



OIG HIGHLIGHTS

September 2015
OFFICE OF INSPECTIONS
Domestic Operations and Special Reports

Review of the Statements of Assurance Process

Report ISP-I-15-37.

What OIG Inspected

The review took place in Washington, DC, between January 5 and March 31, 2015.

What OIG Recommends

The team made eight recommendations to improve the process by which the Department meets its responsibilities to review and report on the effectiveness of management control systems and correct detected deficiencies.

Five recommendations are directed to improving the guidance prepared by the Office of Management Controls in the Bureau of the Comptroller and Global Financial Services. GCFS needs to inform posts at the beginning of each fiscal year that management control reviews are an ongoing process. The guidance GCFS provides needs to be more specific on identifying review areas and reporting and monitoring deficiencies.

With improved reporting of deficiencies, the report recommends guidance from GCFS on the need for bureaus to coordinate among themselves to identify trends and areas of commonality. Such aggregation of deficiencies could lead to future mandatory reviews or identification of significant deficiencies. The report makes three recommendations to the Foreign Service Institute for improving training on management controls, including developing a course for key managers.

What OIG Found

- The Bureau of the Comptroller and Global Financial Services should provide more guidance to bureaus and missions on conducting management control reviews, including on programmatic activities, and how missions should report deficiencies to bureaus.
- The Bureau of the Comptroller and Global Financial Services needs to emphasize, in guidance issued early in the fiscal year, that management controls are ongoing and should be reviewed throughout the year.
- Regional and functional bureaus need to coordinate in identifying trends and patterns in deficiencies that, when aggregated, could lead to an identification of a significant deficiency.
- The Foreign Service Institute should expand its training on management controls, incorporating such training in all leadership courses and developing a course targeting senior managers in bureaus and missions.



OIG

Office of Inspector General

U.S. Department of State • Broadcasting Board of Governors

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Office of Inspections

September 2015

Review of the Statements of Assurance Process

DOMESTIC OPERATIONS AND SPECIAL REPORTS

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CONTENTS

KEY FINDINGS	4
CONTEXT	5
Authorities for the Statements of Assurance	5
Management Controls Systems	5
Producing the Statements of Assurance	6
What OMB A-123 and the Statements of Assurance Do Not Do	9
Why OIG Conducted the Review	10
FINDINGS	10
Guidance on Management Control Reporting Mechanisms is Insufficient.....	10
Review Guidance Excludes Key Areas.....	11
Issuance of Guidance on Management Control Reviews is Not Timely	11
Lack of Coordination Among Bureaus and a Need for Risk Assessments.....	12
Risk Assessment.....	12
Management Controls Training is Insufficient	13
RECOMMENDATIONS	15
PRINCIPAL OFFICIALS.....	16
APPENDIX A: SCOPE AND METHODOLOGY	17
ABBREVIATIONS	18
OIG INSPECTIONS TEAM.....	19

KEY FINDINGS

- The Bureau of the Comptroller and Global Financial Services should provide more guidance to bureaus and missions on conducting management control reviews, including on programmatic activities, and how missions should report deficiencies to bureaus.
- The Bureau of the Comptroller and Global Financial Services needs to emphasize, in guidance issued early in the fiscal year, that management controls are ongoing and should be reviewed throughout the year.
- Regional and functional bureaus need to coordinate in identifying trends and patterns in deficiencies that, when aggregated, could lead to an identification of a significant deficiency.
- The Foreign Service Institute should expand its training on management controls, incorporating such training in all leadership courses and developing a course targeting senior managers in bureaus and missions.

CONTEXT

Authorities for the Statements of Assurance

Effective management control systems play a key role in ensuring that the U.S. Department of State (Department) is able to achieve its objectives through effective stewardship of public resources. The statement of assurance process is one part of the Department's management control systems. The process is valuable because it provides the public with the assurance that its tax dollars are being spent wisely and for congressionally authorized purposes. The end result is an annual statement from the Secretary of State, which is required by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), and is published in the Department's Agency Financial Report. The definition of a statement of assurance is provided in 2 *Foreign Affairs Manual* (FAM) 021.3, which asserts that the statement is:

A letter or memorandum that states or certifies to a higher level of management that the required evaluation of management controls was conducted in accordance with Office of Management and Budget Circular A-123, revised. The memorandum states that the organization's systems of management control[s] taken as a whole complies with Government Accountability Office standards and provides reasonable assurance that programs are effectively carried out in accordance with applicable law. The statement also identifies the material weaknesses and/or significant deficiencies, if any, in the organization's systems of management control, however identified, and contains a plan for correcting these weaknesses.

The Department's process for producing the statements is managed by the Bureau of the Comptroller and Global Financial Services (CGFS) who plays a key role in the Department's overall management controls systems. Within that bureau, the Office of Management Controls administers the process in which Department entities (including bureaus, special offices, and overseas missions) submit annual statements of assurance. The information from these annual statements, along with information from financial audits and other sources, forms the basis for the Secretary's opinion about the effectiveness and efficiency of control systems of operations.

Management Controls Systems

FMFIA; Office of Management and Budget (OMB) Circular A-123, as amended; and 2 FAM 020 require that the Department establish cost-effective systems of management controls to ensure the integrity, effectiveness, and efficiency of U.S. Government activities. The Department's management control systems must incorporate the Government Accountability Office's (GAO) internal control standards as set forth in *GAO Standards for Internal Control in the Federal*

Government, also known as the Green Book.¹ For each management control system Department managers are required to:

- Evaluate such systems on an ongoing basis;
- Correct detected deficiencies in such systems;
- Perform risk assessments as circumstances warrant, but not less than every 5 years;
- Undertake management controls reviews once a need is determined; and
- Review and report on the adequacy of the Department's systems annually in support of the Secretary's annual assurance statement to the President and the Congress.²

The FAM requires that management control systems be designed to provide reasonable assurance regarding the prevention or prompt detection of errors, irregularities, and mismanagement.³ These management controls apply to all program, administrative, operational, and financial areas of the Department.

Producing the Statements of Assurance

According to the definition of a statement of assurance in 2 FAM 021.3, the statement serves five functions. It:

- Certifies to a higher level of management that the required evaluation of management controls was conducted in accordance with OMB Circular A-123, as amended;
- States that the organization's systems of management control taken as a whole complies with GAO standards;
- Provides reasonable assurance that programs are effectively carried out in accordance with applicable law;
- Identifies the material weaknesses and/or significant deficiencies, if any, in the organization's systems of management control, however identified; and
- Contains a plan for correcting these weaknesses.

¹ The 1999 *GAO Standards for Internal Control in the Federal Government* were revised in September 2014. The new standards are effective beginning in FY 2016.

² FMFIA; OMB Circular A-123, as amended; and 2 FAM 021.1(c)

³ 2 FAM 021.1(b)

Definitions

Material Weakness: A significant deficiency that the agency head determines to be significant enough to report outside of the agency. Such weakness would significantly impair the fulfillment of the Department's mission; deprive the public of needed services; significantly weaken safeguards against waste, loss, unauthorized use, or misappropriation of funds or property; or be of a nature that omission from the report could reflect adversely on the actual or perceived management integrity of the agency.

Example of Material Weakness: Internal control related to the Educational and Cultural Affairs Summer Work Travel program, originally reported as a significant deficiency in FY 2010 and subsequently upgraded to a material weakness in FY 2011^{*}

Significant Deficiency: (formerly called a reportable condition): A deficiency, or combination of deficiencies, represents significant weaknesses in the design or operation of internal control that could adversely affect the organization's ability to meet its internal control objectives. A significant deficiency does not yet rise to the level of seriousness of a material weakness; however, if the organization does not make effective corrections, the matter has the potential over time to develop into a material weakness.

Example of Significant Deficiency: Information system security program.^{**}

^{*} Department of State, *Fiscal Year 2013 Agency Financial Report*, pp. 50–51.

^{**} Significant deficiencies are not reported publically, though information about some of the financial reporting issues are described in the Independent Auditor's Report in the Agency Financial Report. See Department of State, *Fiscal Year 2013 Agency Financial Report*, pp. 59–72.

Regional bureaus⁴, in coordination with CGFS, provide guidance on this process to Chiefs of Mission (COMs) in their regions and compile the statements of assurance from the COMs. Regional bureaus analyze these submissions and submit a bureauwide statement of assurance from the assistant secretary covering both domestic and overseas operations.

Functional bureaus, such as the Bureau of Consular Affairs, the Bureau of Administration, the Bureau of Overseas Buildings Operations, and the Bureau of International Narcotics and Law Enforcement Affairs, operate their own global management controls systems that draw upon information provided by mission personnel during the course of the year.

⁴ The Department's regional bureaus are the Bureau of African Affairs, the Bureau of East Asian and Pacific Affairs, the Bureau of European and Eurasian Affairs, the Bureau of International Organizations, the Bureau of Near Eastern Affairs, the Bureau of South and Central Asian Affairs, and the Bureau of Western Hemisphere Affairs.

CGFS compiles potential significant deficiencies and material weaknesses and submits them to the Management Control Steering Committee (MCSC), the body responsible for setting management control policy to meet the needs of the Department. The MCSC receives information on potential material weaknesses through various means, including statements of assurance from bureaus, the reports on internal control of financial systems, media reports from MCSC members, and audits and inspections by the Office of Inspector General (OIG) and GAO, among other sources. The committee is responsible for vetting issues, voting for their severity level, and making a recommendation to the Secretary to be considered when deciding whether a qualified or unqualified statement of assurance should be reported in the Agency Financial Report. They also review the corrective action plans for issues reported as material weaknesses and significant deficiencies and monitor and evaluate their progress throughout their lifecycles. The MCSC downgrades material weaknesses to significant deficiencies after substantial remedial progress is made. The committee monitors material weaknesses and significant deficiencies until the issues are fully remediated. Issues are closed only after a corrective action review takes place 1 year after the issue is remediated and the review concludes the actions taken are working as intended.⁵

In the past 3 years, only one issue identified by the MCSC rose to the level of material weakness. The Department's number of reported material weaknesses is comparable to that of other departments.⁶ It is noteworthy that none of the proposed weaknesses submitted by Assistant Secretaries have met the criteria for material weaknesses in the past 3 years.⁷ In 2012, 2013, and 2014, OIG, in its role as a non-voting member of the MCSC, proposed that the committee recommend to the Secretary reporting the information system security program as a material weakness. In all 3 years, the MCSC voted to recommend reporting the information system security program as a significant deficiency. In January 2014, OIG issued a Management Alert to the MCSC about the issue.⁸

⁵ The OIG team reviewed the minutes of the MCSC and the Senior Assessment Team for FYs 2012, 2013, and 2014. The team conducted 40 meetings with representatives from both regional and functional bureaus as well as with 10 of the 15 members on the MCSC and 9 of the 11 members on the Senior Assessment Team. They also interviewed the senior representative of the OMB that manages the Statement of Assurance Process for the U.S. Government.

⁶ The OIG team reviewed the statements of assurance of the Departments of Labor, Education, and Energy for FYs 2012–14. Those Departments reported a total of three material weaknesses over the 3-year period.

⁷ In 2014, 189 COMs submitted statements of assurance. Fifty-five of those identified deficiencies in their statements. In turn, 55 bureaus and domestic offices identified eight deficiencies, of which one was identified as a material weakness in their statements. CGFS did not determine that any of the deficiencies submitted in these statements met the criteria for either material weakness or significant deficiency.

⁸ *Management Alert: OIG Findings of Significant and Recurring Weaknesses in the Department of State Information System Security Program* (AUD-IT-14-04)

The OIG team interviewed 10 of the 15 MCSC members. All stated that the committee gets the information it needs to make its determinations, that committee members take their responsibilities seriously, and that the committee makes appropriate recommendations to the Secretary. OIG interviewed a key OMB official responsible for evaluating the Secretary's statement of assurance, who expressed satisfaction that the Department is fulfilling its responsibilities in accordance with OMB Circular A-123.

Management Control Steering Committee/Senior Assessment Team

Management Control Steering Committee: The MCSC is a body chaired by the Department's Comptroller and composed of officials at the Assistant Secretary or equivalent level from 15 bureaus and is responsible for setting management controls policy that will meet the needs of the Department. OIG is a non-voting member. The committee meets three or four times a year to ensure that statutory and procedural requirements established by FMFIA and OMB Circular A-123 are carried out and set management controls objectives for the Department. It provides oversight of corrective action reviews, identifies material weaknesses and significant deficiencies, and reviews and clears the final version of the FMFIA statement of assurance. It reviews the performance of corrective actions for material weaknesses or significant deficiencies and areas of heightened risk for waste, fraud, and mismanagement.

Senior Assessment Team: The Senior Assessment Team is responsible for oversight of the Department's compliance with requirements of Appendix A of OMB Circular A-123, regarding internal control over financial reporting. It is composed of 12 senior executive-level managers and is chaired by the Comptroller and reports to the MCSC concerning the results of annual Appendix A work. This includes providing the status of material weaknesses and significant deficiencies in the internal control over financial reporting and making recommendations to the MCSC concerning annual assurance regarding the internal control over financial reporting. OIG is a non-voting member of the Senior Assessment Team. The members of the team

What OMB A-123 and the Statements of Assurance Do Not Do

OMB Circular A-123 does not prescribe how an agency provides oversight of management controls systems. The circular states: "Generally, identifying and implementing the specific procedures necessary to ensure effective internal control⁹, and determining how to assess the effectiveness of those controls, is left to the discretion of the agency head."

As indicated above, the statements of assurance process is just one part of the overall management control system of the Department. Its primary focus is to produce the information and assessments necessary to prepare the statement of assurance for the Secretary. It was not designed to provide continuous oversight of management controls throughout the Department and missions. If no statements of assurance process existed, bureaus and missions would still be

⁹ Internal control and management controls are often used interchangeably.

required under law and regulation to implement effective management controls in all areas of their responsibilities. Although a COM or Assistant Secretary may report any control deficiency through the statements of assurance process, reporting something in a statement of assurance does not absolve them from using other established management procedures for addressing those issues. The Department addresses facilities needs through the Long-Range Overseas Buildings Plan for construction of new embassies, human capital needs through the Five-Year Workforce and Leadership Succession Plan and Rightsizing Reports, and budget requests through the strategic planning and Bureau Resource Request process.

Why OIG Conducted the Review

From 2008 to 2014, OIG inspection teams noted a wide variation in performance among missions and bureaus in devising and implementing effective management control systems.¹⁰ The body of this report discusses ways in which the Department can strengthen these systems, including by more effective use of the statements of assurance process.

FINDINGS

Guidance on Management Control Reporting Mechanisms is Insufficient

The statement of assurance process is the sole formal mechanism for posts and bureaus to report management controls issues to the Department. This process requires bureaus and posts to report only those issues that rise to the severity of a material weakness or significant deficiency. Although CGFS directs missions to report other deficiencies to their regional bureaus, current guidance lacks clarity on how and when to report such lower-risk deficiencies. This confusion is demonstrated by the fact that 55 of 189 missions reported issues through the statement of assurance reporting process that do not meet the level of material weakness or significant deficiency.

Bureaus and COMs share responsibilities, as stated in 2 FAM 022.7(2), to “implement, maintain, and review management controls on an ongoing basis to determine whether the controls are adequate and functioning as prescribed.” CGFS’s responsibility for management controls is described in 1 FAM 611.1(dd) as, “Establishes, reviews, and ensures compliance throughout the Department with internal control policies, standards, and compliance guidelines, including training activities and maintenance of internal control systems.” Neither CGFS nor the regional bureaus have created a mechanism for posts to report deficiencies not reportable in the statement of assurance, because each assumed it was the other’s responsibility even though such inadequacies, left unaddressed, could become material weaknesses. Without a formal process to elevate deficiencies that otherwise do not meet the criteria for a reportable material

¹⁰ The team analyzed the 63 inspection reports issued during this period to identify common weaknesses, possible differences in reporting criteria, and other possible trends.

weakness, bureaus are limited in their ability to provide effective oversight of management controls.

Recommendation 1: The Bureau of the Comptroller and Global Financial Services, in conjunction with the regional bureaus, should create a uniform mechanism for posts to report to their regional bureaus deficiencies in management controls that are not reportable in statements of assurance. (Action: CGFS, in coordination with AF, EAP, EUR, IO, NEA, SCA, and WHA)

Review Guidance Excludes Key Areas

The 2014 guidance on the scope of review did not address management controls for areas in overseas missions such as public affairs, political and economic sections, and foreign assistance programs because of the emphasis on providing input for the Secretary's Annual Agency Financial Report. According to 2 FAM 021.1(d), the Department's management control program applies to all Department activities. Failure to include guidance concerning all Department activities reduces the likelihood of management control reviews in the sections not explicitly listed in the review guidance and increases the risk that control and performance objectives may not be met. The regional bureaus informed the OIG team that Department guidance on what areas should be subject to management controls review and how reviews should be conducted was necessary to strengthen missions' ability to devise and implement controls in program areas.

Recommendation 2: The Bureau of the Comptroller and Global Financial Services should issue guidance for performing comprehensive reviews on the full range of activities in the mission. (Action: CGFS)

Issuance of Guidance on Management Control Reviews is Not Timely

CGFS sends a cable directly to COMs late in the second quarter of each fiscal year to remind them of the importance of management controls but does not provide specific guidance on procedures or areas for review. CGFS sends its packet of instructions on the statement of assurance reporting process to the regional bureaus in late spring. Regional bureaus forward this packet, which includes guidance on internal control processes and recommended on-going reviews, to overseas posts in early-to-mid summer. The COM's statement of assurance is normally due in the bureau 6 weeks after the post receives the instructions. Including the first yearly specific guidance on internal control reviews and procedures with instructions on producing the statement of assurance promotes the view that management control reviews are done just once a year. According to 2 FAM 022.7(2), bureau and office heads and COMs must "implement, maintain, and review management controls on an ongoing basis to determine whether the controls are adequate and functioning as prescribed." By issuing the guidance on control activities earlier in the fiscal year, CGFS would promote more continuous oversight and would separate these regular, ongoing reviews from the yearly reporting requirement.

Recommendation 3: The Bureau of the Comptroller and Global Financial Services should provide specific guidance on management controls duties, processes, and procedures at the beginning of each fiscal year. (Action: CGFS)

Lack of Coordination Among Bureaus and a Need for Risk Assessments

Coordination is lacking between and among regional and functional bureaus in assessing deficiencies in management controls. No formal system exists among bureaus for sharing such information since coordination is not mandatory. In the absence of such coordination, bureaus do not benefit from information collected by other bureaus that may have an impact on their own reviews.

Establishing a mechanism for coordination among bureaus would improve management control reviews and the resulting statements of assurance. The issues reported may, when aggregated, constitute a potential significant deficiency or an area for review in future years. Coordination would help the Department meet the requirements in GAO guidance¹¹ that management evaluate deficiencies on an individual basis and in the aggregate.

Recommendation 4: The Bureau of the Comptroller and Global Financial Services should implement a mechanism for information sharing between bureaus at the working level on internal control deficiencies to determine whether the deficiencies in the aggregate should be reported as a material weakness or significant deficiency. (Action: CGFS)

Risk Assessment

Direction from CGFS regarding high-risk areas is lacking. CGFS does not draw on issues discussed in the MCSC or the Senior Assessment Team to identify areas of significant risk in the guidance provided to bureaus and missions. The critical nature of risk assessment and management as a function of leadership and management in the Department went unaddressed until the recent publication of 2 FAM 031, "Department Risk Management Policy." According to 2 FAM 022.3(7), CGFS is responsible "for providing advice and technical assistance in developing necessary guides for performing risk assessments and management control reviews...." The absence of this information leaves missions and bureaus with inadequate means to identify, evaluate, and mitigate potential impediments to accomplishing its mission and objectives. The areas of risk could change from year to year on the basis of risk assessments and other reports and therefore require periodic review. One example of risk recently raised by OIG is physical security waivers and exceptions. OIG has recommended that COMs certify in their statements of assurance that the required waivers for exceptions to physical security standards have been

¹¹ GAO-14-704G Federal Internal Control Standards OV3.09 "Deficiencies are evaluated both on an individual basis and in the aggregate. Management considers the correlation among different deficiencies or groups of deficiencies when evaluating their significance." p. 17

requested and that missions are complying with all the stipulations in exceptions already granted.¹²

Recommendation 5: The Bureau of the Comptroller and Global Financial Services should identify areas for mandatory review in future statements of assurance on the basis of centralized analysis of risk assessments. (Action: CGFS)

Management Controls Training is Insufficient

Senior Manager Training

Assistant Secretaries and COMs with insufficient or inadequate training on management controls are required to sign the statement of assurance. As a result, they are ill prepared to determine, in line with responsibilities detailed in 2 FAM 022.7, if the reviews performed provide reasonable assurance that management control systems are functioning properly. According to 2 FAM 022.10, the Foreign Service Institute (FSI) is responsible, with guidance from CGFS, for establishing courses of instruction on policies, procedures, methods, and systems of management controls. This is in keeping with the Department's overall commitment, articulated in 13 FAM 011, to the career development of all employees. Although FSI offers courses and modules within courses specifically about management controls, the information does not reach all managers at bureaus, offices, and posts. Department officials said that management controls have historically been viewed as only being applicable to management and consular functions, despite the fact that control systems are supposed to cover the full range of the Department's activities. As a result, they have been omitted from training courses on other types of functions.

Recommendation 6: The Foreign Service Institute, in coordination with the Bureau of the Comptroller and Global Financial Services, should develop training for senior managers on their management control responsibilities. (Action: FSI, in coordination with CGFS)

Leadership Training

Basic, intermediate, and advanced leadership classes do not include training about the responsibilities managers have for management controls because the subject is viewed as too technical and specialized for these classes. The mandatory leadership and management training classes include training about other managerial responsibilities that are required by law or regulation, such as equal employment opportunity and performance management. According to 2 FAM 022.12, "All managers throughout the bureaus, offices, and posts are responsible for maintaining and monitoring systems of management controls in their areas, and performance agreements must appropriately reflect this responsibility." GAO's Green Book describes the standards for internal control in Federal entities in such a way that the components of internal control systems can be applied to the full range of Federal Government activities. An OMB

¹² Review of Overseas Security Policy Board Exceptions and Secure Embassy Construction and Counterterrorism Act of 1999 Waivers, ISP-I-13-06

official stated that implementation guidelines would be sent out in 2015 for comment. The omission of training on this mandated responsibility may affect the ability of managers to execute a responsibility on which they are evaluated.

Recommendation 7: The Foreign Service Institute, in coordination with the Bureau of the Comptroller and Global Financial Services, should include a module about the Government Accountability Office's *Standards for Internal Control in the Federal Government* in the basic, intermediate, and senior leadership classes (PK245, PT207, PT133). (Action: FSI, in coordination with CGFS)

Political and Economic Tradecraft

Training about management control principles is not included in political and economic tradecraft training. Regional bureau officials attributed the lack of training for officers preparing for their first political and economic tradecraft positions to the belief that management controls do not apply to political and economic sections since these sections do not manage financial resources. The *Standards for Internal Control in the Federal Government* state in Principle 4.04 that, "Personnel need to possess and maintain a level of competence that allows them to accomplish their assigned responsibilities, as well as understand the importance of effective internal control." The absence of training on the standards for internal control in the Federal Government for political and economic officers limits their ability to develop and properly oversee management controls in their sections.

Recommendation 8: The Foreign Service Institute, in coordination with the Bureau of the Comptroller and Global Financial Services, should include a module on the Government Accountability Office's *Standards for Internal Control in the Federal Government* in its Political and Economic tradecraft classes. (Action: FSI, in coordination with CGFS)

RECOMMENDATIONS

Recommendation 1: The Bureau of the Comptroller and Global Financial Services, in conjunction with the regional bureaus, should create a uniform mechanism for posts to report to their regional bureaus deficiencies in management controls that are not reportable in statements of assurance. (Action: CGFS, in coordination with AF, EAP, EUR, NEA, SCA, and WHA)

Recommendation 2: The Bureau of the Comptroller and Global Financial Services should issue guidance for performing comprehensive reviews on the full range of activities in the mission. (Action: CGFS)

Recommendation 3: The Bureau of the Comptroller and Global Financial Services should provide specific guidance on management controls duties, processes, and procedures at the beginning of each fiscal year. (Action: CGFS)

Recommendation 4: The Bureau of the Comptroller and Global Financial Services should implement a mechanism for information sharing between bureaus at the working level on internal control deficiencies to determine whether the deficiencies in the aggregate should be reported as a material weakness or significant deficiency. (Action: CGFS)

Recommendation 5: The Bureau of the Comptroller and Global Financial Services should identify areas for mandatory review in future statements of assurance on the basis of centralized analysis of risk assessments. (Action: CGFS)

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PRINCIPAL OFFICIALS

Title	Name	Arrival Date
Under Secretary for Management	Patrick Kennedy	11/2007
Bureau of the Comptroller and Global Financial Services		
Comptroller	Christopher H. Flaggs	04/2015
Director of Management Controls	Carole L. Clay	08/2007

APPENDIX A: SCOPE AND METHODOLOGY

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 OIG for the 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 instance of fraud, waste, or abuse exist; and whether adequate steps for detection, correction, and prevention have been taken.

Methodology

In conducting inspections, the inspectors review pertinent records; as appropriate, circulate, review, and compile the results of survey instruments; conduct onsite interviews; and review the substance of the report and its findings and recommendations with offices, individuals, organizations, and activities affected by this review.

For this inspection, the team conducted 45 interviews, some with individuals but most with groups. The team also reviewed 680 documents and 73 OIG inspection reports on missions and bureaus as they related to management controls issues.

ABBREVIATIONS

CGFS	Bureau of the Comptroller and Global Financial Services
COM	Chief of Mission
Department	U.S. Department of State
FAM	<i>Foreign Affairs Manual</i>
FSI	Foreign Service Institute
GAO	Government Accountability Office
MCSC	Management Control Steering Committee
OIG	Office of Inspector General
OMB	Office of Management and Budget

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