



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

September 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

Audit of the Controls Over the Move of Domestic Financial Operations to Charleston **(AUD/FM-04-42)**

As part of its efforts to consolidate worldwide financial management operations at a centralized location in the United States, the Department is transferring Washington-based domestic financial services to the Charleston Financial Service Center (CFSC) in Charleston, South Carolina. OIG reviewed the controls to minimize the inherent risks associated with the transfer.

OIG found that the Department did not have adequate controls to prevent and detect financial errors and irregularities. In addition, the consolidation plans developed by the Department to implement the move were not complete enough to enable management to ensure that critical services would continue throughout the transfer and to manage and limit the effect of potential lapses in services. No errors or irregularities caused by the control weaknesses or significant reductions in services came to OIG's attention. OIG also noted that the Department continued to refine its consolidation plans throughout this review and had already taken action to address many of the issues presented in this report. Because of these positive actions, OIG did not make recommendations to improve controls or management of the transfer in this report.

OIG did recommend, however, that the Bureau of Resource Management document the lessons learned from its consolidation of financial services at CFSC so that they can be applied to future Department projects.

Audit of the International Cooperative Administrative Support Services' 2002 and 2001 Financial Statements (AUD/FM-04-43)

An independent external auditor, under OIG's direction, audited the International Cooperative Administrative Support Services' (ICASS) 2002 and 2001 financial statements to obtain reasonable assurance and express an opinion on whether the financial statements fairly present, in all material respects, the financial position and results of financial operations in conformity with generally accepted accounting principles; to determine whether ICASS had an internal control structure that provided reasonable assurance of

achieving internal control objectives; and to determine whether ICASS complied with applicable laws and regulations.

Although the external auditor issued an unqualified opinion on the ICASS 2002 and 2001 financial statements, the report brought to management's attention concerns about security over the Department's information system networks and the inadequacy of the Department's financial and accounting system controls over undelivered orders.

Analytical Review of the Multinational Force and Observers' FY 2002 and FY 2003 Financial Statements and FY 2004 and FY 2005 Budgets (AUD/CG-04-44)

As requested by the Department in response to a recommendation from the Government Accountability Office, OIG conducted an analytical review of the audited financial statements of the Multinational Force and Observers (MFO) for the fiscal year ended September 30, 2003. OIG found that:

- The MFO's FY 2003 expenses totaled \$48.5 million, a decrease of \$3.8 million (7.3 percent) from its FY 2002 expenses of \$52.3 million. The most significant change was that the MFO's supplies expenses decreased by \$3.6 million mainly because MFO used older aircraft for spare parts instead of purchasing new parts.
- The external auditor opined that the FY 2002 and 2003 financial statements presented fairly, in all material respects, the financial position of the MFO.
- The FY 2004 and FY 2005 budgeted expenses for each year were \$51 million, which has remained unchanged since 1995.

Review of Allegations Concerning DynCorp International's Worldwide Personal Protective Services Contract in Afghanistan (AUD/PPA-04-45)

OIG learned of allegations pertaining to improper management activities regarding DynCorp International's Worldwide Personal Protective Services (WPPS) contract in Afghanistan. This portion of the contract provides protective services, construction of a housing compound, and related operational support for the president of Afghanistan and the U.S. Embassy in Kabul. In November 2003, a source raised allegations regarding the WPPS contract and possible fraud.

OIG's review found no indications of fraud or mismanagement by the contractor. OIG identified poor financial oversight of the contractor by the Bureau of Diplomatic Security (DS) that allowed duplicate or erroneous billings of about \$950,000 to be charged to the contract. This amount was identified from reviewing \$17 million of \$60.6 million in contract expenses. OIG also noted instances of poor accounting of expenses by DynCorp, including

charges to the wrong task order. DS has acknowledged that contractor financial oversight needs to be improved and has proposed hiring a financial specialist to review contractor invoices. The contracting officer reported that, thus far, the credits have totaled over \$1.4 million.

International Boundary and Water Commission, U.S. and Mexico, U.S. Section, September 30, 2003 and 2002 (AUD/FM-04-46)

An independent external auditor, under OIG's direction, audited the International Boundary and Water Commission's, U.S. Section (USIBWC), financial statements as of September 30, 2003, in order to report on whether they fairly present the financial position and results of financial operations in accordance with generally accepted accounting principles, to determine whether USIBWC has an internal control structure that provides reasonable assurance of achieving internal control objectives, and to determine whether USIBWC complied with applicable laws and regulations. USIBWC is charged by a series of treaties between the governments of the United States and Mexico with the application, regulation, and exercise of the provisions of such agreements for the solution of water and boundary problems along the United States and Mexico boundary.

OIG's contractor issued an unqualified opinion on the USIBWC financial statements as of September 30, 2003. However, the audit found that USIBWC did not maintain general ledger accounts accurately in accordance with federal accounting principles and systems requirements, which was considered a material weakness. The audit also found that USIBWC did not fully comply with the Clean Water Act.

Review of the Department of State Procurement Competitions to Support the Iraqi Police Training Program (AUD/IQO-04-47)

OIG assessed the procurement evaluation and award procedures associated with two procurement actions to support the Iraqi police training programs awarded during 2003 and 2004. From this review, OIG determined that Department contracting personnel followed applicable procurement regulations and procedures that promoted competition, and all offerors were treated fairly and equitably. However, the initial procurement action inaccurately described the services that subsequently were required. INL officials had developed a statement of work based on technical and cost criteria to provide law enforcement personnel for service in Iraq. The contract instead provided facility support advisors in Iraq funded by the Coalition Provisional Authority. In Jordan, the contract was used to construct Iraqi police training facilities and operate and maintain these facilities. The initial contracting action was to be temporary, pending a worldwide multiyear award for

international police training and advisory services. This latter procurement action was designed to foster competition between three qualified contractors, although task orders could be sole-sourced.

In April 2004, a portion of the initial contract dealing with support services to the Iraqi police training center in Jordan was extended for one year. However, the second multiyear procurement action (2004-08) was available, and the requirements could have been competed. In April 2004, the portion of the initial contract with DynCorp dealing with facility support for CPA-funded advisors in Iraq was removed and was awarded noncompetitively as a sole-source task order. The justification for this action at about \$189 million indicated that DynCorp would continue the efforts begun under the initial contract and work on new requirements to build training facilities in Baghdad.

INL officials agreed that future task orders under the second multiyear contract would have more clearly defined requirements that would promote maximum competition. OIG plans to monitor competition for international police training and advisory services in future work. In response to a draft of this report, INL officials identified many of the obstacles they encountered in supporting Iraqi police training efforts.

Review of Cashiering Operations at Embassy Baghdad (AUD/IQO-04-48)

Embassy Baghdad began operations on June 28, 2004. OIG initiated a review of the internal controls related to the cashiering operations at Embassy Baghdad because of the high volume of cash expected to be disbursed at the embassy and the risks generally associated with cash payments.

OIG did not identify any significant internal control weaknesses in the embassy's initial start-up operation; however, it did identify some issues that the embassy needs to address. First, the U.S. Army was providing many services to the embassy. Although the embassy planned to expand its cashiering operations in October 2004, the U.S. Army will continue to provide some significant services. The embassy needs to develop a formal agreement related to these services.

Second, the embassy was in the process of developing cashiering policies and procedures, but these had not been completed during OIG's review. In addition, OIG noted some concerns with the availability of system support for future cashiering operations.

OIG recommended that the embassy establish a memorandum of agreement with the U.S. Army to ensure that it continues to provide essential cashiering services; develop and publish

specific policies and procedures for the post's cashing operations; and ensure that adequate systems support is available.

Review of World Relief Corporation of National Association of Evangelicals' Refugee Reception and Placement Program (AUD/CG-04-49)

At the request of the Department, OIG conducted a review of the World Relief Corporation of National Association of Evangelicals' (WR) Refugee Reception and Placement Program for FYs 2000, 2001, and 2002. OIG found that WR needs to make significant improvements in its accountability for federal funds, internal controls, and compliance with regulations and terms of the agreements. Specifically, the grantee (1) did not record or allocate costs to its federal programs based on a rational or logical methodology, (2) had significant spending in the fourth quarter of 2002 when refugee arrivals declined, and (3) had inconsistencies between the financial data recorded in the grantee's official accounting records and the amounts reported in the certified financial reports and its annual single audit reports.

As a result of deficiencies noted, OIG questioned costs totaling about \$2.2 million. Of that amount, \$154,207 was unauthorized or unallowable under terms and conditions of the agreements and \$2,034,203 was classified as unsupported because of either inadequate or a lack of documentation. OIG recommended that PRM require the grantee to comply with the terms and conditions of the agreements, reimburse the Department for unallowable costs, and provide additional documentation for unsupported costs.

Application of Agreed-Upon Procedures for Retirement, Health Benefits, and Life Insurance (AUD/FM-04-50)

Under OIG's direction, an independent external auditor performed the procedures enumerated in OMB Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, Appendix I-1. These procedures were performed solely to assist the Office of Personnel Management in assessing the reasonableness of the Retirement, Health Benefits, and Life Insurance withholdings and contributions as well as semiannual headcount information submitted by the Department.

Office of Inspections

Inspection of Embassy Beijing, China, and Constituent Posts (ISP-I-04-36A)

Embassy Beijing was well focused on U.S. foreign policy and national security priorities in China and was accomplishing positive results in fostering a constructive U.S.-Chinese relationship. The embassy has more than doubled in size since 1997 to a total American and local staff of about 1,500. Additional major staff increases are expected as the U.S.-Chinese relationship continues to expand, raising questions whether planned new office buildings and other facilities will be adequate. OIG recommended that Embassy Beijing develop a plan to monitor proposed staffing and programs in China to ensure there is sufficient accommodation for projected growth that may exceed the capacity of existing facilities and those under construction.

OIG found that Embassy Beijing was not taking sufficient advantage of the many opportunities that China offers for public diplomacy and media outreach. A more active public diplomacy posture by the embassy and the constituent posts is needed to reach new audiences such as youth and to support China's English-language teaching programs. The government of China has expanded its educational exchanges with the United States. OIG recommended that the Bureau of East Asian and Pacific Affairs engage the government of China on establishing a Fulbright Commission in China.

The mission's consular component was performing well, with good morale despite very heavy workloads, generally poor working conditions, limited resources, and high levels of visa fraud. This high performance was a tribute to strong consular leadership and a dedicated and talented group of junior officers and locally employed staff.

Management operations were for the most part performed well given the challenges posed by an extremely large and complex mission with four constituent posts spread over a vast geographical area. However, there were significant gaps in management controls that need to be addressed.

The mission's four constituent posts – Consulates General Shanghai, Guangzhou, Shenyang, and Chengdu – make a substantial contribution to U.S. goals in China through targeted political and economic reporting, strong trade advocacy, active public diplomacy programs, and effective consular services. In view of its demonstrated capable management,

the mission would benefit by devolving authority to constituent posts, including contact with the media, selection of their own international visitor program candidates, and their own post awards program.

Inspection of Embassy Berlin, Germany, and Constituent Posts (ISP-I-04-37A)

Embassy Berlin has performed well in seeking to understand and address German attitudes and opinion. It has adopted a creative and aggressive strategy for public outreach designed to counter negative German perceptions of the United States. Embassy efforts helped maintain German cooperation on key counterterrorism and security issues even during a period of strained bilateral relations.

The size and complexity of Mission Germany pose unique management challenges, including constructing and moving to a new chancery in Berlin and establishing an expanded regional services and support center in Frankfurt. The Department's acquisition of Creekbed, a former military hospital complex in Frankfurt, is a key element in its plans for an expanded grouping of regional offices capable of offering improved and more cost-effective diplomatic and administrative support services to U.S. missions in Europe, Africa, the Middle East, and parts of Asia. To date, however, the presumed priority that the Department and the Congress have attached to this project has not been matched by a comparable commitment of resources. OIG recommended that the Department establish a working group to review plans and resource requirements for the current and future phases of the Creekbed project.

The success of the expanded Frankfurt regional administrative support center will also require changes in the way the Department currently interprets the authorities granted to chiefs of mission under National Security Decision Directive 38 with respect to overseas staffing. OIG recommended that the initial responsibility for determining which regional functions and elements to relocate to Frankfurt should be centralized in the Department as part of the regionalization and rightsizing effort. Any reinterpretation of existing authorities must, however, recognize and preserve the Chief of Mission's responsibility and accountability for the safety and security of all personnel assigned to his/her mission.

The decision by Congress to cut by over one-third the construction budget for the Berlin chancery while simultaneously requiring the embassy to give up other facilities in Berlin was motivated, at least in part, by a desire to force the issue of rightsizing the Berlin operation. Embassy Berlin has worked diligently to respond to congressional expectations. The proposed consolidation of administrative operations in Frankfurt offers a further opportunity to reduce staffing in Berlin and should be pursued with equal rigor.

Current congressional directives, if applied rigidly, could impose serious constraints on the embassy's ability to accommodate the staff necessary to conduct essential business operations in the future. Among other things, the current limitations do not take into account the anticipated relocations of key German government offices to Berlin and the implications of these changes for the staffing of Embassy Berlin. The restrictions also limit the embassy's ability to adapt its consular operations to the changed, post-September 11, 2001, requirements for visa issuance.

Inspection of Embassy Prague, The Czech Republic (ISP-I-04-39A)

The Czech Republic, as a member of the North Atlantic Treaty Organization and now the European Union, looks to the Western alliances for ties that will balance its geographic position and bind it fully to the West. OIG's inspection found that embassy advocacy has helped assure that the current government remains generally supportive of U.S. positions; the Czechs have been strong allies on counterterrorism and U.S. Middle East policy and have personnel in Afghanistan and Iraq.

The embassy also provided Washington with timely and highly respected analysis and reporting on political, economic, and social issues, including the fragility of the current governing coalition and the difficulty of economic reform.

Morale was almost uniformly high, a tribute, in part, to strong management leadership and support across the board. The information management support section received particularly high marks. All point to the conclusion that the mission is essentially rightsized. Although the embassy is generally well managed, OIG made recommendations for improvements in the consular, information technology, and human resources sections.

Inspection of Embassy The Hague, The Netherlands, and Consulate General Amsterdam (ISP-I-04-40A)

Embassy The Hague has successfully achieved its objectives of retaining and expanding the historically close and cooperative relations between the United States and the Netherlands. The embassy correctly pursues Dutch support across a wide range of issues. Because of the Netherlands' economic strength and status as the world's sixth largest aid donor, the Dutch have real influence in Europe and in international organizations, so Dutch support for U.S. positions has a multiplier effect.

The embassy has had particular success with counterterrorism efforts. The Netherlands was the first country in Western Europe to install radiological detection gates to check cargo

containers destined for the United States. The embassy's blueprint for working with the Dutch in blocking terrorist financing was a best practice paper adopted by the Financial Action Task Force.

Administrative services are generally satisfactory and improving with the institution of a more service-oriented approach. OIG made a series of recommendations to improve human resources, financial management, and information technology services.

Inspection of Embassy Addis Ababa, Ethiopia (ISP-I-04-42A)

OIG found that Embassy Addis Ababa has successfully worked to gain the Ethiopian government's cooperation in meeting three of the major U.S. foreign policy objectives for Africa: to maintain peace in the volatile Horn of Africa, to win the war against terrorists who find haven in the Horn, and to make inroads in redressing food insecurity and HIV/AIDS in Ethiopia. The embassy now should explore ways in which the African Union, which has its headquarters in Addis, could be drawn on to advance U.S. interests Africa-wide.

The inspection also identified some morale issues, and management controls need attention. The consular staff accomplishes a daunting array of tasks but would benefit from more focused office management, an improved filing system, and accelerated handling of correspondence. Embassy Addis Ababa does not have a formal, reliable management controls review system. OIG recommended that the embassy designate the deputy chief of mission as the management controls officer and conduct an embassy-wide management controls review.

Inspection of Embassy Asmara, Eritrea (ISP-I-04-43A)

U.S. bilateral relations with Eritrea are strained, and Eritrean cooperation is limited and patchy. OIG found that Embassy Asmara is poised to respond promptly should the situation improve. Given Eritrea's location in the Horn of Africa, near the U.S. military base in Djibouti, Eritrea's cooperation in policing coastal waters could be very useful in the war on terrorism.

OIG found that Embassy Asmara will be essentially rightsized following the addition of a new consular officer. However, OIG did identify staffing issues. The Department's inability to provide continuity in staffing is at variance with the mission's growing strategic-military importance. Also, staffing gaps need better coverage through longer stays by temporarily assigned officers or when-actually-employed annuitants. Finally, constant turnover in the management officer position has adversely affected operations.

U.S. bilateral assistance, even if declining in some areas with budget reductions, has achieved significant development results. Similarly, the mission's public diplomacy unit has been creative in seeking opportunities to expand its programs.

Inspection of Embassy Djibouti, Republic of Djibouti (ISP-I-04-44A)

The abrupt emergence of Djibouti as a forward base for the United States in the global war on terrorism has raised significant challenges that the embassy is successfully meeting. Embassy Djibouti is important largely because the United States has established its only military base in Africa in Djibouti. The embassy has achieved commendable results in creating positive relations among the embassy, the U.S. military, the French, and the government of Djibouti to facilitate the work of the base.

Embassy support has been crucial in enabling the U.S. Agency for International Development and the Department of Defense to commit over \$50 million in development and military funds quickly, helping to maintain continued acceptance by Djiboutians that their decision to allow the base was the right one.

Embassy Djibouti has managed to cope with a number of management and personnel challenges. OIG made recommendations to address human resources issues for direct-hire American and Foreign Service national staff.

Inspection of the Regional Support Center, Frankfurt, Germany (ISP-I-04-45)

OIG found that the Frankfurt Regional Support Center (RSC) is providing outstanding service supporting posts, particularly in the areas of financial management and human resources management. The establishment and use of the Foreign Service National Executive Corps by the Bureau of European and Eurasian Affairs should be emulated by all of the Department's regional bureaus. This group of highly qualified, highly experienced Foreign Service nationals, most located in their home countries, also provide on-site assistance.

Management controls at Frankfurt RSC's excess property unit, which reports having processed about \$3.5 million of equipment in FY 2003, needed to be strengthened. OIG recommended that Frankfurt RSC implement a Department-approved property system to record acquisition, transfer, and disposal of property controlled by the excess property unit.

OIG found that some of Frankfurt RSC's training and support services were duplicated by other organizations. OIG recommended that Frankfurt RSC coordinate offerings of training courses with the Foreign Service Institute to ensure quality control, curriculum, and expertise of trainers. OIG also recommended that the Under Secretary for Management, Office of Management, Policy and Planning, direct implementation of a program of consolidation of like functions in the Frankfurt RSC that are presently performed by various regional support activities in Paris and Vienna.

The printing and publications operation at the Regional Program Office in Vienna produces quality work but at a very high cost. OIG recommended that the Bureau of Administration and the Frankfurt RSC do a cost and benefit analysis of the printing and publications operations and the alternative of outsourcing its work to contractors.

Inspection of Embassy Khartoum, Sudan (ISP-I-04-46A)

Embassy Khartoum is effective in advancing the U.S. policy agenda in Sudan. It took the lead in alerting Washington to the deteriorating humanitarian crisis in Darfur in western Sudan. In addition, the embassy has made enormous progress in reopening as a functioning mission in Khartoum in order to reestablish more productive relations with the government of Sudan and further U.S. counterterrorism and humanitarian priorities.

OIG found that the embassy's effectiveness is hampered by the lack of a country desk within the Bureau of African Affairs (AF). The Sudan Programs Group, established within AF to support the U.S. role in the North-South peace talks in Naivasha, Kenya, is not the appropriate office to provide the coordination and support needed by the embassy. More broadly, the Department has not provided systematic support at a sufficient level for the embassy to be able to carry out its mission. OIG recommended that AF place Sudan affairs in a geographic directorate and provide Embassy Khartoum appropriate support. OIG also recommended that AF send its executive director to Embassy Khartoum to review its management needs and develop a plan to address them.

The inspection found that skills are not commensurate with the enormous tasks facing the embassy, and regional support, spread among several neighboring African posts, is insufficient to fill the gaps. OIG recommended that Embassy Khartoum request temporary duty officers to help meet needs in the areas of management, public affairs, facilities, and human resources. OIG also recommended that Embassy Khartoum complete memoranda of understanding with neighboring embassies to provide regional support for facilities maintenance, human resources, and financial management. In addition, OIG recommended that the embassy recruit a midlevel consular officer and an entry-level officer to perform

American citizens services and political reporting duties. OIG also found morale issues and made a recommendation to address them.

Compliance Follow-up Review of Embassy Lisbon and Consulate Ponta Delgada, Portugal (ISP-C-04-47)

OIG conducted a compliance follow-up review (CFR) of Embassy Lisbon and Consulate Ponta Delgada, Portugal. The original inspection, issued September 2003 (ISP-I-03-35), contained 53 recommendations. Prior to the CFR, 38 recommendations had been closed through the regular compliance process. Embassy Lisbon had not yet complied with, or contested, 15 others that remained open.

Embassy management worked cooperatively with the CFR team to close the remaining 15 recommendations. Two recommendations, one to terminate Embassy Lisbon's shuttle service and one to obtain a determination from the Office of the Legal Adviser on the propriety of the use of funds for minor construction purposes, were reissued.

The CFR also included a review of recommendations made in the December 2002 report, Information Security Inspection, Embassy Lisbon (IT-I-03-03). Although significant progress had been made in addressing deficiencies noted in that report, OIG reissued four of those recommendations relating to review of the mission's user and operational system practices, appointing an independent information systems security officer, the random review of user libraries, documents, and mailboxes, and deficiencies in the site certification report.

Management Assessment Review of Embassy Bangui, Central African Republic (ISP-I-04-48)

Since the withdrawal of American staff from the Central African Republic in November 2002 during a breakdown in security, U.S. interests have received little attention. OIG found that the U.S. facilities in Bangui are deteriorating, notwithstanding annual expenditures of almost \$2 million. Responsibility for oversight of embassy activities is split among the Bureau of African Affairs, Embassy N'Djamena, and Embassy Yaoundé. OIG found little apparent thought given to policy and management issues.

Foreign Service nationals are responsible for the U.S. facilities and for the local conduct of bilateral relations. Little attention is paid to the upkeep and maintenance of the deteriorating real property, and the FSNs communicate as best they can with personnel in the Bureau of African Affairs.

OIG recommended that the Department decide the status of the mission and take immediate steps to oversee U.S. government interests, personnel, and property in Bangui, including establishing clear policy and management guidelines, consolidating support functions at one location, and accrediting the U.S. ambassador from a nearby location to the Central African Republic. OIG also made several recommendations to improve general services and recommended that the bureau provide FSNs clear written guidance.

Inspection of Embassy N'Djamena, Chad (ISP-I-04-49A)

OIG's inspection of Embassy N'Djamena found that recent personnel changes, petroleum production, and counterterrorism successes, coupled with the urgency of supporting humanitarian efforts in the east, have given needed life and meaning to Embassy N'Djamena. Before then, the embassy focused primarily on the need to survive in Chad's harsh environment. However, OIG found that the embassy has a noticeable lack of direction that negatively affects performance and morale and noted that a new Ambassador must continue the work of a temporary duty chargé, who helped to energize the post.

Historically difficult to staff, Embassy N'Djamena has had difficulty attracting the expertise it needs to fulfill its objectives and provide a reasonable quality of life for embassy personnel. The Bureau of African Affairs has assigned temporary duty personnel, but they are unable to give the embassy the continuity and sustained direction it needs. There was also a notable lack of supervisory oversight and a need for Foreign Service national training in human resources, financial management, and information management, and Department assistance is required in these three units.

Inspection of Embassy Yaoundé, Cameroon (ISP-I-04-52A)

OIG found that Embassy Yaoundé is effectively engaged to influence Cameroon in its political and economic development and to encourage it to become more conscious of its international role. Public diplomacy efforts are appropriately directed. Embassy Yaoundé is also effective in its support for the newly opened embassy in Malabo, Equatorial Guinea. The Ambassador delivers hard messages to that government on the need to improve its human rights record and develop a more participatory political system. However, current disruptions in commercial and charter air service to Malabo seriously constrain Embassy Yaoundé's ability to provide services in a timely and sustained manner. Embassy Yaoundé's role in supporting the embassy in Bangui, Central African Republic, should be formalized with clear instructions from the Department on what level of coverage and administrative support is in the interests of the United States.

Embassy Yaoundé works as an integrated, well-functioning whole with a good sense of community and high morale among American direct-hire employees and locally employed staff. The embassy, in particular the Ambassador, has worked hard and successfully to recruit the personnel it needs. It benefits from the strong performance of entry-level Foreign Service officers and specialists and Civil Service employees on excursion tours, who together fill over half of the Department direct-hire positions in Yaoundé and the branch office in Douala.

OIG recommended that the embassy improve consular operations through better management. OIG also made several recommendations to improve procedures for financial management and general services.

Review of the Consular Lookout and Support System (ISP-I-04-53)

The Office of the Inspector General conducted a review of the Consular Lookout and Support System (CLASS) at the request of the Assistant Secretary of the Bureau of Consular Affairs (CA), examining the development of the system, its management, and its operations. CLASS is a sophisticated, real-time, decision support system used to perform name checks of visa and passport applicants and foreign visitors entering the United States. OIG found that CLASS is a critical U.S. government asset, regarded by many as the best of the security community enterprise systems, unique both in character and in the immense investment made to tailor it to the mission.

OIG found that CA has been an innovative user and effective advocate of open data exchanges with CLASS representing a major link between the Department and other key agencies. Both CA and the Bureau of Information Resource Management (IRM) favor closer collaboration, and the Open Sources Information System-enabled consolidated consular database will play an increasing role in this area.

To pursue these goals, OIG found that better management of CA systems development and closer cooperation with IRM are essential. Tighter management controls are required and an information management office should be established and adequately staffed. Current CLASS policies and regulations are out of date and should be revised.

Office of International Broadcasting

Inspection of the International Broadcasting Bureau's Germany Transmitting Station (IBO-I-04-10)

U.S. international civilian broadcasting in Germany dates from World War II. Over time it has changed from a collection of disparate elements to unified control by the International Broadcasting Bureau (IBB) and from a focus on Western Europe and cold war targets to support for U.S. antiterrorism efforts, with a movement of the broadcasting center of gravity to the Balkans, the Caucasus, the Middle East, and Central and South Asia. A changed political environment and a coalition of environmentalists and opponents of U.S. policies and presence in Germany contributed to the closure of the Holzkirchen transmitter site and could threaten the functioning of the remaining three sites at Ismaning, Lampertheim, and Biblis. The management of the Germany Transmitting Station and Embassy Berlin need to develop a strategy to avoid that outcome. In the meantime, the IBB FM radio frequency in Berlin is underutilized, but could be an important tool in Embassy Berlin's public diplomacy strategy. BBG is planning to take a step in that direction with a proposed change in the format of the Voice of America programming carried on the station.

With capital assets valued at approximately \$36.4 million, an FY 2004 program budget of approximately \$12.2 million, and a staff of 74 (3 Foreign Service Officers, 64 locally engaged staff, and 7 third country national personal services agreement contract employees), the Germany Transmitting Station has become a key part of the IBB transmitting network and Global Satellite Interconnect System. The Ismaning site, near Munich, has gone from being a shortwave site to a site where over-the-air broadcasting by medium wave only is minimal. Its role as a satellite downlinking and uplinking hub and mini-network control center is now its primary work, and without this capability, IBB would be hard-pressed to carry out its global transmission objectives. The Germany Transmitting Station has nurtured an automation team that has designed an automation system that has saved IBB millions of dollars. Staff of the Germany Transmitting Station manufacture the system's hard components, write the computer software application, train others in its operation, and have installed the system in Germany and in IBB transmitting stations around the world. The Germany Transmitting Station also serves as a regional technical support center for several transmitting stations within the IBB network. Four members of the engineering staff function as members of the Technical Support Team. Other staff have temporarily

supplemented the team. This team travels to other transmitting stations throughout the IBB system to provide technical support and training to staff at other transmitting stations.

The Germany Transmitting Station is losing over \$500,000 a year to a 16-percent value added tax (VAT) from which it is actually exempt under the terms of the bilateral agreement for the operation of the station. No refunds of the VAT have ever been received. Further, challenges to the diplomatic status of IBB Foreign Service officers have resulted in the denial of protections for their dependents. OIG has asked that Embassy Berlin, in coordination with the Department of State's Office of Foreign Missions and the Germany Transmitting Station, work together to resolve these issues with the German government.

Inspection of the International Broadcasting Bureau's Djibouti Transmitting Station (IBO-I-04-13)

On April 1, 2004, the Broadcasting Board of Governors' (BBG) International Broadcasting Bureau transmitting station located outside of Djibouti, Republic of Djibouti, began transmitting Arabic broadcasts of the Middle East Radio Network's Radio Sawa. Radio Sawa, headquartered in Washington, D.C., creates especially for Sudan the unique stream of programming known as the Sudan feed broadcast from the Djibouti Transmitting Station. Although the transmission was developed primarily for the Sudan stream of Radio Sawa it also reaches parts of Yemen, Djibouti, and Saudi Arabia.

The U.S. government and the government of the Republic of Djibouti signed an agreement, dated June 18, 2002, establishing the U.S. radio transmitting facilities in Djibouti on a 200,000-square-meter site, located within four kilometers of the country's coast. This agreement allowed IBB to construct facilities and install two FM and one medium wave transmitter to transmit IBB radio programs. An annex to the agreement, known as PK 12 and signed on September 4, 2003, addressed the operation, maintenance, and security of the transmission facility and site. PK 12 is also known as the Djibouti Transmitting Station. The agreement also required IBB to provide transmitters (two newly purchased medium wave (AM) broadcast transmitters and one existing high-frequency transmitter used for shortwave transmissions), facility renovations, equipment replacement, spare parts for the first year of operation, and training at the 20 year old Dorale Transmitting Station, about five kilometers from the Djibouti Transmitting Station. The Dorale site is owned and operated by Radio Television Djibouti (RTD) and no BBG/IBB programming originates from that site.

The IBB Morocco Transmitting Station, located in Tangiers, provides management and contract oversight and is tasked to review replacement part purchases, payment schedules, condition of IBB furnished equipment, and so forth. Staff from Morocco and IBB Washington visit the Djibouti station frequently. Some of the Morocco Transmitting

Station's technically qualified local staff are to be in Djibouti for about one year to train RTD staff.

IBB signed an Interagency Cooperative Administrative Support Services agreement with Embassy Djibouti that provides assistance for temporary duty staff visiting from Morocco and Washington, D.C., including shipping, travel, cashiering, accounting, and other recordkeeping needs. Although the public diplomacy staff has occasionally been involved in the transmitting station activities, OIG saw no need for a permanent American direct-hire employee at the PK 12 transmitting station because IBB has the technology to control the Djibouti Transmitting Station remotely from either the Morocco Transmitting Station or some other location under the supervision of IBB Foreign Service officers. Management controls such as access, maintenance, and inventory safeguards are in the hands of RTD, pursuant to the PK 12 agreement. There is no petty cash at the site, and inventory controls are in place. Staff from the IBB Morocco Transmitting Station also perform management oversight duties when visiting on temporary duty.

The security requirements of the transmitter site are mitigated by the fact that IBB has no permanent, direct-hire staff in Djibouti. In 2002, Djibouti was declared free of land mines following international efforts to make the country mine-free. However, on May 6, 2004, just about one month after operations began, there was a fire and explosion at a remote area of the transmitter site caused by detonation of unexploded ordnance left from the era when the French used the beach to test weapons. Pursuant to a recommendation by OIG, IBB has consulted with Embassy Djibouti and is taking steps to have the government of Djibouti survey the site for unexploded ordnance and, after its removal or detonation, issue a certification that the site has been cleared.

Inspection of the Broadcasting Board of Governors' Operations in the Czech Republic (IBO-I-04-15)

The inspection of the Broadcasting Board of Governors' operations in the Czech Republic focused on the International Broadcasting Bureau's (IBB) Regional Marketing and Program Placement Office (RMPPPO). Although OIG did meet with the president of Radio Free Europe/Radio Liberty (RFE/RL) and visited RFE/RL facilities, it did not conduct an overall inspection of RFE/RL. A separate classified OIG report (*Security Inspection of Radio Free Europe/Radio Liberty Sites in Prague, Czech Republic* (SIO-I-04-12)) addressed the security posture and planned relocation of RFE/RL. OIG made no recommendations as a result of this inspection.

RFE/RL is a private, nonprofit, U.S. government-funded broadcasting organization operating under a grant made and supervised by the BBG. It broadcasts over 1,000 hours of

programming weekly in 30 languages to Southeastern and Eastern Europe, the Caucasus, and Central and Southwestern Asia, including both Iran and Iraq. The RFE/RL budget for FY 2004 is more than \$77 million, up from approximately \$59 million when the current RFE/RL President took office in August 1997. RFE/RL employs nearly 600 persons in Prague, including approximately 80 U.S. citizens. The organization employs over a thousand more people in the nations of its area of operations. As a private corporation and a BBG grantee organization, RFE/RL and its employees do not come under the authority of the chief of mission at Embassy Prague.

The IBB RMPPPO is collocated with RFE/RL. The RMPPPO consists of a director, a deputy director, four Foreign Service national positions, two contractors in Prague, and several contractors in other countries in the area of operations. Discussions with RMPPPO staff, including the new deputy director and two of the Foreign Service nationals, revealed high morale and appreciation for the leadership of the RMPPPO director. The RMPPPO and its personnel, unlike those of RFE/RL, are under chief of mission authority. The RMPPPO director manages an annual budget of \$500,000 and pays out \$2.8 million in leases for Voice of America (VOA) and RFE/RL. The leases are for broadcast time used for placement of VOA and RFE/RL programming. The director spends about 40 percent of his time traveling, although funding constraints have recently begun to limit travel and overall marketing activities.

The RMPPPO provides support for the placement and expanded reach of VOA radio, television, and Internet products. The office currently has arrangements with 474 affiliates in 27 countries. It also provides marketing assistance to RFE/RL. The RMPPPO director reported that annual market surveys show particular program success in Russia, Turkey, Bosnia and Herzegovina, Serbia (including Kosovo and Montenegro), and Croatia. Programming in Ukraine has been difficult owing to political pressures from the Kuchma government. A programming agreement was recently signed with Pakistan, but operational success remains in question. RMPPPO has a private affiliate television broadcast relationship in Uzbekistan, but the government has been uncooperative in allowing radio affiliates. The governments of Turkmenistan and Belarus refuse to allow affiliate relationships.

The RMPPPO director indicated that the office's relationship with the various sections of Embassy Prague was "very cordial and cooperative." The director or his deputy attend country team and International Cooperative Administrative Support Services (ICASS) meetings and plan to increase participation in embassy community events. Relations with Embassy Prague public affairs officers are friendly, but have been limited since the RFE/RL Czech language service was terminated in 2002. RMPPPO receives embassy administrative support through ICASS. Key services include budget and fiscal transactions, residential leasing, some maintenance, and payroll. The director qualifies embassy administrative support as "very good" and is especially appreciative of budget and fiscal support, which

presents particular challenges because of the differing banking regulations and procedures for payments in many of the countries in the target area. RMPPO describes its working relationship with IBB Washington as excellent. There is daily e-mail, telephone, and fax communication. RMPPO particularly appreciates the budget support and the free flow of ideas from Washington.

Office of Information Technology

Review of the Information Security Program at the Broadcasting Board of Governors (IT-A-04-07)

OIG's evaluation of the BBG's information security program concluded that BBG has made progress in the past year in reorganizing its information technology program. As of May 30, 2004, BBG appointed a Chief Technical Officer, a new Chief Information Officer (CIO), and a Chief Information Security Officer. Additionally, BBG defined 24 major systems, performed risk assessments, and developed: general support system and major application system security plans, operating system security configuration standards, patch management policies, an incident response plan, and a user information technology security training program. BBG has developed Plans of Action and Milestones for 10 of its 24 systems for quarterly reporting to OMB. The first FY2004 quarterly report to OMB under the new reorganization structure in July identified 20 information security weaknesses, of which two have been corrected.

Despite this progress, several key areas of information security still require management attention. BBG's CIO has not developed an agency-wide Enterprise Architecture as required by FISMA. Also, BBG's transmitting stations need headquarters direction and guidance to meet information security requirements.

Review of the Information Security Program at the Department of State (IT-A-04-08)

OIG found that the Department has taken a number of actions directed at improving the effectiveness of the Department's information security program since last year's independent evaluation. For example, the Department implemented a bureau-level Department FISMA scorecard. This performance scorecard, shared internally with senior management, is a one-page snapshot of a bureau's progress in information assurance. The Department has deployed an automated application tool to be used by the bureaus in an effort to automate the FISMA reporting process. Further, the Department developed a web-based training tool that is used to meet the requirement that all employees receive annual IT security awareness briefings. By using this web-based tool, the Department has the ability to track completion of annual awareness briefings electronically for each employee worldwide.

The Department has improved its POA&M process at headquarters since last year's evaluation. Restructuring of the certification and accreditation process, automation of FISMA data submissions, and the development of a draft POA&M process guide have been instrumental in helping the Department improve identification of its IT security vulnerabilities and address these issues through the POA&M process. In addition, the Department undertook an 18-month project to certify and accredit its major applications and general support systems. As of the first week in September, the Department had processed and approved 92 percent of the general support systems and major applications included in the project. The 18-month project has been coordinated with OMB, and has moved the Department constructively forward to begin meeting FISMA requirements in a key area where it previously had been failing.

However, OIG found several key areas that still require senior management attention. The Department has not adequately coordinated and shared information with relevant Department parties, such as Critical Infrastructure Protection (CIP) officials, involved in identifying and addressing IT security vulnerabilities for the POA&M process. At the time of this evaluation, the Department had not developed procedures to ensure that IT security findings were being addressed in the POA&M process nor had it extended the process to include its domestic and overseas sites.

Further, the Department inventory of IT systems remains incomplete and needs to be updated by the responsible Department officials, as required by FISMA. The Department lacks procedures to identify the number of contractor services or facilities performing work for the Department using their own systems or connecting to the Department networks. The Department's patch management program needs improvement. Patch management roles and responsibilities still remain unclear to post officials, and posts are unsure of the procedures for installing patches or obtaining assistance.

The Department continues to fragment responsibility for information systems security and to date has developed no effective coordinating or monitoring mechanism to ensure that delegated responsibilities are effectively accomplished. Further, the implementation of information security at overseas posts requires increased Department attention.

Office of Security and Intelligence Oversight

During this reporting period, the following OIG security reports were published.

Compliance Follow-up Review of:

Embassy Khartoum, Sudan
Embassy N'Djamena, Chad, and Embassy Bangui, Central African Republic
Embassy Yaoundé, Cameroon, and Constituent Post

Security Inspection of:

Embassy Beijing, China, and Constituent Posts
Embassy Berlin, Germany, and Constituent Posts
Consulate General Hong Kong, China

Management Inspection of:

Embassy Prague, Czech Republic
Embassy Addis Ababa, Ethiopia

Management Review of:

Embassy The Hague, The Netherlands
Embassy Asmara, Eritrea
Embassy Djibouti, Republic of Djibouti
The Department's Patterns of Global Terrorism - 2003