



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*

**January 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

### Review of a Department Grantee (AUD/CG-04-09)

At the request of the Department of State's Bureau of Educational and Cultural Affairs (ECA), the Office of Inspector General (OIG), Office of Audits, reviewed costs claimed by a Department grantee to determine whether the grantee (1) adequately accounted for federal funds, and (2) complied with applicable federal laws and regulations related to the terms and conditions of the grant. In addition, OIG reviewed the indirect cost rate per student claimed for FY 2002 to determine the reasonableness, allowability and allocability of the indirect cost allocation method. OIG found the following:

- The grantee, in general, adequately accounted for federal funds and could segregate costs by grant in its accounting system. However, the grantee reported budgeted costs instead of incurred costs on its quarterly financial reports submitted to the Department. In addition, the grantee did not always comply with the terms and conditions of the agreement. Specifically, the grantee did not document cost share amounts or use timesheets to support employees' time worked on federal programs. As a result, OIG questioned about \$226,000 of direct costs, of which, \$20,543 were classified as unsupported.
- The grantee's FY 2002 indirect cost rate per student was reasonable, allowable, and allocable to U.S. government grants. However, the grantee does not adjust the indirect costs billed to the Department once the actual year end rate is determined.

OIG recommended that ECA require the grantee to comply with the terms and conditions of its grant agreements, reimburse the Department for unallowable costs and provide additional documentation for the unsupported costs.

## Office of Inspections

### **Inspection of Embassy Brussels, Belgium (ISP-I-04-02A)**

A capable deputy chief of mission and other embassy staff helped to defend U.S. interests during a particularly difficult period in bilateral relations. With no new ambassador in sight, the chargé d'affaires will need to establish a regular dialogue with senior Belgian government officials.

More tri-mission cooperation among the three missions - Embassy Brussels, the U.S. Mission to the European Union and the U.S. Mission to the North Atlantic Treaty Organization - is needed to improve coordination and explore economies of scale in public diplomacy and other areas.

The consular section is understaffed, and the practice of issuing passports to American citizens resident in Libya, based on information collected at the U.S. Interests Section at the Belgian Embassy in Tripoli, creates a vulnerability.

The joint administrative services section provides excellent administrative services to all three U.S. missions in Belgium. While embassy staffing is generally right-sized, reprogramming several locally employed staff positions to the administrative section will further enhance services.

### **Inspection of Embassy Colombo, Sri Lanka (ISP-I-04-03A)**

The arrest of the management officer and the consular associate for malfeasance (visa fraud) at the end of April 2003, the investigations supporting this action, and the dismissal of several Foreign Service nationals (FSNs) cast a pall over effective management operations at Embassy Colombo, leaving a legacy of failed management controls and improper application of rules and procedures.

The current executive, consular, and management teams face an enormous challenge of restoring this mission's operations and procedures to an acceptable level of effective management controls.

The number of actions already taken by a team whose collective tenure at post – which at the time of the inspection could be measured in weeks, not months – is impressive, underscoring senior management’s commitment to put overall embassy operations back on track.

Following two decades of civil war that cost nearly 70,000 lives and brought Sri Lanka near collapse, a peace process was initiated in early 2002. Support for the peace process and strengthening democratic institutions dominate U.S policy in Sri Lanka and are key Mission Performance Plan goals of Embassy Colombo.

As the ceasefire holds and the peace process advances, there is growing opportunity for U.S. trade and investment with Sri Lanka. Embassy Colombo is taking advantage of these opportunities, and the U.S. Agency for International Development operations – once in decline – are again on the rise.

Consular issues are a pressing priority for the new front office. Immediately following the recent malfeasance-related arrests, new management began to institute long-needed controls. Most areas of vulnerability have been addressed; remaining issues are described in this report. Regional consular oversight would further enhance overall consular management controls and procedures.

Overall morale among Americans is high (most are newly arrived), with satisfaction expressed on housing, schooling, medical, and general life in Sri Lanka. FSN morale, in contrast, poses a greater challenge primarily as a result of the events of the past year.

#### **Inspection of Embassy Dhaka, Bangladesh (ISP-I-04-04A)**

Embassy Dhaka is a well-managed mission with very high morale, despite an exceedingly difficult operating environment. Dhaka is predicted to become the world’s largest city, although planning and infrastructure cannot keep pace with population growth. Extreme poverty, growing crime, dangerous traffic, widespread corruption, poor building standards, and periodic natural disasters complicate embassy operations.

Counterterrorism, economic growth, and democratic development are proper Mission Performance Plan goals and underscore the importance of strong embassy engagement with the government, opposition groups, and the public. Public outreach as currently structured is inefficient and insufficient. These operations should be reoriented for greater effectiveness. Similarly, the embassy should also evaluate the utility of its commercial library operation to refocus staff on more effective commercial activities.

Allocation of workspace within the mission needs to be reviewed. The reorientation of programs at the current American Center should make it possible to cease use of that facility and move staff to more secure locations such as the chancery or General Services Office compounds.

Overall management operations are functioning effectively, with all divisions receiving high marks from embassy personnel. The mission is to be commended for a range of innovative practices. International Cooperative Administrative Support Services, one stop customer service, and Foreign Service national working groups have improved the effectiveness of operations and provided significant support to embassy staff.

As the result of a consular environment permeated by fraud, management created a strong fraud prevention unit. Expanding visa workloads and new requirements for visa issuance are exacerbated by a poorly configured workspace. The high number of entry-level rotational officers assigned to Dhaka's consular section reduces effectiveness. Conversion of one entry-level position to a mid-level supervisory position would provide much needed expertise.

The American International School of Dhaka and the American Recreation Association are essential to attract staff to serve in Dhaka and to maintain embassy morale. The front office and the management section work closely with both operations. The embassy expended considerable resources in its effort to ensure the viability of the school. Continued recreation area improvements are important, particularly to provide a secure environment for embassy youth.

#### **Management Assessment Review of Embassy Dili, East Timor (ISP-I-04-05A)**

Embassy Dili is nearing the end of a period of inadequate facilities and staffing vacancies. The first part of a new office building should be ready for occupancy in April 2004; the embassy's full complement of Department of State Americans will be present for the first time ever at the end of November 2003.

The Ambassador is achieving important public diplomacy goals despite the absence of support staff or specific planning. Post management needs to adopt a more structured framework to discuss and pursue embassy objectives. Although Embassy Dili has good contact with all elements of East Timor society, embassy reporting is scarce and contains little analysis.

Embassy Dili requires a strong administrative presence at this point in its development. Adding a management/consular position would enable Embassy Dili to improve and

institutionalize its operations. Additional modular housing is needed for American officers and their families.

**Inspection of the Bureau of Economic and Business Affairs (ISP-I-04-06)**

Bureau of Economic and Business Affairs (EB) has the government-wide lead in areas such as negotiating aviation agreements, bilateral investment treaties, implementing the Iran/Libya Sanctions Act, and negotiating in the context of international telecommunications policy. In addition, EB has the Department of State lead on some critical issues such as reconstructing Afghanistan and Iraq, and creating international coalitions to counter terrorist financing.

EB organized the Madrid Iraq Reconstruction Donors' Conference. It was a significant success with 93 participating governments and international organizations represented. Pledges of \$13 billion were forthcoming in addition to the U.S. contributions. About 400 U.S. private sector firms met with Iraqi officials to explore commercial and business prospects.

EB faces the significant challenge of providing support to U.S. businesses overseas in places without a Foreign Commercial Service (FCS) presence. Over 100 posts have no American FCS staff, and projections are that this number will increase over the next few years. EB is the logical place to deal with this change. OIG recommended that EB design a plan to support non-FCS commercial officers.

As a bureau, EB is exceptionally rank-heavy with 29 percent of its 206 positions at the senior levels compared to the Department average of 17 percent. OIG discussed with EB management the need to resist pressures for further rank escalation and made recommendations for balancing rank by reclassifying downward some positions.

EB's leadership is engaged in all aspects of the bureau's operations, including human resources and workforce management, ensuring EB's ability to operate with increased effectiveness and flexibility using innovative management practices. EB has used Foreign Service short tours, rehired annuitants, contractors, presidential management interns, detailees from other agencies, science fellows, and temporarily converted Foreign Service to Civil Service positions to address staffing gaps, workload surges, and new initiatives. The front office gives special attention to recruitment, good onward assignments for employees, and training and development.

OIG noted a best practice in EB's initiative to improve morale, communications, and productivity between the office management specialist (OMS) staff and their supervisors.

FSI facilitated a retreat for the OMS staff, and EB created a task force of officers and OMS personnel to develop standard operating procedures and to recommend improvements in the support functions. In addition, they drafted a guide to office relations. Many OMS staff have taken on new opportunities and challenges as a result.

**Inspection of the European Logistical Support Office, Antwerp, Belgium, Memorandum Report (ISP-I-04-08)**

The European Logistical Support Office (ELSO) effectively carries out its mission, which is to arrange and track shipments of household goods and personal effects, vehicles, and equipment and supplies to and from embassies and consulates primarily in Europe, Africa, and the Middle East. In 2003, ELSO arranged 10,400 shipments and met its shipping performance standards 95 percent of the time.

Embassies praise ELSO's Expedited Logistics program for reducing the time and cost to obtain needed items. The budget and fiscal section audits and pays transportation invoices and collects ELSO charges. In 2002 and 2003, the section identified and recovered \$450,000 and \$209,000 respectively, in contractor overcharges. The systems administrator effectively manages and controls incoming and outgoing communications and supports ELSO's systems. Connectivity through Embassy Brussels is seamless and effective. Although fiscal operations' efficiency was reduced during the Department's accounting system conversion, the new system vastly improved accuracy and accountability for shipping charges at the post level.

**Inspection of Embassy Kathmandu, Nepal (ISP-I-04-09A)**

The Ambassador and deputy chief of mission (DCM) at Embassy Kathmandu have focused their attention inordinately on substantive issues, largely ignoring basic management. American staff rated both officers weak on coordination, communication, feedback, problem solving, and attention to morale. Morale has suffered unduly and employee relations have been strained due to management shortcomings and the intimidating atmosphere some staff face at post. The DCM has not provided necessary guidance and mentoring to eight junior officers and six specialists.

The Ambassador has achieved significant success in dealing with the government of Nepal and has advanced U.S. efforts to help address the Maoist insurgency that threatens the regime, the economic growth of the country, and stability in the region. This daunting task has demanded significant diplomatic engagement. The Ambassador and his staff have

played a central role, helping to set U.S. policy and pushing hard to encourage others to support our efforts. American programs to assist Nepal have grown dramatically over the past two years.

The political/economic section has provided valuable spot reporting but should provide greater analytical coverage to assist Washington in evaluating broad trends. Public diplomacy is active and the information resource center well utilized.

Consular workspace is woefully inadequate due to rapid workload expansion, with officers and staff working in severely cramped quarters. The proposed move to a new facility may alleviate many problems; however, the embassy must take interim steps to provide additional workspace and adjust procedures to be able to meet current processing mandates. The front office has paid an inordinate amount of attention to individual visa cases, placing unnecessary pressure on the consular chief and junior officers.

The growth of U.S. diplomatic activity in Nepal has been matched by a dramatic growth of embassy staff. Over the past year there has been an increase of more than 50 percent in Department staff – primarily junior officers and specialists in the consular and management sections. The increase has placed significant demands on resources and space.

#### **Inspection of Embassy Luxembourg (ISP-I-04-10A)**

Embassy Luxembourg's energetic leadership and small staff pursue activist and successful diplomacy and commercial advocacy. Progress has been made in balancing an ambitious agenda with limited embassy resources.

As a Special Embassy Program post with limited reporting resources, Embassy Luxembourg needs help to prioritize the constant stream of European and North Atlantic Treaty Organization related demarches.

With the arrival of a Public Affairs Officer in 2004 the embassy's capacity to address increasing negative public perceptions of U.S. policies will be enhanced. Department of State support is needed to develop an effective public diplomacy strategy for Embassy Luxembourg.

Management operations are stretched to the breaking point, in part because of ongoing and planned construction projects and an inexperienced administrative section. Long-term temporary duty management officer support is needed to ensure completion of construction and other needed projects. Additional facilities maintenance support is also needed.



**Inspection of the Bureau of South Asian Affairs (ISP-I-04-12)**

The Bureau of South Asian Affairs (SA) is doing a commendable job on the front line in the war on terror and in addressing other top foreign policy challenges such as nonproliferation and the threat of war between India and Pakistan. These issues command the close involvement of the highest levels of the U.S. government. The bureau's leadership brings clear vision, knowledge, and energy to pursuing U.S. interests in South Asia. The small bureau staff is managing well under a heavy workload, but needs the additional staff it has requested.

Bureau leadership focuses admirable attention on furthering the improvement of the bureau and positioning it to meet challenges in its strategic and volatile region. Leadership pays close and disciplined attention to recruitment for key positions, training, and staff development. Space is insufficient for the bureau.

The bureau is doing an excellent job of supporting Embassy Kabul and U.S. efforts on counterterrorism, narcotics production, and reconstruction in Afghanistan. Bureau leadership has invigorated its public diplomacy program, and its activities are increasingly robust. The Assistant Secretary has personally led this effort.

SA shares an experienced and respected Executive Office with the Bureau of Near Eastern Affairs. However, OIG found the office understaffed, especially given the responsibilities for establishing an embassy in Baghdad and addressing frequent crises. Understaffing threatened productivity and led to dissatisfaction with its administrative support. SA believed it needed its own Executive Office; however, OIG found the bureau's small size indicated economies of scale in sharing an office with NEA.

**Inspection of Embassy Seoul Korea (ISP-I-04-13A)**

Embassy Seoul's officers have extensive contacts throughout Korean society and use them effectively in advancing U.S. interests. The country team is well coordinated; a supplementary series of regularly scheduled meetings insures interagency coordination and attention to all goals identified in the Mission Performance Plan. The Ambassador is influential among Washington policy makers, helping to shape U.S. strategy and tactics toward both North and South Korea.

Embassy management does a fine job of coordinating with U.S. Forces in South Korea (USFK), the American military command headquartered in Seoul. The embassy and USFK use creative joint approaches to handle rising complaints about troop presence, to develop

negotiating positions in the on-going talks with the South Korean government over the future of the alliance, and to deal with issues relating to the embassy staff living in the 152 housing units located at the military base.

The public affairs section has taken major steps to expand its outreach in South Korea. American Corners will soon function in public libraries in two of the four major provincial cities and there are plans for two others. A very media-oriented Ambassador gives frequent media interviews and speeches and has appeared on Internet news programs. Some internal reorganization would make staff utilization more efficient.

The consular section is dealing well with the need to interview an increasing percentage of Korean visa applicants while maintaining minimum delays before visa issuance. The physical plant is being expanded to the maximum extent possible, and the embassy tries hard to explain to a skeptical public the link between the new procedures and U.S. security concerns in the wake of September 11, 2001. The challenge is to avoid additional delays as the percentage of interviews rises further in August 2004.

Political and economic reporting is extensive and well done. Despite a fractious domestic political structure that makes South Korean government decision making difficult, the embassy has successfully advanced its political and economic objectives on the domestic scene and been successful in obtaining greater Korean involvement in the international arena, including in Afghanistan and Iraq.

The embassy has fought to seek a clear commitment from the South Korean government to allow construction to go forward on a new chancery and housing compound, and the Bureau of Overseas Buildings Operations has been supportive. Lack of progress to date is linked to South Korean sensitivity to public criticism, not to the embassy's lack of trying. Nonetheless, resolving the facilities issue is critical.

Administration of this large and complicated mission is generally good. Some management controls need strengthening. The information management team provides excellent support to embassy staff. There is room for improvement in operations and customer service attitudes, notably in the general services office. Family member hiring procedures need to be formalized and made more transparent.

#### **Inspection of Embassy Ulaanbaatar (ISP-I-04-14A)**

Embassy Ulaanbaatar conducts its mission in an environment of friendly, open relations. Mongolia supports U.S. efforts in the global war against terrorism. Small military contingents serve in Iraq and in Afghanistan.

A new front office team is providing needed leadership to bring the embassy into compliance with Department of State standard operating procedures. However, financial management is deficient, and a corrective management controls statement with a plan of action should be submitted.

The embassy can improve its consular services through better workload management focusing on nonimmigrant visa processing.

As staffing has increased (from 67 employees in 1997 to 158 in 2003) Embassy Ulaanbaatar has graduated from specific administrative support supplied by Embassy Beijing to regular regional support for consular, public affairs information resources, and medical services. However, the embassy still requires outside support to improve management services, especially human resources, and to train relatively new staff members, and it should request such support from the Bureau of East Asian and Pacific Affairs, regional training centers, and nearby embassies.

A high standard of housing that includes new townhouse and single-family dwellings in a landscaped compound has raised morale among direct-hire Americans assigned to Embassy Ulaanbaatar, and the Bureau of Overseas Buildings Operations “wellness project”<sup>1</sup> for the chancery has significantly improved the work environment. With enlargement and accreditation of the international school, Ulaanbaatar is now a “family friendly” embassy, despite the harsh climate and isolation of the country.

Health unit services currently provided by Peace Corps are scheduled to cease on April 1, 2004, and equivalent care is not locally available. The embassy needs additional Department support to ensure that adequate medical care for embassy personnel does not lapse.

### **Inspection of the U.S. Mission to the European Union (ISP-I-04-15A)**

The U.S. Mission to the European Union does an outstanding job of advancing U.S. interests across the full range of important economic and political issues with the European Union (EU). It is well positioned to deal with the expansion of the EU from 15 to 25 member countries in 2004. Mission leadership has a clear vision of the significance of the EU’s growing role and aggressively urges more U.S. attention to the opportunities this

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<sup>1</sup> The OBO “Wellness Program” is intended to address quality of life issues at high differential posts by upgrading the most pressing facilities improvement needs, i.e., “making them well.” Embassy Ulaanbaatar was one of two posts approved for the program in FY 2003, the first year OBO offered the program.

presents. The mission's well-informed reporting has become more user friendly with a focus on shorter and more condensed reports.

As their agendas increasingly converge, the three U.S. missions in Brussels need to improve communication and coordination on policy and resource issues. The mission has substantially expanded its support to and cooperation with bilateral U.S. embassies in EU member and applicant countries.

Staffing levels are appropriate, but a modest increase in public diplomacy resources could enable the mission to explain U.S. policies more effectively. The joint administrative services section of Embassy Brussels provides solid administrative support; however, visitor support needs clarification. Morale is generally good; however, the mission must improve communication with office management staff and ensure they are treated with professional courtesy.

**Inspection of the U.S. Mission to the North Atlantic Treaty Organization (ISP-I-04-16A)**

The U.S. Mission to the North Atlantic Treaty Organization (USNATO) has effectively led the U.S. effort to transform the North Atlantic Treaty Organization (NATO) to deter and defeat new threats, including those outside its traditional area. Department of State and Department of Defense staff coordinate well despite interagency disagreements in Washington.

Despite long working hours and constant pressure, the political section attracts top-flight people by paying increased attention to good management and staff needs.

As their agendas increasingly converge, the U.S. Mission to the European Union, USNATO, and Embassy Brussels need to improve communication and coordination on policy and other issues.

USNATO is pursuing an aggressive public diplomacy program to address increasing skeptical and hostile public opinion in Europe. The public diplomacy section is helping NATO improve its own public diplomacy operations.

January 2004

## Office of Security and Intelligence Oversight

During this reporting period, OIG security inspection reports were published for the following embassies:

Mexico City and Constituent Posts (Limited-Scope Security Inspection)

Brussels, Belgium, U.S. Mission to the European Union, and U.S. Mission to the North Atlantic Treaty Organization

Colombo, Sri Lanka

Dhaka, Bangladesh

Deli, East Timor

Kathmandu, Nepal

Luxembourg, Luxembourg

Seoul, Republic of Korea

Ulaanbaatar, Mongolia (Compliance Follow-up Review)

Reports were also issued on:

The Bureau of Educational and Cultural Affairs

Protection of Classified Documents at Overseas Posts