



UNITED STATES DEPARTMENT OF STATE
AND THE BROADCASTING BOARD OF GOVERNORS
OFFICE OF INSPECTOR GENERAL

ISP-I-15-03

Office of Inspections

October 2014

**Inspection of the Bureau of
Information Resource Management,
Strategic Planning Office**

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

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 BBG, and Congress with systematic and independent evaluations of the operations of the Department and 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 for Inspections

Table of Contents

Key Findings	1
Introduction	2
Context	3
Leadership	4
Organizational Objectives	4
Organizational Structure	5
Program Implementation	7
Strategic Plans	7
Capital Planning and Investment Control	8
Resource Management	12
Financial Management	12
Working Capital Fund	14
Human Resources	15
Information Technology Management	17
Information Technology Portfolio Management Tool	17
SharePoint Management	18
Physical Security	20
Principal Unit Security Officer Duties	20
Management Controls	21
Inventory Control	21
List of Recommendations	22
Principal Officials	24
Abbreviations	25

Key Findings

- The Strategic Planning Office has responsibilities throughout the Department of State—such as development of the Department of State’s information technology Strategic Plan and capital planning and investment control for the \$1.4-billion information technology spending—without the necessary authority to compel compliance.
- Although nominally charged with providing strategic vision to the Department of State in matters of information management and technology, the Strategic Planning Office is more typically consumed by budgetary matters and short-fuse tasks.
- The information technology strategic planning process is not as inclusive as it should be, and no efforts are made to ensure that the plan is being implemented.
- The Electronic Government Program Board and the Advisory Group are among the principal organizations that manage, advise, and support information technology activities and resources for the Department of State, but the objectives and processes of the bodies are not evident to Department of State managers.
- Inconsistent and unverified reporting of nonmajor information technology projects and a lack of a clear definition of what constitutes a reportable information technology project have contributed to a capital planning and investment control process that potentially does not include all Department of State information technology investments.
- The integrated information technology portfolio management and asset tracking application is not effective due to a lack of clear scope for its use and the Strategic Planning Office’s limited authority to enforce data quality controls and accountability.

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 inspection took place in Washington, DC, between April 16 and June 3, 2014. Matthew Ragnetti (team leader), Martha Fikru (deputy team leader), Jay Dehmlow, Charles Eaton, Brett Fegley, and Richard Jones conducted the inspection.

Introduction

In performing this inspection of the Bureau of Information Resource Management's (IRM) Strategic Planning Office (SPO), the OIG team interviewed all personnel in the office, including contract staff, focusing on the quality of leadership and supervision; overall strengths and weaknesses of the office; effectiveness of work processes; morale; and possible waste, fraud, and abuse. To understand how SPO personnel interact with Department of State (Department) managers to meet the office's mandates, the OIG team interviewed 40 Department managers, as well as senior officers, and observed 25 management and working-level meetings. The team also solicited input from 16 Department managers with information technology (IT) and budget management responsibilities via surveys on SPO's support and invited feedback from the Office of Management and Budget (OMB). Additionally, the team examined documents related to strategic planning, capital planning and investment control, budget formulation and execution, and Working Capital Fund (WCF) management.

Context

SPO falls under IRM's Business Management and Planning Directorate. The office is responsible for developing the IT Strategic Plans for the Department and IRM bureau, managing the IT investment portfolio for the Department, and formulating and executing IRM's budget. A Senior Executive Service director manages SPO's 37 full-time equivalent and 43 contractor personnel, with an annual operating budget of approximately \$7.9 million (FY 2013).

SPO's organizational structure changed recently. In November 2013, SPO underwent a realignment that removed one of its divisions, Enterprise Architecture. This division was elevated to the office level within the same IRM directorate as SPO and renamed the Office of the Chief Architect. SPO officially operates with three divisions: Financial Management, Strategic Planning, and Portfolio Management. On the basis of an authorization memorandum from the Chief Information Officer (CIO), the WCF branch was operating as a de facto division reporting to the SPO director since 2012. During this inspection, IRM's deputy CIO for Business Management and Planning issued a decision memorandum realigning the branch under the supervision of the Financial Management Division (FMD), as specified in 1 *Foreign Affairs Manual* (FAM) 274.2-2 (B).

FMD handles IRM's financial management and planning, including formulating and executing IRM's approximately \$550-million (FY 2014) budget. FMD's WCF branch provides management oversight for the IT WCF and serves as the liaison with IRM offices for IT management practices. The Strategic Planning Division (SPD) leads the development of the Department's IT Strategic Plan. The Portfolio Management Division (PMD) partners with other Department bureaus to manage the Department's IT investments through the capital planning and investment control (CPIC) process. The division also trains Department program managers, project managers, and bureau budget officers on the investment management process. PMD manages reporting to OMB on the Department's \$1.4-billion (FY 2014) IT capital investment.

In addition to these functions, SPO serves as the executive secretariat of the Electronic Government (E-Gov) Program Board, which functions as the Department's senior management governance structure for IT investments. The office also represents the Department at the Federal CIO Council¹ and in communications with Congress, OMB, and other regulatory bodies concerning IT initiatives, investments, and various regulatory issues. SPD and PMD fulfill numerous Federal IT management mandates for the Department, including those under the Clinger-Cohen Act of 1996 and Title II, Section 202 of the E-Government Act of 2002. These mandates require Federal agencies to monitor their IT investments and show how IT enables progress in fulfilling strategic goals. The mandates also require agencies to monitor their performance toward those goals and submit annual reports on their IT investment progress to OMB.

¹ The Federal CIO Council is the principal interagency forum to improve agency practices related to the design, acquisition, development, modernization, sustainment, use, sharing, and performance of Federal Government information technology.

Leadership

The SPO director received above average scores across most categories in OIG's leadership survey. During interviews, the staff generally regarded him as a capable strategic thinker and savvy officer. However, a common perception throughout surveys and staff interviews was that the position is hampered by having Departmentwide responsibilities without the necessary authority to compel compliance. The lack of authority in his strategic planning and investment control duties may have aided in shifting the director's focus toward budgetary matters, where he has more immediate control over the formulation and execution of the approximately \$550-million IRM budget. More than 60 percent of SPO's permanent direct-hire employees are engaged in financial management work. IRM's executive office was transferred to the Bureau of Administration in 2004—the reestablishment of budget execution and consolidation of WCF cost centers in SPO has shaped its focus inward on IRM as a quasi-executive office. SPO—nominally charged with providing strategic vision to the Department in matters of information management and technology—is instead typically consumed, both in resources and in focus, by budgetary matters and short-fuse taskings from the director, Office of the CIO, and the Under Secretary for Management, or in response to congressional requirements or inquiries.

Organizational Objectives

SPO has responsibility for functions such as development of the Department IT Strategic Plan and CPIC for the Department's approximately \$1.4 billion in IT spending. Yet the office is two levels removed from the CIO in a bureau that controls only 40 percent² of that spending and cannot compel cooperation from stakeholders across the Department when necessary. Moreover, approval for many of SPO's functions rests at higher levels, including the CIO and the E-Gov Program Board chaired by the Under Secretary for Management.

In meetings with senior SPO and IRM leadership, strategic planning as a functional responsibility of the office was rarely the first priority. The latest plan was only officially released by the CIO near the end of the inspection, 6 months after it was completed and printed. IRM leadership is focused primarily on the operational aspects of the Department's technology infrastructure. The IRM Operations Directorate, which manages operations and maintenance of all physical Department IT resources under a deputy CIO, consumes the bulk of IRM funding and represents approximately 70 percent of the bureau's direct-hire employees. Department employees, including other bureau leadership, are quick to complain if networks go down, and those external to SPO have few incentives to give more than a brief consideration to the strategic direction of the Department's IT program.

SPO does not effectively engage stakeholders to include their needs in the strategic planning process, and many large bureaus with significant IT investments are largely unaware of SPO's role or existence. Input to the Strategic Plan and collaboration on its development is not actively solicited from other Department entities. The IT strategic planning process does not feed

² *Additional OMB and Agency Actions Are Needed to Achieve Portfolio Savings*, Report No. GAO-14-65, November 6, 2013.

into other Department planning activities such as the current Quadrennial Diplomacy and Development Review³ in any meaningful way. The CPIC process, which oversees the health and value of approximately \$1.4 billion in Department IT investments, is overseen by an E-Gov Program Management Office,⁴ which has a Program Board and Advisory Group that has met only sporadically in the past 3 years. The CPIC process is widely regarded in the Department as a paper process to fulfill OMB reporting requirements.

Communication and coordination across SPO divisions and with other elements of IRM is strained. Despite concerted recent efforts to improve office communication, many staff members still claimed to have little interaction with other SPO divisions or understanding of what those divisions do. In some cases, the lack of collaboration is somewhat counterproductive; for example, failing to agree on a common organization code for data input across divisions. The staff complained about drastically changing priorities, such as program reviews being dropped to focus on the budget passback or a major effort to develop a “one port” cost model being abruptly dropped. Employees from various levels also complained about being diverted from their projects to work on taskers from the CIO front office.

Morale in SPO is mixed, with OIG survey scores among Civil Service personnel in parts of FMD and PMD considerably lower than the office average. Pending reorganization issues and uncertainty weigh heavily on much of the office. Areas of concern include unclear job responsibilities, incomplete position descriptions, a defunct awards program, lack of recognition for exceptional performance, and management’s reluctance to deal with poor performing staff. Rumors spread about impending organizationwide change, which has the staff worried. In addition, IRM leadership informed OIG inspectors that the director will be taking a 2-year detail assignment for a professorship at the National Defense University. His position will be filled in an acting capacity.

Organizational Structure

Organizational uncertainty looms large across SPO. The CIO approved a memorandum in 2012 that presented a rational argument for elevating the WCF branch of FMD to a division called Business Services. No subsequent human resources action was taken, however, and the designation was uncertain until the CIO rescinded his approval near the end of the OIG team’s inspection. IRM leadership explained the scuttled proposal as a workaround over an issue with a problem employee who has since left the bureau. Additionally, as mentioned in the Context section, the Enterprise Architecture Division was moved out of SPO in November 2013—its prior status as a division within SPO was cited as a principal reason for the inability to develop a comprehensive enterprise architecture for the Department. Yet, no obvious plan links enterprise architecture functions with strategic planning, as intended by the Clinger-Cohen Act of 1996.

³ The Quadrennial Diplomacy and Development Review is a study by the Department, first started in 2009 and intended to be done every 4 years, that analyzes the short-, medium-, and long-term blueprint for U.S. diplomatic and development efforts abroad.

⁴ SPO’s PMD serves as the E-Gov Program Management Office, established under the Department’s E-Gov Program Board charter, providing enterprisewide governance for the Department’s decentralized IT Portfolio (1 FAM 274.2-3.1).

The SPD personnel spend the bulk of their time handling taskers from the CIO's office, OMB, and other external entities and comparatively little on strategic planning. Plans are in the making to move some personnel who perform liaison work with external entities to IRM's External Affairs Office, a separate office that reports directly to the CIO and liaises with external entities. Noting the typical close relationship between strategic planning and enterprise architecture, some staff members express concerns that components of SPO eventually will be used to support the new architect's office. Meanwhile, PMD is not able to complete annual reviews of all the major investments and does not even examine nonmajor investments, but rather relies on self-reported information from bureaus. During interviews, a widespread call for more resources, as well as a better rationale for placement of Civil and Foreign Service personnel, persisted. Given the widespread organizational turmoil, lack of clarity in mission, dubious product outcomes, commonly diverted resources, and a generally misnamed office, a broader organizational review is necessary.

Recommendation 1: The Bureau of Information Resource Management, in coordination with the Bureau of Human Resources, should conduct a comprehensive review of the structure, management, and manpower needs of the Strategic Planning Office and submit the report to the Bureau of Information Resource Management. (Action: IRM, in coordination with DGHR)

Program Implementation

Strategic Plans

SPD drafts the Department's IT Strategic Plan, which is required by the Clinger-Cohen Act, as well as IRM's Functional Bureau Strategy. These IRM plans support the Department of State-USAID Quadrennial Diplomacy and Development Review and the Joint State-USAID Strategic Plan. The coordination of preparation efforts on these plans is important to meet the Government Performance and Results Modernization Act mandates.

Information Technology Strategic Planning

SPD is responsible for drafting the Department's IT Strategic Plan and IRM's Functional Bureau Strategy. The division does not have a standard operating procedure for the development of the plan, relying instead on the experience of the contractors working in the office. SPD does not have the authority and resources to implement the plan. None of the Department's CIOs has viewed the implementation of the plan as a core function of the bureau, in part because IRM controls only 40 percent of the Department's IT spending budget. Tactical pressures to keep the infrastructure running overwhelm the strategic focus, with no repercussions for not meeting goals and objectives.

In September 2013 the E-Gov Program Board formally approved the plan, following a strong endorsement from the CIO. The OIG team heard that many bureaus were neither aware of the Department IT Strategic Plan, nor had they been asked to comment or clear on it. The change in CIOs during the plan preparation and the more than 18-month drafting process clearly affected the perception of SPD's inclusiveness.

SPD has already begun the process of drafting the next Department-level IT Strategic Plan with a target publication date of late 2014. Simultaneously, SPD will be working on the next iteration of IRM's Functional Bureau Strategy. Both documents need the explicit direction and approval of IRM leadership during drafting and implementation. It is essential that both efforts incorporate the broadest possible consultations within the bureau, the Department, and—for certain elements—the private sector and the larger foreign affairs community. Because the Department IT Strategic Plan deals with the needs of the Department—not just IRM—it would be logical to expand the drafting team to include other bureaus.

One important factor missing from previous IRM-prepared plans at the bureau and Department level has been a comprehensive incorporation of enterprise architecture. OMB was particularly critical of this omission in its otherwise positive comments on the previous Department-level plan. The recent creation of an Office of the Chief Architect may help address this gap, but working relations between SPD and the architect have yet to be developed.

Recommendation 2: The Bureau of Information Resource Management should develop comprehensive consultation, clearance, and implementation action plans for the Department of State Information Technology Strategic Plan and Bureau Functional Strategy. (Action: IRM)

Lack of Performance Measurement

The OIG team was unable to find evidence that the performance indicators in either the Department IT Strategic Plan or the IRM Functional Bureau Strategy are tracked within IRM or the E-Gov Program Board, contrary to the requirements of the Clinger-Cohen Act and various OMB directives. Failure to track performance indicators severely limits management's ability to monitor the progress toward the goals and objectives of a strategic plan. The lack of baseline data and weak descriptions of desired outcomes complicate the tracking of indicators in these plans. The fact that almost all the indicators require the cooperation of offices outside SPO highlights the need for a comprehensive implementation strategy. The CIO has recently instituted a performance dashboard, but none of the strategic level indicators—such as mobile usage, deployment to the cloud, use of social media, use of data tools, or Department-level use of IT development tools—is included.

Recommendation 3: The Bureau of Information Resource Management should develop a quarterly reporting program for bureau management review of the performance indicators in both the Functional Bureau Strategy and the Department of State Information Technology Strategic Plan. (Action: IRM)

Missing Program Evaluation

In 2012, the Department promulgated a new policy on program evaluation. SPO is the contact point within IRM for the evaluation office in the Bureau of Budget and Planning. The FY 2014 IRM Bureau Resource Request—submitted in 2012—included two proposed program evaluations, one to be done in 2013 and a second in 2014. More recently, IRM proposed an additional six evaluations to be completed by May 2014. The Department developed the evaluation policy to provide bureau leaders another tool to assess the effectiveness of their programs beyond simply determining whether programs are on time and on budget. The OIG team found no evidence that any of the eight planned evaluations had been completed, assessed within IRM, or submitted to the Bureau of Budget and Planning. No evaluations have been identified for the remainder of 2014 through 2015, although the Bureau of Budget and Planning was expected to request future evaluation plans in early summer 2014.

The proposed IRM evaluation process appears much narrower than that called for in the 2012 policy announcement. IRM appears content to review program performance using only technical measures, which do not adequately examine the actual utility or impact of the program. Discussions between IRM and the Bureau of Budget and Planning were expected to be held on this issue in summer 2014.

Recommendation 4: The Bureau of Information Resource Management should complete the eight proposed program evaluations, assess the results, and forward that material to the Bureau of Budget and Planning for review and comment. (Action: IRM)

Capital Planning and Investment Control

IT initiatives and investments are developed and deployed in an uncoordinated manner by bureaus and offices, with many created in a stovepiped environment. Bureaus and offices often

create applications or automated processes that are either duplicative or do not interact with other applications, often with data sets that are not shared or compatible with other Department IT applications and systems. Although 1 FAM 274.2-3(2) charges PMD with implementing the significant preselect, control, and evaluation functions and authorities of the CPIC process, PMD has not fully done so.

OMB Circular No. A-130 requires agencies to establish and maintain a CPIC process that links mission needs, information, and IT in an effective and efficient manner. CPIC is critical for ensuring all IT initiatives and investments fully meet the business needs of the Department, are compatible with existing systems and infrastructure, do not duplicate capabilities that already exist, and are obtained in the most cost-effective manner. Per 1 FAM 274.2-3, PMD is responsible for ensuring that the Department's approximately \$1.4 billion in IT investments, initiatives, and projects—which are divided into major and nonmajor IT projects—are properly managed through the CPIC process. OMB receives reports on all major and nonmajor IT projects for Exhibit 53 and Exhibit 300 requirements. Nonmajor IT projects are those initiatives and investments that do not meet the threshold of a major project but are part of the Department's IT portfolio.

Capturing Information Technology Investments, Initiatives, and Projects in the Capital Planning and Investment Control Process

PMD has been focused primarily on the Department's 16 major IT investments. Nonmajor investments are self-reported—inconsistently—by investment owners. Although SPO has provided training in the past, many bureaus and offices are not familiar with the CPIC definition of a reportable nonmajor IT initiative or project as it relates to those developed in house using contracted or direct-hire personnel. PMD staff admitted that no guidance has been issued as to when in-house-developed nonmajor IT projects are reportable or how to calculate the cost. Inconsistent and unverified reporting of nonmajor IT projects, no clear definition of what constitutes a reportable nonmajor IT project, and irregular meetings by the E-Gov Advisory Group have contributed to a CPIC process that does not include all Department IT investments and therefore potentially presents inaccurate information to OMB.

Throughout the Department, bureaus and offices seek IT solutions to automate reporting and business processes. Most of the time, bureaus and offices look for existing solutions. When such solutions are nonexistent or unsatisfactory, a bureau or office will develop an in-house solution using IT specialists on staff or by contracting IT programmers. Often these solutions are developed with only the immediate business need of the bureau or office in mind, without taking into consideration how the application can or should interact with other applications or automated processes.

Recommendation 5: The Bureau of Information Resource Management should develop capital planning and investment control process guidance regarding in-house-developed information technology initiatives and investments, train responsible participants from bureaus and offices throughout the Department of State on this process, and establish verification procedures to facilitate compliance. (Action: IRM)

Capital Planning and Investment Control Governance

The E-Gov Advisory Group is not performing its functions. Several Department managers said that they have limited knowledge of the objectives and activities of the Advisory Group or its oversight body, the E-Gov Program Board. Furthermore, E-Gov Advisory Group membership selection and operating procedures are not transparent.

According to 5 FAM 115.3 and 115.3-1, the E-Gov Program Board and its subgroup, the E-Gov Advisory Group, are among the principal organizations that manage, advise, and support IT activities and resources for the Department. The Program Board was established to fulfill the Clinger-Cohen Act, which requires agencies to implement an IT CPIC process and governance structure to ensure efficient and effective use of resources.

An outgrowth of the July 2010 E-Gov Program Board charter, the E-Gov Advisory Group is required to meet once a month. The group held one meeting in 2012, four meetings in 2013, and one meeting through the first 5 months of 2014. The Advisory Group chair canceled several meetings because of scheduling difficulties, and on occasion the meetings were canceled because of a lack of substantive agenda items. The Advisory Group is charged with providing assessments and recommendations to the Program Board on IT issues facing the Department. These include identifying potential risks and benefits in IT policies and investments, as well as determining the implementation of board directives. If the Advisory Group does not meet as intended, the appropriate information may not be readily available for or aligned with the E-Gov Program Board quarterly meeting agenda.

Pursuant to its charter, the E-Gov Program Board is required to meet quarterly to make IT management decisions, including selection, value, and performance evaluation of IT investments. The E-Gov Board intended for quarterly meeting agendas to include the following actions: in the first quarter, set IT strategic direction for out years; in the second quarter, recommend the IT capital plan for the budget year; in the third quarter, review IT investment performance; and in the fourth quarter, recommend the budget year IT funding request and upcoming fiscal year IT financial plan. In the past 3 fiscal years, the E-Gov Program Board held five meetings. The Under Secretary for Management chairs the board, and membership comprises senior Department and U.S. Agency for International Development staff.

The E-Gov Program Board and Advisory Group meetings create forums for transparent and objective decision-making opportunities to manage the Department's IT resources. Recognizing the need for a vibrant and inclusive advisory group, IRM's deputy CIO for Business Management and Planning has taken the leadership role and has elevated the Advisory Group to board status. PMD is working on updating the July 2010 E-Gov Program Board charter to reflect the change, with minimal input from IT stakeholders to define objectives and membership.

Recommendation 6: The Bureau of Information Resource Management, in coordination with the Office of the Under Secretary for Management, should assess the objectives and operating procedures of the Electronic Government Program Board and Electronic Government Advisory Board and update and disseminate the charter accordingly. (Action: IRM, in coordination with M/PRI)

Conducting Timely Investment Reviews of Major Information Technology Projects

The Department's CPIC Program Guide and the FY 2014 IT Investment Review Process Overview Guide calls for the E-Gov Program Board to conduct a review of each major IT investment during the third quarter of the fiscal year, coinciding with the Department's planning and budget cycle. The results of this review tie directly into finalizing the Department's IT funding request and upcoming fiscal year IT financial plan. Currently, two members of the E-Gov Program Board—the CIO and the Director of the Bureau of Budget and Planning—review one major investment per month on a 16-month cycle throughout the year. The disconnect between the investment review and the planning and budget cycle creates a potential weakness in ensuring that funding requests properly reflect IT investment requirements.

Recommendation 7: The Bureau of Information Resource Management should align the investment review process schedule with the Department of State's budget cycle. (Action: IRM)

Resource Management

Financial Management

FMD manages IRM's budget formulation and execution and performs other financial management services. Unlike a majority of bureaus within the Department, IRM's financial services are not located in an executive office. IRM and the Bureau of Administration have a joint executive office, but a division within SPO carries out IRM's financial services. The staff of 12 is responsible for managing 6 appropriations totaling approximately \$550 million. FMD customers consistently commended the budget formulation process for increased transparency over the past fiscal year. The magnitude of FMD's unliquidated obligations presents a continual challenge to the division.

FMD is currently reengineering its operations, which OMB drives in part with a requirement to manage funds within an additional framework, by investment. The introduction of new systems, processes, and requirements is ongoing. Budget analysts' roles have shifted from being functional specialists in either budget formulation or execution to being generalists responsible for all FMD activities across assigned investment portfolios. Although position descriptions updated in 2011 are functional, FMD undertook an initiative to change them in 2014 to match FMD's new operating strategy better. New budget analyst position descriptions have been proposed and distributed in the Department for clearing and implementation.

Contract workers have been used extensively in planning the division's reengineering, mostly for systems analysis and documentation. A consulting contractor conducted and reported in November 2013 an IRM financial management assessment as part of the change process. The assessment included findings and recommendations related to budgeting and financial management. For example, the assessment recommended integrating better strategic planning and fiscal guidance to strengthen budget justifications. In addition, recommendations to impose training and monitor unliquidated obligations are not yet complete.

Budget Formulation and Execution

In the past 3 years, three different bureau budget processes have existed, none of which the CIO formally endorsed. The FY 2016 budget formulation process incorporated a new procedure requiring each program unit to defend its request to a panel of the deputy CIO. Each of those individuals was to rank the requests and collate those rankings before the final numbers were presented to the CIO for final decision. The deputy CIO's participation in the ranking effort was inconsistent, forcing the FMD division chief and the SPO director to interpret discussions that took place during the panel hearings. Although virtually everyone the OIG team interviewed regarded the process as more transparent than in previous years, the division chief believes it can be further improved.

Recommendation 8: The Bureau of Information Resource Management should issue a bureauwide administrative notice outlining the responsibilities and timelines for submitting the annual budget. (Action: IRM)

Financial Management Training

FMD employees, managers, and consultants agree that more budget analyst training is required to meet more effectively the new performance requirements associated with the FMD reengineering. Under the new structure, each analyst must understand the budget process, formulation, and execution. This structure will allow more coherent backup for the various IRM program offices. A significant number of employees interviewed admitted they were not yet comfortable working both aspects, especially the budget analysts just beginning to participate in budget formulation activities. Training is necessary in technical financial areas, including financial analysis and appropriations law, as well as use of the Department's central accounting system and electronic spreadsheet applications. FMD has not developed training plans and, as a result, risks not reaching its restructuring goals.

Recommendation 9: The Bureau of Information Resource Management should assess and document training requirements for budget analysts in the Strategic Planning Office and provide such training. (Action: IRM)

Unliquidated Obligations

The recent IRM financial management assessment and an OIG audit recommended reducing unliquidated obligations.⁵ In its FY 2013 year-end certification, FMD confirmed that approximately \$400 million in unliquidated obligations are still needed for valid purposes. Of this amount, \$50 million is related to fiscal years prior to 2011. The magnitude of unliquidated obligations suggests that IRM and the U.S. Department of the Treasury risk having substantial funds not put to good use.

FMD has improved unliquidated obligations monitoring, such as documenting and implementing processes. FMD has not implemented the OIG audit recommendation to perform monthly reviews of documents supporting unliquidated obligations, as required in 4 FAM 225 (a). In addition, budget analysts do not interact with program offices frequently enough. Budget analysts' effectiveness will improve as the new work assignments take hold and training occurs. Some in FMD believe a level of IRM program office resistance will continue because FMD lacks the organizational authority to enforce action. IRM directorates and offices would benefit from affirming in writing the accuracy of their projects' transaction status for monthly unliquidated obligation reviews to assure their accountability.

Recommendation 10: The Bureau of Information Resource Management should update its policy for monitoring unliquidated obligations to underscore division directors' accountability in monthly unliquidated obligation reviews. (Action: IRM)

⁵ *Audit of Department of State Use of Appropriated Funds Prior to Expiration and Cancellation*, Report No. AUD-FM-14-21, May 2014.

Contract Management Functions

The contracting officer's representative in SPO reports directly to the office director, not to the FMD chief. To date, this arrangement has worked well, although the individual spends a significant amount of her time working with the FMD. The contracting officer's representative manages seven contracts. Two of those contracts are nearing their end, and new competitions were underway during the inspection. A contractor, who handles most invoicing and helps digitize the contract files, supports the contracting officer's representative. The migration is virtually complete, and a review of the files discovered no issues with comprehensiveness, although naming conventions were not always transparent. The contracting officer identified no issues, and Government technical managers within SPO were all pleased with the service they received.

Working Capital Fund

SPO operates a WCF branch that supports the three operational service centers within IRM: the Telecommunications, Wireless, and Data Services Division; the Mobile and Remote Access Division; and the IT service center. The WCF branch is charged with developing and maintaining IRM's WCF budget as well as providing financial governance and guidance to the operational service centers. IRM's WCF budget for FY 2014 is \$196.3 million.

Financial oversight of the three operational service centers was consolidated into the WCF branch in March 2011. The branch has faced several challenges since its inception. Four different branch chiefs have managed the branch in the past 3 years, and a fifth will begin soon. The determination of its status as a branch or a division went unsettled for more than a year and a half, with its designation as a branch being signed into effect during the inspection. The branch's placement in IRM has made governing and guiding the operational support centers difficult. All these challenges have led to low morale among branch employees and an absence of key business processes.

Recommendation 11: The Bureau of Information Resource Management should fill the Working Capital Fund branch chief position in the Strategic Planning Office. (Action: IRM)

Working Capital Fund Management Roles and Responsibilities

The WCF branch does not resolve billing issues that arise between customers and the operational service centers in a timely manner. The OIG team observed unassigned bills that went unresolved for up to 11 months because of the inability of both the WCF branch and IRM's Telecommunications, Wireless, and Data Services Division to determine who was responsible for processing the service requests. Billing issues are difficult to resolve because the WCF branch has not established clearly defined roles and responsibilities with each of the operational service centers. According to 1 FAM 274.2-2(B), the WCF branch is responsible for reconciling and resolving disputes regarding bills and invoices. Failure to resolve billing issues in a timely manner can prevent the WCF from collecting the revenue required to sustain its operations.

Recommendation 12: The Bureau of Information Resource Management should sign and implement an operational-level agreement with each of the operational service centers in the Strategic Planning Office. (Action: IRM)

Cost Models

The WCF branch assists the operational service centers with developing business plans and setting user fees, which includes conducting cost impact analyses of each service center's operating expenses. The WCF branch carries out this responsibility by developing cost models and spending plans that detail the expenses associated with each operational service center and determining the user fees they will charge the customer.

The WCF branch has not established a forum for presenting cost models it develops with the operational service centers to customers and other key stakeholders. U.S. Government Accountability Office guidance⁶ states that working capital funds should provide program information to agencies and stakeholders to improve transparency and increase awareness of the costs of the program. The unavailability of cost models decreases incentives to reduce costs where possible.

Recommendation 13: The Bureau of Information Resource Management should establish a forum to make its cost models available to customers of the operational service centers in the Strategic Planning Office. (Action: IRM)

The WCF branch also lacks a process for annually reviewing the user fees charged to customers of the operational service centers. The branch was unable to indicate to the OIG team when the last reviews of user fees took place for each of the operational service centers. According to 4 *Foreign Affairs Handbook* (FAH)-3 H-113.4-3 b., WCF charges should be reviewed annually. WCF runs the risk of incorrectly charging customers if charges are not reviewed regularly.

Recommendation 14: The Bureau of Information Resource Management should establish a process for annually reviewing and adjusting, as needed, the user fees for the operational service centers in the Strategic Planning Office. (Action: IRM)

Human Resources

IRM and the Bureau of Administration have a joint executive office that provides human resources services to SPO and the rest of IRM. According to some joint executive office personnel specialists and SPO employees, the relationships work well. A SPO employee is assigned to coordinate routine administrative matters with the executive office. SPO division directors work directly with executive office human resources specialists on substantive matters relating to position descriptions and evaluations. SPO managers are proactive in reaching out for guidance.

⁶ *Federal User Fees, A Design Guide*, Report No. GAO-08-386SP, May 29, 2008.

Equal Employment Opportunity

SPO does not have an Equal Employment Opportunity counselor. The three counselors in IRM support the office, meeting SPO's needs. During the past year, SPO generated one complaint on an external matter. Employees are informed of the Department's Equal Employment Opportunity policies. The Bureau of Administration conducted Equal Employment Opportunity training for IRM, and SPO was represented. Information on the program is posted in SPO office areas.

Information Technology Management

Information Technology Portfolio Management Tool

The integrated IT portfolio management and asset tracking application (iMATRIX)⁷ is not effective due to a lack of clear scope for its use and SPO's limited authority to enforce data quality controls and accountability. Having accurate IT investment information, including assets, projects, and programs, is crucial in meeting the requirements of the Clinger-Cohen Act and Title II, Section 202 of the E-Government Act of 2002.

PMD staff manages the iMATRIX application. The staff envisions making the application the single authoritative source for information on the Department's technology investments, programs, projects, and assets. Assets include applications, social media, Web sites, networks, and datasets. Assets are linked to projects or programs and then rolled up to major or nonmajor IT capital investments. Bureaus and IRM program managers are expected to submit their IT investment information in iMATRIX. Until December 2012, IT assets were tracked in an application called IT Asset Baseline, and the management of IT investments was migrated in July 2013 to iMATRIX from the General Services Administration's Electronic CPIC application. However, multiple entries in the 5 FAM series for managing IT still reference the IT Asset Baseline application, instead of iMATRIX, as the single source for assets tracking and the Electronic CPIC application for portfolio management.

Recommendation 15: The Bureau of Information Resource Management should update chapter 5 of the *Foreign Affairs Manual* to reflect the scope and utility of the integrated information technology portfolio management and asset tracking application. (Action: IRM)

During the inspection, the OIG team found that IRM management does not have a full grasp of iMATRIX's use as a core information source for IT investments, programs, projects, and assets. For instance, IRM management acknowledged that information must be collected from different sources, including iMATRIX, to develop a comprehensive report on Web sites the Department owns. IRM and SPO management agree that the Department can benefit from a centralized data source to respond to internal and external reporting requirements or have better awareness of the technology used in the Department. It is not clear whether iMATRIX is the right tool to accomplish that goal.

More important, SPO staff members do not have confidence in the quality of the information captured in iMATRIX, much of which system owners self-report. PMD staff has been working on cleaning up iMATRIX asset data after moving the information from the IT Asset Baseline application in December 2012. As of June 4, 2014, 69 percent of the assets reported in iMATRIX are not linked to investments. Further, assets are linked to the wrong investments. As discussed in the CPIC process section of this report, SPD staff members have not reviewed and validated all investments reported in iMATRIX; the focus is only on the 16

⁷ iMATRIX stands for integrated, management, analytics, technology, resource, information and exchange.

major investments. According to PMD employees, competing priorities and inadequate staffing impede their ability to complete the data validation in a timely manner.

Information assurance is also an issue. Personnel told the OIG team that SPO does not have the authority to enforce information verification and accountability. Rather than independently updating information within iMATRIX when changes occur, PMD staff indicated that users update information in response to data calls that events, such as OMB reporting deadlines or IRM data calls, trigger.

Recommendation 16: The Bureau of Information Resource Management should clarify the scope and use of the integrated information technology portfolio management and asset tracking application and implement the appropriate management controls for data accuracy and accountability. (Action: IRM)

SharePoint Management

SPO uses a SharePoint environment for information sharing and data management. A team of two SharePoint developers manages the overall SharePoint environment, and the divisions are responsible for managing the content of their particular sites. Access to the sites is requested and granted using a SharePoint workflow process.

The current SharePoint development team has been with SPO for approximately 1 year. Since their arrival, team members have focused primarily on the development of FMD's financial management system, known as the allocation management system. The system is SharePoint based and is used to manage IRM's budget. It is being implemented in four phases, with phase III set to be delivered at the end of June 2014. Although the development of the allocation management system has been important to FMD, it has led to deficiencies in SPO's overall SharePoint environment.

SharePoint Management Roles and Responsibilities

SPO has poorly defined SharePoint management roles and responsibilities. SPO management has failed to develop and implement a policy for governing the office's SharePoint environment. This condition has led to confusion about how the environment is managed. Some employees think that the SharePoint development team was brought on board to support FMD, and others are not sure about whom to contact for issues with site permissions. Department policy states that offices are responsible for providing resources to support Web site operations adequately. Confusion about site management roles increases the risk of preventing personnel from accessing or updating data required to perform their daily duties.

Recommendation 17: The Bureau of Information Resource Management should clearly define personnel roles and responsibilities for managing the Strategic Planning Office's SharePoint environment. (Action: IRM)

Access Control

SPO has established a role-based access control model for its SharePoint environment but has not been consistent with its implementation. The OIG team discovered instances of permissions being assigned directly to users rather than placing the user in an established security group. The office also struggled to assign the OIG team the correct levels of permission because of issues with the permission hierarchy. Inconsistencies in the permission management environment are due largely to competing priorities from the development of the allocation management system. Department policy states in 12 FAM 622.1-2 (a) that system managers must control and limit access to automated information systems to the level necessary for users to perform their official duties. Failure to properly control access increases the risk of disclosing sensitive information to personnel without a need to know.

Recommendation 18: The Bureau of Information Resource Management should review and update the SharePoint security groups in the Strategic Planning Office. (Action: IRM)

Physical Security

Principal Unit Security Officer Duties

SPO is not maintaining an active security program. The office has appointed a principal unit security officer and an alternate but has failed to prescribe any security duties to those officers. One result of this failure is the widespread practice of using locks that are not approved by the Bureau of Diplomatic Security to lock storage cabinets. None of the cabinets is used for classified materials. According to 12 FAM 563.2, all unit security officers are required to perform their prescribed security duties and maintain active training and orientation programs. Failure to do so increases the risk of security incidents and the disclosure of sensitive information.

Recommendation 19: The Bureau of Information Resource Management should prescribe security duties for the unit security officers in the Strategic Planning Office. (Action: IRM)

Management Controls

The CIO signed the most recent management controls statement of assurance on August 23, 2013, which asserted that IRM management controls were satisfactory. The OIG team found little support for the implicit assertion that SPO's system of management controls provided reasonable assurance that its programs and projects were carried out effectively. The SPO director reported to the bureau that SPO's management controls program was satisfactory by clearing the distribution of the boilerplate statement of assurance letter, absent formal evaluations for its divisions. Standards under 2 FAM 021.3 entail assessable units, such as requiring SPO and its divisions to undergo risk assessments. The standard at 2 FAM 022.7 (3) requires risk assessments as circumstances warrant but not less than every 5 years. SPO managers could not recall the previous risk assessment or whether such assessments ever occurred.

The lack of any assessment indicates that SPO is neither aware of its program risks nor in a position to establish control objectives to mitigate the risks. This report's Program Implementation section describes SPO failures to track the Department's strategic-level IT performance indicators and conduct IRM program evaluations. These deficiencies could have been avoided had an effective management control program been in place. SPO would benefit from an evaluation under the framework of 2 FAM 023 that includes risk assessments and management control reviews and system documentation for assessable units.

Recommendation 20: The Bureau of Information Resource Management should document and implement a management control evaluation and improvement process for the Strategic Planning Office. (Action: IRM)

Inventory Control

Inspectors noticed a number of apparently discarded mobile phones in SPO's office area. According to employees, these phones are no longer in use because newer units replaced them or the individuals who had used them no longer worked in the office. The appropriate practice is to declare the items surplus, but assignment of responsibility among SPO staff members for maintaining the office inventory of mobile phones remains uncertain.

Recommendation 21: The Bureau of Information Resource Management should clarify the roles of property managers to facilitate the proper disposition of excess property in the Strategic Planning Office. (Action: IRM)

List of Recommendations

Recommendation 1: The Bureau of Information Resource Management, in coordination with the Bureau of Human Resources, should conduct a comprehensive review of the structure, management, and manpower needs of the Strategic Planning Office and submit the report to the Bureau of Information Resource Management. (Action: IRM, in coordination with DGHR)

Recommendation 2: The Bureau of Information Resource Management should develop comprehensive consultation, clearance, and implementation action plans for the Department of State Information Technology Strategic Plan and Bureau Functional Strategy. (Action: IRM)

Recommendation 3: The Bureau of Information Resource Management should develop a quarterly reporting program for bureau management review of the performance indicators in both the Functional Bureau Strategy and the Department of State Information Technology Strategic Plan. (Action: IRM)

Recommendation 4: The Bureau of Information Resource Management should complete the eight proposed program evaluations, assess the results, and forward that material to the Bureau of Budget and Planning for review and comment. (Action: IRM)

Recommendation 5: The Bureau of Information Resource Management should develop capital planning and investment control process guidance regarding in-house-developed information technology initiatives and investments, train responsible participants from bureaus and offices throughout the Department of State on this process, and establish verification procedures to facilitate compliance. (Action: IRM)

Recommendation 6: The Bureau of Information Resource Management, in coordination with the Office of the Under Secretary for Management, should assess the objectives and operating procedures of the Electronic Government Program Board and Electronic Government Advisory Board and update and disseminate the charter accordingly. (Action: IRM, in coordination with M/PRI)

Recommendation 7: The Bureau of Information Resource Management should align the investment review process schedule with the Department of State's budget cycle. (Action: IRM)

Recommendation 8: The Bureau of Information Resource Management should issue a bureauwide administrative notice outlining the responsibilities and timelines for submitting the annual budget. (Action: IRM)

Recommendation 9: The Bureau of Information Resource Management should assess and document training requirements for budget analysts in the Strategic Planning Office and provide such training. (Action: IRM)

Recommendation 10: The Bureau of Information Resource Management should update its policy for monitoring unliquidated obligations to underscore division directors' accountability in monthly unliquidated obligation reviews. (Action: IRM)

Recommendation 11: The Bureau of Information Resource Management should fill the Working Capital Fund branch chief position in the Strategic Planning Office. (Action: IRM)

Recommendation 12: The Bureau of Information Resource Management should sign and implement an operational-level agreement with each of the operational service centers in the Strategic Planning Office. (Action: IRM)

Recommendation 13: The Bureau of Information Resource Management should establish a forum to make its cost models available to customers of the operational service centers in the Strategic Planning Office. (Action: IRM)

Recommendation 14: The Bureau of Information Resource Management should establish a process for annually reviewing and adjusting, as needed, the user fees for the operational service centers in the Strategic Planning Office. (Action: IRM)

Recommendation 15: The Bureau of Information Resource Management should update chapter 5 of the *Foreign Affairs Manual* to reflect the scope and utility of the integrated information technology portfolio management and asset tracking application. (Action: IRM)

Recommendation 16: The Bureau of Information Resource Management should clarify the scope and use of the integrated information technology portfolio management and asset tracking application and implement the appropriate management controls for data accuracy and accountability. (Action: IRM)

Recommendation 17: The Bureau of Information Resource Management should clearly define personnel roles and responsibilities for managing the Strategic Planning Office's SharePoint environment. (Action: IRM)

Recommendation 18: The Bureau of Information Resource Management should review and update the SharePoint security groups in the Strategic Planning Office. (Action: IRM)

Recommendation 19: The Bureau of Information Resource Management should prescribe security duties for the unit security officers in the Strategic Planning Office. (Action: IRM)

Recommendation 20: The Bureau of Information Resource Management should document and implement a management control evaluation and improvement process for the Strategic Planning Office. (Action: IRM)

Recommendation 21: The Bureau of Information Resource Management should clarify the roles of property managers to facilitate the proper disposition of excess property in the Strategic Planning Office. (Action: IRM)

Principal Officials

	Name	Arrival Date
Chief Information Officer	<i>Steven C. Taylor</i>	<i>04/2013</i>
Deputy Chief Information Officer, Business, Management and Planning Strategic Planning Office	<i>Pat Lacina</i>	<i>08/2013</i>
Director	<i>Ken Rogers</i>	<i>06/2009</i>
Financial Management Division Director	<i>Larry Davis</i>	<i>04/2013</i>
Portfolio Management Division Director	<i>Dean Ergenbright</i>	<i>03/2011</i>
Strategic Planning Division Director	<i>Ron Lay</i>	<i>09/2013</i>

Abbreviations

CIO	Chief Information Officer
CPIC	Capital planning and investment control
Department	U.S. Department of State
E-Gov	Electronic Government
FAH	<i>Foreign Affairs Handbook</i>
FAM	<i>Foreign Affairs Manual</i>
FMD	Financial Management Division
iMATRIX	Integrated IT portfolio management and asset tracking application
IRM	Bureau of Information Resource Management
IT	Information technology
OMB	Office of Management and Budget
PMD	Portfolio Management Division
SPD	Strategic Planning Division
SPO	Strategic Planning Office
WCF	Working Capital Fund



**FRAUD, WASTE, ABUSE,
OR MISMANAGEMENT
OF FEDERAL PROGRAMS
HURTS EVERYONE.**

CONTACT THE
OFFICE OF INSPECTOR GENERAL
HOTLINE
TO REPORT ILLEGAL
OR WASTEFUL ACTIVITIES:

202-647-3320

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