

especially foreign assistance. In addition, we identify weaknesses in the Department's collection, use, and analysis of financial information. Finally, this section discusses areas where the Department has not effectively sought reimbursement for services provided or implemented cost-sharing measures. As with oversight of contracts and grants, attention to this challenge is particularly important to ensure that the Department appropriately oversees and uses taxpayer resources.

Identifying Internal Control Deficiencies

Effective management control systems play a key role in ensuring that the Department is able to achieve its objectives through effective stewardship of public resources. The Department's statement of assurance process—in which Department entities (including bureaus, special offices, and overseas missions) submit annual statements of assurance—partially informs the Secretary of State's opinion regarding the effectiveness of the management controls and the existence of any material weaknesses or significant deficiencies.

In FY 2017 inspections of overseas posts and domestic bureaus, OIG continued to find deficiencies in the statement of assurance process. In numerous inspections, OIG found recent statements of assurance in which the entity being inspected had identified no or very few internal control deficiencies. Upon inspection, however, OIG found numerous deficiencies that had been overlooked.⁶⁶ For example, in one inspection of an overseas post, OIG found 22 internal control deficiencies despite the embassy's 2016 statement of assurance that identified no deficiencies.⁶⁷ Furthermore, one bureau did not prepare written standard operating procedures for the annual exercise.⁶⁸

OIG noted management's important role with respect to this issue. In a report that reviewed findings in 34 inspection reports on overseas missions issued from December 2014 through January 2017, OIG examined its findings regarding chief of mission and deputy chief of mission performance in five areas, including adherence to internal controls.⁶⁹ OIG reported that 38 percent of inspections had found deficiencies in the chief of mission's oversight of embassy internal controls and the annual statement of assurance process.

Weak internal controls that go unidentified by management increase the risk of misuse of Department resources. Each Department entity plays a role in formulating the Department's annual statement of assurance and should, therefore, ensure that vulnerabilities in the process are identified and appropriate corrective actions are taken. The Department should include additional training on management control responsibilities in its classes for chiefs of mission and deputy chiefs of mission.

Complying With Internal Controls

In many FY 2017 inspections, OIG found internal control deficiencies that spanned a wide range of operations, including functions related to financial and property management. Numerous inspections found deficiencies in cashier operations, which were related to periodic reconciliations, unannounced verifications, and separation of duties, among others.⁷⁰ OIG also found persistent problems with procurement. One post, for example, failed to maintain separation of duties in ordering, receiving, billing, and paying for goods and services.⁷¹ OIG also noted several examples of posts that failed to establish acquisition plans, which, when used effectively, decrease the risk that staff will procure unnecessary goods and services.⁷² All of these practices put the Department's financial resources at risk.

⁶⁶ See, e.g., ISP-I-17-19, June 2017; ISP-I-17-12, May 2017; ISP-I-17-16, May 2017; ISP-I-17-07A, January 2017.

⁶⁷ ISP-I-17-16, May 2017.

⁶⁸ ISP-I-17-10, February 2017.

⁶⁹ ISP-17-38, July 2017.

⁷⁰ See, e.g., ISP-I-17-12, May 2017; ISP-I-17-13, March 2017; ISP-I-17-16, May 2017; ISP-I-17-05A, January 2017; and ISP-I-17-14, April 2017.

⁷¹ ISP-I-17-14, April 2017.

⁷² ISP-I-17-12, May 2017; ISP-I-17-16, May 2017; ISP-I-17-11A, February 2017.

