



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

MONTHLY REPORT OF ACTIVITIES

audits, inspections, testimony, and special activities

August 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

Application of Agreed-Upon Procedures on Claim for General and Administrative Expenses on Travel Costs by North American Telecommunications, Inc. (AUD/CG-04-36)

The Office of Inspector General (OIG) performed agreed-upon procedures on a claim for general and administrative expenses on travel costs by North American Telecommunications, Inc. (NATI). OIG considered the claim to be in accordance with NATI's and its subcontractor's usual accounting practices consistent with Federal Acquisition Regulation Subpart 31.2 and, as such, allowable in accordance with the terms and conditions of the contract under which NATI made its claim. OIG recommended that a Department contracting officer accept the amount claimed by NATI.

Review of the Management of Compound Physical Security Upgrades (AUD/PPA-04-37)

Since a reorganization in May 2001, OBO headquarters management has initiated several improvements to make the compound physical security upgrades program more timely and cost-effective. Under new leadership, OBO has reengineered its planning processes and emphasized its interest in timely results and cost containment. OIG found that the processes for identifying and approving projects needing security upgrades and for planning, funding, and procuring contracts were well conceived. However, OIG found that the procedures, particularly communications with the posts, could be improved to help reduce the confusion and disruption that some posts experience during project planning and construction. Also, the construction projects that had onsite OBO project directors were better equipped to solve problems than were sites with consulting contractors, who could not make the necessary construction changes. Finally, although OBO has processes and procedures in place for the procurement and review of architectural drawings, OIG found that some of the drawings were faulty, having erroneous dimensions that caused project delays that could be subject to contractor claims.

On the basis of OIG's work, the contracting officer initiated liability actions against an architect and engineering firm for its errors and omissions. For future upgrades, OBO intends to:

- write an impact statement to notify the post about construction activities that may impact personnel or operations;

- designate a regional employee that will act as an OBO project director;
- improve the communications with post personnel by including them in planning meetings (via meeting minutes) and pre-bid meetings;
- improve the process for making changes to drawings that are agreed to at design reviews; and
- perform evaluations of the architect and engineering firms.

The National Endowment for Democracy (AUD/CG-04-39)

The National Endowment for Democracy Act, as amended, mandates that OIG audit the annual financial transactions of National Endowment for Democracy (the Endowment). OIG found that the Endowment generally had adequately accounted for federal funds. However, OIG noted two issues requiring attention: improving the identification and segregation of funds by grant and establishing a negotiated indirect cost rate agreement. Additionally, OIG determined that the increased funding received for the two most recent years, FYs 2003 and 2004, coupled with a proposed significant increase in the annual appropriation for FY 2005, will increase the need for efficient administration and oversight.

The Endowment also generally complied with laws, regulations, policies, and terms of the agreements. However, OIG identified several areas where the Endowment could improve its administration of the grant-awarding and -monitoring process. Specifically, OIG noted issues with the timeliness of the risk assessment and the execution of the grant award as well as with monitoring policies, procedures, and practices. Finally, high bank balances for an account maintaining federal funds remain an area of concern from the previous audit of the Endowment; consequently, OIG reissued a recommendation pertaining to this problem.

Factsheet on the Iraqi National Congress Support Foundation (AUD/CG-04-41)

In response to congressional interest, OIG prepared a factsheet on the Iraqi National Congress Support Foundation (INCSF). The factsheet provided information from two OIG audit reports as well as pertinent information obtained from other audit entities, such as the Government Accountability Office. From March 2000 until September 2003, the Department awarded 5 cooperative agreements and 18 amendments totaling approximately \$32.6 million to INCSF. Of this amount, OIG examined approximately \$15.4 million or 47 percent. Of the amount examined, OIG questioned \$2.3 million or 14.9 percent. To date, INCSF has not remitted any of these questioned costs.

Office of Inspections

Inspection of Embassy Abu Dhabi and Consulate General Dubai, United Arab Emirates (ISP-I-04-19A)

OIG's inspection of Embassy Abu Dhabi found it to be effective in the key areas of counterterrorism, nonproliferation, and trade promotion. The embassy also advanced key U.S. security interests effectively through close coordination with the U.S. military and the government of the United Arab Emirates.

Embassy Abu Dhabi was managing rapid growth of staff. The consular sections in Abu Dhabi and Dubai were effective in applying stringent procedures in order to comply with homeland security measures. These procedures should be reinforced by mission leadership and respected throughout the mission. Public diplomacy efforts were well directed, but OIG found the embassy could be more effective once full staffing is achieved. The management section merited high marks for the successful, smooth transition to a new embassy compound in January 2004. OIG recommended that attention be given to strengthening the operational controls and procedures needed for a mid-size embassy to run well.

Although many employees were highly interested in their work, some staff members felt the pressure of a heavy workload and an atmosphere of criticism at the embassy. Locally employed staff (LES) was concerned about erosion in the compensation plan, as promised increases, with the exception of health benefits, had not materialized. Nevertheless many LES continued to cite the embassy as a good employer.

Inspection of Embassy Nicosia, Cyprus (ISP-I-04-27A)

OIG found Embassy Nicosia to be a busy post, absorbed in a single issue of major importance to the United States—the Cyprus Settlement process. The embassy deserves recognition for the outstanding job it has done in support of the international effort to bring the long-festering Cyprus issue to resolution.

Embassy Nicosia was a well-led, well-run post. The Ambassador gave the mission firm, clear policy direction, and the political, public affairs, and economic sections functioned at a

high level of competence. The embassy was a model in terms of integration of public diplomacy into its diplomatic activities. The embassy provided excellent direction to the bicommunal programs funded by the Economic Support Fund. The consular section was well managed and had readily adapted to the biometric data collection requirement.

The management section operated efficiently and provided an appropriate level of services across the board. It received good marks from the mission staff. Overall, morale was good with complaints focused on the school situation and the high cost of living in Cyprus. Management controls were generally effective, although minor weaknesses were noted.

Inspection of the Bureau of East Asian and Pacific Affairs (ISP-I-04-30)

OIG found that the Bureau of East Asian and Pacific Affairs (EAP) manages well an impressive, high-visibility foreign policy portfolio with some of the most important and powerful nations the United States deals with, including Japan, Korea, and China. EAP's Assistant Secretary has the personal and highly delicate roles of chief negotiator with North Korea and coordinator of the relevant policy initiatives within the U.S. government, with China, and with other regional powers. He confronts the contentious issue of North Korea, where failure could open the risk of nuclear conflict, with discipline, skill, and expertise.

North Korea is the bureau's priority. It is a demanding and controversial problem that the bureau handles with the close-hold strictures that the nature of the issue imposes. This extends to other agencies and in fact within EAP itself, which walls off an important segment of bureau activity from most of its staff and has a negative effect on morale.

OIG made several recommendations related to staffing, including that EAP reprogram, fill, transfer, and review positions to use staff more effectively. OIG found that the Office of Public Diplomacy was detached from the desk-level, day-to-day operations and recommended that the public diplomacy country officers move to the geographic offices where they are needed closer to policy formulation.

Bureau of International Information Programs (ISP-I-04-31)

OIG's inspection of the Bureau of International Information Programs (IIP) found it makes an important contribution to U.S. public diplomacy through programs aimed at informing and influencing the opinion of foreign audiences on U.S. foreign policy. However, the lack of strong, sustained leadership over time, lack of clear status of the bureau, including failure to designate the coordinator and the deputy coordinators as assistant secretary and deputy assistant secretaries with those titles in the Department, and failure to

integrate IIP into the Department have contributed to reduced effectiveness, accountability and management control problems, isolation, and lowered staff morale.

OIG recommended that IIP develop a plan to maximize the bureau's ability to play the key role it should play in helping to encourage positive foreign perceptions of U.S. foreign policies. OIG found that much greater outreach and advocacy by IIP is needed to ensure that the rest of the Department and the field are familiar with IIP products and services and involved in the development and implementation of IIP strategies and programs. Current IIP leadership is committed to make this happen.

OIG also recommended that IIP develop a capability to evaluate the effectiveness of its programs and services, and reexamine its programs to permit increased focus on youth and disenfranchised population groups. OIG noted that IIP needed the Department's help to reorganize administrative services to ensure that effective services, adequate management controls, and accountability arrangements are in place.

Office of International Broadcasting

Inspection of the International Broadcasting Bureau's Transmitting Station in Greece (IBO-I-04-05)

The International Broadcasting Bureau's (IBB) Greece Transmitting Station, with sites in Kavala and Rhodes, is well managed. With a transmitter availability rate of 99.92 percent in December 2003, it is meeting its mission to provide shortwave and mediumwave broadcasts to primary target areas in Europe, Russia, Africa, the Caucasus, Central and South Asia, and Tibet. It transmits over 237 hours a day in 33 languages for Radio Free Asia, Radio Free Europe/Radio Liberty, Voice of America, Middle East Radio Network, and the Greek government's Elliniki Radiofonia Tileorasi.

The station faces an impending crisis in its workforce. Of the 92 Foreign Service nationals (FSN) at the two sites as of January 2004, over half were at least 50 years old; many key managerial personnel are scheduled to retire in the next few years. The station needs to train new people, but IBB announced a hiring freeze through FY 2004. The Office of Inspector General recommended that IBB continue to support the station with innovative ways to address its need for human resources. After the OIG site visit, IBB reported that it would consider using a buildings-and-grounds maintenance contract to hire "fill-in" employees for critical positions affected by the IBB worldwide FSN hiring freeze.

The transmitting station property is leased from the Greek government. Over the years, local citizens have populated one area of the Kavala leased land with various beach structures and a church. An American supervisor estimated that the encroached area is about 11 percent of the total, with an apportioned lease cost of populated one area of the Kavala leased land with various beach structures and a church. An American supervisor estimated that the encroached area is about 11 percent of the total, with an apportioned lease cost of over \$46,000 annually. IBB is concerned about the safety of the area and possible liability issues. OIG recommended that IBB modify its land lease agreement with the Greek government, returning the encroached area to the government and seeking a guarantee from the government to maintain the integrity of the remaining portion of the lease. IBB said that it would address this issue in 2007, when the lease came up for renewal, but OIG believes that some interim action is necessary.

The station manager identified improvements needed in the station's information technology infrastructure. The station is now about 80 percent finished with planned upgrades. The station's computer management specialist learns new technology on the job, with assistance from the station manager. After the OIG inspection, he attended a week-long specialized training class. OIG agreed with the high priority of providing appropriate training to the computer management specialist.

Inspection of Broadcasting Board of Governors' Operations in Thailand (IBO-I-04-06)

There are four major entities of the Broadcasting Board of Governors (BBG) in Thailand: the Thailand Transmitting Station, the Regional Office of Marketing and Program Placement, the Voice of America (VOA), and Radio Free Asia (RFA). OIG found that they do not formally coordinate, nor do they believe there is a need for such coordination. The Thailand Transmitting Station is clearly the largest establishment, has the most extensively trained and experienced staff, and is the best managed of the four major BBG entities in Thailand.

The initial agreements for the Thailand Transmitting Station, which date back to 1965, involved the broadcasting of VOA programming. Since RFA began broadcasting from points outside of Thailand in September 1996, the Royal Thai government has shown no interest in amending these agreements to include broadcasting of RFA programming, although Embassy Bangkok has pursued the matter occasionally with senior members of the Thai government. Although there have been a series of bilateral agreements relating to the Thailand Transmitting Station over the years and subsequent amendments, OIG could find no evidence that Embassy Bangkok ever formally received permission from the Thai Ministry of Foreign Affairs, by way of an exchange of diplomatic notes or other amendment, allowing the U.S. government to broadcast Radio Free Europe/Radio Liberty (RFE/RL) programs from the Udorn transmitter plant. Those broadcasts, nevertheless, began in 1995 and continue with the inclusion of Radio Farda programs.

OIG found that the VOA Bangkok News Bureau and the International Broadcasting Bureau (IBB) Asia Regional Office of Marketing and Program Placement both need to improve their management controls regarding their separation of duties, and VOA also needs to improve its documentation. IBB Washington also has a role to play in ensuring a positive internal control environment. IBB is working to address these issues.

Inspection of the Broadcasting Board of Governors' Operations in the Republic of South Africa (IBO-I-04-07)

The Broadcasting Board of Governors' operations in South Africa include the International Broadcasting Bureau's Regional Office of Marketing and Program Placement and a Voice of America news bureau. OIG reviewed IBB's regional office policy

implementation, resource management, and management controls. The primary focus was to determine IBB's relationship to the U.S. mission in South Africa, any concerns with the International Cooperative Administrative Support Services (ICASS) support provided to the regional office and VOA, and IBB's own assessment of the activities it supports in Africa.

The regional office oversees program placement in Angola, Burundi, Djibouti, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, South Africa, Tanzania, Uganda, Zaire, and Zambia. It has arrangements with 48 local broadcasting affiliate stations in 17 countries. The regional marketing director said that programming is going well in Angola, which receives funding from the U.S. Agency for International Development, and in Uganda and Eastern Congo. English-to-Africa and TV-to-Africa programs are particularly popular. There are challenges in some parts of the region to airing BBG programming because of state control of the media or competition within the liberalized media market. The office also experiences funding constraints for advertising, workshops, and equipment installation.

The regional office is collocated in Johannesburg with the Department of Commerce, U.S. Foreign Commercial Service (FCS). The FCS has made plans to move into a new consulate general compound when it is completed in about two years. The regional marketing director was unaware of these plans. OIG is concerned that IBB has not made sufficient plans through Embassy Pretoria to relocate its regional office. As a result of the inspection, IBB's Office of Marketing and Program Placement (OMPP) said that it would establish a relationship with the appropriate personnel at Embassy Pretoria in order to obtain specifics about the embassy's plans for future space and the impact of those plans on IBB's ICASS costs.

The regional marketing director questioned ICASS costs from Embassy Pretoria in the area of budget and planning services. OIG pointed out the need to clarify the budgeting services that the embassy is providing IBB and to be sure that IBB is not paying for services that it does not receive. After the inspection, OMPP reviewed the budget and financial planning services and held extensive discussions with the embassy's senior financial management officer. As a result, the embassy revised the ICASS costs to reflect the actual services needed by IBB.

The VOA news bureau in Johannesburg covers South Africa, Namibia, Zimbabwe, Mozambique, and Zambia. The correspondents maintain a professional contact status only with official Americans at the mission in order to maintain journalistic independence. A memorandum of understanding between BBG and the Department helps to clarify the VOA relationships with the mission and the regional security officer.

Office of Information Technology

Regional Information Management Center Bangkok (IT-I-04-04)

The Bureau of Information Resource Management (IRM) provides telecommunications, network, systems engineering, installation, and maintenance support to U.S. embassies and consulates worldwide through four regional telecommunications support centers. RIMC Bangkok, one of the four regional centers, provides adequate support to the 58 posts within its geographic region.

To ensure continued adequate support to the posts, RIMC Bangkok and IRM must address several issues. Specifically, IRM should provide RIMC Bangkok with temporary staff resources to support the Department's antiterrorism efforts in its geographic area. To ensure appropriate contractor oversight, RIMC Bangkok needs a copy of the service contract for telecommunications support. RIMC Bangkok management needs to identify the training necessary for each staff member to perform effectively and then ensure that the training is taken. Further, RIMC Bangkok management needs to improve top-down communications with staff. Finally, Travel Manager needs to be used for processing travel authorizations and vouchers.

Phase I of Department of State's Approach to Establishing a New Messaging System (IT-A-04-05)

The Department's State Messaging and Archive Retrieval Toolset (SMART) is designed to replace the Department's legacy messaging systems with a single system that provides modern messaging, archiving, and information sharing at the desktop. The SMART project management office (M/SMART PMO) within the Under Secretary for Management has been leading efforts to acquire and deploy a simple, secure, and user-driven system to support the conduct of diplomacy through modern messaging, archiving, and information sharing. The initiative meets one of the five top goals in the Department's Information Technology Strategic Plan: to develop a modern communications system for reliable, secure, and flexible exchange of formal and informal memoranda, information, and records, operating in an Internet-like environment within the Department and across the interagency community.

OIG found that Phase I approach for developing SMART was based on adequate analysis of the mission and business processes that the system is intended to support. M/SMART PMO conducted surveys to compile system and user requirements, which were then prioritized during

the prototype evaluation and vendor selection phases. These requirements were based on input from a range of users and functions across participating offices and bureaus. Security requirements for the initiation phase have been adequately addressed in the Security Classification Guide of November 2003. OIG has no recommendations at this point but plans to review SMART again after subsequent phases are completed.

Inspection Report: Regional Information Management Center Pretoria (IT-I-04-06)

RIMC Pretoria, one of the four regional centers, provides excellent support for emergency or crisis situations to the 40 posts within its geographic region. Although management makes the best use of limited resources, current staffing does not allow timely resolution of non-emergency problems, and preventive maintenance is not a consideration.

Much can be done to improve the support provided to posts within Africa. Several entities provide regional support within the area, including RIMC Pretoria, RIMC Frankfurt, and embassies with assigned regional responsibilities. To prevent overlap in some areas and inadequate attention to others, the roles and responsibilities of these entities need to be clearly defined and documented. IRM should provide RIMC Pretoria with temporary staff resources to support the Department's antiterrorism efforts in its geographic area and to maintain continuing activities. RIMC Pretoria management needs to identify and ensure that technicians have the requisite training prior to their arrival at the RIMC. Finally, the RIMC satellite branch offices should be relocated to areas more accessible to commercial transportation.

Office of Security and Intelligence Oversight

During this reporting period, an OIG security inspection report was published for Embassy Abu Dhabi, and Consulate General Dubai, United Arab Emirates.

In addition, a Security Management Review of Embassy Nicosia, Cyprus, was published.