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# WATCHING THE WATCHERS: THE NEED FOR SYSTEMIC REFORMS AND INDEPENDENCE OF THE STATE DEPARTMENT INSPECTOR GENERAL

## HEARING

BEFORE THE

## COMMITTEE ON FOREIGN AFFAIRS
## HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

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# WATCHING THE WATCHERS: THE NEED FOR SYSTEMIC REFORMS AND INDEPENDENCE OF THE STATE DEPARTMENT INSPECTOR GENERAL

**TUESDAY, APRIL 5, 2011**

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
*Washington, DC.*

The committee met, pursuant to notice, at 10 o'clock a.m., in room 2172 Rayburn House Office Building, Hon. Ileana Ros-Lehtinen (chairman of the committee) presiding.

Chairman ROS-LEHTINEN. The committee will come to order.

After recognizing and the ranking member, my friend, Mr. Berman, for 7 minutes each for our opening statements, I will recognize any other members that want to seek recognition for a 1-minute opening statement. We will then hear from our witnesses, and I would ask you to summarize your prepared statements for 5 minutes before we move to the question and answer with members under the 5-minute rule.

And without objection, the witnesses' prepared statements will be made part of the record, and members may have 5 days to insert statements and questions for the record, subject to the length limitation in the rules.

And the chair now recognizes herself for 7 minutes. Thank you.

A robust and effective Office of Inspector General is Congress' first line of defense against waste, fraud, abuse, and mismanagement. This committee and the State Department's Inspector General must have a shared interest in ensuring that the State Department is managed effectively and efficiently to achieve our nation's foreign policy goals.

Now more than ever, given global developments and emerging threats, combined with economic challenges facing our nation, we must have a State Office of Inspector General that challenges State Department management to function with transparency and accountability.

For over 30 years, the General Accountability Office has raised concerns about the independence and reliability of the Office of Inspector General for the Department of State. GAO first questioned the structural independence of the State OIG in 1978 when it pointed out the problem with appointing Foreign Service officers as inspectors general who then leave the State OIG office to become ambassadors for the Department. In short, how can they be trusted to provide objective, unbiased reviews of State Department oper-

ations when their career advancement hinges on the type of assessment they give to programs or peers?

GAO noted that the revolving door was also an issue, even for lower level positions in which active Foreign Service officers are assigned to lead Embassies and consular post positions. Congress intended to remedy this problem in 1986 when the Inspector General position was made a Presidential appointment and when career members of the Foreign Service were specifically excluded from the pool of eligible candidates. However, as GAO noted in its 2007 report, this restriction has often been circumvented for extended periods when no permanent IG is chosen to serve and, instead, a Foreign Service officer holds the position in an acting capacity.

Our committee has received a number of whistleblower complaints through our new Web site feature where whistleblowers alleged that, due to the revolving door relationship between State OIG and state management, adverse findings regarding contract management have been whitewashed, and managerial decisions regarding promotions, awards, assignments, and grievances were susceptible to arbitrary adjudications.

The Project on Government Oversight (POGO), an independent, non-profit organization that investigates government misconduct, directly calls into question the objectivity of the State Department's Inspector General's office and of its leadership. Among other things, POGO questions the Ambassador's personal times to Department management.

Citing various e-mails it has obtained, POGO asserts that the Ambassador was doing just enough regarding state operations in Iraq to try to avoid losing jurisdiction to the Special Inspector General for Iraq Reconstruction, but not enough to identify and address the problems.

This committee also received separate evidence of disturbing misconduct in State OIG criminal investigations. The committee's review was triggered by a March 2010 referral sent by a Federal District Court judge who was disturbed by evidence that a State OIG investigation connected with a case before him had been seriously compromised.

Our staff continues to look into these allegations. Whether real or perceived, compromise of independence is a serious problem for State OIG. In addition, GAO has long criticized State OIG for overreliance on inspections as an oversight mechanism.

In its previous reports, GAO found State OIG inspection reports to be superficial and thin, lacking in quality assurance normally required of an OIG. Acknowledging that State OIG has had a requirement periodically to inspect every post, GAO recommended fuller use of audits instead.

As our GAO witness will describe during her testimony, audits require more stringent requirements than inspections for documentation to support findings, and are subject to external peer review. This makes a significant difference regarding quality assurance.

The recent reclassification of all audits conducted by the State OIG's Middle East Regional Office provides a case in point. An external peer review conducted by the OIG of the National Aeronautics and Space Administration found numerous reporting defi-

ciencies that caused State OIG to reclassify all Middle East Regional Office audits from January 2008 to September 20, 2009, as inspections.

State OIG has indicated that the Middle East Regional Office will be folded into its larger audit unit. However, the fact that the Middle East Regional Office performed so poorly in such a high-risk area is deeply troubling.

I am particularly concerned with adequate oversight in this area, given the billions of dollars that will be at stake as operations in Iraq are transitioned from the Department of Defense to the Department of State. In preparation for this hearing, we asked GAO to determine whether State OIG is making progress toward implementing its longstanding recommendations. Your report indicates that actions are underway, but more needs to be done. We need confidence in the State OIG, and we will be vigilant in making sure that they continue to improve.

And with that, I would like to yield time to my friend, my ranking member, Mr. Berman of California, for his opening remarks.

[The prepared statement of Chairman Ros-Lehtinen follows:]

**Opening Statement of Hon. Ileana Ros-Lehtinen, Chairman**
**Committee on Foreign Affairs**
**"Watching the Watchers: The Need for Systemic Reforms and Independence of the State Department Inspector General"**
***Tuesday, April 5, 2011***

A robust and effective Office of Inspector General is Congress' first line of defense against waste, fraud, abuse, and mismanagement. This Committee and the State Department's Inspector General must have a shared interest in ensuring that the State Department is managed effectively and efficiently to achieve our nation's foreign policy goals.

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GAO noted that the revolving door was also an issue even for lower level positions in which active Foreign Service Officers are assigned to lead embassy and consular post inspections. Congress intended to remedy this problem in 1986 when the Inspector General position was made a presidential appointment and when career members of the Foreign Service were specifically excluded from the pool of eligible candidates. However, as GAO noted in its 2007 report, this restriction has often been circumvented for extended periods when no permanent IG is chosen to serve and, instead, a Foreign Service Officer holds the position in an acting capacity.

Our Committee has received a number of whistleblower complaints through our new website feature, where whistleblowers alleged that due to the revolving door relationship between State OIG and State Management, adverse findings regarding contract management have been whitewashed and managerial decisions regarding promotions, awards, assignments, and grievances were susceptible to arbitrary adjudication.

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questions the Ambassador's personal ties to Department management. Citing various emails it has obtained, POGO asserts that the Ambassador was doing just enough regarding State's operations in Iraq to try to avoid losing jurisdiction to the Special Inspector General for Iraq Reconstruction, but not enough to identify and address the problems.

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Our staff continues to look into these allegations. Whether real or perceived, compromise of independence is a serious problem for State OIG. In addition, GAO has long criticized State OIG for over-reliance on inspections as an oversight mechanism. In its previous reports, GAO found State OIG inspection reports to be superficial and thin, and lacking in quality assurance normally required of an OIG. Acknowledging that State OIG has had a requirement periodically to inspect every post, GAO recommended fuller use of audits instead.

As our GAO witness will describe during her testimony, audits require more stringent requirements than inspection to document and support findings, and are subject to external peer review. This makes a significant difference regarding quality assurance. The recent reclassification of all audits conducted by the State OIG's Middle East Regional Office (MERO) provides a case in point. An external peer review conducted by the OIG of the National Aeronautics and Space Administration found numerous reporting deficiencies that caused State OIG to reclassify all MERO audits from January 2008 to September 30, 2009, as inspections. State OIG has indicated that MERO will be folded into its larger audit unit. However, the fact that MERO performed so poorly in such a high risk area is deeply troubling.

I am particularly concerned with adequate oversight in this area given the billions of dollars that will be at stake as operations in Iraq are transitioned from the Department of Defense to Department of State. In preparation for this hearing, we asked GAO to determine whether State OIG is making progress towards implementing its longstanding recommendations.
Your report indicates that actions are underway but more needs to be done. We need confidence in the State OIG and we will be vigilant in making sure that they continue to improve.

Mr. BERMAN. Well, thank you very much, Madam Chairman. I appreciate your calling this hearing. Your opening testimony started out by referring to the State Department's Inspector General as the first line of defense. My opening statement starts out referring to the Inspector General as the last line of defense against waste, fraud, and abuse at the State Department. Maybe it is an intermediate line of defense, but it is supposed to be a line of defense.

Foreign Service officers, civil service employees, and, of course, the U.S. taxpayers should have absolute confidence that the IG's office serves as an unassailable mechanism of accountability in the State Department. And, to my way of thinking, the office has often performed this function admirably.

Nonetheless, as described by the chairman, a 2007 Government Accountability Office report flags a number of systematic concerns with the IG's office. First, the rotation of Foreign Service officers in the IG's office, a statutory legacy of the Foreign Service Act of 1980, raises questions regarding the independence of the organization.

One could argue that FSOs bring unique expertise to State Department oversight, including an intimate knowledge of the way our overseas missions work—or don't work—as the case may be. But this must be weighed against the concern that reliance on senior State Department personnel to conduct oversight creates both the image and the possibility of a conflict of interest. I would welcome the views of our witnesses on the role of FSOs in the IG's office.

Second, I am also interested in the views of our panelists regarding the balance between audits—the standard product of most IG offices—and inspections, the traditional focus of the State IG, based on its historical mandate to inspect foreign posts.

The GAO report indicates that the State IG generally conducts about two inspections for every one audit. It also found that key management challenges, such as counterterrorism and information security, were overwhelmingly subject to inspections rather than audits.

I understand that the IG incorporates elements of an audit into many inspections, but in many ways they are distinct products with different methodologies. Especially as the State Department assumes unprecedented roles and responsibilities in both Iraq and Afghanistan, including the management of massive contracts, to what extent should the IG place a greater emphasis on audits?

Finally, the GAO expresses concerns about inadequate resources for the IG, a concern that I share. If this Congress is serious about eradicating waste and abuse, if it really wants to ensure effective oversight over funds, and if it genuinely wants to foster greater accountability over taxpayer dollars, we must ensure adequate resourcing of the IG's office.

I would note that the Continuing Resolution passed by my colleagues a few weeks ago would cut the State IG's budget 17 percent below current operating levels, which will result in a hiring freeze and curtain oversight of operations in Iraq and Afghanistan, if that level of cut were to pass. I don't understand why my colleagues would insist on cutting the budget of the very organization intended to ensure funds are well spent.

Incidentally, and somewhat ironically, the CR also cuts the funds for the GAO, the organization that authored the report upon which this hearing is based.

I commend the chairman for holding this hearing and look forward to the witnesses' comments. And in an unprecedented act, I yield back the balance of my time, thereby making the first effort to cut waste. [Laughter.]

Chairman ROS-LEHTINEN. Very well done, Mr. Berman.

I would like to recognize Mr. Marino, if he would have a 1-minute opening statement.

Mr. MARINO. Thank you, Madam Chair, but I have no statement.

Chairman ROS-LEHTINEN. Thank you, sir.

Mr. Rohrabacher.

Mr. ROHRABACHER. Well, I guess I am here to talk about the middle line of defense, seeing that we have the first line and the last line.

I think that a careful look at why the American people are disillusioned is not necessarily because of corruption and some mis-

appropriation of funds. I think that what we have, Madam Chairman, instead is disillusionment because of policy. Policy leads us to a position.

I think that a certain amount of corruption and a certain amount of waste and fraud is expected in any major operation in the midst of conflict. I have seen it since I was a young person in Vietnam, and I have seen it in every conflict I have been in since, just as collateral damage and the loss of civilian life is part of what happens in those type of deployments.

But that doesn't mean we should accept them, and we have to work against it. But it goes with the territory, and it is up to us to minimize that type of collateral damage and waste and fraud. But most important, it is up to us to have the right policy of government, to have the right policies, and I believe the United States Government has been engaged in economy-building instead of emergency and crisis aid. And that goes down to the very heart of the reason the American people are disillusioned, because that strategy cannot be successful, and it hasn't been.

So with that said, thank you, Madam Chairman.

Chairman ROS-LEHTINEN. Thank you, Mr. Rohrabacher.

Mr. ROHRABACHER. Looking forward to the hearing.

Chairman ROS-LEHTINEN. Thank you.

Mr. Higgins is recognized.

Mr. HIGGINS. I don't have an opening statement, Madam Chair. I will have questions during the question and answer period.

Chairman ROS-LEHTINEN. Thank you, sir.

Mr. HIGGINS. Thank you.

Chairman ROS-LEHTINEN. Mr. Gallegly. Mr. Gallegly, if I could have your minute?

Mr. GALLEGLY. I will yield to the gentlelady.

Chairman ROS-LEHTINEN. Well, thank you. Just because my good friend, the ranking member, spoke about H.R. 1 and the cuts that we are making, and I just want to—and I hope we have some charts that are coming out soon about our plan for reviving the economy, which is straightforward.

We are cutting job-destroying programs to help the economy grow, to empower employers to create jobs. We have had historic debt that is leading to historic tax increases, and we have got to stop that. And that is going to lead to historic high unemployment.

And we have got—we are going to address this spending-driven debt crisis now. There is a lot of resistance to making sure that we don't do it, but we are determined to. And I don't think it is a coincidence that our national debt, our Federal spending, our bureaucratic regulatory costs, and unemployment have climbed to record heights at the same time.

So we hope to create jobs, we hope to save our children from national bankruptcy, and so the way to do that is to stop spending money that we don't have. And we hope to shrink the Federal budget, so that we don't have to shrink the family budget.

And with that, I would now like to recognize our witnesses, unless Mr. Deutch has an opening remark to make on the——

Mr. DEUTCH. Near perfect.

Chairman ROS-LEHTINEN. Thank you very much. Pithy, great statement. We like that.

And the chair and the ranking member, we are pleased to recognize and welcome today's witnesses. Ambassador Harold Geisel is the Deputy Inspector General for the Department of State and Broadcasting Board of Governors. Ambassador Geisel has more than 25 years' experience in senior management with the State Department. He joined the Department in 1970 and has since completed tours all across the globe, including Brussels, Oslo, Bern, everywhere, Rome, South Africa, Moscow.

In '94, he served as Acting Inspector General for the Department of State, and then, in '95, held the position of Deputy Assistant Secretary of State for Information Management. In '96, he went abroad again as Ambassador until '99. And following his retirement from Foreign Service in 2001, the Ambassador served as Acting Deputy Assistant Secretary for Logistic Management.

In 2008, he assumed the position of Deputy Inspector General, and has held that position ever since, which brings him to this meeting today.

And next we will hear from Ms. Jeanette Franzel, the Managing Director for the U.S. Government Accountability Office, Financial Management and Assurance Team. She heads GAO's oversight of financial management and auditing issues across the Federal Government.

Ms. Franzel is an expert on the topic of audits and independence, oversees GAO's work in developing and issuing government auditing standards, also known as the Yellow Book. The Yellow Book standards are widely used by the U.S. Government and also serves as a model for both private sector and governments around the world.

Ms. Franzel also leads the development of GAO positions on proposed standards for the U.S. Auditing Standards Board, the Public Company Accounting Oversight Board, the International Auditing and Assurance Standards Board, and the Institute of Internal Auditors.

Additionally, she provides technical expertise to GAO teams and external audit organizations on issues involving auditor independence, engagement design, methodologies, quality assurance, internal inspections, peer review, internal control and governance, in the public sector programs.

We are glad to have you here. And I kindly remind our witnesses to summarize your statements for 5 minutes, and we will put your written statements into the record without objection.

Ambassador, please proceed.

## STATEMENT OF MR. HAROLD W. GEISEL, DEPUTY INSPECTOR GENERAL, U.S. DEPARTMENT OF STATE

Ambassador GEISEL. Thank you, Madam Chairman, Ranking Member Berman, and members of the committee, for the opportunity to testify today.

Since being appointed by Secretary of State Rice during the summer of 2008, I have often told OIG employees that we have the best jobs in the Federal Government because we get paid to tell the truth. Our reports are the true objective measure of our independence and effectiveness. Our inspections of Embassies Baghdad, Kabul, and Luxembourg, plus our audits of the new Embassy con-

struction in Baghdad, passport snooping, and the Christmas bomber, clearly show that OIG is independent, thorough, and responsive.

The GAO report was issued in 2007. By the close of FY2010, the number of reports issued annually on my watch increased from 107 to 157. Open investigations increased from 36 to 101. Subpoenas increased from zero to 25, and contractor suspension and debarment actions increased from zero to five.

OIG has substantially expanded its oversight in critical areas, particularly in Afghanistan. We now have boots on the ground at five overseas locations. The Office of Investigations has 26 active investigations in the Middle East and Southwest Asia, 10 related to Afghanistan.

President Bush nominated an IG several weeks after I arrived in June 2008. Although he was not confirmed, my top priority was to continue building OIG's oversight capability and morale. I read GAO's report and kept it on my desk because I valued its input.

We have complied with GAO's recommendations to establish an MOU with Diplomatic Security and include IT reports in our internal quality review process. Also, the Foreign Service Deputy Inspector General, DIG position, was abolished by me in January 2011. Thus, any future DIG who becomes Acting IG will be a civil servant, not an FSO.

However, we believe not considering civil servants with management careers would unduly exclude highly qualified candidates. OIG has reassessed the mix of audit and inspection coverage. Our methodology for investing resources now includes a risk management approach that ensures all congressional executive mandated audits and inspections are performed, and that our remaining audits and inspections cover high cost programs, key management challenges, and vital operations.

Our Office of Audits reorganized in January 2010 to gain functional area expertise, contribute to an audit planning process that included high-risk/high-cost programs, and operate in a more efficient and accountable manner.

In October 2011, our Middle East Regional Office, MERO, will be merged into the Office of Audits, easily making Audits the largest component of the State IG with more than 90 full-time employees. We anticipate that the number of audits will substantially increase after MERO is incorporated into Audits.

Our inspections cover three broad areas that are consistent with Section 209 of the Foreign Service Act—policy implementation, resource management, and management controls. The IG community has long recognized that inspections are uniquely suited to provide timely feedback to program managers and to review highly technical matters.

The inspection function is growing in number and size within the IG community, and the 2008 IG Reform Act acknowledges the inspection role of OIGs as separate from audits.

Our mix of oversight coverage is effective because our offices complement one another's efforts in an efficient manner. During each inspection cycle, teams examine a wide cross-section of issues at multiple posts and bureaus. When a team discovers an area that requires a drill-down audit or investigation, it is referred to those offices.

For example, the Embassy Baghdad inspection team discovered an overtime issue that required additional oversight. An audit team followed the inspection and produced major findings and recommendations leading to better controls at the Embassy.

Finally, there is an overriding need to use inspectors with the requisite experience, expertise, and Senate-confirmed ambassadorial status to lead inspections of overseas posts.

Any potential concern is also mitigated by OIG's transparency, vetting procedures, and recusal policies. Few of the inspection teams are led by active duty Foreign Service ambassadors, and inspection team leaders report to, and are rated by, the AIG for inspections, a member of the Senior Executive Service. Just 17 of the 64 direct hire staff members currently employed in inspections are FSOs, and most retire after their assignments with OIG.

In short, as Congress previously recognized, FSOs play an invaluable role in our inspections, which together with checks and balances outweigh any theoretical appearance of lack of independence. In sum, we believe OIG is in substantial compliance with GAO's recommendations.

Once again, thank you, Madam Chairman and Ranking Member Berman, for the opportunity to appear today. I would be pleased to take any questions you have at this time.

[The prepared statement of Ambassador Geisel follows:]

TESTIMONY OF HAROLD W. GEISEL

DEPUTY INSPECTOR GENERAL

U.S. DEPARTMENT OF STATE AND

THE BROADCASTING BOARD OF GOVERNORS

BEFORE THE

HOUSE COMMITTEE ON FOREIGN AFFAIRS

ON

WATCHING THE WATCHERS: THE NEED FOR SYSTEMIC REFORMS AND INDEPENDENCE OF THE STATE DEPARTMENT INSPECTOR GENERAL

APRIL 05, 2011

Thank you Chairman Ros-Lehtinen, Ranking Member Berman, and members of the committee for the opportunity to testify today.

Since being appointed by Secretary of State Rice during the summer of 2008, I have often told Office of Inspector General (OIG) employees that we have the best jobs in the Federal Government because we are paid to tell the truth. Our body of work, most of which is available to taxpayers on our Web site, is the true objective measure of our independence and effectiveness. We are the Department's best friend because we tell it what it needs to hear, which is not always what it wants to hear. When we perform oversight, we call it as we see it. OIG's reports, such as the recent inspection of Embassy Luxembourg and the inspection of Embassy Kabul with its more than 100 recommendations, and our audits of the new embassy construction in Baghdad, State Department actions regarding the December 25 attempted terrorist bombing, and passport snooping by Department employees clearly demonstrate that OIG is an independent and responsive oversight organization.

In fact, during my time in OIG, there has been a steady increase in requests from Congress and State Department officials for OIG to look at issues around the world. They know OIG is an independent oversight organization that will produce a timely, thorough, and honest report whether it is an audit, inspection, evaluation, or report of investigation.

OIG's track record over the past 3 years speaks for itself. Between the time that the Government Accountability Office (GAO) report was issued in 2007 and the close of FY 2010, the number of OIG reports issued annually increased from 107 to 157, the number of investigations opened increased from 36 to 101, OIG Hotline complaints processed grew from 527 to 1,354, OIG subpoenas issued increased from 0 to 25, and the

number of contractor suspension and debarment actions increased from 0 to 5 (4 in the Office of the Procurement Executive and 1 in the Directorate of Defense Trade Controls). We also made our oversight efforts more transparent by making our Web site more accessible and posting more than 400 reports on it, back to January, 2005.

Since GAO's 2007 report, OIG has substantially expanded its oversight in the Middle East, South and Central Asia, and, in particular, Afghanistan. We established a Middle East Regional Office (MERO) and Middle East Investigations Branch (MEIB), which provide boots on the ground at five overseas locations. Since August 2009, MERO has issued nine reports on contract and performance evaluations and limited-scope reviews of State Department programs in Afghanistan, and expects to issue one more report on the operations and maintenance support contract in Iraq. MERO also plans to issue its second report on the status of the Iraq Transition in the coming weeks. Other field work is now under way for several reviews of Bureau of Diplomatic Security programs and contracts concerning antiterrorism assistance within Iraq, Pakistan, and Afghanistan. In addition, the Office of Audits recently began a joint audit with the Department of Defense OIG on Afghanistan National Police Force training and another joint audit with the Special Inspector General for Afghanistan Reconstruction on issues related to the civilian uplift program.

Our investigative commitments have expanded similarly. From FYs 2004 to 2008, the Office of Investigations (INV) reported only four active investigations related to Iraq and the greater MERO region, none of which were performed in Afghanistan. INV, in partnership with the International Contract Corruption Task Force, now has 26 active investigations in the MERO region, 10 of which relate to Afghanistan.

In 2010, INV successfully worked with the Office of the Procurement Executive to achieve suspension and debarment actions against five State Department contractors, three of which pertained to investigations in Afghanistan. This result compares favorably to the single debarment action reported in the previous 5 years combined. We intend to encourage this upward trend with continuing investigations and an audit of the State Department and the Broadcasting Board of Governors (BBG) Suspension and Debarment programs by OIG's Office of Audits, which will start in April. All of these examples provide an objective measure of OIG's commitment to independent and robust oversight.

GAO has issued several reports about OIG and its predecessor organizations, nearly all of which were issued more than two decades ago. GAO's latest report in 2007 examined OIG operations during FYs 2001 through 2005. I would like to discuss the actions we have taken in response to the five recommendations GAO issued in that report.

**1. GAO recommended that State OIG reassess the proper mix of audit and inspection coverage for the State Department's high-risk areas and management challenges.**

Our activities are global in scope, supporting the highest priorities of the State Department. Our oversight extends to the State Department's and BBG's 60,000+ employees and more than 270 missions and other facilities worldwide, funded through combined annual appropriations of more than $50 billion.

During my tenure in OIG, we have consulted on a regular basis with key stakeholders in the State Department and Congress regarding oversight of high-risk areas and management challenges. In January 2010,

the Office of Audits (AUD) reorganized from a "matrixed" organizational structure to a "divisional" organizational structure. Seven divisions were established in order to gain functional area expertise, contribute to an audit planning process that included high risk/cost programs, and operate in a more efficient and accountable manner.

The assistant inspectors general (AIGs) and their staffs engage in ongoing discussions about the proper mix of audits, inspections, and reviews as they plan their work. As GAO noted, Section 209 of the Foreign Service Act of 1980 requires OIG to inspect and audit each post, bureau, and other operating unit of the State Department at least once every 5 years. Our methodology for investing our resources includes a risk management approach that ensures all congressional and executive mandated audits and inspections are performed and that our remaining discretionary audits and inspections cover high-cost programs, key management challenges, and vital operations.

With the help of Congress, OIG's resources have increased since 2008 after more than a decade of flat-line budgets. At the same time, the number, size, and complexity of missions abroad have expanded greatly over the past few decades. Our audits assess State Department and BBG efforts to achieve results-oriented management, identify major management challenges and recommend improvements.

In October 2011, MERO will be merged into the Office of Audits, making the Office of Audits the largest component of State OIG with over 90 full time employees (FTEs), as well as additional contractors who serve as auditors/analysts. We anticipate that the number of audits will substantially increase after the incorporation of MERO into AUD.

Conversely, our inspections cover three broad areas consistent with Section 209 of the Foreign Service Act of 1980: policy implementation; resource management; and management controls. The OIG community has long recognized the need to provide timely feedback to program managers and to review highly technical matters. The inspection and evaluation function fits that need. The inspection function is growing in number and size within the OIG community as noted in a January 2011 report by the Council of Inspectors General on Integrity and Efficiency (CIGIE) on "Growth and Development of the Inspection and Evaluation Community: 2010 Survey Results." The Inspector General Reform Act of 2008 acknowledges the inspection and evaluation role of OIGs separate from the audit and investigative roles, and CIGIE updated the Quality Standards for Inspections and Evaluation in January 2011.

Our inspections have resulted in organization restructuring, improved processes and accountability, more efficient use of resources, better leadership, and enhanced security. While continuing with inspections of individual posts and bureaus, inspections identify systemic issues and best practices (now featured on our intranet site and accessible by the Department), conduct more thematic reviews, and provide a quick response capability to address issues raised by the Hill or senior management.

Some examples include de-mining programs in Iraq and Afghanistan, Chief of Mission oversight of PEPFAR programs, controls over the Youth Exchange Program, Review of the Selection Board Process, Support for staff assigned to high stress posts, processes to assess leadership and management of Department posts and bureaus, oversight of "R and R" travel, Haiti earthquake communication, and Kenya Constitution reform.

OIG's mix of oversight coverage is effective because our offices complement one another's efforts in an efficient manner. During each inspection cycle, OIG teams examine a wide cross section of issues at multiple posts and bureaus. Inspection teams give their draft reports to the chiefs of mission before they leave post, which often prompts compliance to begin immediately. If a team discovers an area that demands a deeper "drill down" audit or investigation, it refers the matter to the auditors or investigators. For example, an Office of Inspections (ISP) team discovered during its inspection of Embassy Baghdad that payment of overtime was an issue that required additional oversight. An audit team followed the inspection and produced major findings and recommendations that resulted in changes to overtime policies, which in turn led to better controls in place at the embassy. There are also frequent examples where individual inspection teams have referred matters to INV.

Finally, the State Department relies on the deterrent effects and timely, constructive recommendations and evaluations that flow from OIG's inspection process. In short, OIG's oversight process is efficient, effective, and in compliance with GAO's first recommendation.

**2. GAO recommended that OIG should include inspections performed by the State IG's Office of Information Technology in its internal quality review process.**

The Office of Information Technology was discontinued as a separate office in January 2008, with information technology (IT) audit staff reassigned to AUD and IT inspection staff reassigned to ISP. Because the IT inspection function is now a part of ISP, it is included in the internal

quality review process. Thus, OIG has complied with GAO's second recommendation.

**3. GAO recommended that the State IG work with the Secretary of State to "Develop a succession planning policy for the appointment of individuals to head the State IG office in an acting IG capacity that is consistent with the IG Act regarding State IG appointment and provides for independent coverage in the event of delays between IG appointments. The policy should prohibit career Foreign Service officers from heading the State IG office in an acting IG capacity and specify within the IG's own succession order that acting IG vacancies are to be filled by eligible personnel without State Department management careers."**

OIG was authorized two deputy inspectors general (DIGs): a Civil Service employee and a Foreign Service officer. We agree with GAO's concern about career Foreign Service officers serving as acting IG. OIG has taken action since GAO's 2007 report to help ensure that Foreign Service officers do not head the State IG in any capacity. The previous Foreign Service acting IGs all served as the DIG at the time they became the acting IG. The *Foreign Affairs Manual* (1 FAM 052.2) was amended after GAO's report so that the principal DIG was a Civil Service employee and "First Assistant" for purposes of The Federal Vacancies Reform Act of 1998. The Foreign Service DIG position in OIG was vacant for 5 years and, most important, it was abolished on January 22, 2011.

We still do not agree, however, with the final part of GAO's recommendation that acting IG vacancies be filled by eligible personnel

without State Department management careers. As OIG stated in its 2007 response to GAO, to eliminate from consideration all Civil Service officers with State Department management careers would unduly restrict OIG's ability to consider the broadest number of highly qualified candidates. In fact, the Foreign Service Act (22 U.S.C. § 3929 (a) (1) lists "knowledge and experience in the conduct of foreign affairs" as a qualifying factor for potential IGs. In sum, we believe we have complied with all but the last part of GAO's third recommendation, which we do not agree is in the best interests of OIG or the Department.

**4. Regarding ISP, the GAO recommended that OIG "develop options to ensure that State IG inspections are not led by career Foreign Service officials or other staff who rotate to assignments within State Department management. Approaches could range from the State IG limiting its inspection activities to a level that is supportable without reliance on staff who routinely rotate to management offices, to permanently transferring or hiring additional staff, or FTEs, along with associated resources for the State IG office to eliminate the need to rely on Foreign Service and other rotational staff to lead inspections."**

We understand that OIG's policy of using active and retired ambassadors (reemployed annuitants) to serve as inspection team leaders might raise a concern about the appearance of independence. That theoretical concern is greatly outweighed, however, by the overriding need to use inspectors with the requisite experience, expertise, and Senate-confirmed ambassador status to lead inspections of U.S. overseas missions. The House Committee on Foreign Affairs report on Section 209 of the Foreign Service Act of 1980 stated it well: "The Inspector General

must be served, on the one hand, by individuals who are trained in auditing, ...and, on the other hand, by individuals who possess foreign policy training and knowledge of the Foreign Service."

Any potential concern is also mitigated by OIG's transparency, vetting procedures, and recusal policies. All Foreign Service and Civil Service personnel are required to sign a statement of independence before working on any project. In addition, usually only two of the seven inspection teams are led by active-duty Foreign Service ambassadors. The others are led by reemployed annuitants. Moreover, all inspection team leaders report to and are rated by an AIG for inspections who is at the Civil Service Senior Executive Service (SES) level.

The preface to the January 2011 CIGIE Quality Standards for Inspections and Evaluations recognizes the unique needs of different agencies: "The inspection function at each Department/Agency is tailored to its unique mission." It then specifically contrasts State OIG's inspection function with that of other agencies by noting that, "For example, at the Department of State, inspections focus primarily on the adequacy of management of programs and activities in each of the American embassies and consulates, as well as in each bureau or major operating unit of the Department ...." Similar language has existed in the Quality Standards preface since 2005.

OIG needs the experience and expertise of its ambassadors to help design and implement inspections that are tailored to the unique mission of the State Department. This level of expertise and experience is particularly important if the chief of mission has little policy experience and/or leadership skills. Team leaders also prepare Inspectors Evaluation Reports on senior officials at inspected posts and domestic bureaus.

Those evaluations have been key to performance boards' review of personnel files for promotions, awards, or consideration for onward assignments. It is critical that they be prepared by former ambassadors who have the credentials to provide credibility to the reports.

In addition, the ratio of Foreign Service officers to Civil Service employees in ISP is relatively low. For example, of the 64 direct-hire staff members currently employed in ISP, only 17 are Foreign Service officers, and most retire after their assignments with OIG. These senior officers are subject matter experts in consular, political-economic, public diplomacy, or management operations. As such, they have the necessary credibility with the inspected entities to make recommendations to improve their programs or operations.

GAO has also expressed concern about the possibility that a Foreign Service officer/inspector's desire to receive favorable follow-on assignments might influence his or her objectivity. To the best of my knowledge, there is not a single case that any such behavior has ever occurred. This might be partially explained by the fact that there are checks and balances built into OIG's policies and procedures, as well as in CIGIE Quality Standards. Also, as stated previously, a Civil Service SES rates the performance of ISP team leaders.

All of these checks and balances help ensure that our inspectors perform their oversight objectively and independently. Once again, however, the best objective proof of our independence can be found in our reports. In short, we were authorized by statute, for good reasons, to use Foreign Service officers in our inspections, and thus we do not concur with GAO's fourth recommendation.

**5. Finally, GAO recommended that "in order to provide for independent investigations of State Department management and to prevent duplicative investigations, we recommend that the State IG work with the Bureau of Diplomatic Security (DS), the Office of Management, and the Secretary of State to develop a formal written agreement that delineates the areas of responsibility for State Department investigations. Such an agreement would, for example, address the coordination of investigative activities to help ensure the independence of internal departmental investigations and preclude the duplication of efforts."**

We agreed with the wisdom of this recommendation and signed a Memorandum of Understanding with the Department of State effective late last year. Previous IGs had tried to negotiate such an agreement, on and off, since 2001. Our Memorandum of Understanding (MOU) delineates the areas of responsibility and, among other things, ensures the independence of OIG investigations and precludes duplication of efforts, thereby making OIG compliant with GAO's fifth and final recommendation. In signing the MOU, both parties agreed to provide timely notification to each other of information relevant to their respective missions.

This cooperation is being implemented through the following means: regular communication concerning investigative referrals and relevant investigative information between DS Division Chiefs and OIG Special Agents in Charge by email, telephone and personal meetings; bi-monthly meetings between the Deputy AIG for Investigations and the DS Office Director for Investigations and Counterintelligence, who is responsible for all DS investigations, wherein new case information is

shared; communication channels were established by the Deputy AIG for Investigations with the Training and International Programs Directorates of DS; and meetings occurred between the Assistant Inspector General for Investigations (AIG-I) and each Directorate Head in which their full support was received.

Furthermore, quarterly meetings are occurring between the AIG-I and the Assistant Director for Domestic Operations, the two signatories on the MOU. Regular communications are occurring between the IG and the Assistant Secretary for DS.

Discussions are underway concerning cross checking of investigative subjects, whereby each organization is contacted to cross check and de-conflict prior to an investigation being initiated. In addition, DS has agreed to add OIG INV as a presenter during their formal training course that all DS agents attend prior to their departure for an overseas assignment, to educate all overseas DS agents of the OIG investigative mission and associated, requisite reporting.

Finally, when DS refers information sufficient to consider opening a preliminary investigation to OIG INV, it is processed through the Hotline intake system like all other referrals/allegations, and is assigned to an investigative division for further review. DS is notified if INV determines it does not merit OIG action.

INV is working with CIGIE Investigative Peer Review points of contact to ensure they review the procedures implemented pursuant to this MOU for functionality and effectiveness during each recurring review. The overall intent of the MOU is to promote the effectiveness of both organizations in their service to the Department and U.S. Government.

Once again, thank you Madam Chairman and Ranking Member Berman for the opportunity to appear today. I would be pleased to take any questions you have at this time.

Chairman ROS-LEHTINEN. Thank you so much, Mr. Ambassador. Thank you, Ms. Franzel.

**STATEMENT OF MS. JEANETTE M. FRANZEL, MANAGING DIRECTOR, FINANCIAL MANAGEMENT AND ASSURANCE TEAM, U.S. GOVERNMENT ACCOUNTABILITY OFFICE**

Ms. FRANZEL. Madam Chairman Ros-Lehtinen, Ranking Member Berman, and members of the committee, thank you for the opportunity to be here today to discuss the Department of State OIG.

The State OIG has a critical responsibility to provide independent and objective oversight of the State Department. In 2007, we reported concerns about State OIG's independence and effectiveness. Today, I will discuss our previously reported concerns and the current status of those concerns based on our follow-up work.

In 2007, we reported concerns with two independence issues and three effectiveness issues. Regarding independence, our first concern dealt with the use of State Department management officials as Acting IGs. In order to help ensure the independence of the IG Office, we recommended that the State OIG work with the Secretary of the State to develop succession planning to help ensure independence in appointment of acting IGs.

And in response, as Ambassador Geisel has said, the Acting IG recently abolished the Deputy IG position for Foreign Service, which will help ensure that any future Deputy IGs moving into an acting IG position will not be Foreign Service officers.

The State Department has relied on acting IGs to provide oversight for over five of the last 8 years, since January 2003. Three of the acting IGs returned to significant management positions within the State Department. We realize that the appointment of a permanent IG is not within the control of State OIG. Nevertheless, the use of management officials as acting IGs is a concern, as one of the independence protections in the IG Act is that the IG is to be appointed by the President and confirmed by the Senate.

Our second independence concern was with the use of Foreign Service officers to lead inspections of the department's bureaus and posts. State OIG inspections are led by ambassador-level Foreign Service officers who often move through the OIG on rotational assignments, and then back into Foreign Service positions.

We recommended that the IG develop options so that State OIG inspections are not led by Foreign Service officials. The State IG has stated that having Foreign Service officials with the rank of ambassador as team leaders is critical to the effectiveness of the inspection teams. Although the IG has put some safeguards in place, we continue to believe that a fundamental, structural, independence problem exists with this arrangement.

As I mentioned, we also reported on three effectiveness issues. A serious effectiveness issue that we noted in our 2007 report was the State IG's reliance on inspections, rather than audits, to provide oversight of the Department. By design, inspections do not provide the level of assurance or rigor that audits provide.

State IG's reliance on inspections resulted in gaps in the audit coverage of State Department's high-risk areas and management challenges, including counterterrorism and border security, public diplomacy, and human resources. We recommended that the State

IG reassess the mix of audit and inspection coverage, and in our recent update we have found that State IG is taking actions to strengthen its audit practice. But we recently continued to identify gaps in audit coverage in key areas, including foreign assistance, public diplomacy, and human resources.

As I mentioned, the good news is that State IG has taken a number of steps to strengthen its audit practice and to plan for additional audit coverage. It has increased its resources dedicated to audits and reorganized the Office of Audits to align its oversight efforts with the Department's mission and strategic priorities.

Finally, State IG took actions to implement our two other recommendations, as Mr. Geisel explained, in the area of including IT inspections and its internal quality review process and developing a written agreement with the Bureau of Diplomatic Security to coordinate departmental investigations.

In summary, we commend the OIG for the steps it is taking to build and strengthen its audit practice. We continue to emphasize the need for OIG to continually assess its mix of audit and inspections of the Department's high-risk and management challenge areas. Frankly, this is a measure of the effectiveness of the audit practice on an ongoing basis, so we would encourage a continual reevaluation based on facts and circumstances and risk of the mix of audit and inspections on an ongoing basis.

Second, we believe it is important for State Department to be headed by a permanent IG, appointed by the President, and confirmed by the Senate as envisioned by the IG Act.

Finally, State OIG's unique requirement to provide inspections of the Department's bureaus and posts, and its need to use ambassador-level Foreign Service members as team leaders, presents both independence and resource problems for the OIG. There may be opportunities to revisit this particular requirement, which is in law, and whether some of these functions should be performed by State Department with more of an audit and oversight function of the inspections being performed by State OIG.

So I think there is a tremendous opportunity here to revisit the requirements and perhaps develop a mechanism where OIG can be providing effective oversight, but perhaps State Department can take over some of the management function portions of the inspections.

Madam Chairman, Ranking Member Berman, and members of the committee, this concludes my statement, and I would be happy to respond to any questions that you have.

[The prepared statement of Ms. Franzel follows:]

United States Government Accountability Office

GAO

Testimony

Before the Committee on Foreign Affairs, House of Representatives

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# STATE DEPARTMENT INSPECTOR GENERAL

# Actions to Address Independence and Effectiveness Concerns Are Under Way

Statement of Jeanette M. Franzel
Managing Director
Financial Management and Assurance

GAO-11-382T

GAO
Accountability • Integrity • Reliability

# Highlights

Highlights of GAO-11-582T, a testimony before the Committee on Foreign Affairs, House of Representatives

## Why GAO Did This Study

In 2007 GAO reported on concerns with the independence and effectiveness of the Department of State Inspector General (State OIG). GAO was asked to provide testimony on the issues we raised and the status of recommendations made to the State OIG in that report. This testimony focuses on the importance of auditor and IG independence, GAO's prior concerns with the State OIG's independence and effectiveness, and the status of OIG actions to address GAO's recommendations. The testimony is primarily based on GAO's 2007 report conducted in accordance with generally accepted government auditing standards, as well as the activities conducted to follow up on the status of our previous recommendations.

## What GAO Recommended

In the 2007 report, GAO recommended that the IG work with the Secretary of State to address two recommendations regarding concerns about the State OIG's independence, and to reassess the mix of audits and inspections to help provide effective audit coverage of the department. In addition, GAO recommended that the IG include inspections performed by the OIG's Office of Information Technology in its internal quality review process and that it work with the department's Bureau of Diplomatic Security (DS) on an agreement to coordinate their investigative efforts.

View GAO-11-582T or key components. For more information, contact Susan Ragland, (202) 512-8486, raglands@gao.gov

April 5, 2011

# STATE DEPARTMENT INSPECTOR GENERAL

## Actions to Address Independence and Effectiveness Concerns Are Under Way

## What GAO Found

The State Department Office of Inspector General (State OIG) has a critical responsibility in preventing and detecting fraud, waste, abuse, and mismanagement; and in providing independent audits and investigations of the department's programs and operations. In addition, the Foreign Service Act of 1980 requires the State OIG to perform inspections of the department's bureaus and posts, which is a unique requirement for an IG office. Independence is a critical element to the quality and credibility of an IG's work under the IG Act and is fundamental to professional auditing standards as well as an essential element of IG effectiveness. An IG must be independent and free from personal, external, and organizational impairments to independence in order to effectively fulfill the full range of requirements for the office.

GAO's 2007 report identified areas of concern regarding the State OIG's independence and effectiveness. Specifically, the appointment of management and Foreign Service officials to head the State OIG in an acting capacity for extended periods of time is not consistent with professional standards for independence. In addition, GAO reported that the use of Foreign Service officers at the ambassador level to lead OIG inspections resulted in, at a minimum, the appearance of independence impairment. GAO also reported that inspections, by design, are conducted under less in-depth requirements and do not provide the same level of assurance as audits. However, the OIG relied on inspections rather than audits to provide oversight coverage, resulting in gaps to the audit oversight of the department. GAO also reported that inspections performed by the OIG's Office of Information Technology (IT) were not part of an internal quality review process, and that the State OIG and the department's Bureau of Diplomatic Security (DS) lacked an agreement to coordinate their investigative activities.

The State OIG implemented two of GAO's five recommendations and has actions under way related to the remaining three. Specifically, the OIG now includes IT-related inspections in its internal quality-review process and has completed an agreement to coordinate investigations with DS. Also, the OIG is implementing a change to the succession planning for acting IG positions to exclude Foreign Service officers and is in the process of increasing the level of audit coverage through the distribution of staff and audit planning. In addition, the State OIG continues to assign Foreign Service officers at the ambassador level as team leaders for inspections, however, four of the six officers are rehired annuitants unlikely to rotate to State Department Foreign Service positions. GAO remains concerned, however, about the OIG's use of Foreign Service officers and the State Department's need to rely on acting IGs for extended periods of time. GAO continues to reaffirm its recommendations, and encourages the State OIG, with the assistance of the Secretary, to fully address these recommendations to enhance the effectiveness of the OIG's oversight of the State Department's programs and operations.

Madam Chairman Ros-Lehtinen, Ranking Member Berman, and Members of the Committee:

I am pleased to be here today to discuss the Department of State Office of Inspector General (State OIG), which is responsible for providing oversight of the State Department including the Foreign Affairs community in more than 270 embassies, consulates, and other posts worldwide as well as the Broadcasting Board of Governors. The State Inspector General (IG) has a critical responsibility to provide effective and objective oversight of the department to support managers in their efforts to improve performance and prevent or detect losses from fraud, waste, or abuse and to the Congress in its responsibility for oversight of the executive branch.

The statutory IGs, including the State IG, play a critical role in federal agency oversight and in identifying mismanagement of scarce taxpayer dollars. In light of this important role, the IG Act provides specific protections to IG independence that are unprecedented for an audit and investigative function located within an organization being reviewed. These protections are necessary due in large part to the unusual reporting requirements of the IGs who are both part of their federal agencies and also expected to provide independent reports of their work externally to the Congress.

My statement today is based primarily on our March 2007[1] report on the activities of the State OIG, our October 2007 testimony[2] that followed on the same subject, and updated information we received from State OIG officials to follow up on the status of our recommendations. In our 2007 report and testimony, we raised a number of concerns with the State OIG's independence, the lack of audit oversight in high-risk areas, and the lack of assurance that the department is receiving independent investigations. I will discuss in more detail (1) the importance of auditor and IG independence, (2) prior reporting on our concerns with the State OIG's independence and effectiveness, and (3) information about the current status of the State OIG's actions to address our recommendations. This testimony is based on our prior work and follow-up activities which were

[1]GAO, *Inspectors General: Activities of the Department of State Office of Inspector General*, GAO-07-138 (Washington, D.C.: Mar. 23, 2007).

[2]GAO, *Inspectors General: Limitations of IG Oversight at the Department of State*, GAO-08-135T (Washington, D.C.: Oct. 31, 2007).

performed in accordance with generally accepted government auditing standards.

## Background

The State OIG, as currently constituted, was established by the Omnibus Diplomatic Security and Antiterrorism Act of 1986,[3] which expanded on the 1985 amendments[4] to the Inspector General Act of 1978 (IG Act),[5] as an independent office to prevent and detect fraud, waste, abuse, and mismanagement in the department's programs and operations; conduct and supervise audits and investigations; and recommend policies to promote economy, efficiency, and effectiveness.

The State OIG is unique among federal inspectors general in its history and responsibilities due to a statutory requirement for the OIG to provide inspections of the department's bureaus and posts worldwide. From 1906 until 1957, inspections were to be carried out at least once every 2 years and were viewed as a management function, and not a function of an independent inspector general. In 1957, the State Department administratively established an Inspector General of Foreign Service, which was the first inspector general office within the State Department to conduct inspections. Congress enacted legislation in 1961 and in 1980 creating statutory inspectors general who were tasked with performing inspections on certain State Department activities. In 1978, GAO reviewed the IG's inspection reports and questioned the independence of Foreign Service officers who were temporarily detailed to the IG's office and recommended the elimination of this requirement.[6] The 1980 legislation, section 209(a) of the Foreign Service Act, required the State IG to inspect every foreign service post, bureau, or other operating unit in the State Department at least once every 5 years.

In 1982, we reviewed the IG's operations and noted that the 5-year inspection cycle led to problems with the IG's effectiveness by limiting the

[3]Pub. L. No. 99-399, 100 Stat. 853 (Aug. 27, 1986).

[4]Pub. L. No. 99-93, 99 Stat. 427 (Aug. 16, 1985).

[5]Pub. L. No. 95-452, 92 Stat. 1101 (Oct. 12, 1978), *codified as amended at* 5 U.S.C. App.

[6]GAO, *State Department's Office of Inspector General, Foreign Service, Needs to Improve Its Internal Evaluation Process*, ID-78-19 (Washington, D.C.: Dec. 6, 1978).

ability to do other work.[7] In addition, we continued to question the use of Foreign Service officers and other persons from operational units within the department to staff the IG office. In 1986, reacting to concerns similar to those expressed in our 1982 report, Congress made the State IG a presidentially appointed inspector general subject to the Inspector General Act and prohibited a career member of the Foreign Service from being appointed as the State IG. Starting in 1996 and continuing until today, Congress, in the Department of State appropriations acts, annually waives the 5-year statutory requirement for inspections. However, while the inspection requirement is waived annually by Congress, the State IG continues to conduct inspections as part of its plan for oversight of the department.

The State OIG's inspection responsibilities encompass a wide range of objectives, which include reviewing whether department policy goals are achieved and whether the interests of the United States are represented and advanced effectively. In addition, the State OIG is assigned responsibility for specialized security inspections in support of the department's mission to provide effective protection to its personnel, facilities, and sensitive intelligence information. Inspections are defined by the Council of the Inspectors General on Integrity and Efficiency (CIGIE)[8] as a process that evaluates reviews, studies, and analyzes the programs and activities of an agency for the purposes of providing information to managers for decision making; making recommendations for improvements to programs, polices, or procedures; and identifying where administrative action may be necessary.

There are fundamental differences between *inspections* and *audits*. Inspections and audits are typically conducted under separate standards with different basic requirements. That is, IGs are required by the IG Act to conduct audits in accordance with *Government Auditing Standards* (also known as generally accepted government auditing standards).[9] In contrast,

[7]GAO, *State Department's Office of Inspector General Should Be More Independent and Effective*, AFMD-83-56 (Washington, D.C.: June 2, 1982).

[8]The Council of the Inspectors General on Integrity and Efficiency was established by the Inspector General Reform Act of 2008 (Pub. L. 110-409, 122 Stat. 4302 (Oct. 14, 2008) and consists mainly of IGs, to address integrity, economy, and effectiveness issues that transcend individual government agencies, and to increase the professionalism and effectiveness of personnel in the IG offices.

[9]GAO, *Government Auditing Standards, January 2007 Revision*, GAO-07-162G (Washington, D.C.: January 2007).

the IGs follow CIGIE's *Quality Standards for Inspection and Evaluation*[10] when conducting inspections as required by law.[11] By design, audits performed under *Government Auditing Standards* are subject to more in-depth requirements for levels of evidence and documentation supporting the findings than are inspections performed under CIGIE's inspection standards. Also, auditing standards require external quality reviews of audit organizations (peer reviews) on a 3-year cycle, while inspection standards do not require such external reviews. According to CIGIE, inspections provide the benefits of a flexible mechanism for optimizing resources, expanding agency coverage, and using alternative review methods and techniques. However, as reported by a recent peer review performed by the National Aeronautics and Space Administration (NASA) IG, the State OIG's Middle East Regional Office did not always provide audits consistent with generally accepted government auditing standards (GAGAS). Consequently, because these audits were not performed in accordance with GAGAS, they were reclassified by the OIG as inspections.

## Importance of Auditor and IG Independence

Independence is a fundamental principle to the auditing profession and the most critical element for IG effectiveness. Without independence, an audit organization cannot conduct independent audits in compliance with generally accepted government auditing standards. Likewise, an IG who lacks independence cannot effectively fulfill the full range of requirements of the office. Lacking this critical attribute, an audit organization's work might be classified as studies, research reports, consulting reports, or reviews, rather than independent audits.

*Quality Standards for Federal Offices of Inspector General* adopted by CIGIE includes requirements for IG independence.[12] Specifically, IGs and their staff must be free both in fact and appearance from personal, external, and organizational impairments to their independence. The IGs

[10]Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation* (Washington, D.C.: January 2011).

[11]The Inspector General Reform Act of 2008 requires IGs who are members of CIGIE to adhere to professional standards developed by CIGIE for inspections and other work.

Pub. L. 110-409, 122 Stat. 4302, 4308 (Oct. 14, 2008).

[12]Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Federal Offices of Inspector General* (Washington, D.C.: Oct. 2003).

and their staff have a responsibility to maintain independence so that opinions, conclusions, judgments, and recommendations will be impartial and viewed as impartial by knowledgeable third parties. Likewise, Government Auditing Standards states: "in all matters relating to the audit work, the audit organization and the individual auditor, whether government or public, must be free from personal, external, and organizational impairments to independence and must avoid the appearance of such impairments to independence. Auditors and audit organizations must maintain independence so that their opinions, findings, conclusions, judgments, and recommendations will be impartial and viewed as impartial by objective third parties with knowledge of the relevant information."

***Personal independence*** applies to individual auditors at all levels of the audit organization, including the head of the organization. *Personal independence* refers to the auditor's ability to remain objective and maintain an independent attitude in all matters relating to the audit, as well as the auditor's ability to be recognized by others as independent. The auditor is to have an independent and objective state of mind that does not allow personal bias or the undue influence of others to override the auditor's professional judgments. This attitude is also referred to as intellectual honesty. The auditor must also be free from direct financial or managerial involvement with the audited entity or other potential conflicts of interest that might create the perception that the auditor is not independent.

The IG's personal independence and appearance of independence to knowledgeable third parties is critical to IG decision making related to the nature and scope of audit and investigative work to be performed by the IG office. The IG's personal independence must be maintained when conducting any audit and investigative work and when making decisions to determine the type of work to pursue and the nature and scope of the individual audits themselves.

***External independence*** refers to both the auditor's and the audit organization's freedom to make independent and objective judgments free from external influences or pressures. Examples of impairments to external independence include restrictions on access to records, government officials, or other individuals needed to conduct the audit; external interference over the assignment, appointment, compensation, or promotion of audit personnel; restrictions on funds or other resources provided to the audit organization that adversely affect the audit organization's ability to carry out its responsibilities; or external authority

to overrule or to inappropriately influence the auditors' judgment as to appropriate reporting content.

The IG Act provides the IGs with protections against impairments to external independence by providing that IGs have access to all agency documents and records, prompt access to the agency head, and the authority to independently (1) select and appoint IG staff, (2) obtain services of experts, and (3) enter into contracts. The IGs may choose whether to exercise the act's specific authority to obtain access to information that is denied by agency officials.

In addition, the IG Act granted the IGs additional insulation from impairment of external independence by requiring that IGs report the results of their work in semiannual reports to Congress without alteration by their respective agencies, and that these reports generally are to be made available to the general public. The IG Act also directed the IGs to keep their agency heads and Congress fully and currently informed of any deficiencies, abuses, fraud, or other serious problems relating to the administration of programs and operations of their agencies. Also, the IGs are required to report particularly serious or flagrant problems, abuses, or deficiencies immediately to their agency heads, who are required to transmit the IG's report to Congress within 7 calendar days.

***Organizational independence*** refers to the audit organization's placement in relation to the activities being audited. Professional auditing standards have different criteria for organizational independence for external and internal audit organizations. The IGs, in their statutory role of providing oversight of their agencies' operations, represent a unique hybrid including some characteristics of both external and internal reporting responsibilities. For example, the IGs have external-reporting requirements outside their agencies, such as to the Congress, which are consistent with the reporting requirements for external auditors. At the same time the IGs are part of their respective agencies and must also keep their agency heads, as well as the Congress, concurrently informed.

The IG Act provides specific protections to the IGs' organizational independence including the requirement that IGs report only to their agency heads and not to lower-level management. The head of the agency may delegate supervision of the IG only to the officer next below in rank, and is prohibited from preventing the IG from initiating, carrying out, or completing any audit or investigation. In addition, IGs in large federal departments and agencies, such as the State Department, are appointed by the President and confirmed by the Senate. Only the President has the

authority to remove these IGs and can do so only after explaining the reasons to the Congress 30 days before taking action.

The Inspector General Reform Act of 2008 provided additional enhancements to overall IG independence that included establishing CIGIE by statute to continually address areas of weakness and vulnerability to fraud, waste, and abuse in federal programs and operations; requiring that IGs have their own legal counsel or use other specified counsel; and requiring that the budget amounts requested by the IGs for their operations be included in the overall agency-budget requests to the President and the Congress.

## Independence and Effectiveness Concerns We Reported in 2007

### Concerns Regarding the State OIG's Independence

In March 2007, we reported on two areas of continuing concern regarding the independence of the State OIG. These concerns involved the appointment of management officials to head the State OIG in an acting capacity for extended periods of time and the use of Foreign Service staff to lead State OIG inspections. These concerns were similar to independence issues we reported in 1978 and 1982 regarding Foreign Service officers temporarily detailed from program offices to the IG's office and inspection staff reassigned to and from management offices within the department. In response to concerns about personal impairments to the State IG's independence, the act that created the current IG office prohibits a career Foreign Service official from becoming an IG of the State Department.[10]

Nevertheless, our 2007 review found that during a period of approximately 27 months, from January 2003 through April 2005, four management officials from the State Department served as an acting State IG. All four of these officials had served in the Foreign Service in prior management positions, including political appointments as U.S. ambassadors to foreign countries. In addition, we also found that three of the officials returned to

[10]22 U.S.C. § 4861(d).

significant management positions in the State Department after serving as acting IGs. We found that acting IG positions continue to be used and are filled by officials with prior management positions at the department. Independence concerns surrounding such acting appointments are additionally troublesome when the acting IG position is held for such prolonged periods. (See table 1.)

**Table 1: Length of Service of the State Department IG and Management Officials Who Served as Acting IGs January 24, 2003, to the present**

| Position prior to serving as IG | Starting dates and length of service | Position after serving as IG |
|---|---|---|
| Ambassador to Kyrgyzstan | 1/24/2003 – 8 months | Retired from government service |
| Ambassador to Columbia | 9/28/2003 – 10 months | Permanent Representative at the U.S. Mission to the United Nations |
| Deputy Global AIDs Coordinator | 8/3/2004 – 1 month | Special Representative on Avian and Pandemic Influenza |
| Ambassador to South Africa | 8/23/2004 – 8 months | Charge d'Affaires, Kharton, Sudan |
| State Department Inspector General served 32 months 5/2/2005 – 1/15/2008 | | |
| Executive Director/Controller, Bureau of International Narcotics and Law Enforcement Affairs | 1/16/2008 – 6 months | Ambassador to Brunei |
| 25 years in senior State Department positions | 6/2/2008 – 33 months | Currently Deputy IG |

Source: GAO's March 2007 report and current information from the State Department.

Another independence concern discussed in our March 2007 report is the use of Foreign Service officers to lead inspections of the department's bureaus and posts. We found it was State OIG policy for inspections to be led by ambassador-level Foreign Service officers. These Foreign Service officers frequently move through the OIG on rotational assignments. As Foreign Service officers, they are expected to help formulate, implement, and defend government policy which now, as team leaders for the IG's inspections, they are expected to review. These officers may return to Foreign Service positions in the department after their rotation through the OIG which could be viewed as compromising the OIG's independence. Specifically, the appearance of objectivity is severely limited by this potential impairment to independence resulting in a detrimental effect to the quality of the inspection results.

## Reliance on Inspections Limited Effectiveness due to Gaps in Oversight

In our 2007 audit, we found that the State OIG's emphasis on inspections limited its effectiveness because it resulted in gaps in the audit coverage of the State Department's high-risk areas and management challenges. These critical areas were covered almost exclusively through OIG inspections

that were not subject to the same level of scrutiny that would have been the case if covered by audits. Specifically, we found gaps of OIG audit coverage in key State Department programs and operations such as (1) information security, (2) human resources, (3) counterterrorism and border security, and (4) public diplomacy. In these areas the State OIG was relying on inspections rather than audits for oversight. In the 10 inspections that we examined, we found that the State OIG inspectors relied heavily on invalidated agency responses to questionnaires completed by the department staff at each inspected bureau or post. We did not find any additional testing of evidence or sampling of agency responses to determine the relevance, validity, and reliability of the evidence as would be required under auditing standards. In addition, we found that for 43 of the 183 recommendations contained in the 10 inspections we reviewed, the related inspection files did not contain any documented support beyond written report summaries of the findings and recommendations.

## Inspections by the OIG's Office of Information Technology Were Not Included in Quality Reviews

In our 2007 report we also found that inspections by the OIG's Office of Information Technology were not included in the internal quality reviews that the OIG conducts of its own work. Information security is a high-risk area and management challenge for the State Department, and the OIG relied almost exclusively on inspections for oversight of this area. Therefore, the quality of these inspections is key to the OIG's oversight effectiveness. In addition, CIGIE's standards for inspections require that IG inspections be part of a quality-control mechanism that provides an assessment of the inspection work.

## Lack of Coordination of Investigations between the State OIG and the Bureau of Diplomatic Security

We found in 2007 that there was inadequate assurance that the investigative efforts of the State Department were coordinated to avoid duplication or to ensure that independent OIG investigations of the department would be performed. Specifically, while part of its worldwide responsibilities for law enforcement and security operations, the department's Bureau of Diplomatic Security(DS) performed investigations that included passport and visa fraud, both externally and within the department; these investigations were not coordinated with the OIG investigators. The IG Act, as amended, authorizes the State IG to conduct and supervise independent investigations and prevent and detect fraud, waste, abuse, and mismanagement throughout the State Department.

DS performs its investigations as a function of management, reporting to the State Department Undersecretary for Management. In contrast, the

State OIG is required by the IG Act to be independent of the offices and functions it investigates. We reported in 2007 that without a formal agreement to outline the responsibilities of both DS and the State OIG regarding these investigations, there was inadequate assurance that this work would be coordinated to avoid duplication or that independent OIG investigations of the department would be performed.

## The State Department's OIG Has Actions Under Way or Completed to Address Most of Our Recommendations

### Recommendations from Our 2007 Report

To address the concerns we raised in our March 2007 report we made five recommendations.

To help ensure the independence of the IG Office, which also impacts the effectiveness of the office, we recommended that the IG work with the Secretary of State to

(1) develop a succession-planning policy for the appointment of individuals to head the State IG office in an acting capacity that provides for independent coverage between IG appointments and also to prohibit career Foreign Service officers and other department managers from heading the State OIG in an acting capacity, and

(2) develop options to ensure that State OIG inspections are not led by career Foreign Service officials or other staff who rotate to assignments within State Department management.

We also made the following three recommendations to the State IG to address the effectiveness of the OIG:

(1) help ensure that the State IG provides the appropriate breath and depth of oversight of the State Department's high-risk areas and management challenges, reassess the proper mix of audit and inspection coverage for these areas;

(2) provide for more complete internal quality reviews of inspections, include inspections performed by the State IG's Office of Information Technology in the OIG's internal quality review process; and

(3) develop a formal written agreement with the Bureau of Diplomatic Security to coordinate departmental investigations in order to provide for more independent investigations of State Department management and to prevent duplicative investigations.

## Progress Has Been Made in Addressing Our Prior Recommendations

In response to a draft of our 2007 report, the State OIG has implemented two recommendations and has taken actions related to the remaining three recommendations. Although the State OIG has not fully addressed a recommendation that has been the subject of GAO recommendations regarding the independence of the State OIG's inspections since our 1978 report, there has also been some progress in this area.

The OIG implemented our recommendation to include inspections performed by the Office of Information Technology in its internal quality review process in June 2008, by abolishing the State OIG's Office of Information Technology and transferring staff into either the Office of Audits or into the Office of Inspections. As a result, the OIG's information technology inspections are now included in the Office of Inspections' internal quality-review process.

The OIG has implemented our recommendation that the office work with the Secretary of State and the Bureau of Diplomatic Security (DS) to develop a formal written agreement that delineates the areas of responsibility for State Department investigations. In December 2010, the State IG's investigative office completed an agreement with the bureau's Assistant Director of Domestic Operations to address the coordination of investigative activities. This agreement, when fully implemented, should help to ensure proper coordination of these offices in their investigations.

Regarding a succession plan for filling acting IGs positions, the State Deputy IG stated that he issued a memo to abolish the deputy IG for Foreign Service position to help ensure that any future deputy IG moving into an acting IG position would not be a Foreign Service officer. The Deputy IG stated that he is currently working with the department to update the *Foreign Affairs Manual* to reflect this change. Furthermore, the elimination of this position helps to strengthen the independence of the OIG. We believe the State IG's changes are responsive to the recommendation made in our 2007 report. Nevertheless, the State

Department has relied on acting IGs to provide oversight for over 5 of the last 8 years since January 2003. (See table 1.) This use of temporarily assigned State Department management staff to head the State OIG can affect the perceived independence of the entire office in its oversight of the department's operations, and the practice is questionable when compared to the independence requirements of *Government Auditing Standards* and other professional standards followed by the IGs. Further, career members of the Foreign Service are prohibited by statute from being appointed as State IG.[14] This exclusion helps to protect against the personal impairments to independence that could result when a Foreign Service officer reviews the bureaus and posts of fellow Foreign Service officers and diplomats.

Regarding our recommendation to reassess the mix of audits and inspections for the appropriate breadth and depth of oversight coverage, especially in high-risk areas and management challenges, we noted gaps in audit coverage. Specifically, in both fiscal years 2009 and 2010, the OIG had gaps in the audit coverage of management challenges in the areas of (1) coordinating foreign assistance, (2) public diplomacy, and (3) human resources. However, the State OIG has made progress in planning for and providing additional audit coverage. Since 2007 the State OIG's resources have increased, providing the opportunity to augment its audit oversight of the department. Specifically, the OIG's total on board staff increased to 227, from 191 in at the end of fiscal year 2005. Also, the OIG's audit staff increased to 64 compared to 54 at the end of fiscal year 2005. In addition, the Office of Audits and the Middle East Regional Office are planning to merge resulting in the OIG's largest component.

In January 2010, the State OIG reorganized the focus of the Office of Audits and began to align its oversight efforts with the department's growing global mission and strategic priorities. The newly reorganized Office of Audit consists of six functional divisions and an audit operations division to address (1) contracts and grants, (2) information technology, (3) financial management, (4) international programs, (5) human capital and infrastructure, (6) security and intelligence, and (7) audit operations, which includes quality assurance. These audit areas are intended to develop expertise and address the department's management challenges. According to the *Office of Audits Fiscal Year 2011 Performance Plan*, the office will target high-cost programs, key management challenges, and

[14] 22 U.S.C. § 4861(d).

vital operations to provide managers with information that will assist them in making operational decisions. The 2011 plan includes new areas such as global health, food security, climate change, democracy and governance, and human resource issues within the State Department. In addition, with the assistance of an independent public accountant, the State OIG has completed an audit of a major issue in coordinating foreign assistance, the Global HIV/AIDS Initiative related to the President's emergency plan for AIDS relief.[15]

Regarding our recommendation concerning the use of career Foreign Service officials to lead inspection teams, the State OIG's inspections handbook requires that the team leaders for inspections be a Foreign Service officer at the rank of ambassador. We also stated in our 2007 report that experience and expertise are important on inspection teams, but the expert need not be the team leader. However, the Deputy IG stated that having Foreign Service officers with the rank of ambassador as team leaders is critical to the effectiveness of the inspection teams. OIG officials stated that there are currently six Foreign Service officers at the ambassador level serving as the team leaders for inspections, four of whom are rehired annuitants working for the State OIG. To address independence impairments the State OIG relies on a recusal policy where Foreign Service officers must self-report whether they have worked in a post or embassy that is subject to an inspection and therefore presents a possible impairment. Further, State OIG officials noted that the team leaders report to a civil service Assistant IG and the inspection teams include other members of the civil service. We continue to believe that the State OIG's use of management staff who have the possibility of returning to management positions, even if they are rehired annuitants or currently report to civil service employees in the OIG, presents at least an appearance of impaired independence and is not fully consistent with professional standards.

## Closing Observations

The mission of the State OIG is critical to providing independent and objective oversight of the State Department and identifying mismanagement of taxpayer dollars. While the IG Act provides each IG with the ability to exercise judgment in the use of protections to

[15]State Department OIG, *Audit of Sources and Uses of Global HIV/AIDS Initiative Global Health and Child Survival Funds Related to the President's Emergency Plan for AIDS Relief (PEPFAR) for FYs 2007 and 2008 (Washington, D.C.: Dec. 2010).*

independence specified in the act, the ultimate success or failure of an IG office is largely determined by the individual IG placed in that office and that person's ability to maintain personal, external, and organizational independence both in fact and appearance, while reporting the results of the office's work to both the agency head and to the Congress. An IG who lacks independence cannot effectively fulfill the full range of requirements for this office.

The State OIG has either implemented or is in the process of implementing the recommendations from our 2007 report, with the exception of our recommendation to discontinue the use of Foreign Service officers as team leaders for inspections. We remain concerned about the independence issues that can arise from such an arrangement. In addition, we remain concerned that a permanent IG has not been appointed at the State Department for almost 3 years.

We commend the OIG for the steps it is taking to build and strengthen its audit practice, and we are re-emphasizing our 2007 recommendation for the OIG to reassess its mix of audit and inspections to achieve effective oversight of the department's areas of high risk and management challenges.

Madam Chairman Ros-Lehtinen, Ranking Member Berman, and Members of the Committee, this concludes my prepared statement. I would be happy to respond to any questions you or other Members of the Committee might have at this time.

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Chairman ROS-LEHTINEN. Well, thank you very much. You have both made some very good recommendations to our committee in order to streamline this process.

Mr. Geisel, I wanted to ask you about the Horne v. Huddle case. And the U.S. Government recently spent 3 million tax dollars to settlement the Horne v. Huddle case. This has been a long-running lawsuit against a former senior U.S. diplomat who was accused of illegally eavesdropping on a DEA agent when they were both stationed in Burma.

Because the Federal Judge in that case was disturbed by the evidence that the IG investigation into that matter had been compromised, he required that the congressional committees be notified before he would finalize that settlement.

And there are serious allegations that the IG's 1996 investigative report was altered and the investigator's signature was forged in order to obscure the investigator's original conclusion that the accused diplomat was guilty of eavesdropping, perjury, and obstruction of the IG investigation. And even the edited report notes that the accused diplomat's contradictory statements were refuted by numerous Embassy employees and concludes that OIG investigation is "unable to dispel the suspicion of his misconduct."

So, Mr. Geisel, I would like for you to explain how the defendant, in that contentious $3 million illegal eavesdropping case, who was the subject of an OIG Inspector General inspection, investigation, that pointed toward possible perjury, who had been accused of unlawfully obstructing an OIG investigation, and who appears on OIG's name check system as having been the subject of a special inquiry, gets hired to lead investigations for the Inspector General's office in 2005, and stays on the payroll until after this committee began asking questions about these matters last summer? Would he ever have been hired for that position had he not been a senior Foreign Service officer? And doesn't his employment at OIG indicate a problem overall?

Ambassador GEISEL. Thank you, Madam Chairman. Of course, Mr. Huddle was hired in 2005, before I got to OIG. And my only direct——

Chairman ROS-LEHTINEN. I don't mean this as a question about you. I am saying about the process of——

Ambassador GEISEL. Yes.

Chairman ROS-LEHTINEN [continuing]. Who gets hired, who is doing the investigation. I am not saying it directs to you.

Ambassador GEISEL. Thank you, Madam Chairman, and I appreciate that. He was hired in 2005 because a name check was done, and there was—he got a positive endorsement. All of that, I don't want to guess what my predecessors did, because when I heard about the Judge's memorandum I said he was never to be used again.

And at the same time, as you mentioned, I referred the matter to your committee, and to the Senate's committee, and my counterpart at the CIA did the same thing with her committees.

Chairman ROS-LEHTINEN. If I could follow up, now, you, in your capacity, possess an extensive investigative record raising numerous doubts about this gentleman's veracity. And the D.C. Federal Circuit Court noted in 2007 a seemingly impossibility that he ac-

quired his information through legal means, as well as his apparent lie to OIG investigations. Does this case compel you to review what you had been doing and how it should not be done in the future?

And within 48 hours of the Horne v. Huddle settlement hitting the press, you had e-mail exchanges with the defendant and with a former OIG investigative supervisor who had been involved in that case. Would you be willing to provide your e-mail to and from these individuals to the committee, working with the committee, so that we could give parameters to our request, which I hope would be considered?

Ambassador GEISEL. Madam Chairman, subject to our lawyers speaking to your lawyers, if there is any information that belongs to another agency, yes, we would be glad to show your staff those e-mails.

Chairman ROS-LEHTINEN. Thank you very much. Thank you for that and that spirit of cooperation.

I now would like to yield to Mr. Carnahan, the ranking member on the Subcommittee of Oversight and Investigations.

Mr. CARNAHAN. Thank you, Madam Chair, for this hearing. It is I think very timely. I want to specifically raise the issue of our Government's capacity to effectively oversee post-conflict reconstruction operations, given the significance of their funding, their deeply complex and challenging nature, and State's principal and escalating role in Iraq and Afghanistan, respectively. With this shift from military-led operations in Iraq to State, State has taken on unprecedented size and scope of responsibilities.

Last year, I chaired hearings on reconstruction efforts in both Iraq and Afghanistan. SIGIR Bowen's testimony raised serious concerns about U.S. management and oversight practices, estimating at least $4 billion had been wasted in our stabilization and reconstruction programs alone. And in later testimony he emphasized organizational transitions in Iraq that have been the occasions of significant waste.

As SIGIR draws down in its oversight efforts in Iraq, and as the U.S. prepares for similar military and civilian transitions in Afghanistan in the coming years, I would like to ensure that our oversight mechanisms are prepared to maintain strict audit and investigation efforts.

Ms. Franzel, with State taking on these increased responsibilities, can you give your assessment of the State IG's capacity to take on these added oversight tasks?

Ms. FRANZEL. Well, first, let me just comment on the need for very good coordination between the various oversight entities involved. We have the Special IG for Iraq Reconstruction, Special IG for Afghanistan Reconstruction, the State IG, and the DoD IG. There is going to need to be some very seamless coordination between the oversight mechanisms in place to help ensure adequate coverage and adequate audit activity in these areas.

I do find it disturbing what happened with the Mideast Regional Office within the State Department IG in that the audits all had to be reclassified to inspections, because those audits were found to be unreliable. Basically, in the peer review that occurred, in some of the OIG reports, the conclusions could not be supported.

There wasn't sufficient evidence backing up the conclusions in the audit reports.

The IG office did acknowledge that and did convert the audits to inspections, which requires a much lesser standard for documentation and evidence, but, those offices need to be doing audit-level work. There is going to need to be significant cultural change and training to be sure that those offices are up to the task.

Mr. CARNAHAN. Let me follow that up. Over 30 years GAO has expressed concerns over State IG's insufficient independence from the Department. Have any of these issues of independence affected the IG's ability to conduct effective oversight of operations in Iraq and Afghanistan?

Ms. FRANZEL. We did not specifically look at that question, but I will say that the inspection load that is taken on by the State IG office does use a tremendous amount of resources, which then are not available to do audit work. And so we are thinking that there is probably a good opportunity at this point to take a look at that inspection function, which over the years has been debated.

Is this a management function or an IG function? And perhaps there are certain aspects of that function that would be better done by management, because of the independence issues, but that at the same time would help free up resources for a stronger audit function within the OIG. And there are some specific legislative fixes that could be done to take this—I will call it a burden—from the IG. This can be done based on risk and where the IG needs to be placing resources based on what is happening around the world and within the State Department.

Mr. CARNAHAN. I certainly would like to share those legislative ideas, but I want to get a question in to Ambassador Geisel. And that is, what is the IG doing to evaluate the effectiveness of the transition to state control in Iraq? How would you evaluate the transition so far? And how will these assessments be formulated into meaningful lessons that we can learn from going forward in Afghanistan?

Ambassador GEISEL. Thank you very much for that question, sir. We have had an inspection, a compliance follow-up review, and I would say at least four major audits covering areas—audits and evaluations covering these same areas of concern in Iraq.

I would note on inspections that 35 out of 64 of the independent offices of Inspector Generals have the inspection function. And I think the inspection function is extremely useful in identifying areas that our investigators and our auditors then drill down on, as I mentioned specifically in Iraq.

Chairman ROS-LEHTINEN. Thank you very much, Mr. Carnahan.

Mr. Marino of Pennsylvania.

Mr. MARINO. Thank you, Madam Chair.

Welcome, guests. Appreciate you being here. Ms. Franzel, I have at least 18 years of criminal investigation experience, civil, and also internal affairs. And I found out in my experience that I personally have a basic problem with investigating those individuals with whom I worked or had the slightest relationship with.

Do you find that inherently dangerous in the situation that we have now where IG from State is investigating situations where there could be a compromise, there could be a bias? And not inten-

tionally. Now, I have seen it, though, done intentionally, but we, as human beings, have a natural predilection to, how may I say, when we are on the fence, to protect our own. Could you respond to that, please?

Ms. FRANZEL. Certainly. This situation inherently has a number of threats to the independence and integrity, and, again, not necessarily that this would be done intentionally by the people involved. In professional auditing literature that has really been accepted worldwide, there are a number of threats that are articulated, which I see coming out in this situation.

The first is a self-interest threat. So if you have somebody moving through an IG office and back into another position, the threat that an interest will inappropriately influence an auditor's judgment or behavior is there, because that inspector or team leader is looking for the next career opportunity. So there is a self-interest threat.

There is also a self-review threat of reviewing offices and programs that an auditor or inspector was previously involved in. A recusal policy can be a safeguard, but not always a fully effective safeguard. There is a bias threat because of the familiarity of an auditor or an inspector with operations of an office.

There is a familiarity threat, which is really the threat that due to a long or close relationship with management or personnel of an audited entity, an auditor will be too sympathetic to their interests, or simply too accepting of their work. And that is something that can happen unconsciously.

There is an undue influence threat, again, which can come into play here, as well as a structural threat in terms of, what is the audit organization attempting to do? Is it part of a management function? And where is the placement of this function? So I see all of these threats coming into play in one fashion or another with this arrangement.

Mr. MARINO. Ambassador, then, hearing what Ms. Franzel just stated, what do we do about these threats? What do we do to prevent this appearance of impropriety and make sure that we avoid these pitfalls?

Ambassador GEISEL. Well, it depends on whether we are talking about inspections, audits—well, inspections and audits or criminal investigations. And as you pointed out, from your experience as a criminal investigator, that is the number one concern.

Now, what I would say there is that our criminal investigators, once they find evidence of criminal wrongdoing, their work is thereupon directed by an assistant U.S. attorney, and everyone else is out of it.

I would also say that, in general, we are—our investigators are really separated.

Mr. MARINO. Please.

Ambassador GEISEL. Yes. Our head of investigations is a longtime officer from DoD. The vast bulk of our investigators are from outside of the State Department, but even those that served in the Bureau of Diplomatic Security, they are completely separated.

Now, for the inspectors and the auditors, we require them, and we train them to take it extremely seriously. We require them to sign a statement of independence before they begin any work. And

when it comes to inspections or audits, we carefully choose members of the teams that have had no relationship with the post or the office. We have specific guidelines.

And I know that for—we will not have a team leader who ever served at the Embassy or Bureau where she or he may have worked, if they are in the Foreign Service. The same is true of civil service, because where the vast bulk of our members of our office of inspections come from, if they have ever worked at an office that we are inspecting or auditing, they will not get the job period, and they will not be on the review of the job either.

Chairman ROS-LEHTINEN. Thank you very much.

Mr. MARINO. Thank you.

Chairman ROS-LEHTINEN. Mr. Higgins of New York.

Mr. HIGGINS. Thank you, Madam Chair.

Ambassador, the municipal clerk offices throughout the nation has provided passport services to the State Department for many years, and as far as, you know, the record shows, without any problems relative to efficiency and relative to security.

The Inspector General of the State Department has now issued a mandate to municipal clerk offices that the issuance of birth certificates and passports have to be done in separate facilities and separate personnel. Can you enlighten us as to why this is occurring?

Ambassador GEISEL. I would be very glad to, sir. It is a matter of fraud prevention. Our July 2009 report of the inspection of passport services noted concerns about the vulnerabilities to fraud inherent in the passport application acceptance programs at acceptance facilities country-wide, as well as quality of the source documentation.

The report also noted variation in the quality of the Department's customer service manager's oversight and training of acceptance agents. We made a series of recommendations to improve oversight and support of acceptance agencies, including closing an acceptance agency where an acceptance agent also issues birth certificates as soon as viable alternative locations for submitting passport applications exists.

And the reason for that is a birth certificate is prima facie evidence of citizenship. If the same person—so there is no double-check. If the same person who issues the birth certificate can also accept the application for a passport, be that as it may, the vast bulk of acceptance facilities have separate windows and personnel for these two functions, although there may be a very few that cannot separate these functions.

But I would be glad to offer, because our inspectors are supposed to work quickly, that the Office of Inspections will monitor the response to your letter to the Secretary and the impact of compliance with our own recommendations and report back to you, sir.

Mr. HIGGINS. Yet there was a May 2009 Government Accountability Office report that was targeted toward the goal of recognizing vulnerability in the current policy relative to the issuance of both passports and birth certificates, and there was no reference to potential problems with that dual role continuing.

So what was the—you mentioned a July report of the Inspector General. Does that reference the May 2009 Government Accountability Office report?

Ambassador GEISEL. I will have to take that as a question for the——

Mr. HIGGINS. Who bears the responsibility for the cost associated with providing separate facilities? This would seem like a Federal mandate on the localities if the municipal clerk offices have to provide separate staffing and separate facilities for the issuance of documents where no identified problem has occurred previously.

Ambassador GEISEL. Well, when we say "separate facilities," we don't literally mean a separate building.

Mr. HIGGINS. What do you mean?

Ambassador GEISEL. But we do mean that a separate person has to issue a birth certificate from a person who issues a passport.

Mr. HIGGINS. But a separate facility within the same building.

Ambassador GEISEL. A separate facility——

Mr. HIGGINS. Well, clarity on that issue——

Ambassador GEISEL [continuing]. Would literally mean another window.

Mr. HIGGINS. Mr. Ambassador, clarity on that issue is pretty important relative to the efficient, secure, continued issuance of very important public documents. And these offices are typically supported by local taxpayers. And knowing what they are required to do by May 1st, and what they are not required to do, I think is very, very important. So I would ask that, you know, you try to clarify this for us and give us a sound basis from which the policy is being advanced, because I am not convinced that it is compelling.

Ambassador GEISEL. That is absolutely my commitment to you, sir.

Mr. HIGGINS. Thank you.

Chairman ROS-LEHTINEN. Thank you, Mr. Higgins. Thank you, Mr. Ambassador.

Dana Rohrabacher, the chairman of the Subcommittee on Oversight and Investigations, is recognized.

Mr. ROHRABACHER. Thank you very much, Madam Chairman. And, again, I find just the basis for a lot of the problems that we face and challenges in this arena that we face are inherent to the job that is being done overseas and whether or not the policy was right in sending people overseas or not.

I find that a combination of blood and money, coupled with time, always tends to lead to a moral breakdown. And once you have a moral breakdown of people in the field, no amount of oversight and no amount of investigation is going to cure that. And, as I said, I saw that from the time I was very young, and I went through different things.

I was not in the military, but I did spend considerable time in Vietnam and saw—I remember a day when the—it was reported—I was visiting some doctors in Vung Tao, and it was reported that a landing craft had been captured by the enemy. And all of the supplies and the landing craft had been captured by the enemy, and I was dismayed, and I said, "Well, how many people were captured? Or how many people died? How many of our people were lost in this?" "Oh, no, and they all got away. They all got away.

There wasn't any casualties on our side, but the landing craft was captured."

Well, somebody sold the landing craft and all the supplies to the local enemy, and to say that I saw that up and down Vietnam was to put it mildly. And what had happened is, once we got in there and the corruption was evident on the other side at least, it broke down the morals of our own people, especially in the middle of seeing gore and blood, which almost none of us had seen before anyway, and that tends to shock the system.

And we see the same thing beginning to happen in Afghanistan. You are there a long period of time. People are being killed. Money is being thrown at the problem, and tell me this isn't a formula for the breakdown of any moral standards for anybody that we would send there.

We just lost a man named Bill Young—I would like to put it in—Bill Young was a brave, wonderful person, the son of missionaries early in the 1950s, served us very, very well in Vietnam, and he just passed away a couple of days ago. And Bill was operating out by himself, and he had given a certain amount of money to do the job, and he was out by himself with the mountain yards and the mountain people in that country, in Vietnam, and in Laos, I might add. Yet there were no audits or Inspector General visits, or whatever.

Let me get to right now, to what we are facing right now. We have a huge challenge in Afghanistan, but yet it seems to be getting worse, in terms of heroin, the production of heroin. All of us know about it. Okay? Yet over the years the amount—production of heroin has gone up while we have been there, not down.

And is this due to corruption or is this just part of a policy that we have had to let that happen? Yes, Mr. Ambassador.

Ambassador GEISEL. You said is it due to corruption, or is it due to a policy?

Mr. ROHRABACHER. Right. Would you just let this go on?

Ambassador GEISEL. I think it is due to the fact that it has always gone on, as you said. I think that the Department—and we have audited efforts—the Department is making a great effort, but I don't know if there is enough money in the world to stop what has always gone on in Afghanistan. I think the best we can do is try to control it, but I really am—I have to share your pessimism, sir.

Mr. ROHRABACHER. Well, I don't think I am a pessimist. I am actually, in the long run, an optimist. But if you have policy that puts our people in Afghanistan and says they are going to go out, and some of our military guys are out with sickles, you know, cutting down some poppies here, well, you know that some of the leaders of the government brother—maybe Karzai's brother has another group of poppies over the hill that you can't touch, if that doesn't lead to moral breakdown, I don't know what does.

But then again, my point is, you can't have a goal that is going to take a long time in the middle of a conflict. If it takes decades, you are going to have a breakdown in our system. Our system is basically on the integrity of our people, people like Bill Young and others, to do their job, and oversight and inspection, I certainly re-

spect the job that you are doing, but sometimes I think you are faced with an impossible task.

Ambassador GEISEL. What can I do except agree with you? Except I will be an optimist and say we are trying to do our darnedest, so it is not an impossible task. Let us call it——

Chairman ROS-LEHTINEN. Thank you very much.

Mr. ROHRABACHER. Thank you.

Chairman ROS-LEHTINEN. My good friend Ms. Wilson from Florida is recognized.

Ms. WILSON OF FLORIDA. Thank you, Madam Chairman.

Ambassador, how many Foreign Service officers serve in the IG's office today?

Ambassador GEISEL. There are 18 all told.

Ms. WILSON OF FLORIDA. And what percentage of these offices compose the overall number of employees?

Ambassador GEISEL. Less than 9 percent, ma'am.

Ms. WILSON OF FLORIDA. Is it your view that the Foreign Service officers are necessary for inspections?

Ambassador GEISEL. Yes, I believe they are very necessary for inspections. And as my colleague testified, their use is included in the Foreign Service Act.

Ms. WILSON OF FLORIDA. How about for audits?

Ambassador GEISEL. There are no Foreign Service officers in audits.

Ms. WILSON OF FLORIDA. So, in essence, how do you assess the overall value of these Foreign Service officers? You assess them for us, please, their value.

Ambassador GEISEL. I think that their value is crucial, because there are some things that you can't really audit in an Embassy—the political interaction with the host country, such things as your colleague just brought out on the issue of corruption in the local government, their services to American citizens, some of which can and are audited, but many which you can't attach a number. And you need people who have the experience of working overseas to really be able to drill down and get evaluations.

They also do one other thing. You know, I hate to say it, but some of these ambassadors overseas think they are pretty hot stuff. And the best way to deal with them is to have another ambassador walk in and call him or her by her first name and just say, "I know where you are at. I did this, too. And guess what? You are wrong."

Ms. WILSON OF FLORIDA. So, Mr. Ambassador, you feel that with the exception of the one, all of the recommendations have been complete and that we agree with all of those except for the one that deals with Foreign Service officers performing inspections.

Ambassador GEISEL. Yes, ma'am. That is correct. We have some differences with respect to how much and what resources should go into which function, but essentially the only major difference of opinion would be the use of Foreign Service officers, ma'am.

Ms. WILSON OF FLORIDA. And you truly feel that their value is imperative to perform this particular duty.

Ambassador GEISEL. Absolutely. And I would point out that similar IGs in other agencies do it the same way. There are many retired military officers who work for the DoD Inspector General as inspectors.

Ms. WILSON OF FLORIDA. So this is not unprecedented.

Ambassador GEISEL. Hardly.

Ms. WILSON OF FLORIDA. Thank you.

Chairman ROS-LEHTINEN. Good questions. Thank you, Ms. Wilson.

Ms. Ellmers of North Carolina is recognized.

Ms. ELLMERS. Thank you, Madam Chairman, and thank you to our guests today.

Ambassador, I have a question for you. The special Inspector General for Iraq is mandated with the oversight responsibilities of the Iraqi Relief and Reconstruction Fund, and the oversight there. It is slated for termination in 2013. Meanwhile, the State Department will assume current DoD programs and responsibilities.

The State Department has requested that DoD allow the State Department to continue the use of the logistics civil augmentation program while acknowledging that the Foreign Service does not have the sufficient experience and expertise to provide oversight.

What impact will the SIGIR's termination have on State IG's operations in Iraq?

Ambassador GEISEL. Well, I am glad you asked that, because the first thing to understand is that the special IG for Iraq works with DoD and USAID and State appropriations. The DoD and USAID appropriations of course are far larger than the State appropriations.

We have been coordinating with SIGIR, and we feel if there is sufficient funding we can absolutely assume the remaining oversight of State Department functions that SIGIR presently has.

Ms. ELLMERS. Okay. Well, thank you very much. I yield back the remainder of my time.

Chairman ROS-LEHTINEN. Thank you very much.

Ms. Buerkle.

Ms. BUERKLE. Thank you, Madam Chairman, and thank you this morning for this timely hearing and for both of our guests to be here today.

My first question has to do with the permanent—finally achieving and having a personal Inspector General in the office. And I would like to ask Mr. Geisel if you think that—if the credibility of the office is damaged by not having a permanent Inspector General.

Ambassador GEISEL. I think the best way to answer that question is twofold. First, I don't have any control over the nomination of a permanent IG. That has to come from the White House. But, yes, I would like very, very, very much like to see a permanent IG. And I think the committee has rightly centered its target on the fact that there is no permanent IG.

I think our work speaks very well for itself. Since I came in in 2008, as I gave you the statistics, we have greatly—we have trebled our investigations, which—and we have doubled the number of investigators we had. But, yes, when all is said and done, there should be a permanent IG.

Ms. BUERKLE. And what advantages would there be if we had a permanent IG?

Ambassador GEISEL. I think it is what you said. Look, I have to tell people to look at the Web site. I would love for a permanent

IG to say, "Look at the Web site, and in accordance with the law, our statutory Office of Inspector General is headed by an independent official who was nominated by the President and confirmed by the Senate."

I would add one last thing and that is that I hope that this time, as my great mentor at OIG was the IG who was appointed by President Reagan, he was our first independent IG, Sherman Funk, he had previously been the IG at Commerce, I hope that whoever is nominated will not be someone who doesn't have any idea how the Office of Inspector General works, I hope it is somebody who has tremendous experience in the oversight community.

Ms. BUERKLE. Thank you. Ms. Franzel, on page 8 of your prepared testimony, you detail the length of service by some of the acting IGs, since January 2003. Could you explain the significance of having seven acting IGs during this period of time?

Ms. FRANZEL. Well, again, I think it just makes it very difficult for continuity of oversight at the Department. Also, with so many acting IGs, these acting IGs have been generally appointed by the State Department. I mean, certainly not appointed by the President and confirmed by the Senate as envisioned by the IG Act. So there hasn't been good continuity.

Some people have stepped up to take on the job, which is definitely necessary. But when you start looking at a time span of 8 years, and 5 of those 8 years have been without a permanent IG, and there have been so many different acting IGs, and we certainly did see some operational breakdowns in the State IG office back when we were reviewing the time period that we were reviewing, and when we put out our 2007 report. So it did have a very detrimental impact on the State IG office.

I think that a lot of actions have been taken to help strengthen the office, but it is time to have a permanent IG appointed by the President and confirmed by the Senate.

Ms. BUERKLE. Thank you, Madam Chairman. I yield back.

Chairman ROS-LEHTINEN. Thank you. If I could take the remainder of your time, Ms. Buerkle, because I wanted to ask Ms. Franzel if she could comment on Ms. Wilson's question, which the Ambassador answered, but we didn't get to hear from your point of view if you shared the Ambassador's enthusiasm for the role of Foreign Service officers on the IG inspection teams.

Ms. FRANZEL. Certainly. I would be happy to comment on that. And certainly this has been emphasized over the years, that in order to do these inspections in an effective manner there is a need for ambassador-level management to go in and head up these inspections. And if that is the case, I think it is a good argument for moving some of the inspection function into management, and then leaving some of the evaluation of the effectiveness of inspections to the IG. So I think there is a very compelling argument here for splitting out the function.

IG offices use inspections very effectively, but I think that this is a rather unique requirement in that Section 209 of the Foreign Service Act requires State IG to inspect every post every 5 years. That requirement gets waived every year in the appropriations act, but the IG office has to continue with this work just in case in a subsequent year it is not going to get waived.

So it is a tremendous workload, first of all. It does not give the IG office the flexibility to really do risk assessments and do a higher level analysis of the effectiveness of inspections of posts. I do think inspections of these posts is a very important function, and it probably should be headed up with management officials, but then that really begs the question of, where should that function be?

Should it be in an IG office where independence is expected and demanded? Or should part of that be handed over to management to do their own self-inspections and self-assessments? It is a very common function for management to review the effectiveness of its own policies and inspections of policies and procedures through an internal inspection shop. And then, the IG could review that shop and the effectiveness of that as well as make recommendations going forward.

So I accept Ambassador Geisel's assertion that these folks are absolutely necessary for the leadership. I do, however, believe there are such significance structural threats with doing that in an IG office that it is probably also time to take a look at how this is functioning, and maybe relook at that requirement in Section 209 of the Foreign Service Act.

Chairman ROS-LEHTINEN. Yes, I agree with that. Thank you.

Mr. Connolly of Virginia is recognized.

Mr. CONNOLLY. Thank you, Madam Chairman. And welcome to the panel. A couple of months ago on a party line vote Congress—the House of Representatives passed H.R. 1, the Continuing Resolution for the balance of the fiscal year, which I personally believe is one of the most radical documents passed by Congress in living memory. I think we considered almost 600 amendments, and we defunded everything from Planned Parenthood to cutting Head Start, one of the most effective preschool programs in the country, Public Broadcasting, on and on.

But one of the cuts involved the function—150 function of the government, including I believe, Ambassador Geisel, the OIG office. Have you looked at the potential impact of those cuts if in fact they became law, and what they would do to your ability to function and carry out your mission?

Ambassador GEISEL. Yes, sir, we have. Frankly, in the very short run, we could carry on. But overall we would have to start cutting back on our oversight, and, fair enough, we can do that, but of course OIGs usually pay for themselves quite a few times over if they are any good. That is what oversight organizations are supposed to do.

So in the end, I think by cutting back on oversight, it might cost more money than was saved by the number of people who were cut.

Mr. CONNOLLY. Well, it does seem a passingly odd thing. If we say we are concerned about waste, fraud, and abuse in the government, in the public sector, we would cut the very function that is charged with ferreting out what——

Chairman ROS-LEHTINEN. If the gentleman would yield. You do understand the contention of the chair that I believe that the OIG has not been doing a good job. So to throw more money at that office, in the way that it is currently structured, does not resolve any issues whatsoever.

The gentleman can continue to make his point, but my point is they are not doing the job they are supposed to do. But the gentleman can continue.

Mr. CONNOLLY. As the chairman knows, I respect her enormously, but I respectfully disagree with her on this matter.

Ms. Franzel, you were shaking your head in the affirmative. Would you care to comment?

Ms. FRANZEL. Yes, and I am going to comment on oversight activities in general. It is very dangerous to start cutting back on oversight activities—GAO, IGs, and others—simply because our function is to help identify cost savings for the government, assist the Congress, and report on fraud, waste, and abuse.

Last year, for every dollar spent on GAO expenses, we brought back $87, so we saved $87 for every $1 we spent. I don't think you want to start cutting back on those types of returns. And to the extent that we can make oversight in the IG community and other offices more effective, those types of numbers get even greater. So it becomes very difficult, and the effects are seen longer term because, yes, we can all survive in the short term, but when you start cutting back on oversight activities today, problems can erupt later.

Mr. CONNOLLY. Well, does GAO believe that OIG is doing a bad job?

Ms. FRANZEL. Well, as we discussed throughout the hearing, there have been some very difficult issues and problems at OIG, and we reported on those in 2007. There have been some positive activities to strengthen the audit function, which we see as positive and we are hoping for continual assessments to measure the effectiveness of those actions. They are not there yet, but we see some increases in audit oversight.

There still remains a problem with trying to figure out the proper mix of resources dedicated to inspections. The use of ambassador-level officials to lead inspections seems to indicate that perhaps this is a function that is a management function rather than an IG function, and that is something that we need to sort out. And it just doesn't seem properly placed in the IG office, because of the expectation for independence.

Mr. CONNOLLY. Real quickly, you gave us a metric that for every dollar we invest in GAO, we reap a return of $87 saved in some fashion. What is the comparable metric, or do you know it, for OIG?

Ambassador GEISEL. I believe the number that we use is $14, but I am very, very reluctant to throw out figures. This is one of the problems I have with the oversight community is sometimes people claim savings that are not really savings, or that could be in theory but that don't pan out in reality. But I——

Mr. CONNOLLY. Well, Mr. Ambassador, my time is up. I know the chairman will indulge me for 5 more seconds, because of her—I have to say to you, if you are that reluctant, then you are going to face a 17 percent budget cut. You might want to get a lot less reluctant.

My time is up. Thank you, Madam Chairman.

Chairman ROS-LEHTINEN. I took up your time, Mr. Connolly. So if you would like more time——

Mr. CONNOLLY. No, I think we have had our say. Thank you, Madam Chairman.

Chairman ROS-LEHTINEN. Okay. Thank you so much.

Mr. Sherman of California.

Mr. SHERMAN. Thank you. USAID had some reluctance to—the way I describe it—put the flag on the bag. That is to say, make it extremely clear to the recipients of U.S. aid that it was American aid. They wanted to make sure that they would feed people, even those who wouldn't want to eat the food if it was ours, or those who wouldn't want to distribute it if it was ours.

How good a job are we doing making sure that everyone who distributes or receives U.S. aid knows that it is aid from the American people? Ambassador?

Ambassador GEISEL. I would have to defer to the USAID IG, although I absolutely share your sentiments of course, sir.

Mr. SHERMAN. Okay. Perhaps we could arrange to put that question to them, because there was such bureaucratic reluctance. How is the U.S. Government doing on following Buy America principles?

Ambassador GEISEL. From the point of view of the State Department, very well. And I note that especially for the large contracts it is good. There are of course many circumstances, especially in combat zones, where we can't always buy American, but, yes, I——

Mr. SHERMAN. Buy American principles are not Buy America, you know, straitjackets. I thank you for your reassurance on that.

The next issue relates to those who grant visas abroad. This is absolutely unchecked ad hoc power without any accountability. And I would ask you, what are the statistics on, when they let somebody in the United States, does that person leave in accordance with their visas? But I know you can't give me those statistics because the bureaucracy hates the concept of ever generating those statistics.

So when you leave Disneyland, they know you have left. But when you leave the United States, somehow we can't figure out a way to swipe your barcode. Is there any system by which visa officers are evaluated in terms of, are they being too tough? Are they being reasonable? Do most of the folks return according to their terms of your visa? Is there any process for evaluating those who grant visas?

Ambassador GEISEL. Yes, there is. But as you pointed out, it is not adequate, because we are dependent on statistics generated by the Department of Homeland Security.

Mr. SHERMAN. Or in this case not generated by the Department of Homeland Security.

Ambassador GEISEL. I can't comment. I can smile.

Mr. SHERMAN. Thank you for your smile, which will be part of the record, and I yield back. [Laughter.]

Chairman ROS-LEHTINEN. Let the record note that the gentleman had smiled.

Mr. Rivera of Florida.

Mr. RIVERA. Thank you very much, Madam Chairman. Thank you for being here today.

I will start with Ms. Franzel, and I would like to ask how the GAO would characterize the IG's audit coverage of high risk oversight areas.

Ms. FRANZEL. In our 2007 review, we found some significant gaps, which concerned us, frankly. There were a lot of very important areas of State Department that were not being covered by audits of the State IG. We made a recommendation that they reassess the mix of audits and inspections.

At the time, State Department IG disagreed with that recommendation, but since then some steps have been taken to increase the audit practice. We are still looking at a fairly light mix of audits to inspections, but it has improved. In 2009 and 2010, we were still seeing gaps in audit coverage in areas like coordinating foreign assistance, public diplomacy, and human resources.

Now, in the Fiscal Year 2011 audit plan, we are seeing some audits come online in these areas. So I think this is an area to watch. There is still a tremendous amount of inspections going on. Part of it is because of the requirement that foreign posts be inspected every 5 years, but that requirement gets waived every year.

But there still is a tremendous reliance on inspections in the Department, and inspections in and of themselves are not a bad thing. In fact, they are a very useful tool that IGs can use to quickly go out and survey a situation. But they should not be used to the exclusion of audits.

Mr. RIVERA. Thank you very much. And a question to Ambassador Geisel, according to the project on government oversight, Ambassador, you recused yourself from an IG investigation of a contract award involving Undersecretary of State for Management Patrick Kennedy. Your recusal was apparently due to a perceived conflict of interest between yourself and Mr. Kennedy. What is the extent of your relationship with Undersecretary Kennedy that you elected to recuse yourself from this investigation?

Ambassador GEISEL. I recused myself for approximately 3 weeks in what I would describe as an abundance of caution. I was very new to the job, and I was very keen to see—to have it seen that we were very independent.

The fact is, it is the first time in my life that I have been criticized for recusing myself, which I always thought was doing the right thing. Be that as it may, I have known Mr. Kennedy for a very long time. I can't say that we were—we are friends. In this 30-some-odd years that I knew him, he has never been in my home, and I was only in his home once for the wake when his father passed away. But I was being very, very cautious. But I can't say we were friends.

And I think our work speaks for itself. Before I came, there were zero—we are talking about the heavy stuff now, because this was an investigation that I recused myself for 3 weeks from.

We have vastly—we have trebled the number of investigations since I came on board. The number of subpoenas we have issued went from zero before I was there to 25. So, yes, I am glad you asked the question, but I feel very confident that I did the right thing, and that my recusal for that limited period of time was done in an abundance of caution to ensure our good name.

Mr. RIVERA. And making sure, in terms of following up on the issue of abundance of caution, does the relationship prevent you from carrying out duties going forward?

Ambassador GEISEL. None whatsoever, and, again, I would refer you to all of the reports that we submit to the committee. We try to be fair, and I like to say that I am the Department's best friend, because I tell the Department what it needs to hear, not what it wants to hear.

And so the fact is we have had no problem at all. I rarely see Mr. Kennedy, although when I need to speak to him I do.

Mr. RIVERA. Thank you.

Thank you, Madam Chair.

Chairman ROS-LEHTINEN. Thank you so much. I thank the witnesses and the members. In closing, I would like to request that GAO provide the committee with the possible legislative ideas for addressing the issues raised by your testimony as Ms. Franzel mentioned earlier.

Mr. ROHRABACHER. Madam Chairman?

Chairman ROS-LEHTINEN. We would appreciate that. Mr. Rohrabacher.

Mr. ROHRABACHER. Would you indulge me one more question?

Chairman ROS-LEHTINEN. I love to indulge you.

Mr. ROHRABACHER. The——

Chairman ROS-LEHTINEN. Indulge others as well, if they would like.

Mr. ROHRABACHER. Quite often we have these construction programs and chaotic situations and such, and we are—and our people are instructed to hire locals, as many locals as you can, rather than having American companies come in and actually do the work themselves.

Now, the Chinese have a totally different approach to providing someone some assistance. They bring their own people in and build the bridge themselves, and they—or the building, and, thus, they are—the Chinese are accountable all the way to the finished product, where we of course contract with local people and try to give people local jobs.

What is your opinion on that in terms of the—one does lend itself to more corruption—our system—but maybe helps the local economy. How do we judge this?

Ambassador GEISEL. I am the right person to ask, because I negotiated the conditions of construction agreement between us and China, where we built our Embassy in China and they built their new Embassy in Washington. The answer is, if you give us enough bucks, we absolutely and positively should do it the way the Chinese do it.

But we are talking about huge amounts of money if it is going to be all Americans. But the reason that it should be all Americans, if we can afford it, is we will have much better security, which is why the Chinese do what they do.

Mr. ROHRABACHER. Right. And less corruption.

Ambassador GEISEL. Less corruption. But you have got to give us the bucks.

Mr. ROHRABACHER. Thank you very much, Madam Chairman.

Chairman ROS-LEHTINEN. Thank you. Would any member like to be recognized before I recognize Mr. Chabot, who is our last member?

[No response.]

Thank you. Mr. Chabot is recognized.

Mr. CHABOT. Thank you. I look forward to reading the testimony of the witnesses. I appreciate it very much. Thank you for holding this hearing. I had about eight things I just got finished doing and wanted to make the hearing here, but thank you very much for holding this, and I definitely will review your testimony.

Chairman ROS-LEHTINEN. Thank you very much, and I thank the members for coming. I thank the panelists and the audience as well. And the committee is now adjourned.

[Whereupon, at 11:29 a.m., the committee was adjourned.]

# APPENDIX

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## Material Submitted for the Hearing Record

**FULL COMMITTEE HEARING NOTICE**
**COMMITTEE ON FOREIGN AFFAIRS**
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515-0128

**Ileana Ros-Lehtinen (R-FL), Chairman**

March 29, 2011

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs, to be held in **Room 2172 of the Rayburn House Office Building (and available live, via the WEBCAST link on the Committee website at http://www.hcfa.house.gov):**

**DATE:** Tuesday, April 5, 2011

**TIME:** 10:00 a.m.

**SUBJECT:** Watching the Watchers: The Need for Systemic Reforms and Independence of the State Department Inspector General

**WITNESSES:** Ms. Jeanette M. Franzel
Managing Director, Financial Management and Assurance Team
U.S. Government Accountability Office

Mr. Harold W. Geisel
Deputy Inspector General
U.S. Department of State

**By Direction of the Chairman**

*The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.*

# COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF FULL COMMITTEE HEARING

**Day** *Tuesday* **Date** *April 5, 2011* **Room** *2172 Rayburn*

**Starting Time** *10:02 a.m.* **Ending Time** *11:28 a.m.*

**Recesses** [ ] (____to ____) (____to ____) (____to ____) (____to ____) (____to ____) (____to ____)

**Presiding Member(s)**

*Chairman Ros-Lehtinen*

*Check all of the following that apply:*

**Open Session** [✓]
**Executive (closed) Session** [ ]
**Televised** [✓]
**Electronically Recorded (taped)** [✓]
**Stenographic Record** [✓]

**TITLE OF HEARING:**

***Watching the Watchers: The Need for Systematic Reforms and Independence of the State Department Inspector General***

**COMMITTEE MEMBERS PRESENT:**

*Attendance Attached*

**NON-COMMITTEE MEMBERS PRESENT:**

**HEARING WITNESSES: Same as meeting notice attached? Yes** [✓] **No** [ ]
*(If "no", please list below and include title, agency, department, or organization.)*

**STATEMENTS FOR THE RECORD:** *(List any statements submitted for the record.)*

***Rep. Connolly's Statement for the Record***

**TIME SCHEDULED TO RECONVENE** _____
or
**TIME ADJOURNED** *11:28 a.m.*

**Jean Carroll, Director of Committee Operations**

Hearing/Briefing Title: Watching the Watchers: The Need for Systematic Reforms and Independence of the State Department Inspector General

Date: April 5, 2011

| Present | Member |
|---|---|
| X | Ileana Ros-Lehtinen, FL |
| | Christopher Smith, NJ |
| | Dan Burton, IN |
| X | Elton Gallegly, CA |
| X | Dana Rohrabacher, CA |
| | Donald Manzullo, IL |
| | Edward R. Royce, CA |
| X | Steve Chabot, OH |
| | Ron Paul, TX |
| | Mike Pence, IN |
| | Joe Wilson, SC |
| | Connie Mack, FL |
| X | Jeff Fortenberry, NE |
| | Michael McCaul, TX |
| | Ted Poe, TX |
| | Gus M. Bilirakis, FL |
| X | Jean Schmidt, OH |
| | Bill Johnson, OH |
| X | David Rivera, FL |
| X | Mike Kelly, PA |
| | Tim Griffin, AK |
| X | Tom Marino, PA |
| | Jeff Duncan, SC |
| X | Ann Marie Buerkle, NY |
| X | Renee Ellmers, NC |

| Present | Member |
|---|---|
| X | Howard L. Berman, CA |
| | Gary L. Ackerman, NY |
| | Eni F.H. Faleomavaega, AS |
| | Donald M. Payne, NJ |
| X | Brad Sherman, CA |
| | Eliot Engel, NY |
| | Gregory Meeks, NY |
| X | Russ Carnahan, MO |
| | Albio Sires, NJ |
| X | Gerry Connolly, VA |
| X | Ted Deutch, FL |
| | Dennis Cardoza, CA |
| X | Ben Chandler, KY |
| X | Brian Higgins, NY |
| X | Allyson Schwartz, PA |
| | Chris Murphy, CT |
| X | Frederica Wilson, FL |
| | Karen Bass, CA |
| | William Keating, MA |
| X | David Cicilline, RI |

The Honorable Gerald E. Connolly (VA-11)

**HCFA Hearing: Watching the Watchers: The Need for Systemic Reforms and Independence of the State Department Inspector General**
**Tuesday, April 4, 2011**
**10am**

As the State Department's role in Overseas Contingency Operations in the Frontline States increases, so does the need for effective oversight of the myriad programs within State. The sums of money and the responsibilities associated with the United States' foreign policy operations require a robust Office of the Inspector General. The FY2012 budget request for the State Department's Office of the Inspector General (OIG) is $65 million—a sum that is almost half of the $120 million request for FY2011.

Some Members of the 112th Congress, including some who serve on this Committee, have made it clear that funding our foreign policy is not a worthwhile investment. Statements made to that end do not leave much room for supporting the OIG, as it falls under the 150 Function request. The lack of support for the 150 Function funding is unfortunate, since the OIG fills a key role—one which Congress has closely scrutinized for the past several decades.

Historically, Congress has rightfully exercised its "power of the purse" with regard to the State Department's internal oversight operations. In 1961, Congress established an Inspector General within State, only to abolish that office in a 1978 statute. The newly abolished IG was replaced with an Inspector General of Foreign Service, which was tasked with carrying out specific review functions, including those involving the foreign assistance program and diplomatic and consular offices. In 1980, due in part to a recommendation from the Government Accountability Office (GAO), Congress once again created a central Office of the Inspector General to oversee all audits and inspections. Since then, the legislative branch has periodically reviewed the efficacy of the OIG at State.

The OIG's oversight extends to more than 67,000 employees and more than 275 missions and other facilities worldwide; these employees, missions, and facilities are funded through combined annual appropriations of more than $17 billion. The office has adapted to fit oversight needs, opening an office in Jordan in 2008 to dedicate oversight resources to activities in Frontline States and various post-conflict countries. The OIG also opened a field office in Cairo, Egypt and temporary offices in Afghanistan and Pakistan.

In the past three years, the OIG has worked to aggressively build up its investigative capability. For FY2011, OIG established an internal ceiling of 251 direct-hire positions. As of November 30, 2010, there were 222 actual on-board staffers at the office, with 13 additional direct-hire positions and 7 personal services contractors in the pipeline. According to the FY12 Congressional Budget Justification, OIG is not requesting funding for additional positions in FY12.

OIG's mandate is broad and all-encompassing. Given the recent strides the office has made in rebuilding its investigate capability, slashing funding for the OIG would do irreparable harm. It would be inefficient and shortsighted to hollow out such an important office. I look forward to today's testimony. Thank you Madam Chairman. I yield back.

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