



Highlights of [GAO-08-135T](#), a testimony before the Subcommittee on International Organizations, Human Rights, and Oversight, Committee on Foreign Affairs, House of Representatives

Why GAO Did This Study

GAO was asked to provide testimony about the effectiveness and reliability of the State Department's Office of Inspector General (State IG). We focused on the independence of the State IG, the use of inspections instead of audits to provide oversight of the department, and the effectiveness of the IG's investigative function. The testimony is based primarily on our March 2007 report, *Inspectors General: Activities of the Department of State Office of Inspector General* ([GAO-07-138](#)).

What GAO Recommends

GAO's March report recommends that the State IG and the Secretary of State (1) develop a succession planning policy which avoids using management personnel to serve in an acting IG capacity, (2) develop staffing options to ensure State IG inspections are not led by Foreign Service officials, (3) reassess the proper mix of audits and inspections for department oversight, and (4) develop a formal agreement with the department's Bureau of Diplomatic Security (DS) to coordinate investigations.

In comments to our report the State IG disagreed with our recommendations regarding the use of line management personnel as acting IGs, not having inspections lead by Foreign Service officials, and reassessing the mix of audit and inspection coverage. The IG did agree to work with DS to develop a written agreement for investigations. Consequently, we reaffirmed our recommendations.

To view the full product, including the scope and methodology, click on [GAO-08-135T](#). For more information, contact Jeanette Franzel at (202) 512-9470 or franzelj@gao.gov.

INSPECTORS GENERAL

Limitations of IG Oversight at the Department of State

What GAO Found

The effectiveness of the oversight provided by the State IG is limited by (1) a lack of resources, (2) structural independence issues, (3) gaps in audit coverage, and (4) the lack of assurance that the department obtains independent IG investigations. These limitations serve to reduce the credibility and oversight provided by the State IG.

From fiscal years 2001 through 2006, the State Department's budgets have increased from \$13.7 billion to about \$24 billion, an increase of almost 75 percent (or 55 percent in constant dollars adjusted for inflation) in order to manage an expanding role in the global war on terrorism. During this same period, the State IG's budget increased from \$29 million to \$31 million, which when adjusted for inflation is a decrease of about 6 percent in constant dollars. In addition, of the 318 authorized staff in the State IG's fiscal year 2006 budget, the actual onboard staff averaged 182, or about 57 percent of the authorized level and about 20 percent less than in fiscal year 2001.

We continue to identify concerns regarding the independence of the State IG that are similar to concerns we reported almost three decades ago. Independence is critical to the quality and credibility of all the work of the State IG and is one of the most important elements of the overall effectiveness of the IG function. Our concerns include (1) the appointment of line management officials to head the State IG in an acting capacity for extended periods, and (2) the use of ambassador-level Foreign Service staff to lead inspections of the department's bureaus and posts even though they may have conflicts of interest resulting from their roles in the Foreign Service.

In addition, because the State IG provides oversight coverage of high-risk areas and management challenges primarily through inspections rather than audits, the department has significant gaps in audit oversight. Compared to audits, oversight provided by inspections is fundamentally limited. To illustrate, the Inspector General Act requires the State IG to follow *Government Auditing Standards*, while use of inspection standards are voluntary. In addition, unlike auditing standards, inspection standards do not require an external peer review of quality. The State IG's ratio of inspections to audits in fiscal year 2005 was 2 to 1 while the ratio for the statutory federal IG community was about 1 to 10. We reviewed 10 of the State IG's inspections performed over fiscal years 2004 and 2005 and found that they relied heavily on questionnaires completed by management at each bureau or post being inspected without verification or testing for accuracy.

We also found that investigations of the State Department lack a formal written agreement between the State IG and DS. Such an agreement is critical to help ensure that investigations of internal department operations are performed by the IG and not by bureau investigators who report to department management.