



Office of Inspector General
U.S. Department of State
and the
Broadcasting Board of Governors

MONTHLY REPORT OF **ACTIVITIES**

audits, inspections, testimony, and special activities

March 2002

This report describes testimony provided by the Inspector General or other OIG officials and lists OIG reports issued during the period indicated. This report includes unclassified summaries of classified reports; all text in this report is unclassified. Classified reports are not distributed publicly. On occasion, OIG distributes an unclassified version of a classified report; in such a case, this listing also indicates the issued date of the original report. In addition, all major reports, together with OIG investigative activities, are summarized in the Inspector General's semiannual reports to the Congress, which are publicly available every June and December.

Office of Audits

Information Technology Vulnerability Assessment for the Central Financial Management System (AUD/FM-02-15)

The Government Management Reform Act requires that the Department's principal financial statements be audited annually. Audits of the principal financial statements require, among other things, assessing the adequacy of the internal control process for recording, accumulating, and reporting financial data. This, in turn, requires an assessment of the security of the automated systems that process financial data. At the OIG's direction, independent external computer specialists performed a vulnerability assessment of the Central Financial Management System.

OIG found that the specific security features associated with the Central Financial Management System application appeared to function correctly and were well managed. Most of the vulnerabilities detected pertained to system configuration issues that could be corrected without affecting overall network performance or availability. Many of these issues were also noted during another vulnerability assessment, which suggests that similar problems may exist throughout the Department's information technology infrastructure.

Department of State Humanitarian Response Efforts for Women Refugees and Conflict Victims (AUD/PR-02-09)

OIG's review determined that progress in providing women with assistance in public health, food and nutrition and developing job skills has been made. However, reduced international donor support for food in Africa hampers refugee response efforts and programs. Continued attention is needed to integrate women's issues into international and nongovernmental regular or core programming and to develop international standards for addressing psychological social distress or health problems.

The Bureau of Population, Refugees, and Migration (PRM) has been at the forefront of promoting the integration of women's humanitarian needs into all aspects of programming. Performance monitoring and evaluation are done at the project or country level, but there is no systematic approach to reviewing overall progress toward meeting women's policy and program objectives. OIG recommended that an automated database for retrieving and analyzing project proposals, projects, and progress toward meeting policy and program objectives be on line by this year.

OIG found PRM-funded international organizations are generally less accountable in terms of performance than nongovernmental organizations. The inclusion of women's issues and activities into international organizations' core budgets is a goal shared by many in the humanitarian community. In the short term, PRM is funding some women's activities separately to ensure that their needs are being adequately met.

Women's initiatives and programs are diverse, ranging from services for the protection of victims of sexual violence to income-generating projects. OIG recommendations included that PRM establish: (1) performance objectives and performance indicators, and an evaluation mechanism for mainstreamed sexual violence protection programs, (2) standards to measure performance in the area of psychological social distress, and (3) time frames for income-generating projects to demonstrate

sustainability. OIG also recommended that PRM track the implementation of lessons learned and best practices by U.S.-funded international organizations.

Survey of Civil Service Leadership Training (AUD/PR-02-22)

OIG found that the Department has made significant progress in recognizing the importance of leadership training for Civil Service employees. Foremost among the Department's efforts are the Leadership Competencies Development Initiative (LCDI) developed by the Office of Civil Service Personnel (HR/CSP) and the School of Leadership and Management (LMS) training at the Foreign Service Institute (FSI). Almost all of the 91 employees OIG interviewed believed that the Department has taken positive steps in this area. However, despite various efforts by FSI to publicize leadership and management courses, 55 percent of the employees OIG interviewed said they were not aware of the LMS. Further, many of the employees who had signed up for the LCDI, and were counted as participants by HR/CSP, have not met basic program requirements, such as completing Individual Development Plans.

Review of U.S. Support to the International Police Task Force in Bosnia (AUD/PPA-02-20)

In response to a congressional request, OIG reviewed the Department's program that supports the International Police Task Force (IPTF) in Bosnia. This review also included an evaluation of allegations that appeared in the media of misconduct by U.S. police officers serving with the United Nations (UN) in Bosnia.

In February 1996, the Department awarded a contract to DynCorp Aerospace Technology, Ltd. (DynCorp) to provide police officers in support of the IPTF mission in Bosnia. The main task of the IPTF was to bring the local police force up to European standards. IPTF has no executive authority, its members do not carry weapons, and they have no arrest powers. IPTF monitored, observed, and inspected law enforcement activities and facilities; advised and trained local law enforcement personnel; and assessed threats to the public order. A principal finding was that enhancements in recruiting, screening and training processes have improved the quality of officers serving in Bosnia. The process for selecting and training officers now appears thorough and complete. Interviews with 75 of the 101 officers serving in Bosnia showed that they rated the recruiting and training process as good or very good. Another key finding determined that, since 1996, only about two percent of the over 900 officers who have served in Bosnia had to be dismissed; this percentage reflects the number of officer formally terminated for a variety of causes, including misconduct, AWOL, and insubordination. OIG also found that an additional 2.7 percent of officers had resigned while under review for similar conduct issues or had gone AWOL and never returned. No formal action had been taken to terminate those officers for cause. Finally, OIG concluded that, in general, contract administration was adequate; however, contract modifications were approved without adequate consideration for contract competition. The initial contract was for \$4.5 million, and it now totals over \$270 million as a result of adding other police operations in other countries. The Department should have considered issuing a new competitive procurement as the scope of the contract expanded.

Major recommendations include steps to strengthen contract administration and procedures and to draft a new contract that should be competitively advertised in 2002.

Foreign Service National Payroll (AUD/FM-02-24)

During the audit of FSN payroll, OIG found that overall the payroll system compensated FSNs in a reasonably accurate manner. However, OIG did identify concerns with the FSN payroll process and with its performance standards and measures.

For instance, OIG found that the three systems used to process FSN payroll were not integrated. OIG also found that the FSN payroll system was antiquated and did not meet the Department's needs. In addition, although the Department had developed a standardized personnel system, its use was not mandated. OIG also found that the performance standards and measures related to FSN payroll did not adhere to guidelines established by the Department.

Due to staff turnover and other office priorities, the audit was cancelled. OIG's findings to date were forwarded to the Department for its use in improving the FSN payroll process. OIG believes that these concerns could be resolved by developing and using an integrated personnel and payroll system.

Agreed-Upon Procedures Reports on Federal Intragovernmental Activity and Balances (AUD/FM-02-17), and Agreed-Upon Procedures Report on Federal Agencies' Centralized Trial Balance System (AUD/FM-02-18)

The Department of the Treasury (Treasury) annually prepares and submits to the President and the Congress an audited financial statement covering all executive agencies. Each agency is required to furnish certain financial and operational information to Treasury through the Federal Agencies' Centralized Trial-Balance System (FACTS). Agencies must reconcile and confirm intragovernmental balances with their trading partners and ensure these balances agree with FACTS reporting and audited financial statements before submitting year-end data to Treasury.

Under OIG's direction, a contract auditor performed required procedures solely to assist Treasury, the General Accounting Office, and the Office of Management and Budget with accounting for and eliminating intragovernmental activity and balances in the preparation of agency and government-wide financial statements and reports. The auditor reviewed the Department's preliminary and final Chief Financial Officer (CFO) Representations for Federal Intragovernmental Activity and Balances; compared reconciliation amounts to supporting documentation; and traced the adjustments, if any, to supporting documentation.

With the exception of Accounts Receivable, Accounts Payable, Earned Revenue, and Transfers-In, the auditor found only minimal differences in amounts that were not material to the Department's financial statements. However, the auditor was unable to make the necessary comparisons with respect to the items listed above because the Department was unable to confirm the balances with its trading partners. In addition, the auditor disagreed with the CFO's responses for these categories because the auditor did not believe that sending confirmations constituted completing reconciliations.

The audits also evaluated management's assertion that it compared the Summarized FACTS Data to the related information in the agency's consolidated financial statements as of and for the year ended September 30, 2001. The auditor determined that there were no material differences between the FACTS data and the agency's financial statements.

Independent Accountant's Report on Reporting by the U.S. Department of Commerce Under Selected Interagency Agreements Issued by the U.S. Department of State (AUD-CG-02-14)

At the request of the Bureau of Nonproliferation (NP), OIG audited reporting by the U.S. Department of Commerce (Commerce) under five selected interagency acquisition agreements issued by the Department. In addition, at NP's request, OIG reviewed eight specific items relating to Commerce's administration of the agreements.

Based on the audit, OIG concluded that a Commerce contractor, who performed under the agreements, billed more than \$150,000 of excess general and administrative expenses. Also, under the agreements Commerce billed and the Department paid Commerce \$10,355,974 to reimburse Commerce for its costs under the agreements. As of September 30, 2001, Commerce has reported expenditures of \$7,101,983. Accordingly, it needs to account to NP for the \$3,253,991 balance.

Upon review of the eight specific items, OIG noted that Commerce used two separate accounting systems to account for costs incurred under the agreements. Neither of these systems provided sufficient data for effective cost management and control or for subsequent comparison of budgeted and incurred costs for individual assignments. Also, Commerce received a single bid in response to two significant solicitations; accordingly, it awarded the contracts without the benefit of competition.

Review of Invoices Submitted by a Contractor Under Selected Contractual Agreements (AUD-CG-02-16)

OIG conducted a review of invoices submitted for services provided by two contractors to determine whether costs claimed by the contractors were reasonable, allocable, and allowable, and whether the Department made duplicate payments for services provided on agreements with overlapping performance periods. OIG found that:

- The Bureau of Human Resources, Executive Office (HR/EX), approved and the Bureau of Resource Management, Payments Division (RM/F/DFS/FO/PD), paid invoices that were not allowable or allocable to the agreements. For example, the Department paid the contractors for services outside the performance period, for general administrative fees and other fees that were not authorized in the contractual agreement, and for services provided by associates that were not authorized. As a result, OIG questioned \$113,604 of \$392,480 that the Department had paid to the contractors.
- As of January 18, 2002, one contractor had submitted an additional eight invoices, totaling \$139,445, that the Department had not paid either because of insufficient funding or because the invoices covered work performed outside the performance periods of the applicable agreements. These unpaid invoices are considered unauthorized commitments.
- The Department paid an hourly rate for one contractor's services without determining whether it was fair or reasonable. Because consulting rates may vary significantly, it is important to survey at least two or more sources prior to establishing a sole source contract rate. We found no documentation showing that the contracting officer conducted such a survey. As a result, we could not determine whether the established rate was fair and reasonable.

The Department awarded firm fixed price contracts to obtain one contractor's services, even though, for some tasks there were no specific contract deliverables. There is no requirement under a firm fixed price contract for the contractor to submit invoices showing detailed task descriptions or daily time charges, or to maintain such records. As a result, OIG could not determine whether any

duplicate payments were made for the same or similar work provided by the overlapping contract performance periods, or whether the contractor's charges were properly allocated to the contracts.

OIG recommended that the contracting officer forward the invoices with questionable costs to the procurement executive for a decision on whether the unauthorized commitments should be ratified and require the contractor to reimburse the Department for the unallowable costs already paid. In addition, the contracting officer should determine whether a fixed price contract is appropriate for future services provided by the contractor, and should conduct a survey to determine the reasonableness of the contractor's rates before any new awards are made.

Freight Forwarding (AUD-FM-02-23)

During an audit of the Department's freight forwarding operations, OIG found that the State Transportation and Tracking System (STATS) was not completely or accurately providing all freight forwarding transactions to the Department's accounting system. Before OIG could complete audit field work, the Department took several steps to address this issue, including developing a new system to replace STATS. As a result of the Department's actions, the audit was discontinued.

Office of Inspections

Inspection of Embassy Freetown, Sierra Leone (ISP-I-02-22)

The country of Sierra Leone caught the world's attention in the late 1990s when a bloody civil war threatened the stability of the region and resulted in the largest UN peacekeeping operation in recent history. Embassy Freetown was evacuated three times in four years. During this period the embassy maintained an active presence in Sierra Leone on behalf of the U.S. government, supporting the UN peacekeeping operation and working with the British effort that finally succeeded in putting an end to the hostilities.

The embassy is under the Department's Special Embassy Program, and it should remain small. Current staffing calls for around 14 Americans. However, successive evacuations and chronic understaffing have devastated the embassy's administrative and consular operations. The Department needs to send temporary-duty teams to normalize these operations so that permanently assigned staff can continue them more effectively. The FSNs conducted themselves with dignity, integrity, and professionalism during periods of high stress and threats to their personal safety.

The embassy has been understaffed for several years, forcing executive management to devote time to operational matters at the expense of overall management and supervision. The Department needs to ensure that the vacant positions are promptly and adequately staffed.

Inspection of Embassy Monrovia, Liberia (ISP-I-02-23)

U.S. relations with the Liberian regime of President Charles Taylor are strained and likely to remain so for some time. However, the United States has long-term interests in Liberia that justify a continued official presence and active efforts to promote democracy and improved bilateral relations.

The U.S. Embassy in Monrovia has engaged actively with the Liberian government, the private sector, and the public on U.S. policy issues. However, its efforts are constrained by host government hostility.

Security concerns and political obstacles on official U.S. activity in Liberia should keep Embassy Monrovia limited to fewer than 31 Americans for the foreseeable future. The embassy has experienced serious staffing gaps over the last several years, and the Department needs to fill vacant positions, giving priority to the public affairs and consular positions. Embassy Monrovia provides full consular services. This is too much of a burden for one consular officer. The Department needs either to reinstate the vice consul position eliminated this summer or to reduce significantly the range of consular services provided at the embassy.

Embassy Monrovia has unique property assets that provide more capacity than is needed at the present with bilateral relations constrained. However, the OIG recommends against disposing of any property at this time. The property is a valuable future resource, and, during this period of uncertain circumstances, it provides a secure base and essential services that are not otherwise available. The OIG urged that the Department and the embassy undertake a new design study of the main compound and examine ways that a subsidiary compound might be effectively used to defray

expenses and promote U.S. policy objectives until more extensive U.S. government operations resume.

Inspection of Embassy Praia, Cape Verde (ISP-I-02-29)

Cape Verde is a small island nation with a deficit economy dependent on remittances from the United States, where over half of the Cape Verdean population resides. Embassy Praia provides consular services and seeks meaningful ways to expand the very limited bilateral relationship, particularly by building on the island's role as a mid-Atlantic refueling stop and on ties with its U.S.-resident population.

The four Americans assigned to Embassy Praia find that simply supporting an embassy and an active consular operation leaves few resources for other endeavors. The embassy's greatest need is for full-time supervision of its administrative operations, which should be provided by the deputy chief of mission. Management controls are generally in place but need strengthening in some areas. Regional support from Embassy Dakar is excellent.

Inspection of Embassy Banjul, The Gambia (ISP-I-02-30)

With no immediate U.S. interest present in The Gambia and with an inauspicious environment for an effective dialogue with the host government, Embassy Banjul should have as its goal raising the public profile of the United States through public diplomacy in ways that would highlight the significant assistance the United States is providing to the people of The Gambia. Current embassy resources are sufficient for this purpose. Reporting on internal developments is more than adequate, but more could be done on other matters of interest to Washington readers like The Gambia's role in regional problems.

Embassy Banjul must contend with deterioration in The Gambia's basic infrastructure, spending a significant amount of time and energy generating electricity and air conditioning and maintaining vehicles. As in other embassies in the region, the number of American staff is small. Staff should be assigned taking into account experience and professional expertise, especially with respect to consular and administrative affairs.

Embassy Banjul has improved its security posture significantly since the establishment of a Regional Security Officer (RSO) position in 1999.

Inspection of Embassy Nouakchott, Mauritania (ISP-I-02-31)

Embassy Nouakchott has built a promising relationship with the government of the Islamic Republic of Mauritania by developing and promoting humanitarian, social, and antipoverty programs, which, though, small are well focused. This beginning offers the promise of a broader relationship, including a more significant role for Mauritania in the U.S.-led coalition against terrorism.

Despite the adversities and frustrations inherent in a small, remote hardship post, including curtailments and staffing gaps, Embassy Nouakchott is well led and well administered. The human, financial, and physical resources committed to Nouakchott are appropriate and sufficient, except in the area of facilities maintenance. This deficiency should be addressed by the assignment of experienced general services or facilities maintenance personnel.

Intermittent supervision caused by staffing gaps has led to significant problems with respect to inventory controls and financial management. The embassy is now addressing these problems.

Past security programs suffered from a lack of supervision. Embassy security has improved rapidly and significantly following the establishment of a RSO position in 1999.

Inspection of Embassy Vatican, Vatican City (ISP-I-02-14)

Embassy Vatican deals diplomatically with the world's smallest city-state, whose leader, the Pope, exercises immense influence throughout the world, often affecting U.S. policy objectives. The Vatican and the United States share concern for the Balkans, the Middle East, Africa, and for international human rights, population and UN social issues. The papacy also follows closely and speaks publicly on important issues such as the war in Afghanistan and terrorism.

Embassy Vatican's priority goal is maintaining a constructive relationship with the Vatican leadership and effectively advocating U.S. policy positions. Embassy Vatican has extensive reporting and representational responsibilities. However, its public diplomacy and its analytical reporting activities seem less focused and would benefit from a more structured approach. Embassy Vatican's efforts to promote U.S. commercial interests are laudable, but the recent Independence Day event was lavish and some fundraising for social events was inappropriate.

Embassy Vatican relies on Embassy Rome for administrative, security, and public affairs support. Embassy Vatican handles its own procurement, motor pool, maintenance and gardening, and management controls are adequate. This division of administrative services between the two missions works well.

Inspection of the U.S. Mission to the UN Agencies for Food and Agriculture in Rome (ISP-I-02-16)

The U.S. Mission to the UN Agencies for Food and Agriculture (FODAG) is a small, busy, well-integrated interagency operation managing a diverse portfolio of significant programmatic and policy issues, engaging principally two major international agencies, the Food and Agriculture Organization (FAO) and the World Food Program (WFP). The United States remains the largest contributor to both organizations with \$73 million annually to FAO and \$1 billion to WFP in 2001. WFP, in contrast to FAO, has the flexibility to deal with crisis issues that may be of direct importance to U.S. policy goals, such as the oil for food program for Iraq, famine assistance for North Korea, and humanitarian assistance for Afghanistan.

The mission does a solid job of defending United States interests and displays a high degree of interagency coordination, cooperation and collegiality. A new chief of mission was nominated in October, 2001. In the past, the decision to confer the rank of ambassador on the chief of mission has been an ad hoc one. It is an appropriate time to assess whether the mission should be headed by an ambassador on a permanent basis.

Embassy Rome provides the mission with almost all of its administrative support. The most serious management/resource issue facing the mission is the pressing need to find a new location for the mission offices.

Inspection of Tallinn, Estonia (ISP-I-02-25)

The security of northern Europe is affected by stability in the Baltic region. So U.S. national security interests are served by current U.S.-Estonian cooperation to build an Estonian national defense closely linked to North Atlantic Treaty Organization (NATO) and an economy tied to the European

Union (EU). Estonia's efforts to build a democratic state aligned with the Europe coincide with the U.S. national interest of promoting democracy globally.

Membership in European institutions requires that Estonia be a functioning democratic state, which meets the democratic community's human rights/civil liberties standards. The embassy is helping Estonia deal with social equality issues through a variety of assistance programs such as training unemployed non-Estonians and supporting a local law center that provides legal training.

The embassy operates in a friendly environment and is well positioned to build strong working relationships with government and public leaders. Embassy resources include a staff of 33 Americans, a military assistance program of close to \$6 million, about \$200,000 in Democracy Commission funds, and total funding of \$11.5 million.

The Mission Performance Plan (MPP) has clear, realistic objectives, and reflects embassy-wide coordination. Operationally, however, the embassy needs to improve interagency cooperation, specially in the sharing of sensitive information. The public affairs section carefully manages the public diplomacy grants program. But overall management of the entire assistance program has been fragmented, and the embassy is making an effort to coordinate and track the grants program from the development of proposals through to the awarding a grant. In addition, reporting needs to be tightened, eliminating marginal reports. The administrative section functions well, with good communications and coordination. The major administrative challenge is to restructure nonexpendable property management and establish a more effective work order system. With cooperation from the Estonian government, the embassy tightened perimeter security after the September 11 terrorist attacks.

Joint U.S. and Estonian law enforcement organizations work together effectively to combat transnational crime by helping reduce trafficking in women, fighting the drug trade, and addressing a difficult money laundering problem.

Inspection of Embassy Vilnius, Lithuania (ISP-I-02-26)

Embassy Vilnius identified as important objectives the promotion of Lithuania's integration into European security, political, and economic institutions and the further development of democracy and a market economy in Lithuania. After centuries of foreign domination, Lithuania experienced only a short period of independence between the World Wars, then regained it in 1991, with the collapse of the Soviet Union.

Embassy leadership uses public diplomacy extensively to promote U.S. policy and interests. Washington analysts praise the embassy's reporting for its intellectual honesty and analytic insight. In the area of military cooperation, the United States supports Lithuania's efforts to join NATO. A steady stream of senior U.S. military visitors engage with their Lithuanian counterparts, and the defense attaché office drafts some of the embassy's best reporting.

Based on future workload, the embassy thinks it can make a good case for additional political, consular, military, public diplomacy, administrative, and security staff. If and when Lithuania joins NATO and the EU, current staffing will be unable to cope with the added political, military and economic requirements.

The embassy's current facilities limit expansion. Security, safety, and working considerations argue for action on real property improvements, as recommended in this and a previous report. The embassy now has a plan that would consolidate all embassy operations around the present chancery. A scheduled visit by a Department space utilization and design team will help in developing the embassy's proposal.

Inspection of Embassy Riga, Latvia (ISP-I-02-24)

The United States and Latvia share an overarching goal: to anchor Latvia securely in the community of democracies. Latvia has made progress in achieving its goal of becoming a fully functioning democracy, while its economic transformation has proceeded faster and further than that of many other former Soviet republics.

In general, Latvians respect and admire the United States, and the embassy's working environment is good. The embassy has a staff of 34 Americans and a program budget of around \$12 million. Approximately 1,000 private American citizens live in Latvia.

The embassy's MPP is a straightforward blueprint for coordinated action across agency lines. It makes an important contribution to redefining the evolving bilateral relationship as Latvia approaches membership in NATO and the EU. The embassy has an effective public diplomacy program, properly geared to rule of law issues, development of democracy, and transparent free market practices, despite a relatively small public affairs section with modest resources. Reporting is thorough and tied closely to U.S. interests. The consular section scores high for good customer service and for instituting several consular "best practices" in 2000 and 2001. The administrative section functions well, with good communications and coordination, both within the section and throughout the embassy.

The embassy enjoys good morale. FSN morale is particularly good because of embassy management's insistence that Latvian employees be treated as respected colleagues.

The embassy's law enforcement working group meets regularly to emphasize the importance of interagency reporting on known and suspected terrorists and to provide guidance for submitting names to Washington. In the two months before the inspection, the embassy relayed information on 29 individuals through the Visas Viper channel.

Inspection of Embassy Minsk, Belarus (ISP-I-02-27)

Embassy Minsk spent an exhausting year trying to encourage free elections in Belarus. The Organization for Security and Cooperation in Europe was a steadfast ally in an effort to unify the democratic opposition, encourage an independent press, and foster a free and fair democratic process. In the end, the September 2001 election was not free, but the opposition won at least 40 percent of the vote, an astounding result in an authoritarian country. In the wake of this election, it is clear that Belarus has further regressed with respect to democratization. The Belarusian regime is not only authoritarian but would like to turn back the clock and rejoin Russia.

With the election over, the embassy is reassessing policy within the framework of the MPP. Promoting democracy and human rights will remain the highest priority. The Belarus regime's disregard for democratic values is exemplified further by trafficking in arms to states such as Iraq, Libya, and Iran.

The embassy utilizes public diplomacy to communicate with the Belarusian public. A hostile Belarusian security apparatus, which actively seeks to undermine U.S. government initiatives, has precluded cooperation between U.S. law enforcement agencies and their Belarusian counterparts. There is virtually no cooperation between Belarus and the U.S. government on issues such as the drug trade, trafficking in persons, and computer credit card fraud. The embassy limited its pre-election reporting in favor of a strong advocacy program to promote civil society and democracy

building. Nevertheless, Washington analysts praised much of the reporting, especially that from the economic section and the defense attaché.

Given the hostile political, security, and intelligence environment, the Department should assign more experienced personnel to Minsk and limit the assignment of first-tour officers who are now a significant portion of the staff and often inadequately briefed for such a difficult tour of duty.

The embassy is alarmingly overcrowded and in need of major renovation.

Inspection of Embassy Valletta, Malta (ISP-I-02-15)

Bilateral relations between the United States and Malta are good. Given the island's strategic location, security/defense related issues dominate the relationship, ranging from the transit of weapons of mass destruction materials to some 40 U.S. Navy ship visits annually. Embassy Valletta actively promotes U.S. trade and investment. The embassy effectively uses public diplomacy as an essential tool across the spectrum of U.S. interests.

New embassy managers have achieved in an admirably short time a high degree of internal cohesion in a mission formerly divided by conflicts within the embassy's leadership.

The chancery is inadequate to the needs of the mission. The Department and the embassy should identify alternatives for relocating the chancery on a priority basis. The RSO has performed well. Overall, administrative services are adequate, and the budget and fiscal unit is well run. However, there are a number of problem areas in the administrative section which require attention, and, in the case of information management, Department assistance. These include weaknesses in inventory controls, inadequate oversight of the American Employees Association, and the need to strengthen FSN personnel management. There are residual problem areas in the consular section, which are being addressed. Throughout the mission, priority attention needs to be given to professional training for FSNs.

Compliance Follow-up Review of the Inspection of Embassy Panama City, Panama (ISP-C-02-20)

Embassy Panama City and the Department have done a good job of addressing the concerns raised by the inspection report (ISP/I-01-02). The embassy agreed with and promptly acted upon most of the recommendations. On others, primarily involving American position reductions in the political/economic and public affairs sections, the post convinced OIG that, in fact, the positions were needed.

Several recommendations were reissued or modified. The most significant was the call for a new chancery compound to replace the present insecure, inefficient chancery and annexes scattered around the city. The Department has responded positively, and is currently scheduled to begin the process of replacing the chancery compound in FY 2003. The CFR team devoted considerable attention to the antiterrorist recommendations for the embassy to "activate its Visas Viper Program to require more effective information sharing." The post made sufficient progress on this important recommendation for it to be closed. Similarly focused on U.S. border security, an earlier recommendation called for funding a part-time position to coordinate the post's alien smuggling intelligence database. Although OIG previously closed this recommendation, the CFR team reissued it because the team and the Bureau of Consular Affairs feel that Panama is an important transient illegal alien choke point. To help combat this threat, OIG modified and reissued a recommendation dealing with alien smuggling intelligence coordination.

Inspection of Embassy Belize City, Belize (ISP-I-02-19)

The chancery and annexes at Embassy Belize City are unacceptable from a security standpoint, and the layout of the buildings is not conducive to efficient embassy operations. A new office compound has been recommended. Operationally, management controls in some administrative areas are weak and must be strengthened. There are significant deficiencies with respect to property management, certification of vouchers, and in the separation of duties.

The government of Belize has an active "investor" citizenship/passport program that allows people, primarily Chinese from the mainland and East Indians to purchase a second Belizean passport. Inadmissible aliens, including terrorists, can use these second passports to enter the United States. The report recommended that the embassy make the prompt elimination of this program a priority goal, and the program has been terminated.

Review of Domestic Passport Operations (ISP-I-02-32)

The OIG reviewed Consular Affairs' (CA's) domestic passport operations. The primary objectives of this review were to assess the adequacy of the internal controls over cashier operations and with respect to blank passport books at the regional passport agencies. A secondary objective was to review the adequacy of CA oversight of the passport offices. OIG initiated this review as part of a follow up to work performed at the Miami Passport Agency, where major fraud was detected in the cashiering office during the summer of 2000.

Overall, OIG found that the Office of Passport Policy and Advisory Services in CA's Directorate of Passport Services has established a comprehensive set of internal control procedures for cashiering and blank passport book controls. If the established internal controls are followed, the risk of cashiering and blank passport book malfeasance is minimized. However, OIG found that the internal control procedures over cashiering were not implemented consistently at five of the six passport agencies visited. In addition, CA's management assessment/internal control reviews are not conducted frequently enough to assess adequately whether internal controls have been properly implemented. Finally, OIG concluded that the unannounced adjudication audit program is not achieving its primary objective of preventing and detecting malfeasance.

Office of Information Technology

Streamlined Processes and Better Automation Can Improve Munitions License Reviews (IT-A-02-02)

The munitions export licensing process is an important safeguard to the foreign policy and national security interests of the United States. However, the process as managed by the Department's Office of Defense Trade Controls (DTC) is inefficient and unnecessarily burdensome on industry and other federal agencies involved in munitions license controls. OIG found that the process involves extensive use of manual and paper-based means to transfer information that must be re-keyed into computer systems by recipient organizations. In addition, the process lacks adequate tracking mechanisms from beginning to end, resulting in lost and misplaced applications, as well as additional time and effort. In part, these problems have resulted from DTC's internal information technology (IT) infrastructure, which is comprised of multiple systems that are independent of one another. DTC's lack of external connectivity further limits its ability to share data electronically with other organizations, such as the Department of Defense, also involved in reviewing and approving munitions licenses.

DTC recognizes the need to improve its munitions licensing processes and related information systems and is now developing plans to upgrade its information technology capabilities. However, its approach focuses primarily on automating aspects of the existing process and does not include effective risk management strategies or adequate industry and agency input to help identify and meet requirements. Failure to revise business processes prior to investing in new technology creates the risk of merely automating inefficient ways of doing business. Failure to coordinate effectively with external export licensing organizations grappling with similar technology improvement issues results in duplication of effort.

Recent DTC initiatives are good first steps to improving automated support for the munitions licensing process; however, more needs to be done for the efforts to be effective. Building upon initiatives currently underway, DTC can broaden its efforts to include assessment of the existing munitions licensing process and identification of required improvements. Working with industry and other federal agencies involved in the process, DTC can help develop a strategy for providing secure, integrated systems and processes to help meet these requirements. DTC has taken tentative steps toward improved collaboration; however, sustained interagency effort is necessary to improve automation, integrate, and streamline the federal munitions licensing process as a whole.

DTC accepted in full the report's recommendations, noting only that several remedial activities are underway since the period of OIG's review. DTC also stated that beyond the recommendations much of the report's analysis will serve as a basis for consideration of still further measures to strengthen the timeliness and overall efficiency of the munitions export licensing system.

Challenges to Successful OpenNet Plus Implementation (IT-A-02-03)

The OpenNet Plus program is intended to provide every employee of the Department with desktop access to the Internet. The Internet has become an indispensable source of information and a universal method for rapid communications among organizations engaged in government and

business transactions worldwide. Department employees have also become increasingly dependent on the Internet to help them carry out their foreign affairs activities in a reliable, fast, and cost-effective manner.

In accordance with OIG's goal of helping to ensure more effectiveness, efficiency, and security in the Department's information technology operations and infrastructure, OIG conducted a review of the OpenNet Plus program. OIG's report focused on the Department's approach to implementing OpenNet Plus domestically and at overseas embassies and consulates. Specific objectives of the review were to determine whether the Department is adequately planning and managing deployment of OpenNet Plus, to determine whether the Department has taken adequate steps to ensure security of the OpenNet Plus infrastructure, and to identify plans and procedures for monitoring and ensuring proper use of the Internet in accordance with established policy guidelines.

The Department is taking a structured approach to implementing OpenNet Plus, its program for providing this long-awaited capability. The approach includes a deliberate process for ensuring that bureaus and overseas missions meet established technical, physical, security, and management requirements for Internet access before they are granted connectivity through OpenNet Plus.

However, the Department has not instituted all of the policies needed to support OpenNet Plus implementation—particularly with regard to eliminating redundant Internet connections once OpenNet Plus is deployed and monitoring employee use of the Internet. By instituting the necessary policies, the Department will be able to avoid duplicative costs arising from maintaining separate Internet networks. Establishment of a specific Internet monitoring policy and approach will also minimize the potential for inappropriate use of the Internet in the workplace, and corresponding wasted time and taxpayer dollars.

Office of Security and Intelligence Oversight

During this reporting period, an OIG security oversight inspection was conducted at Embassy Ulaanbaatar, Mongolia; Embassy Banjul, the Gambia; Embassy Rome and Constituent Posts and Embassy Vatican; Embassy Monrovia, Liberia; Embassy Nouakchott, Mauritania; Embassy Abidjan, Cote d'Ivoire; Embassy Minsk, Belarus; Embassy Paramaribo, Suriname; Embassy Freetown, Sierra Leone; Embassy Curacao, Netherlands Antilles; and Embassy Belize City, Belize. The resulting reports are classified.

Enhancing the Protection of Classified Documents at Department Headquarters **(SIO-A-02-35)**

OIG initiated a review of the handling of classified information to assess the Department's progress in correcting deficiencies noted in the September 1999 OIG audit report on the protection of classified information at Main State. The Senate Select Committee in its report for the FY 2001 Intelligence Authorization bill directed OIG to conduct annual follow up reviews through 2006. Although the report language was ultimately not included in the legislation, OIG intends to review the handling of classified information on an annual basis for the next few years. The report cited below was the first such follow up review.

The Department has made significant strides in enhancing the protection of classified information, especially SCI. In March 2001 the Department signed a Memorandum of Agreement transferring responsibility for protecting SCI from INR to DS. The Department has reduced the number of offices where SCI is processed, handled, read and discussed, and enhanced the protective measures in and for those offices. However, as of the writing of the SCI review, DS had not yet assumed the control function for SCI documents from the time a document is received, through its use by Department consumers, to its return to its source or storage within the Department.

The number of security incidents has declined since the 1999 OIG report as a result of the above measures and other efforts, such as a more aggressive briefing program for security awareness and a strengthened reporting program for security incidents. Nevertheless, the Department needs to improve further its efforts to ensure that all security violations are promptly referred for administrative action.