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United States Department of State  
and the Broadcasting Board of Governors  
Office of Inspector General

# Report of Inspection

## Embassy Manila, Philippines

Report Number ISP-I-07-36A, August 2007

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## KEY JUDGMENTS

- The career Ambassador and career deputy chief of mission (DCM) provide strong leadership of Embassy Manila's highly complex and dynamic policy implementation activities. Coordination between U.S. federal departments and agencies working in the Philippines under chief of mission authority and those operating under the authority of the U.S. regional military command (PACOM) is exceptionally close and productive.
- Transformational diplomacy initiatives undertaken by the embassy and its partners in PACOM have generated a measurable improvement in the security situation in the southern Philippines, as well as a rise in the approval rating enjoyed by the United States among the general Filipino populace.
- The embassy's political and economic reporting receive very high marks from policymakers and community analysts in Washington.
- Manila's consular section is remarkably productive and service oriented, although the unrelenting visa workload affects staff morale and limits entry-level officer (ELO) exposure to a range of embassy activities.
- The consular section turns to the Department of Homeland Security's (DHS) visa security unit (VSU) for general visa fraud issues not relating to terrorism. Consular standard operating procedures (SOPs) need updating to differentiate the counterterrorism mandate of VSU from the general fraud mandates of the fraud prevention unit (FPU) and the assistant regional security officer for investigations (A/RSO-I).
- With strong support from the public affairs section (PAS), the Ambassador's frequent outreach efforts get high-profile coverage in print and electronic media. This media coverage has proved a successful method of conveying the mission's core messages to millions of Filipinos. Moreover, section officers have met the challenges of a vigorous local press with innovative solutions.
- The mission has grown by more than a third since 1999. The National Security Decision Directive-38<sup>1</sup> (NSDD-38) review process has not been used effectively and could be more rigorous.

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<sup>1</sup> National Security Decision Directive-38, Staffing at Diplomatic Missions and Their Constituent Posts, issued on June 2, 1982, assigns ambassadors the authority and responsibility to determine the appropriate size, composition, and mandate of all staffing operating under their authority.

- The management section is well managed, provides good services to its customers, and has developed a number of innovative approaches deemed Best Practices. However, its strong infrastructure and abundant resources have allowed it to be less than economical when making some financial decisions.

The inspection took place in Washington, DC, between January 3 and 22, 2007, and in Manila, Philippines, between February 21 and March 20, 2007. Ambassador Eileen A. Malloy (team leader), Thomas H. Martin (deputy team leader), Bohdan Dmytrewycz, Leslie Gerson, Marjorie Lynch, Ruth McIlwain, Marlene Schwartz, Peter Stella, Moosa Valli, Timothy Wildy, Michelle Wood, and Roman Zawada conducted the inspection.

## CONTEXT



The Philippines is an archipelago nation situated east of Vietnam and north of Indonesia. It consists of over 7,100 islands that are humid, tropical, and mostly mountainous. The Philippines lies on the western Pacific's typhoon belt and is astride major seismic and volcanic lines, so natural disasters are frequent. The busy port of Manila, on the island of Luzon, is the nation's capital; and metropolitan Manila is the 11<sup>th</sup> most populous urban area in the world.

The population of the Philippines stood at over 90 million in 2006. Most Filipinos are descended from Austronesia migrants who arrived in several waves over a thousand years ago from Taiwan. There are a dozen major ethnolinguistic groups, each having its own regional language. English and Tagalog, however, are the country's official languages. About 83 percent of Filipinos are Catholic, and 10 percent adhere to Protestant denominations. Approximately six percent are Muslim, known locally as Moros because the Spanish so named them for sharing a common faith with the Moors of Northern Africa.

Sailing for Spain, the Portuguese explorer Ferdinand Magellan was the first European to arrive in the archipelago. The Philippine Islands became a Spanish colony during the 16th century and were ceded to the United States in 1898 following the Spanish-American War. For more than a dozen years, the United States then fought wars with reformist nationalists in the north and Moro separatists to the south. In 1935, the Philippines became a self-governing commonwealth, anticipating a 10-year transition to independence. During World War II, Japan occupied the Philippines, and U.S. forces and Filipinos fought together to regain control. On July 4, 1946, the Philippines attained independence.

Politics in the Philippines is free-wheeling, centered primarily on the personal charisma of individual political leaders, and largely oligarchic, with power and wealth limited to a few very influential families. After winning two elections, Ferdinand Marcos extended his time in office by imposing martial law. His 20 year rule ended in 1986, when Corazon Aquino was installed as president following a widespread

popular rebellion. In 2001, Gloria Macapagal Arroyo assumed the presidency after another people-power movement swept out her predecessor, Joseph Estrada. She faced impeachment efforts in 2005 and 2006, as well as a coup plot. Efforts to replace the country's bicameral Congress, patterned after that of the United States, with a unicameral parliamentary system have thus far proven unsuccessful.

The Philippines is home to three organizations formally designated by the United States as foreign terrorist organizations – Jemaah Islamiyah, the Abu Sayyaf Group, and the New People's Army. The first two groups currently pose the most direct threats to U.S. interests and are located in the poor and predominantly Muslim south. The third operates throughout the country. The United States works closely with the armed forces and police of the Philippines to combat terrorism. The armed forces, supported by U.S. Joint Special Forces Operations Task Force – Philippines (JSOTF-P), have had significant success in ongoing efforts on the island of Jolo, located southwest of Mindanao. This effort is patterned after Operation Enduring Freedom-Philippines, a highly successful counterterrorism campaign conducted on nearby Basilan Island during 2002-2004, also with JSOTF-P support.

The United States remains the Philippines' largest trading partner, with two-way merchandise trade standing at \$17.7 billion in 2006. The United States is also the largest historic foreign investor, with \$6.6 billion in fixed assets. Real economic growth has annually averaged over four percent, a very respectable figure for East Asia, over the past decade. Nonetheless, substantially higher growth rates are needed to alleviate poverty significantly, given the country's consistently high population growth rate and unequal income distribution. Meanwhile, foreign remittances by overseas workers are the most dynamic sector of the country's economy, with annual growth averaging over 15 percent in recent years. In 2006 alone, eight million overseas Filipino workers – including professional and technical employees, as well as household helpers and construction workers – sent home \$12 billion. The country is also saddled with a high official debt, due mainly to large unprofitable public enterprises, especially in the energy sector. However, the 2005 implementation of eVAT – a new, expanded value-added tax – has reduced public debt and strengthened the national currency.

The embassy staff consists of 294 American employees, 58 eligible family member (EFM) employees, and 1,180 locally employed staff, for a total of 1,532 total authorized positions.

## EXECUTIVE DIRECTION

The experienced second-time Ambassador and her seasoned DCM provide the U.S. Mission to the Philippines with clearly articulated, challenging but achievable goals, and then they allow members of the country team the latitude and flexibility needed to carry out their programs. These two career officers keep control of Embassy Manila's highly complex and dynamic operations through a series of well-orchestrated and efficient meetings that include a weekly country team, policy-driven group meetings on issues such as the strife-torn southern region of Mindanao, a law enforcement working group (LEWG), and a development assistance cluster. They also meet regularly with section chiefs, and there is a standing weekly meeting with representatives from JSOTF-P to ensure that the Ambassador is able to vet all planned operations in advance and to deconflict, where necessary, any proposed JSOTF-P activities that might run counter to U.S. policy goals for this country. While the time spent in meetings can be considerable, all country team members said that the investment was worthwhile and avoided missteps in the field.

One of the highest priorities for Embassy Manila is to prevent and respond to terrorism. Due to the lack of effective governance in the southernmost regions, Muslim areas there have become havens for the international terrorist group Jemaah Islamiyah and indigenous terrorist groups such as the Abu Sayyaf group. The embassy works closely with JSOTF-P, which trains and equips the Philippine military and police as an effective deterrent, to help the government of the Philippines regain control of this region. By merging U.S. Agency for International Development's (USAID) development assistance activities and PACOM civic action programs, the Ambassador has given new impetus to the effort to win the hearts and minds of these Muslim communities. Progress over the past year has been considerable, measured in terms of expansion of the gross area under the control of the Philippine armed forces, in the number of high-ranking terrorists arrested or killed by the Philippine army, and in an improvement in approval ratings of the United States among the local populace.

Service in the Philippines continues to involve danger for U.S. government staff and their family members, especially in Mindanao and other regions infiltrated by terrorist groups hostile to the United States. The Ambassador and the DCM provide the regional security office with strong support for the security program and ensure that other country team members work closely and cooperatively with the regional

security officer (RSO). For example, during the inspection, the post instituted a new policy prohibiting all visa applicants and visitors to the PAS from bringing cell phones into the embassy compound. This change relieved the local guards of responsibility for the 1,000 plus cell phones brought each week to the public access control check point by visa applicants. Its smooth implementation was due to buy-in from all country team members and the Ambassador's clear support.

Embassy management gives high priority to the Equal Employment Opportunity (EEO) program. The Ambassador attended the embassy's Black History Week celebration event and then lauded the organizers for their hard work at the next country team meeting. ELOs, both generalists and specialists, appreciated the Ambassador's frequent invitations for ELOs to accompany her on official meetings and official travel. The office management specialists, in particular, commended the Ambassador's efforts to enhance career development and mentoring opportunities, as well as providing them with a dedicated representational budget. Morale among staff members at Embassy Manila is good, with the exception of ELOs working in the consular section's visa unit.

Several country team members interviewed by the Office of Inspector General (OIG) team identified the Ambassador's strategic vision as one of this embassy's strengths. Most officers report that they have a very clear sense of the embassy's goals and an understanding of their own role in fulfilling them. The Ambassador is regarded as dynamic, exceptionally hard-working and committed, and inspirational. The staff works hard in an effort to meet her expectations, mainly because they admire and respect her.

The Ambassador and the DCM recognize the importance of public diplomacy. They insist that public affairs staff be involved in virtually all programmatic activities of the embassy. As a result, no effort is spared to squeeze every possible public diplomacy advantage from official visits by high-level Washington officials, travel in country by embassy officers, and programmatic milestones.

Public diplomacy tactics were embedded throughout the Mission Performance Plan (MPP) for FY 2008 and included all possible public diplomacy tools. These included the speakers program, a virtual presence post in Mindanao, American Corners, and the International Visitors program. Washington officials familiar with the embassy's MPP consider it to be on target and well-focused. At the time of the inspection, the DCM had launched a process to develop the new mission strategic plan by inviting all country team members to participate in the development of goal papers.

One weakness of the embassy's MPP, an all too frequent flaw at large embassies, is its lack of connection to the NSDD-38 process that decides whether to add or reduce other agency positions at U.S. embassies. An examination of the last three years of NSDD-38 files showed that these new positions were rarely captured in the MPP. Neither was there a discussion of tradeoffs or reductions in existing positions likely to result from the addition of new positions to the post staffing mix. Embassy Manila has grown rapidly over the past five years, in particular with new positions in law enforcement and military assistance programs. (See the section on rightsizing for a discussion of the impact of such growth on the provision of embassy services.)



## RIGHTSIZING AND CONSOLIDATION

NSDD-38 outlines the process by which U.S. federal departments and agencies may propose changes to their staffing at U.S. overseas missions. In the 1970s and 1980s, Embassy Manila was a major regional support center, but it then went through a significant reduction after the 1992 closure of U.S. military bases in the Philippines. With the heavy U.S. government policy emphasis on national security and counterterrorism cooperation in the years following September 11, 2001, the embassy once again began to grow, primarily with the addition of new law enforcement and security assistance positions. The embassy's attractive location, good infrastructure in the city of Manila and within the embassy compounds, and a changing policy climate, have combined to make it a magnet for new regional and bilateral positions.

In 1998, the embassy had 218 American and 1,049 locally employed positions. At the time of this inspection, the numbers had grown to 294 and 1,180 respectively, plus 58 EFMs. This 35 percent jump in American positions has not been paralleled by an increase in the numbers of locally employed support positions, which grew by only 12 percent in the same timeframe.

There is relatively thin documentation in the embassy's NSDD-38 files to explain the rationale for chief of mission approval of these new positions, or to clarify the disproportionate growth rates between U.S. direct-hire and locally employed support positions. On the surface, it appears that the NSDD-38 requests were considered as independent decisions rather than as part of the embassy's overall staff planning. There were two vigorous efforts to rightsize the embassy: the loss of a Department of State (Department) U.S. direct-hire program position as a result of the Global Repositioning Initiative, and a reduction in force (RIF) in the Global Publishing Solutions (GPS), formerly known as the Regional Publications Center, in Manila. Both of these reductions in staffing were spurred by external decisions, neither was generated as a result of a rightsizing exercise conducted by Embassy Manila. The weakness of the NSDD-38 process as carried out in Manila is apparent in the fact that the GPS's RIF and the realignment of American positions occurred without the NSDD-38 process required for all Department positions.

Without a robust and detailed NSDD-38 process, an Ambassador has an incomplete picture of the real impact of any staffing changes when making a decision to

approve or deny an NSDD-38 position request. As for guidance, the Department provides the *Guide for U.S. Government Agencies Planning Overseas Representation*, among other policy documents.

In December 2006, the embassy published a new NSDD-38 policy document in an effort to impose a more vigorous examination/justification process on all NSDD-38 proposals. While the new policy is an improvement, and the embassy did take the trouble to vet the draft policy with the Department, it still has several weaknesses. For example, it neither captures the full cost of proposed new positions to include any impact on the Department's assessed share of International Cooperative Administrative Support Services (ICASS) costs and increased program costs related to the regional security office, nor does it provide the Ambassador with a solid analysis of the substantive value of each proposed new position.

The OIG team noted that DHS has a pending request for five additional positions at Embassy Manila. The file indicates that a DHS attaché provided the Ambassador with a memo outlining the rationale for these five new direct-hire positions. The embassy used the ICASS partial year invoice module to estimate costs that DHS would need to agree to fund. The Ambassador was, on first view, inclined to approve that request, based on a cursory examination of policy and administrative factors. The material submitted to the Ambassador, however, did not include input from the RSO on increased costs to the Department or input from the embassy ICASS council. Nor did the memo explain to the Ambassador that while DHS would agree to fund their assessed share of the ICASS costs involved, the Department's share of ICASS costs would also increase, and it did not provide the Ambassador with an estimate of what those increased Department ICASS and program security costs would be.

Upon a more thorough examination, the OIG team found the value of the proposed positions was questionable. One fundamental issue was that the growth in DHS positions at this embassy has been piecemeal, precluding a comprehensive analysis of DHS programs and staffing. Moreover, the embassy does not make full use of its available resources to provide the Ambassador as complete a picture as possible of the impact of the increased DHS presence. In particular, there was no input from the LEWG or from the consular section, with which all DHS elements have daily interaction. Alternatives for centralizing some of DHS' routine name-checking work in the United States or elsewhere were also left unexplored.

**Recommendation 1:** Embassy Manila should provide the Ambassador the advice of the law enforcement working group, as well as that of the International Cooperative Administrative Support Services council, the consul general, and the regional security officer on the impact of the proposed new Department of Homeland Security positions. (Action: Embassy Manila)

In spite of the gaps in the embassy's NSDD-38 process, there have been some successes in the mission's efforts to rightsize; for example, the denial of a request for new positions in the Naval Contracting Office. The embassy's procedures for reviewing requests for staff changes under NSDD-38 could be improved and made more rigorous. One area for improvement would be to require agencies to seek chief of mission concurrence for significant changes in duties of individual positions, or for the addition of locally employed positions. Currently, the embassy requires coordination of office space and services for locally employed positions, but it does not require that an NSDD-38 decision memorandum go to the Ambassador unless the proposed change involves office reorganization or seems excessive. In the absence of a more thorough analysis, such an approach invariably leads to mission creep and denies the Ambassador the effective ability to exercise the presidentially mandated responsibility for ensuring that the official U.S. government presence overseas is kept as small as possible.

While changes in locally employed staffing may have smaller resource implications, an equally lax approach with American positions could have serious consequences. For example, in 2006, the International Broadcasting Bureau's (IBB) operations in the Philippines moved the work location of a U.S. direct-hire position from a remote transmitting site to the chancery. IBB simultaneously gave the position regional responsibility. Either the change in location or the substantial change in job responsibilities should have generated an NSDD-38 decision memorandum for the Ambassador's concurrence, as the OIG team noted in its separate inspection of the IBB Philippines transmitting station. The OIG team provided several informal recommendations to improve the embassy's NSDD-38 process.



## POLICY AND PROGRAM IMPLEMENTATION

### POLITICAL AFFAIRS

The political section generates a steady stream of timely and insightful reporting to official Washington audiences, and the section effectively advances U.S. government policies in a variety of arenas in the Philippines. Within the embassy, staff of the political section provide strong daily input to and leadership in various internal working groups that coordinate U.S. government programs and activities in key areas of the bilateral relationship. The managers of this relatively large section are experienced and very knowledgeable.

The section's reporting on developments in the Philippines receives very high marks from policymakers and community analysts in Washington. The Ambassador and DCM take a strong interest in the section's reporting, are keenly attuned to the needs and interests of Washington readers, and ensure that developments are kept in perspective. On the Ambassador's and the section's ability to outline strategies and propose options, the Bureau of East Asia and Pacific Affairs (EAP) told the OIG team that often the embassy has already sent in reporting, proposals for action, and proposed statements, before the bureau has even requested embassy input. EAP described the embassy's approach as unfailingly on target.

The political section's twin tasks of providing quality political reporting and promoting support for U.S. policies and objectives are formidable – due to the Philippines' broad and complex relationship with the United States, along with the country's tendencies toward political turbulence over the past century. Further complicating day-to-day work is the sheer size of the embassy and Manila's legendary bad traffic. With these factors in mind, the embassy supplements its country team meetings with weekly gatherings of roughly a half dozen working groups, which focus on clusters of related issues. Representatives of the political section are central players and facilitate coordination in virtually all of the various working groups. In addition, the political and PAS sections work directly together, meeting early each week to plan press guidance for the week and then following up with each other on a daily basis.



name of an alternative candidate. The system works: one such “hit” occurred during the inspection, the nominating U.S. agency withdrew its nomination, and a new candidate was quickly and quietly identified.

Two cautionary notes are in order. First, if the size of the LEWG continues to grow as rapidly as in the past two years, the number of training programs and attendant vetting volume is certain to rise. That will put mounting pressure on a system that is presently working at near perfection but is quite time-consuming. Second, as new elections approach in the Philippines, there is growing concern – in the United States and among international human rights groups – about the numbers of unexplained and unlawful “extrajudicial killings” of opposition politicians and left-wing journalists. The OIG team made an informal recommendation addressing this issue.

## ECONOMIC AFFAIRS

The embassy’s economic section provides well-targeted reporting that U.S. government trade negotiators value highly, and the section is actively promoting needed changes in the Philippines’ official economic policies. Working hand-in-hand with the sections representing three sister economic agencies – USAID, U.S. Foreign and Commercial Service (USFCS) and the Foreign Agricultural Service (FAS) – the economic section provides energetic advocacy support to U.S. exporters and potential investors in the Philippines.

The section handles bilateral and multilateral economic and business matters, as well as environmental, science, technology, and health issues. The section reports on developments in specific sectors – such as macrofinance and banking, trade and investment, intellectual property rights, aviation and maritime transportation, and mining – to officials in Washington responsible for the development of U.S. government policies in those areas. Portfolio assignments within the section were rearranged in the summer of 2006, after the section lost a position and all but one of the remaining officers rotated to other posts. The resulting workloads for members of the section are well balanced.

The economic section has been without a formal reporting plan for several years. Instead, the section’s reporting targeted developments as they unfolded. In an effort to make reporting less reactive and more methodical, the section’s approach is changing. Using discussions with other sections as a sounding board, the economic counselor is developing a list of obstacles to sustained and broad-based economic growth in the Philippines. The section will then rank order these items and use them as the nucleus of a new reporting plan. Meanwhile, the Department and the U.S. Trade

Representative's Office give high marks to the reporting on trade issues, in particular on intellectual property rights problems in the Philippines. For example, during the inspection, the U.S. Trade Representative's Office singled out with strong praise the embassy's special 301 report, a submission for a Congressionally mandated annual assessment of other countries' intellectual property rights enforcement efforts.

The bilateral science and technology agreement between the United States and the Philippines has only a five-year life and must be renegotiated in 2008. The negotiations could be a time-consuming, multiagency exercise for both parties. Promising new areas of bilateral cooperation, such as technology transfer and coal methane recovery, could be covered by stand-alone memoranda of understanding. The embassy could explore with the government of the Philippines the possibility of concluding an understanding to extend the bilateral science and technology agreement periodically by an exchange of diplomatic notes or to negotiate an annex to the agreement that would delete the five year periodicity. The OIG team made an informal recommendation addressing this issue.

Information flow within the section is excellent. Exchange of views and information with the embassy's three sister economic sections – USAID, USFCS, and FAS – is also quite good. In the fall of 2006, the four sections started meeting together weekly as an economic policy group to review recent economic developments and examine evolving trends.

Responding to Secretary Rice's call for transformation of the ways in which diplomacy is conducted, the economic section has begun moving to provide wider access to its product and to facilitate creation of a paperless office. After the Director of National Intelligence launched Intellipedia,<sup>3</sup> a U.S. government-only classified information-sharing Internet web site, the section began setting up web pages on topics of interest on which it was reporting, such as intellectual property rights developments, privatization of the power grid, and national competitiveness. At the same time, with the help of an assistance team that the Department sent from Washington, the section began updating its biographic files and moving them onto Intellipedia. The OIG team was impressed with the thoroughness and speed with which the section has implemented these changes.

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<sup>3</sup> Intellipedia, fashioned after the Internet's popular Wikipedia, is open only to U.S. government employees of a half dozen agencies, whose clearances have been verified. It is not to be confused with Diplopedia, an unclassified web site operated by the Department of State for its employees on its own Intranet system.

## COUNTERTERRORISM AND MILITARY COOPERATION

Counterterrorism and military cooperation are the embassy's highest priorities, and the Ambassador, DCM, and country team are making steady progress and achieving measurable success. (See section on executive direction for additional analysis.) Coordination of counterterrorism and security interests in the Philippines is a formidable challenge for the embassy. The Philippines faces security threats from international terrorist organizations, several of which the United States has designated as foreign terrorist organizations (see context section above), and from longstanding indigenous Muslim separatist movements. The Armed Forces of the Philippines (AFP) is actively engaged in combating those threats, particularly in rural areas of the south. However, its operational readiness is low and force modernization has been slow due to funding and resource constraints. The Philippine National Police, critical to urban counterterrorism operations, faces similar problems.

To help its long-time mutual defense treaty ally in that effort, the United States provides military assistance and supports numerous bilateral military exercises. U.S. grant military assistance financing in 2006 was \$33 million<sup>4</sup> for programs supporting comprehensive reform in the AFP and is expected to be between \$30 million-\$40 million in 2007. Of that, funding for training under the International Military Education and Training program alone will be \$19 million in 2007, making the program with the Philippines the third largest in the world. Joint combined bilateral exercise programs have also grown steadily, totaling 37 in 2006. The overarching goal is to bolster the defense capabilities of an ally and to accomplish U.S. strategic objectives in the global war on terror "through, by, and with" the ally, rather than unilaterally.

Central players in this effort include the following elements that fall under chief of mission authority or are active in the embassy: the Joint U.S. Military Assistance Group (JUSMAG), providing military training and transfers of equipment; the Defense attaché office, doing military reporting and advising the Ambassador; JSOTF-P, providing tactical assistance and support to AFP units directly engaged in combating terrorism; the Naval Criminal Investigative Service, assisting with port visits by U.S. naval vessels; the political section, doing political reporting on related developments and chairing a political-military working group under the country team; the PAS, handling press guidance and media events; and USAID, implementing assistance programs to reinforce peace efforts in conflict areas.

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<sup>4</sup> This total consists of the combined funding stream from Foreign Military Financing, International Military Education and Training, and presidential drawdown authority. Source: Joint U.S. Military Assistance Group Manila.



lion in the Philippines. USAID staff is comprised of 27 Americans and 119 locally employed staff. This made USAID the largest agency at post in terms of program budget and third in size of total staff.

Calling its program “Promoting Peace and Security through Diplomacy, Development, and Defense,” USAID directs 60 percent of its total assistance to the southern province of Mindanao – where the government of the Philippines faces a longstanding conflict with the local Muslim insurgents. Mindanao and the adjacent Sulu archipelago are home to a quarter of the population of the Philippines, and the region has by far the country’s highest levels of poverty. USAID’s projects are designed to deliver infrastructure, economic opportunities, health and education, and local governance.

As part of the Department’s new “F” process, the DCM led a two-month-long interagency exercise in the fall of 2006 to develop USAID’s operational plan for FY 2008. The final product integrated all the proposed development assistance funding to be implemented in country, including centrally funded programs of the Department. The operational plan, a document exceeding 240 pages, will greatly facilitate the embassy’s preparation of this year’s mission strategic plan. It also afforded the embassy an opportunity to renew its request, made earlier in 2006, for an additional \$46 million programmed over two years to provide a boost to on-going peace negotiations by assisting with the reintegration of insurgents and their leaders into civil society.

## LAW ENFORCEMENT COORDINATION

Coordination of the activities and agendas of the numerous U.S. federal law enforcement agencies represented at post is a monumental challenge. Drawing on the LEWG and ad hoc groupings that arise from it, the Ambassador and DCM have ensured effective and much needed direction.

The embassy is effectively coordinating the programs of a wide array of law enforcement agencies working in the Philippines. Underlying much of that activity are two important bilateral agreements. The first is the U.S.-Philippine mutual legal assistance treaty, signed in 1994, which has facilitated cooperation in investigations in both countries. The second is a bilateral extradition treaty, signed in 1997, under which there have been 11 people extradited to the United States and eight to the Philippines in the past five years.

Law enforcement entities presently represented at the embassy include: the Department's RSO; DHS's Immigration and Customs Enforcement, Customs and Border Protection, and Transportation Security Administration; the Department of Justice (DOJ) representative; DOJ's Federal Bureau of Investigation; DOJ's Drug Enforcement Administration; and the Naval Criminal Investigative Service.

The LEWG is the embassy's focal point for exchanges of information on and coordination of on-going activities in law enforcement. The DCM regularly attends the LEWG, but the DOJ representative, an assistant U.S. attorney serving as advisor on criminal legislation and treaty issues, chaired its meetings until his departure from post in mid-March 2007. The group has grown steadily over the past year, and it is now the largest of the embassy's working groups. Attendance frequently exceeds 25 persons. In addition to the law enforcement entities listed above, a number of other sections and agencies routinely attend. Given the size of the LEWG, much of the real coordination work is done in small gatherings just before or after the LEWG or by ad hoc subgroups set up to resolve issues at the working level. One example of the latter is the "Lions" (English for a Spanish acronym referring to badge carriers) that on average meet every three-four months to coordinate use of sources in cases that have potential for becoming politically sensitive.

Like the military of the Philippines, the Philippine National Police has suffered for years from inadequate resources and training (see section on security and military affairs). The Department is currently implementing a \$3.9 million law enforcement assistance project in the Philippines, using FY 2005 money. The project, funded by INL, will provide technical assistance, training, and equipment to the Philippine National Police.<sup>5</sup> A large component of the program includes establishing 10 model police stations throughout the country. By training, equipping, and mentoring officers as they rotate through on two- to three-year assignments, the model police stations aim to create a new cadre of highly professional police officers throughout the country. INL funds also are used to provide technical assistance, training, and equipment to the newly established Philippine Drug Enforcement Agency. Utilizing an anticipated total of \$3.8 million of FY 2006 and FY 2007 INL funding, the embassy plans to broaden its law enforcement program to improve police-prosecutor cooperation, judicial administration, and criminal case management. Funds will also be used to assist police investigators, prosecutors, and judges handling cases under the Philippines' trafficking in persons law (see political affairs section above). Mean-

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<sup>5</sup> Interestingly, the United States is not the only country that has moved to address the police force's need for additional resources. China has recently signed an agreement to construct barracks and housing, on concessionary terms, for police units throughout the entire country.

while, the Joint Interagency Task Force-West, using its own funds, has a \$3.9 million program to provide training and infrastructure for ground and maritime counternarcotics interdiction efforts by the Philippines.

Given the large numbers of American citizens in the Philippines and Filipinos in the United States, the RSO is a frequent participant in law enforcement activities, with cases including visa fraud, fugitives from U.S. justice, kidnappings of Americans, murder cases, and terrorism investigations. The political section oversees implementation of INL's programs and prepares Congressionally mandated reports on narcotics. It also coordinates the embassy's vetting of Filipinos nominated to receive U.S. government-funded training, a process that is covered in this report's section on political affairs. The economic section serves as the embassy coordinator for international terrorist financing cases.

An effective LEWG could play a role in developing input to the Ambassador whenever a law enforcement agency seeks to increase the number of its authorized positions or to change the functions of existing positions. One recent example would be the request from DHS Customs and Border Protection to create five new U.S. direct-hire positions. This subject is covered in the rightsizing section of the report.

## COMMERCIAL DIPLOMACY AND BUSINESS SUPPORT

Coordination among the economic section and USFCS, along with USAID, FAS, and the Agricultural Trade Office, is excellent. Together, these sections are providing effective day-to-day support to U.S. exporters and potential investors in the Philippines. Information exchange among the four units is excellent, and joint support for high-level U.S. official visitors is commendable.

The embassy's commercial support team is engaged and energetic. In particular, three players – USFCS, the economic section, and USAID – form what one U.S. company representative characterized to the OIG team as “the sturdy three-legged stool that helps us reach higher in this market place.” USFCS, from its business center in Makati, the Wall Street of Manila, provides the full range of services offered by the Department of Commerce. The economic section maintains in-depth expertise on key sectors of the Philippine economy and prepares studies such as its annual economic trends report, available on the embassy's Internet site. USAID runs programs that help the Philippine private sector to develop marketing skills and nudge the Philippine government to undertake reforms aimed at raising competitiveness.

Coordination within the embassy takes place smoothly. Export promotion and investment opportunities are routinely discussed at the Ambassador's weekly political-economic group. In addition, economic agency and section heads – as well as staff members – meet weekly at the economic policy group, where the economic counselor leads discussions of topical issues (see section on economic affairs).

At times, other agencies and sections join in the effort to promote U.S. commercial interests. These include PAS, JUSMAG, DOJ's representative, the Federal Bureau of Investigation's legal attaché, and the U.S. executive director at the Asian Development Bank. For example, JUSMAG was instrumental in facilitating a \$91 million purchase by the government of the Philippines – using host nation funds – of high frequency tactical radios for the Philippine army. This was the largest single overseas sale to date for the American company that produces the radios.

The Ambassador is a strong advocate for U.S. business interests. When called to weigh in on behalf of an American company, she does so quickly, directly, and with a light touch that is very effective. For example, at an American aviation company's request, she made several calls to ensure that planned purchases by Philippine Air Lines, a private company, gave fair and full consideration to the U.S. competitor. More recently, she has lobbied the government concerning the terms on which Transco, the government-owned power transmission company, will be privatized so as to ensure a level playing field for an American consortium.

The large, active American Chamber of Commerce in Manila is proud of its history as the first such chamber in Asia and the second in the world. Senior members of the embassy staff regularly attend board and committee meetings. During the inspection, the Ambassador, who is an honorary chair, hosted a quarterly reception at her residence for officers of the chamber. She also accepted an invitation to be the guest speaker at the organization's annual membership luncheon.

## PUBLIC DIPLOMACY

PAS is well integrated into mission goals and objectives and effectively conducts a full range of public diplomacy programs. With strong support from the section, the Ambassador's frequent outreach efforts get high-profile coverage in print and electronic media. This media coverage has proved a successful method of conveying the mission's core messages to millions of Filipinos. The section's American officers

display an enthusiastic attitude towards their work and provide strong leadership for the locally employed staff. Together, the section's staff has responded with innovative solutions to the challenges posed by the Philippines' vigorous free press.

## Opinion Analysis

The section has contracted with "Social Weather Stations," a local opinion survey firm, to conduct quarterly polls of Filipino attitudes towards the United States. The surveys, which include a national sample of 1,200 adult respondents, help the section to identify areas needing attention as well as those showing improvement. The latest available survey for the fourth quarter of 2006, revealed that about four-fifths of the respondents identified the United States as the Philippines' most reliable ally. Three-fourths said the United States is the nation that provides the most effective assistance of any nation providing aid to the Philippines. However, when it comes to the area of trade relations, the United States is ranked below the cluster of East Asian countries as being an open market for Philippine goods. This independent opinion analysis has proved to be an effective tool for identifying programming subjects and audience segments.

## Coordination with the U.S. Agency for International Development and the U.S. Military

Unusually strong cooperation and coordination exist between PAS, USAID, and JUSMAG. Weekly meetings to implement transformational diplomacy, which include the Ambassador, plan public affairs strategies for the three. A JUSMAG public affairs officer has an office in the PAS, resulting in daily ongoing interaction and collegial cooperation. The USAID managers have a positive relationship with the PAS. They noted to the OIG inspectors that the section has been helpful in arranging media coverage of USAID events and visitors.

Special commendation goes to the PAS for devising a creative approach to manage the high-profile media coverage of an alleged rape of a Filipino woman by a U.S. marine in November 2005. The section worked closely with PACOM, which ramped up its deployments to the Philippines following the incident. Each of the deployments conducted high visibility community relations and medical assistance activities. The PAS staff highly publicized these events and drew extensive media attention that resulted in positive reporting. By focusing media attention on these social service activities, the PAS significantly contributed to a gradual diffusion of negative reporting.

## Protocol

The protocol staff of the embassy, which is integrated into the PAS, is responsible for an embassy contacts database containing some 13,000 names. That staff is also in charge of events management and protocol related matters. Mission elements can input directly and retrieve data, but the protocol staff monitors and maintains the database to ensure that it is current and useful. The embassy is using the Department's American Embassy Suite of Programs that was developed at the Frankfurt regional center, and finds it fully meets mission needs. The OIG team commended the embassy for its superb efforts in developing, maintaining, and exploiting the contacts database.

## Locally Employed Staff

While the section's American officers are stretched thin keeping up with increasing demands on their time and routinely working extra hours, the locally employed staff includes an inordinate number of low-level employees engaged in tasks of marginal value. Such tasks at one time may have been essential, but they have been overtaken by technological advances. Additional locally employed staff with the education and experience needed to conduct professional level work would help to relieve the officers' burden. The section had four vacancies as of March 2007 because individuals had retired or obtained special immigrant visas. Eight more FSNs will become eligible to retire during the next several years.

**Recommendation 2:** Embassy Manila should review the responsibilities of locally employed staff in the public affairs section to evaluate which positions have been superseded by technological advances and which local employee professional responsibilities are being left unmet. Upon completion of this review, Embassy Manila should develop and implement a plan to reclassify or eliminate low-level positions of marginal value. (Action: Embassy Manila)

## American Corners

A key tool in the public diplomacy arsenal at the embassy is the sponsorship of 14 American Corners located in widely dispersed parts of the Philippines. American Corners provide collections of books, magazines, and music, as well as on- and off-line databases from and about the United States. Most of the American Corners have computers, television, digital videoconferencing capabilities, and programming space. Prior to the Department's establishment of American Corners, the embassy had set up American Studies Resource Centers that were mini-information resource

centers but lacked programming spaces. These facilities, the first of which opened in the Philippines in the mid-1980s, have been converted to American Corners. Three are under performing and struggling to adjust to changed circumstances. The PAS is working closely with the under performers to improve their programming. The OIG team discussed the situation with section officers and is satisfied that they will not hesitate to cut those American Corners failing to meet expectations.

The De La Salle University American Corner located in Manila charges a fee of 100 pesos, about \$2, to the general public for entering the library facility in which the American Corner is housed. While the fee is to enter the library building, no exception is made for visitors solely going to the American Corner. Students and faculty of the university as well as of other universities belonging to a Manila consortium are not charged. While this fee runs counter to the concept of an American Corner, there are reasons for allowing this American Corner to continue. De La Salle provides excellent programming venues at no cost to the embassy that include an auditorium seating 1,000, classrooms, and medium-sized meeting rooms in a convenient location served by public transportation. PAS officers are aware of this situation and have unsuccessfully requested the university to discontinue the fees. An informal recommendation addresses the issue.

Of the 14 American Corners throughout the Philippines, only the one at De La Salle University is in the greater Manila area. Because there are 10 to 12 million residents in the metropolitan area, one American Corner in Manila cannot possibly reach a substantial part of the potential audience. Formerly, the U.S. Information Service operated the Thomas Jefferson Library in downtown Manila, outside the chancery compound. The library was a useful cultural and educational programming venue and a popular gathering spot for university-age Filipinos. With its closure in 1998, the mission lost a tool for reaching large numbers of Manila residents. Despite creative outreach efforts, the gap left by the closure of the library has never been entirely filled. Moreover, De La Salle is a private university with the reputation of being an elite school, whose exclusivity is a limiting factor in drawing patrons. Establishing an additional American Corner in greater Manila at a public university could target the larger untapped audience lost with the closure of the Thomas Jefferson Library.

**Recommendation 3:** Embassy Manila, in coordination with the Bureau of International Information Programs (IIP), should establish and support a second American Corner in the greater Manila area, preferably located at a public university serving a different demographic than the American Corner at De La Salle University. (Action: Embassy Manila, in coordination with IIP)

## Information Resource Center

While successful in reaching the embassy's key individual and institutional contacts, including host country government and nongovernmental organizations, the information resource center could do more to serve embassy personnel. A few embassy officers are aware of and use the information resource center regularly, but the majority does not. Upon arrival at post, personnel receive some material on information resource center services, but more is needed.

**Recommendation 4:** Embassy Manila should develop and implement a plan targeted to its personnel explaining the information resource center's available services and encouraging the center's use. (Action: Embassy Manila)

The information resource center has developed American Shelves, a package consisting of three to five feet of books, which it has distributed to 34 libraries throughout the Philippines. This widely sought collection contains U.S. government publications, including those of the Department's Bureau of International Information Programs. The collection provides outreach opportunities in a wide variety of locations, many of which are distant from Manila and require time-consuming travel to reach. The Bureau of International Information Programs has recognized the American Shelves as a Best Practice on its web site.

## Other Programs

The PAS carries out a full range of educational and cultural programs throughout the country and does them well. Sections and agencies in the embassy value the International Visitor program and actively participate in the selection committee. Moreover, the program has an active alumnae group whose members are regularly included in guest lists for embassy functions.

The section makes good use of the U.S. Speakers and Specialists program. About six months ago, the section joined a pilot post group sponsored by the Under Secretary for Public Diplomacy, which has increased the number of American speakers. The pilot post speaker program is targeted at Muslim populations.

The Philippine-American Educational Foundation is well run and has an active, supportive alumnae association with about 1,800 Filipino and 750 American members. The foundation provides quality educational advising services. The public affairs officer serves as chairman of the foundation board, and the cultural affairs officer serves as its treasurer. These officers provide active support and monitoring for the foundation's activities.

In addition to the formal public diplomacy activities conducted by the staff of the section, the embassy has an active public diplomacy program that uses officers from other parts of the embassy. For example, consular officers use their in-country consular travel to conduct informal outreach activities. The embassy community also conducts an active charitable program that has the collateral benefit of showcasing traditional American philanthropy.

## VIRTUAL PRESENCE POST

In 2004, the embassy established Virtual Consulate Davao to expand contacts with the residents of that Mindanao city. As a virtual presence post, it seeks to reach outlying areas with minimal resources. Consisting of a web page supplemented by visits from mission officers, the virtual consulate's goals are to support American citizens and foster increased cultural and community relationships with Filipinos.

As currently constituted, Virtual Consulate Davao is contributing little to mission goals. It is little more than an occasionally updated web site. Although the mission has conducted some programming in the area, the work has not been adequately advertised, or tied into other parts of, the web site. Moreover, the web site is not interactive and lacks chat capability. Discussions with embassy officers revealed that an effort targeted at the larger area of the Mindanao region would be more desirable as it is home to a substantial part of the Muslim population of the Philippines.

**Recommendation 5:** Embassy Manila should evaluate the costs and benefits of continuing the virtual presence post and should either eliminate Virtual Consulate Davao, or develop and implement a plan to expand the virtual presence post to all of Mindanao in order to create a tool that contributes to mission goals. (Action: Embassy Manila)

## CONSULAR AFFAIRS

Consular officers in training cut their teeth on Manila's legendary consular workload. Manila's immigrant visa (IV) workload is the second highest in the world. Its nonimmigrant (NIV) caseload is in the top five and its passport workload in the top 10. During one week of the inspection, the American citizens services (ACS) unit initiated the detection and arrest of a federal fugitive, coordinated the removal of four American citizen children from an abusive household, and handled a para-

noid schizophrenic incident in the waiting room, along with the more routine death, arrest, and passport cases. Fraud and corruption permeate consular work in the Philippines, making an already high workload doubly complex. The domestic terrorist movement in the southern islands and the potential for the Philippines as a nexus of international terrorist activity require visa officers to be particularly vigilant to border security. DHS's Immigration and Customs Enforcement has established a VSU at the embassy to review visa cases from a counterterrorism perspective. Despite the consular section's heavy workload, its outmoded and bifurcated workspace, a plethora of inexperienced officers, and the pressure of a year-round busy season, the OIG team found a remarkably productive and service-oriented operation. The consular officers and locally employed staff were uniformly enthusiastic. The section's managers have made it a point to meet one on one with each of the approximately 150 consular staff, a phenomenon that even the most senior Filipino employees had never before witnessed in their many years at the embassy. Management has also found ways to use its FPU investigation trips as a tool of transformational diplomacy (see the FPU section of this report.)

## Consular Management

The twin issues of ELO development and the unceasing pace of visa work dominated the consular portion of the inspection. For a number of years prior to January 2007, Manila offered officers serving consular tours the opportunity to undertake excursions of four to six months in other sections of the embassy. Lengthy wait times for NIV appointments and a surge in IV caseload forced an end to the popular excursion program, with the exception of one consular position that serves as a staff aide to the Ambassador and DCM on a six-month rotational basis. The Ambassador, DCM, and the consular managers have, however, found creative ways to provide ELOs with professional development opportunities as control officers, site coordinators, report drafters, and event planners.

ELOs in the NIV section have been hesitant to volunteer for these broadening assignments because they each need seven to eight hours on the NIV interview line each day to address the visa demand, and they do not want to impose a greater interviewing burden on their colleagues. This affects morale among NIV officers—the largest single officer contingent in the consular section. Although the excursion program ended less than two months before the onset of the inspection, the NIV officers had done an outstanding job of reducing the interview wait time to less than one week and held the wait time to less than 10 days during the traditionally heavy March-April application season. Consular managers were still adjusting the NIV process and working on ways to streamline the interviewing process further as the

inspection concluded. The OIG team devoted a number of counseling sessions with consular management to techniques for creating a more equitable division of visa work, providing variety in the work day, and minimizing burnout for officers who spend a year or longer conducting NIV interviews.

## Training and Morale

With intense workloads like Manila's, training and communication are essential. Consular management could devote more effort to both. More than 100 locally employed staff work in the consular section, and obviously not all can participate in Foreign Service Institute training courses, but the section has made an effort to include its staff in every possible training opportunity. The training plan for locally employed staff is excellent; and all the local staff are or have been enrolled in online training courses. Consular management oversees the ongoing training of its consular ELOs less rigorously.

All newly arrived officers have a two-week introduction to life at post, including a full round of courtesy calls capped off by functional training. As is often the case elsewhere, by the time the new officers get to spend a full day in the consular section, they are already needed urgently on the interview line, and the consular portion of their training is curtailed. Most new consular officers begin in the NIV subunit that handles seafarer visas. There they familiarize themselves with the computer systems, the local documents, and the pace of interviewing, which is an excellent initiation into the visa process with a homogeneous and generally bona fide clientele. After a few weeks, they move into the larger NIV unit and begin to handle all other types of NIVs. They do so, however, with little training in the new types of visa categories where refusal rates are much higher and regulations are more complex. Consular-coned officers normally rotate among at least three of the four units (NIV, IV, ACS, and FPU) during their two-year tours, but nonconsular-coned officers spend one year each in the NIV and IV units.

The time an ELO spends in the NIV unit influences that officer's attitude toward consular work and hones his or her consular and management skills for future assignments. Yet new NIV officers are essentially trained by their only slightly more experienced colleagues. Although FPU conducts a valuable half-day training segment for NIV officers, this is most often offered several weeks into the NIV rotation. There are periodic adjudicators meetings with the NIV supervisors to discuss the interview process but little day-to-day supervisory oversight of interviewing officers, other than the occasional question about how things are going or the encouragement to pick up the pace. The NIV unit's managers do not schedule themselves to do interviewing on a regular basis. As a result, they lose opportunities to train by

example, build morale by sharing the interview burden, and evaluate the process by participating in it. If the NIV managers occasionally stepped into an interviewing slot, an ELO could volunteer as a control officer without cutting back on appointments or putting additional pressure on the remaining ELOs. The impact on morale would be palpable.

Morale is significantly higher in IV, ACS, and FPU where the managers work alongside the ELOs, regular meetings facilitate the dissemination of information, and officers are able to manage a certain amount of noninterview time each day. All the units have developed comprehensive, post-specific SOPs for officers and locally employed staff. With the exception of the SOP governing the VSU-FPU relationship, these SOPs are excellent and frequently consulted resources, used in tandem with the Bureau of Consular Affairs' (CA) worldwide guidance.

## Space

The OIG team did not dwell on consular space issues because the consular section is scheduled to move into a new annex building in the next three years. This move is desperately needed to reunite the widely dispersed consular staff, rationalize workflow, provide adequate and accessible file storage, improve security, and provide adequate private space for the FPU. (See classified annex for a discussion of security issues.)

Consular management has done an admirable job of dispersing officers to the far corners of the section to provide lines of sight for all the functions. One exception is the consular cashier, who is tucked into a corner of the IV unit, behind a bank of interview windows. Installation of a camera in the cashier's booth could easily rectify this deficiency.

**Recommendation 6:** Embassy Manila should install a surveillance camera in the consular cashier's booth and locate the monitor so that it can be periodically and randomly monitored by a consular officer. (Action: Embassy Manila)

## Staffing

Since FY 2001, the embassy's locally employed consular staff has grown by 25 percent. Two new FPU investigator positions have been funded for FY 2008 (see discussion of FPU in this section). With continued attention to management

improvements, the consular section should be able to cope with steady workload growth for a number of years. At the time of the inspection CA had, in fact, decided to abolish one officer position in Manila as part of its global consular repositioning initiative.

Each unit has a mid-level manager and a deputy, in addition to the consul general who provides overall coordination. This supervisory force represents approximately 25 percent of Manila's total consular officer contingent. While most of the unit managers provide occasional customer service to supplement the ELOs, consular management has not taken concrete steps to ensure that all unit managers incorporate an appropriate number of customer service hours into their work schedules. The OIG team provided an informal recommendation on this issue.

The section is fortunate to have a dozen EFM positions funded and filled. These EFMs provide services ranging from biometric fingerprint capturing to security advisory opinion preparation and office management responsibilities. Although most of the EFM positions are at the same grade level, some of the jobs are more repetitive than others. An EFM may spend eight hours a day for two years capturing fingerprints, for example, when another colleague at the same grade level is handling sensitive public inquiries or collecting information for the weekly report to the Ambassador. Consular management has not reviewed the EFM program to provide flexibility, cross training, and a variety of work experience to those employees. The OIG team made an informal recommendation in this respect.

In a similar vein, the two large visa units have elaborate chains of command and staffing ladders for their many locally employed staff. In some cases those structures do not encourage cross training, and in other cases they have created situations where staff doing more responsible work are, in fact, working in positions graded lower than those with less responsible work. The OIG team made an informal recommendation on this issue. Additionally, the OIG inspectors suggested that the NIV unit consider randomly rotating members of the processing and support teams through various functions, thereby creating a cadre of completely cross trained staff at the same grade. This would provide the added advantage of creating a built-in deterrent to malfeasance.

## Nonimmigrant Visas

Even if its officers keep appointment wait times to a minimum, there are so many unexplored fraud vulnerabilities and so much workload growth in new areas that NIV personnel will always be running to remain one step ahead of the deluge. Management's biggest challenge is to find ways to use its officer resources not simply

to conduct interviews but also to identify vulnerabilities, establish expertise in the more esoteric visa categories to facilitate application of the regulations, and ensure efficacy of visa adjudications.

Seafarer visas, numbering 60,000 per year, account for approximately 30 percent of Manila's annual NIV issuances. The majority of those visas are renewals for professional seamen of many years who staff cruise ships and cargo vessels. Manila is just beginning to organize a process to expedite these repeat travelers, which should free up officer resources to devote more attention to first-time seafarers and other visa categories, as described below, where rapid growth may be camouflaging fraudulent activities. During the inspection, a consular-DHS working group was cooperating on new ways to detect schemes to smuggle illegal workers to the United States through the seafarer visa process, focusing on first-time applicants for seafaring jobs. Even if a number of recruiting agencies are censured and more applications are refused as a result of this new effort, it will always be important for consular management to have a system in place to validate the seafarer visa process because new schemes will spring up to replace the old ones.

The NIV unit has also seen explosive growth in two other visa categories: the H2B temporary worker category and the E2 treaty investor category. In the case of the H2B workers, for the past two years Manila has received an increasing number of visa applications to fill seasonal shortages in the hospitality industry. The unit is also being inundated with requests for E2 visas for welders and other skilled but not uniquely specialized workers. The FPU is beginning to look for fraud trends in these visa categories, and the NIV unit is refusing increasing numbers of applications for H2B and E2 visas. There have not yet been any validation studies to assess the return rate of the previous contingent of workers, and there is little hard data to show which applicants are using their visas properly and what types of applicants are not. The inspection team made an informal recommendation that Embassy Manila undertake a targeted validation study.

The embassy's referral program is up to date. The recent version of CA's referral guidelines has reduced the type B referrals significantly, and the program appears to be well managed. The consular section oversees an active Visas Viper program and participates in the LEWG.

## Immigrant Visas

Manila's IV unit started FY 2006 trying to whittle down an 11,000 case backlog at the National Visa Center. That backlog resulted from a 300 percent increase in the number of petitions approved by the U.S. Citizenship and Immigration Service

and a program to recruit 50,000 foreign trained nurses, of which the Philippines is the largest supplier. At the time of the inspection, the backlog had been effectively eliminated. In addition, the IV unit had taken steps to reduce unnecessary documentary refusals, speed up the review of reconsiderations, and streamline the labor-intensive IV process. If the IV unit had more interview windows, it could undoubtedly produce more IVs per day, but it appears to be operating at peak capacity given its current infrastructure constraints.

The unit's locally employed staff work together like a well oiled machine. The consular management portion of the report discusses the need for some review of work responsibilities at the 6 and 7 grade levels. There is a grade 11 position for an overall local supervisor that has been vacant for some time. The three grade 10 team coordinators work well together, and each has direct access to the American supervisors. However, the grade 11 position, if it were filled, might add an unnecessary management layer to a well functioning operation. The OIG team made an informal recommendation on this issue.

The IV unit is not immune to fraud. In fact, most of the FPU's work involves investigations of relationship fraud referred by the IV unit. There is an efficient process for referring cases for immediate in-depth interviewing by an FPU investigator and for suspending cases requiring field investigations. (See FPU section of this report.)

## American Citizens Services

The workload of the ACS unit is one of the largest in the world. An estimated 150,000 to 200,000 American citizens reside in the Philippines. It is not possible to determine a more precise figure because returning Filipino-Americans often reintegrate into local society and are not easily identified. The ACS unit handles the full range of consular services, recording approximately 105,000 services in FY 2006. Management recently assigned a staff member to handle victim assistance, a necessary focus in this high crime country. ACS workload increased 21 percent from 2002 to 2006. Although ACS staffing is adequate for the current workload, consular management will need to reevaluate staffing levels if workloads increase further.<sup>6</sup>

The ACS management is passionate about its work, and that is clearly reflected in the unit's effectiveness. The current deputy will become chief in July 2007 upon the incumbent's departure, providing valuable management continuity. Senior FSNs

<sup>6</sup> The Department of Veterans Affairs and the Social Security Administration have large offices in Manila. Many consular sections worldwide provide federal benefits assistance to U.S. citizens, but in Manila these complex workloads are handled by the agencies directly.

have been in their present positions for periods ranging from seven to 23 years, and job satisfaction is high because of the work environment. This was evident when there was a question about who would pay to ship a recently discovered human bone to the United States for forensic evaluation and possible identification as a U.S. serviceman missing in action. The staff decided that if the question could not be resolved quickly they would take up a collection to “send the bone home.” The positive experience of working in ACS Manila has led one second-tour officer to think about changing to the consular cone. Another nonconsular-coned officer stated that his job satisfaction is much higher than he anticipated, commenting to the inspectors that, “...this is not what I was led to expect back in Washington...”

The workload is well managed, with almost all nonemergency services handled by appointment. Passport appointments were five days out and consular reports of birth abroad appointments about eight days out at the time of the inspection. A random sampling of passport, consular reports of birth, repatriation, death, and welfare/whereabouts cases showed the files to be well organized, easy to follow, and current. Files are retired in accordance with Department procedures.

Most of the staff found the ACS Plus system to be very helpful in tracking and verifying services but also time-consuming to use because of the amount of data that must be entered. They found it less useful for gathering data for reports because of inaccuracies necessitating the continued use of cuff records. There is also a problem with the inability to print several of the ACS Plus screens. These areas of concern have been raised with CA and will be addressed in the next system release.

## Citizenship and Passports

The United States has a long and unique history with the Philippines resulting in very complex claims to U.S. citizenship. The high fraud environment results in some of the most labor intensive and challenging cases in the world. Fraudulent documents of excellent quality are readily available from a variety of vendors, and civil documents are often unreliable. The citizenship and passport staff is skilled at identifying such documents.

Applications are received via courier and reviewed for completeness before an appointment is authorized. Applicants are advised of the need to produce any additional documents before their appointment time. This preinterview document review has improved workflow significantly.

## Special Consular Services

The sheer number of Americans either resident in or touring around the Philippines guarantees steady activity in all special consular services categories. Such services include judicial assistance (most often extradition requests), notariats, voting assistance, repatriations, arrests, prison visits, registration and warden system, victim assistance, deaths, and crisis management.

A consular officer visits detainees held in the immigration detention center in Manila monthly and those imprisoned in the provinces at least quarterly. Provincial visits are often scheduled simultaneously with outreach or other activities to make best use of travel funds. An inspector was able to accompany consular staff on one prison visit to assess the process and the embassy's responsiveness to prisoner needs. A significant percentage of the U.S. detainees in the Philippines receive supplemental emergency dietary and medical assistance through a program managed by the ACS unit.

Among the more difficult cases are deaths involving competing estate claims from next of kin in both the United States and the Philippines, who in some cases may not have been aware of the other's existence prior to the American citizen's death. These cases are especially sensitive when they involve two or more sets of spouses and multiple claims on large estates. While the facts change from case to case, the consular staff devotes a lot of time to resolve each in accordance with inheritance law.

The only ACS area that may need more attention is the warden system. Over 100,000 U.S. citizens are formally registered with the embassy. The embassy divides these registrants into smaller contingents for emergency contact purpose, and each group is coordinated by a volunteer warden. There are a large number of retired U.S. military service members living in the Philippines who belong to U.S. retiree associations in the communities where they live. These associations often help the members with payroll, insurance, medical, and other services to which they are entitled based on their former U.S. military status. Some of these associations charge dues while others exist on donations. Some of these associations are, incidentally, headed by embassy wardens, prompting concern among the OIG team that U.S. citizens occasionally might believe that one must be a member of the retiree association to be part of the embassy's warden network. The OIG team discussed this with the ACS staff who will take steps to ensure that all U.S. citizen registrants understand that no dues or any other type of fee needs to be paid to wardens for emergency contact services. The inspector suggested that information to this effect be included with registration applications, appear periodically on the web site, and be discussed at the next general warden meeting.

## Consular Agency — Cebu

The consular section oversees one consular agency, located in the southern city of Cebu. The agency has one part-time consular agent and one full-time locally employed staff member, who serve the 3,000 U.S. citizens in the consular district as well as Filipinos requiring nonvisa services. The agency also carries out a robust commercial and public affairs agenda. The consular agent recently increased his hours from 25 percent to 55 percent of a notional full-time position, based on the recommendation of a consular management assistance team. Communication between the consular section, primarily the ACS unit, and the Cebu agency is excellent and occurs almost daily. In addition, the consular agent visits the embassy regularly, and there is office space at the agency reserved for the frequent visits by embassy personnel.

The consular agency provided approximately 1,500 consular services in FY 2006. It is located in a hotel with adequate space for the present workload. Some of the space is being used to store furniture and equipment from the former U.S. consulate. The OIG team made an informal recommendation that Embassy Manila review expendable and nonexpendable supplies at the consular agency and discard obsolete items. Some of the agency's office space is used to store personal effects of deceased Americans until final disposition can be determined. Occasionally these effects are stored for long periods of time while awaiting instructions from the next of kin. To ensure that such effects are not held for extended periods of time, the ACS chief has agreed, that after appropriate notice to next of kin, a disposition schedule will be established that would allow for local donation or shipment to Manila of any effects that have been determined to be abandoned.

The consular agency had been retaining old files for up to 10 years. The OIG team counseled the consular agent on proper files management and provided consular section and Department disposition schedules. Disposal of older files was taking place during the inspection. The OIG team made two informal recommendations about the storage and disposal of various agency files.

The office is adequately equipped except for the current cash register. A few months prior to the inspection ACS advised CA that there were problems with the Cebu cash register, which was skipping a few invoices each month. At that time ACS was advised that a version of the Automated Cash Register System modified to meet the needs of consular agencies would replace the defective cash register as soon as it was ready for deployment. Efforts by the inspectors to determine when the new equipment would be ready revealed that it is in its "very final stages of development." As the older equipment continues to deteriorate, the agency's fiscal accountability processes could become more vulnerable to malfeasance. (b) (2)(b) (2)



of ACS referrals to the FPU. This means that the FPU focuses primarily on relationship fraud referred by the IV unit and on NIV fraud schemes that may lead to organized alien smuggling efforts.

The embassy was a pilot mission for the A/RSO-I program, which focuses on fraud investigations that could lead to either local or U.S. arrests and prosecutions. The A/RSO-I, whose office is located within the FPU, attends all FPU meetings and a weekly meeting between all DHS elements and consular management. A locally employed investigator, funded by the Bureau of Diplomatic Security, will join the A/RSO-I in FY 2008. This will put pressure on the FPU's limited space. The unit is already in three separate locations, including a former file room. The move to a new annex cannot come too soon for the FPU in general and the A/RSO-I operation in particular.

In FY 2006, the FPU averaged 76 cases for field investigation each month. There was a large backlog that the staff began to address a few months ago. The goal has been to reduce the wait time for field investigation to less than 90 days. There was an aggressive schedule to achieve that goal within a month.

The office has a robust outreach schedule. In addition to neighborhood investigations relating to specific fraud cases, investigation trips may include: training of airline, airport, and local immigration staff; speeches to civic groups; prison visits; and courtesy calls on local authorities. FPU maintains a roster of officer volunteers that come from all the consular units and sometimes from other sections of the embassy. These volunteers are then paired with Tagalog-speaking investigators, and the team receives briefings or training related to the particular assignment. Multitasking on each investigation visit has resulted in effective use of travel resources for people and money. Reports from ELOs who have been out on these investigation trips have been enthusiastic on a number of fronts. Not only has the investigation backlog been pared down, but the ELOs have had the chance to represent the embassy in a variety of diplomatic activities that would not normally be available to new officers. As one recent returnee described the experience to the inspectors, "I felt like a real diplomat for the first time." The embassy has also found a way to turn its FPU trips into opportunities for transformational diplomacy and deserves kudos for that initiative.

**BEST PRACTICE:** Development of Case Tracking System

**Issue:** The unit has files for several hundred potential fraud cases at any point in time. The cases represent all types of fraud attempts using many different schemes. These cases are of special interest to different DHS law enforcement units or to other law enforcement agencies at post. The high level of interest in FPU's cases resulted in a high volume of inquiries, either by telephone or in person, to determine case status. Inquiries were disruptive and pulled FPU staff away from efforts to reduce backlogs and resolve cases.

**Response:** The staff tried several things to reduce the number of interruptions and settled on a case tracking system using spreadsheet software. The system is updated as actions are taken or information is received about a case. All offices within the embassy community with a need to know have access to the case tracking system.

**Result:** All law enforcement elements that need to know how certain cases are advancing can access the tracking system to get regular updates. This has improved FPU staff productivity as well as providing real time communications to other agencies with an interest in the process.

The reporting structure within the consular section presently has the fraud prevention manager reporting to the IV unit chief. The FPU serves all the consular units and should report to the consul general, as do the other unit chiefs. This is standard practice in consular sections with independent FPUs.

**Recommendation 8:** Embassy Manila should realign the fraud prevention unit to have the manager report directly to the consul general. (Action: Embassy Manila)

## VISA SECURITY UNIT

The VSU, a DHS Immigration and Customs Enforcement program, was established in October 2005 to support Manila's counterterrorism program and to ensure that law enforcement expertise focused on visa security from the counterterrorism perspective. At present there are only a handful of VSUs worldwide. Despite some growing pains, the VSU in Manila works productively with the FPU and with the A/RSO-I. As mentioned earlier, the FPU receives referrals for fraud investigations from the NIV and IV units. The FPU in turn channels those cases either to the VSU, to the A/RSO-I, or reserves them for in-house FPU investigation depending on the nature of the case. In general, this system works well. Sometimes, however, there is overlapping responsibility for a case and an unintended failure to notify one of the interested parties that another is taking action on a case of mutual interest.

In addition to FPU referrals for specific cases, the VSU receives both NIV and IV refusal and visa issuance data automatically throughout the day. That data is then run through additional law enforcement databases, not available to consular officers, as a safety net. On occasion, the DHS database comes up with adverse information that was not available to the interviewing consular officer. If these supplemental name checks reveal information that warrants further development, VSU may take additional action, including in-depth interviews with the visa applicants and liaison with Philippine police authorities. Unfortunately, the multiple law enforcement databases do not talk to the consular database or to each other. This often results in the same traveler being flagged by three or more systems: the consular system, the VSU system, and finally, by a border inspector when the traveler enters the United States. Because many of the database hits are mismatches for persons with similar names, this lack of system interoperability can both impede bona fide travelers and generate inefficiency within the U.S. agencies. DHS has access to the Department's consolidated consular database, but the reverse is not yet the case.

VSU shared several cases with the OIG inspectors involving visa fraud or criminal activity. Some of the cases had a counterterrorism component, but many appeared to be cases involving intending illegal immigrants using fraudulent means to document their visa applications. There is no way to know at the outset what direction a case might take, and VSU regularly hands off jurisdiction to other law enforcement entities once it is clear that a case has no counterterrorism component. Within the embassy, the consular section and other embassy offices, however, regularly ask the VSU to assist in information gathering on a wide variety of cases simply because VSU is present. At non-VSU embassies, other agencies would be the initial points of contact to develop information on cases involving criminal or money laundering





RESOURCE MANAGEMENT

Agency	U.S. Direct-Hire Staff	U.S. Eligible Family Members*	Local Staff	Total Staff	FY 2006 Total Funding U.S. Dollars
Department of State (D&CP)	126	10	109	245	6,497,400
Machine Readable Visas	5	12	32	49	1,219,400
ICASS	12	21	400	433	9,706,100
Representation					74,500
Public Diplomacy	5	1	30	36	1,185,700
Diplomatic Security	4	1	8	13	1,425,200
State Dept Rent and Building Maintenance (OBO)	2			2	9,160,500
Global Publishing Solutions	1		52	53	4,100,000
American Battle Monuments Commission	2		39	41	1,243,148
USAID	27	6	113	146	94,232,124
Defense Attaché's Office	14		4	18	590,500
JUSMAG	26	1	6	33	1,741,692
Fleet Post Office	5	2	2	9	130,500
Naval Criminal Investigative Service	5	1	3	9	309,700

~~**SENSITIVE BUT UNCLASSIFIED**~~

DHS	15	1	11	27	378,000
Foreign Agricultural Service	2		4	6	543,000
USDA Agricultural Trade Office	1		4	5	N/A
Animal and Plant Health Inspection Service	1		3	4	201,350
Board of Broadcasting	6		104	110	5,168,700
Library of Congress			3	3	56,130
Veterans Affairs	10		177	187	11,649,140
Social Security Administration	1		35	36	390,007
Foreign Commercial Service	3		20	23	970,300
Asian Development Bank**	4	1	1	6	***
Peace Corps	3		5	8	2,175,400
Dept of Justice (DOJ)	2		1	3	161,200
Drug Enforcement Administration (DOJ)	3		1	4	252,368
Federal Bureau of Investigation (DOJ)	5			5	N/A
Department of Transportation			1	1	N/A
Centers for Disease Control and Prevention	4	-	13	17	116,900
<b>Totals</b>	<b>294</b>	<b>58</b>	<b>1,180</b>	<b>1,532</b>	<b>153,678,959</b>

Source: Embassy Manilla

NOTE: Funding amounts do not always included personnel costs that are funded directly from Washington

\*Include staff on personnel services contracts

\*\*Not under Manila Chief of Mission, but administrative services provided by Embassy Manila

\*\*\*Not an Embassy Manila resource

## MANAGEMENT OPERATIONS

The embassy's management section has considerable resources and provides effective services as demonstrated by the commendable scores achieved in the OIG workplace and quality of life questionnaire (WQLQ) and parallel scores generated in the ICASS Customer Satisfaction Survey. The embassy has the facilities and other resources that allow considerable flexibility, and it has applied innovative approaches that are identified as best practices. Nonetheless, there has been a pattern of skirting some regulations and not applying more rigorous service standards. Equally, a review of the embassy warehouses indicated that the post had accumulated a surfeit of supplies and equipment that the embassy could better manage. In an otherwise good environment with competent staff, lapses are more apparent when compared to the many other positive factors.

Indicative of the embassy's excellent leadership and its proactive approach are the actions that it has taken to support the families of officers who have volunteered to serve at qualifying unaccompanied posts (the family stay at post benefit). Until recently, the Department's practice for the families of those officers assigned to qualifying unaccompanied posts was to provide safe haven either in the United States or overseas, but with little, if any, embassy support when overseas. Recently, the Department established embassy support as a new benefit for officers volunteering to serve in Iraq or Afghanistan. As soon as the Department issued the more permissive policies, this embassy took immediate action on implementation. Working with a cooperative host nation government, Embassy Manila now has four families remaining in Manila and receiving the embassy's full support and services. All posts have similar instructions from the Department, but Embassy Manila has set a high standard to emulate.

## HUMAN RESOURCES

The human resources (HR) section is well run and provides a wide range of services to a large embassy population. It also assists former employees when they need documentation for the host government. However, the publications used to inform staff of HR policies do not directly address the totality of EEO issues. Various parts of the policy are noted, but in no one place is EEO for locally employed staff covered, nor have locally employed staff EEO counselors been appointed. The HR staff is revising the local employee's handbook and is in the process of identifying EEO counselors.

The section performed notable work in handling a RIF, first in a broadcast transmitting station, and then in two tranches in the Regional Printing Center, now renamed as GPS Manila. These efforts contributed to a smooth and humane process where no employee was mandatorily forced out; all those separated took the proffered buyout. As a consequence of the earlier RIF and facing two more rounds of similar actions, the HR section developed a career transition program.

**BEST PRACTICE: Development of Career Transition Program**

**Issue:** The embassy had gone through a small RIF in the IBB broadcasting station and was facing two large RIF's in GPS. Other than the normal severance payment and buy-out payment, the embassy had no other services that it could provide to those locally employed staff losing their jobs.

**Response:** The embassy created a career transition program similar to the Department's program for departing employees. As a guide, the embassy prepared a Career Transition Handbook largely written by an HR officer who had extensive private sector experience prior to joining the Foreign Service. The program provides counseling on managing change, evaluating finances, writing resumes, and job search techniques.

**Result:** No employee was pleased with losing his job, but the embassy made the process as humane as possible and provided a sterling example to other institutions that do not always treat employees with the respect due them. Several employees have since found alternative employment using the techniques taught them in the program.

## Locally Employed Staff Hiring Policies

The constraints on opportunities for EFM employment is a major area of concern throughout the Foreign Service, contributing to poor morale among various American direct-hire staff and their families, and is a complicating factor when employees make career choices. The Department has adopted hiring policies that are well intended and appropriate in some parts of the world, but, as applied in Manila, lead to disappointment and bitterness among those whom it is most intended to help. This makes mission management appear to be disingenuous at best, double-dealing at worst. Some embittered applicants believe that the policy may be in violation of EEO law but have not pursued their grievances.

The Foreign Service Act of 1980 requires the Department to give EFMs and U.S. veterans first consideration in hiring. Embassy Manila HR staff is required to advertise all local positions as being available to EFM, locally resident Americans,

and other legal resident veterans. Job openings are advertised as being paid at a local compensation plan level and, for those eligible, a Foreign Service pay level. The difference is usually a factor of three times higher for the Foreign Service pay grade. All qualified family members must be interviewed, and Embassy Manila believes that the most qualified EFM must be informed that he/she is the embassy's choice. Ironically, after the hiring choice is made, the embassy then tells the successful applicant that budget constraints have made this employment financially unworkable, resulting in frustration and anger that feed poor morale. Even if the EFM applicant is willing to take the lower FSN salary, the embassy is not permitted to hire the EFM at that rate.

Veterans of the U.S. armed forces, thousands of whom reside in the Philippines, complain that as "normally resident," they are offered only the pay rate of the position under the local compensation plan, or the U.S. minimum wage, whichever is higher. Their complaint is that being treated differently than other U.S. citizens, such as EFMs, is an EEO issue. EEO issues are not within the mandate of the OIG.

Embassy management said they supported and wanted to implement the EFM and U.S. veteran preferences, but did not have sufficient funds to pay the higher salaries. The Department has issued guidance on its web site stating that EFMs and veterans have a statutory preference for all local-hire positions at overseas missions. Specifically, the guidance says, "...EFMs on the best-qualified list of applicants must, repeat must be selected for a position over non-EFMs." At the end of February 2006, HR's Office of Overseas Employment notified the mission that it had revised the local employee staff recruitment policy. The revision states, "All hiring actions are subject to the availability of funds," but the policy adds that all eligible applicants must be considered irrespective of their chances of getting the job.

The OIG team reviewed this problem with the Director General's staff, Family Liaison Office, Office of the Legal Adviser, and several geographic bureaus and found that human resources staff in Washington are well aware of the financial and personnel difficulties encountered by those embassies with a significant difference between EFM and FSN salaries. The Bureau of Human Resources has plans to issue expanded guidance on EFM employment to embassy management counselors worldwide. This guidance will clarify the Department's actual responsibilities under the Foreign Service Act of 1980 and will provide embassies with suggestions for program management. In particular the guidance will make clear that the embassy may seek a determination as to whether extra funding can be made available to cover the gap in salary between the EFM and FSN applicants at an earlier stage in the hiring process than that practiced at Embassy Manila. In light of this development, no formal recommendation was made in this report.

## Training – The Embassy’s Professional Development Center

Faced with growing training requirements, expensive travel costs to other sites, and a more restrictive travel budget, the embassy has created a training center offering 12 courses at post. Begun as a computer training center to address ever increasing demands for information management (IM) training, it has evolved to an almost full-service, regional training platform. In 2006, 526 people attended 52 classes, of which 13 were taught by instructors from the Foreign Service Institute. As a venue, Manila has attracted regional conferences and training programs. During the inspection, for example, the Bureau of Overseas Buildings Operations (OBO) conducted a regional asbestos recertification course.

While the Department may turn to Bangkok as an EAP regional training center, Manila’s efforts are proving that Bangkok is not the only site where regional training is taking place. As a large mission with strong infrastructure, Embassy Manila continues to attract participants from other nearby posts. However, as the embassy expands its training program and as other posts and bureaus avail themselves of it, more of the financial burden is likely to fall upon the embassy.

**Recommendation 9:** The Bureau of East Asian and Pacific Affairs, in coordination with Embassy Manila, the Foreign Service Institute, and the Office of Rightsizing the U.S. Government Presence Overseas, should define the role that Embassy Manila’s training center is expected to play and identify the source(s) of funding to support that role. (Action: EAP, in coordination with Embassy Manila, FSI and M/R)

## GENERAL SERVICES

The general services office effectively supports the embassy and provides first-rate services to clients. The office operates from a recently renovated, spacious, and attractively appointed building with adequate lighting and ample storage space, however, shares many of the security issues detailed in the classified annex report on Embassy Manila. The section’s management encourages individual initiative and loyalty among team members. It also supervises the facilities maintenance managers and supports their work to improve the performance of that section.

The section consists of four American officers, two EFMs, and 99 locally employed staff and provides support for an embassy comprising over 1,500 employees, several large office buildings, and approximately 240 residences. Provided services include procurement and contracting; housing; maintenance, control, and disposal of property; transportation and shipping (packing, shipping, and customs clearances); and motor vehicles, including maintenance and repair. Employees ranked these services very highly on their WQLQ's.

## Procurement and Contracting

The procurement and contracting section's activities, for the 27 agencies represented at post, have a total value of approximately \$11 million annually. While the Department is the major client, 46 percent of the workload is generated by other agencies. The section is well managed and has offered training sessions on E-services and Web PASS, held contract officer representative workshops for financial management officers and GPS, and conducted annual mission-wide customer outreach workshops.

Procurement folders are properly set up and notated and include the necessary supporting documentation. Records and reference materials are impressively maintained, easily identifiable, and neatly stored in large sliding file cabinets in a well-ventilated room with access restricted to senior employees. A random sample of purchase orders showed that competitive quotations were obtained for purchases above the micropurchase threshold and included transactional information regarding competition, price reasonableness, and cost. When problems arose (delays or partial shipments, for example), employees took appropriate follow-up action and annotated the files accordingly.

The embassy has set up 20 blanket purchase agreements, which have been competed and bulk funded. These are used regularly, particularly by the maintenance section, for needed supplies. The OIG team found that blanket purchase agreements are reviewed annually or modified when market conditions or sources of supply change significantly and contracts have been competed and administered in accordance with regulations, and contract files are appropriately maintained. Completed contracts are closed out in a timely manner and in conformance with requirements.

**BEST PRACTICE: External Web Site for Solicitation Requirements**

**Issue:** The procurement and contracting section completed upwards of 6,500 procurement actions in FY 2006 (contracting – 3,600; purchasing – 2,900). To manage its human and financial resources more efficiently, realize savings, expand competition, and encourage more vendors to participate in solicitations, the procurement and contracting section had to adopt digital technology.

**Response:** Working in tandem with the Information System Center, the section created an external web site where prospective vendors could register the services/supplies they offer, download solicitations and requests for quotes and amendments, and upload offers of best values and updates to company profiles posted previously.

**Result:** With the web site, procurement and contracting gained substantial savings. Staff hours, advertising, paper, and photocopying costs are expected to decline markedly. In addition to improved staff productivity and customer service for ICASS subscribers, the web site will in time create a database of vendors, their fields of expertise, past performance evaluations, and a record of previously awarded embassy contracts. This information will become invaluable in determining the best vendor for specific requirements, such as cost reasonableness and their levels of technical capability. As more vendors participate, competition will increase, and the automation of vendor reports will help the transition to a paperless office.

## Property and Supply

The property and supply section consists of an inventory unit, a property management unit, and 12 separate warehouses. These facilities are used to receive, dispose, and store furniture and appliances, motor vehicle parts and maintenance, and nonexpendable and office supplies. The section is responsible for over \$24 million worth of U.S. government property, and employs one American officer, 26 locally employed staff, and 14 contract laborers.

The section's personal property management practices are sound. The OIG team reviewed the current year's property reconciliation report just prior to its transmission to the Department and found the report complete and appropriately annotated to account for discrepancies, shortages, and overages. Included were cross references, easily checked against property survey board findings for missing or damaged property. Complete physical inventory and reconciliation certifications were on file for the last three fiscal years. Annual inventories of U.S. government-owned

property are up to date and submitted to OBO on time. A review of residential inventories showed them to be current and complete. Employees were assessed (or referred to the property survey board if contested) for lost or damaged items, and reimbursements were collected prior to departure from post.

The accountable property officer conducts periodic, unannounced spot counts of both expendable and nonexpendable property and verifies property records. The OIG team learned that the amount of expendable supplies on hand is excessive. The section plans to reduce the inventory and procure more items locally as needed. The OIG team concurs.

All of the warehouses are well managed, clean, and well organized. They are generously stocked, indicating an over-reliance on high stock levels. Such levels can be reduced as indicated by the achievements in managing the vehicle parts warehouse. A newly hired employee with broad experience in the auto parts industry reorganized the parts warehouse, keeping those items that could not be obtained locally and trimming the inventory by disposing of old, obsolete, or rarely used items. (See the consolidation section below for discussion of reducing the number of warehouses.)

Likewise, the facility maintenance warehouse contains far more items than may be needed. Many are old, and some are obsolete. Others take up valuable space and could be easily obtained locally. The OIG team made an informal recommendation.

## Motor Vehicles and Transportation

In the WQLQ survey, respondents rated the embassy's large motor pool – which consists of 107 program, ICASS, and Diplomatic Security vehicles – very highly. The motor pool is a very service-oriented operation but also one that emphasizes preventative maintenance, driver training, and accurate vehicle recordkeeping. Recent changes include a separate form for drivers to complete at the end of their shifts, detailing the condition of their vehicles and any needed maintenance. There has been a revamping of the way overtime is scheduled for drivers because of suggestions that in the past certain favored drivers were always chosen for lucrative overtime assignments. Now, overtime is more equitably assigned in advance on a transparent schedule.

The OIG team observed that vehicle repair facilities are generous, well maintained and clean, and mechanics appear to be supplied adequately with appropri-

ate tools and equipment. The facility is capable of doing everything but an engine overhaul in-house. Turnaround time for routine vehicle maintenance is generally two to three hours and one day for repairs.

The embassy's motor vehicle policy, updated in late 2006, prescribes policies for official as well as other authorized use. Charges have been established and payments collected for other authorized use as appropriate. The Ambassador has authorized all exceptions, following written requests providing justifications for such use.

## Shipping and Customs

The embassy recommends that newly assigned employees time their shipments to coincide with their own arrival at post. Subsequently, because of that and the embassy's excellent contacts with customs and immigration officials, incoming household effects and personal vehicle shipments are cleared and delivered shortly after arrival. The OIG team reviewed a sample of shipping files and found them well organized, complete, and neatly filed.

In the Philippines, in-bound shipments cannot be cleared until an employee receives diplomatic accreditation from the Department of Foreign Affairs, usually within five working days of arrival. The Department of Foreign Affairs approval is a prerequisite in granting diplomatic accreditation to military personnel, so the embassy recently requested that the Department of Foreign Affairs waive its prior approval requirement for incoming military officers assigned to the embassy. The Department of Foreign Affairs approved the request and no longer requires country clearance for military administrative and technical staff (roughly 75 percent of military personnel in the Philippines). Country clearance is still required for military officers with diplomatic titles. For administrative and technical staff this change has resulted in shipments being cleared in the same timeframe as all other mission personnel, instead of taking two to three months.

## Visitors Unit

The visitors unit provides excellent administrative support for visits, visas, airport expediting, travel services, and hotel reservations. It also maintains reservations at the Ambassador's summer residence (see section on Baguio below), and supports high-level visitors by arranging representational events and control rooms. An

American Express-affiliated commercial contractor provides travel services to personnel. The embassy expects to conclude an agreement with the same contractor to set up a travel management center using the General Services Administration travel services contract with American Express Far East Travel Services.

## Housing

The mission has attractive housing in short-term leased detached homes and apartments. The embassy also has 42 government-owned units on the Seafront compound. In addition, OBO has provided funds to purchase 13 apartments. Some apartments already occupied under short-term leases were purchased and are currently occupied. Some are in various stages of preparation to meet U.S. government standards. All 13 apartments are in attractive locations in building complexes with extensive green space and recreational facilities – something lacking in most of the houses currently leased or owned. The embassy has been careful to match occupant needs with available units so that the many complaints received in the past from residents of the Seafront units have receded, and the OIG team received numerous positive comments. However, a major asset at Seafront – a large green space – will be used to build the planned Veterans Administration’s clinic. As a result, Seafront units will likely revert to being less attractive when the green space disappears. That is because the compound already houses the Fleet Post Office, GPS, a medical unit, the community liaison office, a preschool, a community center, a library, and an outdoor playground.

Even though the OIG team noted the overall positive quality of housing, there were numerous and painful lapses in the preparation of units prior to occupancy and complaints regarding the transparency of housing assignments. Much of the problem stemmed from a problematic facilities maintenance section described below. However, there were cases where other players “dropped the ball.” The OIG team found that although procedures were in place and the housing board was using them, there were recurrent complaints of a lack of transparency. The OIG team provided suggestions and made informal recommendations.

Some poor practices needed to be corrected. Among them was a policy of allowing an agency or the incoming officer to decide when and for how long the employee would reside in temporary lodging. That decision was made by the officer authorizing the temporary lodging allowance and not necessarily based on the lack of availability of leased or owned units. Also, the embassy was skirting around the Department’s policy on housing interns in temporarily vacant U.S. government-

owned or leased units by artificially creating an extended vacancy. For example, if an occupant left in May, the embassy assigned the unit to an occupant arriving in September, creating a three to four month “vacant” unit for occupancy by an intern. The embassy has ceased both practices.

The OIG team identified an unnecessary and wasteful practice of spending: expenditures of up to \$3,500 per housing unit to change the existing electrical system to a dual 220/120 volts system. This practice is not the norm in the Foreign Service and could be viewed as an unauthorized capital improvement to the landlord’s property. Furthermore, this work was adding to the woes of the maintenance section and extending the time new officers spent in temporary quarters at U.S. government expense. Although this practice had ceased prior to the arrival of the OIG team, the inspectors made informal recommendations on this issue.

## Facilities Maintenance

The facilities maintenance section is notable for failing to meet the levels of excellence prevailing elsewhere in the management section. Numerous lapses in preparing residential units for occupancy, disorganization, and disregard for regulations have occurred in the past. Managers have changed procedures though and now require a higher standard of performance from employees. One mid-level FSN manager was fired for malfeasance, and several other employees were reprimanded for poor judgment and performance. As a result, there has been some visible improvement.

Indicative of the lax approach of previous managers was the complete disregard for regulations requiring OBO concurrence before making any building changes. Lax application of regulations precluded external reviews that would have caught errors in design and lack of adherence to security rules (see the classified annex to this report). The current managers are now enforcing the rules, generating complaints over delays to some projects. Nonetheless, 15 FAM 641 makes clear that posts must obtain prior approval from OBO for post actions to demolish or make alterations to the function or design of U.S. government-owned/long-term leased real property, regardless of cost or funding source.

**Recommendation 10:** Embassy Manila should develop a process to verify adherence to all Department regulations governing building changes to U.S. government facilities. (Action: Embassy Manila).

## Facilities

The embassy chancery, along with several annex buildings, is on a landfill site in Manila Bay. The Department of Veterans Affairs clinic (the only one of its kind outside the United States), USAID, and several smaller agencies are located in commercial properties throughout the city. In late 2007, OBO will begin construction of new annexes and Marine security guard quarters on the current chancery site as well as another annex at Seafront to house the Department of Veterans Affairs clinic and offices.

## Fort Bonifacio and Baguio

The thorniest real property issues have been and continue to be the long-standing U.S. government claims to two large pieces of property: a section of land known as Fort Bonifacio, located in southern metropolitan Manila and the Ambassador's summer residence in the City of Baguio, located about 150 miles north of the capital. In 1956, the United States agreed to turn over to the Philippine government several former U.S. military sites, but reserved a 25-acre plot for future diplomatic and consular use at Fort Bonifacio, as well as a 76-acre site in Baguio on which the embassy maintains the Ambassador's summer residence. However, the Philippine government refused to issue the United States title documents for the properties. Over the years, sporadic efforts were made to resolve the title issue, but to no avail. Today, a community of Filipino squatters estimated at over 20,000 persons resides on the Fort Bonifacio area. Inside that area, on the portion of land that the U.S. government claims, there are known to be some 300 squatter families, many of whom are retired Filipino military personnel.

Even though the embassy has kept pressure on the host government, there has been no progress. The presence of the military squatters has added to the complexity and cost of turning over the land to the U.S. government. Currently, the Philippine government has plans for a multibillion dollar development of the entire Fort Bonifacio acreage and has won a Philippine Supreme Court decision giving it the authority to move out the squatters without compensation. The current OBO estimate of the value of the U.S. government portion is \$25 million. The Philippine government argues that that sum is beyond its ability to pay. That may have been true in the past, but if the land is to be turned over to private developers with plans to invest over a billion dollars, the lack of money argument lacks credence.

The Philippine government covets the Baguio property which, like Fort Bonifacio, adjoins a former U.S. military compound, Fort Hay, which is also being developed for residential and commercial purposes. The United States occupies and maintains, but has no title document for, the 76-acre site. The Baguio residence has historical significance as the site of the World War II Japanese surrender of the Philippines. Because of the lack of a clear title and the historical importance of the residence to Americans and Filipinos, the Department has been unable to dispose of the property. It has consequently incurred annual operating costs averaging about \$135,000. That sum, while not insignificant, is affordable given the high stakes involved. To her credit, the Ambassador is using the site for representational purposes and is encouraging maximum use by other mission offices. It is hard to measure in dollar terms the value of the property to furthering the embassy's public diplomacy and representational efforts, but it is not insignificant, and the annual upkeep is still affordable.

The conundrum for the U.S. government is that the Baguio property will never generate a profit, but Fort Bonifacio will only increase in value as lucrative development schemes come to fruition. The Philippine government is unlikely to buy the Baguio property except for a token sum and is sure to block any private sale. The more marketable site is Fort Bonifacio and Baguio is, at best, a bargaining chip. Therefore, unless the Philippine government suddenly makes a genuine offer, the OIG team suggested that the embassy appear to "listen on Baguio, keep talking on Bonifacio." In the long term, to protect Baguio's historic value, the embassy could pursue a number of strategies such as creating a nonprofit historical society to manage the site after the Fort Bonifacio issue is resolved.

## FINANCIAL MANAGEMENT OPERATIONS

The financial management section effectively supports its ICASS users. The section received very good scores on all financial management categories on the WQLQ.

The section is in the process of implementing Department initiatives designed to improve the overall functioning of embassies and consulates worldwide. These initiatives include the digital conversion of paper files that will allow electronic query, retrieval, and storage of financial records, and real time processing of financial transactions through direct electronic access to the Department's regional financial management system. This eliminates the former one-to-two-day delay in processing. A locally employed staff financial management specialist certifies vouchers up to \$20,000.

## International Cooperative Administrative Support Services

Embassy Manila provides comprehensive administrative support services to, inter alia, the Department of State, Department of Justice, Department of Agriculture, and Department of Defense. Administrative services are less integrated for USAID.

For the most part, ICASS is functioning well. OIG questionnaires and internal surveys show that good administrative services are provided to subscribers of 27 U.S. federal departments or agencies. The ICASS council has published performance standards on the mission's web site. Each management component monitors compliance with published standards. The ICASS council meets regularly and on an ad hoc basis as needed. Relations among agencies are professional and productive. ICASS training is planned for new board members and new locally employed staff. The ICASS council is not fully engaged in the NSDD-38 process. The OIG team made an informal recommendation to correct this deficiency.

## INFORMATION MANAGEMENT AND INFORMATION SECURITY

The IM office services all embassy personnel by maintaining and supporting the unclassified and classified computer networks, pouch, and telephone systems. Additionally, they support the mailroom and reproduction unit (which numbers and records all diplomatic notes), as well as the radio, cell phone, and Blackberry programs. This office also operates the largest Opennet Everywhere (remote access) program in EAP.

The IM office is one of the few at overseas posts with a regional training center. The mailroom hand delivers all invitations to local guests for representational events. The office's wireless section provides the Armed Forces Radio and Television Services to official residences and conducts liaison with the local cable television company for embassy personnel.

The OIG team identified the following issues:

- Persistent delays by the Automated Biometrics Identification System (IDENT) in providing information on visa applicants;
- Inadequate training for the embassy's telephone technicians; and,
- The need for a permanently assigned Regional Information Management Center (RIMC) telephone technician.

IM is comprised of seven sections and two separate help desk support capabilities. The staff are seasoned and customer service oriented personnel as demonstrated by IM's high ICASS scores and the best practices that the OIG team highlights in this section.

## Information Management

The IDENT fingerprinting application is not providing timely information to consular officers. Worldwide, consular officers use IDENT to confirm a visa applicant's identity, possible criminal history, and travel patterns. Ideally, a consular officer should have access to this information during the interview with a visa applicant. Typically, IDENT software takes a few minutes to provide this information. However, IDENT software in Manila takes hours to provide the information, so the consular officers do not have access to the information they need when conducting visa interviews. In September 2006, CA performed an upgrade of all CA software in use in Manila and identified the source of the problem, but a solution has not yet been realized. The permanently assigned consular system administrator is aware of this problem and is working with CA personnel in the Department for resolution, but the problem persists.

**Recommendation 11:** Embassy Manila, in coordination with the Bureau of Consular Affairs, should devote the necessary resources to solve delay problems in the Automated Biometrics Identification System. (Action: Embassy Manila, in coordination with CA)

The OIG team found that the telephone technicians need formal training in order to have the requisite skills to support the embassy's telephone system. The IM office's five telephone technicians are responsible for providing maintenance and support for the entire Chancery and Seafront compounds (30 buildings) and extensions throughout the city at USAID, FCS, American Battle Monuments Commission, Peace Corps, and the U.S. offices of the Asian Development Bank.

Due to lack of post funds, no technician has received formal training on the Meridian telephone system. As a result, many technicians have a limited familiarity with the system. In 2006, there were four instances when telephone technicians came from another post to Manila to assist with telephone problems. Adequate training for IM telephone technicians at post would alleviate the need for costly outside assistance.

**Recommendation 12:** Embassy Manila should provide adequate telephone system training to all telephone technicians. (Action: Embassy Manila)

RIMC Bangkok and Embassy Manila should assess the need for a permanent RIMC telephone technician assigned to post. The embassy has one RIMC radio technician and two RIMC digital technicians. In 2004, a visiting RIMC telephone technician recommended in a trip report that the embassy, Department, and RIMC Bangkok consider permanently assigning a telephone technician in Manila. On careful review, the OIG team concluded that the embassy's needs justify having a permanently assigned RIMC telephone technician, but that there is insufficient work for two digital technicians.

**Recommendation 13:** The Regional Information Management Center in Bangkok, in coordination with the Bureau of East Asian and Pacific Affairs, should convert one regional digital technician position to a regional telephone technician position in Embassy Manila. (Action: RIMC Bangkok, in coordination with EAP)

## Information Systems Center

The information systems center (ISC) is a highly skilled, creative, and professionally run customer service-oriented entity. Of the many ISC software projects, two stand out as best practices. The first is an excellent management tool, and the other is a mission wide database. These are highlighted below.

**BEST PRACTICE: Development of Management Tool**

**Issue:** Various offices within the embassy maintained their own databases with the same information, resulting in considerable duplication of effort. An employee identified this issue, brought it to ISC's attention and requested that ISC devise a solution.

**Response:** The ISC staff identified each section's requirements and proceeded to develop a common database accessible by all appropriate mission personnel. Eight sections can access the new database, with each section having a customized view designed to meet its needs. Once data is entered into the system, it is updated throughout the database. Depending on the role of that office/user and the access parameters, a customized view then appears. For instance, the HR section might input an employee's name, agency, office, and birthdate into the system. If the medical unit had access, that information would appear when the database is searched using the criteria.

**Result:** The database increased productivity of staff, reduced duplication of information and redundancy of efforts, and promoted closer collaboration among embassy offices. Responding to positive customer feedback, ISC plans to expand this database to more offices within the embassy. The data base is also being used on the embassy's Intranet site to support the online telephone directory.

**BEST PRACTICE: Development of Mission Wide Database**

**Issue:** Manila has more than 700 work stations and 1,000 users, spread over two large compounds and several offsite locations. In the past, there were problems tracking recurring trouble calls, system maintenance, status of assigned projects, and routine tasks.

**Response:** The ISC developed and implemented help desk management software that allows trouble calls to be recorded and assigned as they come in. The software then reports the status of all assigned long-term projects and recurring tasks, customer survey results for each trouble call, and how many trouble calls were completed in a specific category. The latter data is used to determine if there are problems specific to a certain type of software or hardware. Use of the software has expanded to three other sections in the IM section.

**Result:** IM supervisors now have a management tool that measures the performance of staff, gauges customer satisfaction level, evaluates training needs for the mission, and provides concise feedback to upper management regarding performance.

## Information Security

Overall, the OIG team assesses that information and information systems security is adequate. The information systems security officers (ISSO) perform required duties as often as time permits. With the large size of the embassy and the fact that ISSO is a collateral task, some ISSO responsibilities are not being performed on a consistent basis. Nonetheless, both networks appear to be adequately safeguarded and maintained. The OIG team identified a problem with shared office and employee folders permissions on the unclassified network, but that was resolved while the team was at post. Notably, those performing ISSO duties deserve praise for identifying innovative ways to automate many of the routine and time-consuming ISSO duties.

## Global Publishing Solutions Manila

The Bureau of Administration maintains a large printing and publishing facility, formerly known as the Regional Printing Office, on the Seafront compound. The operation was part of the A-76 competition for the Department's cross media publishing needs. GPS's original staff consisted of five Foreign Service officers and two contractors. When streamlined, it will have one Foreign Service officer and one contractor. It has already reduced its locally employed staff from 85 to 52.

To compete effectively on a business model, GPS not only reduced staff but also significantly changed the way it conducts business. In July 2006, GPS became ISO 9001:2000 certified on its quality management system. It has gone to a “just in time” production model, and 30-year old presses are being replaced with new equipment. Productivity has increased by 39 percent, and the center has become a viable competitor to the private sector. For example, it is digitalizing all of OBO’s files at a savings of \$20 million to the U.S. government. An additional result of the streamlining efforts is that GPS can vacate a warehouse.

## Consolidation of Administrative Services

The embassy is not high on the Department’s schedule of posts that must consolidate administrative services. A recent feasibility review of consolidating motor pools with USAID resulted in no real cost savings, indicating that effective consolidation may not occur until the two major annex projects are completed some time in 2010. However, as a result of the downsizing of GPS, its large warehouse has become available, and the embassy is actively working with OBO to modernize it for use as a consolidated ICASS warehouse to include the needs of USAID, which currently leases a commercial warehouse.

## QUALITY OF LIFE

Overall, the quality of life at the embassy is good. Housing, climate, schools, and medical care are all very positive. Complemented by a good community liaison office and excellent medical unit, these factors make the post attractive to bidders. The more than 30 percent growth in embassy size over the last seven years is partly attributable to Manila's reputation as a good place to work and live.

## AMERICAN RECREATION CLUB

The American Recreation Club (ARC) operates recreational facilities, provides food service, and runs a gift shop under a charter from the Department. The association is up to date on audit and financial reports. Concessionaire agreements with the food service provider and gift shop are current. The board of directors and embassy management are focused on the ARC's financial viability. Positive steps have been taken to stem losses, increase membership, and move the operations towards profitability. In March 2006, the generously paid general manager resigned. As a result, ARC realized a profit of \$15,013 in 2006, after incurring losses for several years. In the same year, to improve recreational facilities, ARC purchased \$20,000 of new gym equipment.

Also in 2006, ARC merged with two other organizations at post: the Amerikids preschool and day care program, and a charity named the United States Embassy Club. Both of these operations are operating on a nonprofit basis.

ARC's former general manager is suing the association for breach of contract. The association sought legal counsel locally and duly informed their insurance carrier. The case is pending a ruling and could take over a year to resolve. The OIG team informally recommended that the ARC post its charter and bylaws on the embassy's web site.

## EQUAL EMPLOYMENT OPPORTUNITY

Embassy Manila has two designated and trained EEO counselors and one Federal Women's Program coordinator. Notices concerning their names, contact numbers, and roles are posted in well-trafficked corridors throughout the embassy compound. Although there have been relatively few EEO cases brought to their attention, each counselor has handled inquiries according to the guidelines. As OIG teams have discovered at a number of other embassies, the Department's Office of Civil Rights has provided little guidance or training to the Federal Women's Program coordinator.

Manila has over 1,100 locally employed staff, though the EEO program is not addressed in the employee handbook. While there were no formal complaints filed by local staff, the OIG team did hear comments during staff interviews leading them to believe there was a need for wider dissemination to the local staff of information on the EEO program. The EEO counselors indicated they had considered developing a training session for local staff on sexual harassment and other EEO issues. However, the Office of Civil Rights had dissuaded them from doing so, indicating that it reserved that type of training for itself. There is a need for EEO counselors to pursue the need for locally employed staff EEO outreach and to consider recruiting one or more locally employed EEO liaison persons to reach out more effectively to the local staff. The OIG team made an informal recommendation on this issue.

## AVIAN INFLUENZA

The embassy has a very active interagency Avian Influenza task force. The task force is headed by a USAID officer and has strong medical unit and FAS support. With input from the consular and economic sections, it is tasked with formulating the mission's overall policy to combat the disease. The task force meets regularly, and coordination among the players is excellent, as evidenced by the mission's comprehensive contingency plans with accompanying tripwires. The mission has mounted a broad outreach effort that includes town hall community meetings, presentations on home first aid, cough and hand washing strategies, preparing posters and other educational material, and advice on what to do when symptoms appear. The medical unit has a substantial stock of the drug Tamiflu on hand as well as sufficient supplies (masks, gowns, gloves, etc.) to cover most of the mission's American and locally employed staff.

The poultry industry is economically important to the Philippines, and the government is keen to safeguard it and the general population from possible exposure to

infected birds. Following a faltering initial effort, the government has substantially enhanced its ability to respond to a potential Avian Influenza outbreak – drawing on the combined efforts of USAID, FAS, and several international agencies. The government has identified potential sites and, with assistance from the World Health Organization and other international donor partners, formulated a national preparedness plan. As there was no local confirmatory testing capability, USAID and FAS worked closely with Philippine health officials to improve local health professionals' skills. To treat infected persons, the government has identified referral hospitals with isolation wards in the major centers and in provinces and also boosted local capacity to manufacture drugs and supplies. At the same time, the government has reached out to its neighbors to learn more and to share experiences.



## MANAGEMENT CONTROLS

The chief of mission's certification of management controls for Embassy Manila dated July 6, 2006, did not report any material weaknesses. Overall, management controls are in place and effective, as are controls over the use of premium travel. The embassy issued a small number of business class tickets between October 1, 2005, and September 30, 2006. Business class tickets issued were for travel in excess of 14 hours and were properly authorized using form DS-4087, Authorization Request for Business Class Air Travel. The embassy did not issue any first class tickets during this period.

## EDUCATION GRANTS

Since 2001, the Office of Overseas Schools has provided the (b) (6)(b) (6) (b) (6)(b) (6)(b) (6) with 12 grants totaling approximately \$1.9 million. The embassy executed these educational grants for seat entitlements, teachers' salaries, materials, and security improvements in accordance with Department regulations. Schools located in other Philippine cities that had U.S. citizens enrolled also received grants for security upgrades totaling \$287,200.

## PUBLIC DIPLOMACY GRANTS

The PAS effectively and properly administers its grants program. For FY 2006, the section awarded 106 grants totaling \$383,142. The grants were issued to support the Fulbright program, democracy promotion, empowerment projects, and English language training programs.

## BAGUIO RENTAL FEES

Except for official purposes, Embassy Manila personnel who wish to stay at any of the U.S. government-owned houses at the Baguio residential compound are charged \$30.00 per night per person. The collected funds are credited back to the

program fund as a refund. These collected funds are more appropriately classified as reimbursements and should be charged back to the OBO account 19X0535. The OIG team made this determination based on the criteria contained in 4 FAH-3 H-321.2 a(2), 4 FAH-3 H-152.2, and 4 FAH-3 H-321 Exhibit H-321.2 "Collections." Embassy Manila concurs with the OIG team's determination and will start charging the funds collected from the Baguio facilities to the OBO account 19X0535.

The OIG team also discussed an alternative set up for handling the Baguio facilities. Under guidance issued in State Cable 04 State 197156, dated September 14, 2004, an association may run this type of recreational activity with an approved licensing agreement.

## BAGUIO RENOVATIONS

FYs 2002-04 program funds totaling about \$200,000 were used to fund Baguio maintenance and renovation projects. Program funds were used for residential upgrades, including roofing, electrical, plumbing and sewage, and also for the replacement of tiles and wooden planks. These items are more appropriately charged as OBO special projects using OBO allotments. In addition, in 2006, program funds totaling \$67,389 were used to purchase materials for a street lighting project. The OIG team counseled the mission on the appropriate use of program funds.

## REDUCED RATE PER DIEM

The Department allows authorizing officials to reimburse travelers using three methods: lodgings-plus per diem, actual expense, and reduced rate per diem. The preferred method, and the one used by most Department bureaus, is lodgings-plus per diem. Under the lodging-plus per diem method, travelers are reimbursed lodging cost based on actual expenses incurred up to a specified limit plus an allowance for meals and incidental expenses. In rare instances, Department entities use the actual cost method where travelers are reimbursed actual cost authorized by authorizing officials. Some regional offices, including RIMC and the Regional Engineering Security Office, reimburse travelers using the reduced rate per diem method. Under this method, travelers are reimbursed at a set amount for travel related expenses. When travelers spend more than the set rate, they incur a loss. When they spend less, they may pocket the difference.

Use of the reduced rate per diem method has sparked controversy and has affected morale. In some instances, authorizing officials use an arbitrarily set rate to calculate the reduced rate per diem rather than basing their calculation on the expected lodging cost as required by travel policy. As a result, authorizing officials who authorize reduced rate per diem and certifying officers who certify travel vouchers often disagree over the reimbursement rate used. Because of the wide range of accommodations available in foreign cities, it is difficult to set a rate that in each case is reflective of actual cost incurred. For this reason, most authorizing officials reduce maximum foreign per diem rates by a set percentage. However, frugal travelers will often stay at lodgings that lead to overcompensation. This can occur overseas because foreign per diem rates are usually established based on lodging surveys that calculate the cost of staying at business class hotels.

Another problem associated with use of this method is that authorizing officials of various missions and bureaus may set varying reduced per diem rates for the same locale. This is particularly problematic for regional units based in Manila but funded by other missions or bureaus. For example, RIMC takes a five percent reduction on the lodgings portion of the maximum per diem rate authorized whereas Embassy Manila takes a reduction of 15 percent on the total per diem rate authorized. The Regional Engineering Security Office has a similar rate. This practice has already led to perceived inequities and affected morale because the embassy's certifying officers will not approve vouchers filed by RIMC-funded travelers using the five percent reduction. This issue was more pronounced before the recent Foreign Affairs Manual change from flat rate per diem to reduced rate per diem. Under the flat rate method, these organizations authorized 100 percent of the maximum amount allowable. During the time of the inspection, none of these entities provided any documentation to show that their reduced rate per diem calculation was based on the expected actual costs of the traveler to a specific overseas locale, nor did they provide any documentation to demonstrate the actual cost savings to the U.S. government based on travel voucher processing efficiencies.

To be sure, use of reduced rate per diem has its merits. Travel vouchers are streamlined. The only documentation travelers are required to submit with the travel voucher are (1) receipts for all miscellaneous expenses in excess of \$75.00, and (2) passenger coupons for common carrier transportation. Thereby, voucher examiners are required to review fewer receipts for each voucher, and this reduced workload could possibly lead to staff reductions. It should be noted that travelers are required to attest to the fact that they did utilize commercial lodging, and also they are required to keep their lodging receipt in case the travel voucher is audited.

There are still additional cost savings to be realized. If authorizing officials are more diligent about establishing reduced per diem rates based on expected lodging cost, additional cost savings could be realized. To illustrate that, a 10 percent reduction of the Manila foreign per diem rate would yield a cost savings of \$19.90 per day per traveler. A 15 percent reduction would yield a cost savings of \$29.85 per day per traveler.

**Recommendation 14:** The Bureau of Resource Management should issue additional guidance to clarify benchmarks for savings to the U.S. government that would justify the use of reduced per diem rates for official travel and clarifies the respective roles of the authorizing and certifying officers in those instances where a reduced per diem rate is used. (Action: RM)

## SECURITY

Embassy Manila has, for the most part, an effective and comprehensive security and personal security awareness program. Mission management, employees, and other agencies represented at Embassy Manila gave high marks to the RSO and his staff.

OBO will commence construction of two annex buildings on the chancery compound and one annex building on the Seafront compound in FY 2007. Construction of the new annexes will greatly enhance physical security for employees currently working in the present annex buildings. In addition, agencies that are now located off-site will collocate to the new annex buildings on the chancery and the Seafront compounds. See the classified annex to this report for a discussion of specific security issues.



## FORMAL RECOMMENDATIONS

**Recommendation 1:** Embassy Manila should provide the Ambassador the advice of the law enforcement working group, as well as that of the International Cooperative Administrative Support Services council, the consul general, and the regional security officer on the impact of the proposed new Department of Homeland Security positions. (Action: Embassy Manila)

**Recommendation 2:** Embassy Manila should review the responsibilities of locally employed staff in the public affairs section to evaluate which positions have been superseded by technological advances and which local employee professional responsibilities are being left unmet. Upon completion of this review, Embassy Manila should develop and implement a plan to reclassify or eliminate low-level positions of marginal value. (Action: Embassy Manila)

**Recommendation 3:** Embassy Manila, in coordination with the Bureau of International Information Programs, should establish and support a second American Corner in the greater Manila area, preferably located at a public university serving a different demographic than the American Corner at De La Salle University. (Action: Embassy Manila, in coordination with IIP)

**Recommendation 4:** Embassy Manila should develop and implement a plan targeted to its personnel explaining the information resource center's available services and encouraging the center's use. (Action: Embassy Manila)

**Recommendation 5:** Embassy Manila should evaluate the costs and benefits of continuing the virtual presence post and should either eliminate Virtual Consulate Davao, or develop and implement a plan to expand the virtual presence post to all of Mindanao in order to create a tool that contributes to mission goals. (Action: Embassy Manila)

**Recommendation 6:** Embassy Manila should install a surveillance camera in the consular cashier's booth and locate the monitor so that it can be periodically and randomly monitored by a consular officer. (Action: Embassy Manila)

**Recommendation 7:** Embassy Manila should replace the cash register in the Cebu consular agency if the Automated Cash Register System is not deployed within three months of receipt of this report. (Action: Embassy Manila)

**Recommendation 8:** Embassy Manila should realign the fraud prevention unit to have the manager report directly to the consul general. (Action: Embassy Manila)

**Recommendation 9:** The Bureau of East Asian and Pacific Affairs, in coordination with Embassy Manila, the Foreign Service Institute, and the Office of Rightsizing the U.S. Government Presence Overseas, should define the role that Embassy Manila's training center is expected to play and identify the source(s) of funding to support that role. (Action: EAP, in coordination with Embassy Manila, FSI and M/R)

**Recommendation 10:** Embassy Manila should develop a process to verify adherence to all Department regulations governing building changes to U.S. government facilities. (Action: Embassy Manila)

**Recommendation 11:** Embassy Manila, in coordination with the Bureau of Consular Affairs, should devote the necessary resources to solve delay problems in the Automated Biometrics Identification System. (Action: Embassy Manila, in coordination with CA)

**Recommendation 12:** Embassy Manila should provide adequate telephone system training to all telephone technicians. (Action: Embassy Manila)

**Recommendation 13:** The Regional Information Management Center in Bangkok, in coordination with the Bureau of East Asian and Pacific Affairs, should convert one regional digital technician position to a regional telephone technician position in Embassy Manila. (Action: RIMC Bangkok, in coordination with EAP)

**Recommendation 14:** The Bureau of Resource Management should issue additional guidance to clarify benchmarks for savings to the U.S. government that would justify the use of reduced per diem rates for official travel and clarifies the respective roles of the authorizing and certifying officers in those instances where a reduced per diem rate is used. (Action: RM)

## INFORMAL RECOMMENDATIONS

Informal recommendations cover matters not requiring action by organizations outside of the inspected unit and/or the parent regional bureau and are not subject to the OIG compliance process. However, any subsequent OIG inspection or on-site compliance review will assess the mission's progress in implementing the informal recommendations.

### Rightsizing

Embassy Manila's revised NSDD-38 policy has several weaknesses. Foremost is a lack of clarity as to what kinds of staffing changes require an NSDD-38 review.

**Informal Recommendation 1:** Embassy Manila should revise its National Security Decision Directive-38 policy to require that any changes in staff size or location, or any significant changes to duties assigned to a staff member, be submitted to the Chief of Mission for approval.

Embassy Manila's NSDD-38 instructions do not provide a comprehensive estimate of the costs involved in the support of a proposed position.

**Informal Recommendation 2:** Embassy Manila should provide the Chief of Mission with a comprehensive list of estimated costs involved in the support of a proposed staffing change at the embassy.

Embassy Manila's NSDD-38 instructions do not provide an estimate of the effect of a proposed position change on the ICASS costs of all agencies.

**Informal Recommendation 3:** Embassy Manila should provide the Chief of Mission with an estimate of the impact of the proposed position change on each agency's International Cooperative Administrative Support Services charges.

Embassy Manila's NSDD-38 process has no one person who maintains a master list of authorized staffing, proposed or approved changes, or who coordinates with the HR section to ensure that the mission staffing patterns are correct and current.

**Informal Recommendation 4:** Embassy Manila should designate one position in the controlled access area to maintain a master list of authorized staffing, to include all records regarding the National Security Decision Directive-38 process, requests, and decisions.

Embassy Manila's revised NSDD-38 does not call for comment by the ICASS council as required under Departmental guidelines.

**Informal Recommendation 5:** Embassy Manila should seek International Cooperative Administrative Support Services council input into National Security Decision Directive-38 decisions.

Embassy Manila's staffing pattern shows 75 Department locally employed staff positions vacant. IBB and USAID show similar vacancies

**Informal Recommendation 6:** Embassy Manila should require a National Security Decision Directive-38 review of any position that remains vacant in excess of six months.

## Economic and Political Affairs

The bilateral science and technology agreement between the United States and the Philippines has only a five year life and must be renegotiated in 2008. The negotiations could be a time-consuming multiagency exercise for both parties.

**Informal Recommendation 7:** Embassy Manila should explore with the government of the Philippines the possibility of concluding an understanding to extend the bilateral science and technology agreement periodically by an exchange of diplomatic notes or should negotiate an annex to the agreement that would delete the five year periodicity. Promising new areas of bilateral cooperation, such as technology transfer and coal methane recovery, could be covered by stand-alone memoranda of understanding.

Nongovernmental observers, along with Congressional staffers in Washington, have expressed growing concern about an upsurge in the Philippines of unexplained and unlawful killings of opposition politicians and left wing journalists. This underscores the importance of the embassy's maintaining close adherence to Leahy amendment procedures regarding the vetting of candidates for U.S.-funded training.

**Informal Recommendation 8:** Embassy Manila should consider new ways to ensure that its internal files are meticulously updated and that orientation training on Leahy amendment procedures is provided as appropriate to newly arriving staff.

## Public Diplomacy and Public Affairs

The De La Salle University American Corner located in Manila charges a fee of 100 pesos, about \$2, to the general public for entering the library facility in which the American Corner is housed. While the fee is to enter the library building, no exception is made for visitors solely going to the American Corner. Students and faculty of the university as well as of other universities belonging to a Manila consortium are not charged.

**Informal Recommendation 9:** Embassy Manila should continue to pressure De La Salle University to eliminate the fee charged to nonuniversity affiliated visitors to the American Corner located in its library building.

## Consular Affairs

There are nine consular officers who have management responsibilities, approximately 25 percent of the total consular contingent. In some units, the fact that these managers do not actually conduct interviews affects overall production and ELO morale.

**Informal Recommendation 10:** Embassy Manila should assign all consular managers except the consul general to an appropriate number of customer service hours in their respective unit.

The consular section employs about a dozen EFMs at any one time on a range of tasks. Although almost all the EFMs have the same grade level, their assigned jobs vary in interest, repetitiveness, and responsibility. Their job satisfaction levels vary accordingly, and there is little cross training except in the fingerprint scanning function.

**Informal Recommendation 11:** Embassy Manila should review the eligible family member assignments in the consular section and implement appropriate job rotations to facilitate cross training and professional development.

There are dozens of locally employed positions at the grade 6 and 7 levels in both visa units. Most of the staff perform duties of the same complexity but have different grade levels. Some of these inequities stem from jobs that have evolved since the computer assisted job evaluation process; these jobs need to have updated position descriptions.

**Informal Recommendation 12:** Embassy Manila should review the grade 6 and 7 position descriptions of the locally employed staff in the two visa units in light of changes in job responsibilities since the last computer assisted job evaluation for those positions.

The Manila consular section has witnessed a surge in visa applications for H2B temporary workers and E2 treaty investor applicants in the past 12 to 24 months. At this high fraud post, a surge in any visa category raises concern. The section has not had time to validate the travel and return of those already issued visas in order to determine their appropriate use.

**Informal Recommendation 13:** Embassy Manila should undertake a targeted validation study of its temporary worker and treaty investor workloads.

The IV unit has a locally employed supervisory position at the grade 11 position that has been vacant for some time. The three grade 10 coordinators work well without this additional supervisory level. They have direct access to the American unit chief when needed.

**Informal Recommendation 14:** Embassy Manila should review the usefulness of the senior local supervisor position in the immigrant visa unit and reprogram it for use elsewhere if they do not intend to fill it.

The consular agency in Cebu has many boxes of obsolete expendable and nonexpendable supplies left over from the former U.S. consulate.

**Informal Recommendation 15:** Embassy Manila should conduct a review of expendable and nonexpendable supplies at the consular agency in Cebu and discard obsolete items.

The consular agency in Cebu's consular files are not maintained in compliance with 5 FAM 430, 5 FAH 4 H-300, and the Department's record disposition schedules.

**Informal Recommendation 16:** Embassy Manila should review the consular agency's consular files, properly arrange and identify them, and discard obsolete items.

The consular agency's procurement and financial files are not maintained in compliance with 5 FAM 430, 5 FAH 4 H-300, and the Department's record disposition schedules.

**Informal Recommendation 17:** Embassy Manila should review the consular agency's procurement and financial records and discard obsolete items.



## Human Resources

Embassy Manila does not fully comply with the Department's instructions regarding EEO rights of locally employed staff.

**Informal Recommendation 22:** Embassy Manila should appoint counselors and update the Handbook for Filipino Employees to include Equal Employment Opportunity guidance.

Embassy Manila's Handbook for Filipino Employees does not appear to apply to all persons hired under the local compensation plan, limiting information to FSNs only and not discussing information relevant to normally resident American citizens and EFM's.

**Informal Recommendation 23:** Embassy Manila should include information regarding all persons hired locally, including normally resident American citizens and eligible family members in its Handbook for Filipino Employees, and should also consider changing the name of this document to reflect more accurately the broader scope of locally hired employees.

Embassy Manila's Handbook for Filipino Employees provides only a repeat of the regulation regarding special immigrant visas and does not fully articulate the mission policy.

**Informal Recommendation 24:** Embassy Manila should amend its Handbook for Filipino Employees to outline the special immigrant visa policy and practice of the embassy and should emphasize that such visas are not a fringe benefit of employment.

Embassy Manila's FSN employees often seek special immigrant visas, but the HR assistant who usually provides that guidance and information only has superficial knowledge of the qualifications required or the program as it is administered in the Department.

**Informal Recommendation 25:** Embassy Manila should provide the human resources assistant with training on the special immigrant visa process, including training by the immigrant visa officer.

Embassy Manila's staffing pattern shows several inconsistencies with positions reported by sections and agencies to the OIG team.

**Informal Recommendation 26:** Embassy Manila human resources staff should work with those offices of the Department responsible for retaining staffing information to make and keep the embassy staffing pattern current.

## General Services

The facility maintenance warehouse contains far too many old and obsolete items.

**Informal Recommendation 27:** Embassy Manila should require the facilities maintenance officer to review the facility maintenance warehouse's current inventory and take action to reduce it.

## Housing

Embassy Manila's process of preparing for the arrival of new employees involves the general services office, facilities maintenance, and the community liaison office. There is no single person responsible to coordinate preparations for the arrival of employees and their families.

**Informal Recommendation 28:** Embassy Manila should designate the supervisory general services officer as the coordinator of the embassy's efforts to prepare housing for new arrivals.

Embassy Manila has allowed authorized temporary lodging allowances for new arrivals to stay in commercial temporary housing for longer time periods than required, primarily due to personal or agency preferences.

**Informal Recommendation 29:** Embassy Manila should strictly enforce a policy that new arrivals should stay in temporary lodging for as short a time as possible irrespective of individual or agency preference.

Embassy Manila has created long-term vacancies in existing government-owned or leased housing in order to provide housing for interns. Interns may be housed in vacant units as they become available, but housing for interns is not an entitlement.

**Informal Recommendation 30:** Embassy Manila should cease creating vacant housing units solely to accommodate interns and house them in units if and when they become available.



mendations on ICASS staffing levels per the Department's guidance, Action Request and Guidance for Chief of Mission NSDD-38 Requests.

**Informal Recommendation 35:** Embassy Manila should distribute National Security Decision Directive-38 guidance and train International Cooperative Administrative Support Services council members on developing cost impacts for National Security Decision Directive-38 requests.

## Quality of Life

### Medical Unit

Embassy Manila has a good practice of using medications and medical supplies before they expire and disposing of them before expiry. However, the disposal practice is neither documented nor reviewed by the accountable property officer to ensure that disposal complies with regulations and guidance from the Department.

**Informal Recommendation 36:** Embassy Manila should issue a written policy regarding when and to whom medicines and medical supplies can be donated before they expire.

### American Recreation Club

Embassy Manila staff have questions about the American Recreation Club's membership policy.

**Informal Recommendation 37:** Embassy Manila should publish the association's charter and bylaws on the mission's web site.

### Equal Employment Opportunity

Embassy Manila's American EEO counselors have received no requests for assistance from the over 1,000 locally employed staff. Although the EEO counselors wanted to develop a training program for EEO issues affecting local staff, they were dissuaded from doing so by the Department's Office of Civil Rights.

**Informal Recommendation 38:** Embassy Manila should pursue with the Office of Civil Rights the need for locally employed staff outreach and evaluate recruiting one or more locally employed counselors who might be able to reach out more effectively to that group.



PRINCIPAL OFFICIALS

	<b>Name</b>	<b>Arrival Date</b>
Ambassador	Kristie A. Kenney	03/06
Deputy Chief of Mission	Paul W. Jones	09/05
Chiefs of Sections:		
Administrative	Catherine I. Ebert-Gray	08/06
Consular	Richard D. Haynes	08/05
Political	Scott D. Bellard	09/04
Economic	Larry L. Memmott	08/06
Public Affairs	Lee M. McClenney	08/05
Regional Security	Jacob M. Wohlman	07/06
Other Agencies:		
Foreign Agricultural Service	Emiko M. Purdy	08/06
FAS/Agricultural Trade Office	Dennis B. Vorbil	08/01
Defense Attaché' Office	Col. Bruce West, USAF	02/05
JUSMAG/Dept of Defense	Col. Mathias Velasco, USA	06/02
Foreign Commercial Service	Judy R. Reinke	08/02
U.S. Agency for International Development	Jon D. Lindborg	08/05
American Battle Monuments Commission	Larry A. Adkison	03/00
Drug Enforcement Administration	Timothy C. Teal	11/03
FAS/Agricultural Trade Office	Dennis B. Voboril	08/04
Department of Justice	Jeffrey W. Cole	03/03
Federal Bureau of Investigation	Stephen P. Cutler	01/03
Department of Homeland Security (ICE)	Frank J. Cabaddu	10/05

Department of Homeland Security (CBP)	Walter H. Lee	10/06
Department of Homeland Security (CIS)	John P. Abram	08/05
Department of Homeland Security (TSA)	Bert Williams	08/02
International Broadcasting Bureau	Terence J. Donovan	02/05
Peace Corps	Karl S. Beck	04/06
Social Security Administration	Thomas H. Ashley	01/06
U.S. Department of Veteran Affairs	Jonathan M. Skelly	01/07
U.S. Asian Development Bank	Paul Curry	01/06

## ABBREVIATIONS

ACS	American citizens services
AFP	Armed Forces of the Philippines
ARC	American Recreation Club
A/RSO-I	Assistant regional security officer for investigations
CA	Bureau of Consular Affairs
DCM	Deputy chief of mission
Department	Department of State
DHS	Department of Homeland Security
DOJ	Department of Justice
EAP	Bureau of East Asia and Pacific Affairs
EEO	Equal Employment Opportunity
EFM	Eligible family members
ELO	Entry-level officer
FAS	U.S. Foreign Agricultural Service
FPU	Fraud prevention unit
FSN	Foreign Service national
GPS	Global Publishing Solutions
HR	Human resources
IBB	International Broadcasting Bureau
ICASS	International Cooperative Administrative Support Services
IDENT	Automated Biometrics Identification System
IM	Information management
INL	Bureau of International Narcotics and Law Enforcement Affairs
ISC	Information systems center

ISSO	Information systems security officer
IV	Immigrant visa
JSOTF-P	U.S. Joint Special Forces Operations Task Force – Philippines
JUSMAG	Joint U.S. Military Assistance Group
LEWG	Law enforcement working group
MPP	Mission Performance Plan
NIV	Nonimmigrant visa
NSDD-38	National Security Decision Directive-38
OBO	Bureau of Overseas Buildings Operations
OIG	Office of Inspector General
PACOM	Pacific Command
PAS	Public affairs section
RIF	Reduction in force
RIMC	Regional Information Management Center
RSO	Regional security officer
SOP	Standard operating procedure
WQLQ	Workplace and quality of life questionnaire
USAID	U.S. Agency for International Development
USFCS	U.S. Foreign and Commercial Service
VSU	Visa security unit

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