



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

MONTHLY REPORT OF **ACTIVITIES**

audits, inspections, testimony, and special activities

January/February/March 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.

Congressional and Outreach Activities

Testimony

The Acting Inspector General testified on March 15 before the House Committee on Government Reform Subcommittee on National Security, Veterans Affairs, and International Relations. Testimony was presented by a panel of Inspectors General for USAID, the Peace Corps, the U.S. International Trade Commission as well as the OIG for the Department of State and BBG. This panel was part of broader oversight hearings convened by the subcommittee covering nine departments and agencies that focused on the major management challenges and “high risk” operations in national defense, and international relations programs. In her testimony, Acting Inspector General Sigmund noted real progress on the part of the Department in addressing key management challenges. She described major management issues as:

- strengthening chief of mission oversight to provide the leadership of multifaceted foreign policy goals;
- maintaining adequate security for protecting people, information and facilities overseas and refining global security initiatives;
- correcting information systems security deficiencies identified in financial management systems notwithstanding the significant improvements in overall financial management; and
- identifying overall priorities for the Department’s strategic goals and devising a better process to link resources with those priorities.

The Acting Inspector General described BBG’s major management issue as developing a plan that comprehensively addresses its delivery systems and the need for surge capacity to support U.S. foreign policy objectives during a crisis.

OIG Outreach

January/February/March 2001

Over the past several months, the Inspector General and members of the OIG Executive Staff have met with law enforcement and audit professionals from a number of countries to share best practices and methodologies for establishing and strengthening internal controls, establishing and promoting professional standards, and ensuring greater accountability in government programs and operations. These sessions have included representatives from the Ukraine, the Republic of Croatia, Armenia, Chile, El Salvador, Honduras, Guatemala and Japan.

Pursuant to a Memorandum of Agreement with the Republic of Argentina signed in June by the Secretary of State on behalf of the United States and the Minister for Foreign Affairs on behalf of the Republic of Argentina, the Inspector General and the OIG Executive Staff hosted meetings with representatives of the Argentine Anticorruption Office. These discussions focused on auditing policies and procedures, implementation of public financial disclosure reporting requirements for government officials and followup procedures to ensure compliance with these procedures. Discussions also covered methods for enforcing overall adherence to ethical standards among government officials, policies and procedures under the Freedom of Information Act for handling public disclosure of inspector general reports, reporting requirements to Congress, and procedures to enforce the provisions of the Whistleblower Protection Act.

Reports Issued Relating to Financial Management and Administration

Vulnerability and Penetration Testing Analysis of the Unclassified Automated Information Systems at the Bangkok Financial Service Center (01-FM-004)

The Government Management Reform Act requires the Department's financial statements to be audited annually. At OIG's direction, a certified public accounting firm performed the audit of the Department's FY1999 Principal Financial Statements. Audits of the financial statements require, among other things, understanding and assessing the adequacy of the internal control process for recording, accumulating, and reporting financial data. This, in turn, requires an assessment of the security over the automated systems that process financial data. The accounting firm, in conjunction with its subcontractor, performed an assessment of security controls on the sensitive but unclassified automated information system at the Bangkok Financial Service Center including a vulnerability and penetration testing analysis.

Overall, the subcontractor was unable to compromise the mainframe security and concluded that the overall physical security was excellent. The subcontractor believed that, in response to concerns raised in an earlier audit conducted at the Financial Service Center in Paris, the Bangkok Financial Service Center had spent a considerable amount of time in preventive maintenance to secure its local area network and to identify any intrusion.

Review of the War for Talent Personnel Study (01-FMA-M-009)

In response to a congressional request, OIG reviewed questions related to an award of a contract for a personnel study of the Department, entitled *War for Talent*. OIG examined several questions relating to the propriety of the contract arrangements, the study's cost and value, and access to data generated by the study. The *War for Talent* study was completed in March of 1999.

In general, OIG found that the Department complied with applicable Federal procurement regulations in obtaining contractor services for this study. OIG did not identify any inappropriate high-level involvement in the procurement decision or attempt by senior Department officials to influence or otherwise compromise the independence of the contracting officer. In addition, we found that much of the information generated by the study could not have been obtained from studies conducted by other Federal agencies. We also found that the delivered product provided reasonable value to the Department, and the study continues to generate productive discussion and activity.

However, one shortcoming we did note was that the parties to the contract did not have a clear agreement on distribution of the study's results within the Government. This confusion led the Department to restrict the full access initially requested by a senior congressional staff member for this study. OIG recommended that the Department conduct a legal review to resolve how information from this study will be treated.

Audit of U.S. Department of State 2000 Principal Financial Statements (01-FMA-R-013)

The Government Management Reform Act requires that the Department's Principal Financial Statements be audited. The objective of the audit is to report on whether the financial statements fairly present the Department's financial position and results of financial operations in accordance with generally accepted accounting principles, to determine whether the Department had an internal control structure that provided reasonable assurance of achieving internal control objectives, and to determine whether the Department complied with applicable laws and regulations.

Under OIG's direction, an independent external firm audited the Department's 2000 Principal Financial Statements. Although an unqualified opinion was issued, the report brought to management's attention concerns with security over the unclassified network and the Paris Accounting and Disbursing System; the inadequacy of internal controls over the management of unliquidated obligations; the implementation of managerial cost accounting standards; and the inadequacy of the Department's financial and accounting system. The financial and accounting system was also noncompliant with several laws and regulations, including the Budget and Accounting Act of 1950, the Federal Managers' Financial Integrity Act, the Chief Financial Officers Act of 1990, and the Federal Financial Management Improvement Act.

Water and Sewer Payments to the District of Columbia (01-FMA-L-015)

The Consolidated Appropriations Act required the Office of Inspector General to submit a report to Congress analyzing the Department's promptness in paying for water and sanitary sewer services provided by the District of Columbia.

The Department of Treasury annually provides State with an estimated bill for water/sewer service that is adjusted as needed for prior years' differences. Treasury uses the On-line Payment and Collection system to automatically collect these funds from State on a quarterly basis. Both State and Treasury officials informed OIG that transfers from State had always been prompt and complete and State did not have any payment in arrears. OIG believes that the methodology used to transfer water/sewer payments to Treasury is adequate and does not expect an instance where the transfer of funds would be untimely.

Review of Selected Awards to Mississippi Consortium for International Development for Activities in the New Independent States (01-FMA-R-016)

As part of an overall effort to review Freedom Support Act assistance to the New Independent States, OIG examined 14 grants totaling about \$5 million awarded by the former USIA to Mississippi Consortium for International Development. OIG reviewed costs claimed and/or incurred for 1995 through July 18, 2000. The primary purpose was to determine if the Consortium 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 New Independent States programs. In addition, OIG reviewed the grantee's claims for reimbursement of indirect costs for FY 1995-99. OIG found the following:

- The Consortium did not always adequately account for Federal funds. OIG identified instances of 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, OIG questioned costs totaling about \$1.2 million. Of that amount, \$1,130,294 was unallowable under terms and conditions of the grant and \$20,500 was classified as unsupported because of either inadequate or a lack of documentation. Because these deficiencies could apply to other Federal awards received by the grantee, the savings to the U.S. Government could be much higher. However, due to the limited scope, OIG could not project the cost savings to the entire universe.
- Internal controls were deficient. Weaknesses included bank balances that exceeded insured amounts, outdated written accounting policies and procedures, and a lack of separation of duties within the organizational structure.

- The Consortium did not comply with applicable regulations and agreements. Examples include: untimely or incomplete reporting including the submission of indirect cost rate proposal packages, failure to meet cost share provisions, inadequate approval of time sheets, expired agreements, incomplete personnel records, and inadequate property accountability.
- Although the Consortium did not have written procedures for evaluating program results, its final program reports did facilitate evaluation.

OIG is recommending that the Bureau of Educational and Cultural Affairs require the Consortium to reimburse the Department for unallowable costs and provide additional documentation for the unsupported costs.

Federal Agencies' Centralized Trial-Balance System Agreed-Upon Procedures Report (01-FMA-L-023)

The Department of the Treasury annually prepares and submits to the President and Congress an audited financial statement covering all executive agencies. Each agency is required to furnish certain financial and operational information to the Department of the Treasury through the Federal Agencies' Centralized Trial-Balance System (FACTS). The Chief Financial Officer of the agency must compare the information submitted through FACTS with the agency financial statement and explain any differences identified.

Under OIG's direction, a certified public accounting firm performed required procedures solely to assist the Department of the Treasury, the General Accounting Office, and the Office of Management and Budget to evaluate management's assertion that it compared the Summarized FACTS I Data to the related information in the agency's consolidation audited financial statements as of and for the year ended September 30, 2000. The firm determined that FACTS data was in agreement with the agency's statements except for a calculation error in Treasury's Account Groupings Worksheet: Statement of Net Cost.

Audit of the National Endowment for Democracy (01-FMA-M-031)

The National Endowment for Democracy Act (Public Law 102-138),¹ as amended, mandates that OIG audit the annual financial transactions of the National Endowment for Democracy. In this audit, OIG reviewed the Endowment's transactions for FY 1997-99. The primary purpose of the audit was to determine whether the Endowment adequately accounted for Federal funds and complied with laws, policies, regulations, and terms of the agreements. We also assessed whether the Endowment had implemented the recommendations from OIG's previous audit report.

OIG found that, in general, the Endowment adequately accounted for Federal funds. Review of the work performed by the independent auditors disclosed that the annual audit reports prescribed by Office of Management and Budget Circular A-133 had no material findings and assessed the Endowment as a low-risk grantee. The Endowment monitored its core grantees through desk reviews of their OMB Circular A-133 audit reports and through on-site compliance reviews. The Endowment also performed timely monitoring of its discretionary grantees. However, the Endowment's compliance with its own travel policy needs of improvement. In addition, the Endowment had implemented all recommendations from OIG's previous audit report.

¹ This provision applied to the OIG for USIA. On October 1, 1999, the U.S. Information Agency and the Department of State were consolidated. Under the consolidation, the Endowment reports to the Bureau of Educational and Cultural Affairs.

Reports Issued Relating to Foreign Policy

Status of State-USIA Consolidation at Overseas Posts (ISP/I-01-05)

In 19 post management inspections conducted between October 1999 and July 2000, OIG teams evaluated the process and the impact of the State-USIA consolidation with a special emphasis on the public diplomacy function. Principal findings were:

- On balance, consolidation at posts was accomplished smoothly with little or no interruption in programs and public diplomacy functions.
- OIG did not observe, nor did it expect, any short-term savings as a result of the consolidation of management functions.
- The integration of former U.S. Information Service executive officers into the Department of State's administrative sections created some overlap in responsibilities, and in two posts, former executive officers had few duties commensurate with their rank and experience.
- Former U.S. Information Service FSNs at several posts were unsure of the impact of consolidation on their grade, salary, responsibilities and long-term employment.

OIG will continue to study these and other issues during future post management inspections to determine whether there are systemic problems that warrant management intervention.

Bureau of European Affairs (01-FP-R-003)

Despite considerable stress from workload pressures and resource constraints, the Bureau of European Affairs (EUR) was performing at a high level overall. The principal relationships it oversees – with the North Atlantic Treaty Organization (NATO), the European Union (EU), and key allies – are important but labor intensive.

Although the long-range agendas of NATO and EU drive strategic planning in some offices, day-to-day activities and crises consumed the time and resources of many EUR offices. The Mission Performance Plan and Bureau Performance Plan process had not yet matured to the point of effectively setting priorities or allocating resources.

The integration of the public diplomacy function within EUR is a model of its kind, replete with positive examples drawn from press activities and crisis situations. Nonetheless, EUR had much work remaining to give public diplomacy the role it warrants in planning and implementing foreign policy.

Reporting and analysis have fallen off at many European posts because EUR saw a decreased need for reporting on West European countries with transparent economic and political systems. This deprived the Department of sufficient context for key policy decisions. Country desks needed to play a more active role in guiding reporting through Mission Performance Plans and post reporting plans.

The Department's Foreign Service and Civil Service personnel systems were not able to provide EUR the people needed to carry out its responsibilities. EUR had been compelled to recruit retired employees, interns, and contractors. However, EUR's professional and dedicated workforce was ill served by an entrenched system of practices and values that discouraged delegation of authority and promoted form over substance.

The Office of the Executive Director has provided excellent administrative support to EUR and New Independent States posts abroad. In order to match resources with demands, the Office of the Executive Director developed several innovative programs to use EUR human and financial resources more effectively. Domestically, EUR employees gave high marks to the Office of the Executive Director's performance overall, but would have liked faster responses from some units.

Some EUR country offices operate in a high-risk environment from a management controls perspective. EUR's work environment is susceptible to waste and mismanagement because of the complexity of its programs, frequent and tight deadlines, confused lines of authority, the high number of Presidential and Secretary of State visits it supports, and the highly sensitive information it handles. In addition to traditional policy direction, country offices were managing sizable assistance and peacekeeping programs without the administrative infrastructure to adequately oversee them.

Embassy Sarajevo, Bosnia-Herzegovina (01-FP-R-011)

Embassy Sarajevo's Mission Performance Plan was entirely derived from the Dayton Peace Agreement's all encompassing objectives. Strategy and objectives were, for the most part, clearly defined and vigorously pursued, but omissions resulted from the Department's suggestion of limits on the Mission Performance Plan content. The Embassy's strong leadership, clear policy focus, and hard work by a dedicated staff have been essential to the reforms and institutionalizations that have been achieved. Even so, the country's complex, dynamic and lingering Bosnian opposition to the Agreement's aims will test American steadfastness as international assistance declines.

As Bosnia-Herzegovina stabilizes under the international community's oversight, the Embassy should normalize operations, which are currently in crisis mode. The present supervisory structure in the Department is a vestige of a time when day-to-day business with Bosnia was conducted from Washington. The branch offices in Mostar and Banja Luka have evolved from reporting outposts into policy implementation assets and need to be more integrated into Embassy activities.

Consular services were well delivered, but an increasing workload may make more resources necessary. Two different refugee programs are administered by the Mission, one by the consular section and another by the Refugee Action Center, which monitors the refugee resettlement work funded by the Department. Funding for the latter was threatened with a severe cutback at a crucial time just as the rate of refugee returns was gaining significant momentum. The Embassy should seek Department support to restore this funding to an adequate level.

Like other embassy operations, public diplomacy focuses on Dayton-derived objectives and provided good, active support to the Chief of Mission. One major activity, a civic education program, was carried out by a nongovernmental organization grantee whose status should be regularized and included in the public affairs section. Consolidation was incomplete and needed improvement.

A service-oriented, effectively led administrative office benefited from a hard-working and dedicated staff and did excellent work. The Embassy and the Department should pursue normalization in such areas as support for other agencies, human resources, Foreign Service national issues including their need for a retirement program, and badly needed office and warehouse space.

Embassy Bratislava, Slovakia (01-FP-R-012)

In keeping with the U.S. objective of encouraging Slovakia's pro-Western tendencies, Embassy Bratislava focused its policy implementation on three of the Department's program goals – regional security, economic development, and democracy. Of these, economic development has moved to the forefront of Embassy priorities. Leadership in this area was strong, and the Embassy's activities on these issues were welcomed by the Slovak Government. However, overall management of the post was, like the country itself, still in transition. The Ambassador and deputy chief of mission needed a clearer definition of the latter's role.

Embassy Bratislava is a small, hardworking but overextended post. Its ambitious Mission Performance Plan articulated well the principal U.S. objectives of a country in transition to Euro-Atlantic institutions. OIG recommended that the Embassy review the plan to ensure that goals are aligned with the post's limited resources. Policy implementation benefited from the new Ambassador's involvement of nongovernmental assets in pursuit of his goals, but priorities needed to be established to ensure that the post's scarce resources are devoted to the projects that are most relevant to the Mission Performance Plan objectives.

Greater front office engagement was needed in such areas as political-military affairs and law enforcement. Combining the political and economic sections should maximize reporting efficiency and result in clearer lines of responsibility, closer supervision, and better coordination.

Program aspects of public diplomacy were well-managed and closely keyed to Mission Performance Plan objectives, particularly economic development and democracy. The information resource center deserves its excellent reputation. Prior U.S. Information Service management failed to adhere to Department guidelines concerning the consolidation of U.S. Information Service staff with the Department. The Embassy should review position descriptions for the public affairs section staff and revise them to reflect program requirements.

Consular operations were well directed. A troubling increase in the incidence of visa fraud required the preparation of an action plan that incorporates several OIG suggestions for procedural and staffing changes in the nonimmigrant visa unit and the creation of a permanent antifraud unit.

Review of the Broadcasting Board of Governors Transition to Independence (01-FP-M-018)

OIG reviewed the Broadcasting Board of Governors transition to independence in accordance with the Foreign Affairs Reform and Restructuring Act of 1998 (Public Law 105-277). On October 1, 1999, the U.S. Information Agency, the parent agency for BBG, merged with the Department, and BBG became an independent Federal entity. The primary objectives of the review were to determine the status of the independence process and to examine independence mandates and decisions that affect BBG's ability to operate.

OIG found that BBG has made considerable progress in establishing its independence while continuing to transmit international broadcasts throughout the world. Although there were no significant broadcast programming changes, the agency made a number of organizational changes to incorporate some functions previously performed by the USIA, e.g., legal counsel, contracting, security, and civil rights.

Several operational issues remained unresolved with the Department in connection with independence. In particular, we found that BBG and the Department had not been able to agree on an overall Memorandum of Understanding (MOU) on operating arrangements involving the two parties. Two key areas that continued to impair resolution of the MOU include (1) the BBG level of support for the Department's interactive and other diplomacy programming, and (2) U.S. chief of mission authority over Voice of America correspondent travel overseas. Overall, the lack of resolution on these issues and signing of the MOU were delaying important communications to overseas posts concerning how the new BBG and the Department would continue to work together.

The report includes recommendations to the two agencies to:

- finalize all formal memoranda pertaining to operating agreements;
- follow through with establishing a financial service center at BBG staffed with Department personnel;
- develop cost data and an appropriate reimbursement basis for BBG programming services provided to the Department;
- develop a Department programming needs assessment to support requests for BBG transmission services;
- defer any expansion of the transmission system until the Department needs assessment is completed; and

- seek Department reimbursement for transmission services that cannot be supported within existing BBG resources.

U.S. Interests Section Havana, Cuba (01-FP-R-020)

Mission activities are closely monitored and sharply restricted by the Cuban Government. In these circumstances, the U.S. Interests Section should concentrate its attention and resources where they are likely to be most effective – supporting people-to-people exchanges and full implementation of bilateral migration agreements, including monitoring possible retaliation against returnees.

The U.S. Interests Section was severely hampered by the absence of a deputy principal officer. As a result, internal coordination, follow-up, and oversight of Mission activities suffered. A new deputy principal officer should be assigned promptly.

Polarization has long characterized discussion in the United States of Castro's Cuba. Bipartisan reluctance to take actions that might be interpreted as promoting normalization of relations with Cuba has also worked against expanding activities that might contribute to more openness in Cuban society. People-to-people exchanges and other outreach activities should be expanded.

Refugee and migration issues merited greater attention by the U.S. Interests Section and the U.S. Government generally. Existing facilities for processing refugee cases were shabby. Long overdue renovations to the migration center remained stalled over funding problems and design issues. Successive staffing gaps have deterred adequate monitoring of returned migrants. OIG recommended that these issues be promptly resolved and the renovations completed without further delay.

The consular section had more than adequate space and, when fully staffed, sufficient personnel to accomplish its current mission. However, any significant shift in the bilateral relationship could quickly submerge the section in more work than it can handle. Inaccurate Cuban medical clearances enable immigrants who should be excluded on medical grounds to enter the United States.

Cuba is an extremely difficult working environment characterized by pervasive state control and limited access to government officials. The U.S. Interests Section was doing what it could in these difficult circumstances. The addition of permanent staff devoted to reporting is

unlikely to appreciably alter this situation, and gaps in information will have to be filled by other means.

The U.S. Interests Section had an active human rights program that reached out to the few Cubans willing to challenge the authorities. Although public U.S. support for these dissidents remains important; the activities of friendly nations and diplomatic missions, nongovernmental organizations, and the international human rights community are more likely to be effective.

A 51 person limitation on the U.S. permanent staff and government control over the hiring and firing of Cubans working at the U.S. Interests Section highlight the importance of effective human resources management. The Department, working with the U.S. Interests Section, should develop a plan to ensure continuity in American staffing at the U.S. Interests Section. Issues associated with the employment of Cuban nationals also merit comprehensive review, to include staffing levels, remuneration issues, and training needs.

Faced with problems encountered almost nowhere else in the world, the administrative section was performing commendably. Operations were hampered at every turn by a hostile government. Infrastructure is poor, and housing is inadequate and difficult to obtain. Staffing is problematic because of the Cuban Government's control of the national labor pool.

Embassy Sofia, Bulgaria (01-FP-R-021)

Embassy Sofia's substantial role in policy formulation and implementation was focused and effective, centering on national security and democratization. The Chief of Mission fosters a marked interagency collegiality, which facilitated policy operations. Post management was well-liked, and morale was good. However, closer front office oversight of the administrative section would improve its performance and professionalism.

Relations with Bulgaria are good. U.S. policy sees the country as an oasis of stability in a zone of potential and actual conflict, and it bolsters this position by furthering the consolidation of Bulgarian democracy and economic reform. The United States welcomes Bulgaria's demonstrated role in regional security and assumes for policy purposes that the encouraging political and economic trends of today will remain in place, whatever the results of upcoming elections. It also accepts that the process is not perfect. Aid and encouragement both help prepare the country for North Atlantic Treaty Organization and European Union membership, while patient perseverance is needed to help it overcome systemic weaknesses like pervasive crime and corruption. Mission Performance Plan objectives were in tune with these considerations.

Substantive reporting sufficiently addressed the Embassy agenda and was responsive to Washington's needs, but it lacked the analytical depth useful at the policy level. The Embassy was taking steps to use the Mission Performance Plan more effectively as a strategic management tool by developing integrated reporting, representation, and travel plans linked to U.S. objectives. That linkage, coupled with more structured strategic planning at the executive and section level, will enhance the Embassy's policy dialogue with Washington.

Streamlining of consular operations continued as demand for services steadily increased. Implementation of a recommended "best practices" package and staff rightsizing will further increase efficiency. With opening of a new chancery years away, cramped work conditions may need an interim solution.

Inconsistent management of administrative functions and weak internal controls in some administrative units left post resources vulnerable to abuse. Interagency communication on administration activities needed strengthening, and some general services and information management services needed improvement. The International Cooperative Administrative Support Services council does not rate service providers and had not functioned as a key vehicle for management of post resources. The post should manage existing resources better before additional ones are requested.

Embassy Caracas, Venezuela (01-FP-R-022)

Embassy Caracas has done an impressive job of helping to guide policy during a major transition in Venezuelan politics. Changes underway increase the potential for miscalculation in managing the bilateral relationship. More needed to be done to ensure that the Embassy's on-the-scene perspectives were taken into account in policy deliberations in Washington.

Cooperation was good among Mission components, which worked well to achieve common purposes. Frequently, however, agency and unit priorities, rather than Mission wide objectives, set the agenda for these activities. As a result, the Mission was less effective in advancing important bilateral and regional objectives.

Activities conducted by Embassy Caracas were not always well coordinated with similar endeavors by other U.S. missions in the region. The effort to control narcotics trafficking was the most striking example. Failure to fully coordinate activities in Venezuela with similar programs being conducted by U.S. missions in neighboring countries, particularly those in the Andean region, reduces the effectiveness of the overall effort.

The integration of the U.S. Information Service personnel into a public affairs section within the Mission was smooth for the most part, but attitude adjustments will require more time. The merger created its own dynamic as well as a new division of labor within the section. The role of public diplomacy within the Mission was evolving as well. Although some of the circumstances were undoubtedly post specific, they also suggested a larger trend that merits greater attention by Department planners.

Administrative operations, particularly general services and human resources, needed considerable strengthening. Management controls were weak – in some instances nonexistent – and management oversight has been largely ineffective.

Embassy Caracas faces serious problems in the new chancery, which was completed in 1995. Staff already exceeded planned capacity of the building. Office layout was not conducive to efficient operations. Both the Embassy and the Department urgently need to address this problem.

Embassy Caracas needs to maintain access and leverage to influence and evaluate developments in Venezuela. Venezuela's undisguised aspirations for regional leadership, as well as the more assertive role it is playing in the Organization of Petroleum Exporting Countries, carry significant implications for the United States. Embassy Caracas needs to increase its coverage of the broader petroleum sector, including future-capacity expansion plans.

Mission personnel were not developing the contacts they needed to advance U.S. interests in Venezuela and the region. Lack of public transportation, traffic gridlock, and the Embassy's remote location made it difficult for Mission personnel to meet with their Venezuelan counterparts. Expanded outreach was difficult because of a lack of representational funds, high crime rates, and housing that was not well suited to representational entertaining.

Foreign national employees were widely perceived by the American staff as not performing at acceptable levels. Foreign national employees believed their American coworkers did not appreciate the contributions they made to the work of the Mission. These negative perceptions contributed to an atmosphere of mutual recrimination that detracted from the teamwork necessary for effective Mission-wide efforts in support of U.S. interests in Venezuela. The well-managed and adequately staffed consular section struggled to meet growing demand for consular services in office space that it had outgrown. Enhancements to the fraud management program were under way; greater efforts and some reorganization were needed.

Embassy Dar es Salaam, Tanzania (01-FP-R-025)

The Ambassador earned high praise for helping to heal the American Mission after the bombing of the U.S. chancery in 1998. Ultimately, nothing the United States or any other donor does in Tanzania will matter unless the scourge of HIV/AIDS is brought under control. Although there are roles for virtually every arm of the Mission to fight HIV/AIDS, the Embassy had no coordinating mechanism. The U.S. plan to assist Tanzania to cope with the impact of HIV/AIDS could dwarf all else the United States has undertaken developmentally.

The Embassy did not properly emphasize management controls following the bombing. Many requirements that may have been bypassed during the early days of the crisis were not reinstated after the chaos abated. The Embassy's oversight of nonexpendable property needed improvement.

The lack of administrative oversight was seen in the results of OIG questionnaires, which indicated dissatisfaction with the administrative unit. Those perceptions were being overcome quickly by much needed corrective action by new officers.

Embassy Nairobi, Kenya (01-FP-R-026)

The U.S. response to the August 7, 1998, bombing has been extraordinary. Great credit is due to Embassy Nairobi's administrative staff, the Office of Foreign Buildings Operations, and hundreds of Department officials who contributed uncounted hours to rebuilding operations, finding and renovating a building, and beginning the construction of the new office building.

The United States and Kenya currently enjoy their strongest relationship in decades. After years of contentious public American diplomacy in Kenya, the Ambassador's quieter approach has paid dividends, and the reporting record shows that he has pressed tirelessly for political and economic reform behind closed doors.

The urgency of the AIDS effort cannot be overstated; there had been a major bottleneck in Kenya that threatened to slow the expansion of the Centers for Disease Control and Prevention. The Centers had funding and were sending American employees to Kenya, but there was no suitable space to accommodate the expansion. The implementation of recently approved legislation should allow the Department of Health and Human Services to finance the desperately needed renovation of current research sites.

As U.S. operations normalized, U.S. attention turned to America's future in Kenya and whether the American presence should be reduced. This proved to be impractical, as

Washington policymakers surveyed the region and found no alternatives to Kenya's still unique infrastructure.

The Ambassador has used his National Security Decision Directive-38 authority to try to control the size of Embassy Nairobi, but there are legitimate requests to expand the operations of the Federal Bureau of Investigation, the Immigration and Naturalization Service (INS), the Centers for Disease Control and Prevention, and the Broadcasting Board of Governors. This inspection confirmed the need for improved Department staffing to keep up with demands for administrative, consular, and reporting services.

Major management shortcomings existed in nonimmigrant visa operations, creating a situation that required concerted action to halt the erosion of goodwill towards the United States. In September 1999, Embassy Nairobi identified 15 reportable weaknesses in management controls. By September 2000, only two weaknesses remained unresolved. This accomplishment is a credit to the dedication of Embassy Nairobi's management team.

U.S. Munitions List and the Commodity Jurisdiction Process (01-FP-M-027)

The National Defense Authorization Act for FY 2000, Public Law 106-65, Title XIV, Section 1402, Annual Report on Transfers of Militarily Sensitive Technology to Countries and Entities of Concern, requires the Inspectors General of the Departments of Commerce, Defense, Energy, and State to audit the U.S. Government policies and procedures for export of technologies and technical information to countries and entities of concern. During FY 2001, the Department of State OIG assessed the export licensing process to determine whether the policies and procedures for developing, maintaining, and revising the U.S. Munitions List were adequately protecting the export of militarily sensitive technologies. As part of this objective, OIG also assessed the policies and procedures in place at the Office of Defense Trade Controls for processing commodity jurisdiction cases.

OIG found that the policies and procedures for developing, maintaining, and revising the U.S. Munitions List were adequately protecting the export of militarily sensitive technologies. However, the policies and procedures for the commodity jurisdiction process need improvement. The process took too long and was not always transparent. OIG recommended that the Office of Defense Trade Controls develop procedures to notify, on a regular basis, the Departments of Commerce and Defense of deadlines for specific commodity jurisdiction cases, and implement a plan to improve its coordination with other agencies and internal commodity jurisdiction procedures.

Reports Issued Relating to Human Resources

The Civil Service to Foreign Service Hard-to-Fill Program (01-HR-L-029)

At the request of the Deputy Assistant Secretary for Human Resources, the OIG reviewed the Civil Service to Foreign Service Hard-to-Fill Program. The objective of our review was to determine whether the Hard-to-Fill Program is helping to alleviate Foreign Service staffing shortages and enhancing work experiences for Civil Service employees.

OIG found that, overall, the Hard-to-Fill Program has been useful in reducing Foreign Service staffing shortages and has broadened work experiences for Civil Service employees. OIG found widespread support for the program, but there were also workforce planning concerns among personnel managers, the bureaus, employees, and the American Foreign Service Association. Concerns focused on ensuring a smooth, fair, and appropriate transition for returning Civil Service employees with reemployment rights and on the need to consider the costs of Hard-to-Fill programs, especially in sending bureaus.

The Hard-to-Fill Program is beneficial and worth continuing because it provides experienced employees for necessary positions that otherwise would go unfilled. However, it is only one of several programs designed to deal with fundamental problems such as management of resources and chronic personnel shortages. For example, despite the widespread approbation that the Hard-to-Fill Program has elicited, at any given time there are about 200 unfilled Foreign Service positions in Washington, D.C., and around the world.

Reports Issued Relating to Information Technology

Departmentwide Web Site Management Needs to be Strengthened (01-IT-M-017)

The World Wide Web, also known as the Internet, has emerged as a powerful tool for communicating large amounts of information on Federal activities and services. At the same time, however, the Internet has made it possible for web sites to track and collect personally identifiable data – such as an individual’s name, e-mail address, Social Security number, or credit card number – making online privacy one of the key and most contentious issues in this information age.

In response to requirements of Section 646 of the Treasury and General Government Appropriations Act, 2001, OIG conducted a review of Internet privacy management at the Department. We focused our review on the Department’s practices regarding the collection of personally identifiable information through the use of “cookies” or other means on its public web sites. A cookie is a small text file placed on a site visitor’s computer hard drive by a web server, allowing a server to track online purchases, maintain and serve customized web pages, or build profiles on individual site visitors.

As a result of the review, we found that the Department has ongoing efforts to institute policies to ensure that its web sites are managed in accordance with Federal online privacy guidelines prescribed by the Office of Management and Budget. Specifically, the Department’s policies restrict the use of persistent cookies on its public web sites without agency head approval. Because persistent cookies remain stored on site visitors’ computers until a specified expiration date and can be used to track personal information over time or across web sites, they raise site visitors’ apprehension about what information is collected and how it could be used. The Department’s policies also require that web sites display privacy and security notices informing users that cookies or other means to collect data from the public are employed on the sites.

Despite the Department’s Internet privacy restrictions, we found that nine of the 206 web sites that we identified in the Department were using persistent cookies without proper authorization. At two of the nine sites, the web managers knew that persistent cookies were being used, but did not realize that they needed agency head permission. The cookies were used for such activities as analyzing web trends, counting visitors, and facilitating user navigation

through the sites. For the remaining seven situations, web managers did not know that cookies were being used. These cookies had been inserted through a commercial web development application as a convenient way of maintaining user preferences (i.e., graphics, screen color) as a user navigates from one web page to another during a site visit. Web managers agreed to take steps to remove or seek the Secretary's approval for the nine persistent cookies that were discovered during our review.

Further, we found that 116 of 206 – well over half of the Department's sites that we reviewed – had no privacy statements and therefore no means of advising users of any information collected on the sites. Of the 116 sites with privacy statements, 34 were outdated statements, archived from a prior web hosting arrangement. Webmasters that we informed of the outdated privacy notices all agreed to update their sites. Additionally, the two sites that knowingly used persistent cookies did not post adequate privacy statements to advise site visitors of this practice. We found no evidence that any of the persistent cookies were used to collect personal data on site visitors.

These online privacy assurance problems resulted in part from the Department's highly decentralized approach to web site management, in which numerous organizations share responsibility for guiding or controlling various aspects of Internet management. Domestic bureaus and posts also have considerable independence regarding how to manage and host their web sites. The Department recognizes that it needs to strengthen web site management across the organization and, as a first step, has established a permanent, senior-level Internet Steering Committee. We recommend that the Department go even further, and establish a small Internet Program Office within the Office of the Under Secretary for Public Diplomacy and Public Affairs to support the Internet Steering Committee in overseeing and coordinating web sites on an agencywide basis.

Reports Issued Relating to Security Infrastructure Oversight

During this reporting period, an OIG security inspection was conducted at Embassy Moscow, Russia; there was an Evaluation of Security at Pristina; and a Security Compliance Follow-up Review was conducted at Ljubljana, Slovenia.

Review of the Surveillance Detection Program (01-FMA-R-006)

OIG reviewed the Bureau of Diplomatic Security's Surveillance Detection Program to determine if its objectives were being accomplished. OIG also reviewed the status of posts' program implementation, training, and adequacy of management controls. Finally, OIG wanted to identify systemic and post-specific opportunities for program enhancement. OIG found that the worldwide establishment of an entirely new security initiative against terrorism at U.S. missions was a significant achievement. However, the Surveillance Detection Program missed an important opportunity by not using staff as an additional layer of protection for U.S. missions against mass casualty attacks. OIG found that post programs lacked adequate procedures to deal with emergencies. In many instances, OIG found office space located outside the U.S. mission is not essential for Surveillance Detection operations. In addition, software provided by the Bureau to track surveillance incidents failed to discern patterns of hostile surveillance. OIG also identified best practices and alternative methods to the existing program model that can more economically or more efficiently achieve the goal of detecting hostile surveillance.

Major recommendations include: emergency procedures to maximize the protective value of Surveillance Detection guards; Program offices outside of U.S. missions should be reviewed and nonessential leases discontinued; Surveillance Detection database software should be reviewed and modified for program effectiveness with the assistance of the Bureau of Information Resource Management; and more efficient and cost-effective alternatives to detect surveillance should be identified and used when possible.