

USIA-99-CG-019

REVIEW OF PLANNING AND MANAGEMENT OF EXPO 98

SEPTEMBER 1999

TABLE OF CONTENTS

SECTION	PAGE
ABBREVIATIONS	iii
I. EXECUTIVE SUMMARY	1
II. PURPOSE, SCOPE, AND METHODOLOGY	6
III. BACKGROUND.....	8
IV. FINDINGS	10
A. PLANNING AND PREPARING FOR EXPO 98.....	10
Inadequate Preparation for Expo 98.....	10
Private Funding Shortfalls.....	11
United States Information Agency Interpretations of Section 230.....	12
Office of Inspector General Interpretation of Section 230	13
Conclusion.....	13
B. MANAGING THE U.S. PAVILION	15
Financial Management	15
Personnel Management	18
Property Management	20
Conclusion	22

C.	PROCURING GOODS AND SERVICES	23
	Documenting Requirements in Statements of Work	23
	Issuing Contract Actions Untimely	24
	Using Simplified Purchase Procedures Inappropriately	25
	Approving Questionable Payments	26
	Unauthorized Contract Actions	28
	Conclusion.....	28
V.	CONSOLIDATED LIST OF RECOMMENDATIONS	30

* * *

APPENDICES

A.	Schedule of Revenue and Expense.....	31
B.	Schedule of In-Kind Contributions	33
C.	United States Information Agency Comments to the Draft Report.....	34

ABBREVIATIONS

FAR	Federal Acquisition Regulation
GAO	General Accounting Office
GC	Office of the General Counsel
Navy	Department of the Navy
NIEHS	National Institute of Environmental Health Sciences
OIG	Office of Inspector General
P Bureau	Bureau of Policy and Programs
P.L.	Public Law
USIA	United States Information Agency

REVIEW OF PLANNING AND MANAGEMENT OF EXPO 98

SEPTEMBER 1999

I. EXECUTIVE SUMMARY

Purpose

The Office of Inspector General (OIG) conducted a review of United States Information Agency (USIA) planning, management, and procurement activities related to the 1998 World Exposition (Expo 98) held in Lisbon, Portugal from May 22, 1998, through September 30, 1998. The review focused on these issues because previous OIG audits of the U.S. Government's participation in international fairs and expositions, such as Seville, Spain in 1992,¹ found the actions of USIA to be problematic. Specifically, our objectives were to determine whether USIA and the USIA-appointed commissioner general for the exposition (1) properly planned and prepared for Expo 98, (2) provided adequate management oversight for Expo 98 operations, and (3) adhered to pertinent procurement laws and regulations. The review covered activities for the period June 1996 through September 1998 and included an on-site review at Expo 98 in Lisbon from June 22, 1998, through July 1, 1998.

Background

The Mutual Educational and Cultural Exchange Act of 1961 (Fulbright-Hays Act), as amended, grants USIA the exclusive authority and responsibility for providing American participation in international fairs and expositions. Since 1975, USIA has participated in eight international expositions including Expo 98. Typically, international expositions operate about 6 months and attract millions of visitors.

In the past, the Federal Government, with rare exceptions, provided the primary funding for most fairs and expositions supplemented by cash and in-kind donations from the private sector. One exception was in 1993 when a private company, the Amway Corporation, provided the bulk of the funding and spearheaded Expo 93 in Taejon, Korea. In this instance, little or no Federal funds were spent; consequently, USIA provided guidance as needed but was not involved in managing and operating the event.

¹ On April 2, 1993, the OIG issued an audit report entitled "Inadequate Planning for and Management of Seville Expo 92" (A-92-25).

I. EXECUTIVE SUMMARY

Congressional reluctance to provide Federal funding for international fairs and expositions and reaction to the overruns and management problems encountered with the Seville, Spain exposition in 1992 led to the enactment of provisions dealing with such funding in Public Law (P.L.) 103-236 on April 30, 1994. Section 230 of the law provides that USIA shall not obligate or expend any funds for a U.S. Government funded pavilion or other major exhibit at any international exposition or world's fair registered by the Bureau of International Expositions in excess of amounts expressly authorized and appropriated for such purpose. Congress, however, did not authorize or appropriate any funds to USIA for Expo 98, nor did the Agency request an appropriation.

Results in Brief

OIG's audit disclosed problems with planning for Expo 98, managing U.S. pavilion operations, and procuring goods and services, during both the preparation and operations phases. While the U.S. pavilion opened on time and, according to Embassy officials, was popular with Expo visitors, preparation for the event started at least a year late. The lack of proper planning and competition in awarding some contracts significantly increased costs and also may have contributed to potential liabilities of about \$720,000. In addition, two lawsuits have been filed against the U.S. pavilion's primary construction contractor by a subcontractor, causing, among other problems, the shutdown of the pavilion's restaurant before the close of the world's fair.

USIA attributes many of these problems to the restrictions of section 230 of P.L. 103-236. We believe USIA should have asked Congress to clarify or amend section 230, or request specific funding for Expo 98. USIA, however, did neither and, in OIG's opinion, may have violated this statute in its efforts to support the commissioner general.

USIA should take the necessary steps to prevent a recurrence of the same problems in future international expositions, such as Expo 2000 in Hannover, Germany.

Principal Findings

Planning and Preparing for Expo 98

USIA officials did not adequately plan and prepare for Expo 98. In response to OIG findings and recommendations in its report on Expo 92 in Seville, USIA had agreed to take certain corrective measures before becoming involved in future international expositions. Among other things, USIA had agreed that funding should be secured and

I. EXECUTIVE SUMMARY

planning should begin at least 3 years in advance, and that Agency employees, familiar with Government procedures, would consummate participation agreements, control expenditures, and carry out all administrative duties.

However, USIA, in June 1996—less than 2 years before the start of Expo 98—appointed a commissioner general, delegating to him responsibility for fundraising as well as the design, fabrication, and operation of the U.S. pavilion. These actions were problematic. For example, sufficient contributions from the private sector did not materialize, and the bulk of the funding for the U.S. pavilion was eventually provided by U.S. Government agencies. With only a few months remaining before the opening of Expo 98, the Department of the Navy (Navy) and the National Institute of Environmental Health Services (NIEHS), after encouragement by Congressional committees, provided about \$6.5 million or 82 percent of total funding. This belated funding had a detrimental impact on planning.

USIA officials contend that section 230 of P.L. 103-236 was the underlying cause for the deficient planning as well as several other problems cited in this report. However, instead of seeking Congressional clarification of or relief from this statute, USIA delegated its responsibilities to a commissioner general without adequate guidance and without sufficient time for adequate planning. Further, in its efforts to support the commissioner general, the Agency may have violated section 230 by becoming directly and substantially involved in Expo operations, including the obligation and expenditure of Federal funds.

Managing the U.S. Pavilion, and Procuring Goods and Services

USIA failed to take corrective action pertaining to management improvements that it had agreed to implement in response to the OIG report on Expo 92 in Seville—namely, to establish in a timely manner a system of program and administrative policies and controls for future expositions. As a consequence, numerous deficiencies existed in financial, personnel, and property management. For example, because some USIA officials were concerned that transferring funds from other Federal agencies to its books might violate section 230 of P.L. 103-236, the Agency employed an unwieldy system, which relied heavily on informal records, to manage these funds. Under USIA's system, U.S. pavilion funds were managed via at least five separate accounts maintained by several U.S. Government agencies. Neither USIA nor

I. EXECUTIVE SUMMARY

any other Federal organization had a definitive record of all financial transactions related to Expo 98.

In addition, the procurement of goods and services generally did not follow pertinent laws and regulations. Deficiencies included employment agreements with vague or no statements of work, untimely issuance of contract actions, inappropriate use of simplified purchase procedures, and questionable payments. U.S. pavilion contractor staff also entered into some contract actions without authority. Consequently, some contracts did not adequately protect the U.S. Government's interests, were inadequately competed, and were unnecessarily delayed.

At the time our review started, Expo 98 was estimated to cost \$8 million; by the time the review ended, it was estimated to cost \$9.8 million, but it will likely cost more. Currently, there are possible liabilities of about \$720,000 for Expo 98 as shown in Appendix A, and they could escalate further because of, among other reasons, two lawsuits involving the U.S. pavilion.

The cited deficiencies increased the likelihood of cost overruns and other improprieties. However, specific culpability for some deficiencies could not be readily determined because we were hampered by, among other factors, the destruction of certain records and the unavailability of some officials.

Recommendations OIG recommends USIA develop and follow policies and procedures for obtaining funding for international fairs and expositions well in advance of the scheduled opening. If sufficient funds have not been donated or appropriated at least 3 years before the opening, USIA should notify Congress and the Administration of the possible consequences of the lack of funding. OIG also recommends that USIA implement additional controls over the management of exposition operations and the procurement of goods and services. Because the types of problems identified in this report are similar to those identified in past events, OIG further recommends that USIA develop and publish a formal handbook as a guide for future commissioners general and staff to use in planning and carrying out fairs and expositions.

Because of USIA's confusion and conflicting interpretations in response to the enactment of section 230 of P.L. 103-236 and the resultant negative impact on Expo 98, OIG recommends that USIA

I. EXECUTIVE SUMMARY

seek the amendment or clarification of this statute as soon as possible.

Agency Comments

USIA stated that it would be difficult to comply with the recommendation to secure sufficient funding at least 3 years before the opening of an international exposition. USIA indicated that it no longer has a world's fair office and a commissioner general would have to be appointed at least 5 years in advance of a world's fair if efforts to obtain private funding are to be made. Additionally, USIA noted that the consolidation of the Agency with the Department of State raises the entire question of the efficacy and appropriateness of USIA's and the Department's responsibilities for international expositions. Consequently, OIG met with Department officials to discuss world's fair issues. One alternative is to transfer responsibility for these events to an agency better equipped to deal with them. For example, the Department of Commerce is responsible for expositions held in the United States, and it may be a more appropriate entity for international expositions as well, particularly if they are designed to further our domestic commercial interests. OIG strongly suggests that the Department explore this alternative.

USIA agreed with the recommendation to seek amendment or clarification of section 230 of P.L. 103-236. Language was included in H.R. 2415, the Department of State Authorization Bill for Fiscal Year 2000, which passed the House of Representatives on July 21, 1999.

Concerning the recommendations to issue formal written guidance for world's fairs and to strengthen procurement control procedures, USIA/M generally agreed. The Agency indicated that it already has provided the commissioner general for Expo 2000 with considerable guidance. However, USIA noted that there are numerous specific statutory waivers that have been granted by the President of the United States in Executive Order 11034, which recognize the complexity of a procurement process that depends on the fiscal resources of multiple agencies. OIG acknowledges that USIA has certain waiver authority, but it should not be used indiscriminately. In order to preserve competition and other desirable procurement practices to the greatest extent possible, this authority should be exercised with prudence and generally should be used only as a last resort.

II. PURPOSE, SCOPE, AND METHODOLOGY

The purpose of the review was to evaluate the planning, management, and procurement operations for U.S. participation at Expo 98. The review focused on these issues because previous OIG audits of the U.S. Government's participation in international fairs and expositions, such as Seville, Spain in 1992, found the actions of USIA, and the USIA-appointed commissioner general for the exposition, to be problematic. Specifically, our objectives were to determine whether USIA and the commissioner general (1) properly planned and prepared for Expo 98, (2) provided adequate management oversight for Expo 98 operations, and (3) adhered to pertinent procurement laws and regulations. OIG reviewed Expo 98 activities from June 1996 through September 1998. At the time our review ended, funding committed for the exposition totaled about \$8.2 million, excluding the value of in-kind contributions estimated at \$1.6 million. (See Appendices A and B for detailed information on cash and in-kind contributions, respectively.)

In conducting the review, we interviewed USIA and Embassy Lisbon officials, the commissioner general, pavilion contractors and subcontractors, and student guides. We reviewed all available records including (1) periodic financial reports (both official and unofficial records, domestic and overseas), (2) duty schedules, (3) contract files, (4) lease documents, (5) purchased and in-kind property records, and (6) other available data relevant to the organization and operation of Expo 98. When possible, OIG also reconciled records maintained by Expo 98 staff with those maintained by officials of USIA and other Federal agencies. Some records, however, were destroyed and consequently could not be reviewed, thereby negatively impacting our work. We relied on applicable laws, regulations, and policies and procedures governing USIA participation in international fairs and expositions as well as laws and guidance related to those specific management and procurement issues reviewed.

We conducted the review in accordance with generally accepted Government auditing standards and included such tests of the accounting records and other auditing procedures considered necessary under the circumstances. OIG's Office of Audits, Contracts and Grants Division, performed the majority of the work between April and September 1998. OIG conducted overseas fieldwork between June 22, 1998, and July 1, 1998, at Embassy Lisbon and the U.S. pavilion. Major contributors to this report were Ken Comer and Fay Ropella, division directors; Ernest Arciello, auditor-in-charge; Cheryl Lucas, management analyst; and Tom DeGonia, attorney.

On September 25, 1998, we conducted an exit briefing with USIA officials in the Bureau of Management, the Bureau of Educational and Cultural Affairs, the Office of the General Counsel (GC), the Office of Contracts, the Office of the Comptroller, and the Office of Congressional and Intergovernmental Affairs. These officials generally agreed with the findings. The specific comments are interspersed throughout this report where appropriate and are included in their entirety in Appendix C.

Although the OIG team spent considerable time speaking to many U.S. pavilion staff members during its site visit to Expo 98, the team was not able to interview the then project director despite several attempts to do so, and the commissioner general was not in Lisbon during the team's stay. Consequently, these officials were not briefed at the conclusion of our overseas fieldwork. The commissioner general and the initial project director, however, were given a copy of the draft report and provided comments. The commissioner general's comments are included in their entirety in Appendix C.

III. BACKGROUND

The Mutual Educational and Cultural Exchange Act of 1961 (Fulbright-Hays Act), as amended, grants USIA the exclusive authority and responsibility for providing American participation in international fairs and expositions. Prior to Lisbon, USIA participated in seven international expositions since 1975: Okinawa, Japan (1975); Tsukuba, Japan (1985); Vancouver, Canada (1986); Brisbane, Australia (1988); Seville, Spain (1992); Genoa, Italy (1992); and Taejon, Korea (1993). Typically, international expositions operate about 6 months and attract millions of visitors. The next major exposition is scheduled for Hannover, Germany in 2000.

International fairs and expositions are held for many reasons, such as to celebrate a national event, promote trade and tourism, and highlight international themes. Expo 98 was held in Lisbon, Portugal from May 22 through September 30, 1998. Expo 98's theme, "The Oceans: A Heritage for the Future," highlighted the importance of ocean resources and tried to motivate the international community to preserve the oceans for future generations. In addition, this event provided the opportunity for officials at Embassy Lisbon to work on the finalization of the Law of the Seas Treaty.

In the past, the Federal Government, with rare exceptions, provided the primary funding for most fairs and expositions supplemented by cash and in-kind donations from the private sector. One exception was in 1993 when a private company, the Amway Corporation, provided the bulk of the funding and spearheaded Expo 93 in Taejon, Korea. In this instance, little or no Federal funds were spent; consequently, USIA provided guidance as needed but was not involved in managing and operating the event.

Expo 92 in Seville, on the other hand, was funded more traditionally, with the Federal Government eventually providing most of the funds. OIG's audit of Expo 92 in Seville reviewed selected aspects of USIA's plans and efforts to design, fund, construct, and operate the U.S. pavilion. Funding expected from the private sector did not materialize, and construction offers to complete the pavilion were higher than anticipated. As a result, most of the original design and foundation work costing about \$2.1 million had to be abandoned. Despite these problems, the pavilion opened as scheduled. Costs, however, exceeded USIA-authorized funding by \$2 million. At the request of Congress, the General Accounting Office (GAO) reviewed the U.S. participation in Expo 92, and on February 19, 1993, GAO concluded that this overrun should be borne by USIA as opposed to the contractor or the other agency involved in the exposition, the Navy. Consequently, USIA had to obtain Congressional approval to reprogram funds to pay the additional costs.

As a result of the overruns and management problems encountered with the Seville exposition in 1992 as well as Congressional reluctance to provide Federal funding for international fairs and expositions, Congress enacted certain provisions in P.L. 103-236 on April 30, 1994. Section 230 of the law provides that USIA shall not obligate or expend any funds for a U.S. Government funded pavilion or other major exhibit at any international

exposition or world's fair registered by the Bureau of International Expositions in excess of amounts expressly authorized and appropriated for such purpose. Congress, however, did not authorize or appropriate any funds to USIA for Expo 98, nor did the Agency request an appropriation.

IV. FINDINGS

A. PLANNING AND PREPARING FOR EXPO 98

USIA officials did not adequately plan and prepare for Expo 98. In response to OIG findings and recommendations in its report on Expo 92 in Seville, USIA had agreed to take certain corrective measures before becoming involved in future international expositions. Among other things, USIA had agreed that funding should be secured and planning should begin at least 3 years in advance, and that Agency employees, familiar with Government procedures, would consummate participation agreements, control expenditures, and carry out all administrative duties. However, these tenets, among others, were not followed in preparation for Expo 98. Rather, USIA with less than 2 years remaining before the start of the event appointed a commissioner general and delegated to him responsibility for fundraising as well as the design, fabrication, and operation of the U.S. pavilion. Although the pavilion managed to open on time, problems ensued. For example, because sufficient contributions from the private sector did not materialize, U.S. Government agencies provided the bulk of the funding, albeit belatedly, for the pavilion, thereby negatively impacting preparations for the event.

USIA officials contend that section 230 of P.L. 103-236 hampered their planning for Expo 98. In fact, a July 1995 GC opinion concluded that, because of section 230, the Agency would be taking a significant risk to participate in any way in the exposition without specific authorizations and funding by Congress. However, OIG believes USIA should have sought clarification of or relief from section 230. Failure to do so adversely affected planning, and, as a result of a subsequent GC opinion, USIA may have violated the statute.

Inadequate Preparation for Expo 98

USIA did not adequately prepare for Expo 98 primarily because it did not implement the planned corrective measures set forth in its response to the OIG report on Expo 92 in Seville. Rather, its actions were the opposite of those it had agreed to take.

In 1993, USIA responded to an OIG recommendation regarding funding for international expositions, as follows:

. . . funding should occur at least 3 fiscal years before opening of a U.S. pavilion, if the United States is to design and implement a pavilion that meets U.S. goals, engenders the greatest private sector involvement and avoids the high costs of last-minute planning and follow through.

USIA did not appoint a commissioner general until June 1996—less than 2 years before the start of Expo 98. In addition, because of the restrictions imposed by section 230, USIA bestowed a great deal of authority and responsibility on this individual. As part of his duties, USIA made the commissioner general responsible for securing the necessary non-Federal

funding and in-kind support to finance the U.S. exposition. USIA also made the commissioner general responsible for the design, fabrication, and operation of the pavilion.

The USIA response to the Expo 92 report also stated:

. . . The P Bureau [Bureau of Policy and Programs] will write procedures that will specify that the Commissioner General function must be solely diplomatic, protocol and fundraising activities. To guarantee a well-managed U.S. presence, Agency employees (familiar with government procedures) must be fully empowered to exercise creative control, consummate participation agreements, control expenditures, and carry out all administrative duties and implementation of the project. . . .

USIA, however, did not establish these procedures. Rather, the Agency gave the commissioner general and his staff of contractors considerable power without providing adequate guidance, despite their unfamiliarity with Government rules and regulations. USIA had already eliminated for budgetary reasons the Exhibits Service of the P Bureau, which had responsibility for managing international expositions. USIA ultimately appointed a coordinator for Expo 98, but not until February 1998 — only about 4 months before the opening of Expo 98.

Private Funding Shortfalls

The inability to secure sufficient private sector funding also hampered planning for Expo 98. This problem delayed various aspects of preparation. In fact, U.S. participation in Expo 98 would have been in jeopardy if the commissioner general, with the aid of Congressional resolutions encouraging Federal agency participation, had not persuaded officials from the Navy and NIEHS to provide funding for Expo 98 from their 1998 appropriations.

Although statements in the Congressional record made it clear that Congress wanted the private sector to fund international fairs and expositions, experience has shown that relying on the private sector to donate sufficient funds to pay for these events without an early commitment is ill-advised.² As a result, past problems in obtaining sufficient funds for international expositions continued to haunt USIA, and the lack of private funding created significant problems in preparing for Expo 98.

As in the past, insufficient contributions from the private sector adversely impacted planning efforts and resulted in reduced competition and increased costs. With private funding (as of August 14, 1998) comprising less than 20 percent of the total, the bulk of the funding for the U.S. pavilion was provided by U.S. Government agencies. With only a few months remaining before the opening of Expo 98, the Navy and NIEHS, after encouragement by Congressional committees, provided about \$6.5 million or 82 percent of total funding. This belated funding undoubtedly had a detrimental impact on planning.

United States Information Agency Interpretations of Section 230

² In its 1993 report on Expo 92 in Seville, Spain, OIG reported that sufficient private funding did not materialize, and this lack of adequate funding created significant problems in planning and managing the event.

On July 23, 1995, in response to a request from the Office of the Director, GC provided its interpretation of section 230 of P.L. 103-236, concluding that if Expo 98 was to be privately funded, USIA could exercise its role as a facilitator of private sector involvement according to 22 U.S. Code 2455(f) of the Fulbright-Hays Act. This approach would allow USIA to lend limited, reasonable technical support and assistance to the commissioner general. For example, GC staff stated that support to assist the commissioner general with fundraising activities was permissible but office space, secretarial support and employee travel, salary, and per diem might be more difficult to justify. To the extent such costs were reasonable and bore a direct relationship to fundraising activities in the private sector, GC stated that the costs should be allowable.

Conversely, GC concluded that if the U.S. Government funded the pavilion, USIA should seek legislation authorizing and appropriating funds for its participation in the event. Under this approach, GC stated that USIA should not devote any resources or funds to the exposition until Congress passed legislation to authorize USIA participation in the event and appropriated funds for that purpose.

In December 1995, the U.S. Senate and the U.S. House of Representatives passed joint resolutions supporting U.S. participation in Expo 98, but did not appropriate funds for this purpose. Subsequently, the House report on the 1998 appropriation bill for NIEHS and the Conference report on the 1998 appropriation bill for the Navy indicated those committees' support for an undetermined level of Federal funding to support Expo 98. One report encouraged NIEHS to lend its expertise and allocate resources to the project, and another report contained similar language concerning Navy participation. Based on these reports, the Navy and NIEHS made funds available to support Expo 98 from their fiscal year 1998 appropriations.

Largely because of the above actions, GC reexamined its position and took a more liberal stance on USIA's role in Expo 98. In a December 18, 1997, memorandum to USIA's comptroller, GC stated that it would not violate section 230 for USIA to obligate and spend appropriated funds that other Federal agencies transferred to USIA for a U.S. pavilion. It should be noted, however, that the other agencies did not transfer the funds because some USIA officials were concerned that once the funds were transferred and became "USIA appropriated funds," section 230 might prevent USIA from spending the funds for Expo 98.

In February 1998, GC also concluded that section 230 did not prohibit USIA from hiring an employee to monitor the expenditure of Federal funds and assigning and paying Agency staff to assure the appropriate expenditure of these funds made available by other Federal agencies for Expo 98. USIA had previously assigned an individual to assist with Expo 98 in mid 1996 and during much of 1997. Although USIA paid the individual's salary out of its funds, Agency officials insisted that travel and other costs be paid from donated funds. After the GC decision in February, USIA paid the costs for its employees to support Expo 98 out of its appropriated funds.

Office of Inspector General Interpretation of Section 230

Section 230 states that “notwithstanding any other provision of law” USIA shall not obligate or expend any funds “in excess of amounts *expressly* authorized and appropriated for such purpose” (emphasis added). Neither USIA nor any other Government agency received, in law, an express authorization or appropriation of funds to participate in Expo 98. Yet, U.S. Government funds accounted for over 80 percent of the total U.S. pavilion funding, and USIA became directly involved in planning, supporting, and operating the pavilion.

OIG does not believe the wording contained in the Committee reports represents an express authorization and appropriation from Congress sufficient to overcome section 230. The Committee reports’ language is not reflected in actual legislation and does not mention either USIA or a specific level of funding. It is reasonable to conclude, however, that donated funds represent an express funding source for such events because of Congress’ position in the past that funding for international fairs and expositions should come from the private sector. In addition, in discussing the concurrent resolution passed by the U.S. House of Representatives supporting Expo 98 in December 1995, Representatives Gilman and Hamilton offered support for the resolution but registered concerns that, given the current Federal budget, funding for participation in Expo 98 should come exclusively from the private sector.

For the reasons cited above, OIG believes that USIA by its actions may have violated the spirit, if not the letter, of section 230 of P.L. 103-236.

Conclusion

OIG recognizes that USIA’s involvement in Expo 98 had a positive impact. If USIA had not furnished the level of support that it did, the problems identified during this review could have been more significant. Moreover, OIG does not question the need for USIA to participate in such events. On the contrary, OIG believes experience has shown that the U.S. Government must be actively involved when its funds are used to finance such events. However, OIG does not believe that USIA took appropriate steps to adequately protect the U.S. Government’s interests. USIA’s inability to become fully involved in the preparation phase significantly contributed to inadequate planning and other problems identified in this report. USIA should have asked Congress to clarify the restrictions and the appropriate extent of Agency involvement in Expo 98 as soon as the United States agreed to participate.

Recommendation 1: We recommend that, if sufficient funds have not been donated or appropriated to pay for a major international fair or exposition at least 3 years before the scheduled opening of the event, USIA should notify Congress and the Administration of the possible consequences of the lack of funding.

Recommendation 2: We recommend that USIA seek the amendment or clarification of section 230 of P.L. 103-236 as soon as possible. This would enable USIA to plan and prepare more effectively for future international expositions, thereby precluding a recurrence of many of the deficiencies noted in this report.

In response to the draft report, USIA/M cited several problems that would hamper compliance with Recommendation 1. For example, there is presently no world's fair office at the Agency to secure funding or to plan a budget for U.S. participation in world's fairs. USIA/M also indicated that a commissioner general would have to be appointed at least 5 years in advance of a world's fair if efforts to obtain private funding at least 3 years before the fair are to be made. Additionally, USIA noted that the consolidation of USIA with the Department raises the entire question of the efficacy and appropriateness of USIA's (State's) responsibilities for international expositions.

The essence of Recommendation 1 is that sufficient time and staff are necessary to adequately plan and prepare for international expositions. If, as the response contends, more time must be added to total lead-time attempting to obtain private contributions, this would indicate that other means for securing private funding be considered or that plans for securing private funds be abandoned. The Department of State will inherit USIA's staffing problems as a result of the pending consolidation. Consequently, OIG met with Department officials to discuss these issues. One alternative is to transfer responsibility for world's fairs to an agency better equipped to deal with them. For example, the Department of Commerce is responsible for expositions held in the United States, and it may be a more appropriate entity for international expositions as well, particularly if they are designed to further our domestic commercial interests. OIG strongly suggests that the Department explore this alternative.

USIA/M agreed with Recommendation 2 and worked on amending and clarifying section 230 of Public Law 103-236 prior to the issuance of this report. Language was included in H.R. 2415, the Department of State Authorization Bill for Fiscal Year 2000, which passed the House of Representatives on July 21, 1999.

However, USIA's GC disagreed with OIG's opinion that USIA may have violated section 230. GC stated that its initial legal opinion did not contemplate the funding mechanism that ultimately eventuated, and that once Congress "unequivocally made Federal funds available to those other agencies, section 230 was not an impediment to the Directors's expending those funds..." As noted above, OIG does not find Congress' actions "unequivocal." Congress did not expressly authorize and appropriate funds for such purpose as required by the language of section 230.

B. MANAGING THE U.S. PAVILION

Responsible officials³ did not perform adequate management oversight of U.S. pavilion operations. This problem occurred in part because of inadequate planning and preparation, as noted above, and in part because USIA did not establish a system of program and administrative policies and controls for future expositions as it had agreed to implement in its response to OIG's April 1993 report on Expo 92. Consequently, numerous deficiencies existed in the areas of financial, personnel, and property management. However, specific culpability for some deficiencies could not be readily determined because we were hampered by, among other factors, the destruction of certain records and the unavailability of some officials. Nonetheless, these deficiencies increased the likelihood of cost overruns and other improprieties.

At the time our review started, Expo 98 was estimated to cost \$8 million; by the time the review ended, it was estimated to cost \$9.8 million, but it will likely cost more. Currently, there are possible liabilities of about \$720,000 for Expo 98 (see Appendix A) and it could escalate further. For example, apartment leases had to be extended past the close of Expo 98 because USIA officials were needed in Lisbon in connection with two lawsuits involving the U.S. pavilion. Additionally, these lawsuits caused, among other problems, the shutdown of the pavilion's restaurant before the completion of the world's fair.

Financial Management

U.S. Government funds accounted for about 84 percent (\$7 million) of the total U.S. pavilion funding (see Figure 1). However, USIA did not properly monitor the expenditure of these funds partly because it lacked a centralized system to track, control, and account for them.

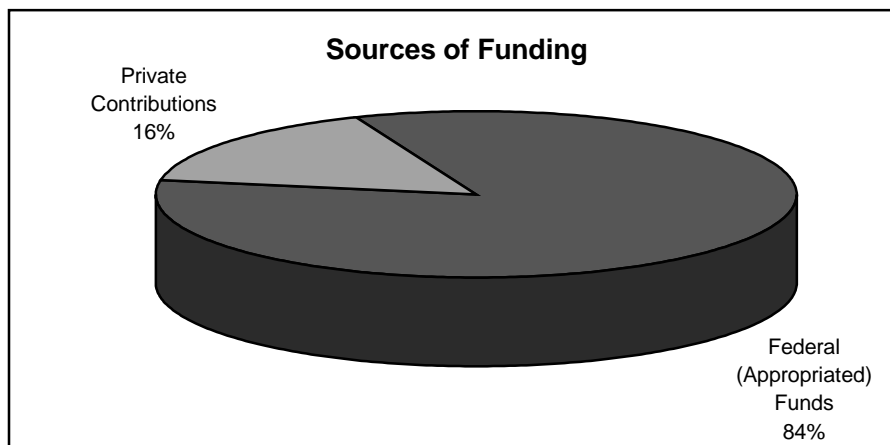


Figure 1: Sources of Funding for the U.S. Pavilion at Expo 98

³ The U.S. pavilion staff (officials) at Expo 98 was a mix of various personnel and included USIA employees, the commissioner general, and contractors.

In addition, although the Navy and NIEHS provided the bulk of the Federal funding and USIA mailed the invoices to these organizations for payment, USIA officials entered into the contracts and other agreements. Consequently, USIA became responsible for all these actions, including potential liabilities.

Despite GC's December 1997 opinion, USIA headquarters officials were concerned that transferring funds from other Federal agencies to the Agency's books might violate section 230. Consequently, USIA set up a system to enable it to use these funds without recording them on its books. USIA procurement personnel generally approved all contract actions. For those actions funded out of USIA's domestic trust fund account (which contained only Expo 98 donations), Agency personnel certified fund availability. Embassy Lisbon certified fund availability for actions funded from the overseas trust fund account. For actions funded by other agencies, USIA's procurement staff, in effect, certified fund availability, based on "cuff" records they maintained. Once a vendor submitted an invoice for goods or services funded by other agencies, the procurement executive signed and approved the invoice and forwarded it to the funding agency's finance office for payment.

USIA officials used at least five separate accounts to manage U.S. pavilion funds, which resulted in a heavy reliance on "cuff" records. Other payment mechanisms included the use of a petty cash fund in Lisbon as well as Government purchase cards from several agencies with purchasing authority totaling millions of dollars each month. Because of this unwieldy and overly complicated system, no Federal organization had a definitive record of all financial transactions related to Expo 98. This situation undoubtedly increased the chance of cost overruns and improprieties, such as violations of the Antideficiency Act.

Other problems also existed in managing financial operations. Responsible officials failed to adequately plan for pavilion expenditures, opened an unauthorized bank account in Lisbon apparently in violation of law, and intermingled financial obligations of a nonprofit organization with U.S. pavilion financial activities. These problems are detailed below:

Deficient Financial Planning: Financial planning was inadequate. All the records that staff state were maintained to track pavilion receipts and expenditures were not provided for OIG review. After the completion of our audit work, we were given additional documentation but deficiencies still persist: some costs were belatedly or never identified and tracked. For example, the agreement with the primary construction contractor concerning the fabrication and operation of the U.S. pavilion did not have any provision for shutdown costs. In fact, this agreement did not specify any costs or remuneration whatsoever. Amounts for this and other tasks pertaining to the construction of the pavilion were belatedly designated several months later in March 1998 as part of the amendment to the original agreement. However, a shutdown amount was never allotted for the restaurant since a written agreement had not been executed at the close of Expo 98 on September 30, 1998. When anticipated costs are not projected early on, the likelihood of cost overruns increases.

Unauthorized Bank Account: Although not authorized, and apparently in violation of law (U.S. Code, Title 31, Chapter 33, Subchapter I, section 3302), a USIA official assigned to the U.S. pavilion opened a Portuguese bank account entitled United States of America, Expo 98, Lisbon, and this individual had lone signature authority at the time of the OIG visit to Lisbon. According to a 1997 GAO opinion, gift monies or any other nonappropriated monies raised in support of an exposition are to be deposited in U.S. Treasury accounts and must be accounted for in much the same way as appropriated funds. Further, OIG could not find any authority for such an account in any of the Fulbright-Hays Act waivers. The official who opened the account asserted that the Expo organizers, Parque Expo, required an in-country account to facilitate taking its 15 percent of revenue from the concessions (the gift shop and the restaurant). However, according to this individual, the account was never used because the contractor running the gift shop and the restaurant established separate accounts in Lisbon for this purpose. This official also stated that he never deposited or withdrew any money from the account. Although acknowledging the failure to close the account, this individual asserted that it was a “dead” account. However, the OIG visit in June 1998 disclosed that someone had made deposits totaling about \$50,000 to the account. In addition, this account was still open in September 1998, and at that time the official who opened the account indicated it contained about \$110,000 in erroneous deposits. The audit team never received a definitive answer as to the source of these funds. Consequently, this matter is still under review by OIG.

Private Foundation and U.S. Pavilion Activities Intermingled: Obligations of a private foundation were recorded on the U.S pavilion’s financial records, and most staff wore buttons promoting this foundation during working hours (see Figure 2) although this organization was not officially connected to the pavilion. A local Portuguese bank made a “personal” loan of \$300,000 to the commissioner general for this foundation to construct a memorial wall in the shape of a wave made of stainless steel, resting on a base surfaced in traditional blue Portuguese tiles (see Figure 3). Although staff recorded the loan on the U.S. pavilion’s “cuff” records as a liability, revenues of this foundation from donations were not recorded, and the U.S. pavilion had not received any funds from this organization as of December 8, 1998. Combining this endeavor with the U.S. pavilion, as USIA’s procurement executive states he advised the project director, was inappropriate. Although the foundation was not a Federal project, the commissioner general, as a USIA employee representing the U.S. Government, may have exposed the Agency to a potential liability. Notwithstanding the fact that this organization was not connected with the U.S. pavilion, USIA may be responsible for the repayment of this loan if the foundation does not raise sufficient funds to pay it back. Moreover, because of the poor system to track, control, and account for funds, donations to the pavilion could have been erroneously used to repay this loan.



Figure 2: Button Worn by U.S. Pavilion Staff



Figure 3: Sculpture in the Shape of a Wave, Standing 8.5 Feet High and 60 Feet Long

Personnel Management

The U.S. pavilion experienced personnel management problems similar to those that occurred in Seville during 1992. Responsible officials did not establish consistent salary levels, granted leave with pay to contract employees, converted student guides to contract employees,

and engaged in poor hiring practices. Specific examples of these deficient management practices included the following:

Pavilion Staff Salaries and Duties: Responsible officials did not always establish salary levels commensurate with the duties and responsibilities of the positions. For example, one of the receptionists at the pavilion received a monthly salary of \$2,000, while an office manager only received \$1,600 per month. Moreover, two individuals employed at the U.S. pavilion as operations assistants with identical job descriptions were paid at considerably different monthly rates—\$1,900 versus \$2,700.

Furthermore, many individuals received salary increases through modifications to the contract agreements. However, the modifications frequently did not clearly identify what warranted the increases. As of July 13, 1998, 30 employees had agreements in effect to perform various duties at the pavilion. Of the 30, 8 individuals (27 percent) received increases in their monthly pay. The pay increases for 6 of these 8 employees (75 percent) were over one-third, ranging from 34 to 200 percent above the original amount. One individual's monthly salary increased from \$2,000 to \$3,000—a 50 percent raise—although this employee's duties did not change. Another individual began at \$10,909 per month and received an 83 percent increase to \$20,000 per month, a modification which the employee claims was for additional duties already performed. It should be noted that this individual was already paid prior to the raise at a rate greater than that of the U.S. Ambassador to Portugal.

Paid Leave: Although not provided in any of the employment agreements, responsible officials apparently granted paid leave to some staff. Specifically, OIG identified two contract employees who were on leave during its site visit in June 1998. One individual left in the middle of June for another job, and the other employee requested and apparently received a 2-week leave of absence. However, officials paid both individuals for the entire month.

Conversion of Student Guides to Contract Employees: Responsible officials converted some student guides, brought to Lisbon by USIA under a grant to Michigan State University, to contract employees, thereby creating several problems. USIA established the grant amount based on the number of guides that Michigan State had to provide. Consequently, after the conversion, the university may have been, in essence, over compensated because fewer guides were provided than stipulated under the grant. Second, the grant required that USIA would provide return travel from Lisbon, but the converted students' employment agreements, as well as those for all other U.S. pavilion contractor staff, did not contain this provision. We also noted that a U.S. pavilion official asked USIA's procurement executive to reimburse the students who were converted to contract employees for their forfeited tuition. The USIA official declined stating that such payment would be improper. Converting students to employees could also cause problems with visa and tax issues.

Poor Hiring Practices: Responsible officials hired many individuals for periods less than the entire duration of the world's fair, thereby resulting in additional costs as well as diminished productivity. This practice necessitated locating and appointing one or more additional individuals at several positions. It also required officials to expend additional funds, such as airline fares, and train new employees frequently. Another instance involved the use of donated services for 2 weeks of a Department of State employee during this official's vacation. The U.S. pavilion provided this individual with free round-trip airline tickets from the United States to Lisbon, free hotel accommodations, and miscellaneous expenses. In addition to the short period of employment, this official was assigned to protocol duties despite the fact that several individuals were already working on protocol. Finally, after this person had been gone for 6 weeks, a pavilion official requested that this Department employee be given a \$1500 stipend, but USIA's procurement executive indicated that such a payment would be improper and disallowed it.

Property Management

Responsible officials did not adequately manage and control in-kind contributions and purchased property, such as airline tickets, hotel accommodations and other lodging, free admittances to the exposition, motor vehicles, computers and other equipment, and VIP gifts. Specific examples of poor property management included the following:

Airline Tickets: Responsible officials did not properly manage airline tickets and upgrade passes. An airline donated 80 free tickets, 50 reduced-rate tickets, and 30 upgrade passes valued at about \$150,000 in total. In addition, another company donated 75 charter airline tickets valued at \$60,000. U.S. pavilion officials often used these tickets improperly. For instance, the U.S. pavilion provided contract employees free tickets despite the fact that their employment agreements did not call for this benefit. Additionally, despite the lack of any official connection to the U.S. pavilion, officials allowed the use of free airline tickets to employees of the private foundation, previously discussed in the financial management section. We also noted instances when the travel authorizing official did not properly approve the use of the tickets. Some approvals were provided after the fact, and some control forms did not contain any approvals. For example, several control forms showed that the authorizing official approved the use of tickets in April 1998. However, this official did not arrive in Lisbon until May 1998.

Hotel Accommodations and Other Lodging: Responsible officials did not adequately manage hotel accommodations and other lodging (both purchased and donated), resulting in unnecessary charges to the U.S. pavilion. Although a USIA grant provided student guides with per diem, the pavilion paid for their housing as well as a daily meal stipend. Responsible officials also provided contract employees with free lodging despite the lack of this provision in their employment agreements. Additionally, officials also provided free lodging to employees of the private foundation mentioned in the financial management section of this report although this organization had no official connection to the U.S. pavilion.

Free Admittances to Expo: Management control over free admission tickets and multiple-entry badges was inadequate. For example, U.S. pavilion staff provided 11 admission tickets, which cost about \$30 each and could be used for 1 day any time during Expo 98, to the primary construction contractor. Another 14 tickets were provided to the private foundation initially discussed in the financial management section. The pavilion's chief of protocol characterized these transactions as loans and indicated that they would be repaid. However, both of these loans were outstanding at the time of our visit, over a month after they were made. As of June 25, 1998, about a month after the opening of Expo 98, the U.S. pavilion had used 492 of the 500 (98 percent) 1-day admission tickets (valued at about \$15,000) issued to it. This left the U.S. pavilion with only 8 tickets for the 98 days remaining in the exposition, 74 percent of the exposition's total days of operation. The chief of protocol stated that the pavilion would have to purchase additional tickets. The U.S. pavilion also requested and received over 300 multiple-entry admission badges, as of June 12, 1998. This led the head of Parque Expo (the Portuguese Government entity in charge of Expo 98) to issue an official complaint to the pavilion regarding this excessive number of badges.

Motor Vehicle Fleet: U.S. pavilion officials did not effectively manage its fleet of motor vehicles, primarily consisting of six passenger vans lent by a Portuguese company. Usage records for the vans revealed that pavilion management frequently did not use the vehicles, which likely resulted in unnecessary expenditures. Records indicated that sufficient vans were available to shuttle pavilion guides and other employees between their living quarters and the pavilion at the beginning and the end of the work day. Using the vans in this manner would have reduced costs since management purchased metro passes for the student guides and reimbursed taxi fares for the other staff. Using the vehicles would have also enhanced safety, especially for the guides, since the nightly return to their apartments would not have included waiting for a train after the pavilion closed at 8:00 p.m.

Computers and Other Equipment: U.S. pavilion staff did not have adequate control over computers and other equipment (both donated and purchased). For some items, the inventory did not contain serial numbers or the location of the items. It should be noted that of the 17 mobile telephones lent to the United States by a Portuguese telephone company, contract employees reported 7 of them missing in September 1998, shortly before the close of Expo 98. We also noted that responsible officials did not have a plan to ensure the proper disposition of these U.S. Government assets at the conclusion of the exposition.

VIP Gifts: Control over in-kind contributions used as VIP gifts was poor. These gifts included such items as books, watches, cuff links, and money clips. At the time of our site visit, U.S. pavilion officials kept the VIP gifts in a locked storage closet. The individual responsible for the items informed us, however, that before the construction of the storage closet, they were stacked in boxes in the VIP lounge, an unsecured area. We identified discrepancies between the inventory and records of what should have been on

hand. For example, officials had given out, according to the gift log, several types of items that the inventory did not even list. We further identified gift items that officials had not listed in either the inventory or the gift log. Our review of the gift log also disclosed that a contract employee was presented with “going away” gifts from the VIP gift inventory when he departed Lisbon in mid June 1998. Furthermore, the official in charge of these items could not produce any invoices or receipts for the goods. Accordingly, there was no assurance that all gift items had been properly recorded, accounted for, and secured.

Conclusion

The continuing problems that USIA experiences in managing international fairs and expositions should be corrected before Expo 2000 in Hannover, the next world’s fair. In view of the problems caused by the unfamiliarity that commissioners general and independent contractors generally have with respect to U.S. Government laws and regulations, USIA should immediately take steps to develop and publish written guidance on all aspects of planning, preparing for, and managing such events. Otherwise, problems will continue to plague USIA during future events.

Recommendation 3: We recommend USIA immediately develop and publish a formal handbook for planning and operating international expositions. This written guidance should include all pertinent U.S. Government laws and regulations and clearly delineate the responsibilities of all staff involved, including the commissioner general. We also recommend that USIA immediately provide the commissioner general for Expo 2000 with as much guidance as possible pending the publication of the handbook.

USIA/M agreed with this recommendation and indicated that the Agency already has provided the commissioner general for Expo 2000 with considerable guidance.

C. PROCURING GOODS AND SERVICES

Responsible officials generally did not follow laws and regulations governing the procurement of goods and services. Personnel prepared employment agreements with vague or no statements of work, issued contract actions in an untimely manner, used simplified purchase procedures inappropriately, and made questionable payments. Furthermore, U.S. pavilion contractor staff, lacking Federal Government procurement guidance, entered into some contract actions without authority. As a result, contract actions did not adequately protect the U.S. Government's interests, competition was nonexistent, and unnecessary delays occurred.

The Federal Acquisition Regulation (FAR) provides specific policies and procedures for purchasing goods and services although USIA has been granted waiver authority that it can exercise under certain circumstances. To ensure the Government meets its needs in the most effective, economical, and timely manner, the regulation requires agencies to plan all acquisitions to promote and provide for full and open competition. The regulation also provides specific guidance for each step of the procurement process to include requirements for developing solicitations, determining whether prices are fair and reasonable, making contract awards, and monitoring contractor performance. Specific guidance is also available on the best method for obtaining goods and services, that is, whether to use certain types of contracts or other procurement methods, such as blanket purchase agreements, purchase orders, credit cards, or the imprest fund to make purchases.

Documenting Requirements in Statements of Work

USIA officials often did not adequately define and document requirements in statements of work for the contract actions reviewed. Instead, the actions frequently contained vague or no descriptions of the work and did not identify specific actions required of U.S. pavilion contractor staff. As a result, contracting officers had no assurance that potential offerors had a clear understanding of requirements.

The statement of work is the primary document in the solicitation package that describes the required goods and services. It represents a "word picture" of the needed goods or services, and it should be precise enough for potential contractors to have a common understanding of the requirements. The statement is also important because it provides objective measures so both the contractor and the Government will know when increments of work are completed and payments are justified. It becomes a part of the contract and legally binds the contractor and the Government.

The following examples illustrate problems with the statements of work and subsequent contract actions awarded by USIA:

Pavilion Staff Duties: Employment contracts frequently did not define the duties expected of pavilion staff, identify the work schedules, or specify any deliverables. Of the 39 employment agreements and modifications reviewed, 24 (62 percent) contained vague or no statements of work. In addition, pavilion staff told us that duties overlapped,

which led to duplication of effort. One individual stated that this was especially evident during preparations for U.S. National Day when individuals from protocol and scheduling were performing the same task involving the invitations for the event. This work, according to this employee, was not completed in a timely manner, and the invitations had to be hand delivered to the other pavilions.

Fundraising Activities: The commissioner general commissioned a contractor to perform fundraising for the U.S. pavilion. The first agreement drafted by USIA for this service contained such vague language that the vendor conceivably could have received payment for funds raised through none of its efforts. This draft agreement stated that the contractor would receive 15 percent of monies raised for the U.S. pavilion. However, based on the agreement language, the contractor conceivably could have claimed 15 percent of funds raised by the commissioner general or USIA. In addition, it possibly could have claimed a percentage of the appropriated funds provided for the exposition. The final agreement appeared to remedy the problem by specifying that the contractor would receive a percentage of the donations for 20 companies listed in the agreement. However, it was not signed until September 1998.

Restaurant Construction: The commissioner general hired the contractor that fabricated the pavilion to construct the restaurant at the pavilion. The latest written version of the agreement (a formal agreement had not been signed at the close of Expo 98 on September 30, 1998) did not have a provision stipulating that the contractor must perform shutdown of the restaurant even though USIA officials informed us that the contractor would be responsible for this task. The agreement also did not identify who would pay for performing the shutdown, and this could significantly affect the cost since typically the contractor receives additional funds for this task.

Issuing Contract Actions Untimely

Responsible officials generally did not issue contract actions in a timely manner. Despite the necessity for contracts to be in place before the commencement of work, officials usually did not execute agreements with contractors until after work started. Moreover, OIG found that officials had not executed some agreements even though the work had been completed.

A prime example of this problem is the dealings between the United States contingent to Expo 98—mainly the commissioner general—and the primary contractor for the U.S. pavilion. At the outset, the pavilion contractor performed services for months even though a signed contract did not exist to cover the work performed. At one point, the contractor asserted it had incurred costs of over \$150,000 though no executed written agreement existed. Although USIA formulated a draft agreement in May 1997, it did not sign the final agreement until December 1997.

Officials from USIA's GC attributed delays in contract execution to their concerns over the restrictions contained in section 230 of P.L. 103-236 coupled with their apprehension about violating the Antideficiency Act since sufficient funds had not yet materialized. Whatever the rationale, allowing a contractor to perform work without a signed contract is problematic. The

contractor could request reimbursement for tasks (intended to be covered by the basic agreement), and USIA would have a difficult time denying payment because an executed contract did not exist.

Other examples of delays in executing agreements are discussed in the following paragraphs:

Fundraising: As discussed previously, USIA officials prepared an agreement with a contractor to obtain private donations to support Expo 98. In addition to the previously discussed problems with the specificity of the agreement, USIA and the contractor did not sign the agreement until September 1998, the last month of Expo 98.

Restaurant Construction: The contractor hired to fabricate the U.S. pavilion was also commissioned to construct its restaurant, but the company began work on the restaurant before signing a contract. Although the contractor completed the restaurant on May 29, 1998, a week after the opening of Expo 98, the contract still had not been executed at the close of the event on September 30, 1998.

Pavilion Staff: USIA officials generally awarded contract actions for pavilion staff or amended them after the period of service began. OIG reviewed 39 employment agreements and modifications and found 36 (92 percent) were completed after the period of performance began.

Using Simplified Purchase Procedures Inappropriately

OIG identified inappropriate uses of simplified purchase procedures as governed by Part 13 of the FAR. Simplified purchase procedures apply to making purchases of goods and services using imprest funds, purchase orders, blanket purchase agreements, Government purchase cards, or any other appropriate authorized method. Among other things, the use of simplified purchase procedures reduces administrative costs, promotes efficiency and economy in contracting, and avoids unnecessary burdens for agencies and contractors.

The way USIA officials managed a U.S. pavilion imprest fund is just one example of an inappropriate use of simplified purchase procedures. An imprest or petty cash fund is a cash fund of a minimal amount to meet small expenditures (e.g., postage). Per the FAR, imprest funds generally can only be used when the individual purchases do not exceed \$500 and the procurement official considers the use of the imprest fund advantageous to the U.S. Government. OIG's review of the imprest fund at the U.S. pavilion, however, revealed several instances that exceeded the limit. For example, OIG ascertained during its on-site visit that USIA officials used the imprest fund to pay about \$1,000 and \$800 for seamstress services and the rental of a Mercedes-Benz automobile with a driver for the commissioner general, respectively. The automobile rental was especially troublesome because, in addition to exceeding the \$500 ceiling, the U.S. pavilion had a fleet of six vans, which were underutilized, per pavilion records.

Approving Questionable Payments

USIA officials approved questionable payments initiated by the commissioner general or his staff. During the review of the procurement operations, OIG questioned numerous payments approved by USIA officials supposedly in support of Expo 98. Examples of just a few of the questionable actions follow:

Payments in excess of a firm fixed-price contract: USIA awarded a contract on October 18, 1996, to an individual hired to act as the U.S. pavilion project manager under a firm fixed-price contract. When this contractor claimed expenses not covered by the contract, such as travel and relocation expenses, GC officials concluded that the contract did not allow USIA to reimburse this individual for them. According to GC officials, the fact that both USIA and this contractor knew of each other's physical location at the time of contract execution—Washington, D.C. and New York, respectively—was important. They explained that had the parties felt that the contractor needed to be compensated for such expenses, the contract should have specifically provided for reimbursement. Consequently, GC could not find a legal basis to reimburse expenses not expressly covered in the contract. Nevertheless, USIA, at the urging of the commissioner general, reimbursed the individual for travel, relocation, office space, and other expenses, totaling over \$26,000. When discussing why USIA eventually reimbursed this individual for these expenses, GC officials stated that the employee was one of the first individuals hired by the commissioner general, and he probably started working before USIA awarded a formal contract. According to these officials, the arrangement undoubtedly contained questionable elements, and they acknowledged that not all the dealings with this individual were exactly "by the book." They also indicated that the problems with the contract could be traced, at least to some extent, to their concerns about the restrictions imposed by section 230 of P.L. 103-236 as well as concerns about violating the Antideficiency Act.

Dinner for Portuguese Guides: USIA reimbursed a U.S. pavilion employee \$283.34 via a contract modification for a representational event. OIG does not believe the event qualified as a "representational event." The event consisted of taking Portuguese guides hired to work at the U.S. pavilion out for dinner and drinks. Representational funds are to be used by the commissioner general for specific representational events. Paying for dinner and drinks for exposition employees does not qualify as an effective use of these funds. Consequently, USIA officials should not have approved the reimbursement.

Laundry Services: USIA officials allowed U.S. pavilion contractor staff to claim reimbursement for laundry services for guide uniforms and paid for these services. Guides had to wear dark pants and the same type shirts while working at the exposition. U.S. pavilion officials submitted reimbursement claims for laundry services because they required the guides to follow a set dress code. For example, OIG identified contract modifications to a deputy commissioner general's employment agreement totaling \$1600 for laundry services. USIA awarded a grant to Michigan State University to provide student guides, and the grant provided \$3,900 per guide as per diem. Because the grant

provided the guides with per diem, OIG questions paying for the laundry services. OIG also noted that none of the laundry receipts identified the individuals who received the service. Therefore, OIG could not determine if the services were actually provided for the guides, the pavilion contractors, or both. (The employment agreements for the pavilion contractor staff also did not allow for reimbursement of this expense.)

Apartment Leases: USIA officials leased one apartment for the commissioner general and two for other pavilion staff for the duration of Expo 98. The daily rental rate for each of these apartments exceeded the maximum allowable per diem rate. Additionally, OIG noted several occasions when the commissioner general stayed in a Lisbon hotel instead of his luxury apartment as well as at least one instance when the apartment was rented while he stayed at the hotel.

Apartment Cleaning: USIA officials paid from the imprest fund for cleaning services for the commissioner general's apartment. However, the lease for the apartment included daily cleaning services. As a result, officials paid for unnecessary services.

Student Guide Meals: USIA officials paid for meals for the student guides and possibly other pavilion staff as evidenced by receipts in the imprest fund for such meals. However, the receipts did not identify specific individuals who received the meals. Officials did not require confirmation for those who received the meals. Furthermore, OIG also questions purchasing any meals for the guides because the grant awarded to Michigan State University included per diem. Accordingly, USIA officials should not have allowed this expense.

Mock Reception: USIA officials approved the payment of about \$294 from the imprest fund for a "mock reception." The receipt indicated that the reception was a "dry run practice" for opening day. OIG does not believe that the food and flowers purchased with the \$294 represent a bona fide need. Accordingly, USIA officials should not have allowed the expense.

Operations Assistants: USIA officials hired the two stepsons of the U.S. Ambassador to Portugal—one as a senior operations assistant and the other as an operations assistant. USIA's procurement executive asked GC whether hiring the Ambassador's stepsons would present a conflict of interest and was told that hiring the individuals based on the circumstances cited would not. OIG questions, however, whether the circumstances cited in the memorandum documenting the hiring presented a complete and accurate picture. The memorandum stated that the individuals were hired under terms identical to those of other U.S. pavilion contractors "performing approximately equal work" and that the rates of pay were "approximately comparable as well." However, the contract actions for the Ambassador's stepsons showed that the operations assistant received monthly pay of \$2,700 each month and the senior operations assistant received \$3,200 each month. On the other hand, two other individuals hired earlier in the event only received \$2,000 and \$1,900 per month for the position of operations assistant. Moreover, the contract

agreement for the senior operations assistant did not identify any specific duties that supported the senior status. In fact, the contract agreement did not identify any duties.

Assistant to the Deputy Commissioner General for the U.S. Pavilion: USIA officials hired the commissioner general's niece as an assistant to the deputy commissioner general for the U.S. pavilion in violation of USIA regulations. USIA policy prohibits contracting with relatives of Agency employees, except in those rare circumstances to fill positions requiring unique qualifications when no other source can fulfill the requirement. Even under these circumstances, officials must obtain appropriate written approval. We do not believe the subject position represented a valid exception to the prohibition. In fact, USIA's procurement executive was silent concerning the recommendation to hire this individual. Moreover, this person's salary was \$2,500 per month, while the office manager's monthly compensation was only \$1,600 each month.

Unauthorized Contract Actions

U.S. pavilion contract staff entered into contract actions without authority. Before personnel from USIA's Office of Contracts arrived in Lisbon, only U.S. pavilion contractors were on site to prepare for the exposition. Although these individuals lacked the authority to obligate Government funds, they made informal commitments to order services totaling about \$88,640. These commitments included a security contract, a cleaning service contract, and a contract for mobile telephones.

After arriving in Lisbon, USIA's procurement executive ratified these commitments although records did not indicate whether U.S. pavilion contractor staff obtained competition for the services. As a result, there was no assurance that the U.S. Government received the best price for the services. Although USIA officials had not arrived in Lisbon at the time pavilion contractors made the commitments, Embassy Lisbon staff could have provided contract support to them. However, it did not appear that the contractor staff requested assistance from the embassy.

Conclusion

Poor procurement practices, such as vague or nonexistent statements of work and untimely contract execution, increased costs. Apprising future U.S. pavilion employees of Government laws and regulations that pertain to the procurement of goods and services, specifically identifying what exposition employees can and cannot do when purchasing goods and services, could prevent such problems in future events.

Recommendation 4: We recommend that for future international fairs and expositions USIA should strengthen its procurement control procedures to ensure that all contracts, leases, and other agreements adhere to all applicable laws and regulations. This effort should include steps to apprise exposition personnel of the pertinent sections of the FAR.

USIA/M generally agreed with this recommendation, but the Agency noted that there are numerous specific statutory waivers that have been granted by the President of the United States in Executive Order 11034, which recognize the complexity of a procurement process that depends on the fiscal resources of multiple agencies. OIG acknowledges that USIA has certain waiver authority, but it should not be used indiscriminately. In order to preserve competition and other desirable procurement practices to the greatest extent possible, this authority should be exercised with prudence and generally should be used only as a last resort.

V. CONSOLIDATED LIST OF RECOMMENDATIONS

Recommendation 1: We recommend that, if sufficient funds have not been donated or appropriated to pay for a major international fair or exposition at least 3 years before the scheduled opening of the event, USIA should notify Congress and the Administration of the possible consequences of the lack of funding.

Recommendation 2: We recommend that USIA seek the amendment or clarification of section 230 of P.L. 103-236 as soon as possible. This would enable USIA to plan and prepare more effectively for future international expositions, thereby precluding a recurrence of many of the deficiencies noted in this report.

Recommendation 3: We recommend USIA immediately develop and publish a formal handbook for planning and operating international expositions. This written guidance should include all pertinent U.S. Government laws and regulations and clearly delineate the responsibilities of all staff involved, including the commissioner general. We also recommend that USIA immediately provide the commissioner general for Expo 2000 with as much guidance as possible pending the publication of the handbook.

Recommendation 4: We recommend that for future international fairs and expositions USIA should strengthen its procurement control procedures to ensure that all contracts, leases, and other agreements adhere to all applicable laws and regulations. This effort should include steps to apprise exposition personnel of the pertinent sections of the FAR.

ACTUAL AND ESTIMATED REVENUE AND EXPENSES
As of August 14, 1998

REVENUE:	Amount	Subtotal	Total	Notes
Private Contributions		\$ 1,233,497		1
Appropriated Funds:				
NIEHS	\$ 4,025,000			
Navy	2,500,000			
Commerce	75,000			
Energy	70,000			
		6,670,000		2
Estimated Receivables				
Coast Guard	30,000			
Penguin's	10,000			
Massachusetts	50,000			
Hawaii	50,000			
California	50,000			
Gift Shop Royalty	50,000			
Restaurant Royalty	50,000			
CGR Rental	3,200			
Kaiser Rental Payment	3,000			
Wave Gift Shop Fee	5,000			
		301,200		3
TOTAL Revenue and Estimated Receivables			\$ 8,204,697	
EXPENSE				
Cost Category	Obligated	Forecasted		
Primary Contractor- Design & Fabrication	5,497,500	234,287		
Housing	251,586	278,569		
Personal Services/Staff	841,229	60,747		
Operations	268,381	241,183		
Events and Promotions	34,847	96,306		
Grant and other agreements	359,729	-		
Other	98,000	-		
	7,351,271	911,092	8,262,363	4
Estimated Payables not Obligated or Forecasted				
Primary Contractor - Change of Scope		98,625		5
Primary Contractor - Shutdown of Restaurant		121,500		6
ICASS		61,000		7
IMPAC Charges		85,000		8
WAVE		300,000		9
Final Report		-		10
			666,125	
TOTAL Expenses and Estimated Payables			\$ 8,928,488	
POTENTIAL DEFICIT			\$ (723,791)	11

NOTES TO SCHEDULE OF ACTUAL AND ESTIMATED REVENUE AND EXPENSES

1. Private donations contributed and deposited in USIA Trust Account. This does not include in-kind contributions, see Schedule B.
2. Interagency agreements that were not transferred to USIA books. Subtotal does not include USIA funds expended in performing its oversight role because they were not available to pay U.S. pavilion obligations.
3. Amount identified on U.S. pavilion forecast summary as expected receivables.
4. Obligated amounts, identified by OIG, represent the amounts of orders placed, contracts awarded, services received, and similar transactions that will require payment, while forecasted amounts represent the U.S. pavilion's projection or estimate of future costs.
5. On June 19, 1998, the U.S. pavilion paid the primary contractor \$98,625 as a result of a change of scope. However, neither the original agreement nor the modification mentions this payment, and there is no record of any obligation of this amount.
6. The latest draft version of the restaurant construction agreement did not include a provision regarding the shutdown of the restaurant. (As of the close of Expo 98 on September 30, 1998, this agreement had not yet been signed.) OIG estimated a cost equal to one-half the amount budgeted for the shutdown of the pavilion ($\$243,000 \times .5 = \$121,500$).
7. This \$61,000 estimate of ICASS charges is based on the midyear budget figures provided to OIG by Lisbon Embassy officials. The U.S. pavilion's forecast summary did not identify this expense. It is subject to change based on actual usage of the ICASS system.
8. OIG noted that over \$125,000 was expended in support of the U.S. pavilion through the use of IMPAC Visa cards, issued through USIA (as of July 24, 1998). OIG only located documentation obligating \$40,000 (as of July 11, 1998) for such use ($\$125,000 - \$40,000 = \$85,000$).
9. A Portuguese bank made a "personal" loan, of \$300,000, to the commissioner general to support a project of a private organization. This amount was recorded on the U.S. pavilion's "cuff records" as a liability. USIA may be responsible for the repayment of this loan if the organization does not raise sufficient funds to pay it back. We did not include other expenses (salaries, operations, etc.) of the organization that were shown on the U.S. pavilion's forecast summary.
10. OIG did not see any amount obligated or forecast specifically for the publication of a final report on U.S. participation in Expo '98.
11. This total could change significantly. For example, the ongoing litigation and liens of \$2.2 million, filed against the U.S. pavilion and restaurant, could result in a substantially higher potential liability.

Schedule of In-Kind Contributions

Contributor	Contribution	Value
Air Sculpture (National Day)	Entertainment Fees	\$ 10,000
The Amtico Company Limited	Tile Flooring	30,000
AutoEuropa Automoveis, L.da.	6 Vans & Insurance	66,000
Banco Espirito Santo	Wave - Interest	10,000
B.B. King	Entertainment Fees & CD's	78,000
Bernard	Costumes	4,000
Big Nazo	Entertainment Fees	10,000
Blue Diamond Growers	Almonds	120
Budweiser	Budweiser Beer, Watches, Beer Steins, Pins	7,000
The Coca Cola Company	Coke, Coke Expo Booklets	6,000
Continental Airlines, Inc.	Airline Tickets	150,000
Coro Regina Coeli de Lisboa (National Day)	Entertainment Fees	20,000
Disc Jockey (National Day)	Entertainment Fees	4,000
E & J Gallo Winery	Wine & Wine Gift Sets	30,000
Environmental News Network	News Value	15,000
Enya	Music Rights	25,000
Expo	2,000 Free Tickets	60,000
The Franklin Mint	VIP Gifts	22,000
Geolink Comunicacoes Digitais, S.A.	Long Distance & 2 Staff People	40,000
Gillette	Travel Kits	500
The Globe Program	Hall of Discovery Display	2,000
Hawaii Children Theatre	Entertainment Fees & Travel	40,000
ICF Kaiser International, Inc.	Services of Hank Hardesty	25,000
The Jason Project	Hall of Discovery Display	2,000
Kellogg's Portugal	Cereal Box Promotion & Cereal	25,000
Ministers of Music (National Day)	Entertainment Fees	35,000
The Monterey Bay's Virtual Canyon Project	Hall of Discovery Display	2,000
Morais Enterprises	Uniforms	3,000
National Geographic Society	Welcome Video	95,000
	Maps	5,000
Penguin	Free Smoothie Coupons	300
Pride of Baltimore II	Hall of Discovery Display	2,000
Project Bandaloop	Entertainment Fees	23,000
Rathe Productions, Inc.	Services of Mia Yi	20,000
Relvas Vacations, LLC.	75 Airline Tickets	60,000
River Road (National Day)	Entertainment Fees	11,000
Robert Lyn Nelson Studios	Painting - Rights to Painting, Posters	105,000
The Rockport Company	Hats & Shoes	4,000
Rui Veloso (National Day)	Entertainment Fees	10,000
Sara Tavares (National Day)	Entertainment Fees	4,000
Sheraton Lisboa Hotels & Towers	Hotel Rooms, Umbrellas, Card Holders	16,000
Sony Corporation of America	Equipment in Theatre	200,000
John Phillip Sousa	John Phillip Sousa	5,000
Sunkist Growers, Inc.	12 Pen & Pencil Sets & Fruit Gems	500
Telecel, Comunicacoes Pessoais	15 Phones	10,000
University of Massachusetts at Dartmouth	Hall of Discovery Display	2,000
Up with People (National Day)	Entertainment Fees	24,000
University of Southern California Marching Band	Entertainment Fees	100,000
Voyage of the Spray	Hall of Discovery Display	2,000
Walt Disney World Co.	Fabrics	25,000
Whalenet	Hall of Discovery Display	2,000
Woods Hole Oceanographic Institution	Movie	160,000
TOTAL IN-KIND CONTRIBUTIONS		\$ 1,607,420

Source: U.S. pavilion cuff records, as of June 23, 1998

**United States
Information
Agency**

WASHINGTON DC 20547-3001



April 22, 1999

MEMORANDUM FOR: Mr. J. Richard Berman
Deputy Assistant Inspector General
Department of State

FROM: Henry Howard *HH*
Associate Director for Management

SUBJECT: Draft Audit Report on "Review of Planning and Management of
Lisbon Expo 98"

Thank you for providing the Agency the opportunity to comment on the subject OIG Draft Audit Report. Our comments are included in the attachment as follows:

- 1) the Agency's formal response to the basic recommendations
- 2) copy of the draft House of Representatives Proposal to amend Section 230
- 3) specific Agency responses to other particular issues raised in the OIG report
- 4) copy of the letter from Tony Coelho, the Commissioner General of the United States Exhibition in Lisbon.

**COMMENTS ON OIG DRAFT AUDIT REPORT: REVIEW OF PLANNING AND
MANAGEMENT OF LISBON EXPO 98**

Recommendation 1: We recommend that, if sufficient funds have not been donated or appropriated to pay for a major international fair or exhibition at least 3 years before the scheduled opening of the event, USIA should notify Congress and the Administration of the possible consequences of the lack of funding.

Response: The present reality of U.S. involvement in World's Fairs makes it difficult to comply with this recommendation. There is no world's fair office, at USIA so there is no funded entity to secure advance funding for expos. There is not, in fact, an entity even to plan a budget for U.S. participation in World's Fairs. In order to comply with this recommendation a Commissioner General would have to be appointed at least five years in advance of the Expo to spend the next two years raising funds. The U.S. has historically delayed, in comparison with other countries, the appointment of a Commissioner General and formal commitment to participate in Expos. For example, the U.S. Government announced its plans to participate in the Seville Fair in October 1988 and then appointed the Commissioner General in July 1989. The fair opened in April 1992. In the case of Lisbon, the announcement to participate was made in April 1996, followed by the appointment of the Commissioner General in June for a fair that opened in May 1998. The next universal Worlds Fair after Hanover 2000 is the Aichi Expo 2005 in Japan. In order to comply with the OIG recommendation the U.S. would have to indicate to the Japanese its intention to participate followed by the appointment of a Commissioner General. All of this should occur by 2000. Then the Commissioner General (who would have to be self-funded since there would be no government funds) would have to hire a staff to develop a project concept, establish a budget and raise necessary funds over the course of two years. If successful the project would then proceed into detail design. If unsuccessful USIA (actually the State Department by this time) could notify Congress and the Administration of the possible consequences of the lack of funding and a decision could be made either to withdraw from participation, scale back the project to the level of funding raised or seek federal funding.

Recommendation 2: We recommend that USIA seek the amendment or clarification of section 230 of P.L. 103-236 as soon as possible. This action would enable USIA to plan and prepare more effectively for future international exhibitions, thereby precluding a recurrence of many of the deficiencies noted in this report.

Response: We agree. As the Inspector General knows, the Agency has been working on amending and clarifying Section 230 of P.L.103-236 for some time. Attached is a copy of the latest version of the House of Representatives proposal to amend Section 230.

In addition to the lack of predictability in the present model for expo funding created by Section 230 of P.L. 103-236, the consolidation of USIA into the State Department raises the entire question of the efficacy and appropriateness of USIA's (State's) responsibility for expos. Presently, the Commerce Department is responsible for expos held in the USA and USIA is responsible, albeit without funding authority, for international expos.

-2-

If section 230 were amended to allow federal funding to USIA (State) for expos, an infrastructure and operational expo office could be created in the State Department to handle expos. USIA's Bureau of Educational and Cultural Affairs could be responsible for Expos after the consolidation with State if it could continue to rely upon the budget, contract and legal officers assigned to handle Expo issues.

In addition, since expos have a notable commercial component, the appropriateness of having them situated within the State Department is certainly questionable. The merger with State has provided the opportunity to reassess the funding of the United States participation in BIE expos and where to locate responsibility for expos in the Federal government.

Recommendation 3: We recommend USIA immediately develop and publish a formal handbook for planning and operating international exhibitions. This written guidance should include all pertinent U.S. Government laws and regulations and clearly delineate the responsibilities of all staff involved, including the commissioner general. We also recommend that USIA immediately provide the commissioner general for Expo 2000 with as much guidance as possible pending the publication of the handbook.

Response: We concur with recommendation for formal written procedures, guidelines, etc. for operation of international expositions and will do so. We have already provided the Commissioner General for Expo 2000 with considerable guidance of the types the IG has recommended.

Recommendation 4: We recommend that for future international fairs and expositions USIA should strengthen its procurement control procedures to ensure that all contracts, leases, and other agreements adhere to all applicable laws and regulations. This effort should include steps to apprise exposition personnel of the pertinent sections of the FAR.

Response: We agree that any Federal agency should comply with all applicable laws and regulations. However, it should be noted that there are numerous specific statutory waivers that have been granted by the President of the United States in Executive Order 11034 which recognize the complexity of a process that depends on fiscal resources (both appropriated and non-appropriated) of multiple Agencies. We further agree that staff should be apprised of all pertinent laws and regulations. We believe the USIA has done so.

106TH CONGRESS
1ST SESSION

H. R. _____

IN THE HOUSE OF REPRESENTATIVES

Mr. SMITH of New Jersey introduced the following bill, which was referred to the Committee on _____

A BILL

To authorize appropriations for the Department of State and related agencies for fiscal years 2000 and 2001, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled.*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "Foreign Relations Au-
5 thorization Act, Fiscal Years 2000 and 2001".

6 **SEC. 2. TABLE OF CONTENTS.**

7 The table of contents is as follows:

- Sec. 1. Short title.
- Sec. 2. Table of contents.
- Sec. 3. Definitions.

15 **SEC. 407. INTERNATIONAL EXPOSITIONS.**

16 (a) **LIMITATION.**—Except as provided in subsection
17 (b), notwithstanding any other provision of law, the De-
18 partment of State may not obligate or expend any funds
19 for a United States Government funded pavilion or other
20 major exhibit at any international exposition or world's
21 fair registered by the Bureau of International Expositions
22 in excess of amounts expressly authorized and appro-
23 priated for such purpose.

24 (b) **EXCEPTIONS.**—

1 (1) The Department of State is authorized to
2 utilize its personnel and resources to carry out its
3 responsibilities—

4 (A) under section 102(a)(3) of the Mutual
5 Educational and Cultural Exchange Act of
6 1961 (22 U.S.C. 2542(a)(3), to provide for
7 United States participation in international
8 fairs and expositions abroad;

9 (B) under section 105(f) of such Act with
10 respect to encouraging foreign governments,
11 international organizations, and private individ-
12 uals, firms, associations, agencies and other
13 groups to participate in international fairs and
14 expositions and to make contributions to be uti-
15 lized for United States participation in inter-
16 national fairs and expositions; and

17 (C) to encourage private support to the
18 United States Commissioner General for par-
19 ticipation in international fairs and expositions.

20 (2) Nothing in this subsection shall be con-
21 strued as authorizing the use of funds appropriated
22 to the Department of State to make payments for—

23 (A) contracts, grants, or other agreements
24 with any other party to carry out the activities
25 described in this subsection; or

1 (B) any legal judgment or the costs of liti-
2 gation brought against the Department of State
3 arising from activities described in this sub-
4 section.

5 (c) REPEAL.—Section 230 of the Foreign Relations
6 Authorization Act, Fiscal Years 1994 and 1995 (22
7 U.S.C. 2452 note) is repealed.

COMMENTS ON OIG CHARACTERIZATION OF SECTION 230 AND OF USIA'S INTERPRETATION

The Office of General Counsel disagrees with a number of the opinions expressed in the draft report about the Agency interpretation of, and compliance with Section 230. In general, the draft report fails to recognize that when Section 230 was first formally interpreted, in 1995, it was on the assumption that Lisbon '98 would be funded primarily from private sector funds, along the model that served the U.S. Pavilion at the World's Fair in Taejon, and that the Director could meet his statutory responsibility the same way as he did for that event, through providing minimal technical assistance to a non-governmental entity under the direction of the Commissioner General. Under such a model, almost no USIA funds would be expended, since practically all the funds would be raised by the outside organization in conjunction with the Commissioner General. The initial opinion did not contemplate the funding mechanism that ultimately eventuated, that is, the Congress providing funds to several other Federal agencies which then made those funds available to the USIA and to the Commissioner General to expend for the US pavilion. The Agency consistently (and we are convinced correctly) adhered to the view that once Congress had unequivocally made Federal funds available to those other agencies, Section 230 was not an impediment to the Director's expending those funds, and to expending limited USIA appropriations to assure appropriate oversight that internal controls and the appropriateness of expenditures were adequately reviewed. We do not concur with the belief expressed in the draft report that "Congress intended a stricter interpretation of section 230..." This belief apparently is based on the unsupported view that, when Congress made the appropriations available to those federal agencies, it intended for them to be spent other than through USIA, the one agency that has the statutory authority to oversee US participation in world's fairs. In our opinion, no such restriction was placed on the funds.

The draft report expresses an OIG legal interpretation of Section 230 without reference to any memorandum of law or explanation of the interpretation. We believe it is inappropriate under those circumstances to state that "USIA may have violated" Section 230. Nor does the report reflect the deference that the Comptroller General has repeatedly given to Executive Branch agencies in reasonably interpreting their own statutory authorities.



UNITED STATES
EXHIBITION LISBON
WORLD EXPO '98

The United States
Information Agency
301 Fourth Street, SW
Room 314
Washington, DC 20547
Telephone: 202-260-6511
Fax: 202-401-5618
Web: www.usia.gov/expo98.html

Hon. Tony Coelho
Commissioner General

April 2, 1999

Mr. Henry Howard
United States Information Agency
301 4th Street SW
Washington DC 20547
202-619-4626

Dear Mr. Howard:

Thank you for providing me a copy of the draft report by the Office of Inspector General (OIG) titled "Review of Planning and Management of Lisbon Expo '98".

In general, I find the draft report to be very helpful in its recommendations for future U.S. involvement in international expositions and concur with the four specific recommendations for the United States Information Agency (USIA). While I appreciate the hard work of several members of USIA's staff on Expo '98, the effort was severely hampered by the agency's overall reluctance to support U.S. involvement given the restrictions of Section 230.

Some of the details of the report, however, I believe to be inaccurate. For example, the report says the primary contractor agreed to design the Pavilion at no cost. That is not true. This and other inaccuracies could have been prevented if the OIG investigators had spent more time talking to Expo staff members or even myself – which they never did – during their visit to Lisbon.

Finally, I would like to comment on the financial situation. When Expo '98 closed, our spreadsheets indicated a surplus of approximately \$100,000. The \$700,000 shortfall reported by OIG is simply a result of the primary contractor not paying his subcontractors. This is a result of a poor contract we had with USIA and Rathe productions and failed negotiations to force Rathe to pay his bills. I believe these and others problems can be avoided in the future by USIA adopting OIG recommendations and I commend them for their effort.

Very truly yours,

Tony Coelho



United States Department of State
and the Broadcasting Board of Governors

Inspector General

December 3, 1999

The Honorable, Gerald S. McGowan
American Ambassador
Embassy Lisbon

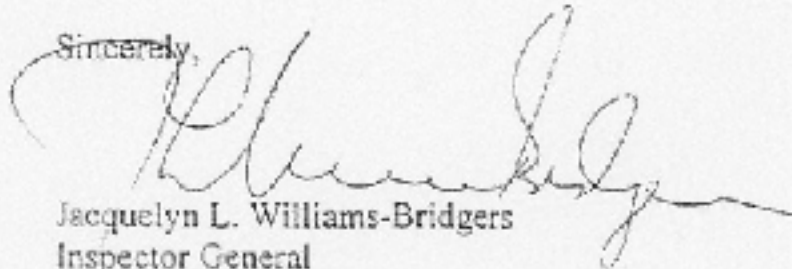
Dear Mr. Ambassador:

In September 1999, the Office of Inspector General (OIG) issued a Report of Audit, Review of Planning and Management of Lisbon Expo 98, USIA-99-CG-019. We are writing about the reference to you and the employment of your stepson by the United States Information Agency (USIA). This reference appears in the last paragraph on page 27, under section C of the report, entitled "Procuring Goods and Services." A concern has been raised that the reference may inadvertently have implied some criticism of you or your stepsons.

The discussion regarding the hiring and payment of your stepsons was but one of over a dozen examples discussed in the audit report of failures by USIA officials to follow rules governing the procurement of goods and services for the U.S. Pavilion at the Expo and, in particular, the failure by the agency to maintain proper documentation. The focus of this portion of the audit report was on USIA's poor procurement practices and the recommendation was to ensure that future international fairs and expositions should adhere to applicable requirements, including those regarding documentation of scope of work of particular employees. The audit does not imply that your stepsons were paid improperly or received any favoritism. The audit report did not review your stepsons' actual level of effort or their responsibility. The audit report, in fact, made no finding or suggestion of any alleged improper conduct by you or your stepsons in this or any other respect. Our review objectives dealt with management of the U.S. Pavilion at the Expo, not the Embassy.

I would like to express my appreciation for the cooperation and assistance provided by the Embassy during the audit team's visit to Portugal. If you have any additional questions, please feel free to contact me or Mr. John Payne, Deputy Inspector General, at (202) 647-9450.

Sincerely,


Jacquelyn L. Williams-Bridgers
Inspector General