



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*

**May 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 the Bureau of Overseas Buildings Operations' New Embassy Construction Program Planning and Design Phase (AUD/PPA-04-07)**

This report reviews the New Embassy Compound (NEC) Program design and planning phases of the Bureau of Overseas Buildings Operations (OBO). OIG found that OBO headquarters management has initiated several improvements to the NEC program to address more timely and cost-effective embassy construction. Although no NEC projects had been completed under the new planning and design processes, OBO predicted that the process improvements would significantly reduce the time from contract award to construction completion. Also, OBO's new fixed-price contract process should reduce the risk to the Department of escalating costs and shift the financial risk to the contractor.

In evaluating the planning and design processes, OIG found that some statutorily mandated security risk assessments and security certifications required by the Bureau of Diplomatic Security (DS) before commencing embassy construction were not being performed in a timely manner. Also, documentation from the construction contractors was late or inaccurate, and communication between OBO and the Center for Security Evaluation (CSE), a group that represents security and intelligence interests, was lacking. Although no construction delays have occurred to date, they are possible if certification is not performed in a timely manner. The NEC contractor could be entitled to compensation during such delays, and the construction completion dates might fall behind schedule. In response to the draft report, OBO stated that as of June 2003, all FY 2003 NEC contracts have included a comprehensive list of the design development and construction document drawings required for DS certification, and each requirement is incorporated in the contract. OIG plans to follow up and review compliance with this new procedure.

OIG also found that communication between OBO and Department bureaus, tenant agencies and their headquarters, and other agencies concerned with projected overseas staffing needed improvement. During the course of the review, OIG observed that over half of the tenant agencies that were contacted indicated they had communication problems with OBO staff, including not being fully informed about the planning and design process. In addition, five regional bureaus had different views about the quality of communication among OBO, the bureaus, and the posts.

After the review, OIG was made aware of the following changes. During summer 2003, OBO, CSE, and DS engaged in a dialogue that led to improvements to the risk assessment process that could significantly reduce the potential delays OIG identified for NEC construction projects. Also about this time, OBO, CSE and DS officials jointly addressed security certification process issues concerning the timeliness and accuracy of CSE and contractor submissions. In July 2003, the Department's Office of Management Policy published the *Guide to Developing Staffing Projections for New Embassy and Consulate Compound Construction* to address many of the concerns voiced by tenant agencies and Department bureaus. OBO has begun to host annual meetings to discuss the staffing projection process with responsible representatives from tenant agencies and regional and program bureaus.

**Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by International Center for Journalists, Inc. (AUD/CG-04-27)**

At the request of the Department of State's Bureau of Educational and Cultural Affairs, the Office of Inspector General, Office of Audits, performed a review of the International Center for Journalists, Inc.'s proposed indirect cost rates for fiscal years 1996 through 2002. The grantee's accounting system was adequate to accumulate and report indirect costs and allocate costs equitably among final cost objectives. OIG noted that the fringe benefit amount used in computing the fringe benefit rate for fiscal year 1996 included an amount that was not an allowable fringe benefit component. OIG adjusted the submitted fringe benefit rate. OIG recommended that the Bureau of Administration, Office of Acquisitions, grants officer accept and finalize the 1996 fringe benefit rate as adjusted and accept and finalize the 1996 through 2002 indirect rates and 1997 through 2002 fringe benefit rates as submitted.

**Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by Nacel Open Door, Inc. (AUD/CG-04-30)**

At the request of the Department of State's Bureau of Educational and Cultural Affairs, the Office of Inspector General, Office of Audits, performed a review of the Nacel Open Door, Inc.'s proposed indirect cost rates for fiscal years 1994 through 2001. The grantee was generally unable to reconcile the amounts presented as general and administrative costs for its government grants to its books and records or its financial statements. Because OIG was unable to verify the amounts presented as general and administrative expenses to the grantee's records or financial statements, the scope of OIG's work was not sufficient to express, and therefore OIG did not express an opinion on the rates proposed by the grantee for grant years 1994 through 2001, inclusive.

**Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by National Council for International Visitors (AUD/CG-04-31)**

At the request of the Department of State's Bureau of Educational and Cultural Affairs, the Office of Inspector General, Office of Audits, performed a review of the National Council for International Visitors' proposed indirect cost rates for fiscal years 1998 through 2002. The grantee's accounting system was adequate to accumulate and report indirect costs and allocate costs equitably among final cost objectives. OIG noted that the proposed indirect cost for fiscal years 1998 through 2002, inclusive, included a year-end accrual for unvested sick leave that contravenes accounting practices generally accepted in the United States of America. Accordingly, OIG questioned those costs in their entirety. OIG recommended that the Bureau of Administration, Office of Acquisitions, grants officer accept and finalize the indirect cost rates, as adjusted by OIG for the accrued unvested sick leave, reported by the grantee for the fiscal years ending September 30, 1998, through 2002, inclusive.

## Office of Inspections

### *Inspection of Embassy Bangkok, Thailand, and Constituent Post (ISP-I-04-22A)*

Rightsizing is a major issue to be addressed at the mission in Thailand, one of the largest U.S. diplomatic presences abroad. There is a seemingly inexorable pressure for further staff increases. A congenial host country environment, apparent political stability, ease of transportation/communications, and reasonable costs of operation are all factors. However, the haphazard accretion in staff is not in accordance with any overall plan.

Embassy Bangkok is, *de facto*, a regional center of U.S. government operations. Coverage ranges from 59 other posts served by the Bangkok Financial Service Center to a frequent pattern of work with four neighboring embassies in Burma and what formerly was known as Indo-China. On the interrelated issues of rightsizing and regionalization, the prevailing attitude is that growth is inevitable.

The Chief of Mission's authority applies to the regional offices. Although he is responsible for the welfare and safety of many tenant agencies, the Ambassador has no authority or capability to evaluate the extent or effectiveness of the work of those entities outside Thailand. This renders the NSDD-38 process (approval process for permanent hire) moot as a tool for effective management decisions.

This mission operates in a resource-plentiful environment, both in terms of funding and personnel. Thus far, this has enabled Embassy Bangkok to easily meet the administrative support needs of the 41 subscribers to the International Cooperative Administrative Support Services (ICASS) system.

Morale at the mission is generally good, especially at Chiang Mai and among those who work in the Inman-standard new chancery. The Ambassador and deputy chief of mission are well respected. The consular staff needs more front office attention and recognition.

In managerial style, this is a mission wherein a premium is placed on an agreeable community atmosphere. The corollary is a certain lack of constructive criticism or debate over either policy or management issues. An unusually large number of the American staff has served previously in Thailand. There is a subtle, but pervasive, deference to this depth of experience and an inclination to accept conventional wisdom in addressing issues.

Priority attention is given to counterterrorism, bilateral military cooperation, and law enforcement issues. In these areas, program implementation is very effective. For issues related to real property and the mission's desire to establish American presence posts, the embassy is not attuned to Washington policies, priorities, and positions.

**Inspection of Embassy Kuwait, Kuwait (ISP-I-04-24A)**

Embassy Kuwait has played a major role in supporting U.S. activities in Iraq and has performed superbly. Its achievements include helping engineer and manage Kuwait's contribution of 60 percent of its land for use in Operation Iraqi Freedom (OIF) and obtaining \$2 billion in Kuwaiti support to coalition forces.

Kuwait is the platform for operations in Iraq. The embassy works closely and effectively with the U.S. military and Kuwaitis to help manage the deployment in country of almost 30,000 U.S. troops and thousands of civilian military contractors. Over a quarter of a million coalition troops are rotating through the country in early 2004.

Kuwait also serves as the gateway for travelers to Iraq. The embassy staff and its new Iraq Support Unit work with the U.S. military's contract Federal Deployment Center to process employees, visitors, and congressional delegations transiting to and from the CPA and Iraq.

In addition to supporting U.S. operations in Iraq, the embassy has done an outstanding job managing regular bilateral relations. In March the United States and Kuwait signed a Trade and Investment Framework Agreement. The quantity of reporting has decreased with the rise of operational commitments, but its quality has remained high.

The public affairs section rose to the challenge of handling massive media demands related to OIF. It has now refocused its efforts on bilateral public diplomacy activities, even as it continues to provide support to the CPA.

The embassy has responded intelligently and imaginatively to the post September 11, 2001, decline of students and exchange visitors to the United States with consular and public diplomacy outreach, which is rapidly restoring educational and cultural ties to pre-attack levels.

**Inspection of Bangkok Financial Service Center (ISP-I-04-29)**

OIG's inspection found that the Bangkok Financial Service Center (BFSC) provides outstanding customer service. However, implementation of the Regional Financial Management System (RFMS) has been costly both in dollar terms and its effect on the personnel of the BFSC.

Additional Foreign Service national personnel are needed by the BFSC to meet the increased workload demands caused by assuming responsibility for 22 additional posts and implementing RFMS over the past two years. Also, management controls need to be strengthened both through separation of duties and an independent review of RFMS and its associated applications.

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

During this reporting period, an OIG security inspection report was published for Embassy Kuwait, Kuwait, and a Security Compliance Follow-up Review of Embassy Bangkok, Thailand, was completed.