



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 and February 2002

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

Office of Audits

International Boundary and Water Commission's Financial Statements for FY 2000 **(AUD-FM-02-05)**

OIG audited the International Boundary and Water Commission's (IBWC) Financial Statements as of September 30, 2000, in order to obtain reasonable assurance and express an opinion on whether the principal financial statements were free of material misstatement, to determine whether IBWC has an internal control structure that provides reasonable assurance of achieving internal control objectives, and whether IBWC complied with applicable laws and regulations. The IBWC is charged by a series of treaties between the governments of the United States and Mexico with the application, regulation, and exercise of the provisions of such agreements for the solution of water and boundary problems between United States and Mexico. For FY 2000, IBWC reported assets of \$376 million.

OIG issued an unqualified opinion on the IBWC Principal Financial Statements as of September 30, 2000, which means the IBWC's financial statements are free of material misstatements. Although an unqualified opinion was issued, the report brings to management's attention internal control weaknesses over back-up tapes of the accounting system, computer security, and the financial management system. The audit did not identify any instances of noncompliance with laws and regulations that were considered necessary for disclosure.

Review of Intragovernmental Receivables (AUD-FM-02-06)

This is the second of two OIG reviews of accounts receivable in the Department of State (the Department). The Department's accounts receivable consist of debts owed to the Department by the public and by other governmental agencies. This report is based on the review of debts owed the Department by other federal agencies (intragovernmental receivables) and completes our review of accounts receivable. Accounts receivable totaled over \$128 million at the end of FY 1999, of which \$93.8 million represented intragovernmental receivables. Our principal objectives were to determine whether:

- the Department properly accounts for and records intragovernmental receivables for financial records and statements;
- adequate internal controls and management practices are in place over intragovernmental receivables; and
- performance measures relating to accounts receivables have been established and the data used for measurement are valid.

OIG determined that the Department did not properly account for debt owed the Department by other agencies. As a result, accounts receivable were significantly overstated. In addition, there were insufficient controls over reimbursable agreements, collection processes, payment processing and recording, and the accounts receivable computer system. Further, the Domestic Accounts Receivable Tracking System did not produce a reliable aging schedule. OIG also made suggestions to improve performance measurement as mandated by the Government Performance and Results Act of 1993.

Major recommendations include establishing procedures to ensure that advance payments and cash sales for services provided to other agencies are properly accounted for and that offices share information better. OIG also recommended that an allowance for doubtful intragovernmental receivables be included in the Department's audited financial statements.

Audit of the U.S. Department of State 2001 and 2000 Principal Financial Statements (AUD-FM-02-10)

The Government Management Reform Act requires that the Department's Principal Financial Statements be audited. The objectives of the audit are 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 has an internal control structure that provides reasonable assurance of achieving internal control objectives, and to determine whether the Department complies with applicable laws and regulations.

Under OIG's direction, an independent external auditor issued an unqualified opinion on the Department's 2001 and 2000 Principal Financial Statements. Although an unqualified opinion was issued, the report brings to management's attention concerns about security over the unclassified network and the Paris Accounting and Disbursing System; the inadequacy of internal controls over the management of undelivered orders; and the inadequacy of the Department's financial and

accounting system, which is both an internal control weakness and an issue of noncompliance with several laws and regulations.

Office of Inspections

Inspection of Embassy Kingston, Jamaica (ISP-I-02-02)

Embassy Kingston successfully coordinates the efforts of the federal agencies at post with programs dealing with counternarcotics and law enforcement. The embassy should enhance its reporting and analysis of developments that are likely to affect Jamaica's ability to offer meaningful cooperation in counternarcotics and law enforcement.

Two major problems relating to the Bureau of International Narcotics and Law Enforcement Affairs activities need to be resolved. First, an excessive amount of unexpended program funds should be reviewed and either used by the Jamaican government or withdrawn. Second, the embassy has been unable to provide verification of or account for much of the counternarcotics equipment given to the Jamaican government over the years.

The U.S. government acquired a hotel complex in Kingston for use as a chancery and clustered housing. However, the Jamaican government has not given any assurances that it would approve the use of the complex as a chancery. In addition, the embassy has not received funding needed to maintain and renovate the complex, and the complex has started to deteriorate. OIG recommended that the Department develop a long-range plan to renovate the complex and provide funding for additional staff or assign a facilities management specialist to monitor and maintain it.

American morale is low because of the rising crime rate and high cost of living. The embassy has a high incidence of curtailment and difficulty recruiting suitable people for openings. The chargé is leading an effort to address the morale problems.

The Department had not yet funded the buy-back costs associated with the embassy's supplemental retirement plan for Foreign Service nationals. OIG recommended that the Department provide the funding.

Embassy Bridgetown, Barbados (ISP-I-02-03)

U.S. interests in the seven small Eastern Caribbean countries to which the mission in Barbados is accredited focus largely on counternarcotics and law enforcement matters. Post management is doing a creditable job in coordinating the efforts of the federal agencies managing programs dealing with these issues. However, coordination of the economic and political reporting function could be improved.

With the exception of the counternarcotics and law enforcement functions, the embassy is seriously underfunded. The understaffed consular section strives to manage its daunting and sensitive workload, but lack of funds is affecting its ability to carry out its mission. Lack of funds limits routine work and use of best practices and makes consular outreach, reporting, training, and travel to outlying islands to provide services difficult. In addition, the physical plant is in disrepair and totally unacceptable. Additional funds will be needed to bring the embassy up to a satisfactory level of maintenance.

Relations between the missions in Barbados and Grenada have been cordial and productive. However, it would be useful to clarify in writing the exact relationship between the two missions for reporting and administrative matters.

A fully integrated post reporting program would assist the embassy in managing its human and financial resources. At present, travel and reporting are not as coordinated or carefully planned as they might be.

Morale is mixed at best, with many at the embassy commenting on a lack of cohesion. The embassy has made efforts to improve the quality of life; however, more needs to be done to give employees a greater sense of unity.

Embassy Kolonia, Federated States of Micronesia (ISP-I-02-09)

Kolonia, Micronesia, is a former UN Trust Territory administered by the United States. A Compact of Free Association commits the United States to establish full diplomatic relations and provide significant levels of development assistance. It also grants citizens of Micronesia the right to travel to and reside in the United States without a visa. The United States provides Micronesia's defense and security needs. Micronesia has a strong record of support for U.S. positions in the UN General Assembly.

The Compact of Free Association with Kolonia expired in 2001. A two-year grace period ensures that it will remain in effect until negotiations for a new compact are completed. Negotiations have been underway for some time now. Congress must ratify a renegotiated compact by the end of that grace period, or terms of the present compact will lapse.

Embassy Kolonia is likely to lose its chancery within five years as soil continues to erode under its foundation. Work must begin now to identify potential new locations. Locally hired American citizens provide the bulk of the embassy's administrative support. Appropriate regional offices must do a better job of supporting the Kolonia team in both administrative and security matters.

Embassy Suva, Republic of Fiji (ISP-I-02-11)

The U.S. Embassy in Suva is accredited to Fiji, Tonga, Tuvalu, and Nauru. It has consular and commercial responsibilities in French Polynesia, New Caledonia, and the Wallis and Futuna Islands. Embassy Suva also represents the U.S. Commander-in-Chief for the Pacific Region in all these areas. All four of the states to which Embassy Suva is accredited are full voting members of the UN General Assembly.

Fiji gained its independence in 1970 after nearly a century of British control. It is, by far, the largest and politically most complex of the states Embassy Suva serves. In May 2000, a group of indigenous Fijians attempted a coup against the prime minister. They held the prime minister and other members of parliament hostage for 56 days. During the crisis, civil unrest broke out, and security forces illegally seized power. In July 2000, the security forces stepped down. Elections in August 2001 resulted in a narrow victory for an indigenous Fijian party. The new prime minister has prolonged the political crisis by refusing to accept opposition politicians into his Cabinet, as required by the constitution.

Support for return to democracy and constitutional rule in Fiji is Embassy Suva's top mission priority. The Ambassador (who departed post in June) and the chargé d'affaires have had easy access to senior government officials throughout the months of political crisis.

Over 100,000 American tourists have visited Embassy Suva's consular district annually in recent years. An additional several thousand American citizens live throughout the islands. In light of recent political and social instability in Fiji, American citizens services and emergency preparedness have taken on added importance.

Promoting U.S. national security interests in the region is another major priority. Fiji has long been actively involved in international peacekeeping efforts. Twenty-five percent of the Fiji military is on active duty in the Sinai and in Lebanon at any given time. The U.S. military continues to maintain a Defense attaché office at the embassy.

The Peace Corps has approximately 50 volunteers on the island of Tonga. The small island nation of Nauru has become a major center for international money laundering and has been singled out as a noncooperating country by the international Financial Action Task Force. Embassy Suva is actively involved in U.S. bilateral efforts to address the situation.

Embassy Suva is a Special Embassy Program post. State Department staffing includes 11 direct-hire positions.

Embassy Port Moresby, Papua New Guinea (ISP-I-02-12)

Embassy Port Moresby is accredited to three countries: Papua New Guinea, Vanuatu, and the Solomon Islands. The U.S. presence in the region during World War II forged a legacy of cooperation that continues to the present day.

Serious political, social, and economic problems threaten effective governance in each of these states, particularly in the Solomon Islands. The high rate of violent crime in Papua New Guinea is both a domestic and a bilateral issue. The Peace Corps closed its Papua New Guinea operations in 2001 due to concerns over the safety of volunteers. The only remaining Peace Corps presence in the region is in Vanuatu, where some 40 volunteers live and work.

The Ambassador has effectively used the Mission Performance Plan process to review embassy goals and objectives. Embassy Port Moresby has identified security of Americans as its highest priority. Nearly 2,500 Americans live and work in Papua New Guinea, Vanuatu, and the Solomon Islands. The embassy has developed a widespread warden network to keep Americans informed of security problems. OIG has recommended that the embassy ask the Bureau of Consular Affairs to designate a senior consular officer to serve as a regional consular officer for Port Moresby.

Support for democracy and human rights is Embassy Port Moresby's next mission priority. It will take on added importance as Papua New Guinea conducts parliamentary elections in 2002. Support for greater bilateral contacts and economic development constitutes reviewing Mission Performance Plan priorities.

A combination of local security concerns and budget cutting in Washington has resulted in a considerable reduction of the U.S. presence in Port Moresby over the past six years. As noted above, the Peace Corps has just closed its operation. The U.S. Agency for International Development and the U.S. Information Agency left Port Moresby in 1994 and 1996, respectively. In the same period, the Defense Department closed its resident Defense attaché office.

Poor access to senior Papua New Guinea officials has also been a serious constraint on relations. This situation has changed, however, and the Ambassador now meets regularly with senior policy makers, up to and including the Prime Minister and Cabinet officials. The Prime Minister personally joined the Ambassador in a commemorative church service dedicated to the victims of the September 11 terrorist attacks in the United States.

Port Moresby is a Special Embassy Program post. There are nine U.S. direct-hire staff.

Office of Information Technology

Classified Connectivity Program: Progress and Challenges (IT-A-02-01)

The Classified Connectivity Program (CCP) is an ongoing effort within the Department to deploy a standards-based, global network for classified information processing and communications to about 250 embassies and consulates overseas. The program supports the Department's objective of providing secure information technology (IT) for itself. The CCP is helping to meet this challenge by providing a commercial-style network and modern hardware and software for classified information processing and exchange at the desktop level. The overwhelming majority of overseas posts have had no classified connectivity or inadequate support from outdated networks, which are increasingly difficult to maintain. The Secretary's call for enhanced capabilities in the Department through the use of state-of-the-art information technology provides the impetus for accomplishing the CCP within the next two years.

In accordance with our goal of helping to ensure more effective, efficient, and secure operations and infrastructures within the Department, OIG conducted a review of the Department's approach to CCP implementation. Specific objectives of our survey were to:

- determine what, if any, security or operational problems are inherent in current classified local area networks overseas;
- assess the Department's approach to planning and implementing its network modernizations via the CCP; and
- identify what changes may be needed to the Department's modernization approach.

As a result of our review, we found that the Department's initial approach to classified local area network (C-LAN) modernization was largely unstructured, and, with limited funding, made minimal progress—completing only about 20 installations in 1998-99 in contrast to its original objective of 48 deployments per year over a five-year period. However, under the direction of the Program Management and Analysis Division within the Bureau of Information Resource Management (IRM), the Department currently has a disciplined CCP approach in place and is making progress toward meeting its objectives. Since assuming responsibility for the project, the division has completed an additional 55 deployments, for a total of 75 C-LAN modernizations as of September 2001.

Further, despite prior years' budget limitations, the CCP is now receiving adequate funding. After initial mid-year 2001 funding delays that impeded installation progress, the program was put back on track given receipt of \$26 million near the end of the fiscal year. The funding outlook for the CCP in FY 2002 also appears positive. The Department is currently preparing a financial plan, which it will use to allocate 2002 funds in accordance with congressional direction.

OIG also found that the Bureau of Diplomatic Security (DS) had not completed the steps needed for CCP certification. Certification is the independent, technical review of a system to identify risks and ensure that the system meets federal IT security requirements. While DS officials had provided a verbal strategy for CCP certification, they had developed no overall documented plan for carrying out the systems certification approach. Also, although steps toward certification should be started at the beginning of a system's life cycle, DS planned to delay certifying the CCP concept until late 2002 and did not anticipate conducting subsequent certification of posts' technical and physical environments until 2003. In December 2001, DS officials told OIG that they were just planning to hold their first meeting to outline a strategy for CCP certification and expected to have a first draft of the strategy in March 2002.

Additionally, OIG found that the Department's IT contingency planning efforts have not been adequate to help safeguard classified information systems and the critical business functions that they support in the event of unexpected disruptions at posts overseas. IRM officials with whom OIG met estimated that as many as 85 to 90 percent of posts did not have IT contingency plans in place. OIG found this to be the case despite the fact that there are multiple toolkits available in various Department organizations for developing and implementing the plans. OIG recommended that IRM coordinate and consolidate its IT contingency planning program with related activities in other Department organizations to help promote consistent IT contingency planning to support not just the CCP but the Department's overall IT infrastructure. IRM officials agreed with our report, stating that CCP managers are currently soliciting contingency plans from locations that have modern C-LAN equipment as a means of developing a template to facilitate plan creation at other posts. IRM also stated that foreign affairs guidance already requires coordination of IT contingency plans with emergency action plans and that they are working closely with DS officials in this regard.

Office of Security and Intelligence Oversight

During this reporting period, an OIG security oversight inspection was conducted at Embassy Paramaribo, Suriname, and an audit was conducted of the Management of the Armored Vehicle Program. In addition, two compliance follow-up reviews were completed – one of Embassy Panama City, Panama, and the other of Embassy Brussels, Belgium, U.S. Mission to the European Union, and U.S. Mission to the North Atlantic Treaty Organization. The resulting reports are classified.