



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

# MONTHLY REPORT OF ACTIVITIES

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*audits, inspections, testimony, and special activities*

**September 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.

## **Congressional and Outreach Activities**

### **Testimony**

On September 4, 2003, Deputy Inspector General Anne Sigmund testified before the House International Relations Committee regarding “Government Accountability: Efforts to Identify and Eliminate Waste and Mismanagement” as it pertains to the Department of State. Ambassador Sigmund’s testimony focused on OIG’s working relationship with the Department and Broadcasting Board of Governors to improve efficiency and effectiveness within their respective programs and operations in an effort to prevent fraud, waste, and mismanagement.

## Office of Audits

### **Follow-up Review of the Institute of International Education (AUD/CG-03-41)**

The Office of Audits, conducted a follow-up review of actions taken on Office of Inspector General (OIG) recommendations in its Independent Accountant's Report of Indirect Cost Rates Proposed by the Institute of International Education (USIA-99-CG-015, May 1999) and Independent Accountant's Report of Review of Sale and Leaseback Arrangement Proposed by the Institute of International Education (USIA-99-CG-016, May 1999). OIG performed this work at the request of the Department's Office of Acquisitions Management in the Bureau of Administration, Office of Logistics Management.

Specifically, OIG reviewed reimbursements for depreciation expenses related to the sale, lease, and repurchase of an office building by the Institute of International Education (IIE) and also examined IIE's indirect cost structure and methodology for claiming reimbursement of indirect cost expenses for fiscal years (FYs) 1999 through 2001. In this review, OIG found the following:

- The Department had negotiated provisional rates for 1999 as recommended in report USIA-99-CG-015. Therefore, OIG considers this recommendation closed.
- During the prior reporting period, the Department negotiated and IIE agreed to repay over \$1.1 million to resolve OIG's open issues in report USIA-99-CG-016. On August 6, 2003, IIE repaid the \$1.1 million; therefore, all open issues in the prior report are considered closed.
- IIE's indirect cost rate structure complied with regulations. However, OIG questioned \$1.2 million in claimed costs, which resulted in lowered rates. OIG recommended that the Department finalize the indirect cost rates for 1999-2001.

### **Review of Allegations Regarding the Office of Humanitarian Demining Programs' Contract for Integrated Mine Action Services (AUD/PPA-03-24)**

At the request of the Assistant Secretary for the Bureau of Political-Military Affairs (PM), OIG reviewed allegations pertaining to the Office of Humanitarian Demining Programs (PM/HDP). The allegations were made in an independent contractor's report

titled, Review of the Integrated Mine Action Support (IMAS) Contract. The report alleged internal control weaknesses, citing approximately 30 deficiencies, including inadequate support for IMAS contractor billings and inadequate monitoring of the contractor's performance by PM/HDP.

The report identified contract issues and recommended strengthening contractor performance and PM/HDP contract management. OIG found only four of the 30 alleged deficiencies identified in the independent contractor's report to be valid, and that the methodology used in the contractor's report and purported evidence given were weak or nonexistent. Overall, the report conclusions were inaccurate and misleading in stating that these 30 issues "identified the failures of the IMAS Contract Prime Contractor to adhere to the contractual obligations contained within the IMAS Contract" or "exposed weaknesses regarding the manner in which HDP administers the IMAS Contract."

OIG found that the validated contract weaknesses appear to be exceptions rather than systemic problems. OIG also believes that the independent contractor's work was so deficient that its poor performance should be made a matter of record, and the responsible contracting officer should consider contractor suspension or debarment proceedings against the independent contractor.

OIG's review found that the IMAS contractor was complying with most contract terms and conditions. OIG concluded that the IMAS contractor had an adequate basis to estimate prices and, upon the request of the PM/HDP project manager, provided sufficient documentation and support during the technical review assessment process. Moreover, there were adequate checks and balances to support the cost-reimbursable and fixed-price elements of the IMAS contract.

OIG's work identified two contract issues concerning administrative cost factors and hazardous duty pay that required further review by the contracting officer. OIG brought these issues to the attention of the contracting officer because of the material impact that the questioned costs could have on the contract. OIG identified more than \$1.6 million in possible overcharges of indirect costs applied to overseas labor. The contracting officer has initiated discussions with the IMAS contractor and PM/HDP personnel to clarify or correct these contract issues.

OIG recommended that the contracting officer also clarify other contract provisions and associated costs. One such item involves additional payments of \$50 per day for IMAS expatriate employees in locations with demining activities. The contract does not address this issue but allows hazardous duty pay in locations designated by the Department. OIG estimates that the costs claimed since the inception of the IMAS

contract are well over \$1 million. The contracting officer has agreed to decide on the eligibility of these costs.

During site visits overseas, OIG found that embassy-designated demining officers were not carrying out the full administrative responsibilities described in the Humanitarian Demining Programs Policy and Procedures Manual. Officers were not always aware of the administrative responsibilities and functions assigned to their position, or in some cases, left the execution of these responsibilities and functions to the IMAS contractor. As a result, internal controls and reporting mechanisms established by PM/HDP were not being properly carried out. OIG also found that PM/HDP managers need to make more frequent visits to the embassies to provide program guidance and management oversight, including a review and assessment of administrative and financial procedures.

## Office of Inspections

### *Embassy Mexico City, Mexico, and Constituent Posts (ISP-I-03-50)*

Mission Mexico is, overall, the largest nonmilitary U.S. government presence abroad. It is also arguably the most complex. In addition to the super-sized Embassy Mexico City, there are four consulates general (each of which is larger than many embassies), five consulates, and 13 consular agencies. In many respects it is a loose federation of self-contained operations.

Staffing at Mission Mexico grew 35.5 percent between December 1996 and December 2002 (from a total of 1259 to 1670). Much of this increase reflected more rigorous requirements for visa processing, and the need for improved law enforcement and national security cooperation after September 11, 2001. There is a continuing, seemingly relentless pressure for further growth. This is being addressed piecemeal.

Difficult judgments are required to address rightsizing issues at Mission Mexico. All agencies need to define projected staff requirements, with approval of the respective headquarters in Washington. These projections are required immediately in anticipation of construction of a new embassy compound at Mexico City and a new consular office building at Ciudad Juárez.

Mission leaders need to pay greater attention to administrative aspects of the mission. The Department bears a disproportionate share of International Cooperative Administrative Support Services (ICASS) participation at Embassy Mexico City, although there are 35 participants. Administrative support, whether in terms of personnel or financial resources, has not kept pace with the growth in program staff. Financial management is an area of relative weakness. Complicated and tardy processing of vouchers is the most persistent complaint at constituent posts.

Immigration, both legal and illegal, is one of the most sensitive bilateral issues. Visa processing is done efficiently at Embassy Mexico City, the world's highest volume nonimmigrant visa (NIV) post. However, immediately preceding and during the inspection, the mission confronted a series of incidents of visa fraud and malfeasance at border posts. Foreign Service, Civil Service, Foreign Service national (FSN), and contract personnel have been implicated. Senior mission management should have acted more aggressively to

address the problems, especially in the case of blatant mismanagement of the NIV function at Consulate General Ciudad Juárez.

**Inspection of Embassy Georgetown, Guyana (ISP-I-03-32)**

The embassy does a good job managing its limited portfolio, and relations with the Guyanese government are as good as they have ever been. The embassy and the other agencies work well together and within the framework of the Mission Performance Plan (MPP). However, the embassy does not have an effective mechanism for integrating public diplomacy into the mission's activities and into its MPP performance goals and objectives. It needs to put organizational responsibility for public diplomacy in the political section and develop a concrete public diplomacy plan in support of the MPP.

Internally, the embassy sections function well in a difficult environment. The consular section is restoring its image in the aftermath of a notorious visa fraud scandal that occurred in 2000. The administrative section is working on a backlog of chronic support problems. The political/economic section, with only first-tour junior officers, does a good job.

Given the accelerating projected pace of Centers for Disease Control (CDC) programs and presence in Guyana, the embassy and CDC need to establish a working group to address systematically the administrative demands and costs attendant to that growth. The embassy also needs to strengthen management controls.

**Inspection of Embassy Paramaribo, Suriname (ISP-I-03-37)**

Embassy Paramaribo does a good job representing U.S. interests in an unpromising political and economic environment. The embassy works hard on its key MPP goals: regional stability, economic growth, and law enforcement cooperation. It has good working relationships throughout the spectrum of government, business, and social elites.

The embassy's public diplomacy activities and its initiative in establishing an American Chamber of Commerce are to be commended. In striving to meet its ambitious agenda of MPP and other mission goals, the embassy may be overreaching and projecting unrealistic future resource requirements.

Overall, the political/economic section, administrative section, and regional security office get high marks for their performance. Adequate management controls are in place. The embassy must address the implications for the current building of the Department's decision eventually to locate a new chancery on another site. The consular section needs to restructure and to realign its staff to reflect better the low workload.

**Inspection of Embassy Lisbon, Portugal (ISP-I-03-35)**

Embassy Lisbon has worked diligently to cement a close bilateral relationship and strengthen cooperation. It has given the highest priority to maintaining Portuguese support for key U.S. policy objectives and to ensuring access to Portuguese military facilities that have assumed special importance in the present global context. At the same time, it has been successful in gaining Washington's attention to issues of concern to the Portuguese government.

The priority given to the political and security agendas is understandable given the war on terrorism and the effort to deal with the threat posed by Iraq. The embassy is developing a strategic plan to expand economic and commercial relations. However, more can be done to take advantage of short-term opportunities for economic dialogue and commercial advocacy. A more effective integration and coordination of the work of the Foreign Commercial Service and the Foreign Agricultural Service would facilitate this task.

In contrast to its good performance on most policy matters, the mission is suffering from an unusually wide range of administrative and personnel management problems. In many cases, these problems are the result of an unfortunate history of management neglect, going back many years. However, they have been compounded by the performance, attitudes, and behaviors of some recent and current staff members occupying key management positions.

The persistence of these problems has adversely affected mission morale, especially but not exclusively among Foreign Service national (FSN) staff. The mission's executive leadership was more aware of and actively concerned about these issues than most employees realized or appreciated. Nevertheless, OIG judged that the seriousness of the situation required more aggressive and purposeful action. To their credit, the Ambassador and the DCM strongly welcomed key OIG recommendations and are proposing urgent remedial action, seeing an opportunity to correct long-standing problems and to improve mission performance and morale.

**Inspection of Embassy Madrid and Consulate General Barcelona, Spain (ISP-I-03-36)**

Embassy Madrid's goals are well defined and sharply focused on the deepening of already good bilateral cooperation on issues such as terrorism, defense, and economic and commercial issues. Two other goals that have assumed even greater importance in the current international context are ensuring the welfare and protection of 90,000 American citizens living in Spain and an estimated one million American visitors, and improving the functionality and security of official U.S. facilities.



Despite significant downsizing in recent years, the consulate general in Barcelona maintains a high level of consular services to resident and visiting American citizens and active programs in support of U.S. policy, commercial, and public diplomacy interests. The consulate general has been adversely affected by extended staffing gaps, the lack of a full-time management officer position, and inadequate attention from Embassy Madrid to its personnel and administrative needs.

At the time of the inspection, the embassy was awaiting a response from the Bureau of European and Eurasian Affairs to its urgent request for assistance in meeting a significant shortfall in funding for administrative support operations. The shortfall, attributed to errors made in the previous fiscal year that were not caught or corrected at subsequent review stages, threatened severe adverse consequences for both locally hired staff and embassy operations. It was also preventing the embassy from implementing plans to enhance staffing and performance in key areas of administrative support.

**Inspection of Embassy Copenhagen, Denmark (ISP-I-03-46)**

Embassy Copenhagen is doing a good job advancing U.S. foreign policy interests in Denmark. The embassy has well-managed administrative operations.

Bilateral and regional counterterrorism and law enforcement programs are well coordinated. The consular section is well managed, but consular space needs reconfiguring to handle the new mandated visa interview requirements. Better cooperation between the service provider and the ICASS council is needed to accomplish important joint administrative goals. In calculating Embassy Copenhagen's cost of living allowance, the Department should factor in the 25 percent local Value Added Tax (VAT) refunded to employees.

**Cost of Living Allowance (ISP-I-03-51)**

In several recent inspections, OIG has identified a compensation issue with potentially large consequences worldwide. The Department has a policy of computing the post allowance, known as the cost of living allowance (COLA), for U.S. direct-hire employees without making an adjustment by deducting VAT reimbursement. Making the adjustment would result in savings to the Department.

Worldwide, the VAT for general merchandise and services varies but may reach 25 percent, which is a significant part of the local consumer prices reported to the Department. In those countries where all U.S. government employees receive VAT reimbursement, the COLA indices may be overstated. At OIG's request, the Department calculated the COLA index without including the VAT for the U.S. embassies in Helsinki and Copenhagen. The

calculations showed a five percent overstatement once VAT refunds were factored in. Given average salaries and family-size, the five percent index overstatement could amount to over \$90,000 at each mission.

Although the retail price surveys provide the raw data for the Office of Allowances in the Bureau of Administration to calculate COLA at every overseas mission, OIG noted that the survey forms do not specifically ask whether mission employees receive VAT reimbursement, in full or in part. In addition to Helsinki and Copenhagen, OIG found similar VAT issues during its inspections of U.S. embassies in Oslo, Stockholm, and most recently, Mexico City. OIG recommended that the Department require all missions to submit retail price surveys that list local prices net of Value Added Tax reimbursement.

#### **Inspection of Embassy Reykjavik, Iceland (ISP-I-03-49)**

Embassy Reykjavik is a well-managed Special Embassy Program post. The Ambassador and DCM are successfully mobilizing the small staff to promote U.S. interests in Iceland. The consular function at the embassy is being restructured and will require additional support from CA to enhance internal controls and to implement recent changes in consular interviewing procedures. Administrative operations are adequately managed. However, OIG recommended improvements in the management of human resources and general services. The embassy needs the assistance of OBO to reconfigure chancery space for more effective use.

#### **Inspection of Embassy Phnom Penh, Cambodia (ISP-I-03-38)**

Executive direction at Embassy Phnom Penh is effective. Management received high marks for communication, engagement, and feedback. The embassy compound is the single largest stumbling block to safe and effective operations. A new embassy compound is under construction.

Office space for USAID is also a problem because the new embassy is not sized to accommodate USAID staff, and funding for a USAID building has not been provided. A temporary location for USAID needs to be identified and approved.

#### **Inspection of Embassy Rangoon, Burma (ISP-I-03-40)**

The chargé d'affaires and DCM have worked to improve Embassy Rangoon, but some areas need increased attention. The chargé d'affaires should work more diligently to expand her interactions and engagement with a greater range of key figures in the country. Although economic reporting earned praise for its timeliness and insights, Washington readers have

questioned the adequacy of reporting on human rights concerns. Internally, the executive office should establish regular senior staff meetings to focus mission priorities and task officers with initiatives.

Although Burma is the second largest producer of opium in the world and a major developer of methamphetamines, direct counternarcotics assistance from the U.S. government to Burma was suspended in 1988. Narcotics trafficking is an inherently cross-border issue and requires regional coordination to confront it effectively. The Bureau of International Narcotics and Law Enforcement Affairs could explore establishing a regional narcotics affairs office.

Public diplomacy is one of the few activities that allow the embassy to expand U.S. engagement with Burma. The section is making significant strides in its outreach efforts and conducts successful information and English teaching programs in Rangoon. The embassy is exploring options to establish outreach in Mandalay and elsewhere.

Real property issues continue to plague Embassy Rangoon. The property in Mandalay is underutilized, and OBO and the embassy need to reevaluate the Washington Park site for a new embassy compound in Rangoon.

### **Inspection of the Bureau of International Organization Affairs (ISP-I-03-33)**

In a particularly challenging period, the Bureau of International Organization Affairs (IO) is doing an effective job managing U.S. policy in the United Nations and in a wide range of international bodies. IO and the U.S. Mission to the United Nations (USUN) have an extremely close relationship. IO has most recently shown its ability to backstop USUN effectively in its handling of the Iraqi crisis. In this effort, IO worked daily with the Secretary, White House, and National Security Council to coordinate U.S. diplomatic efforts. In addition, IO deals with virtually every part of the Department and with many other government entities. Relations are in general productive, although continuing attention must be given to dealing with some functional bureaus where interests and portfolios at times overlap and compete.

The new Assistant Secretary and his deputies practice an effective but informal leadership style. Bureau leadership follows an open-door policy, and free discussion of ongoing topics is welcomed. Although working hours are long in several offices, morale is generally good.

IO has seen virtually no growth in the number of permanent positions over the past ten years. Some permanent positions have been vacant for prolonged periods and the lengthy recruitment process to fill vacant Civil Service positions has led to misunderstandings and

frustration. IO has filled most Foreign Service position vacancies during this year's recruitment cycle, but the number of candidates from which to choose for mid-level positions is limited. All levels of IO management currently participate in recruitment, but there is need for a more aggressive outreach program to attract and retain talented, motivated officers.

**Inspection of the Office of the Legal Adviser (ISP-I-03-34)**

The Office of the Legal Adviser (L) provides outstanding legal services to the Secretary of State and other clients. It often plays a key role in the Department senior leadership decisionmaking. The Legal Adviser is exceptionally effective as a lawyer and a leader. The office is correctly focused on current Administration priorities, most importantly the war on terrorism. Morale is generally good despite a growing workload following the terrorist attacks of September 11, 2001, and some understaffing.

L needs to create a more robust management structure and develop long-term strategies to obtain resources to correct deficiencies that negatively affect its work environment. Its critical needs in improving office space, records management, and information technology support are strongly interrelated and bear testimony to a long-standing lack of attention to management. L's management needs to engage in more active advocacy for resources, and the Department should be responsive to L's critical needs.

L's administrative staff is too small and insufficiently experienced or trained to support a staff of almost 300. L's Bureau Performance Plan needs to devote more resources to administrative support. L needs to intensify its efforts to recruit minorities. Since the last inspection in 1991, L has made major progress in reducing security violations.

**Inspection of the Bureau of Democracy, Human Rights and Labor (ISP-I-03-49)**

Under the purposeful direction of the Assistant Secretary of the Bureau of Democracy, Human Rights and Labor (DRL), and with the support of Department senior leadership, the bureau is doing a good job integrating the promotion of human rights and democracy into U.S. foreign policy.

The bureau's leadership has been successful in securing increased funding for its human rights and democracy promotion efforts and in giving these efforts greater strategic focus and impact. Grants and programs are generally well managed, but the bureau is aware that the recent rapid growth of programs has created a need for a more systematic monitoring and evaluation process.

Despite some apprehensions, DRL's expanded involvement in programming and grantmaking does not appear to have affected its commitment to the bureau's traditional

human rights advocacy role. In a number of instances, the bureau's ability to offer advice and resources for addressing human rights issues has enhanced its influence with regional bureaus and other key players.

Although DRL is generally doing a good job in managing its relationships with important constituencies, correspondents, and partners, its relationship with IO needs improvement. Disagreements over how best to advance U.S. human rights interests in the multilateral context, as well as disputes over respective roles and responsibilities in this area, have hampered the Department's ability to develop a coherent approach and strategy. The problems in the policy development process are not without consequences for U.S. foreign policy interests.

The current structure that places the congressionally mandated office of the Ambassador-at-Large for International Religious Freedom within DRL is at odds with the Department's organizational guidelines and has proved to be unworkable. As a consequence, the purposes for which the religious freedom function was created are not being adequately served.

DRL's executive office also supports the Bureau of Oceans and International Environmental Scientific Affairs. The substantial growth of both bureaus has placed severe strains on the office, justifying the establishment of separate executive offices.

#### ***Inspection of U.S. Mission to the United Nations (ISP-I-03-41)***

U.S. interests in the multilateral arena are well served by the USUN. This is a stressful time for U.S. diplomacy. Nowhere is that more evident than at the United Nations where demands are high and the mission's working infrastructure is remarkably poor. Most personnel at the mission see their jobs as fulfilling and exciting. The challenge for mission leadership is to ensure that the pace, morale issues, and a difficult work environment do not erode this enthusiasm. Communication and coordination within the current mission is difficult and will need to be improved before the mission is relocated to temporary offices next year.

The mix of USUN staffing and resources is appropriate, in light of essential U.S. goals and objectives as described in the MPP, although the Economic and Social Affairs Council section does not appear to have sufficient personnel resources to cover all of its issues in depth. The Department must assess the impact of the longer tour of duty on the pool of available Foreign Service candidates in this expensive, high stress mission.

Mission employees ranked overall administrative performance relatively high in the administrative services satisfaction questionnaire. General services is a unit that needs improvement. Excepted service employment status, affecting the majority of mission

employees, continually raises concerns. All would profit from information and a better understanding of the federal employment system.

**Review of the Issuance of Visas to the September 11, 2001, Terrorists (ISP-CA-03-27)**

The report was issued at the request of the Chairman of the House Appropriations Subcommittee on the Departments of Commerce, Justice, State, the Judiciary and Related Agencies regarding pre-September 11, 2001, visas issued to the 19 terrorist hijackers. OIG reviewed whether visa laws, policies, and procedures in effect at the time were properly followed with regard to visas issued to the hijackers. Specifically, the request focused on whether their visa applications were (1) destroyed, (2) filled in completely, (3) subject to denial or further scrutiny, including personal interviews, or (4) accepted and visas issued within existing policy and regulation. In addition, it asked whether the Department had information linking any of the hijackers to terrorist concerns prior to granting visas. OIG ascertained that prior to granting the hijackers visas, the Department had no information linking them to terrorist concerns.

**Inspection of the Directorate of Visa Services, Bureau of Consular Affairs (ISP-CA-03-46)**

Senior managers and staff in the Bureau of Consular Affairs, Directorate of Visa Services (CA/VO), have shown strong leadership in addressing key issues arising after the terrorist attacks of September 11, 2001. They have taken a proactive approach to concerns about the security of the visa issuance process expressed in reports prepared by OIG and the General Accounting Office (GAO).

CA/VO does not have sufficient resources to carry out its current mission effectively. It responded with maximum flexibility to the greatly increased workload after September 11, 2001, but the resulting ad hoc contractual arrangements for temporary positions need to be reviewed and, where appropriate, replaced by regular staff. The Office of Field Support Liaison, Post Liaison Division, needs additional personnel to maximize oversight of worldwide consular visa operations.

An OIG worldwide survey found that many consular managers overseas are satisfied with the support and oversight they receive from CA/VO. They are frustrated, however, over lengthy delays in the security advisory opinions process. More timely updates of the Foreign Affairs Manual replacing the myriad of highly detailed instructional cables would provide easier access to current operational guidance.

OIG found significant vulnerabilities in management controls of cash collections for visa services at the National Visa Center at Portsmouth, New Hampshire, and in the Office of Public and Diplomatic Liaison. CA/VO management has already initiated action to correct

these specific lapses in controls.

## Office of Information Technology Evaluations

### **Information Security Inspection & Evaluation of Embassy Vienna, Austria (IT-I-03-09)**

Embassy Vienna has a complex information systems security program that must cover three missions, each with exacting information needs and demanding security requirements. Much effort has been expended to bring the tri-missions into compliance with Department information systems security requirements in preparation for OpenNet Plus connectivity.

In their August 18, 2003, response to the draft report, Embassy Vienna officials reported that all recommendations had been addressed or were in process. Specific actions on the recommendations are contained in the body of the report.

### **Review of the Information Security Program at the Department (IT-A-03-15)**

In its FY 2003 evaluation of the effectiveness of the Department's information security program, OIG noted significant improvements since its 2002 report (IT-A-02-06, September 2002), but found several key areas of security that still require senior management attention. The Department recognizes that much more must be done to develop fully and ensure the continuity of its systems security program. It has provided an overview of its management approach to information security in its FY 2003 draft Cyber Security Program Management Plan.

During the first quarter of FY 2003, the Department's Chief Information Officer (CIO) asked the National Institute of Standards and Technology's Computer Security Expert Assist Team (CSEAT) to conduct an independent review of its information security program, paying particular attention to what the Department suspected to be its weakest areas. The Department concurred with the CSEAT observations and recommendations and noted in its third quarter corrective action plan report to OMB that it would be taking action to implement each of CSEAT's 17 recommendations. OIG also found that the Department developed, and was implementing, a systems authorization plan to provide certification and accreditation for its new and existing major applications and general support systems.

However, OIG noted several areas that still require senior management attention. There was a material weakness in internal controls regarding the Department's financial management system, and a plan of action and milestones process to correct this material



weakness has not been reported to OMB in the quarterly corrective action plans. The CIO reported in comments to a draft of this report that major elements of the auditor findings are represented in different elements of the plan of action and milestones process. However, OIG notes that a comprehensive plan of action and milestones process addressing all aspects of the material weakness has not been developed. Although a number of building blocks for a Department IT security program are being developed, they are still immature and cannot yet be used as management tools.

Also, even though the Diplomatic Security Training Center and Foreign Service Institute separately track training, OIG found that the Department does not centrally track training for its personnel with significant responsibilities for information and information systems security. Some overseas missions OIG visited while conducting IT inspections had developed mission-wide information systems security plans, and OIG's technical evaluations identified several weaknesses in mission information security management and technical and operational controls.

The results from OIG's two surveys were mixed and contained both improvements and setbacks from the previous year. In the first survey, for example, in FY 2003, bureaus reported that 77 percent of their applications had security-level determinations (up from 72 percent in FY 2002). However, only three percent of applications had security plans (down from 15 percent in FY 2002). From the second survey, OIG learned that all five selected systems had a security-level determination, but none had been certified and accredited.

This report presents the results of OIG's evaluation work in assessing the security of the Department's IT resources. Several recommendations OIG made to correct the deficiencies identified in this evaluation either were already made in prior reports or will be made in reviews currently under way. The two recommendations contained in this report reflect the importance of making progress toward the completion of identifying, documenting, and creating linkages in IT security work that is currently under way within the Department.

The Department is in agreement with the findings and recommendations of the report and reiterated its commitment to continued emphasis on cyber security to develop fully the initiatives that it has undertaken.

***Review of the Information Security Program at the Broadcasting Board of Governors (IT-A-03-14)***

In response to the Federal Information Security Management Act of 2002 (FISMA), OIG performed an independent review and evaluation of the information security program of BBG. Replacing the Government Information Security Reform Act, FISMA provides a comprehensive framework for establishing and ensuring the effectiveness of controls over IT

resources that support federal operations and assets and a mechanism for improved oversight of federal agency information security programs. Also, OMB implementation guidance for FISMA requires OIGs to assess development, implementation, and management of the agency-wide plan of action and milestones process and to focus on performance measures. The specific objectives of OIG's review were to assess BBG's progress in developing its computer security program and implementing the requirements of the law.

To fulfill the review objectives, OIG met with BBG officials from IBB, Voice of America (VOA), Office of Cuba Broadcasting, and four overseas transmitting stations in Germany. OIG did not conduct a detailed review of BBG's grantee organizations, RFE/RL and RFA, but did hold meetings and gathered relevant documentation to assess each organization's strategic approach to handling IT information security. Both grantees are private, nonprofit organizations that own and operate their own IT systems.

OIG's evaluation of BBG's information security program concluded that BBG has made limited progress in the past year and much more needs to be done to comply with FISMA. BBG has developed a comprehensive system security plan for the IBB Office of Computing Services; performed program-level self-assessments; and documented the results of the self-assessments in quarterly reporting to OMB of the agency's plan of action and milestones process. The first three FY 2003 quarterly reports to OMB identified 220 information security weaknesses, of which 136 had been corrected. In addition, BBG hired a contractor to assist BBG's Office of Computing Services to meet FISMA requirements. However, despite this progress, several key areas of information security still require management attention. BBG concurred with the five recommendations included in OIG's FISMA evaluation report and will be taking actions to ensure their implementation.

## Office of International Broadcasting Oversight

### **Review of Radio Free Asia Activities, (IBO-A-03-05)**

Radio Free Asia (RFA) appeared to be achieving its broadcasting mission. Government restrictions on foreign media in the countries to which it broadcasts have severely limited scientifically based research on audience size. Nonetheless, various indicators pointed to RFA's effectiveness, including audience research studies, internal program reviews, and other external effectiveness measures. Despite the sizable challenges associated with broadcasting to countries with restricted political, social, and media conditions, and owing largely to dedicated staff, RFA seemed to be producing a quality product.

RFA could improve its administrative policies and procedures, particularly in the areas of budgeting, procurement, and human resources. Specifically, procedures for establishing and managing its budget did not include input from all managers and were not clear to all. In addition, concerns regarding the budget process appeared to be affecting the morale of some employees.

Regarding procurement, RFA did not always follow required procurement standards. Under terms set forth in its grant agreement, RFA was to make every reasonable effort to meet the requirements outlined in selected Office of Management and Budget (OMB) circulars. In some cases, its policies and procedures were not fully consistent with these circulars; for example, with regard to competition.

RFA has matured as an organization since it began broadcasting in 1996. With organizational growth and development has come a need for increased attention to human resources, including more standardized hiring practices and improved staff management. Current practices are a mix of competitive and noncompetitive processes, raising questions of fairness in hiring.

### **Management Review of Selected Benefits for Radio Free Europe/Radio Liberty Employees (IBO-A-03-07)**

Radio Free Europe/Radio Liberty (RFE/RL), a grantee under the BBG, broadcasts in more than 30 different languages to an audience estimated at 35 million listeners in Southeastern Europe, Russia, the Caucasus, Central Asia, and the Middle East. Language service priorities can change rapidly. The need to hire staff with specific broadcasting and

language skills, and yet remain within an imposed ceiling on the number of regular employees, requires RFE/RL to have flexibility in its employment practices. In the past four years, for example, RFE/RL has initiated broadcast services in seven new languages, including broadcasts to Iraq, Iran, Kosovo, Macedonia, Latvia, Afghanistan, and the Northern Caucasus.

Assigning employee benefits, so as not to exceed funding levels granted by Congress through BBG, and meeting local and U.S. government labor laws is a major challenge for RFE/RL. The primary objective of this OIG management review was to evaluate the assignment of benefits for health, life, and retirement. A second objective was to analyze the process for selecting benefit providers.

From its Prague and Washington, D.C., offices, RFE/RL broadcasts using a multinational staff of 602 employees. To start up a language service or implement new programming, RFE/RL must rapidly hire personnel on a temporary basis with only partial benefits. Temporary employees, usually on a fixed contract for one year, may later be converted to open-ended contracts that include health, life, and retirement benefits. Some temporary employees have worked as long as five years, signing, serially, one-year contract extensions that include health care as a benefit. U.S. citizens or citizens of a country other than the Czech Republic are hired under several types of contracts, which include different benefits. Both regular and temporary Czech employees receive benefits according to laws in the Czech Republic that require that all employees have a contract, regardless of their nationality.

The Washington office of RFE/RL manages all major benefit programs through the Employee Benefit Advisory Committee (EBAC), which includes investment consultants and representatives from local law firms. EBAC reviews current benefits and decides whether the provider should be changed or the contracts amended, subject to agreement by the RFE/RL Board of Directors.

OIG reviewed employee records and human resource policies for health, life, and retirement programs and determined that RFE/RL had a consistent, equitable process in place for the assignment of employee benefits. Recommendations included in this review were made to update enrollments in benefit payments and to verify with experts that employment contracts used by RFE/RL were in accordance with applicable Czech Republic and U.S. labor laws. An independent review of labor laws would ensure that the present assignment of personnel benefits, based on an employment contract, is correct. RFE/RL, with its multinational staff, has been diligent in assigning benefits according to local labor law. That same diligence needs to be applied as operations evolve across RFE/RL's broadcasting region.

The process RFE/RL uses to select benefit providers considers cost, customer service, and whether the provider has the ability to service a multinational client. In FY 2002, providers were selected for health insurance and life and disability insurance. RFE/RL's selection of benefit providers was a detailed process using qualified RFE/RL employees and outside consultants. In FY 2003, a new solicitation is being made for the investment manager for the Retirement Savings Plan (RSP). During the review, OIG advised RFE/RL that the enrollment of eligible employees for the RSP should be automatic. RFE/RL then took decisive action and implemented automatic enrollment on May 1, 2003.

**Review of Strategic Management of Human Capital and Workforce Planning Initiatives at the Broadcasting Board of Governors (IBO-A-03-02)**

The Office of Inspector General (OIG) reviewed the Broadcasting Board of Governors (BBG) and International Broadcasting Bureau (IBB) workforce restructuring and human capital plans to determine to what extent the agency was in compliance with a directive issued by the Office of Management and Budget (OMB) and the President's Management Agenda, and consolidated guidance issued by OMB, the Office of Personnel Management (OPM) and the U.S. General Accounting Office. Although BBG/IBB has undertaken a program to improve workforce planning and progress has been made in the areas of training, professional development, workforce diversity, appraisals, and awards, OIG found that significant management challenges remain.

For example, BBG/IBB has not implemented a cohesive, comprehensive agency-wide human capital strategy and program. BBG/IBB continues to face significant human resource challenges, such as an aging workforce succession planning, and adapting to changes in technology. A former chief of staff reported that the agency lacked the expertise in administration, management, and budgeting to provide the support managers needed to make day-to-day administrative and programmatic decisions. Staff surveys show that racial and ethnic inequalities persist with regard to hiring and promotions and that managers, supervisors, and staff practice preferential treatment. OIG also found that more than three-fourths of the agency's acquisition and procurement staff lacked minimum certification and professional competency standards set forth by the Office of Federal Procurement Policy (OFPP) Act of 1974, the Clinger-Cohen Act of 1996, and implementing guidance.

OIG made five formal recommendations for improvement. First, BBG/IBB should ensure that all workforce restructuring and human capital plans are done in accordance with the OPM and OMB guidelines and standards. The second recommendation is that the agency put procedures in place to ensure that workforce diversity objectives are included in all workforce restructuring and human capital plans. The third recommendation is for BBG/IBB to provide OIG annual reports on agency-wide surveys of valid measures taken to improve workforce diversity. The fourth recommendation directs that the agency's contracting and

procurement staff meet all OFPP certification standards and legal requirements. The final recommendation directs that all agency contracting and procurement staffs register in the Acquisition Career Management Information System database managed by OFPP within OMB.

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

During this reporting period, OIG security inspection reports were published for the following embassies: Suva, Fiji; Port Moresby, New Guinea; Majuro, Marshall Islands; Lusaka, Zambia; Kolonia, Federated States of Micronesia; and Koror, Republic of Palau.

Limited-scope security inspections at Embassy Reykjavik, Iceland, and Embassy Copenhagen, Denmark, and a Compliance Follow-up Review and Annual Foreign National Employee Review of Embassy Moscow and Constituent Posts were also conducted.