

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 2003**

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

### **Review of the Broadcasting Board of Governors' Monitoring of Contractor Performance (AUD/PPA-03-21)**

The Office of Inspector General (OIG) conducted a review to determine whether the Broadcasting Board of Governors (BBG) had effective systems and procedures in place to monitor contractor performance. Specific objectives were to determine whether persons with performance monitoring responsibilities followed requisite policies and procedures for monitoring contractor performance; ensured that contractor performance was in compliance with contract terms and conditions; and possessed the requisite training, technical expertise, and certification of qualifications to perform contractor performance monitoring. Although OIG conducted this review domestically, it also administered a questionnaire to obtain the views of BBG personnel worldwide with contractor performance monitoring responsibilities.

Overall, OIG found that BBG personnel were adhering to applicable policies and procedures in monitoring contractor performance on the three contracts OIG examined. However, OIG found some instances where BBG personnel allowed contractor services to be performed before appropriate contract modifications were established to authorize the services. Some of these examples constituted unauthorized commitments that were not in keeping with BBG guidance. Also, OIG found that the contracting officer had not formally delegated authority to some field personnel with performance monitoring responsibilities, which was contrary to BBG policy.

BBG personnel with performance monitoring responsibilities also were ensuring that contract terms and conditions were being met and were versed in their duties and responsibilities. With one contract, however, OIG found that the contract itself was vague as to how contractor performance was to be monitored. Also, OIG determined that, of BBG's 40 employees with delegated contractor performance monitoring responsibilities, 20 (50 percent) were handling multiple contracts and 22 (55 percent) were stationed domestically while the contractor performed work overseas. The constraints that time and distance place on these people reduce the amount of oversight that they are able to perform and increase the risk to BBG that contractor performance problems may go undetected.

Finally, OIG found that the BBG personnel with whom it met, as well as those who responded to the questionnaire, thought that they were adequately qualified to perform their duties and had received training. However, BBG regulations did not specify any minimum

training requirements for personnel with performance monitoring responsibilities, which would be a prudent business practice, given the importance of proper contractor performance monitoring.

**Domestic Travel Card Program (AUD/FM-03-22)**

The Department recently instituted a number of initiatives to improve oversight of the travel card program. For instance, the Department implemented a process to address travel card payment delinquencies in the 90-day and 120-day past due categories and to detect misuse. The Office of Inspector General (OIG) could not fully assess the effectiveness of most of these initiatives because they had not been in place long enough. However, OIG believes that if the initiatives are implemented as planned, they should decrease the rate of travel card payment delinquency and misuse.

Although the Department made a number of improvements, OIG found that it did not have a process in place to address delinquencies in the 60-day past due category before the cards are automatically suspended. OIG also found that the Department had not done enough to prevent and detect misuse of the cards. The Department was working, however, to establish a process to notify the Bureaus of Human Resources and Diplomatic Security and OIG about misuse and delinquency so that these bureaus could take appropriate action.

OIG found that the Department did not have controls in place to ensure that the administrative oversight of the travel card program was adequate. For instance, the Department needed to ensure that the program coordinators were managing the appropriate number of accounts, transferring or canceling accounts as needed, and identifying multiple accounts. Also, the Department had not developed measurable performance goals specific to the travel card program. Although performance goals are not required for this program, developing objectives and identifying performance measures are useful management tools.

**Review of Allegations Regarding the Office of Humanitarian Demining Programs (AUD/PPA-03-25)**

At the request of the Assistant Secretary for the Bureau of Political-Military Affairs (PM), OIG reviewed allegations pertaining to procurements in the Office of Humanitarian Demining Programs (PM/HDP). The allegations were posted on an Internet web site that had been established to share advice and information among the worldwide demining community.

OIG found no evidence of impropriety in the award of a worldwide contract for demining supplies and services. The process used to award this contract was well documented and followed federal procurement regulations. OIG did not identify any evidence that would confirm specific allegations that the “contract was awarded unfairly” or that the procurement was “wired.” Similarly, OIG found no evidence of impropriety in working relations between the contractor and PM/HDP officials. The two people posting the above allegations were later

interviewed by OIG. Both people either withdrew their allegations or could not provide any evidence to support their assertions.

**U.S. Direct Assistance to Colombian National Police (AUD/PR-03-27)**

In response to a request from the Chairman at the Senate Caucus on International Narcotics Control, OIG conducted a review following up on press reports that \$2 million in U.S. aid to Colombian National Police (CNP) counternarcotics efforts was reported missing.

In August 2001, the Narcotics Affairs Section (NAS) of Embassy Bogotá issued a report to CNP that raised concerns regarding vendor invoices, including the identification of 15 vendors that NAS' auditors believed had committed fraud. In March 2002, Embassy Bogotá stopped reimbursements for CNP-invoiced expenditures under the Legajos Account, one of several accounts that provided assistance to the CNP. As of June 2002, NAS Bogotá auditors questioned approximately \$1.7 million in expenditures, based on their review of CNP invoices submitted from January 2000 to April 2002.

By June 2002, NAS Bogotá had refused to conduct business with CNP until it was reassured that 16 officers allegedly implicated in the fraud were terminated. On September 26, 2002, Embassy Bogotá reported that those 16 officers had been removed from their positions.

As a result of the decision to dismiss the officers, NAS Bogotá resumed business with CNP and established a new agreement and procedures. Specifically, NAS Bogotá assumed direct responsibility for all procurement actions and limited the number and kinds of goods and services it now finances. The procurement system now in place has adequate safeguards to prevent a recurrence of the fraud, according to INL officials.

Embassy Bogotá is working with the Colombian government to ensure that the officers who committed the alleged fraud are prosecuted. The Colombian government has criminal and administrative investigations under way. If the prosecutions are successful, the Department will attempt to recover the stolen funds from the guilty parties. In addition to the Legajos Account, OIG found that NAS Bogotá has improved the controls over other accounts that provide assistance to CNP.

**Follow-up Review of Project Harmony, Inc. (AUD/CG-03-28)**

At the request of the Department's Bureau of Educational and Cultural Affairs (ECA) and Project Harmony, OIG conducted a follow-up review of actions taken on OIG recommendations in its report, *Review of Selected Awards to Project Harmony, Inc., for Activities in the New Independent States* (01-FMA-R-080, dated September 2001). Specifically, OIG reviewed corrective actions taken by Project Harmony and also examined its indirect cost structure and methodology for claiming reimbursement of indirect expenses for FY 2001. In this review, OIG found:

March 2003

- Project Harmony had taken significant steps to implement OIG's recommendations; however, it had not fully implemented all portions of the recommendations, in part, because of limited resources. OIG also concluded that, based on the grantee's level of compliance, the restriction against establishing an indirect cost rate for Project Harmony was no longer necessary.
- Project Harmony had calculated indirect cost rates for FY 2001 based on actual costs incurred. OIG reduced the proposed rates, as shown in Table 4, due to questioned unallowable costs totaling about \$8,000 and because Project Harmony had inappropriately excluded capital costs from the direct cost bases. OIG had planned to review the costs and rates for FY 2002, but Project Harmony had not prepared the required indirect cost rate proposal for FY 2002.

### **Review of the Department's Management of Financial Assistance**

**(AUD/CG-03-29)**

OIG conducted an analysis of the Department's spending on federal financial assistance programs and its current structure and processes for managing such assistance. OIG reviewed data related to federal financial assistance awarded domestically during FYs 1998 through 2000. Specifically, OIG identified domestic bureaus and offices within the Department providing financial assistance; ascertained the types of funding mechanisms used to award assistance; quantified the dollar value of assistance; and identified policies, procedures, and systems used to manage the assistance programs. In addition, OIG reviewed actions the Department was taking to implement the Federal Financial Assistance Management Improvement Act of 1999 (Public Law 104-208, Div. A, Title I), which requires, among other things, streamlining and simplification of the processes, administration, and reporting procedures for federal financial assistance programs.

### **Review of Department of State's End Use Monitoring of Munitions Exports (AUD/PR-03-31)**

Section 150 of the Arms Export Control Act of 1976, as amended (Pub. L. No. 104-164),<sup>1</sup> End-Use Monitoring of Defense Articles and Defense Services, provides that, to the extent practicable, the President shall establish a program for the end-use monitoring of defense articles and services to identify high-risk exports for regular end-use verification. The program, commonly referred to as the Blue Lantern Program (BLP), was designed to provide reasonable assurance that the recipient is complying with U.S. government requirements and that such articles and services are being used for the purposes intended.

---

<sup>1</sup> 22 U.S.C. 2785 (2003).

OIG found that the Office of Defense Trade Controls Compliance (compliance office) targets end-use monitoring and verification for only a small number of license applications and approved licenses. Overseas, OIG observed that end-use monitoring was not consistently implemented. Site visits to foreign consignees (host country commercial businesses purchasing munitions through U.S. companies) and end-users (typically, host government military services) did not occur at four of the nine missions OIG visited. OIG believes that improved BLP guidance and direction are needed, especially with regard to the requirements for conducting site visits. In addition, better reporting and communication are needed on the results of end-use checks.

OIG also noted that export monitoring and enforcement are limited at U.S. ports. OIG found that the Department and U.S. Customs do coordinate effectively when questions arise about whether items require an export license. OIG believes that the Department could enhance its export enforcement process by providing additional training to U.S. Customs' inspectors on the identification of U.S. Munitions List items.

OIG recommendations include increasing the number of end-use checks and site visits performed, providing additional BLP guidance and compliance office direction with regard to site visits, and improving the reporting and communication on the results of end-use checks.

## Office of Inspections

### **Inspection of Embassy Brasilia, Brazil, and Constituent Posts (ISP-I-03-12)**

The lack of an ambassador for three out of the four years prior to the new Ambassador's arrival had contributed to a sense of drift in the management of both Embassy Brasilia and the bilateral relationship. Since their arrival in the spring of 2002, the new Ambassador and deputy chief of mission (DCM) have revitalized the bilateral relationship, underscoring Brazil's centrality to U.S. interests in the region. They also have done an impressive job of integrating the efforts of the mission's large and diverse country team, including the important consulates general in Rio de Janeiro and Sao Paulo.

Recognizing the new security imperatives following the terrorist attacks of September 11, 2001, the mission is moving ahead with appropriate modifications in its management of consular operations. In that context, it has argued persuasively that plans made before September 2001 to relocate some visa operations from Rio de Janeiro to Sao Paulo, which assumed continued use of travel agency referrals and waivers of most personal interviews, should be revised, but in such a way as to conform with the original congressional intent to fund a smaller consular operation in Rio de Janeiro and a larger consular operation in Sao Paulo.

Despite strong leadership by the head of the Bureau of Overseas Buildings Operations (OBO), and the progress made to date by OBO, pending buildings issues pose serious security concerns and constitute significant constraints on mission operations. Three ongoing infrastructure projects are critical to the mission's ability to function effectively. These are: completing the newly acquired consulate compound in Sao Paulo; finding a new site for Consulate General Rio de Janeiro; and upgrading systems and easing space strains on the chancery in Brasilia. Some of these projects are longstanding. The search for a new facility in Rio de Janeiro, for example, has been ongoing for at least seven years. OBO should give high priority to concluding these projects as quickly as possible.

Additional staffing is needed in several key areas. Given the importance of U.S. interests in Brazil, WHA and the Bureau of Human Resources should give timely and sympathetic consideration to requested increases for consular staffing in Recife, for the economic and

administrative functions in Sao Paulo, and for public diplomacy operations in Recife and Sao Paulo.

**Inspection of Embassy Quito, Ecuador, and Constituent Post (ISP-I-03-19)**

At Embassy Quito, the Ambassador and deputy chief of mission (DCM) have contributed much needed direction and management by articulating clear goals and coordinating interagency counternarcotics and law enforcement activities. Embassy security and counterterrorism cooperation with the government of Ecuador are at the top of the Ambassador's priorities.

Construction of new facilities in Quito starting in 2004 and in Guayaquil starting in 2005 presents an urgent need to review consular strategies and Consulate General Guayaquil's contribution to mission performance goals and to centralize all consular functions in Quito. Largely neglected, Consulate General Guayaquil suffers from management problems.

Narcotics affairs and interdicting trafficking is the embassy's most important program activity. Funding for the program to support and train Ecuadorian police and military units increased from \$0.5 million in 1998 to \$15.7 million in 2002 and is expected to grow further. Administrative oversight has been limited by inadequate staffing to perform end-use monitoring.

Embassy Quito's administrative section deserves praise for providing foreign service nationals with a new, superior retirement system and for obtaining about \$1 million in annual value-added tax reimbursement from the host government. However, embassy staff perceive a lack of customer service and transparency in administrative operations.

**Bureau of Western Hemisphere Affairs (ISP-I-03-23)**

Canada and Mexico were the most important U.S. trading partners in 2001, and overall U.S. commercial exchange with countries in the Western Hemisphere were higher that year than with the European Union. International financial matters such as the ongoing crisis in Argentina also loom large. The Bureau of Western Hemisphere Affairs' (WHA) role in dealing with these U.S. interests has taken the form of providing political judgment and input to the U.S. Trade Representative and the Department of the Treasury. WHA is adequately and capably staffed to provide this input.

The Bureau Performance Plan (BPP) identifies combating "endemic corruption" as the highest priority objective. The Assistant Secretary has been vigorous in articulating this position, and the bureau is correct in stressing this both within the administration and in diplomatic dialogue with governments throughout the region.

The bureau's Office of Policy Planning and Coordination carries out a very effective and important coordinating role within the Department and in interagency forums. However, the press of daily business and need to respond to crises leaves little time for attention to the longer-



term planning function. The need is met in part through a series of country-focused “off-site” sessions. It is not clear how effectively the bureau pursues insights that emerge from such sessions.

The emergence of a Department of Homeland Security most likely will increase the resource demands on the Department, falling heavily on the WHA region. For example, since September 11, 2001, 19 positions have been added at U.S. missions in Canada, and 34 at those in Mexico. WHA should take a more assertive role in shaping and influencing relevant decisions, especially those with resource implications about physical facilities and staffing. WHA is commended for its efforts to cooperate closely and productively with other entities in the Department and across federal, state, and local government.

OIG agrees with the many outside observers who perceive the integration of public diplomacy officers in WHA to have been exemplary. At the same time, there is some WHA front office frustration with public outreach programming. OIG questions the pattern of augmentation and dispersion of staff assigned to handle these efforts.

WHA manages its financial resources well. Its management of human resources, particularly for overseas missions, is marked by innovative practices such as job sharing, training, and aggressive recruiting for voluntary coverage of staffing gaps. Significant but rectifiable deficiencies exist in controls over personnel performance evaluation and property management.

#### **Inspection of U.S. Mission to the Organization of American States (ISP-I-03-24)**

The U.S. Mission to the Organization of American States (USOAS) points with satisfaction to successful efforts to restrain the growth of the budget of the Organization of American States (OAS). At the same time, financial support has not kept pace with the OAS-mandated functions, supported by the U.S. government. Sooner or later, the mismatch between policy objectives and funding levels must be addressed.

Funding for OAS operations passes through USOAS but is budgeted initially by the Bureau of International Organization Affairs (IO) or other Department entities, notably WHA and the Bureau of International Narcotics and Law Enforcement Affairs (INL). In budgeting, IO tends to give priority to matters under the UN system, implicitly slighting attention to the OAS. There should be closer coordination on policy and funding issues. USOAS commands great respect within the OAS for the professionalism, skill, and success with which mission representatives pursue U.S. goals and objectives.

USOAS operates both as a multilateral diplomatic mission and as an adjunct to WHA. Maintaining a distinct identity is a continuing challenge for the mission. USOAS does not have significant visibility with Department principals. All correspondence to Department principals is passed through WHA and forwarded under the signature of that bureau’s leadership

March 2003

## **Office of International Broadcasting**

### **Inspection of the Helsinki Regional Monitoring Office (IBO-I-03-03)**

International Broadcasting Bureau (IBB) personnel, operating out of a regional monitoring office in Helsinki, Finland, check on whether the radio transmission signals sent out by IBB for 40 language services of the Voice of America and Radio Free Europe/Radio Liberty are received clearly. An IBB staff of two, hired locally, supervises 20 contract staff, who visit 20 monitoring sites in Russia and the New Independent States (NIS) to maintain and service equipment used by the contract monitors. Approximately 20,000 observations per week are submitted to the regional office. The regional office then provides these observations by cable to the Office of Engineering and Technical Services, Spectrum Management Division.

The Helsinki Regional Monitoring Office is one of BBG's most active, but no American officer from Embassy Helsinki has specific liaison responsibility to assist with administrative support. OIG identified the need for an American liaison officer to ensure that IBB regional staff receive full value for administrative services provided by Embassy Helsinki under the International Cooperative Administrative Support Services system. Overall, the office receives satisfactory administrative support.

OIG also recommended that the embassy ensure that all originating offices receive a confirmation copy of outgoing cables, or the ability to track transmission electronically, to verify that the cables have been sent. This would help ensure that Embassies and consulates in Russia or the NIS receive adequate notification to provide regional contract staff the necessary support to carry out their mission. Those recommendations appear in Inspection of Embassy Helsinki, Report Number ISP-I-03-14, which will be issued at a later date.

### **Survey of the Merger of Worldnet Television with the Voice of America (IBO-A-03-04)**

The development of new media, including television and Internet, and changing foreign policy priorities, require greater efficiencies in broadcasting. To obtain such efficiencies the BBG notified Congress in February 2000 of its decision to merge the Worldnet Television and Film Service (WORLDNET) with the Voice of America (VOA). In November 2001, the VOA director proposed that the merger become part of a complete reorganization of VOA.


March 2003

The merger was intended to create a multimedia broadcasting entity. Various plans were reviewed during the OIG survey, initiated in August 2002, and a new plan is being developed with the approval of the Board of Governors. The objectives of this review were to determine: (1) the status of the merger; (2) the resource implications of the merger; and (3) how VOA-TV and WORLDNET programs have been integrated.

At present, merger plans do not indicate immediate cost savings. Congress approved the plan with the understanding that the reorganization of VOA and the merger of WORLDNET would result in efficiencies and cost savings. Savings were originally envisioned based on the premise that correspondents and technical personnel would be cross trained and multifunctional, and video-journalists would provide television products for multimedia use.

The purpose of combining the merger with the reorganization of VOA was to develop VOA into a multimedia organization able to broadcast via radio, TV, or Internet, depending on which medium would reach the widest audience. Without additional resources, it is not clear how the merger will result in an increase in television products.

The merger has already partially taken place. OIG observed that WORLDNET has become a production house providing technical support to all VOA-TV products. VOA-TV projects have been created, are being broadcast, and in some cases, have attracted a significant audience. For example, the Indonesian and Azerbaijani television programs each have a strong viewing audience. Several simulcast programs are produced, such as *VOA NewsReview* and *Conversemos En Esta Noche*, that require both radio and TV technicians to work together to make a simulcast happen. There are WORLDNET employees that work full-time on specific VOA-TV products for language services. These employees should be assigned to and supervised by the respective language services.

To allow the agency time to reorganize under a new VOA director, a new board chairman, and other new board members, OIG made only one recommendation, which called for a quarterly status report. BBG has agreed to provide OIG with a quarterly status report on the merger, ending with completion of the merger. At the same time, BBG has taken under  consideration several matters for consideration that OIG suggested to facilitate completion of the merger.

## Office of Information Technology

**Information Technology Security Inspection of Embassy Montevideo, Uruguay (IT-I-03-05)**  
and **Information Technology Security Inspection of Embassy Buenos Aires, Argentina (IT-I-03-06)**

The OIG inspected the management, operational and technical IT security controls implemented by these missions. These controls involved IT security policies, procedures, activities, and software and hardware settings. OIG found several opportunities for improving IT security at both Embassies. The missions could significantly improve:

- management controls by periodically assessing its IT security vulnerabilities and risks, preparing and implementing IT security plans to mitigate the identified vulnerabilities and risks, and routinely review and improve the established IT security controls.
- operational controls by better ensuring the adequacy of IT security experience, training and education for its cleared American IT administrators, and of its annual IT security awareness training for all users.
- technical controls by improving the management of its identification, authentication, configuration, and audit trails controls.

At Embassy Buenos Aires, specifically, major improvements that are needed include requesting a vulnerability and risk assessment, performing a technical security countermeasure review, and completing and documenting IT security evaluations for all systems. The development of current contingency and configuration management plans would further assist in its information security management.

## **Office of Security and Intelligence Oversight**

During this reporting period, OIG security inspection reports were published for the following embassies: Tokyo, Japan, and Constituent Posts; Maseru, Lesotho; and Yaounde, Cameroon. In addition, a Limited Scope Security Inspection of Embassy Belgrade, Serbia, and Montenegro and a Security Compliance Follow-up Review of Embassy Beijing, China, and Constituent Posts were conducted.