
Shipment of files to KCC		X	
Shipment of diplomatic passport applications to SIA	X		
Object Class 2300 - Telephone Services			
All telephone and fax charges, equipment, etc. for a consular section		X	
Cell phone, internet connections for a Consular Agency	X		
Telephone bill, electric bill, etc for a Consular Agency		X	
Internet service for workstations in consular waiting room		X	
Object Class 2400 - Printing			
Visa Application Forms		X	
Passport Application Forms			X
Consular Instruction/Information Sheets, Refusal Letters, Etc			X

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Item	May be funded through CA Post Allotments (MRV, DV or H&L as appropriate)	Not funded through CA Post Allotments	Funded on a case-by case basis if CA funds remain at the end of the year
Brochures, flyers, outreach materials	X		
Object Class 2500 - Other (Contractual) Services			
Off-site MRV Fee Collection	X		
Armored car services	X		
Queueing system maintenance			X
Development of videos or outreach materials for play in the waiting room or distribution to outreach audiences			X
Warden system message dissemination systems(text message broadcasts, etc.)		X	
Advertising (new procedures, outreach, etc.)	X		
Object Class 2600 - Supplies			
Office supplies (routine supplies - pens, copier paper, etc.)		X	
Cleaning supplies needed for fingerprint scanners	X		
Silicon cover sheets for 10-print scanner platens			X
Ink cartridges/receipt tape rolls for consular printers	X		
ACRS thermal receipt tape rolls	X		
Queueing system supplies -- rolls of number tape, etc			X
Object Class 3100 - Equipment			
Basic office equipment (document printers, shredders, copiers, etc.)		X	
IT equipment not provided by CA/CST per SOP 29(oversized monitors, ergonomic keyboards, particular use software/hardware, or extra equipment beyond what is provided in the IRF inventory... i.e., we want a barcode scanner on every desk, etc.)			X
Anti-Fraud equipment (loups, blacklights, etc.)	Y		
Currency counter/counterfeit detector		X	
Office equipment for a Consular Agency			X
Software licenses		X	
Fob for Consular Agent	X		
Fob for Consular Chief		X*	
Facilities - Consular Section Construction & Renovation			
Construction of new facilities		X	
Renovation of existing facilities		X	
Soundproofing for windows/waiting rooms (non-fixed or non-permanent installations)			X
Furnishings			
As part of new facilities		X	
For existing facilities and renovations			X
Signage / Queueing			
New Embassy or Consulate Renovation		X	
Existing Consular Facility (not part of renovation)		X	
Electronic signage (scrolling announcement screens, touch-screen info systems, etc.)		X	
TVs for waiting rooms			X
Queueing systems (new or renovated facility)		X	
Queueing systems (existing facilities)			X
Queueing system maintenance			X
Queueing system supplies			X
Microphone & PA Systems			
Microphone systems for new facilities or major renovations		X	
Microphone systems for existing facilities			X
Security Screening			
Security screening equipment (hand-held or walk-through metal detectors, suspicious substance wipes/analyzers)		X*	
Consular Agents			
Consular Agent salaries & benefits	X		
Consular Agency LES		X	
Consular Agency staff to conferences at FSI		X*	
Consular Agent attendance at ConGen (travel and per diem)		X	
Consular Agency staff to supervisory post for "in-service" training			X
Consular Agent toolkit (fax, copier, internet connection, etc.)	X		
Fobs for Consular Agents	X		
Consular Agency rent		X	
Consular Agency utilities/Furniture		X	
Consular Agent Security Guards		X*	

(The * indicates that CA funds do support this item but through consular fees provided to the appropriate regional or functional bureau. Consular chiefs should not request these funds directly from CA in the MRV, DV, or H&L data calls.)



United States Department of State

Assistant Secretary of State
for Consular Affairs

Washington, D.C. 20520

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July 24, 2012

MEMORANDUM

TO: OIG – Harold W. Geisel

FROM: CA – Janice L. Jacobs

SUBJECT: Revised Draft Report on *Audit of Department of State Use of Consular Fees Collected in Support of the Border Security Program*

Thank you for the opportunity to respond to the revised draft report on the *Audit of Department of State Use of Consular Fees Collected in Support of the Border Security Program*. The Bureau of Consular Affairs has provided comments below to the six recommendations for which CA is the action entity.

Recommendation 1: OIG recommends that the Bureau of Consular Affairs (CA) formalize its authority over the Border Security Program by modifying the Foreign Affairs Manual (1 FAM 250) to recognize CA's role as the overall program management office for the Border Security Program.

CA agrees with this recommendation and believes formalizing CA's authority as the overall program management office for the Border Security Program will increase the transparency of the use of consular fees in accordance with Department guidelines and mission priorities. CA is in the process of revising 1 FAM 250 to outline CA's authority and anticipates submitting all proposed revisions for the appropriate clearances by mid-August. CA has received initial clearance from the Office of the Legal Adviser (L/M, L/LFA, and L/CA) to add the following language to the Assistant Secretary's responsibilities in 1 FAM 251.1, under a new subsection:

(f) Oversees the Department's use of fee revenue collected for consular services (i.e., passport and visa services and provision of consular services) and retained by the Department and the allocation of consular fees to other Bureaus. Establishes and oversees implementation of policies and procedures to ensure that consular fees, including consular fees allocated to

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other Bureaus, are used for authorized purposes in accordance with applicable law and regulation.

Recommendation 2: OIG recommends that the Bureau of Consular Affairs develop clear roles and responsibilities for all parties involved in the Border Security Program and codify this information in the Foreign Affairs Manual.

CA agrees with this recommendation. CA plans to formalize the roles and responsibilities for all parties involved in the Border Security Program by developing Service Level Agreements (SLAs) with Department Bureaus that receive consular fee funding. These SLAs will define clear expectations between CA and the relevant Bureau. CA anticipates developing and implementing SLAs by the start of FY 2013 with the following Department of State Bureaus: Administration (A), Diplomatic Security (DS), the Foreign Service Institute (FSI), Information Resource Management (IRM), the Office of the Legal Adviser (L), and Overseas Building Operations (OBO). CA will work with the Office of Directives Management (A/GIS/DIR) to codify the SLA procedure in the relevant section of the Foreign Affairs Manual.

Recommendation 3: OIG recommends that the Bureau of Consular Affairs develop processes to prioritize Border Security Program funding requests and oversee the allocation of funding for prioritized projects of the Border Security Program.

CA agrees with this recommendation and has made several adjustments since FY 2010 (the scope of the OIG audit) as to how the Bureau manages its resources. In FY 2011, CA revamped the budget formulation process to include a robust analytical review conducted by the Comptroller's Office, in order to promote greater accountability and transparency. Under the new process, partner bureaus and CA directorates are required to submit detailed budget justifications and participate in formal hearings, and CA approves funding requests based on the resulting analysis. CA plans to utilize the new Bureau SLAs to further guide and formalize the process for prioritizing Border Security Program funding requests.

Recommendation 4: OIG recommends that the Bureau of Consular Affairs develop comprehensive performance goals and indicators for the Border Security Program and a process to measure the program's accomplishments.

CA agrees with this recommendation. Since FY 2010, CA has pursued a more comprehensive strategic planning process in order to develop an integrated

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CA-wide plan. The Bureau also has taken an active role in the new strategic planning and performance management processes developed under the Quadrennial Diplomacy and Development Review (QDDR) implementation, including volunteering as a pilot bureau for the new multi-year strategic planning requirements. CA will continue to work on these initiatives and expand to the Border Security Program.

Recommendation 6: OIG recommends that the Bureau of Consular Affairs develop Department-wide guidance on the use of border security-related funds and disseminate the guidance to all bureaus and posts that receive border security funds.

CA agrees with this recommendation. The new SLAs will include guidance on the development of budget requests for of Border Security Program funds by partner bureaus. In addition, CA is in the process of significantly revising the post allotment process, including updating the CA Post Allotment Funding Matrix to ensure continuity, transparency, and conformity to standard operating procedures. To maintain consistency with systems currently utilized by overseas posts and Washington, CA is committed to using Department IT tools such as the Resource Allocation and Budget Integration Tool (WebRABIT) and the Consolidated Overseas Accountability Support Toolbox (COAST).

Recommendation 7: OIG recommends that the Bureau of Consular Affairs develop and implement a comprehensive monitoring process, to include periodic reviews of expenditures, for the Border Security Program that will ensure that border security funds are used in accordance with guidelines.

CA agrees with this recommendation and has recently created a bureau-wide internal review program, which focuses on financial management and contract administration oversight within the Bureau. As this review program is expanded, CA plans to evaluate whether overseas posts are spending post-allocated Border Security Program funds in accordance with Department guidelines. In order to initiate a regular monitoring process of the use of consular funds by partner bureaus, CA plans to add a review section to the Bureau Service Level Agreements. The agreements will indicate how often the reviews will occur, likely quarterly.

In addition to our comments to the above recommendations, we suggest the following revisions to the draft OIG report:

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- Page five of the report says the Office of the Comptroller was created in 2009 which is when staff began working in the new office. As written, the draft presents an inaccurate impression that the office was unstaffed for two years. For clarity, we suggest the following edit to the last sentence of the first bullet: The Office of the Comptroller is responsible for leading “all strategic activities related to contracting, budgeting, accounting, resource management, and outreach related to resources.”
- On page six, under the **Regional Bureaus and Posts** heading, we recommend adding a sentence indicating these were the responsibilities in FY 2010.
- On page 11 (last paragraph), we recommend clarifying that CA obtains requests for *overseas* Border Security Program funding from posts using the Web-based Consular Affairs Post Allotment System.
- On pages 16, 21, 22, and 26, the allowable fee usage for the Passport Security Surcharge is listed as “secure mail and postage.” This language was mistakenly written as such on the Consular Affairs Revenue Authorities Guidelines. The Passport Security Surcharge legislation authorizes the Department to charge surcharges for consular services in support of enhanced border security, and the surcharge includes such components as facial recognition for book and card applications, enhanced fraud prevention programs, and enhanced security features on cards. Therefore, the language for the authorized fee usage should read “secure mail and to enhance the security of passport books and cards.”

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Appendix D



United States Department of State

Washington, D.C. 20520

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(UNCLASSIFIED when separated from attachment)

**INFORMATION MEMO TO DEPUTY INSPECTOR GENERAL
HAROLD W. GEISEL**

FROM: DS – Eric J. Boswell

A handwritten signature in black ink, appearing to be 'EB' with a flourish.

SUBJECT: Draft Report Response – Audit of Department of State Use of
Consular Fees Collected in Support of the Border Security Program,
AUD/FM-12-XX, May 2012

Attached is the Bureau of Diplomatic Security's response to
Recommendation 5 of the subject draft report.

Attachment:

As stated.

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**Audit of Department of State Use of Consular
Fees Collected in Support of the Border Security Program
(AUD/FM-12-XX, May 2012)**

(U) **Recommendation 5:** OIG recommends that the Bureau of Diplomatic Security refund the \$2.1 million erroneously charged to the Border Security Program fund from the Worldwide Security Protection fund.

(U) **DS Response (06/01/2012):** DS concurs with this recommendation. During an Office of the Inspector General (OIG) audit of the Department of State's use of consular fees collected in support of the Border Security Program, auditors noticed that six Inter-Con invoices were erroneously charged against the Machine Readable Visa (MRV) account. However, after further research by the Bureau of Diplomatic Security's Chief Financial Officer (DS/EX/CFO) and Domestic Operations (DS/DO), it was discovered that a total of 67 FY 2010 invoices were erroneously charged against the Worldwide Security Protection (WSP) account. This error occurred when the previous contracting officer's representative transposed the award lines for MRV and WSP from the contract. As a result, MRV actually owes WSP \$1,039,027 (see attached invoice summary).

(U) DS/EX/CFO has been in contact with the Global Financial Management System (GFMS) about correcting the payments and decided, in consultation with DS/DO, that a bulk reimbursement would be the best option. The reimbursement should occur by early July 2012. DS/DO has also discussed methods with the Office of Domestic Facilities Protection (DS/DO/DFP) to mitigate any further erroneously charged invoices.

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United States Department of State

Chief Financial Officer

Washington, D.C. 20520

JUN 14 2012

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MEMORANDUM

TO: OIG – Harold W. Geisel

FROM: RM/CFO – James L. Mille 

SUBJECT: Audit of Department of State Use of Consular Fees Collected in Support of the Border Security Program (AUD/FM-12-XX)

RM appreciates the opportunity to comment on the subject Audit Report dated May 2012. RM appreciates the incorporation of previous comments, but has concerns about several remaining assertions regarding RM's role; comments below.

Page 12, First paragraph, third sentence: “Although RM/BP did not have program management authority for the Border Security Program, it was responsible for allotting Border Security Program funds based on the funding requests developed by various bureaus. RM/BP, in consultation with CA, based the funding decisions on the requests for funding and on what had been allotted the previous year.”

Response: RM/BP requests that the final report rephrase the misleading statement cited above, which suggests that RM/BP lacked authority for executing BSP allotments during this period. Border Security Funds are a descriptive budgetary term for certain offsetting fee collections that are ordinarily credited to the Diplomatic and Consular Programs account. RM/BP exercised its allotment authority consistent with its responsibilities under 1 FAM 226. The report's interpretation of “program manager” responsibilities leads to an internal contradiction. The report contends that no State Department office had been formally designated as the “program manager,” as defined by the Program Management Institute. If the audit is suggesting that only such an office was authorized to allot funds, it would follow that no fee collections should have been allotted – irrespective of the Department's standing fiscal authorities.

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Page 13, Fourth paragraph: “There is little transparency into how funds being allotted by RM/BP to other bureaus are being used. Although CA had not been delegated the authority, it had begun to take a leadership role in developing budgets with other bureaus that receive funding from the Border Security Program and in improving transparency. In FY 2010, RM/BP worked with bureaus to develop border security-related budget requests. RM/BP would confer with CA officials about the budget requests received from other bureaus and ensure that CA agreed with the requests prior to finalizing the allotments.”

Response: Request the removal of the sentence “*There is little transparency into how funds being allotted by RM/BP to other bureaus are being used.*” This may have been intended to highlight concerns raised by CA regarding other bureaus’ use of MRV funds, but the wording is still objectionable. Such an assertion is not supported by the facts presented, and is beyond the stated scope of this report. The OIG team advised RM/BP that its allotment process was ‘out of scope’ for this report, and they therefore did not request further documentation of those allotments.

Page 13, Fifth paragraph, first sentence: “In FY 2011, CA revamped the budget review process by beginning to hold “hearings,” in which bureaus and CA offices met with CA’s Comptroller to justify the bureaus’ and CA’s border security-related budget requests.”

Response: Request clarifying language noting that BP was explicitly excluded from these budget hearings by CA, despite requests to attend by BP and some of the participating bureaus.

Page 14, Last paragraph: “Although the Department was obtaining sufficient funds from consular fee collections to cover most current funding requests, the Department did ask CA to use the border security funds to cover a number of additional costs. For instance, within the next 2 years, CA has been asked to fund the salaries of all consular staff at overseas posts using Border Security Program funds. In addition, CA has funded some limited requests from the Bureau of Overseas Buildings Operations for renovations to the consular sections in certain countries that have a high demand for visas. CA is concerned that these requests may expand until it is expected to fund all costs related to consular activities, even indirect costs for which the Department receives appropriated funds. Because CA is facing increasing demands on its resources and the Department cannot predict when the amount of funds from fee collections may decrease because of a drop in

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overseas demand for visas to travel to the United States, the Department needs to make long-term plans on how to prioritize border security-related needs. The budgetary environment should be seen as an opportunity for the Department to perform planning to maximize the impact of every dollar spent.”

Response: RM/BP recognizes that this paragraph is based on input from interviews, but notes that it provides a very incomplete picture of how BSP costs, revenue, and spending are inter-related. The “additional costs” cited are incurred on behalf of the Border Security Program by other Departmental bureaus and offices. CA took such costs into account when establishing consular fees rates for FY2012. Accordingly, the recoupment of such costs from current and future collections is consistent with standing Federal practice for achieving ‘full cost recovery’ from offsetting fee collections. RM/BP recognizes that fee revenues are subject to both annual increases and decreases, as determined by workload, but believes such variability is taken into consideration when calculating fee rates and projecting future spending.

Page 18, Second paragraph, beginning with the second sentence “Based on the number of fee-funded direct-hire American full-time-equivalent employees that perform consular work, both overseas and domestically, RM/BP calculated the total cost of payroll (which included salary and most benefits) using a derived median average earned rate along with a benefit computation for the population of CA full-time-equivalent employees. Once CA agreed to the amount, the funds were transferred quarterly from the Border Security Program to the centralized American salaries account. Although the money transferred to the salaries account was used to fund personnel costs, OIG could not ensure that all of the funds transferred to the central payroll fund were used for border security-related positions because the money was commingled with other payroll-related funds.”

Response: RM/BP disagrees with the reports characterization of current practice as “commingling,” and requests the removal of the “*commingling*” language throughout. RM’s current practice for ‘reimbursing’ fee collections into the central salaries account is fully consistent with accepted Federal practice for offsetting collections, as outlined in GAO Principles of Federal Appropriations Law (3rd ed., vol. 1). Retained consular fees are ordinarily credited to the Diplomatic and Consular Programs (D&CP) appropriation, which funds the salary and benefit costs for the large majority Department personnel, including all consular staff. As the OIG team advised RM that payroll practices and procedures were outside the scope of this report, the audit did not review this matter in sufficient detail to make

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such an assertion. Had the OIG requested, RM/BP would have provided further information on the methodology used to 'charge' consular salary costs to BSP offsetting collections, validating that all fee collection used to fund central salaries were associated with border security positions. Once such collections are credited to the central salary account within D&CP, it is reasonable and within accepted Federal practice to consolidate them with regular appropriations for disbursement via payroll.

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