

TESTIMONY OF UNDER SECRETARY OF STATE FOR MANAGEMENT
BRIAN BULATAO BEFORE THE COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
SEPTEMBER 16, 2020

Mr. Chairman and Ranking Member McCaul:

I appear here today on a matter of great interest and importance both to the Committee and the Department of State, which is the role and function of inspectors general and how they can review, enhance and improve the operations of the Executive Branch, and in particular at the Department of State.

I have had the distinct privilege of working closely with multiple inspectors general starting in the late 1980's and early 90's starting with my service as an infantry officer in the U.S. military, continuing in my role as the Chief Operating Officer at the Central Intelligence Agency, and now in my capacity as Under Secretary of State for Management at the State Department. Through these experiences, I have gained a firsthand appreciation for the critical role that inspectors general play in the Executive Branch. An inspector general, acting within the framework of the Inspector General Act of 1978, holds a critical position of trust. Trust is the basis of the delicate task assigned to inspectors general of being an agency's "watchdog," independent of inappropriate influence from the government agency the IG oversees, while still being an integral, accountable part of that agency.

At the State Department, we view the role of inspector general to be critical to its core mission, helping to advance integrity and efficiency in our operations around the world. No organization, especially one with operations in every part of the globe, can function effectively without appropriate internal controls. Inspectors general fulfill this role.

Mr. Linick took up his duties at the State Department during the previous administration in September 2013 and served during the first three years of the Trump Administration, covering a period of nearly seven years.

The decision as to whether to remove a sitting Inspector General is committed exclusively to the President. We have provided the Committee a letter from the Office of White House Counsel that describes how the President's decision in this case was consistent with the requirements of the Constitution and of federal law, as recognized by the U.S. Court of Appeals for the District of Columbia Circuit. Indeed, President Trump's notices to Congress used language similar to that used by President Obama when he removed an Inspector General, noting that he "no longer" had "fullest confidence" in his ability to serve as inspector general. As such, Mr. Linick's removal was entirely consistent with the Inspector General Act and within the authority of the President under Article II of the Constitution.

While there is no doubt that Mr. Linick's removal fell within the lawful prerogative of the Executive Branch, the Department has addressed the Committee's interest in the Departmental concerns about Mr. Linick's conduct of his duties.

I will now lay out additional details about those concerns, which motivated the Secretary to recommend to the President that Mr. Linick should be replaced. I want to emphasize that it was due to a variety of lapses and shortfalls over a series of months that caused Department leadership and the Administration as a whole to lose confidence in Mr. Linick. Mr. Linick's failures fall into three broad categories: failure to deliver on the core Inspector General Mission, failure to lead with integrity, and failure to take care of the Team.

Failure to Deliver on the Core Inspector General Mission:

First, one of the fundamental core functions of an inspector general is performing the annual financial audits of the Department. IG Linick failed to complete the audit work on our Fiscal Year 2019 financial statements in a timely manner, which necessitated the request to the Office of Management and budget (OMB) for a 60-day extension. The Agency Financial Report (AFR) is our key accountability document and principal publication and report to the President, the Congress, and the American people to disclose our financial status over the assets and resources entrusted to us. It illustrates our firm commitment, resolve and rigor in delivering the highest standard of financial accountability and transparency to the American public. The AFR provides a comprehensive view of the Department's financial activities set against the backdrop of the global issues and engagements we face as an institution and a country.

For the first time in the Department of State's history, we faced the real and credible possibility of not completing our required annual financial audit because Mr. Linick and his Technical Evaluation Board failed to select a qualified auditor in the Spring of 2019. Under Mr. Linick's leadership, this most basic function was not performed properly by the Department's Office of the Inspector General (OIG). The newly selected auditor did not have the proper capability, experience or capacity to perform the audit, and the OIG had to remove the auditor and replace him with another one, resulting in a significant delay in the completion of the audit. The Department's financial operating context is complex. We operate in over 270 embassies and consulates, located in more than 180 countries around the world. We conduct business on a 24/7 basis in over 135 currencies through 224 bank accounts around the world; accounting for more than \$108 billion in assets in over 500 separate fiscal accounts, while managing real and personal property assets with historical costs of more than \$38 billion. We provide the shared

administrative operating platform for more than 45 other U.S. government entities overseas, and currently pay more than 100,000 Foreign and Civil Service employees, Locally Employed Staff and Foreign Service annuitants. The critical failure of IG Linick to select a qualified, independent external auditor put at risk our commitment to strong corporate governance and effective internal controls and was a significant factor in the Secretary's loss of confidence. *Second*, the total number of OIG inspections at our global posts has decreased by 10 percent year-over-year for the twelve months ending March 2020, on a pre-COVID impact basis. A core mission of the OIG is to inspect our embassies, diplomatic posts and international broadcasting installations throughout the world to ensure our operations and activities are effective, efficient and as economical as possible, as well as to determine whether the interests of the United States are being represented and advanced effectively. This is another contributing factor to the loss of confidence in IG Linick.

Third, which requires a classified setting to fully explain, under Mr. Linick's leadership, the organization experienced a critical and deeply concerning failure that placed the security of our personnel around the globe at high risk. The investigative report into this failing in August 2017 noted that "oversight by the [OIG] was demonstrably ineffective...ultimately placing the Department's information as well as its reputation, human capital, and operations at considerable unnecessary risk." I appreciate that the Chairman has agreed to hold a classified session to discuss this matter immediately following this hearing, which I hope Members are able to attend.

Failure to Lead with Integrity:

Fourth, Mr. Linick engaged in a set of strange and erratic behavior following a leak to the media of a draft OIG report in September 2019. After the leak occurred, the then Deputy Secretary of State asked Mr. Linick to refer for review this unauthorized disclosure to the Council of the

Inspectors General on Integrity and Efficiency (CIGIE), as the media attributed the leak to “two government sources involved in carrying out the investigation” implicating potential sources from within Mr. Linick’s own office. CIGIE is an independent entity that addresses integrity issues within the Inspector General community.

Mr. Linick agreed to that specific request, but the Department learned months later that instead of referring the matter to CIGIE, Mr. Linick asked another agency’s inspector general to review the issue. In other words, Mr. Linick failed to inform the Department that he had hand-picked a different entity to investigate potential misconduct by his own office and that he had deviated from the clear course agreed upon with Department leadership. To the extent that this hand-picked investigator completed its review, Mr. Linick then failed to provide the Department any documented findings on the matter. We hope that the Committee would agree that this episode raises serious concerns about Mr. Linick’s judgment and does not meet the high standards of trustworthiness that the Secretary, or any agency head, would expect from an inspector general. I understand that Mr. Linick has testified that he informed me or others in Department leadership that CIGIE was not able to conduct the review. After consulting with Deputy Secretary Biegun and former Deputy Secretary Sullivan, I can state clearly that we have no recollection at all of Mr. Linick ever having told us that he was going to abandon the agreed referral to CIGIE and instead to hand-pick his own investigator. Indeed, the first time I heard that the DOD IG was even engaged was when Mr. Linick told me in late November or early December 2019 that the report would be completed by the end of 2019 or in early 2020. I was completely surprised and deeply disappointed to learn of my misplaced trust in IG Linick to choose the harder right over the easier wrong.

Fifth, Mr. Linick withheld the DOD IG report from Department leadership, after numerous clear requests, calling into question his trustworthiness and commitment to his own accountability. Mr. Linick's testimony is equivocal at best with regard to the Department's repeated requests for, and strong interest in, seeing a copy of the DOD report. It would be just plain false to suggest that Department leadership lost interest in receiving that report. In one of our regular meetings with Mr. Linick in early February 2020 at the Department, I asked him to provide a copy of the report to the Secretary after he indicated that it had been completed. He became visibly angry and indicated that the report did not belong to the Secretary. He then abruptly stood up and gathered his papers to leave. Deputy Secretary Biegun asked him to calm down and sit back down to continue the conversation. I recall asking him for a copy of the report on at least two other occasions. It simply strains credulity that Mr. Linick was not aware of our continuing interest in reviewing a copy of the report and given that the Inspector General reports to the Secretary of State, Mr. Linick had no reason not to provide it.

Sixth, events since Mr. Linick's removal have shed further light on his erratic and concerning conduct regarding the leak investigation. Even though he resisted providing the report to his Department reporting chain for months, the OIG finally released a copy to the Department in early June before Mr. Linick's own testimony as a result of a Congressional request. The resulting report revealed that the IG who Mr. Linick asked to review the matter, in place of CIGIE, was then-Department of Defense Principal Deputy Inspector General Glenn Fine, who at the time was the DOD's Acting Inspector General. This was an unusual choice because, as the report reveals, Mr. Fine appears to be personally involved in the events that were the subject of the investigation described in the report. Specifically, the DOD OIG report notes that Mr. Linick said that he "spoke about the evaluation report" with Mr. Fine before the media leak occurred. If

Mr. Fine himself had confidential information about the draft report before it was leaked, it was clearly inappropriate for him to lead the investigation into the subsequent leak. It is unclear whether Mr. Fine was even interviewed in the course of the investigation. Allowing a fact witness to an investigation to shape the terms of the investigation – let alone lead the investigation – is highly inappropriate. At a minimum, the choice of investigator in this case raises serious questions concerning whether the report itself represents a complete and adequate investigation of potential misconduct within the State Department Office of Inspector General. For example, if CIGIE had conducted the review, we understand that applicable law would have required that the report be provided to the President (in the case of a report relating to an Inspector General of an establishment or any employee of that Inspector General) or the head of a designated Federal entity (in the case of a report relating to an Inspector General of such an entity or any employee of that Inspector General).

Seventh, as noted above, the Department has identified a number of concerns as to the scope of the DOD IG report. For example, the report notes that Mr. Linick himself “asked the DOD OIG to conduct a *limited inquiry* into whether any DOS OIG employee was the source of the unauthorized disclosure...” (emphasis added). The DOD OIG conducted personal interviews, in which all interviewed staffers “said they did not release any information in the report to the media.” The DOD OIG also reviewed official email accounts and found that no employee directly sent an email from their State Department email address to the news media, other than the communications director. The scope of this review appears to be exceedingly cursory, and it is unclear whether it was appropriate for Mr. Linick, as a fact witness to the investigation, to dictate the “limited” scope of the investigation. Merely asking an interviewee if he/she directly transmitted the leaked documents and asking only about emails from official accounts would

catch only the most careless mishandling of information and would fail to uncover any person who disclosed the draft through an intermediary or sent the report from a personal email address. Further, the DOD IG does not appear to have questioned whether any interviewee had *knowledge* of who may have improperly disclosed the report or engaged in other questioning aimed at discovering the true source of the leak.

Eighth, since Mr. Linick was removed, we have become aware that the DOD OIG identified a concerning email practice used by Mr. Linick concerning the leaked report. The DOD OIG found: “IG Linick sent a password-protected, draft version of the evaluation report in question to his Gmail account eight times over six days in August 2019. On one occasion, he emailed a password-protected draft of the evaluation report from his Gmail email account to his government email account.” As the DOD OIG report notes, this usage violated State Department OIG policy, Information Systems Rules of Behavior: “Use OIG provided equipment and systems/applications at all times, including OIG email, to conduct official OIG business. The use of corporate or personal equipment, systems/applications, to include to email, or other file storage sites to store, process, or transmit OIG or Department data is prohibited.” Mr. Linick clearly should have followed his own organization’s specific information security policies, especially involving highly sensitive draft reports.

We understand that Mr. Linick received the initial report noting his improper usage of personal email in late 2019 or early 2020, and it is our understanding that he never shared the written report with any person at the State Department (including in his own office), despite repeated requests by Department leadership for a copy of the report. Likewise, he never informed State Department leadership that he was found to have violated OIG email practices. Allowing an investigated person to determine the manner and scope of the release of a report on his own

conduct is highly inappropriate, which is presumably why CIGIE's own guidelines would have required a CIGIE review to be shared with appropriate officials in his supervisory chain.

Ninth, notwithstanding the limited nature of Mr. Fine's investigation into Mr. Linick and his staff, Mr. Linick reportedly opened a parallel investigation of *other* State Department employees for the same potential misconduct for which his own office was being investigated – even though the media leak was attributed to “two government sources involved in *carrying out the* investigation.” It should have been obvious to Mr. Linick that launching a parallel investigation into the same misconduct for which he and his own office were being investigated created both a real and apparent conflict of interest and risked interfering with the DOD OIG investigation into his own office.

Tenth, in another post-removal case that has further confirmed why the Administration lost confidence in him, when Mr. Linick was removed from his position on May 15, 2020 his physical access was terminated, and he was clearly instructed by Department officials not to contact OIG staff members or return to his former office, without authorization by Department officials. However, it has come to the Department's attention that he violated these instructions on multiple occasions while he was on administrative leave. For example, we understand that, in the days before his Congressional testimony, he sent a text message to his former Deputy Inspector General, requesting a copy of the DOD IG report. Without informing her own chain of command, the State Department Deputy Inspector General then contacted the DOD Office of Inspector General to request a copy of the report on Mr. Linick's behalf. Also contrary to the clear instructions he received, we understand that Mr. Linick repeatedly returned to his former office without seeking authorization from his Department superiors. Mr. Linick should follow

the same rules that apply to other terminated government officials; he is not entitled to a different set of rules.

Failure to Take Care of the OIG Team:

Eleventh, the results of the 2019 Federal Employee Viewpoint Survey (FEVS) of employees of the Office of the Inspector General provide additional red flags and contributed to the loss of confidence in IG Linick. The Secretary made a big push to increase our response rate and we doubled the total responses from 2017. Over half of our thirty-eight (38) Assistant Secretary-led bureaus improved or maintained in all three major index categories year over year. Only one bureau of the 38, which had the same leader in place, declined in all three index categories. That single bureau was the office of the IG. The OIG scores dropped year-over-year in all three major index categories: the Employee Engagement Index, the Global Satisfaction Index and the Diversity and Inclusion Index. The Global Satisfaction Index, which, among other things, measures the willingness of OIG employees to recommend the organization as a good place to work has exhibited a steady double-digit decline (>15%) since the 2016 FEVS survey. We were also alarmed by the insights provided by answers to several key survey questions:

- ***The people I work with cooperate to get the job done.*** The OIG survey respondents had a 46% higher negative response rate than the Department of State as a whole and also a higher negative response rate than the government-wide negative response rate.
- ***My organization has prepared employees for potential security threats.*** 23% of the OIG survey respondents responded negatively to that, greater than three times higher than the negative response rates of Department of State and government-wide responses.

- ***Employees are protected from health and safety hazards on the job.*** The OIG survey respondents neutral and negative responses were almost 25% higher than Department of State and government-wide response to this question.

Twelfth, the failure in leadership resulted in year-long key vacancies, including the Deputy IG and General Counsel. If IG personnel showed such a negative trend in their willingness to recommend the OIG as a good place to work, it comes as no surprise that the number two position and critical role, stayed vacant for approximately 12 months.

Thirteenth, the OIG failed to provide status on training fundamental values of diversity and inclusion – our One Team mission of professionalism, integrity, responsibility, and respect. The OIG responded that these are not core values.

I believe IG Linick’s cultural leadership failure may also have contributed to the fact that the Department of State Deputy IG position sat vacant for almost a year.

Finally, I would like to address two issues and areas of confusion that have surfaced in Mr. Linick’s testimony.

Mr. Linick suggested that he felt that I “bullied” him, in particular about his ongoing review of an arms sales decision made by the Secretary. Let me set the record straight on this. The first time I heard about the investigation or the report was in late 2019 after the conclusions of the report had already been briefed to the Department. I understood that the report was all but completed at that stage. Mr. Linick indicated he needed one last piece of information from the Secretary of State in order to issue the report. He also indicated that the report was not concerning to the Department as the OIG had not found any evidence of wrongdoing. I asked several questions to better understand the type of information he was seeking, particularly as it involved the exercise of a purely discretionary authority by the Secretary on a policy decision.

Although Mr. Linick requested to speak with the Secretary of State directly to gather the information, I informed Mr. Linick that the Secretary's travel schedule at the time did not allow for an in-person meeting, so the Department provided the precise information from the Secretary of State in writing that Mr. Linick was seeking so that he could promptly finalize the report. After the provision of a written response, I understand that Mr. Linick again followed up with a request to speak with the Secretary about the matter this spring and then – before the Department was able to respond to the request – withdrew the request and confirmed that the report could likely be completed without further information. At that point, we considered the requests for information closed and were awaiting the draft report. It is not clear to me why the OIG did not complete the report that was briefed to the Department months earlier, in November 2019 and March 2020, until August 2020.

There have been a variety of unsubstantiated allegations that the Secretary recommended the removal of Mr. Linick because of his awareness of investigations into the Office of the Secretary. The Secretary and Deputy Secretary have both issued letters to the Committee making clear that the Secretary was never briefed by the Deputy Secretary, former Deputy Secretary, Executive Secretary, or myself on any investigation involving “allegations of misuse of government resources” by the Secretary or his wife. This is simply an unsubstantiated insinuation without any factual underpinning.

I look forward to engaging with you and answering your questions on this issue.