

Another example of internal control weaknesses was identified in the annual audit of the Department's financial statements. There, an external auditor performing the audit on OIG's behalf and under OIG's direction identified a significant number of invalid unliquidated obligations (ULOs)⁷³ that had not been identified by the Department's own review process. This occurred, at least in part, because the internal control structure was not operating effectively to comply with existing policy or to facilitate the accurate reporting of ULO balances in the financial statements. In particular, the Department's internal controls were not effective to ensure that ULOs were consistently and systematically evaluated for validity and deobligation.⁷⁴

Internal control deficiencies related to property management were also wide-ranging. Several reports noted particular issues with fuel. For example, OIG found that several posts failed to properly secure and control access to their bulk fuel inventory, did not perform spot checks of fuel deliveries, or did not calibrate pumps and tanks.⁷⁵ This problem extended to residential properties leased by the Department. In one report, OIG determined that safeguards meant to protect residential fuel tanks at diplomatic residences in Amman, Jordan were easily circumvented and that additional vulnerabilities in fuel tank and boiler rooms could leave embassy residences susceptible to diesel fuel loss.⁷⁶ Because of the significant value and widespread threats of theft of this commodity, fuel is a particularly vulnerable asset.

In another audit, OIG found that the Department did not maintain sufficient accountability over the inventory of armored vehicles stored domestically. Specifically, Department data on armored vehicles in the inventory systems was not always accurate and five vehicles could not be located during a physical inventory. A single armored vehicle can cost more

than \$100,000. Without sufficient controls, vehicles could be misappropriated, which could have a significant financial effect on the Department.⁷⁷

In terms of general physical inventories, some posts did not strictly control access to areas where supplies and stock were kept, failed to ensure supplies were issued for official use only, and neglected to perform periodic inventories and reconciliation of property records.⁷⁸ Separation of duties was again an issue, with one post using the same personnel to receive, record, and tag incoming assets.⁷⁹ All of these issues increased the risks that Department property might be misappropriated or diverted.

Tracking and Reporting Department Assets

Throughout this reporting period, OIG identified weaknesses in the Department's ability to keep track of and report its assets. OIG considers this to be a manifestation of weaknesses in financial and property management because, without an accurate understanding of its assets—financial or otherwise—the Department cannot adequately account for, much less use effectively, those resources. This is an issue that overlaps with internal controls deficiencies.

In some instances, these weaknesses were identified in the course of work that addressed other issues. For example, in an evaluation that focused on the timeliness and cost-effectiveness of the Department's security clearance process, OIG found that the Department does not have accurate information regarding the costs of conducting a security clearance. This, in turn, makes it difficult to assess the cost-effectiveness of its processes or to accurately bill other agencies for overseas investigatory work that it performs on their behalf.⁸⁰

⁷³ Unliquidated obligations represent the cumulative amount of orders, contracts, and other binding agreements for which the goods and services that were ordered have not been received or the goods and services have been received but for which payment has not yet been made.

⁷⁴ OIG, *Audit of the Department of State's FY 2016 and FY 2015 Financial Statements* (AUD-FM-17-09, November 2016).

⁷⁵ ISP-I-17-14, April 2017; ISP-I-17-12, May 2017; ISP-I-17-16, May 2017; ISP-I-17-17, June 2017; and ISP-I-17-19, June 2017.

⁷⁶ OIG, *Management Assistance Report: Additional Measures Needed at Embassy Amman to Safeguard Against Residential Fuel Loss* (AUD-MERO-17-50, July 2017).

⁷⁷ AUD-SI-17-21, February 2017.

⁷⁸ ISP-I-17-12, May 2017; ISP-I-17-08A, January 2017.

⁷⁹ ISP-I-17-05A, January 2017.

⁸⁰ OIG, *Evaluation of the Department of State's Security Clearance Process* (ESP-17-02, July 2017).