



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

April/May/June 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

International Cooperative Administrative Support Services, 2000 & 1999 Financial Statements (AUD/FM-02-26)

Under OIG's direction, an independent external auditor audited the International Cooperative Administrative Support Services' (ICASS) 2000 and 1999 Financial Statements to: obtain reasonable assurance and express an opinion on whether the financial statements fairly present, in all material respects, the financial position and results of financial operations in conformity with generally accepted accounting principles; determine whether ICASS had an internal control structure that provided reasonable assurance of achieving internal control objectives; and determine whether ICASS complied with applicable laws and regulations. The external auditor issued an unqualified opinion on the ICASS 2000 and 1999 Financial Statements. Although an unqualified opinion was issued, the report brought to management's attention concerns about the security of the Department's information system networks and the Paris Accounting and Disbursing System, the inadequacy of the Department's financial and accounting system, and the inadequacy of the Department's controls over undelivered orders.

Attestation Review of Annual Accounting of Drug Control Funds By the Department of State (AUD/PR-02-28)

OIG has reviewed the Chief Financial Officer's FY 2001 detailed accounting submission to the Director of the Office of National Drug Control Policy (ONDCP). The Chief Financial Officer prepared the submission in compliance with ONDCP Circular: *Annual Accounting of Drug Control Funds*, dated December 17, 1999. This submission is the responsibility of the Department of State.

OIG conducted its review in accordance with attestation standards established by the American Institute of Certified Public Accountants as specified in section 6 of the ONDCP circular. The scope of a review is substantially less than an examination, the objective of which is the expression an opinion on the submission. Accordingly, OIG does not express such an opinion. Based on own review of the accounting submission, nothing came to our attention that caused OIG to believe that the accompanying assertions do not, in all material respects, reliably represent the FY 2001 obligation data presented in the submission.

Regional Financial Management System Data Conversion Binder – Preliminary Review (AUD/FM-02-29)

April/May/June 2002

The Bureau of Resource Management (RM) is in the process of converting all of its posts to a new financial management system called the “Regional Financial Management System” (RFMS). The plans are to complete the conversion of all posts by the end of FY 2003. RM asked OIG to review the computer data content that resulted from one of the first posts converted to RFMS to determine whether adequate controls and signoffs were in place and whether the level of documentation was adequate.

After a preliminary review, OIG arranged for an outside organization to review the RFMS data conversion from a financial standpoint to determine the adequacy of the documentation. Results will be provided to RM upon completion of the review. In the interim, OIG suggested that RM maintain separate checklists for each converted post, include all reports and output files that are referenced on the checklist on a CD, and verify that all printed information is included for each section.

Review of Regional Financial Management System Test Documentation Standard (AUD/FM-02-30)

RM is replacing its financial management system in Charleston and Bangkok with a new system called the RFMS. RM asked OIG to review the RFMS Test Documentation Standard to determine whether the procedures for documenting future RFMS tests were adequate. OIG found that the standard was generally adequate for future RFMS tests and provided adequate accountability. The standard will also be useful in keeping the test documentation consistent throughout all test phases in the RFMS life cycle. OIG advised RM to clarify a section of the Test Documentation Standard to require written approval before any test results can be destroyed.

Foreign Service Retirement & Disability Fund, 2001, 2000, and 1999 Financial Statements (AUD/FM-02-19)

An independent external contractor audited the Foreign Service Retirement and Disability Fund’s (FSRDF) Financial Statements for FY 2001 to: report on whether the financial statements fairly present financial position and results of financial operations in accordance with generally accepted accounting principles; to determine whether FSRDF has an internal control structure that provides reasonable assurance of achieving internal control objectives; and, determine whether FSRDF complied with applicable laws and regulations. FSRDF is a trust fund that provides pensions to retired and disabled members of the Foreign Service. For FY 2001, FSRDF reported assets of \$11.3 billion and an actuarial unfunded pension liability of \$424.8 million.

Office of Inspections

Inspection of Embassy Rome, Italy, and Constituent Posts (ISP-I-02-13)

Embassy Rome is effectively managing the bilateral relationship with Italy. There is a broad range of high priority issues on the U.S.-Italian policy agenda, including NATO, the European Union, the Balkans, and the post-September 11 fall-out. The mission has performed exceptionally well in handling the unprecedented challenges emanating from September 11. The major ongoing resource and management issue that the embassy must address is the Via Sardegna Annex and the need to relocate the U.S. agencies located there promptly. The Department should not consider the sale of either the Naples or Florence Consulate General properties in the absence of a decision to close these posts. The embassy needs to pay greater attention to consular establishments in Italy and should review the adequacy of the current geographic distribution of the consulates general and consular agencies. The mission should also hold annual consular principal officers meetings and establish a well-defined framework for political and economic reporting from the consulates general.

The public affairs section is stretched thin but is very well managed and provides outstanding support to the three U.S. missions in Rome. The consular section and the consular posts are also providing a high level of customer service to U.S. citizens. The political and economic sections are turning out good reporting and are responding well to post-September 11 taskings by Washington. The administrative operations are responsive to the needs of the three U.S. missions in Rome. The administrative staff provides good support for the many presidential and other high-level visits to Rome. Individual administrative unit performance is mixed. Financial management is good, but there are serious space and personnel problems in the information management unit. Administrative leadership should give more attention to morale issues and the quality of staff apartments should be improved. Management controls, with few exceptions, are in place. With the exceptions of property disposal and inventory control procedures, post management has identified most weaknesses in Rome and the consulates general.

Inspection of Consulate General Curacao, Netherlands Antilles (ISP-I-02-18)

Consulate General Curacao is a two-officer Special Embassy Program consulate general burdened with a heavy workload, but operating with only limited resources. After nearly being closed in 1998, the consulate general is suddenly overwhelmed by national security, law enforcement, citizen services, and other consular requirements in a district covering six islands and extending more than 500 miles. The new consul general has support responsibilities for, and

chief-of-mission authority over, contingents from three federal agencies operating in Aruba, as well as a small Drug Enforcement Agency office in Curacao. The post's efforts should be better focused on its highest priorities after it prepares mission performance, representation, and travel plans.

Providing consular services to well over one million American tourists and residents is the key consulate function. Effective performance is hindered by the distant locations of the six islands comprising the consular district, the lack of an experienced and well-trained staff, and the fact that Aruba, another island apart from Curacao, has the heaviest consular workload. A consular agency was recommended for Aruba.

A \$5.8 million security construction project now underway at the consulate general requires more on site oversight by the Bureau of Overseas Building Operations (OBO) to ensure that the work is done properly and in conformity with the contract. The first-tour consular/administrative officer, designated as the contracting officer's representative, lacks both construction and contract management expertise. Additionally, the international cooperative administrative support system exists only on paper in Curacao, a condition that must be remedied.

Office of Security and Intelligence Oversight

During this reporting period, OIG limited-scope security reports of inspections were published for the following embassies: Embassy Ulaanbaatar, Mongolia; Embassy Seoul, Republic of Korea; Embassy Yerevan, Armenia, and Embassy Moscow, Russia. The resulting reports are classified.