

OFFICE OF INSPECTOR GENERAL

Proposed Appropriation Language

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For necessary expenses of the Office of Inspector General, [~~\$61,904,000~~]*\$65,622,000*, notwithstanding section 209(a)(1) of the Foreign Service Act of 1980 (Public Law 96–465), as it relates to post inspections.

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Resource Summary

(\$ in thousands)

Appropriations	FY 2011 Actual	FY 2012 Estimate	FY 2013 Request	Increase / Decrease
Positions - Enduring	318	318	318	0
Enduring Funds	104,790	61,904	65,622	3,718
Overseas Contingency Operations Funds (1)	0	67,182	49,901	(17,281)
Total Funds	104,790	129,086	115,523	(13,563)

FY 2011 Actual includes \$57.4 million for DOS OIG, \$25.5 million for the Special Inspector General for Afghanistan Reconstruction (SIGAR), and \$22.0 million for the Special Inspector General for Iraq Reconstruction (SIGIR).

In FY 2012, funding for SIGAR and SIGIR are included in the Overseas Contingency Operations (OCO) Chapter. In FY 2013, funding for SIGAR and SIGIR are included in the Overseas Contingency Operations (OCO) chapter.

(1) Details of the FY 2013 OCO request are addressed in the OCO chapter.

Program Description

The Office of Inspector General (OIG) has the leading role in helping the Department of State (Department) and the Broadcasting Board of Governors (BBG) improve management, strengthen integrity and accountability, investigate and deter fraud, and ensure the most efficient, effective, and economical use of resources. OIG's oversight extends to the Department's and BBG's 70,000 employees and 275+ missions and other facilities worldwide, funded through combined annual appropriations of more than \$18 billion. Additionally, OIG provides oversight for the United States Section, International Boundary and Water Commission. OIG remains at the forefront of efforts to identify potential savings and cost efficiencies for the Department and BBG, and strives to provide timely, relevant, and useful feedback that supports decision makers in strengthening critical programs and operations to promote U.S. interests. OIG sets performance targets each year for identification of potential savings for the Department and BBG, including questioned costs, funds put to better use, cost savings, recoveries, efficiencies, restitutions, and fines. OIG also sets annual targets relating to acceptance of OIG recommendations by the Department and BBG within targeted timeframes, which demonstrates timely agreement to correct vulnerabilities and deficiencies identified by OIG. As detailed in the performance section below, OIG has generally exceeded its targets.

In the past three years, OIG has substantially strengthened its oversight of high-cost, high-risk Department activities in the Middle East, and South and Central Asia. OIG established the Middle East Regional Office (MERO) in 2008 to dedicate on-the-ground resources and expertise to oversight of Department programs and U.S. interests in the frontline states and other crisis and post-conflict countries. In 2011, OIG further strengthened these operations by merging MERO, as a distinct office, into the Office of Audits. The merger became fully effective on August 1, 2011, with MERO becoming the Middle East Region Operations Directorate within the Office of Audits. The MERO Directorate will continue to be headquartered in Washington, DC, with a field office in Cairo, Egypt, and temporary satellite offices in Kabul, Afghanistan; Baghdad, Iraq; and Islamabad, Pakistan. The reorganization will enhance the quality and consistency of OIG overseas audits and evaluations, and streamline administrative support activities.

Also in the past three years, OIG's Office of Investigations opened overseas offices to strengthen accountability and provide investigative oversight for critical Department operations in the Middle East, and South and Central Asia. The Middle East Investigative Branch (MEIB), based in Washington, DC, has a field office in Amman, Jordan, and satellite offices in Baghdad, Iraq, and Kabul, Afghanistan. OIG

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also has taken steps in the past three years to restore its overall investigative capability, which had declined by nearly 60 percent in the preceding decade. OIG aggressively recruited staff to rebuild the Office of Investigations and has greatly improved its capacity to address allegations of waste, fraud, and abuse.

This resource request sustains initiatives in the frontline states and maintains the level of oversight required by the size, complexity, and importance of Department programs in these countries.

OIG Goals, Priorities, and Challenges for FY 2013

OIG's mandate encompasses all domestic and overseas activities, programs, and missions of the Department and the BBG. OIG's overarching goal for 2013 is to effect positive change by being a valued resource to the Department and BBG in promoting U.S. interests and sustained leadership, with specific emphasis on the following:

- **Relevance:** OIG work will be directed at Department and BBG priorities, including those identified in the Quadrennial Diplomacy and Development Review (QDDR). OIG's work will emphasize critical, resource-intensive programs and operations in the frontline states; global issues; the effectiveness of foreign assistance programs; regional management activities and the use of new technologies and innovative approaches; priority posts and bureaus; and the Department's coordination with other U.S. Government agencies.
- **Value Added:** OIG will recommend actions that correct identified vulnerabilities and result in savings, cost recoveries, funds put to better use, restitutions and fines, prevention of losses, and improved efficiencies and security.
- **Usefulness:** OIG products will assist decision makers in improving programs and making the most effective spending decisions in an environment of increasingly constrained financial resources.
- **Timeliness:** OIG will continually strive to reduce the time for completing its audits, inspections, and reviews by using appropriate technologies to start jobs sooner, finish them quicker, and disseminate the results broadly and rapidly.

OIG will face several challenges as it strives to achieve these goals. OIG is a small office, yet operates in six countries and manages a complex workforce comprised of Civil Service, Foreign Service, rehired annuitants, contractors, personal services contractors, and locally employed staff. OIG faces challenges in recruiting and retaining personnel with the appropriate skill sets, especially for its critical work in the frontline states. OIG must continually adjust its work plan to juggle competing priorities with respect to mandated audits, inspections, and reviews; planned work that addresses critical priorities of the Department and the Administration; and frequent special requests from external stakeholders such as Congress. Changing conditions on the ground in conflict and post-conflict regions require frequent adjustments to OIG's plans. The Special Inspector General for Iraq Reconstruction is scheduled to sunset in calendar year 2012, which will result in additional oversight responsibilities transferring to OIG.

OIG supports all of the Department's strategic goals. OIG's planned work for 2013 reflects OIG's commitment to add value to the Department's mission, meet the demands of the Congress and the foreign affairs community, and fulfill OIG's traditional mandate to deter waste, fraud, and mismanagement. OIG is dedicated to assisting the Department and BBG to strengthen the effectiveness and efficiency of their programs, operations, and initiatives, to the extent that it has the resources to do so. OIG has limited capability to take advantage of programmatic tradeoffs. With considerable demands placed on OIG with respect to mandated and requested work, OIG has little flexibility to redirect existing resources to new priorities.

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OIG's Presence in the Frontline States and Other Crisis and Post-Conflict Areas

OIG's top priority for 2013 is to maintain and strengthen its presence in the frontline states, and other crisis and post-conflict areas. Continued focus on these areas will sustain OIG's capacity to produce relevant, useful, and timely work that addresses the highest priorities of the Department, adds value to its programs and operations, and combats or deters fraud.

OIG established its overseas offices, at the request of the Department and Congress, to commit "boots on the ground" to provide dedicated oversight of critical, high-cost Department activities in the Middle East, and South and Central Asia. As Department commitments and expenditure of resources in Afghanistan, Iraq, and Pakistan have grown, OIG's oversight responsibilities have increased correspondingly. The resources requested for FY 2013 are essential to maintain overseas operations that have been funded, in part, by supplemental appropriations.

Performance

Monetary benefits from OIG's work result in more effective and efficient use of U.S. taxpayer dollars, and are a primary mandate of the Office of Inspector General. Monetary benefits include potential cost savings, recoveries, questioned costs, funds put to better use, efficiencies, restitutions, and fines. OIG audits, inspections, evaluations, and investigations result in potential and actual cost savings and efficiencies to the Department and the Broadcasting Board of Governors.

Strategic Goal 7: Build a 21st century workforce; and achieve U.S. government operational and consular efficiency and effectiveness, transparency and accountability; and a secure U.S. government presence internationally							
Active Performance Indicator		Monetary benefits: questioned costs, funds put to better use, cost savings, recoveries, efficiencies, restitutions, and fines					
Prior Year Results and Ratings				FY 2011		Planned Targets	
FY 2007	FY 2008	FY 2009	FY 2010	Target	Result and Rating	FY 2012	FY 2013
\$52.6 million	\$23 million ▲ Above Target	\$26.4 million ▲ Above Target	\$25.5 million ▲ Above Target	\$17.8 million	\$261.9 million ▲ Above Target	\$19.0 million	\$21.5 million
Reason for Exceeding Target		The FY 2011 result for monetary benefits chiefly represents both unusually large recoveries and joint work with other Federal agencies that are not necessarily expected to recur in the future. Two audits jointly conducted with the Department of Defense resulted in unusually high monetary benefits exceeding \$200M. Four unusually large judgments resulted in more than \$17M worth of recoveries.					
Impact		Monetary benefits reported by OIG represent: (1) actual and potential monetary recoveries to the Department and BBG, and (2) more effective and efficient use of U.S. taxpayer dollars. OIG's performance on this indicator helps the Department achieve its strategic priority of operational efficiency and effectiveness in an environment of constrained resources.					

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Methodology	OIG management analysts monitor, follow-up, and report on the status and value of monetary benefits reported by audit, inspection, and evaluation teams. These amounts are entered and their status tracked in OIG's databases for compliance (audits, inspections, and evaluations) and investigations.
Data Source and Quality	Recoveries, questioned costs, and funds put to better use are based on amounts identified in OIG reports, as agreed to by the agency and tracked in OIG's compliance database. Investigative recoveries reflect court-ordered fines, restitutions, and recoveries based on information received from external prosecutorial and administrative authorities. The Data Quality Assessment revealed no significant data limitations.

Recommendations are a major product of OIG audits, inspections, and evaluations, and serve as the vehicle for correcting vulnerabilities and realizing positive change in the Department and the Broadcasting Board of Governors. Resolution of recommendations reflects management's willingness to take the actions recommended by OIG to correct identified problems and improve their programs and operations. The percentage of recommendations resolved within six months (inspections) or nine months (audits and evaluations) indicates to what extent management has agreed to take timely action to correct identified problems in line with OIG recommendations, or has identified acceptable alternatives that are expected to result in improved programs and operations.

Strategic Goal 7: Build a 21st century workforce; and achieve U.S. government operational and consular efficiency and effectiveness, transparency and accountability; and a secure U.S. government presence internationally							
Active Performance Indicator		Percentage of recommendations resolved within the appropriate timeframe (six months for inspections and nine months for audits and evaluations)					
Prior Year Results and Ratings				FY 2011		Planned Targets	
FY 2007	FY 2008	FY 2009	FY 2010	Target	Result and Rating	FY 2012	FY 2013
88%	87%	91% ▲ Above Target	79% ▼ Below Target	85%	89% ▲ Above Target	86%	87%
Reason for Exceeding Target		The FY 2011 result for percentage of recommendations resolved within appropriate timeframes can be attributed to the lower number of recommendations issued.					
Impact		The percentage of recommendations resolved within appropriate timeframes indicates to what extent the Department has agreed to take timely action to correct problems reported by OIG, or identified acceptable alternatives expected to improve operations. OIG's performance on this indicator helps the Department achieve its strategic priority of operational efficiency, effectiveness, & accountability.					
Methodology		The OIG offices assess and track compliance of each recommendation based on ongoing correspondence with the Department, and update the recommendation's status in the compliance database. In addition, each month OIG sends individual Department bureaus a status report of OIG recommendations directed to them. OIG and the bureaus follow up on and reconcile any discrepancies, and the OIG compliance database is updated when necessary.					

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Data Source and Quality	The percentage of recommendations resolved within the stated timeframes is derived from information in OIG's compliance database. Recommendations in OIG reports are entered into the database, and their status is updated by the OIG offices that did the work, based on ongoing correspondence with the Department and analysis of Department responses. The Data Quality Assessment revealed no significant data limitations.
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Justification of Request

The FY 2013 request is \$65.6 million, an increase of \$3.7 million and includes an increase of \$1.1 million in current services to maintain the FY 2012 level of activity. Program increases of \$2.6 million will be required for increased ICASS and in-country support costs associated with activities in the frontline states.

The request will allow OIG to maintain its current level of activity and will fund OIG's mandatory contribution to the Council of the Inspectors General on Integrity and Efficiency of \$468,000. In addition, OIG's overall budget request includes \$500,000 for training, which will satisfy all of OIG's training requirements for FY 2013. This funding request will assist in OIG's priority of maintaining the current level of operations in the Middle East and South and Central Asia, and will support OIG's goals for conducting relevant, useful, and timely work that adds value to Department and BBG programs and operations.

Office of Audits

On August 1, 2011, the Office of Audits became the single audit component of OIG, consisting of two directorates: the Middle East Region Operations (MERO) Directorate and the Audit Directorate. The Audit Directorate is charged with conducting audits and program evaluations of the management and financial operations of the Department and BBG, including their audited financial statements, information security, internal operations, and external activities funded by the Department through contracts or financial assistance. It also conducts annual evaluations of Department and BBG compliance with the Federal Information Security Management Act. The MERO Directorate is responsible for performing engagements within the Middle East Region covering the Bureaus of Near Eastern Affairs and South and Central Asian Affairs, in addition to the general operation of overseas offices in Cairo, Egypt; Kabul, Afghanistan; Islamabad, Pakistan; and Baghdad, Iraq.

OIG's FY 2013 request includes funding for OIG's MERO Directorate to maintain its overseas and domestic operations, including seven direct hires and one locally employed staff in Cairo; two direct hires and two personal services contractors in Kabul; one term appointment and two personal services contractors in Baghdad; one term appointment and two personal services contractors in Islamabad; and 15 direct-hire employees at the MERO Directorate headquarters in Washington, DC, to provide project support for Middle East operations. The MERO Directorate's planned work for FY 2013 will support the Department and USAID joint strategic goals of effectively managing transitions in the frontline states; countering threats to the United States and the international order, and advancing civilian security; and expanding and sustaining the ranks of prosperous, stable, and democratic states. The Audit Directorate anticipates completing at least 15 congressional and executive mandated assignments in FY 2013, with the remainder of its work plan targeting high-priority, high-cost, and high-risk programs and operations.

Office of Inspections

The Office of Inspections assesses domestic and overseas operations and facilities of the Department and BBG. Inspections review executive direction, policy and program implementation, resource management,

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and management controls. The Office of Inspections also provides oversight of programs and operations relating to foreign assistance funding, public diplomacy, and Department efforts to counter terrorism worldwide, including Afghanistan, Iraq, Pakistan, and other crisis and post-conflict areas. In addition, the Office of Inspections is frequently tasked with urgent requests for special reviews by the Department and Congress. Inspections will review Department progress in achieving efficiencies, including rightsizing and consolidating Department and other agency platforms overseas, and increasing the use of regional centers. OIG will continue to assess information security programs at overseas posts and domestic facilities, as well as promulgation of secure configuration standards.

Office of Investigations

The Office of Investigations, based in Washington, DC, conducts worldwide investigations of criminal, civil, and administrative misconduct related to programs and operations of the Department, BBG, and the United States Section, International Boundary and Water Commission. The office investigates specific allegations, reports, or other information indicating possible violations of law or regulation. Investigative results are referred to the Department of Justice for prosecution, and to the Bureaus of Human Resources and Diplomatic Security, the Office of the Procurement Executive, or other agencies for administrative or other appropriate action. The Office of Investigations anticipates conducting approximately 100 investigations worldwide in FY 2013. The Office of Investigations maintains the OIG Hotline, which is expected to process an estimated 1,800 Hotline complaints annually by 2013.

The Middle East Investigative Branch (MEIB), based in Washington, DC, has a field office in Amman, Jordan, and satellite offices in Baghdad, Iraq, and Kabul, Afghanistan. MEIB will continue to play a vital role in OIG's investigative oversight of the Department's high-risk, high-cost programs and operations in the Middle East, and South and Central Asia. MEIB is staffed with seven investigators and analysts who work throughout the region to respond to allegations, perform procurement fraud and other priority investigations, and conduct joint investigations with member agencies of the International Contract Corruption Task Force. Since MEIB's establishment in 2009, the number of OIG investigations in the region has increased from four cases in 2008 to 39 in FY 2011. MEIB has achieved several successful large-scale criminal and civil prosecutions, including \$16.5 million in recoveries from Department contractors, and 17 contractor/grantee suspensions and debarments.

Funds by Program Activity

(\$ in thousands)

Activities	FY 2011 Actual	FY 2012 Estimate	FY 2013 Request	Increase / Decrease
Administration and Staff Activities	14,476	15,618	16,646	1,028
Inspections, Audits, Investigations	40,275	43,446	46,145	2,699
Policy Formulation	2,634	2,840	2,831	(9)
SIGAR Activities	25,449	0	0	0
SIGIR Activities	21,956	0	0	0
Total	104,790	61,904	65,622	3,718

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Funds by Object Class

(\$ in thousands)

	FY 2011 Actual	FY 2012 Estimate	FY 2013 Request	Increase / Decrease
1100 Personnel Compensation	71,641	40,418	42,566	2,148
1200 Personnel Benefits	11,427	9,642	10,055	413
2100 Travel & Trans of Persons	6,609	4,400	5,352	952
2200 Transportation of Things	1,387	1,528	1,535	7
2300 Rents, Comm & Utilities	3,130	939	1,071	132
2400 Printing & Reproduction	1,149	655	568	(87)
2500 Other Services	7,728	2,902	2,973	71
2600 Supplies and Materials	713	234	262	28
3100 Personal Property	787	731	772	41
4100 Grants, Subsidies & Contributions	219	455	468	13
Total	104,790	61,904	65,622	3,718

In response to the Inspector General Reform Act of 2008 (P.L. 110-409), Sec. 6, the following data is provided:

Inspector General Act Reporting

(\$ in thousands)

Appropriations	FY 2013 IG Request to Agency	FY 2013 President's Request	FY 2013 CIGIE Contribution*within President's Request	FY 2013 Training Funds within President's Request
OIG	76,716	65,622	468	500
SIGAR	49,901	49,901	0	892
Total	126,617	115,523	468	1,392

*CIGIE Contribution – IG contribution to the Council of the Inspectors General on Integrity and Efficiency

CIGIE did not mandate a SIGAR or SIGIR contribution for FY 2012 or FY2013.