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AND THE BROADCASTING BOARD OF GOVERNORS
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Inspection of the Bureau of Economic and Business Affairs

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PURPOSE, SCOPE, AND METHODOLOGY OF THE INSPECTION

This inspection was conducted in accordance with the Quality Standards for Inspection and Evaluation, as issued in 2012 by the Council of the Inspectors General on Integrity and Efficiency, and the Inspector's Handbook, as issued by the Office of Inspector General for the U.S. Department of State (Department) and the Broadcasting Board of Governors (BBG).

PURPOSE AND SCOPE

The Office of Inspections provides the Secretary of State, the Chairman of the BBG, and Congress with systematic and independent evaluations of the operations of the Department and the BBG. Inspections cover three broad areas, consistent with Section 209 of the Foreign Service Act of 1980:

- **Policy Implementation:** whether policy goals and objectives are being effectively achieved; whether U.S. interests are being accurately and effectively represented; and whether all elements of an office or mission are being adequately coordinated.
- **Resource Management:** whether resources are being used and managed with maximum efficiency, effectiveness, and economy and whether financial transactions and accounts are properly conducted, maintained, and reported.
- **Management Controls:** whether the administration of activities and operations meets the requirements of applicable laws and regulations; whether internal management controls have been instituted to ensure quality of performance and reduce the likelihood of mismanagement; whether instances of fraud, waste, or abuse exist; and whether adequate steps for detection, correction, and prevention have been taken.

METHODOLOGY

In conducting this inspection, the inspectors: reviewed pertinent records; as appropriate, circulated, reviewed, and compiled the results of survey instruments; conducted on-site interviews; and reviewed the substance of the report and its findings and recommendations with offices, individuals, organizations, and activities affected by this review.



United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

PREFACE

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

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

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

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

A handwritten signature in cursive script that reads "Robert B. Peterson".

Robert B. Peterson
Assistant Inspector General

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Key Judgments

- Individual offices in the Bureau of Economic and Business Affairs are functioning effectively, but the bureau lacks an overall strategic focus, partly the result of its disparate functions and partly because leadership in the immediate past was focused on activities not well coordinated outside the bureau.
- A proliferation of special Department of State offices with mandates that overlap with the bureau's responsibilities has led to occasional confusion and duplication.
- The Bureau of Economic and Business Affairs' structure and staffing reflect the missions and priorities of decades earlier. The bureau needs a thorough review of its structure and staffing in order to redeploy resources to new priorities such as commercial diplomacy.
- The bureau's principal deputy assistant secretary should concentrate on serving as the Assistant Secretary's alter ego and overseeing bureauwide functions but should not also oversee a major policy portfolio.
- The Office of Commercial and Business Affairs requires additional staffing to carry out its responsibilities, and the special coordinator position should be upgraded to a deputy assistant secretary.
- The bureau's effectiveness on trade and trade policy requires stronger leadership at the senior level.
- The Department of State's Economic Statecraft Initiative is a welcome effort to give greater focus and high-level attention to the economic function. Implementation has imposed burdens on the Bureau of Economic and Business Affairs and has led to problems in some cases with other agencies.
- The bureau's work on the U.S.-North Africa Partnership for Economic Opportunity program over the last 3 years has consumed resources while yielding meager results and causing friction with the regional bureau and embassies.
- Resource management and management controls are generally effective. Creation of the Bureau of Energy Resources created new workloads and challenges, but the shared executive office has responded well. The budget function requires additional staffing.

All findings and recommendations in this report are based on conditions observed during the on-site review and the standards and policies then in effect. The report does not comment at length on areas in which the OIG team did not identify problems that need to be corrected.

The inspection took place in Washington, DC, between September 30 and November 15, 2013. The inspection was suspended October 1-15 due to the lapse in appropriations. Ambassador James M. Derham (team leader), Terry A. Breese (deputy team leader), Richard Behrend, John Haynes, Jacqueline James, Richard Jones, Chris Mack, Keith McCormick, Kris McMinn, James Norton, and Seth Winnick conducted the inspection.

Context

The Bureau of Economic and Business Affairs (EB) has a broad mandate to formulate and implement international economic policies to advance U.S. interests. That mandate has been given renewed impetus under Secretaries Clinton and Kerry. The 2010 Quadrennial Diplomacy and Development Review (QDDR) required the Department of State (Department) to “elevate economic diplomacy as an essential element of U.S. foreign policy.” The EB Assistant Secretary was instructed to “provide sustained and focused engagement both across the interagency and globally on critical issues in which economics and diplomacy intersect.” The subsequent Economic Statecraft Initiative raised the profile of economic issues within the Department. At his confirmation hearing, Secretary Kerry stated that “more than ever foreign policy is economic policy.” Secretary Kerry has directed the Department to “double down” on economic statecraft and support for U.S. economic interests.

A long-established functional bureau, EB is staffed by approximately 200 employees, with Civil Service personnel accounting for slightly more than 50 percent of the total staff. EB has the Department’s lead role on traditional international economic matters, such as trade and finance, where the U.S. Trade Representative and the Department of the Treasury are the U.S. Government policy leads. EB offices covering trade and finance account for more than 40 percent of EB staffing. The bureau also has important lead negotiating and policy responsibilities for civil aviation and international communications. More recently, in response to the strategic focus outlined in the QDDR and the Economic Statecraft Initiative, the bureau expanded its work on sanctions and commercial diplomacy.

Adapting to the new priorities and activities, while continuing to carry out longstanding responsibilities, has been challenging for EB. Organizational changes in the Department have highlighted the importance of these new initiatives but have compromised EB’s role. These changes include the creation of a new Bureau of Energy Resources from what had been part of EB, as well as the creation of new offices reporting directly to the Secretary or Deputy Secretary, such as the Offices of the Chief Economist, the Coordinator for Cyber Issues, the Coordinator for Global Food Security, and the Coordinator for Sanctions Policy.

With a new assistant secretary expected to be confirmed and take over the leadership of the bureau in the coming months, this is an opportune moment to assess whether EB has the resources, leadership, and structure to carry out its traditional activities and also respond creatively and effectively to the new policy priorities.

Executive Direction

EB's organizational structure consists of five deputates, four headed by a deputy assistant secretary (DAS) and one led by the principal deputy assistant secretary (PDAS): International Communications and Information Policy (CIP), International Finance and Development (IFD), Counter Threat Finance and Sanctions (TFS), Trade Policy and Programs (TPP), and Transportation Affairs (TRA). In addition there are three stand-alone offices: Commercial and Business Affairs (CBA), Economic Policy Analysis and Public Diplomacy (EPPD), and Executive Director (EX). At the time of the inspection, the Assistant Secretary, the PDAS and two other DASes were acting.

EB has a talented staff and effectively carries out its traditional responsibilities. The Department and the interagency community recognize EB's expertise on a wide range of international economic policy issues. Despite having to cope with many recent leadership shifts and changes in substantive responsibilities, the bureau's morale is good and employees give office leadership generally solid marks in surveys.

The bureau's structure and allocation of resources have not been static over time, but very much resemble those of the EB of past decades. Although EB's responsibilities and priorities have changed, it is not clear that EB as an organization has kept pace with these changes.

Front Office Structure

At the time of the inspection, EB was clearly in a transition mode. The previous Assistant Secretary, who had served for almost 4 years, departed as the inspection was beginning. A long-time bureau civil servant, generally well regarded within the bureau and the Department, was acting Assistant Secretary. He was joined in the front office suite by an acting PDAS.

EB front office staffing currently reflects the uncertain status of a bureau undergoing a front office transition. Two of the three senior advisors are not involved in the day-to-day work of the front office. There is no permanent executive assistant. The acting executive assistant continues to spend a significant amount of his time on responsibilities from his office in IFD. He is also not senior enough to be the mentor or rating officer for the front office Foreign Service staff assistants. The Foreign Service office management specialist assigned to the former Assistant Secretary remains in the front office but without any real job responsibilities. The acting Assistant Secretary and the acting PDAS have their own office support professionals. In addition, a Civil Service staff assistant, a program specialist, and a special assistant (brought from the Office of Bilateral Trade Affairs) work in the front office. One of the first priorities for the new Assistant Secretary should be to rationalize what has become a byzantine and inefficient front office structure.

Recommendation 1: The Bureau of Economic and Business Affairs should develop and implement a front office staffing plan that eliminates redundant or excess staffing. (Action: EB)

Having the bureau's PDAS responsible for managing a large depute in addition to his or her bureauwide responsibilities does not work well. The burdens of overseeing EX and EPPD, serving as the second ranking officer, acting as the Assistant Secretary's alter ego, and running a

full deputation almost inevitably result in insufficient attention to one or more of these important responsibilities. Previous PDASes had responsibility for TPP or IFD. However, those are large deputates and their portfolios require a full-time DAS to represent the bureau inside the Department, in the interagency process, and internationally. The 2004 OIG inspection of EB¹ recommended that the PDAS portfolio be limited to those offices that have bureauwide scope (currently EX and EPPD). This arrangement will require an additional DAS position in EB.

Recommendation 2: The Bureau of Economic and Business Affairs should structure the principal deputy assistant secretary portfolio to encompass serving as the alter ego to the Assistant Secretary, managing the bureau, and exercising direct supervisory responsibilities only for those units that have bureauwide scope. (Action: EB)

Bureau Organization

Inspectors often heard that EB's structure has not changed in decades and that the allocation of bureau resources, especially in the trade and finance areas, is anachronistic and does not reflect new priorities. As partial confirmation, the outgoing Assistant Secretary shared with inspectors his frustration at not being able to have EB staff in the trade area work on projects that he considered of higher priority.

While the structure of EB has evolved over time (and there have been dramatic organizational changes, such as the removal of energy responsibilities from EB in 2011), there is a mismatch between how resources are currently allocated in EB and Department priorities, especially as identified in the Economic Statecraft Initiative. In particular, the two largest deputates, TPP and IFD, are generously staffed for their current workloads. However, newer areas of priority work, including business and export promotion, and economic analysis, lack sufficient staff. The offices responsible for those areas have resorted to various types of nonpermanent staff to meet their needs, and specific issues were moved to unrelated offices because those offices had sufficient staff to handle the work.

The bureau's new leadership will be best placed to decide the final shape of the bureau, of course, but the OIG team believes that a reorganization of EB would most appropriately:

- Upgrade the position of the special representative, CBA, to a DAS, heading a new deputation that would unite all of EB's functions that directly support exports, job creation, and American business overseas.
- Strengthen CBA with the staff necessary to carry out adequately its export, investment promotion, and entrepreneurship responsibilities.
Merge the two offices in TRA and move the resulting office into another deputation.
- Move the Office of Intellectual Property Enforcement into the new deputation described above.

The OIG team concluded that this reorganization can be accomplished without a net increase in EB positions, by shifting positions from overstaffed offices and reallocating excess positions to higher priorities.

¹ *Inspection of the Bureau of Economic and Business Affairs*, Report No. ISP-I-04-06, January 2004.

A reorganization of EB as suggested above would result in five deputates and two separate offices as opposed to the current five deputates and three offices. The deputates would be in better balance: the largest (TPP) would go from four offices to three and the smallest (TRA) would be incorporated into a larger deputate.

Recommendation 3: The Bureau of Economic and Business Affairs should develop a reorganization plan for review and implementation by the incoming Assistant Secretary that strengthens commercial diplomacy and entrepreneurship work, streamlines bureau operations, and rationalizes bureau resources. (Action: EB)

Bureau Communication

A perennial challenge for EB has been to combat stovepiping. EB's functions are wide ranging, disparate, and often technical. There is often little appreciation across EB for what the various offices are doing and how they relate to each other.

There is no total solution for EB stovepiping, and there is no need for one. The overlap between satellite spectrum issues and maritime policy, for example, is understandably limited. The weekly all hands meeting offers a way to mitigate this problem, by providing opportunities for offices to brief their bureau colleagues. This is a useful practice. The "all hands" title, however, is a misnomer. The meeting is more a directors and deputy directors meeting, with readouts provided on an ad hoc basis by the various offices. The readout process could be more inclusive.

Informal Recommendation 1: The Bureau of Economic and Business Affairs should designate a bureau officer for the weekly all hands meeting to take notes and circulate the summary to the entire bureau.

EB's senior leadership is a talented group of Foreign Service, Civil Service, and noncareer senior officials. Their interaction as a group however is limited to the twice-weekly DAS meetings and the Wednesday all hands meeting. In addition, the DAS offices are located with their respective offices, not in the front office suite with the Assistant Secretary. This facilitates information flow within each deputate, but does not foster Assistant Secretary/DAS contact. More interchanges would be productive—for example, a brief daily meeting at the end of the business day.

Informal Recommendation 2: The Bureau of Economic and Business Affairs should develop means to foster better communication with and among the deputy assistant secretaries.

EB has made coordination and communication with the regional bureaus an explicit bureau objective, through the designation of points of contact for each of the regional bureaus. This system has worked well and has facilitated communications between the regional bureaus and EB. Over time, this arrangement has become more elaborate, with the designation of a DAS or DAS-equivalent and an office director to work with each point of contact.

Economic Statecraft

The Economic Statecraft Initiative, announced by Secretary Clinton in 2011 and implemented under the direction of Deputy Secretary for Management and Resources Nides, has changed the way the Department, EB, and embassies conceptualize and carry out economic work. All indications are that this new emphasis on the Department's "economic game" will be continued and possibly broadened under Secretary Kerry. He has established a new office that will report directly to him and will provide strategic direction on economic statecraft.

Economic statecraft has been positive for EB. The aim is to have a genuine whole-of-government approach to advancing economic and commercial issues. By validating and focusing the Department's attention on economic work, economic statecraft has bolstered EB morale, given impetus and direction to commercial diplomacy and business outreach, and led to innovative policy initiatives. The outgoing Assistant Secretary promoted projects that sought to mobilize the private sector in support of strategic foreign policy objectives.

There have been confusing aspects of economic statecraft for EB and economic officers, however. The core message of economic statecraft—economic issues should be at the center of U.S. foreign policy—is not a revelation and has always been a tenet of the bureau. That message seems better directed to bureaus outside EB, in particular the regional bureaus and embassy front offices.

In evaluating the implementation of economic statecraft, Department leadership has correctly insisted that there be objective measurements. However, establishing and monitoring metrics to evaluate economic statecraft has proven difficult to do in a useful way. The effort to devise metrics, particularly for the commercial diplomacy component, has been hampered by conceptual problems (e.g., processes vs. outcomes), potential double counting, and interagency friction, which have distracted from the real work of the initiative.

EB and Overseas Missions

OIG conducted a field survey of economic or combined political-economic sections at overseas missions regarding the quality of Department guidance and support on economic issues and programs. Missions rated support as "good" (3 on a scale of 5). There was a noticeable divergence between responses from more senior section chiefs at larger missions and more junior officers responsible for economic issues at smaller posts. The more experienced officers consistently rated Department support higher than their more junior counterparts and commented more favorably on EB. Comments from smaller posts and less experienced officers revealed less understanding of Department economic priorities and how to obtain support or guidance from the Department.

Informal Recommendation 3: The Bureau of Economic and Business Affairs should coordinate with the Foreign Service Institute and the six regional bureaus to strengthen training and develop standard operating procedures for consultations, for entry-level and mid-level officers preparing for a first economic assignment overseas.

EB and the Economic Career Field

EB is considered the home bureau for economic officers and would be expected to be closely involved in economic officer career development, including in assignments and training. With the creation of the Bureau of Energy Resources, career development is now more of a shared responsibility. The Under Secretary for Economic Growth, Energy, and the Environment obviously also has a role in supporting the economic cone.

Ten years ago, Foreign Service/Civil Service staffing in EB was approximately equal. The latest figures from the Director General of the Bureau of Human Resources show that 44 percent of EB positions are Foreign Service. In FY 2013, there were 85 Foreign Service positions in the bureau; in FY 2004, there had been 103. This means there are fewer EB opportunities for Foreign Service economic officers to develop the interagency and policy coordination skills needed for the Department to exercise its role in international economic policy. EB's Civil Service and Foreign Service grade structure appears similar to that of comparable functional bureaus.

The 2012 inspection of the Foreign Service Institute identified a need for more systematic coordination of economic training between the Foreign Service Institute's economic professional staff and EB. A broader consideration of economic training requirements, informed by policy priorities: what works, what is missing, what to eliminate, or revise would enhance training of economic officers. EPPD is the office best situated in EB to do this.

Informal Recommendation 4: The Bureau of Economic and Business Affairs should designate an officer familiar with economic policy priorities as an ongoing liaison with the Foreign Service Institute on professional economic training.

U.S.-North Africa Partnership for Economic Opportunity

In 2010, EB launched the U.S.-North Africa Partnership for Economic Opportunity. EB provided a grant of \$297,000 to the Aspen Institute to develop the program, including creation of local boards in Algeria, Libya, Morocco, and Tunisia. In response to the Arab Spring, EB broadened its concept and sought to make the program an umbrella for U.S. economic engagement across the region. This effort was poorly coordinated with the Bureau of Near Eastern Affairs and with embassies in the region. In 2012, the Deputy Secretary directed a merger of EB's program with "Partners for a New Beginning," which advances economic opportunities with global leaders and is also carried out by the Aspen Institute. The Deputy Secretary assigned responsibility for the merged program to the Secretary's Special Representative for Global Partnerships, who in turn signed a memorandum of understanding with the Aspen Institute that formalized responsibilities.

EB continues to dedicate one position full time to the U.S.-North Africa Partnership for Economic Opportunity (currently a front office senior advisor) and conducts some activities. EB was not able to produce a consolidated list of all of the projects, grants, and contracts that EB classified under this partnership. EB directly administered four of these activities, totaling \$733,000, and also provided approximately \$100,000 annually in public diplomacy funds for speakers at partnership events. One grant for \$198,000 went to the Atlantic Council to develop a

sophisticated Web site for the partnership. The Aspen Institute declined to adopt the Web site as developed by the Atlantic Council.

Over the last 3 years, the U.S.-North Africa Partnership for Economic Opportunity has been a source of friction within the Department and with embassies in the region, competing with higher priority regional programs, such as the Department's Middle East Partnership Initiative. The inspectors found no evidence of strong results or accomplishments from EB's work.

Recommendation 4: The Bureau of Economic and Business Affairs should not engage in any new activities or grants under the U.S.-North Africa Partnership for Economic Opportunity and should turn over to embassies and U.S. Agency for International Development missions in the region, and to the Global Partnership Initiative, any residual responsibility for liaison with the national boards. (Action: EB)

Policy and Program Implementation

Commercial and Business Affairs

Under the Economic Statecraft Initiative, commercial diplomacy and export promotion have taken on heightened importance for the Department. The Office of Commercial and Business Affairs (CBA), responsible for supporting American business interests abroad, has responded with a number of new and expanded initiatives. CBA also has been active in devising and implementing activities under the Global Entrepreneurship Program that aim to create entrepreneur-friendly environments in other countries.

Commercial Diplomacy

Commercial diplomacy is CBA's core mission, and the office has started a number of successful and promising programs. With Direct Line, embassy economic officers highlight potential opportunities in conference calls and Webinars with interested American businesses. CBA has initiated the Business Information Database System, a Web site listing foreign procurement opportunities. CBA also trained personnel at a number of embassies to provide commercial services, such as market research, and developed a Web-based training program.

CBA does not conduct the level of outreach needed to serve as the Department's focal point with the business community.² CBA employees interact with industry counterparts (including individual businesses, industry associations, and chambers) typically dealing with a specific project, event, or problem. A more strategic engagement program would allow CBA to shape policy and programs in a much more informed manner. CBA recently added a commercial officer position with responsibility for business outreach but other responsibilities have left little time to conduct outreach.

Recommendation 5: The Bureau of Economic and Business Affairs should develop an outreach strategy to serve the U.S. business community more effectively and carry it out in concert with the Department of Commerce. (Action: EB)

The Department has increased efforts to support American business in countries without a Commercial Service presence. Under the Commercial Service-State Post Partnership Program, initiated in 2009, staff at participating embassies may provide branded Commercial Service products such as "Gold Key" services and market research identifying potential distributors for American companies. The 2011 Commercial Service-CBA Memorandum of Understanding governing this program states that at least once a year the Commercial Service and CBA will develop a plan with performance goals for each participating embassy. It also states that the goals will be incorporated into each embassy's Mission Resource Request and specific responsibilities added to individuals' work requirements. EB has not established performance goals for each embassy and has not regularly reviewed goals and results. Only 40 percent of

² Guidance in 1 FAM 427 (1) states that CBA serves as the focal point for the Department's outreach to the U.S. business community and has primary responsibility in the Department for developing, analyzing, and coordinating efforts to vigorously support and facilitate U.S. business interests abroad.

participating embassies' Mission Resource Requests contained performance goals related to these responsibilities.

Recommendation 6: The Bureau of Economic and Business Affairs should implement a standard operating procedure that improves oversight of the Commercial Service-State Post Partnership Program. (Action: EB)

There is confusion about the level of support regional Commercial Service officials should provide to partnership posts. Both the Commercial Service and CBA stated that the level of cooperation is dependent on the individuals involved. Outlining Department performance goals as recommended above and clarifying the level of support expected from Commercial Service officers will make the success of the partnerships less dependent on individuals.

Recommendation 7: The Bureau of Economic and Business Affairs should work with the Commercial Service to establish specific support standards expected of the appropriate Commercial Service representatives. (Action: EB)

Procurement opportunities listed on CBA's Business Information Database System Web site, BIDS.gov, have not been made widely available to the business community. BIDS.gov does not link to the Department of Commerce's Web site, Export.gov, which businesses use to find export opportunities. BIDS.gov also does not feed into the Small Business Administration's Web site; that site directs small businesses to Export.gov. Additionally, BIDS.gov does not feed into Business.usa.gov, a new Web site designed as a one-stop platform to provide small businesses and exporters the information they need, regardless of which agency produced the information. Finally, industry codes used within CBA's system are not consistent with codes used in either Export.gov or Business.usa.gov. To avoid duplication and inefficient spending, efforts by all agencies need to be coordinated.

Informal Recommendation 5: The Bureau of Economic and Business Affairs should work with the Department of Commerce and the Small Business Administration to develop a coordinated way to make information about overseas procurement opportunities available to American businesses.

National Export Initiative Metrics

The National Export Initiative and economic statecraft reporting requirements have been burdensome and have strained working relationships in the field. The Department of Commerce and the Department are tasking embassies to produce overlapping statistics, including the number of business outreach activities and export successes, which have created more work for personnel in the field and fostered rivalry, not cooperation. Consolidating metrics would reduce missions' workload and apply a "whole of government approach" to the initiative.

Informal Recommendation 6: The Bureau of Economic and Business Affairs should work with the Department of Commerce and other agencies to design a single National Export Initiative report for embassies that incorporates mutually reinforcing reporting requirements.

Entrepreneurship Programs

EB has also recently taken on activities to support and empower entrepreneurs around the world as a driver of job growth, economic opportunity, political stability, and civil society. Although CBA initially funded some entrepreneurship programs, most activities are financed by the U.S. Agency for International Development, nongovernment organizations, corporations, foundations, educational institutions, or investors. CBA generally serves as an intermediary, facilitating nongovernmental partner programs.

CBA's entrepreneurship activities initially were strategically oriented, focusing on countries where job creation and economic growth were important for political stability. Today, those activities appear haphazard. CBA is currently supporting programs in Greece, Portugal, and Austria. Work has been driven by where partner organizations and other bureaus are running programs, with CBA staff inserting themselves into those existing programs.

Informal Recommendation 7: The Bureau of Economic and Business Affairs should work with other bureaus and the U.S. Agency for International Development in the Interagency Policy Committee to develop a strategic plan to orient the Department's entrepreneurship activities.

CBA has devoted more than a third of its staff and more than half of its travel funds to entrepreneurship activities, but that responsibility is not in CBA's mandate outlined in 1 Foreign Affairs Manual (FAM) 427, last updated in 2012. The office structure reflects this absence of a mandate. Currently, only one direct-hire CBA employee is devoted entirely to entrepreneurship programs. Three unpaid fellows are also dedicated to entrepreneurship programs, and five direct-hire employees have entrepreneurship activities as an ancillary duty. The temporary and ad hoc nature of this staffing impairs the continuity of these programs, distracts staff from higher priority commercial diplomacy portfolios, and calls into question EB's support for entrepreneurship activities.

Recommendation 8: The Bureau of Economic and Business Affairs should update its Foreign Affairs Manual section to reflect entrepreneurship responsibilities in the Office of Commercial and Business Affairs. (Action: EB)

Informal Recommendation 8: The Bureau of Economic and Business Affairs should clarify responsibilities in the Office of Commercial and Business Affairs and designate portfolios as handling either commercial diplomacy or entrepreneurship.

CBA's structure and staffing are not commensurate with its scope of responsibilities. CBA has 17 positions, including the special representative, her deputy, seven other permanent positions, a short-tour officer, three fellows, one student, and three interns. CBA is not fulfilling important parts of its mandate due to the lack of staffing.

Recommendation 9: The Bureau of Economic and Business Affairs, in coordination with the Bureau of Human Resources, should allocate additional permanent positions to the Office of Commercial and Business Affairs as part of its reorganization plan. (Action: EB, in coordination with DGHR)

Economic Policy Analysis and Public Diplomacy

The Office of Economic Policy Analysis and Public Diplomacy (EPPD) is a stand-alone office, reporting directly to the PDAS. It includes an economic policy analysis team headed by the office's deputy director, a public diplomacy team, and two positions handling corporate social responsibility that report to the director. The office is responsible for a wide variety of issues and there is a sense in EB, which EPPD resists, that it is the bureau's catchall office.

Public Diplomacy Team

The public diplomacy team has a core staff of four: a team leader, a senior media advisor, and two public affairs officers. The staff is professional and highly capable. A bunching of Foreign Service transfers and the departure of the one Civil Service employee to the National Defense University (and covered by an employee on a short tour) means that all four core positions are filled by newly-arrived officers. The lack of continuity is apparent but all of the officers are providing strong support to EB's offices.

The team has had a series of short-tour officers for a position covering EB's social media engagement. The function is important and would be more effective with a permanent position handling social media.

Informal Recommendation 9: The Bureau of Economic and Business Affairs, as part of its reorganization plan, should add a permanent position to the public diplomacy team to carry out social media efforts.

Press Clips

The public diplomacy team oversees a contractor who prepares press clips and media analysis for both EB and the Bureau of Energy Resources. The product is well produced and both bureaus value it. The contract cost EB \$51,000 in FY 2013. At the same time, EB continues to fund subscriptions to several newspapers for DASes and individual offices, typically including the *Wall Street Journal* and *Financial Times*. Inspectors observed these newspapers lying unread late in the afternoon. Paper subscriptions to publications covered by the press clips contractor through EB's online subscriptions are an expensive duplication. In FY 2013 EB spent almost \$15,000 on paper subscriptions.

Recommendation 10: The Bureau of Economic and Business Affairs should review its paper subscriptions and eliminate those adequately covered by the press clips contractor. (Action: EB)

Econ@State

The econ@State portal is a successful response to the Economic Statecraft Initiative recommendation for an online internal site for economic officers and public diplomacy officers overseas. All three bureaus under the Under Secretary for Economic Growth, Energy, and Environment are part of econ@State. Early in 2013, EB filled a new permanent position of portal content manager for econ@State. This has transformed the site, making it more functional and valuable. The field survey of overseas economic sections showed that 65 percent of respondents rated econ@State as valuable or very valuable. The other 35 percent responded that they had not

used it. EB has already taken steps to increase awareness of econ@State, such as linking the National Export Initiative reporting template through the site.

Economic Policy Analysis Team

The economic policy analysis team's small staff of three Foreign Services officers handles EB's strategic planning function; serves as the desk for the U.S. Mission to the Organization for Economic Cooperation and Development in Paris; supports economic statecraft; and carries out other miscellaneous duties.

Despite the wide range of its duties, the policy analysis team is functioning well. It gets a great deal of the director's attention, particularly since it took on responsibility for supporting economic statecraft. That attention and the director's energy have helped give the unit greater clarity and focus. The desk for the U.S. Mission to the Organization for Economic Cooperation and Development is providing strong support to the mission, including for the confirmation of the new ambassador. Regular video conference calls with the mission are useful. The desk also holds monthly meetings with officials from a wide range of agencies responsible for some aspect of U.S. engagement in the Organization for Economic Cooperation and Development.

Corporate Social Responsibility

EPPD has two Civil Service employees handling corporate social responsibility issues. They do not form a designated team, but the senior position is the de facto supervisor of the second position and reports directly to the office director. The senior position is also coordinator of a Department working group on corporate social responsibility and serves as the U.S. National Contact Point required under the Organization for Economic Cooperation and Development's "Guidelines for Multinational Enterprises." The National Contact Point is responsible for dealing with complaints against U.S.-based multinational corporations relating to the guidelines.

The National Contact Point position is outside EPPD's team structure partly due to concerns that its independence might appear compromised if it were part of the same organizational unit as the desk for the Organization for Economic Cooperation and Development, the organization responsible for the guidelines. The present arrangement only partly achieved that goal, since both the desk and the National Contact Point are in the same office. If the appearance of independence is an overriding concern, the National Contact Point could be moved out of EPPD entirely, perhaps outside of EB. The positions handling corporate social responsibility belong in the policy analysis team if they are to be in EPPD.

Recommendation 11: The Bureau of Economic and Business Affairs should integrate the two positions managing corporate social responsibility and the National Contact Point into the Office of Economic Policy Analysis and Public Diplomacy's policy analysis team with appropriate supervisory arrangements. (Action: EB)

The second corporate social responsibility position manages the Secretary's Award for Corporate Excellence and the Advisory Committee on International Economic Policy (ACIEP). The Secretary's Award for Corporate Excellence is awarded annually to one or more U.S. companies for their work overseas.

ACIEP is the Department's program, established under the Federal Advisory Committee Act, to obtain outside advice on international economic policy. There are about 50 members from business, labor, and civil society. The EB Assistant Secretary or other Department leaders nominated most current members, but some members nominated themselves and others came from outside suggestions. The ACIEP meets quarterly, with the EB Assistant Secretary normally leading the meeting. Under the just-departed Assistant Secretary, meetings were often briefing sessions with little interaction or feedback. EPPD staff reports that ACIEP members would like a more interactive structure for meetings.

Informal Recommendation 10: The Bureau of Economic and Business Affairs should review the membership and operation of the Advisory Committee on International Economic Policy and implement a plan to improve its value as a forum for obtaining private sector input on international economic policy.

Trade Policy and Programs

The Department does not lead trade negotiations or direct trade policy. However, it has a key and longstanding role in the interagency process representing American foreign policy and national security objectives. To be effective in this role, EB's senior leadership must engage actively on trade policy issues and line officers need to prioritize advancing foreign policy objectives.

The Office of Trade Policy and Programs (TPP) is the largest deputate in EB, with 49 positions in four offices. Three of the offices organize their portfolios regionally, leading to considerable overlap in geographic specialization on the various trade issues. In each office, the director is Foreign Service and the deputy director is Civil Service, or the reverse, an arrangement that appears effective. Relations among the staff are excellent and morale is high.

The Trade Policy Staff Committee is the first-line interagency trade policymaking body and is chaired by an assistant U.S. Trade Representative. The Department's representation has generally been at the director or deputy director level. In some cases, the Department brings a coordinated position to meetings, but the inspectors were told of cases in which regional bureaus and EB took contrary positions in the interagency forum. Raising the level of the Department's engagement by designating the TPP DAS as the Department's representative would strengthen the Department's influence in the interagency process and EB's lead role in the Department on trade policy.

Recommendation 12: The Bureau of Economic and Business Affairs should request that the Secretary or the Under Secretary for Economic Growth, Energy and Environment formally designate the deputy assistant secretary for Trade Policy and Programs as the Department of State's representative to the Trade Policy Staff Committee. (Action: EB)

U. S. Trade Representative Details

The Department assigns nine officers on 1-year details to the U.S. Trade Representative. Detail assignments are controlled by the Bureau of Human Resources. While the U.S. Trade Representative would reportedly like to keep most detailees for 2 years, no more than two of the nine are extended by the Department each year. The 1-year limit on details reduces the utility of

the details on both sides and requires detailees to seek onward assignments at the outset of their details. These details provide crucial staffing to the U.S. Trade Representative and an opportunity to build trade-negotiating expertise in Department. However, there appears to be little EB input in recruiting candidates or in managing onward assignments following these details, losing the opportunity to use these details more strategically.

Informal Recommendation 11: The Bureau of Economic and Business Affairs should work with the Bureau of Human Resources to lengthen most details to the U.S. Trade Representative to 2 years and encourage officers to bid on details from the bureau or to return to the bureau following details.

Officers in TPP have varying degrees of trade policy and negotiating experience, but few TPP staff members have received formal training in negotiation. Some incoming staff enrolled in Foreign Service Institute course PE222, *International Trade Agreement Monitoring and Implementation*. This training would be useful for staff who work directly on negotiations and serve on interagency negotiating teams.

Informal Recommendation 12: The Bureau of Economic and Business Affairs should require Trade Policy and Programs staff to attend Foreign Service Institute courses PP501, *International Negotiation: Arts and Skills*, and PP515, *Advanced International Negotiations*.

Office of Bilateral Trade Affairs

Two positions in the Office of Bilateral Trade Affairs were vacant at the time of the inspection. The designated deputy office director, who was acting office director at the time of the inspection, is responsible for management and oversight functions and does not have an individual portfolio. The office appeared to be adequately staffed despite the two vacancies and the deputy serving as acting director. The two vacant positions could be better used on other priority areas.

Recommendation 13: The Bureau of Economic and Business Affairs, in coordination with the Bureau of Human Resources, should reprogram at least two position from the Office of Bilateral Trade Affairs to higher priorities. (Action: EB, in coordination with DGHR)

Office of Multilateral Trade Affairs

Foreign Service officers in the Multilateral Trade Affairs office face challenges identifying their role in negotiations. The office divides its portfolios functionally, based on the specific “chapters” in trade agreements and their enforcement mechanisms. The civil servants bring expertise in trade policy on par with the U.S. Trade Representative negotiators, but the Foreign Service line officers face a steep learning curve on technical trade issues. They need to bring the foreign policy component to the negotiation process but not attempt to compete with other agencies’ negotiators or simply serve as note takers and observers. These officers appear to be underused especially when the office is at full staff.

Recommendation 14: The Bureau of Economic and Business Affairs, in coordination with the Bureau of Human Resources, should reprogram one Foreign Service position from the Office of Multilateral Trade Affairs to a higher priority. (Action: EB, in coordination with DGHR)

Office of Agriculture, Biotechnology and Textile Trade

The Office of Agriculture, Biotechnology, and Textile Trade is divided into two overlapping “divisions,” although neither division has been established in 1 FAM 420 or the bureau staffing pattern. The Agricultural Trade division is responsible for both agricultural trade issues and a number of development issues. The six permanent positions in the Agricultural Trade division are further subdivided into two groups for supervisory purposes. There is no reason to justify this division of management responsibility based on the staff members’ portfolios. Employee portfolios overlap between the two nominal division, creating confusion and duplication.

The Biotechnology division, with six permanent positions, oversees a \$500,000 biotech outreach fund, which pays for projects by embassies to promote biotechnology as well as outreach travel by the biotechnology coordinator and other Department staff. EB implemented procedural improvements recommended by the 2004 OIG inspection and is implementing recommendations made by a 2013 independent evaluation of the program. Administration of the Biotech Outreach Fund occupies at most one to two positions, which also support the biotech coordinator. One of the division’s six permanent positions has been on detail outside of EB since 2008. Two other positions focus on food security and agricultural development issues, overlapping with the sister division, the Global Food Security Coordinator, the U.S. Agency for International Development, and the Department of Agriculture.

Recommendation 15: The Bureau of Economic and Business Affairs should structure the Office of Agriculture, Biotechnology and Textile Trade Affairs in accordance with 1 Foreign Affairs Manual 014.7 to eliminate the two existing divisions, provide a clear chain of command, and align resources with priorities. (Action: EB)

Recommendation 16: The Bureau of Economic and Business Affairs, in coordination with the Bureau of Human Resources, should reprogram at least three positions from the office of Agriculture, Biotechnology, and Textile Trade Affairs to higher priorities. (Action: EB, in coordination with DGHR)

Office of International Intellectual Property Enforcement

The Office of International Intellectual Property Enforcement is loosely connected to the rest of TPP. It works primarily on combatting counterfeiting of products through international cooperation on intellectual property enforcement. Its key counterparts are the U.S. Patent and Trademark Office, the White House Intellectual Property Enforcement Coordinator, and the Department of Homeland Security-led National Intellectual Property Rights Coordination Center. Congress called for the establishment of a stand-alone office focused on enforcement in 2005. The office also retains trade responsibilities for working with the U.S. Trade Representative on issues related to the intellectual property rights related chapters of new and existing trade agreements.

The designated deputy director in the nine-person office focuses exclusively on management issues, but there is some overlap between portfolios, which include a mix of geographic and functional responsibilities. A U.S. Patent and Trademark Office GS-15 liaison officer has been attached to the office for the last 10 years. Her position in the EB chain of command and her responsibilities are unclear, especially regarding functions she performs on behalf of the Department versus those she performs on behalf of her parent agency. There is great value to EB in having a liaison relationship with the U.S. Patent and Trademark Office. However, the terms of reference need to be established clearly and the incumbent should not represent the Department either interagency or in international meetings. The utility of the relationship-building function of the liaison position would be enhanced by regular rotation.

Recommendation 17: The Bureau of Economic and Business Affairs should negotiate a memorandum of understanding with the U.S. Patent and Trademark Office defining the duties of the liaison position and providing a regular rotation of staff. (Action: EB)

The Office of International Intellectual Property Enforcement has shifted a considerable part of its focus to innovation, drawing an implicit link between fostering innovation and protecting intellectual property to raise acceptance of intellectual property rights issues in developing and emerging economies. This emphasis overlaps substantially with the work of CBA on the same issues.

The National Intellectual Property Rights Coordination Center is a joint enforcement center run by the Department of Homeland Security with staff from 17 U.S. agencies, Mexico, Canada, Europol, and Interpol. It serves as a clearinghouse for intellectual property-related investigations, interdiction, and education. Staff members from the office currently join weekly coordination meetings, but a full-time liaison officer at the center could increase coordination with regional bureaus and overseas missions more effectively.

Recommendation 18: The Bureau of Economic and Business Affairs should assign a Foreign Service officer from the Office of Intellectual Property Enforcement as full-time liaison at the National Intellectual Property Rights Coordination Center. (Action: EB)

International Communications and Information Policy

The U.S. Coordinator for International Communications and Information Policy (CIP), who is a DAS and holds ambassadorial rank, has statutory authority, delegated by the Secretary, to formulate and coordinate the implementation and oversight of international telecommunications and information policy. CIP includes three offices: Bilateral and Regional Affairs, Multilateral Affairs, and Technology and Security Policy. CIP's leaders have strong backgrounds in the relevant technical subject matters and provide effective policy guidance.

CIP coordinates closely with other executive branch offices, American businesses, and the public sector to develop U.S. communications and information policies. CIP is an active participant in the U.S. International Telecommunications Advisory Committee, the primary mechanism for incorporating industry and government views into U.S. policy.

The technologies and issues that demand CIP's attention have changed significantly in the past 10 years. The traditional focus on telecommunications standards and regulations is still

relevant and requires continued engagement, but the shift to Internet-based networks and associated economic, security, and privacy issues has created a new, rapidly evolving, policy environment. CIP is taking steps to ensure that its staff effectively advances these issues. CIP recently created issue-based task forces on privacy and cyber security in order to pull together staff from across the deputation on these important aspects of Internet governance.

The work of the coordinator for cyber issues, created in 2011 by Secretary Clinton to lead the Department's global diplomatic engagement on cyber issues and serve as the liaison to other Federal agencies, overlaps in part with the work done in CIP. Both the coordinator and the DAS for CIP told inspectors that coordination between their staffs is good and that an effort to define roles and responsibilities more precisely could be counterproductive and lead to balkanization.

Office of Multilateral Affairs

The Office of Multilateral Affairs formulates international telecommunications policy and leads U.S. delegations to multilateral telecommunications institutions. The office has 11 officers and an office support professional to manage its heavy workload of multilateral meetings and pre-meeting preparations. The staff performs many "secretariat" functions relating to multilateral conferences, such as accrediting delegations and document coordination and submission. Having senior staff performing these administrative functions is not a cost effective use of resources. The office director recognizes the need for additional support in this area and is expecting an employee on detail from the National Aeronautics and Space Administration to assume secretariat functions before the end of the year. This is a positive development, but identifying Department staff to perform these duties would be a better long-term solution.

Informal Recommendation 13: The Bureau of Economic and Business Affairs, as part of its reorganization plan, should provide staff to support the secretariat functions in the International Communications and Information Policy deputation

Office of Bilateral and Regional Affairs

The Office of Bilateral and Regional Affairs manages formal bilateral dialogues with key countries and regional organizations on information and communications technology issues. The office has made good use of internships and short-term assignments. The office coordinates closely with the Office of Multilateral Affairs in preparations for multilateral conferences and with other offices in the Department, including the coordinator for cyber issues, to ensure consistency in U.S. positions.

The Office of Bilateral and Regional Affairs' work has shifted, over the past several years, from traditional technical information and communications technology areas, to broader Internet-related issues. This shift has required coordination with a wider range of offices than was required before. The office director is providing good leadership in making this transition.

Office of Technology and Security Policy

The Office of Technology and Security Policy manages satellite issues in the International Telecommunications and Satellite Organization. It also provides technical assessments to other Department offices and the interagency community on issues related to

telecommunications aspects of sanctions and foreign investment. The office has only four employees, including an office support professional.

This office's satellite policy responsibilities could be absorbed within CIP's Office of Multilateral Affairs, and the sanctions-related work transferred to TFS. The 2004 OIG inspection of EB raised this issue, when the office was called the Office of Strategic Planning and Satellite Policy. The 2004 OIG report noted that, while CIP appropriately should continue to oversee satellite policy, the other CIP offices had the technical and communications policy expertise to assume the strategic planning and satellite policy responsibilities.

Recommendation 19: The Bureau of Economic and Business Affairs, in coordination with the Bureau of Human Resources, should abolish the Office of Technology and Security Policy and reallocate staff to appropriate organizational units. (Action: EB, in coordination with DGHR)

Transportation Affairs

The Transportation Affairs (TRA) deputate is, by a significant margin, the smallest of EB's five deputates. TRA comprises 15 positions, including the DAS, and is divided into two offices: the Office of Aviation Negotiations with six positions and the Office of Transportation Policy with seven. TRA is responsible for one of the few areas of international economic policy, aviation negotiations, in which the Department and EB have the policy lead for the United States. Maintaining that leadership position when the Department of Transportation has an assistant secretary responsible for international affairs argues for a high-level Department official to be in charge of aviation negotiations. The efficient use of a limited number of DAS positions argues for combining TRA with another deputate under a single DAS.

Office of Aviation Negotiations

The Office of Aviation Negotiations is adequately staffed for its work with a director, deputy director, three line officers (all Foreign Service), and an office support professional. Many officers, including the director and deputy director, have served in the office before; other officers served as civil aviation officers overseas before joining the office. Morale is high, and officers commended both the director and DAS for their leadership. Each officer has a clearly defined geographic portfolio and workloads appear balanced. The deputy director does not have a portfolio but backs up the line officers as required.

The Office of Aviation Negotiations has the lead for the United States in negotiating aviation agreements with other countries. Since the late 1980s, that has meant pursuit of Open Skies agreements with an increasing number of other nations. The office has been extremely successful. So much so that the 2004 inspection of EB suggested that the Office of Aviation Negotiations was rapidly working itself out of a job, noting that the office had already concluded 60 Open Skies aviation agreements over the past decade and that the number of potential negotiating partners was diminishing. We believe that judgment was premature. Even though the United States now has Open Skies agreements with 111 countries, the process does not cover major markets such as Mexico, China, Russia, and several other important markets in Latin America. In addition, ensuring that American carriers can make effective use of rights negotiated under the agreements now consumes half the office's time.

The Office of Aviation negotiations works closely with the Departments of Transportation and Commerce in preparing for and carrying out its negotiating mandate. Relations among the three departments are excellent. The office also consults closely with interested parties in the industry. U.S. air carriers are an obvious partner, but the office also works with representatives of airports, shippers, and labor in developing negotiating positions. A weekly conference call with industry was recently expanded to include all of the office's line officers, a move that industry commended and staff credits with improving communications.

Office of Transportation Policy

The Office of Transportation Policy covers a wide range of issues outside of aviation negotiations. An experienced and respected Civil Service officer, recently promoted from leadership of its aviation "team," leads the office. A Foreign Service deputy director leads the aviation unit staffed by one Foreign Service officer covering aviation safety issues and one covering aviation security issues. The maritime unit comprises two Civil Service officers, one mainly dealing with maritime policy and the other dealing mainly with maritime security issues. A Civil Service office support professional reports to the director.

The office's organizational structure has too many layers for an office of seven positions. In addition, the maritime unit chief is the "de facto supervisor" for the second maritime position but his position description is nonsupervisory. These issues should be corrected as part of the reorganization and consolidation of the two offices.

The 2004 OIG inspection report foresaw the time when EB "might consider where a leaner TRA might fit best within EB's structure." The OIG team believes that time has arrived. The two offices could be merged into a single office under a director with two unit chiefs corresponding to the present offices. Position number D10033900 (international transportation/commercial officer, but functioning as deputy director of the Office of Transportation Policy) could be reprogrammed to other purposes.

Recommendation 20: The Bureau of Economic and Business Affairs, in coordination with the Bureau of Human Resources, should merge the Office of Aviation Negotiations and the Office of Transportation Policy into a single Office of Transportation Affairs with two units corresponding to the existing offices. (Action: EB, in coordination DGHR)

International Finance and Development

Three offices grouped in the International Finance and Development (IFD) deputate manage the bureau's financial and macroeconomic policy work. The Department of the Treasury has the lead responsibility in international finance, but these offices add critical value by ensuring that foreign policy considerations are included in all interagency decisions. They support the work of regional bureaus by providing specialized economic expertise, coordinating the Department's efforts in a wide range of government programs aimed at increasing international investment, promoting sound financial policies abroad, and using multilateral development financing to support foreign policy goals.

In general, these offices are appropriately organized and staffed with highly trained and qualified officers. Most of the officers are foreign affairs professionals well-versed in economics,

rather than PhD economists. The OIG team found no reason to change this approach; indeed, their work is notable for its economic depth, as well as for its relevance to policy priorities.

At the time of the inspection, however, staffing and workloads in these offices were poorly balanced. The bureau failed to direct available resources to correct this issue. Instead, it added resources to two offices already fully staffed, while leaving gaps in the third office unaddressed.

This failure represents a weakness in the bureau's organization. EB has frequently assigned its PDAS to oversee IFD. This arrangement leaves financial and development work without a full-time DAS, particularly during periods (such as the inspection) when the PDAS is the acting Assistant Secretary. The OIG team found that it was often impossible for the PDAS to pay sufficient attention to both responsibilities simultaneously. As part of establishing a proper PDAS position, EB will be able to designate a full-time DAS for IFD.

Office of Monetary Affairs

The Office of Monetary Affairs focuses on three key lines of effort: macroeconomic analysis; financing support for countries facing crises; and a longer-term attempt to improve debt management and increase fiscal transparency in countries receiving assistance. The office acts as a central source of macroeconomic expertise, relieving many bureaus of the need to spend resources on this specialized area. Officers were confused over the division of responsibilities between this office and the newly created Office of the Chief Economist. In part because the offices do not routinely share each other's memoranda to principals, they often discover extensive duplication. Both offices attended recent Paris Club discussions of debt relief, a core responsibility of the Office of Monetary Affairs.

Informal Recommendation 14: The Bureau of Economic and Business Affairs should clarify with the Office of the Chief Economist the delineation of their responsibilities to avoid unnecessary duplication.

Because the Department of the Treasury has the lead on many of the office's responsibilities, the Office of Monetary Affairs emphasizes interagency coordination. Staff expressed some frustration over difficulties in obtaining information the office needs to work with Treasury on shaping programs by the International Monetary Fund and others that support broad U.S. foreign policy goals. The office has increased usage of the same analytical software used by Treasury and other agencies, which allows discussions to be based on the same economic data.

Changes since the last inspection have increased the office's responsibilities. Congress has required increasingly detailed assessments of fiscal transparency in countries receiving U.S. assistance. The office also manages a new Fiscal Transparency Innovation Fund designed to improve transparency. The fund made its first grant in 2013, to help the Ministry of Finance in Chad create a Web site on which budgets could be posted. The office has retained employees to oversee and monitor grants, and the OIG team did not determine that the work could be more effectively performed elsewhere. Despite the growth in workload, the office is appropriately organized and temporarily more than fully staffed. Morale and productivity are high.

Office of Development Finance

The Office of Development Finance carries out the Department's work with multilateral development banks, including the World Bank. Its chief aim is to leverage their development lending—to which the United States contributes more than \$2 billion a year—in support of U.S. foreign policy goals. Among its core responsibilities is coordinating the Department's position on proposed new loans. The office earns high praise from other bureaus for its inclusive and collegial approach in this regard. It is widely seen as an “honest broker,” able to bridge policy differences to arrive at a unified position.

The office is appropriately organized and fully staffed. It also makes effective use of extra personnel resources, such as short tours and academic fellowships. Morale is high. Most officers' portfolios combine liaison with an individual bank with responsibility for its corresponding geographic region, enabling officers to maintain close touch with regional bureaus. As called for in the last inspection, the office added a position focused on the Millennium Challenge Corporation.

The Office of Development Finance has used development finance creatively to advance foreign policy goals. It risks becoming too reactive, however, if it focuses too narrowly on individual loans instead of broader trends. It needs to look for more proactive ways to influence broad policy directions in the multilateral lending banks, encourage their continuing institutional reforms, and provide regional bureaus with earlier warning of important trends. For example, the World Bank is currently considering a major realignment of the lending models and priorities it has followed in recent years. The office might request to be included in more information on banks' future planning such as strategy and “upstream” documents.

As its name implies, the office concentrates on development financing, not development per se. It works closely and collegially with the U.S. Agency for International Development and does not duplicate that agency's focus on bilateral assistance programs. At the same time, it has the expertise required to carry out the QDDR's call for more work on development in the Department. The OIG team encouraged the bureau to determine how this office could contribute to this new priority.

Office of Investment Affairs

The Office of Investment Affairs, the third and smallest of IFD's offices, is responsible for a wide range of investment issues. Its main goal is to reduce the barriers to U.S. investment overseas and foreign investment in the United States. To do so, it negotiates bilateral investment treaties, leads the U.S. delegation to key international meetings on investment rules and regulations, and helps American companies resolve disputes about expropriation. It also represents the Department in the Committee on Foreign Investment in the United States, an interagency forum for ensuring that foreign investments here promote prosperity without creating threats to national security.

These core responsibilities are more operational than those of IFD's other offices. Many are statutory or defined in regulations. The office thus has limited flexibility in defining its own priorities. Workloads have increased significantly in some areas. The number of time-consuming

cases in the Committee on Foreign Investment in the United States, for example, increased from 6 in 2007 to 40 in 2013 as more companies elected to make use of this procedure.

The office responded to this growth in workload by reshuffling portfolios and assigning more officers to work on these cases, while still attempting to keep up with other duties, such as editing the Department's annual Investment Climate Statements. In April 2012, however, the administration unveiled a long-delayed new model for investment treaties, and the bureau ordered the office to move forward with a number of new negotiations that had been awaiting policy direction. The bureau also added support for SelectUSA to the office's responsibilities, while removing a key employee to fill a temporary vacancy elsewhere. Under this additional pressure, office morale began to sag, creating internal divisions that contributed to another officer curtailing. Instead of directing resources to this struggling office, the bureau assigned three officers—all experienced Foreign Service officers—on short tours to other offices in IFD that were already well staffed. As noted above, the failure to identify and rectify this imbalance within a single deputate suggests that these important offices need oversight by a full-time DAS.

Recommendation 21: The Bureau of Economic and Business Affairs, in coordination with the Bureau of Human Resources, should temporarily redeploy two short-tour positions to its Office of Investment Affairs. (Action: EB, in coordination with DGHR)

Recent changes in internal management also hampered the work of this office. The director and his deputy introduced a series of new requirements designed to improve accountability, recordkeeping, and time management. While some of these addressed a real need, their timing added to the sense of stress. The OIG team urged the office to review these requirements to determine which ones add sufficient value to be worth the additional time.

Counter Threat Finance and Sanctions

The Counter Threat Finance and Sanctions (TFS) deputate is responsible for policy formulation and implementation of economic sanctions programs, combating financing of terrorism and piracy, preventing trade in conflict minerals, and facilitating banking services for resident diplomatic missions in the United States. The deputate was established in 2012, partly as a consequence of the QDDR's finding that the Department needed to be better organized to coordinate with other agencies on sanctions. TFS has responsibilities for 22 sanctions regimes and several additional multilateral mechanisms. New laws since 2010 expanding sanctions on Iran have given EB substantial additional responsibility for sanctions implementation and driven a growing workload. Having a DAS for sanctions has enabled EB to engage more effectively within the Department, and with other agencies, Congress, and the private sector.

In addition to EB, the Bureaus of Consular Affairs, Energy Resources, International Organization Affairs, and International Security and Nonproliferation all have substantial responsibilities for sanctions. In 2013, the Department named an ambassadorial rank coordinator for sanctions policy. The coordinator, supported by a small staff, reports to the Deputy Secretary and has broad authority to coordinate positions across the Department and engage with other agencies and foreign governments. Initially, the appointment generated some uncertainty and concern among EB staff about roles, but, to date, both organizations have managed their relations well. The coordinator and DAS meet frequently and cooperate on briefing Congress and

consultations with foreign governments. EB staff provides substantial support to the coordinator, particularly on Iran sanctions.

Staff members give the DAS and office directors high marks, and morale is high. Managers have done a good job redeploying staff and making use of officers on short tours. With the growth in staff numbers, particularly to manage new Iran sanctions, staff size remains appropriate. The TFS staff enjoys a strong reputation among colleagues in the Department for substantive expertise, responsiveness, and proactive management of issues.

Office of Threat Finance Countermeasures

The Office of Threat Finance Countermeasures advances policies to disrupt funding for terrorism, piracy, and regional insurgencies that profit from trade in minerals. It recently added facilitation of foreign embassy banking to its responsibilities. Although each function is important in its own right, the office's organization presents structural problems.

With 6 permanent positions, establishment of this office required the Under Secretary for Management to waive the requirement that an office have at least 12 permanent positions.³ Despite the unifying theme of counterthreat finance, the disparate portfolios lack coherence as a group and thus are not consistent with the Department's organizational planning principle that like functions should be grouped together.⁴ For example, the office's responsibility for certifying sourcing of diamonds so that they do not support insurgencies has little in common with policies to disrupt financing of piracy.

The counterterrorism finance functions (two permanent positions, plus part of the director's time) are particular outliers. The Bureau of Counterterrorism and the Bureau of International Narcotics and Law Enforcement have very similar functions backed up by program funds. One office in the Bureau of Counterterrorism has an almost identical and thus duplicative function for coordinating Department positions on proposed terrorist designations. In the aftermath of the 9/11 attacks, EB had a lead role in developing policies to counter financing of terrorism. Over time, EB's role has narrowed and become marginalized. As tasked in the QDDR, leadership in EB and other bureaus discussed possible consolidation of the counterterrorism finance functions. They did not agree on a solution. Dispersion of similar functions across three bureaus creates inefficiencies in coordination. The OIG team does not propose a specific alternative structure. However, the QDDR tasking to outline options to realign threat finance and anti-money laundering resources remains unfulfilled.

Recommendation 22: The Bureau of Economic and Business Affairs, in coordination with the Bureau of Counterterrorism and the Bureau of International Narcotics and Law Enforcement, should prepare options to realign counterterror finance and anti-money laundering resources and present those options to appropriate authorities in the Department of State for a decision. (Action: EB, in coordination with CT and INL)

³ 1 FAM 014.7(d)(1).

⁴ 1 FAM 014.7(e)(1).

Office of Sanctions Policy and Implementation

The Office of Sanctions Policy and Implementation coordinates Department positions on license applications made by private entities, to the Department of Treasury and Department of Commerce, to engage in transactions with sanctioned countries. The Department of Treasury and Department of Commerce are required to obtain the Department's advice on each license. In 2012, the office handled more than 7,000 cases from Commerce and more than 1,200 from Treasury.

As of summer 2013, the office had accumulated a significant backlog of Treasury cases. Using both permanent and temporary staff, the office substantially reduced the backlog and implemented systems to manage and track the workflow. The remaining pending cases older than the internal 3-week deadline typically involve applications on which there is disagreement within the Department and which require a policy-level decision. While acknowledging the office's substantial progress in managing license applications, the OIG team concludes that there is still scope to identify and act on difficult applications, so that they do not languish.

Informal Recommendation 15: The Bureau of Economic and Business Affairs should establish procedures to provide the Department of the Treasury, on a timely basis, Department positions on license applications.

Support from the Bureau of Intelligence and Research for Sanctions Implementation

The Bureau of Intelligence and Research has not kept pace with the Department's expanding work on sanctions. New laws since 2010 have led to what Department officials routinely describe as an explosion of work, particularly for Iran. Sanctions personnel depend on accurate and timely intelligence to identify potential and actual violations and appeal to foreign governments to enforce compliance.

Recently, the Bureau of Intelligence and Research assigned staff to support the coordinator for sanctions policy and EB. Although support to the EB sanctions team has improved, it is still ad hoc, entailing residual, part-time responsibilities for two or three staff. These informal arrangements present risks of missing violations and gaps in enforcing sanctions.

Recommendation 23: The Bureau of Economic and Business Affairs, in coordination with the Bureau of Intelligence and Research, should establish requirements for intelligence support for sanctions functions. (Action: EB, in coordination with INR)

Resource Management

EB Staffing as of November 2013						
Foreign Service	Civil Service	3161's	WAE	Detailees	Students/ Interns	Total
87	112	0	0	3	20	222

Resources Controlled by the Bureau of Economic and Business Affairs	
Funding Description	Amount (in thousands)
Traditional Overseas Program Funding (Diplomatic and Consular Programs)	\$7,605
Public Diplomacy (Diplomatic and Consular Programs)	\$111
Representation	\$22
Total	\$7,738

Executive Office

The EB and Bureau of Energy Resources joint Executive Office (EX) supports approximately 285 employees in both bureaus. A new EX director reported in September 2013. The deputy EX director, serving since 2006, has provided strong and effective leadership during the transition between directors.

The office's 16 employees perform traditional EX functions: human resources, budget and financial management, general support services, and information management. The staff has clear assignments and cross training is common. Many EX employees have long tenures in the office, providing experience and continuity, and staff turnover is low. Overall office morale is generally good despite the challenges and growing pains associated with initial support for the Bureau of Energy Resources since 2011. The EX staff is customer service-oriented and customers gave above average scores to each office function in the OIG inspection questionnaire.

EX gained three additional permanent positions in 2011 to deal with the additional workload represented by the new Bureau of Energy Resources. One position was established in human resources and a second in general support services. EX management left the third position unassigned while determining its needs. While overall EX support is adequate, some improvements are needed in information management and some human resources and general services processes. Management controls over the purchase card program also require strengthening.

Human Resources

The human resources staff of four provides performance management, recruitment, hiring, staffing, position management, career development and training, and employee relations services. Employee actions are outsourced to the Bureau of Educational and Cultural Affairs-

Bureau of International Information Programs EX human resources shared services provider under a service-level agreement. The human resources staff maintains a good working relationship with the service provider and stated that the services received are generally efficient and effective. Classification responsibilities were recently moved to the Bureau of Human Resources shared services because of staffing limitations in the previous provider. There were initial problems, but EX staff believes timeliness and quality have improved and that regular quarterly customer service meetings with the Bureau of Human Resources shared services have been productive in addressing problems.

EX instituted processes to educate and inform managers and subordinates about Department human resources procedures and policies. These include periodic informational brown bags on relevant topics for managers and subordinates, a bureau orientation for new employees, participation in the Department's eAwards pilot, and measures to simplify the technical review process for appraisals. EX has also created a process to help managers track the Foreign Service bidding and assignments process.

Career Development and Training

EX management regularly distributes training opportunities to employees bureauwide and nominates employees for Department training opportunities. EX staff routinely tracks and reminds employees of mandatory training requirements.

Supervisory Structure

Several offices have delegated supervisory responsibilities to staff in positions not classified as supervisors. This is a continuation of a longstanding practice in EB, but EX could not provide the guidance allowing this practice. In some cases, this practice was done to provide supervisory experience to mid-level employees. In other cases, office directors were offloading their own responsibilities. Supervisory positions for Civil Service employees in the Department are required to be classified in accordance with Office of Personnel Management General Service Supervisory Guidelines.

Recommendation 24: The Bureau of Economic and Business Affairs should cease the practice of assigning supervisory and rating officer responsibility to employees in positions not classified as such. (Action: EB)

Several employees have out-of-date position descriptions. Some position descriptions have not been updated since 2010. Guidance in 3 FAM 2637.7 and 3 FAM 2638.2 requires periodic review of position descriptions for accuracy and reclassification, if necessary.

Recommendation 25: The Bureau of Economic and Business Affairs should review all position descriptions that have not been updated since 2010 to determine their accuracy and update them as necessary. (Action: EB)

Performance Management

At the start of each new performance appraisal year, EX holds bag brown sessions for supervisors to review work requirements and milestones. Throughout the year, EX monitors

completion of performance plans, mid-year reviews, and appraisals. It sends direct reminders to supervisors when necessary. Despite these efforts, some supervisors are delinquent in meeting required timeframes. OIG's review of Department statistics for EB showed that 15 percent of Civil Service performance plans and 25 percent of mid-year reviews had not been completed. The 2012 statistics showed that compliance was 89 percent for both the performance plans and the mid-year reviews and 87 percent for the performance appraisals. For Foreign Service employees over the 2012-2013 rating cycle, 92 percent of work requirements statements and counseling sessions were completed and 91 percent of employee evaluation reports. Guidance in 3 FAM 2800 requires that performance plans and mid-year reviews be completed promptly.

Informal Recommendation 16: The Bureau of Economic and Business Affairs should include in supervisors' performance plans or work requirements statements their responsibility for preparing employee performance plans or work requirements statements, mid-year counseling sessions, and performance appraisals in accordance with Department of State regulations.

Orientation and Training

EB has an effective orientation program that received wide praise from EB employees in interviews and in the OIG survey. Training opportunities are ample and EX proactively keeps bureau staff informed of training opportunities. However, 21 percent of employees required to take Foreign Service Institute leadership and management training had not done so and 15 percent were not enrolled in training, despite regular EX reminders. The deputy EX director explained that many of those employees had recently been promoted and had not yet had the opportunity to take the training.

Informal Recommendation 17: The Bureau of Economic and Business Affairs should require applicable employees to take leadership and management training and hold supervisors and the employees accountable in their performance appraisals for employees not attending the training.

Awards Program

EB has a strong awards program. The bureau holds two ceremonies each year. EB structures its awards program to ensure fairness, diversity, and transparency. EB has two awards panels, each reviewing the nominations already approved by the other. Panel members are required to take diversity training before being appointed. EB developed a program called Recognizing a Valuable Employee to recognize employees for a job well done. The program is prominently featured on the EB Web site. EX management would like to see more use of the program by supervisors.

Equal Employment Opportunity

EB has a designated Equal Employment Opportunity counselor, although this employee is not known throughout the bureau. EX keeps employees informed of the Department's Equal Employment Opportunity policies through emails and other means, such as brown bag sessions. There were no active cases in the Office of Civil Rights at the time of the inspection. Despite EX's efforts, a few bureau employees were not familiar with Equal Employment Opportunity

procedures. Inspectors also observed that Equal Employment Opportunity signage was not displayed in all EB office spaces, and that there was no link to the Office of Civil Rights home page on the EB Web site.

Informal Recommendation 18: The Bureau of Economic and Business Affairs should prominently display Equal Employment Opportunity program and contact information in each office space.

Informal Recommendation 19: The Bureau of Economic and Business Affairs should link the Office of Civil Rights Web site with Equal Employment Opportunity contact information and procedures in a prominent place on the bureau Web site.

Budget and Financial Management

EX's budget and financial management unit maintains and monitors accounts for EB and the Bureau of Energy Resources. The staff of two is responsible for managing approximately \$12.8 million in appropriations for EB (\$7.7 million) and the Bureau of Energy Resources (\$5.1 million). The unit performs its day-to-day work adequately but the lack of staff imposes costs. For example, staff members work consistently long workdays and spend less time on tracking allotments and on comprehensive analysis of financial plans. The unit also fell behind in the monthly reconciliations required for the purchase cards, described in the Management Controls section of the report.

An experienced GS-14 budget analyst works collaboratively with EB offices to ensure proper accounting for program funds. The small size of the unit forces the analyst to carry out duties traditionally performed in other EX offices by more junior staff, for example, creating transactions in ARIBA and in the Global Financial Management System. Additional budget and financial management duties are dispersed among other staff in EX. For example, the staff assistant handles representation.

A GS-12 budget analyst supports the Bureau of Energy Resources. The new bureau uses more foreign assistance funds, which have different processes and regulations governing their use, resulting in a steep learning curve for the employee. The OIG team noted no issues with proper obligation and payment of the funds, but the budget analyst is still learning and has not yet gone through the awards close-out process because the 2-year Economic Support Fund money has only just entered the second year. Inspectors counseled EX management on the budget analyst's need for additional foreign assistance training. EX and the Bureau of Energy Resources also took steps during the inspection to meet more frequently.

The OIG team believes the EX budget and financial management unit requires an additional position to properly manage its increased workload and strengthen financial oversight. The staff of two is struggling to keep up with day-to-day duties. EX has an unassigned permanent position to meet support requirements for the Bureau of Energy Resources.

Recommendation 26: The Bureau of Economic and Business Affairs should establish and fill a third position in the budget and financial management unit. (Action: EB)

The EX director is responsible for overall management of the section. In the past, the EX director also oversaw the budget function, but that responsibility was shifted to the deputy director several years ago. OIG encouraged EX to move the budget function back to the director to better balance workloads between the two positions.

Support Services

Three support services specialists in the EX handle a large workload, which includes the travel program, property management, work order execution, and logistics support for domestic operations. The staff of three is experienced and knowledgeable, and customers are generally pleased with the support.

Travel Program

Official travel is planned and authorized at the office level. But some EX customers find procedures for approving travel, including the E2 Solutions application, opaque and cumbersome. The practice in EB and the Bureau of Energy Resources, consistent with other bureaus, is to assign a travel arranger in each office to assist travelers in preparing travel authorizations and vouchers in the E2 Solutions application. EX has a useful standard operating procedure for initiating travel authorizations, which emphasizes rules on transportation, expense reimbursement, and authorization flow. The guideline falls short, however, in prescribing roles and processes relating to the traveler/travel arranger method for processing transactions in the E2 Solutions application. As a result, some travelers experienced delays in obtaining authorizations and expense reimbursement.

Recommendation 27: The Bureau of Economic and Business Affairs should update its travel policy to document travel arranger support activities, including designation, training, and requirements for assisting travelers in preparing travel authorizations and vouchers. (Action: EB)

Travelers often request assistance from the support services staff to prepare travel authorizations and vouchers because the assigned travel arrangers in the offices are often unable or unwilling to do it. This practice creates inefficiencies in the process, causes delays, and keeps the travel administrator from other work responsibilities. EX notifies travel arrangers of training but cannot require them to attend the courses.

Recommendation 28: The Bureau of Economic and Business Affairs should require supervisors to hold travel arrangers accountable for E2 duties in accordance with their performance plans and require training attendance for those who need it. (Action: EB)

Contracting Officer's Representative

A contracting officer's representative in EX is designated for four of five services contracts of approximately \$880,000. The contracting officer's representative's files document coordination with contractor personnel. These contracts evidence satisfactory delivery of contract items and a basis to approve invoices for payment. There is no appointed contracting officer's representative for contract number SAQMMA12F1021, which is the time and materials contract that provides the part-time systems engineer/Web developer. The lead information

technology specialist does validate contractor work hours and performance tasks for payment. Without the formal oversight process, there is a lack of appropriate management controls.

Recommendation 29: The Bureau of Administration, in coordination with the Bureau of Economic and Business Affairs, should designate a contracting officer's representative for overseeing contract number SAQMMA12F1021. (Action: A, in coordination with EB)

Information Management

EB retained two information technology specialists after the Department's consolidation of information technology support. They perform those tasks considered "out-of-scope" of the consolidation or unique to EB. Staff uniformly praised the responsiveness of the bureau's information technology staff. The two specialists assist with international conferences and regular digital videoconferences, issue mobile computing devices, and help design internal SharePoint sites. The Bureau of Information Resource Management provides primary desktop computer and network support. Many EB personnel expressed dissatisfaction with central help desk delays involving user accounts and technical desktop assistance. In several offices, new employees had been unable to begin work promptly, because of delays in gaining access to computer files and systems necessary for their duties.

The lead information technology specialist assisted with development and risk assessment for the Web-based Business Information Database System. He also helped to evaluate technically the Haver Analytics software for use in EB.

The OIG team identified and counseled the EX support services specialists on minor issues relating to validating accurately information technology equipment inventories and network connections, and processing promptly telecommunications service statements. The inspectors also counseled the information technology specialists on emergency communications equipment testing and staging, and use of the Department's iMatrix management tool to track configuration compliance and vulnerability details. The staff addressed all of these issues during the inspection to the satisfaction of the OIG team.

Information Systems Security Officer Training

The appointed information systems security officer and the alternate have outdated training credentials. Information systems security officers must maintain their technical skills and subject knowledge to safeguard adequately Department information systems and data. Per 5 FAM 845 (b), the Diplomatic Security Training Center suite of information assurance role-based training courses is valid for 3 years.

Recommendation 30: The Bureau of Economic and Business Affairs should require the bureau information systems security officer and alternate to attend refresher information assurance training. (Action: EB)

Position Descriptions

The information technology specialists have position descriptions that were last updated in 2002. Because of significant changes in technology and their major duties, there is a mismatch

between the stated work responsibilities for the positions and the incumbents' actual duties. Per 3 FAM 2637.7 and 3 FAM 2638.2, position descriptions require periodic review for accuracy and reclassification as necessary.

Recommendation 31: The Bureau of Economic and Business Affairs should update the information technology specialist position descriptions and request reclassification of the positions. (Action: EB)

Individual Development Plans

The information technology specialists do not have individual development plans. Individual development plans assist personnel with their career development and help them obtain relevant knowledge and skills. Guidance in 13 FAM 022.3 (6) recommends individual development plans for all employees. Inspectors encouraged information technology staff to prepare individual development plans.

Recordkeeping and Files

With a few notable exceptions, such as Aviation Negotiations and Intellectual Property Enforcement, EB offices are not maintaining and retiring official records⁵ in accordance with Department standards, including 5 FAM 414.4. EB does not have established guidance and procedures for maintaining official records. EB offices generally do a good job of storing all official records on shared drives, but few offices have organized those files in a clear manner. The Department specifies that files be organized by year and TAGS/Terms.⁶ TAGS/Terms may not work for EB offices where every file would use the same TAGS, but other logical methods would be effective in ensuring that files are readily accessible and that new personnel can locate needed information. The Office of Aviation Negotiations organizes its files by country and year, an effective system for its work. Good records management practices enable the Department to perform its functions and recover from a disaster.

Recommendation 32: The Bureau of Economic and Business Affairs, in coordination with the Bureau of Administration, should implement procedures to maintain and retire official records in accordance with Department of State standards. (Action: EB, in coordination with A)

Security

EX oversees an effective bureau security program. The principal unit security officer properly decentralizes security responsibilities to unit security officers within each office. The OIG team found no major problems and only one minor deficiency, which was immediately corrected during the inspection. The bureau has had only three security infractions and no

⁵ The definition of records in 44 U.S.C. Ch. 33 § 3301 "includes all books, papers, maps, photographs, machine readable materials, or other documentary materials, regardless of physical form or characteristics, made or received by an agency of the United States Government under Federal law or in connection with the transaction of public business and preserved or appropriate for preservation by that agency or its legitimate successor as evidence of the organization, functions, policies, decisions, procedures, operations, or other activities of the Government or because of the informational value of data in them."

⁶ Traffic Analyses by Geography and Subject (TAGS)/Terms is the Department's system of organizing and managing information.

security violations since January 2012. During the same period there were no cyber security infractions or violations.

Bureau Emergency Action Plan

EB manages a comprehensive emergency management program that meets or exceeds Department policy as defined in 6 FAM 410. The bureau emergency action plan is easily accessible on the bureau's intranet homepage through an icon titled "Bureau Emergency Preparedness." Each office also has by its exit door an emergency reference guide, providing the employees quick hardcopy reference material for use in the event of an emergency and/or evacuation. The bureau is current on all emergency action drills and coordinates these activities as part of the Harry S Truman facility emergency action plan.

Management Controls

The EX deputy director is the designated management controls officer for EB. In 2013, EX performed a risk assessment for EB and took action in the office where it was determined a weakness existed. The Assistant Secretary prepared the most recent Management Control Statement of Assurance on August 9, 2013, which included statements of assurance from each DAS as supporting documentation. No significant deficiencies were noted during the reporting period. While management controls in EB appear to be adequate, the OIG team identified some weaknesses.

Purchase Card Program

The purchase card program coordinator has not performed the required annual reviews for the past 3 years, as required by 4 FAM 455.3 and outlined in the SmartPay2 Worldwide Purchase Card Program Manual. In addition, EB does not have a standard operating procedure for the purchase card program. From FY 2011 through FY 2013, EB and the Bureau of Energy Resources had approximately 800 purchase card transactions, totaling \$600,000. The annual reviews are the program's key internal control and facilitate compliance with policy and procedures, enhance oversight to prevent fraud, and raise awareness by highlighting areas for improvement. During FY 2013, the required monthly account reconciliations were prepared late during the year, many by several months.

Recommendation 33: The Bureau of Economic and Business Affairs should complete the required annual purchase card review for the most recent 12-month period and perform monthly purchase card monthly reconciliations according to Department of State guidelines. (Action: EB)

Informal Recommendation 20: The Bureau of Economic and Business Affairs should issue a standard operating procedure for its purchase card program, underscoring the executive director's role as program coordinator, and listing roles and responsibilities for program participants.

BlackBerry Nonofficial Use Billing

Billing practices for nonofficial use of BlackBerries in EB and the Bureau of Energy Resources are not consistent with 5 FAM 526. More than 200 users generated only one monthly nonofficial-use reimbursement during FY 2013, despite EX having a policy requiring reimbursement for all nonofficial calls. EB's procedure for billing users for nonofficial calls is inconsistent and ineffective. The OIG team pointed out that a more systematic approach would be to set a reasonable threshold above the base monthly charge, and seek reimbursement when the user exceeds that threshold. This approach will satisfy the Department's objective to minimize administrative costs and promote fairness. In addition, the EB standard operating procedure does not include the 5 FAM 526.1d. requirement that users affirm their calls each billing cycle. During the inspection, EX was several months behind in analyzing and processing bills for nonofficial calls.

Recommendation 34: The Bureau of Economic and Business Affairs should update its BlackBerry standard operating procedure to require employee statements affirming official and nonofficial use for bills and reimbursement for nonofficial call charges exceeding a reasonable threshold. (Action: EB)

Recommendation 35: The Bureau of Economic and Business Affairs should process monthly BlackBerry bills on a timely basis. (Action: EB)

Time and Attendance

EX is responsible for comparing leave and overtime documentation to payroll transmittal reports for EB and Bureau of Energy Resources offices. This control ensures proper and accurate attendance reporting. Through a review of a sample of timekeeping documents, the OIG team discovered that some supporting documentation was missing, for example, the Request for Leave or Approved Absence forms.

Informal Recommendation 21: The Bureau of Economic and Business Affairs should implement a procedure to ensure the leave and overtime documentation from offices in the bureau supports the payroll transmittal reports.

List of Recommendations

Recommendation 1: The Bureau of Economic and Business Affairs should develop and implement a front office staffing plan that eliminates redundant or excess staffing. (Action: EB)

Recommendation 2: The Bureau of Economic and Business Affairs should structure the principal deputy assistant secretary portfolio to encompass serving as the alter ego to the Assistant Secretary, managing the bureau, and exercising direct supervisory responsibilities only for those units that have bureauwide scope. (Action: EB)

Recommendation 3: The Bureau of Economic and Business Affairs should develop a reorganization plan for review and implementation by the incoming Assistant Secretary that strengthens commercial diplomacy and entrepreneurship work, streamlines bureau operations, and rationalizes bureau resources. (Action: EB)

Recommendation 4: The Bureau of Economic and Business Affairs should not engage in any new activities or grants under the U.S.-North Africa Partnership for Economic Opportunity and should turn over to embassies and U.S. Agency for International Development missions in the region, and to the Global Partnership Initiative, any residual responsibility for liaison with the national boards. (Action: EB)

Recommendation 5: The Bureau of Economic and Business Affairs should develop an outreach strategy to serve the U.S. business community more effectively and carry it out in concert with the Department of Commerce. (Action: EB)

Recommendation 6: The Bureau of Economic and Business Affairs should implement a standard operating procedure that improves oversight of the Commercial Service-State Post Partnership Program. (Action: EB)

Recommendation 7: The Bureau of Economic and Business Affairs should work with the Commercial Service to establish specific support standards expected of the appropriate Commercial Service representatives. (Action: EB)

Recommendation 8: The Bureau of Economic and Business Affairs should update its Foreign Affairs Manual section to reflect entrepreneurship responsibilities in the Office of Commercial and Business Affairs. (Action: EB)

Recommendation 9: The Bureau of Economic and Business Affairs, in coordination with the Bureau of Human Resources, should allocate additional permanent positions to the Office of Commercial and Business Affairs as part of its reorganization plan. (Action: EB, in coordination with DGHR)

Recommendation 10: The Bureau of Economic and Business Affairs should review its paper subscriptions and eliminate those adequately covered by the press clips contractor. (Action: EB)

Recommendation 11: The Bureau of Economic and Business Affairs should integrate the two positions managing corporate social responsibility and the National Contact Point into the Office of Economic Policy Analysis and Public Diplomacy's policy analysis team with appropriate supervisory arrangements. (Action: EB)

Recommendation 12: The Bureau of Economic and Business Affairs should request that the Secretary or the Under Secretary for Economic Growth, Energy and Environment formally designate the deputy assistant secretary for Trade Policy and Programs as the Department of State's representative to the Trade Policy Staff Committee. (Action: EB)

Recommendation 13: The Bureau of Economic and Business Affairs, in coordination with the Bureau of Human Resources, should reprogram at least two position from the Office of Bilateral Trade Affairs to higher priorities. (Action: EB, in coordination with DGHR)

Recommendation 14: The Bureau of Economic and Business Affairs, in coordination with the Bureau of Human Resources, should reprogram one Foreign Service position from the Office of Multilateral Trade Affairs to a higher priority. (Action: EB, in coordination with DGHR)

Recommendation 15: The Bureau of Economic and Business Affairs should structure the Office of Agriculture, Biotechnology and Textile Trade Affairs in accordance with 1 Foreign Affairs Manual 014.7 to eliminate the two existing divisions, provide a clear chain of command, and align resources with priorities. (Action: EB)

Recommendation 16: The Bureau of Economic and Business Affairs, in coordination with the Bureau of Human Resources, should reprogram at least three positions from the office of Agriculture, Biotechnology, and Textile Trade Affairs to higher priorities. (Action: EB, in coordination with DGHR)

Recommendation 17: The Bureau of Economic and Business Affairs should negotiate a memorandum of understanding with the U.S. Patent and Trademark Office defining the duties of the liaison position and providing a regular rotation of staff. (Action: EB)

Recommendation 18: The Bureau of Economic and Business Affairs should assign a Foreign Service officer from the Office of Intellectual Property Enforcement as full-time liaison at the National Intellectual Property Rights Coordination Center. (Action: EB)

Recommendation 19: The Bureau of Economic and Business Affairs, in coordination with the Bureau of Human Resources, should abolish the Office of Technology and Security Policy and reallocate staff to appropriate organizational units. (Action: EB, in coordination with DGHR)

Recommendation 20: The Bureau of Economic and Business Affairs, in coordination with the Bureau of Human Resources, should merge the Office of Aviation Negotiations and the Office of Transportation Policy into a single Office of Transportation Affairs with two units corresponding to the existing offices. (Action: EB, in coordination DGHR)

Recommendation 21: The Bureau of Economic and Business Affairs, in coordination with the Bureau of Human Resources, should temporarily redeploy two short-tour positions to its Office of Investment Affairs. (Action: EB, in coordination with DGHR)

Recommendation 22: The Bureau of Economic and Business Affairs, in coordination with the Bureau of Counterterrorism and the Bureau of International Narcotics and Law Enforcement, should prepare options to realign counterterror finance and anti-money laundering resources and present those options to appropriate authorities in the Department of State for a decision. (Action: EB, in coordination with CT and INL)

Recommendation 23: The Bureau of Economic and Business Affairs, in coordination with the Bureau of Intelligence and Research, should establish requirements for intelligence support for sanctions functions. (Action: EB, in coordination with INR)

Recommendation 24: The Bureau of Economic and Business Affairs should cease the practice of assigning supervisory and rating officer responsibility to employees in positions not classified as such. (Action: EB)

Recommendation 25: The Bureau of Economic and Business Affairs should review all position descriptions that have not been updated since 2010 to determine their accuracy and update them as necessary. (Action: EB)

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Recommendation 29: The Bureau of Administration, in coordination with the Bureau of Economic and Business Affairs, should designate a contracting officer's representative for overseeing contract number SAQMMA12F1021. (Action: A, in coordination with EB)

Recommendation 30: The Bureau of Economic and Business Affairs should require the bureau information systems security officer and alternate to attend refresher information assurance training. (Action: EB)

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Recommendation 35: The Bureau of Economic and Business Affairs should process monthly BlackBerry bills on a timely basis. (Action: EB)

List of Informal Recommendations

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

Informal Recommendation 1: The Bureau of Economic and Business Affairs should designate a bureau officer for the weekly all hands meeting to take notes and circulate the summary to the entire bureau.

Informal Recommendation 2: The Bureau of Economic and Business Affairs should develop means to foster better communication with and among the deputy assistant secretaries.

Informal Recommendation 3: The Bureau of Economic and Business Affairs should coordinate with the Foreign Service Institute and the six regional bureaus to strengthen training and develop standard operating procedures for consultations, for entry-level and mid-level officers preparing for a first economic assignment overseas.

Informal Recommendation 4: The Bureau of Economic and Business Affairs should designate an officer familiar with economic policy priorities as an ongoing liaison with the Foreign Service Institute on professional economic training.

Informal Recommendation 5: The Bureau of Economic and Business Affairs should work with the Department of Commerce and the Small Business Administration to develop a coordinated way to make information about overseas procurement opportunities available to American businesses.

Informal Recommendation 6: The Bureau of Economic and Business Affairs should work with the Department of Commerce and other agencies to design a single National Export Initiative report for embassies that incorporates mutually reinforcing reporting requirements.

Informal Recommendation 7: The Bureau of Economic and Business Affairs should work with other bureaus and the U.S. Agency for International Development in the Interagency Policy Committee to develop a strategic plan to orient the Department's entrepreneurship activities.

Informal Recommendation 8: The Bureau of Economic and Business Affairs should clarify responsibilities in the Office of Commercial and Business Affairs and designate portfolios as handling either commercial diplomacy or entrepreneurship.

Informal Recommendation 9: The Bureau of Economic and Business Affairs, as part of its reorganization plan, should add a permanent position to the public diplomacy team to carry out social media efforts.

Informal Recommendation 10: The Bureau of Economic and Business Affairs should review the membership and operation of the Advisory Committee on International Economic Policy and implement a plan to improve its value as a forum for obtaining private sector input on international economic policy.

Informal Recommendation 11: The Bureau of Economic and Business Affairs should work with the Bureau of Human Resources to lengthen most details to the U.S. Trade Representative to 2 years and encourage officers to bid on details from the bureau or to return to the bureau following details.

Informal Recommendation 12: The Bureau of Economic and Business Affairs should require Trade Policy and Programs staff to attend Foreign Service Institute courses PP501, *International Negotiation: Arts and Skills*, and PP515, *Advanced International Negotiations*.

Informal Recommendation 13: The Bureau of Economic and Business Affairs, as part of its reorganization plan, should provide staff to support the secretariat functions in the International Communications and Information Policy deputation

Informal Recommendation 14: The Bureau of Economic and Business Affairs should clarify with the Office of the Chief Economist the delineation of their responsibilities to avoid unnecessary duplication.

Informal Recommendation 15: The Bureau of Economic and Business Affairs should establish procedures to provide the Department of the Treasury, on a timely basis, Department positions on license applications.

Informal Recommendation 16: The Bureau of Economic and Business Affairs should include in supervisors' performance plans or work requirements statements their responsibility for preparing employee performance plans or work requirements statements, mid-year counseling sessions, and performance appraisals in accordance with Department of State regulations.

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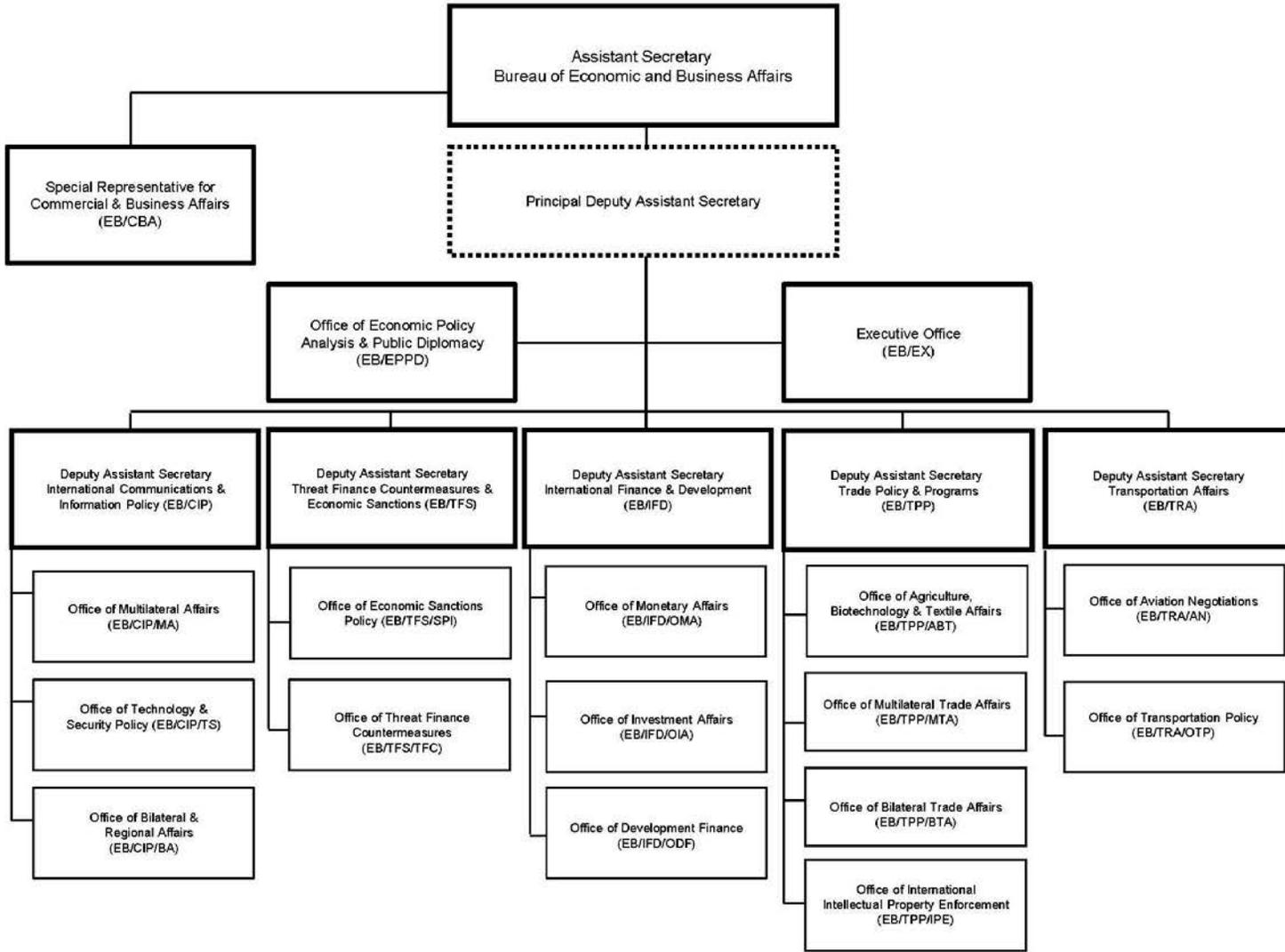
Principal Officials

	Name	Arrival Date
Assistant Secretary	Vacant	
Principal Deputy Assistant Secretary and DAS for IFD	William Craft	10/13
Economic Policy Analysis and Public Diplomacy	Laura Kirkconnell	09/12
Executive Director	Dorothy Sarro	10/13
Development Finance	Roland DeMarcellus	02/06
Investment Affairs	Michael Tracton	10/12
Monetary Affairs	Andrew Haviland	10/12
Deputy Assistant Secretary, CIP	Daniel Sepulveda	04/13
Bilateral and Regional Affairs	John Spilsbury	08/09
Multilateral Affairs	Julie Zoller	03/13
Technology and Security Policy	Douglas May	01/12
Deputy Assistant Secretary, TFS	Peter Harrell	06/12
Economic Sanctions Policy and Implementation	Darnell Steuart	10/12
Threat Finance Countermeasures	Andrew Weinschenk	08/12
Deputy Assistant Secretary, TPP	Vacant	
Agriculture, Biotechnology, and Textile Trade Affairs	Edward Kaska	02/11
Bilateral Trade Affairs	Robert Manogue	11/12
Intellectual Property Enforcement	Jean Bonilla	10/12
Multilateral Trade Affairs	Paul Brown	8/13
Deputy Assistant Secretary, TRA	Krishna Urs	11/10
Aviation Negotiations	Stephen Cristina	08/13
Transportation Policy	Megan Walklet-Tighe	06/13
Special Representative, CBA	Lorraine Hariton	09/09
Commercial and Business Affairs	Todd Schwartz	08/12

Abbreviations

ACIEP	Advisory Committee on International Economic Policy
CBA	Commercial and Business Affairs
CIP	International Communications and Information Policy
DAS	Deputy Assistant Secretary
EB	Bureau of Economic and Business Affairs
EPPD	Economic Policy Analysis and Public Diplomacy
EX	Executive Director
FAM	Foreign Affairs Manual
IFD	International Finance and Development
PDAS	Principal Deputy Assistant Secretary
QDDR	Quadrennial Diplomacy and Development Review
TFS	Counter Threat Finance and Sanctions
TPP	Trade Policy and Programs
TRA	Transportation Affairs

EB Organizational Chart





**FRAUD, WASTE, ABUSE,
OR MISMANAGEMENT
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800-409-9926

oighotline@state.gov

oig.state.gov

Office of Inspector General
U.S. Department of State
P.O. Box 9778
Arlington, VA 22219