



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

# MONTHLY REPORT OF **ACTIVITIES**

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*audits, inspections, testimony, and special activities*

**August/September 2001**

This report describes testimony provided by the Inspector General or other OIG officials and lists OIG reports issued during the period indicated. This report includes unclassified summaries of classified reports; all text in this report is unclassified. Classified reports are not distributed publicly. On occasion, OIG distributes an unclassified version of a classified report; in such a case, this listing also indicates the issued date of the original report. In addition, all major reports, together with OIG investigative activities, are summarized in the Inspector General's semiannual reports to the Congress, which are publicly available every June and December.

## **Reports Issued Relating to Financial Management And Administration**

### **Need to Improve Internal Controls in the Miami Passport Office (01-FMA-M-040)**

OIG examined some serious deficiencies in the cashiering operations at the Miami Passport Office as a result of an investigation requested by the Department's Bureau of Consular Affairs (CA). While OIG has initiated a more thorough review of other domestic passport operations, including cashiering, OIG identified some internal control weaknesses related to cashiering that were brought to management's immediate attention.

Overall, OIG found that internal control over cashiering at the Miami Passport Office to be deficient. OIG found that a number of requirements included in the CA policy manual were not being followed, such as reconciling receipts and proper closeout procedures. In addition, OIG believes some issues were not sufficiently covered in the manual, such as training and reconciliation of bank statements.

CA has already made a number of improvements to internal controls at the Miami Passport Office, including modifying the automated cash register system and providing additional training. OIG commends these actions, and has provided additional recommendations that we believe will further improve internal controls at this facility.

### **Information Technology Vulnerability Assessment at the Charleston Financial Service Center (01-FMA-R-078)**

The Government Management Reform Act of 1994 (Public Law 103-356) requires that the Department's principal financial statements be audited annually. These audits require, among other components, an assessment of the adequacy of the internal control process for recording, accumulating, and reporting financial data. This, in turn, requires an assessment of the security of the automated systems that process financial data. At OIG's direction, independent external computer specialists performed a vulnerability assessment of information technology at the Charleston Financial Service Center.

Overall, the review found that the information technology security posture at the Charleston Financial Service Center was excellent. The information systems security

officer immediately corrected technical vulnerabilities identified during the assessment and immediately strengthened security engineering processes that required improvement. The recommendations contained in this report will serve only to enhance further the information technology security posture and strengthen security engineering practices.

**Review of Selected Awards to Project Harmony, Inc., for Activities in New Independent States (01-FMA-O80)**

As part of an overall effort to review Freedom Support Act assistance to the New Independent States (NIS), OIG examined 20 grants totaling about \$15 million awarded by the former United States Information Agency (USIA) and the Department's Bureau of International Narcotics and Law Enforcement Affairs (INL) to Project Harmony, Inc. OIG reviewed costs claimed for FY 1995 through July 30, 2000. The primary purpose of this audit was to determine whether Project Harmony adequately (1) accounted for Federal funds, (2) complied with applicable Federal laws and regulations related to the terms and conditions of the agreement, and (3) evaluated its NIS programs. At the request of the INL grants officer, OIG also reviewed the grantee's indirect cost structure and methodology for claiming reimbursement of indirect expenses. OIG found the following:

- Project Harmony did not adequately account for Federal funds. Specifically, the grantee did not record or allocate administrative costs to Federal grants based on actual costs incurred. The grantee also overcharged Federal awards for travel costs that were not actually incurred. OIG noted inaccuracies and inconsistencies between the financial data recorded in the grantee's official accounting records and the amounts reported in the certified financial reports and its annual single audit reports. As a result, we questioned costs totaling approximately \$8,127,683 million. Of that amount, \$272,297 was unallowable under terms and conditions of the grant and, \$7,855,386 was classified as unsupported because of either inadequate or no documentation.
- Internal controls were deficient. Weaknesses included inadequate cash controls, bank balances that exceeded insured amounts, lack of written accounting policies and procedures, and a lack of separation of duties within the organizational structure.
- Project Harmony did not comply with applicable regulations and agreements. For example, Project Harmony failed to meet requirements for cost sharing, timesheets, travel expense reports, and indirect costs. There were also inadequate property control records and incomplete personnel records.

OIG recommended that the Bureau of Educational and Cultural Affairs and INL require Project Harmony to reimburse the Department for unallowable costs and provide

additional documentation for the unsupported costs. In addition, the grant officer should continue monitoring Project Harmony to ensure accountability of Federal funds and compliance with grant regulations.

**Survey of the Worldwide Purchase Card Program - Domestic Operations (01-FMA-M-081)**

OIG performed a survey of the domestic operations of the Department's Worldwide Purchase Card Program (WPCP). The objectives of this survey were to determine how effectively the Department has implemented the WPCP domestically and whether the WPCP was achieving cost savings. OIG also examined whether the Department has established appropriate performance goals and measures in accordance with GPRA in regards to the WPCP. OIG also analyzed overall statistical trends in the WPCP from FY 1996 through FY 2000.

OIG found that the WPCP has experienced rapid growth and Department customers have received goods and services more quickly as a result of the program. The Department has also established performance measures for the WPCP in accordance with GPRA--cost savings, increases in the dollar amount of purchase card transactions, and increases in the number of purchase cardholders. Also, for those transactions where OIG found sufficient documentation to analyze the procurements, Department personnel have generally complied with Department regulations in using purchase cards.

However, OIG found that some program improvements were needed. While the number of cardholders has dramatically increased, part of this growth was apparently in purchase card users who made infrequent or no transactions. Also, about 12 percent of the domestic transactions reviewed by OIG lacked required documentation for OIG to verify independently that the purchases were properly made and reconciled in a timely manner. Further, responsible officials interviewed by OIG had not conducted required annual reviews of their offices' WPCP operations. OIG also found that the Department's method for determining cost savings--the reduction in the number of paper purchase orders processed--does not necessarily capture the actual administrative cost reductions that have occurred. Finally, OIG found inappropriate procurement practices that, if changed, could yield additional cost savings for the Department.

Recent Department guidance on the WPCP should help address the documentation and annual review issues, but this report recommends that additional steps be taken. Our report also contains recommendations for the Department to examine low purchase card usage, clarify its reporting on cost savings from the program, and explore additional cost avoidance measures.

**United States Information Agency's Balance Sheet as of September 30, 1999 (01-FMA-R-083)**

OIG's independent external contractor audited the USIA balance sheet as of September 30, 1999, to report on whether the balance sheet fairly presented the financial position in accordance with generally accepted accounting principles. The audit also examined whether USIA had an internal control structure that provided reasonable assurance of achieving internal control objectives and complied with applicable laws and regulations. This audit was limited to the portion of USIA that was transferred to the Department as of October 1, 1999.

The contract audit found that the balance sheet was presented fairly in all material respects, except for the Fund Balance with Treasury account. The audit found that USIA was unable to reconcile the fund balance from the general ledger to the fund balance reported by the Department of Treasury and therefore used the amount reported by the Department of Treasury on its financial statements. In addition, the report identified concerns about USIA's financial and accounting system, which are both an internal control weakness and an issue of noncompliance with several laws and regulations including the Budget and Accounting Procedures Act and the Federal Managers' Financial Integrity Act.

**Review of Awards to Iraqi National Congress Support Foundation (01-FMA-R-092)**

OIG, in conjunction with the Bureau of Administration, Office of Acquisitions, examined two grants totaling about \$4.3 million awarded by the Department's Bureau of Near Eastern Affairs (NEA) to the Iraqi National Congress Support Foundation (INCSF). OIG reviewed costs incurred for the period March 31, 2000, through May 30, 2001 to determine whether INCSF (1) had adequate controls to ensure that Federal funds were properly accounted for and spent for the intended purpose of the agreements, and (2) complied with applicable Federal laws and regulations. OIG found that:

- Significant improvements in accountability were needed to ensure that Federal funds were properly accounted for and spent for the intended purpose of the agreements. We found that INCSF's accounting system was not integrated to identify, collect, process, and promptly report financial information. For example, the London and Washington offices used substantially different accounting systems, charts of accounts, and bases of accounting that prevented consolidation of organization-wide financial statements.

- Internal controls were deficient. Weaknesses included a lack of signature authority by INCSF leadership for a separate bank account at the Washington office as required by INCSF bylaws; lack of written accounting policies and procedures; lack of separation of duties within the organizational structure; and bank balances that exceeded insured amounts.
- INCSF did not comply with applicable regulations and agreements. As a result, OIG questioned costs totaling about \$2.2 million. Of that amount, \$113,794 was unallowable under terms and conditions of the agreement and \$2,107,093 was classified as unsupported because of either inadequate or no documentation. Unallowable costs, for example, included legal and court costs incurred for breach of contract related to its office space in a residential building. Other issues included non-compliance with U.S. tax reporting requirements and Office of Management and Budget Circulars and Federal Travel Regulations, including lack of adequate timesheets, and inadequate property management and personnel management.

OIG recommended that the NEA grants officer require INCSF to reimburse the Department for unallowable costs and provide additional documentation for the unsupported costs.

## Reports Issued Relating to Foreign Policy

### *Review of Implementation of the Federal Voter Assistance Program (01-FP-M-045 and 01-FP-L-055)*

At the request of the American Foreign Service Association, OIG reviewed the Department's implementation of the Federal Voter Assistance Program (FVAP), including mail support for FVAP. This review was conducted concurrently with the Department of Defense (Defense) OIG and the General Accounting Office (GAO) reviews of the Uniformed and Overseas Citizens Absentee Voting Act of 1986 (Public Law 99-410). The purpose of FVAP is to help members of the United States Uniformed Services, family members, and nonmilitary American citizens residing abroad to participate in primary and general elections when they are unable to vote in person at the polls. Defense is the lead agency for FVAP, and the Department implements FVAP for over 3.8 million non-military American citizens residing abroad.

The purpose of this review was to determine how well the Department and voting assistance officers have implemented FVAP in support of American citizens abroad; what impediments, if any, there are to the Department's implementation of FVAP; and how the Department can improve FVAP services, including mail, for all American citizens supported by our posts abroad.

OIG found that the Department's policies, procedures, and implementation of FVAP, in partnership with nongovernmental organizations (NGOs), are generally meeting the absentee voting needs of American citizens abroad. Post voting assistance officers received favorable overall satisfaction ratings of 75 percent by those U.S. Government and private American citizens polled by OIG. OIG found, however, that the Department's implementation of FVAP needs improvement, specifically its outreach to nonmilitary American citizens abroad. Additionally, the Department's FVAP planning, funding, and training have not adequately prepared it to provide voter assistance to the 3.8 million non-military Americans residing abroad. Of the 136 posts responding to OIG's absentee voting survey only 18 indicated that their voting assistance officers had received Defense Federal Voter Assistance program training.

OIG's review of the military postal system and the Department's diplomatic mail and pouch support to posts abroad resulted in OIG's finding no evidence to support assertions that the lack of postmarks caused many absentee ballots to be disqualified by local election officials. GAO has testified that its limited review of the military postal system and postmarking procedures after the election did not indicate that either missing postmarks or the lack of timeliness of mail delivery represented a systemic problem.

Among a number of recommendations, the OIG urged the Department to position itself for a more active role in FVAP implementation by structuring, planning, and programming for increased outreach to American citizens abroad, by identifying its FVAP training needs, and by developing FVAP instructors of its own unilaterally to train or assist Defense FVAP instructors in training Department and NGO voting assistance officers abroad. OIG also recommended that the Department acknowledge the contributions of NGOs in providing absentee voter assistance abroad and foster increased cooperation in the future.

A related but separate project was a review of the mail support for the FVAP. OIG evaluated the Department's FVAP services during the 2000 elections and identified ways those services could be improved. Specifically, OIG reviewed the Department's mail and pouch service used to transport absentee ballot material for authorized public and private American citizens residing abroad. OIG found no systemic problems with the mail and pouch system. We found, however, that a lack of mail forwarding procedures resulted in up to four month delays in processing mail for personnel who had departed a post. OIG also found that the Department's guidelines for mailing absentee voting materials to the United States restricted authorized use by private American citizens abroad.

OIG recommended that the Department develop and implement guidelines to establish procedures for forwarding mail that include a locator system, maximum processing times by which mail must be forwarded, and internal controls to ensure that mail is expeditiously forwarded. We also recommended that the Department update the Foreign Affairs Manual to communicate that private American citizens can use the Department's diplomatic mail and pouch system to return absentee voting materials to the United States.

### **Inspection of Lima, Peru (01-FP-R-057)**

U.S. interests in Peru center on promoting democracy, combating narcotics trafficking, and encouraging free market economic development. The experienced country team is cohesive and well led by an active Chief of Mission, whose counsel influences the Washington policy process. The Mission Performance Plan is comprehensive but needs



updating to account for the dramatic political developments of the past year. Reporting assets also should be better integrated. Public affairs activities are effectively employed in support of Embassy goals.

U.S. support for a free and fair presidential election has helped Peru recover somewhat from former president Fujimori's scandal-plagued legacy. Democracy is intact but fragile. Continued U.S. engagement and coordination with the international community will be crucial. Counternarcotics operations, particularly eradication of coca (the raw material for cocaine), have slowed as the government copes with the immediacy of other issues. Peru's weak economy fosters widespread poverty that provides fertile ground for the lure of drug cultivation and trafficking. The Embassy is effective in promoting U.S. trade with Peru.

The large chancery, built to Inman security standards, and U.S. personnel are well protected, although consolidation of U.S. agencies on the compound is ongoing and public access is difficult. American staff has grown by 33 percent since 1995, leading to overcrowding in some parts of the chancery and overburdened support systems. This will grow worse when 157 U.S. Agency for International Development (USAID) staff move to a new building on the compound next year. Insufficient resources hamper Embassy operations. The consular section is addressing a massive growth in visa demand that has led to long lines and poor customer service. More local staff is needed, and public access must be facilitated. Foreign Service national employee morale has suffered because of large increases in health insurance premiums and the Embassy's inability to adjust salaries and benefits according to the results of the latest local wage surveys.

### **Inspection of Embassy Accra, Ghana (01-FP-R-O63)**

U.S.-Ghana relations are excellent. Official visitors pour in, attracted by Ghana's democratic transition in December 2000, its pro-U.S., pro-business stance, and its increasingly significant role in regional peacekeeping. However, there may be too much activity, considering the Embassy's support capabilities. Embassy people like their jobs: they speak of doing important work, at an interesting time, in a country with which the United States has good relations and which seems to be moving forward. All sections, however, operate at maximum tempo and Mission people are stretched and tired in the daily conduct of their business.

Accra is already a major presence for the United States in African embassies, and it is continuing to grow. The staff is comprised of 77 direct hire Americans, 15 contract Americans, and 362 Foreign Service nationals. The Embassy's FY 2000 budget was

approximately \$7.3 million. U.S. Agency for International Development programs dispense \$55 million a year. Other agencies at post include the Peace Corps, the INS, and Defense. The Administrative section is concerned about the need to find office space for three to five additional direct hire Americans.

The Embassy must conduct its relations with the Government of Ghana via dysfunctional Embassy offices and communication systems. It is difficult to build a coherent team when the cramped, overcrowded Embassy offices are spread over six campuses. Poor intramission communications (traffic, congested streets, bad phones, limited e-mail connectivity, too few motorpool vehicles, and no Internet in the chancery) make it even more difficult. A new office building is about ten years in the future.

The well written, 60-page Mission Performance Plan (MPP) may be too ambitious, both for Ghanaians and for the United States. The Embassy's coordination of the various available U.S. government assistance programs in support of MPP goals is masterful. On the other hand, Ghana's new government must focus first on survival.

OIG concurs with the assessment of Washington readers that "...Ghana's reporting is the most outstanding all around." Embassy officers' relationships of trust with their contacts paid off during Ghana's December 2000 pre-election jitters, enabling the Mission to report on possible problems and to act in a timely manner to avert them. Even though a lack of support from the U.S. Foreign & Commercial Service hampers the Mission's ability to exploit opportunities for U.S. business, the Mission has logged some commercial successes. In the consular section, work is needed on written standard operating procedures, staff training, computerization of files, and anti-fraud measures. With sharply increased nonimmigrant visa applications boosted by Ghana's collapsing economy, there is a rising incidence of fraud.

OIG advised the Embassy to moderate and better control the pace of relations. Slowing the tempo would help not only internally, but perhaps also with the newly appointed and overwhelmed officials of the Ghanaian government.

### **Inspection of Embassy Libreville, Gabon (01-FP-R-065)**

No senior Department officer has visited Libreville, Gabon in many years. At U.S. urging, Gabon contributed troops to a U.N. peacekeeping mission in the Central African Republic. During Gabon's recent term on the U.N. Security Council, it voted more often with the United States than any country but the United Kingdom. Libreville has served as a base for five noncombatant evacuation operations in the last 7 years; there could be more.

August/September 2001

Gabon exports \$2 billion of oil, mostly to the United States. Gabon's per capita income is Africa's highest. Gabon's human rights performance is fair. There were no reports last year of politically motivated killings, and the press was allowed to criticize the government in a limited way.

Embassy Libreville's Mission Performance Plan goals are ambitious, and the Embassy's resources are overextended. This applies especially to the Embassy's support for extensive activities on behalf of the Department of Defense (Defense), which maintains no representation in Gabon. It has prevented the Embassy from developing and reporting on contacts with a full range of significant political figures. It has also had an adverse impact on consular management in an environment of persistent fraud. The Department is providing a no cost platform for another U.S. government agency, at the expense of traditional diplomacy, which is the Department's core mission.

Administrative services burden an overworked administrative officer who is responsible for security, immediate oversight of budget and fiscal and human resource operations, the community liaison officer, and the medical unit the Department shares with the Peace Corps. Further, he also supervises the general services officer, a first term junior officer who is located at the warehouse, and the information management officer, whose section has suffered prolonged staffing gaps.

Support from the Department and regional officers is inadequate. The post has faced long gaps at crucial positions. Working conditions are poor, and a 3-year tour of duty policy further discourages mid-grade officers from putting Libreville on their bid lists. Section chiefs are often on their first or second tour, and they are overwhelmed by the challenges of working in Central Africa. Embassy staff who coordinate assistance programs lack the training and information resources for efficient management.

After its 1995 withdrawal from Libreville USIA adopted a "no residuals" policy, denying public diplomacy resources of any kind to posts with no U.S. Information Service operation. The Bureau of African Affairs' Public Diplomacy Office is now considering a proposal known as "Africa Public Diplomacy-Lite" to provide basic product and program support plus access to specific programs, which could be ideal in meeting Libreville's public diplomacy needs.

OIG recommended that the Department, in conjunction with other agencies, especially Defense, determine whether to remain in Gabon. If a decision is made to continue U.S. presence in Gabon, the Department and Defense must provide the post with adequate personnel and material resources.

**Inspection of Embassy Lome, Togo (01-FP-R-066)**

Togo is one of Africa's poorest nations. Togo has a deplorable record on human rights and receives no direct U.S. aid. The United States seeks to promote democracy, human rights, and sustainable economic development there. However, it has few resources to apply to these goals, and trends in Togo often seem to be moving in a negative direction. With Togo's economy at a low ebb trade with the United States is at minimal level, with few near-term opportunities for increased U.S. sales. Consular fraud is a persistent problem.

The Ambassador and DCM provide superb leadership to their Embassy of 11 direct-hire Americans, 3 of whom are first-tour officers. There are 12 other Americans on the Embassy staff. OIG has rarely seen a post whose ratings for front office leadership and administrative satisfaction were both as high.

The local hire staff is not small: it includes 167 local security personnel and 105 Foreign Service nationals. The Embassy's budget is \$3.5 million. Department, bureau, and regional support, however, falls far short of what is needed to attain or even to approach the Embassy's goals. The Embassy has endured long personnel vacancies. Local staff has no reliable retirement scheme. There is little prospect of early movement on a badly needed new chancery complex. Our people, meanwhile, work in an unsafe, cramped, and inefficient work environment.

OIG recommends that the Department and the Bureau of African Affairs evaluate the need for continued U.S. presence in Togo. If the Department intends to keep an embassy in Lome, an increased level of support is necessary.

**Review of Mission Counternarcotics Activities in Bolivia/Ecuador (01-FP-PM-087)**

OIG reviewed counternarcotics programs and activities under the umbrella of Chief of Mission oversight at Embassies La Paz and Quito. The review focused on Chief of Mission oversight, direction, and coordination of in-country counternarcotics activities; interagency coordination and communication; counternarcotics assistance programs and activities, particularly coordination and oversight of assistance programs, law enforcement activities, and public diplomacy; personnel and budgetary resources available to the Chief of Mission; and regional issues, including coordination and communication among the regional embassies and with Washington.

In Bolivia, the team found an Embassy committed to implementing a far-reaching counternarcotics strategy focused on both eradication and interdiction. However, serious challenges lie ahead, as Bolivia faces a period of political uncertainty with President Banzer's passing from the political scene. During this difficult transition period, the Embassy needs a more structured approach to coordination between the programs of INL and USAID, and leadership continuity in the Narcotics Affairs Section (NAS).

In Ecuador, counternarcotics have traditionally been a secondary priority. However, program growth under the Andean Regional Initiative (ARI) and the presence of the Manta Forward Operating Location demand a readjustment in Mission priorities. The review cites a need to strengthen the NAS, to upgrade the Mission priority accorded to counternarcotics, and to develop a more effective approach for dealing effectively with the Ecuadorian military's reluctance to accept a primary counternarcotics role.

In the Washington arena, INL and the Bureau for Western Hemisphere Affairs have provided effective and energetic interagency leadership. In order to implement the ARI, OIG recommends that both bureaus consider a more structured approach and possibly new mechanisms for interagency coordination. INL should also consider assigning a full-time senior level ARI coordinator.

### **Inspection of Embassy Budapest, Hungary (01-FP-R-090)**

For the past several years, Embassy Budapest has pursued an initiative-based approach to policy management. At the urging of the former Ambassador, the Mission launched a series of related activities to advance specific objectives. Some accomplished much. Others were less impressive. Embassy Budapest, under new leadership now, should initiate a mission-wide review and establish a new Embassy work program reflecting U.S. priorities and changed circumstances within Hungary and the Mission.

There was a long period during which there was no U.S. Ambassador in Budapest. The absence of a Chief of Mission hampered Embassy Budapest's ability to coordinate and manage U.S. policy in Hungary. The problem was further complicated by the lack of senior officers at the post and by the departure of several experienced country team members. The Department needs to review procedures for executive-level assignments and to develop and implement a plan to ensure that anticipated gaps in the leadership of diplomatic missions are covered by experienced officers of appropriate rank.

Embassy Budapest, at the direction of the former Chief of Mission, raised significant sums of money for cultural programming under authorities transferred from

USIA to the Department following consolidation. The post, in several instances, went beyond guidelines for both the solicitation and acceptance of gifts. Solicitations were made to firms that did not meet established criteria. Some donors were involved with both the Mission and the host country. Others were not U.S. organizations. The same donors were repeatedly approached, and some funds had to be returned. The Department needs to review its guidance and strengthen its oversight procedures in this area.

Embassy Budapest needs to reassess its cultural programming and bring these activities into better balance with U.S. interests and the Mission's ability to sustain them.

Although the USAID mission has closed its doors in Budapest, significant U.S.-funded assistance activities continue. Embassy Budapest is hard pressed to track, much less coordinate, these activities. There is an extensive network of other government and private sector donors. The Embassy has some contact with these groups, but the effort is far less comprehensive than when the USAID mission was present. Embassy Budapest needs to improve coordination with other donors and ensure that U.S.-funded activities are consistent with mission priorities.

Embassy Budapest is host to a growing number of U.S. Government agencies with responsibilities outside Hungary. This has generated increased demands on the Mission for support and office space. While there are good reasons to select Budapest as a center for regional activities, neither the Department nor the Embassy has a plan that defines the post's regional role and establishes a framework for the post's future development. Without such a strategy, sound judgments cannot be made about staffing, infrastructure, and other resource needs.

Embassy Budapest, in its search for additional work space for an expanding staff, has proposed a property trade to acquire two buildings adjacent to the chancery. Funds have not been identified for the extensive renovations needed to make these buildings usable. An alternate, interim location would have to be found for the Marine security guard detachment, which currently occupies the property to be traded. The Department and Embassy Budapest must determine future staffing needs in Hungary before a decision is made on this or any other proposal to expand facilities at Embassy Budapest.

The nonimmigrant visa workload has risen by 30 percent in the last two years, as has the related refusal rate. This has reduced Hungary's prospects for participation in the Visa Waiver Program, leading to increased pressures from Hungarian authorities for the United States to find a way to include Hungary in the program despite the high refusal rate. Embassy Budapest, which is doing a commendable job so far, needs to redouble its efforts

to explain U.S. visa laws and procedures, the reasons for refusals, and the factors affecting Hungary's accession to the Visa Waiver Program.

Embassy Budapest deserves great credit for the outstanding support it provided to the Office of Yugoslav Affairs. By providing an effective platform for U.S. efforts to restore democracy to Yugoslavia, while still pursuing its bilateral agenda, Embassy Budapest made a major contribution to a critical U.S. objective in the region. Others can benefit from this experience, and Embassy Budapest needs to prepare a report on lessons learned.

There are few management controls for nonexpendable property. Shortages in excess of \$160,000 were reported and still have to be fully resolved. In addition, controls for funds needed to support the Office of Yugoslav Affairs, as well as controls over the collection, expenditure, and reporting of monies raised for cultural events, need strengthening. The certification of management controls by the former Chief of Mission did not identify any weaknesses.

#### **Inspection of Embassy Warsaw, Poland (01-FP-R-091)**

Embassy Warsaw is doing an outstanding job of promoting U.S. interests in Poland. The United States strongly supported Poland's application for membership in NATO and backs its current efforts to join the European Union. Poland, a recent graduate of U.S. bilateral assistance and Peace Corps programs, is firmly committed to democracy and a market economy. Poland is a success story both for the Polish people and for the United States.

The United States has a growing economic stake in Poland. Between 1993 and 2000, U.S. investment increased almost sixfold to over \$7 billion. Exports from the United States, on the other hand, declined more than 8 percent in 2000, in part a result of tariff discrimination in favor of EU products. Embassy Warsaw is focused on this issue but needs to coordinate its advocacy and reporting more effectively with similar efforts by the U.S. Mission to the EU and U.S. embassies in EU member states.

Embassy Warsaw places appropriate high priority on Holocaust issues. Absence of a strategic approach that places these concerns in a larger international context, however, encourages Embassy Warsaw to view matters raised by the Jewish-American communities as potential irritants to bilateral relations rather than in the larger context of which they form a part. These concerns in Poland can most effectively be addressed as part of an overall U.S. Government approach to the full range of Holocaust issues, including an

international regime for historic preservation of the extermination camps in Poland and elsewhere.

The United States has provided billions of dollars in assistance to Poland in the past decade. Although the USAID mission closed in late 2000, the United States continues to supply substantial sums to Poland through regional programs and activities managed from Washington. Embassy Warsaw needs to develop a mechanism to ensure that all U.S. Government assistance activities fit into a mission-wide strategy reflecting U.S. priorities and objectives.

Embassy Warsaw has or is developing the tools to make an already impressive outreach effort even more effective. It was making good use of working groups to address mission-wide concerns. It had taken steps to develop a comprehensive contacts database. These efforts need to be expanded to include more systematic mission outreach to other groups, including nongovernmental organizations, drawing on information already available as a result of efforts by Mission elements and decade-long USAID and Peace Corps activities throughout Poland.

Polish-American communities in the United States play a significant role (both in the United States and Poland) in the debate on policy issues relating to their country of ethnic origin. Communities in the United States were heavily engaged in the domestic discussion of NATO expansion and in earlier consideration of major bilateral assistance programs for Poland. These groups, however, are less informed about other foreign policy aspects of U.S.-Polish relations. Embassy Warsaw and the Department need to expand and maintain continuing contacts with the Polish-American communities in the United States.

The Mission makes good use of technology, including digital video conferencing, to improve outreach and communication within the Mission. However, internal communication and coordination remain uneven. Shortcomings in the downward and lateral flow of information were consistent themes in staff responses to OIG questionnaires. These matters will require the continuing attention of post management.

The chancery and annex buildings in Warsaw need additional major renovations and a reconfiguration of space to permit more efficient operations. Additional piecemeal changes will be more costly than developing a plan that addresses all aspects of the project, including financing. Embassy Warsaw has requested funds for a master architectural plan to rationalize chancery facilities. OIG endorsed this request.

Embassy Warsaw's Mission Performance Plan is a well organized document, reflecting extensive consultations within the Mission. It is less impressive in developing



performance indicators for evaluating progress toward the objectives it identifies. The plan's uncertain linkage with resource allocation decisions, either in Warsaw or Washington, is a more serious shortcoming that the Department needs to address.

Embassy Warsaw has a first-rate consular operation, which includes Consulate General Krakow and a Consular Agency in Poznan. The nonimmigrant visa workload is steadily increasing, rising 17.5 percent in FY 2000 over the previous fiscal year. The demand for American citizens services is also increasing. Embassy Warsaw's growing consular workload could be eased by transferring responsibility for processing Ukrainian K visas from Embassy Warsaw to Embassy Kiev and by tightening diversity visa controls.

Management controls are in place and functioning well, with one notable exception. There was a serious vulnerability in the financial management of grants awarded by the public affairs section. Obligations under the Democracy Commission Small Grants Program were mistakenly recorded and the grants were not executed until the subsequent fiscal year, constituting a possible administrative violation of the Anti-Deficiency Act.

## Reports Issued Relating to Human Resources

### **Compliance Follow-Up Review of the Inspections of the Bureau of Human Resources and The Foreign Service Institute (01-HR-R-060)**

This review found that the Bureau of Human Resources is well aware of the need to draw the two personnel systems closer together and has clearly enunciated this objective in its Bureau Performance Plan (BPP) for 2001-2002. This plan evidences a strong interest in greater assignment integration and in expanding training and professional development for Civil Service personnel.

Despite improvements to some individual workforce planning system components since 1997, the overall situation has not changed. The Department's workforce planning remains separate from strategic planning and focused on the Foreign Service, a third of the workforce. Resources needed to develop a workforce planning system are in short supply.

The Department lacks the human resources necessary to mount a fully effective job training and professional education program for the current workforce. Managers at every level in the Department consistently acknowledge the need to do more in management training and leadership development, but point to a severe lack of resources as the principal barrier. M/DGHR estimates that the current workforce needs to be enlarged by approximately 1,200 positions, at a cost of approximately \$1 billion annually. These additional resources are needed to release employees from their jobs to pursue identified training requirements (a so-called "personnel float" similar to that used by the U.S. military).

The Department's emphasis on expanding training, and its intent to seek the staffing increases needed before a major increase in training, are both set forth in the M/DGHR BPP for 2001-2002. However, these future increases in training assignments, by expanding both the importance and the volume of skill and assignment-oriented training, will require a more comprehensive, systematic approach to planning and anticipating the Department's overall training workload.

## Reports Issued Relating to Information Technology

### **Senior Management Attention Needed to Ensure Effective Implementation of the Government Information Security Reform Act (01-IT-M-082)**

In response to the Government Information Security Reform Act (GISRA), Public Law 106-398, OIG performed an independent evaluation of the information security program and practices of the Department. GISRA provides: (1) a comprehensive framework for establishing and ensuring the effectiveness of controls over information resources; and (2) a mechanism for improved oversight of Federal agency information security programs. The objective of our review was to determine whether the Department is effectively implementing key requirements of GISRA, including those pertaining to security planning and risk management, information security roles and responsibilities, training, and performance measures.

OIG's evaluation of the effectiveness of the Department's information security program found mixed results. Specifically, OIG concluded that information security weaknesses continue to threaten Department operations, both here and abroad. Both OIG and DS evaluation reports over the past 2 years identified weak information security management practices at dozens of overseas posts. For example, only 10 of the 35 posts in one geographic region reviewed by OIG security teams in 1999 and 2000 were reported to have adequate information security procedures in place. Further, according to OIG's survey questionnaire, although 59 percent of the Department's 371 systems are reported to have completed risk assessments, only 10 percent are reported to have security plans, as required by GISRA. We recommend that the Chief Information Officer (CIO), in coordination with DS, develop a strategy and timetable for ensuring that all of the Department's systems/applications address each of the key system security elements identified in the report.

The Department has made progress in implementing a key GISRA provision—establishing the agency's CIO as the central management focal point for information security activities. On August 20, 2001, the Deputy Secretary of State issued a Delegation of Authority to the CIO to administer the Department's information security program. The CIO's new role as the administrator of this program establishes the central management focus on information security that is required by the law and puts the Department in a better posture to protect information technology assets from security risks.

OIG also found that the Department has not developed performance measures for its information security program, which are required by both GISRA and GPRA. In response to a draft of this report, the Under Secretary for Management's office said that by October 15, 2001, the Bureau of Information Resource Management, working with DS, will develop measurable and meaningful performance measures for the Department's information security program. This is important, because without useable performance measures, the Department is unable to assess the adequacy and effectiveness of information security policies and procedures and is hindered in its efforts to implement a results-based information security management program. We recommend that the CIO ensure that program managers develop and use GPRA and GISRA performance measures in support of the Department's information systems security program.

***Strong Management Support Needed to Ensure Broadcasting Board of Governors Complies with the Government Information Security Reform Act (01-IT-M-084)***

In response to GISRA, OIG performed an independent evaluation of the information security program and practices of BBG. Specific objectives of our review were to identify BBG's policies and procedures for securing information on its information systems and to determine whether BBG is effectively implementing requirements of GISRA.

OIG met with officials from organizations throughout BBG including the International Broadcasting Bureau (IBB), Voice of America, and Worldnet Television and Film Service. We spoke with officials from the Office of Cuba Broadcasting, but did not conduct any field work at its headquarters in Miami. The Office of Cuba Broadcasting had become aware of GISRA requirements only in June 2001 and requested time to develop and implement compliance measures. Also, OIG did not conduct detailed review work with BBG's grantee organizations, Radio Free Europe/Radio Liberty, and Radio Free Asia. They are private non-profit organizations that own and operate their own information technology systems. In addition to detailed discussions with appropriate BBG management and staff, we developed and used a questionnaire based on the National Institute of Standards and Technology's *Self-Assessment Guide for Information and Technology Systems*. We collected other pertinent supporting information security documentation as appropriate. We did not review technical controls during this evaluation because BBG was still developing its security program.

When OIG began its review in February 2001, BBG did not have a documented, agency-wide information security program as required by GISRA and had not documented security level requirements for its systems. Upon initiating this evaluation in February

2001, OIG found that BBG had not developed written policies and procedures for establishing commonly used information security controls. OIG found that BBG primarily uses commercial off-the-shelf software and identified 49 systems that it was operating at the time of our evaluation. Using questions taken from the National Institute of Standards and Technology's *Self-Assessment Guide*, OIG held discussions with several system owners and found that they were not using standard information security controls while managing their systems and that system security level determinations had not been documented. Furthermore, other key items that would support a stronger risk management approach to information security as called for under GISRA were missing. They include:

- risk assessments;
- contingency plans;
- vulnerability testing;
- an information security training program; and
- procedures for detecting, reporting, and responding to security incidents.

Since February 2001, BBG has appointed a Chief Information Officer (CIO) and has made some progress toward establishing an information security program. For example, in July 2001, the CIO issued a draft paper outlining a framework for the BBG Information Security Program, including a discussion of roles and responsibilities, training requirements, and the agency's enterprise architecture. In addition, five BBG program offices – Computing Services, Engineering and Technical Services, Voice of America Broadcast Operations, the Office of Cuba Broadcasting, and the Office of Internet Development – are developing security plans to protect BBG's 18 mission-critical and 31 non-mission-critical systems that were identified during our evaluation. The development of these security plans, according to BBG officials, is geared toward meeting GISRA requirements. Overall, these efforts suggest that BBG is making steady progress toward establishing an effective information security program throughout the agency. OIG is encouraged by these steps to comply with GISRA and recommends that BBG complete work on developing its information security program by the end of October 2001 and include a discussion of these efforts in its remediation plan, which is due to the Office of Management and Budget on October 31, 2001.

## Reports Issued Relating to Security Infrastructure Oversight

### *Audit of the Department's Background Investigations (01-SIO-R-061)*

This audit evaluated the Department's personnel security investigations program. Specifically, OIG examined the status of the Department's backlog of periodic re-investigations, along with the Department's plan for eliminating the backlog. Audit work focused on the Department's personnel security investigations for top secret clearances and whether those investigations complied with the Federal investigative standards and were conducted in a timely manner. The audit also included a review of the Department's internal controls over the personnel security investigation files.

The audit found that the Department has not fully complied with the Executive Order 12968, which established uniform Federal requirements for granting employees access to classified information to wit:

- The Department is not conducting a periodic re-investigation every five years of employees holding a top secret clearance. DS does not know the actual extent of its backlog, but was working on a list of 3,793 periodic re-investigations overdue as of the time of the audit.
- In a random sample of 50 background investigations reviewed for compliance with the Federal standards, 49 (98 percent) were incomplete. One or more of the nine required investigative areas was not adequately addressed.
- Temporary clearances have not been restricted to exceptional circumstances, the full investigations have not been expedited, and preliminary steps were not completed as required. Clearances have been revalidated for returning employees who lacked a current background investigation.
- The Department's background investigations are often not completed in a timely manner. In a random sample of 171 investigations, the length of time to complete the investigations varied considerably. The median timeframe was 6.9 months.

OIG recommends that the Department fund background investigations based on projected hiring levels and a 5-year cycle for periodic re-investigations; improve guidance

and oversight over background investigations and issuance of clearances; implement a standard time frame for completing background investigations; and increase the number of personnel overseeing background investigations based on a staffing needs analysis and caseload requirements.

***Audit of the State Department's Anti-Terrorism Assistance Program (01-SIO-R-085)***

OIG initiated this audit to determine whether the Anti-Terrorism Assistance (ATA) program was being administered in an efficient manner and enhancing the capabilities of foreign governments to counter terrorism. This entailed reviewing ATA program management, contracting issues, performance measurement, and curriculum quality. OIG found that Department officials had different views on the direction of the evolving ATA program and the appropriate use of ATA funds. OIG also found that the use of a cooperative agreement was not appropriate and may not be the most economical or effective means of implementing ATA training. In addition, DS has not established measurable goals for participating countries to determine whether ATA training was reaping not just enhanced diplomatic relationships, but also improved anti-terrorism capabilities.

This report included recommendations for implementing a Memorandum of Agreement between S/Coordinator for Counterterrorism and DS, soliciting competitive bids for training services, and establishing country-specific training objectives and measurements.