



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*

**March 2004**

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

### **Independent Attestation Review of Annual Accounting of Drug Control Funds by the Department of State (AUD/PR-04-11)**

OIG reviewed the chief financial officer's FY 2003 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 April 18, 2003. This submission is the responsibility of the Department.

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 Office of National Drug Control Policy circular. The scope of a review is substantially less than an examination, which expresses an opinion on the submission. Accordingly, OIG does not express such an opinion.

OIG's review of the accounting submission brought up nothing that caused OIG to believe that the assertions presented do not, in all material aspects, reliably represent FY 2003 obligation data presented in the submission.

### **Review of Electrical Engineering Services Procurement (AUD/PPA-04-13)**

OIG received a hotline complaint alleging contract irregularities concerning a \$1.8 million contract that provided worldwide electrical engineering services to the Department. Overall, OIG identified contract administration deficiencies that also have been reported in prior OIG audits: contracting officer's representatives lack the required skills to monitor contract provisions and protect government interests; contracting officer's representatives lack an appointment by the contracting officer and yet are certifying contractor invoices for payment; the Department incurs penalties because of late payment on the invoices submitted by the contractor; and contract file documentation is inadequate. OIG also found, and Department procurement officials agreed, that an inappropriate contract vehicle was used to procure the electrical engineering services. As a result, federal and Department acquisition regulations and requirements for full and open competition were not met. In addition, OIG has concerns that the winning contractor may have inappropriately received advance information on the proposed statement of work that was not available to other prospective bidders.

OIG confirmed the appearance of contract irregularities. The contractor's accounting system was poor and resulted in untimely submission of invoice charges and cases of duplicate billings and underbillings against the contract. Neither Department contracting officials nor the contractor had a good command of contract provisions, which resulted in unauthorized labor charges for \$17,000, unapproved contract modifications totaling almost \$300,000, and underbillings of more than \$75,000. Ultimately, the contractor was able to provide receipts and supporting documentation for invoices submitted to the Department for payment. However, OIG does not agree that actions taken by the former contracting officer were sufficient to close out the contract. OIG is recommending that the findings in this review be considered in closing out the contract at the soonest date possible. Finally, Department records were inconclusive, and OIG could not confirm the allegation that contract employees retained government equipment. The Department agreed with OIG recommendations and is determining allowable contractor costs.

**Audit of Payments Made Without an Obligation (AUD/FM-04-16)**

OIG reviewed payments made without an obligation to determine whether the Department had adequate controls over payments that it processed when an obligation had not been established in its accounting system, the Central Financial Management System (CFMS).

OIG found that the Department did not have adequate controls over processing payments made without an obligation. The Bureau of Resource Management (RM) did not have the documentation required to support a significant number of the payments that OIG reviewed. In addition, RM may have processed some payments without an obligation unnecessarily because of a lack of communication with the bureaus. As a result, the Department could not ensure that the payments it made without an obligation were proper and correct.

OIG recommended that RM develop detailed instructions for completing and maintaining documentation to support payments made without an obligation and a process to ensure that these instructions are followed. In addition, OIG recommended that RM develop, and provide to the Department's bureaus, procedures to ensure that obligations are recorded in CFMS before payments are made.

**Audit of Duplicate Payments (AUD/FM-04-17)**

OIG reviewed the Department's payment processing to determine whether the Department was effectively identifying and following up on potential duplicate payments.

Although the Department does have a duplicate payment program in place, OIG found that more potential duplicate payments existed than the Department had identified. Also, there was inadequate evidence that the Department took sufficient action to follow up on the potential duplicate payments it did identify. As a result, the Department was not aware of all potential duplicate payments on which it should have followed up and may not have collected all the funds owed for the duplicate payments it identified.

OIG recommended that the Department examine a larger universe of payments and improve the database queries used to identify potential duplicate payments. In addition, OIG recommended that the Department follow up on the additional potential duplicate payments OIG identified and that it maintain records to document its follow-up activities of potential duplicate payments.

**Audit of the Vendor Reference Table (AUD/FM-04-18)**

The Department's Central Financial Management System (CFMS) will not process a payment to a vendor unless the vendor has been established in the CFMS vendor reference table. The objective of this audit was to determine whether the Department had adequate controls for establishing and maintaining vendors in the vendor reference table.

OIG found that the Department did not have adequate controls over the vendor reference table. The Department did not always verify vendor information before it was entered into the table. In addition, the table contained a significant number of unnecessary vendor records and records with errors. OIG found that there were no formal policies and procedures that provided a standard format for entering vendor information into the table or that required thorough, periodic reviews and updates of the table. As a result, fraudulent vendors could have been added to the table, and unnecessary records could have been used to make improper payments.

OIG recommended that the Department develop and implement policies and procedures that ensure the validity of vendors before they are entered into the vendor reference table; that include consistent standards for creating vendor codes and entering data into each vendor record field and guidelines for deactivating and archiving vendor records; and that provide a process for thorough, periodic reviews and updates of the table. OIG also

recommended that the Department review the table, deactivate or archive unnecessary records, and identify and correct errors.

**Status of the Department's Remediation Plan for the Federal Financial Management Improvement Act (AUD/FM-04-19)**

Agency financial management systems must substantially comply with the Federal Financial Management Improvement Act of 1996 (FFMIA) requirements. If they do not, the agency must establish a remediation plan, which includes the resources, remedies, and intermediate target dates to bring the systems into substantial compliance. The Department established a remediation plan in March 2000 to bring its systems into compliance by September 2003, and it updated the plan in October 2001.

Under FFMIA, OIG is required to report in its semiannual report to the Congress instances when and reasons why an agency has not met the intermediate target dates established in the remediation plan. OIG reviewed the Department's progress, as of May 2003, in meeting the intermediate target dates it had established. The Department had made considerable progress in its efforts to comply with FFMIA by completing 71 percent of its remediation plan projects and, as a result, reducing its degree of noncompliance. However, OIG found that the Department had extended intermediate and completion target dates for three projects: Business Continuity and Contingency Plans, Information Systems Network Security, and Central Financial Planning System (CFPS). Extended target dates for the first two projects were the result of delays in project initiation and adding steps deemed critical to the project. The Department restructured the third project, CFPS, and established new milestones and target dates. The above projects are not expected to be completed until FY 2004 and FY 2005. As a result, the Department was not in substantial compliance with FFMIA as of its September 2003 target.

Additionally, in the Audit of the U.S. Department of State 2003 Principal Financial Statements (AUD/FM-04-12, Dec. 24, 2003), OIG's contractor reported that the Department's remediation plan also needed to specifically address systems security and management of grants and other types of federal assistance.

**Review of the National Committee on United States-China Relations, Inc. (AUD/CG-04-20)**

At the request of the Bureau of Educational and Cultural Affairs, OIG reviewed the National Committee on United States-China Relations, Inc. claimed indirect cost rates. The grantee's accounting system was adequate to accumulate and report indirect costs and

allocate costs equitably among final cost objectives. OIG did identify several inconsistencies and errors in the grantee's claimed rate calculations, and OIG has made appropriate adjustments in the claimed rate calculations. OIG recommended that the Bureau of Administration's Office of Logistics Management, Office of Acquisitions Management determine the effect of these adjusted rates, if any, on the grantee's claimed grant costs.

**Review of the Center for International Private Enterprise Indirect Cost Rates, Fiscal Years 2001 and 2002 (AUD/CG-04-21)**

At the request of the Bureau of Administration's Office of Logistics Management, Office of Acquisitions Management and as part of the overall audit of the National Endowment for Democracy, OIG conducted a review of the Center for International Private Enterprise, Inc.'s (CIPE) indirect cost rates for FYs ending September 30, 2001, and 2002. OIG's primary purpose was to determine whether the indirect cost rate structure complied with applicable regulations and recommend final rates for the stated periods.

OIG found that the indirect cost rates reported by CIPE in its annual audit reports for the stated periods complied with applicable regulations. Moreover, tracing components of the indirect cost rates to the audited financial statements did not disclose any matters that significantly affected the indirect cost rates. OIG advised that the bureau use the recommended rates determined during this review in finalizing the indirect cost rates.

## Office of Inspections

### **Inspection of the Bureau of Educational and Cultural Affairs (ISP-I-04-07A)**

The Bureau of Educational and Cultural Affairs (ECA) was doing an excellent job of carrying out its long-standing policy mandate of promoting mutual understanding. Paradoxically, job satisfaction in ECA is high, but morale is low. Measures have already been started to address some of the management shortcomings. What may prove more difficult to overcome is the attitude, held by many of the bureau's long-time employees, that many in the Department still do not accord exchanges the importance they deserve, and were accorded, when ECA was part of the U.S. Information Agency.

Bureau leadership has directed significant resources toward audiences in the Arab and Muslim world. ECA could do more in this area if it had additional staff and funds, however, further redirecting currently available resources from other regions toward these audiences is not a viable long-term strategy as the United States is facing a rise in attitudes critical of America throughout the world. Even with additional resources, ECA's public diplomacy efforts should not be expected in the short run to change current unfavorable foreign attitudes towards the United States.

Post-September 11, 2001, interagency visa clearance procedures have had an adverse effect on U.S. government efforts to inform, engage, and influence target audiences in the Muslim world. The issuance of student visas has declined sharply, and some prospective exchangeees have not been able to participate in their programs because of delays in visa processing. ECA has worked with CA to speed visa processing of student and official visitors and has sought the Department of Homeland Security's help in preventing embarrassing incidents from recurring at U.S. ports of entry.

ECA has made commendable progress in adapting to Department budget and fiscal practices, but has yet to comply fully with the Department's required procurement and property management standards and practices. OIG also found weaknesses in personnel operations.

**Review of Allegations Related to the Relocation of Operations of the Bureau of Resource Management to the Charleston Financial Service Center (ISP-I-04-18)**

In Summer 2002, the Bureau of Resource Management (RM) relocated Washington-based operations including payroll and retirement to the Financial Service Center in Charleston, South Carolina. The relocation started more than a decade ago to improve efficiency in the Department.

In September 2003, one employee whose position was being relocated to Charleston, South Carolina, wrote a letter to Congress, alleging that her rights as an employee were violated and that she had been subject to discriminatory practices. The Department reviewed the employee's concerns and responded to Congress denying any breach of regulations or other wrongdoing in the matter. Shortly thereafter, the Chief Financial Officer of the Department asked OIG to provide an independent assessment of the situation.

Based on the employee's letter, OIG reviewed several areas, including: timeliness of notifications, adequacy of information provided, and adherence to government guidance and laws.

OIG found that RM will meet its obligations under laws and regulation regarding notification required before separating employees provided that it adheres to its intended transition milestones. However, RM needs to develop a detailed transition plan as soon as possible to ensure that the move to Charleston is conducted smoothly.

RM also provided sufficient information to employees on other employment opportunities. However, offices with hiring authority did not always process applications correctly and need to be better informed and educated regarding proper procedures. OIG did not identify any individual who had been denied excused absences as allowed in Career Transition Assistance regulations.



## Office of International Broadcasting

### *Inspection of the International Broadcasting Bureau's Transmitting Station in Sri Lanka (IBO-I-04-02)*

The Sri Lanka Transmitting Station performs well. It began transmission in 2000 and has expanded its transmission capabilities by almost 50 percent in three years. This helps the Broadcasting Board of Governors (BBG) achieve its objective of effectively reaching target markets in the Middle East, Asia, North and East Africa, Afghanistan, the Caucasus, Tibet, and Turkey.

The transmitting station worked closely with Embassy Colombo to complete negotiations with the government of Sri Lanka for authorization to install a seventh transmitter. In addition, while operating in a climate of potential political unrest and civil war, the station has community action projects to maintain good rapport with its neighbors.

Adequate management controls are in place. However, the station's procurement challenges include an increasing workload for the procurement agent and a national procurement environment that involves kickbacks, known locally as "commissions." The station could benefit from more competition in its procurements.

Embassy Colombo, through the International Cooperative Administrative Support Services and the International Broadcasting Bureau (IBB) headquarters, provides personnel and other services. The authority to classify Foreign Service national positions at level eight and above has been held by IBB's Office of Personnel in Washington since 1993. The Department of State's Bureau of Human Resources, under contract, developed a computer-aided job evaluation system. The software contract was advertised in February 2001 and was available for use as of September 1, 2002, for human resource offices that had completed the requisite training. Some personnel have been waiting for two years for the automated system to go into effect and update their job classifications.

**Review of the Broadcasting Board of Governors' Use of the Internet and Related New Technologies (IBO-A-04-03)**

Two of BBG's strategic goals have particular relevance to its broadcasting entities' use of the Internet. Goal I is to "...design the broadcasting architecture for the 21st century." Goal III is to "...employ modern communication techniques and technologies" across the board.

BBG's broadcasting entities --Voice of America (VOA), Office of Cuba Broadcasting (OCB-Radio and TV Marti), Radio Free Europe/Radio Liberty (RFE/RL), Radio Free Asia (RFA), Radio Sawa, and Radio Farda -- have a wide variety of web sites, ranging from those that post basic information and are infrequently updated to others that provide a vast array of information and options. OIG worked closely with BBG and entity officials to prepare detailed charts that show the kinds of Internet activity for each entity. For example, VOA's worldwide news homepage is VOA's most comprehensive site. RFE/RL's English language web site offers a portal for all RFE/RL web site operations. RFA has ten language web sites that range from Burmese to Vietnamese, featuring audio programs in two possible formats. OCB is continuing to revamp its language service web site. From its homepage, it has links to Radio Marti and TV Marti. Radio Sawa came on the air in March 2002 and launched its web site two weeks later, streaming six different subregional programs simultaneously.

BBG's Internet presence and management's support continue to grow. Over the course of this review, an Internet evaluation team was meeting weekly to standardize performance measures; IBB's Office of Internet Services hired a new network systems coordinator; VOA, RFE/RL, and RFA were redesigning and improving their content management systems; RFA's Lao service got up and running; and Radio Sawa and Radio Farda sites were growing.

Still, BBG faces challenges in developing its Internet presence. These challenges include organizational structure, strategic planning, adequate funding, Internet blocking, and human capital issues. BBG's organizational structure has no high-level advocate who can support Internet development and resolve internal disagreements.

Strategic planning needs to be more specific, and funding and reallocation of resources are crucial. BBG would benefit from conducting an analysis of its human capital needs for the Internet and from presenting to the OMB and relevant congressional committees a package of its needs for developing its use of the Internet.

BBG continues to explore related new technologies to reach target audiences. Congress has assisted BBG by providing funding enhancements to combat jamming and Internet blocking. Several language services are using e-mail for distributing their messages. Some consider e-mail better than the Internet because it is harder to block, goes directly to users, and may be safer for users to receive than to actively surf the Internet because they can say

that the e-mail was unsolicited. In addition, technology allows using wireless devices, such as cellular mobile telephones, personal digital assistants, and others, for Internet-based access. RFE/RL reported that it had protocol sites that people in Russia and a few other countries could access via their cellular telephones. OIG learned that in the Middle East there are places without access to Internet but with access to short messaging and e-mail service through their cellular telephones. This technology is now available, but the issue is the cost and Congress' willingness to fund it.

**Inspection of the International Broadcasting Bureau's Kuwait Transmitting Station (IBO-I-04-04)**

The purpose of this inspection was to assess the general operations of IBB's transmitting station in Kuwait, including its program management, program performance, and management controls. The Kuwait Transmitting Station is strategically located, has very low operating costs, and performs well. This enables BBG to achieve its objective of effectively reaching target audiences of the Middle East and South Asia, especially with regard to the war on terrorism, with a daily 24-hour flow of information from the agency's broadcasting entities that are relevant to these audiences.

The Kuwait station is expanding its transmitting capabilities to make better use of the advantages afforded by its location and low operating costs. This sound decision by BBG management will increase the impact of the agency's scarce resources.

A major project to support shortwave transmissions to Afghanistan, for the first time from the Kuwait Transmitting Station, has experienced difficulties that have delayed the scheduled February 2004 project completion. However, the delays appear to be attributable to the contractor rather than to station management or its monitoring of the project. To save the cost of purchasing new units, IBB reprogrammed three 250-kW shortwave transmitters from the closed Gloria Transmitting Station in Portugal.

Although generally well managed, the Kuwait Transmitting Station needs to improve on a number of its procedures in order to strengthen management controls, including time and attendance and inventory control. Staff possessing contract warrants do not meet federal certification standards for performing such work. They need to have the training and certification required by the Office of Federal Procurement Policy.

The Kuwait Transmitting Station initiated FM broadcasts of Radio Sawa to Kuwait City in January 2003. This was done on the basis of verbal and written assurances, in principle, of being granted an additional new frequency. The station did not have formal approval from the government of Kuwait, which may jeopardize the continuation of those broadcasts.

**Inspection of the Middle East News Bureaus of the Broadcasting Board of Governors**  
**(IBO-I-04-08)**

The purpose of this inspection was to assess the general operations of BBG's news bureaus in the Middle East, including their program management, program performance, and management and internal controls. The news bureaus are staffed with dedicated people performing a key role in fulfilling the agency's mission to promote and sustain freedom and democracy by broadcasting accurate and objective news and information about the United States and the world to audiences overseas.

Coordination and cooperation among the news bureaus is lacking. Staff point to their diverse missions as the reason for the lack of coordination or cooperation. The conflict in Iraq has become the major news story, eclipsing the attention given to the Middle East peace process. The demands for news about Iraq are being met at the expense of news operations in other parts of the region, including Jerusalem. In addition, some bureaus are far better equipped than others, but the tools used by the news bureaus are being upgraded.

Management controls are generally weak. This situation arises from the fact that the primary purpose of the bureaus is the business of news. Management controls are thus both misunderstood and neglected; however, the primary job of news gathering and reporting has not suffered from this vulnerability.

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

During this reporting period, an OIG security audit report was published for the Protection of Classified Documents at Overseas Posts.