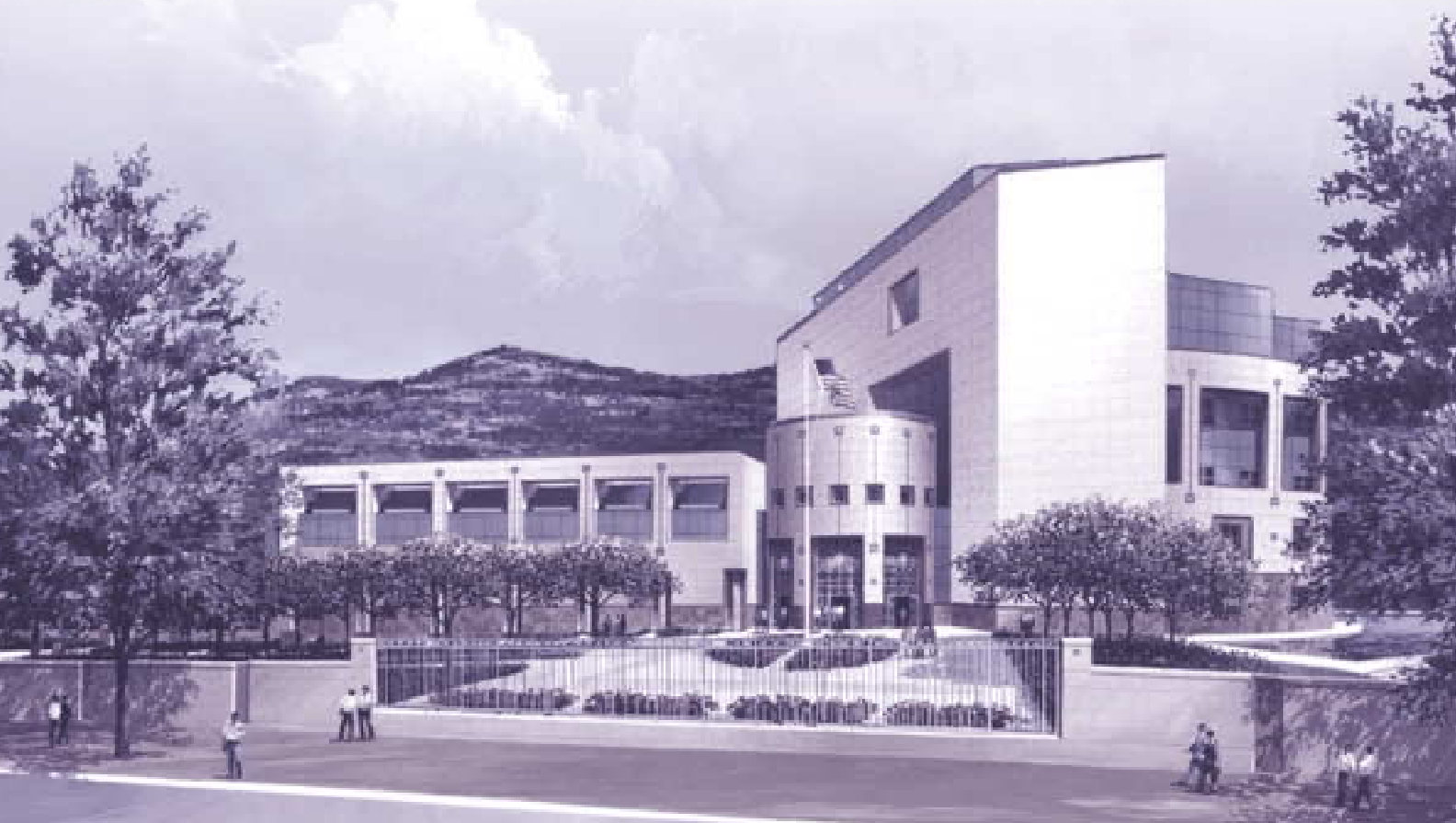


Office of Inspector General



U.S. Department of State
and the Broadcasting Board of Governors



Semiannual Report to the Congress

April 1 to September 30, 2000

Summary of OIG Accomplishments

Financial Results:

Questioned costs	
Issued during the reporting period	\$ 2,828,000
Management decision during the reporting period	\$ 47,000
Recommendations for funds to be put to better use	
Issued during the reporting period	\$ 0
Management decision during the reporting period	\$ 0
Investigative recoveries	\$ 278,833

Investigative Results:

Cases opened	43
Cases closed	46
Judicial actions	56
Administrative actions	28
Hotline and complaint activity	178

Reports Issued:

Audits	20
Inspections	12
Security and Intelligence Oversight reviews	27
Contract audits	9

Pictured on front cover is the U.S. Embassy Santiago, Chile. Embassy Santiago is noted as a model of good management and teamwork. See page 24 for the full narrative on the inspection report of Embassy Santiago. *Rendering courtesy of A/FBO Image Archive.*

Office of Inspector General

U.S. Department of State

and the **Broadcasting Board of Governors**

Semiannual Report to the Congress

April 1 to September 30, 2000

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Executive Summary

During this semiannual period, the Office of Inspector General (OIG) conducted reviews of the Department's counternarcotics efforts in Colombia, the Exchange Visitor Program, counterintelligence programs, and overseas allowances, as well as other programs. OIG also issued an unqualified opinion on the Department's 1999 and 1998 Principal Financial Statements. OIG reviewed several grants and contracts administered by the Department of State or former United States Information Agency and reported nearly \$3 million in unsupported or unallowable costs. OIG inspected posts in Africa, Central and South America, Europe, and Canada. Security Oversight reviews were conducted at 10 posts, in addition to other security oversight projects. OIG visa fraud investigations conducted in coordination with other entities resulted in several arrests and the seizure of more than \$1.8 million in cash, gold bars, and other assets.

In the wake of reported security lapses in the Department, OIG testified before Congress on the Department's domestic and overseas security programs. In May, the Inspector General testified before the House Permanent Select Committee on Intelligence and the House Committee on International Relations on OIG oversight and OIG's report *Protecting Classified Documents at Main State Headquarters*. The Inspector General also discussed the Department's response to the security lapses.

The Inspector General also testified before the House Committee on International Relations on OIG oversight and OIG's report *Review of FY 1999 Emergency Supplemental Appropriations*. At the hearing, the Inspector General also discussed the Department's Response to the Overseas Presence Advisory Panel Report, and other management initiatives undertaken by the Bureau of Diplomatic Security to enhance the Department's security programs.

The OIG continued to play an active role in global anticorruption efforts. In June, the Secretary of State and the Argentine Foreign Minister signed a Memorandum of Agreement for a cooperative exchange between the OIG and the Anticorruption Office of the Argentine Republic. The Inspector General held a digital video conference in August to identify areas of mutual interest for further exchange. OIG also participated in two Worldnet broadcasts addressing international anticorruption issues.

Finally, OIG reviewed and updated its strategic plan for 2001 through 2006. The strategic plan reflects a significant rethinking of OIG's strategic goals and planning framework. The plan has evolved to focus on the primary issues affecting the efficiency, effectiveness, and integrity of State

Department and Broadcasting Board of Governors (BBG) programs and operations. These issues include foreign policy, human resources, financial management, information technology, and security. To ensure that OIG remains flexible and responsive to the demands and challenges of the Administration, Congress, and an ever-changing world environment, OIG is currently examining how we can best structure our organization to achieve these goals.

Improved Conduct of Foreign Relations

In response to a congressional request, OIG reviewed Bureau of International Narcotics and Law Enforcement Affairs (INL) counternarcotics efforts in Colombia. OIG reviewed the experience and training of Department officers, the chain of command structure, the use of American contractors, and the configuration of aircraft transferred to the Colombian National Police. OIG found that despite spending over \$100 million on the increased eradication efforts during FY 1997-99, it was uncertain whether the current program has decreased the supply of drugs from Colombia. Furthermore, the Department's efforts have had little measurable impact on the availability of drugs in the United States.

OIG also reviewed the adequacy of internal controls in three specific areas of the Department's program in Colombia: procurement of local goods and services, civilian

Colombian contractor pilots and mechanics who support counternarcotics efforts, and aviation fuel provided for the counternarcotics programs. OIG found internal control weaknesses in all three accounts. OIG was unable to account for approximately 469,000 gallons of aviation fuel or 17 percent of total fuel purchased. The review did not identify specific evidence of unauthorized use of aviation fuel, but OIG could not dismiss the possibility.

Through its inspections of overseas posts, OIG assessed the conduct of foreign relations, particularly the skills and abilities of senior management and the availability and use of appropriate authorities and processes. During this semiannual period, OIG inspected posts in Africa, Central and South America, Canada, and Europe.

In Africa, OIG found heavy demands placed on Embassy Gaborone, Botswana due to the intensification of U.S. interest in Africa, particularly in southern Africa. The United States is aggressively assisting Botswana in addressing the devastating medical and social challenges presented by the HIV/AIDS epidemic. The Centers for Disease Control are doubling their presence and expanding programs. All elements of the mission are engaged in this endeavor. OIG found that new, regional initiatives and the resulting responsibilities had led to an increase in American direct-hire positions without sufficient resources to provide for administrative support. OIG noted that additional increases in staffing expected in summer 2000

will further strain administrative support resources and space within the chancery.

In its inspection of Embassy Addis Ababa, Ethiopia, OIG found the U.S. foreign affairs establishment was giving its full attention to the peaceful resolution of the conflict between Eritrea and Ethiopia, making it the Embassy's top priority. However, the imminent threat of drought and the consequent need for food assistance also demanded prompt attention. Under these circumstances, post management directed resources accordingly, allocating fewer resources to certain other policy and program elements.

In Latin America, OIG found strong leadership at our embassies for effective integration of program implementation, and the mission performance plans were being used effectively to guide bilateral relations. OIG's inspection of Embassy Buenos Aires, Argentina found the mission ably led by the chargé, despite a 3-year gap in the ambassador's position. OIG found excellent cooperation at all levels on coverage of economic issues of mutual interest, including successful promotion of U.S. exports, sharing of contacts and information, and the frequent and numerous high-level visits. OIG noted that the fraudulent use of the visa-free Argentine passport by third country nationals and alien smugglers to illegally migrate to the United States may have an impact on U.S. border security and that the Embassy and the Department needed to better combine efforts to help the Argentine Government strengthen its immigration system.

The inspection of Embassy Santiago, a model embassy, demonstrated clearly what can be accomplished with good management, teamwork, adequate staff and resources, a secure yet attractive chancery, and functional facilities and equipment. OIG found that front office attention to security was thorough and morale and job satisfaction were high. The Ambassador and his deputy had provided a successful, well-balanced, coordinated approach to achieving U.S. goals and objectives, with a particular focus on public diplomacy. The mission performance plan was used as an effective guide to maximizing bilateral relations. The post's adoption of Bureau of Consular Affairs best practices had streamlined non-immigrant visa processing, and OIG recommended the implementation of additional consular best practices.

The OIG review of Embassy Managua, Nicaragua, found the post effectively engaged in developing possibilities for further cooperation through programs aimed at consolidating democracy and strengthening national institutions. U.S. agencies are well integrated in this effort. OIG stated that a new chancery was urgently needed and noted several administrative shortcomings, including the need for a more proactive International Cooperative Administrative Support Services (ICASS) council and updated computer systems. At Embassy San Salvador, El Salvador, OIG found the management of interagency

participation in mission programs, especially in law enforcement, was a model for embassies elsewhere. U.S. programs aimed at improving the rule of the law have scored some impressive results.

OIG found the U.S. Mission to the Organization for Security and Cooperation in Europe effectively engaged in reshaping the Organization for Security and Cooperation in Europe (OSCE) from a deliberative forum into an operational organization. OIG noted that mission inter-agency cooperation was good, presenting an integrated diplomatic and military perspective.

At the U.S. Mission to the United Nations Organization in Vienna, Austria, OIG found the Mission focused on nuclear issues to the virtual exclusion of narcotics and crime control, and that overall Mission leadership needed strengthening. OIG noted that the Mission strongly represented U.S. nonproliferation interests on a strengthened nuclear safeguards regime designed to locate materials deliberately diverted from peaceful use, however, Department policy instructions to the Mission on funding the International Atomic Energy Agency were inconsistent.

OIG's Inspection of Embassy Ottawa, Canada, noted three best practices. The mission has inaugurated a junior officer conference, the digital videoconferencing capabilities of the public affairs section have been utilized by other sections to hold substantive virtual bilateral negotiations and, at the Ambassador's initiative, a missionwide speakers bureau was set up with funds provided for training speaker participants.

OIG also reviewed International Broadcasting operations. In its review of BBG's Transmission Delivery System, OIG found that BBG's agency-wide strategic plan did not comprehensively address the transmission delivery system or how the agency plans to provide surge capacity to support U.S. foreign policy objectives during crises abroad. OIG recommended that the BBG more comprehensively address its strategic plans for the transmission delivery system, and demonstrate how the BBG will support U.S. foreign policy objectives during crises abroad.

OIG's review of the International Broadcasting Bureau (IBB) Technical Monitoring Office in Vienna, Austria found an efficient operation with competent staff and high morale. OIG made one recommendation concerning management of the certification of the time and attendance of the employees.

Better Alignment of Fiscal and Human Resources with U.S. Foreign Policy Priorities

OIG reported the results of our work on the Government Performance and Results Act (Results Act) to the Chairman and Ranking Minority Member of the Senate Committee on Governmental Affairs as requested. The Inspector General also testified on OIG's Results Act work before the House Committee on Government Reform, Subcommittee on National Security, Veterans Affairs, and International Relations. Overall, we reported that the Department's strategic planning process had improved, but still did not fully comply with the Results Act. OIG noted that the Department has not developed overall priorities for its strategic goals, and consequently has no overall basis for allocating resources to priorities. OIG also reported that the Department's initial Performance Report for FY 1999 provided minimal explanation of unmet goals and did not discuss the methods in place to collect and verify data.

OIG's work has also highlighted the need for improved performance information in the Department's bureau-level plans. Additionally, OIG's ongoing audit of mission-level plans uncovered several weaknesses in the process for developing plans at the Department's overseas posts. For example, mission performance plans have not provided the Department with the ability to gauge progress against a mission's goals because of weak performance goals and indicators. OIG will continue to build a Results Act component into many of our audits and inspections.

More Effective, Efficient, and Secure Operations and Infrastructures

During this reporting period, OIG conducted several security oversight projects. OIG reports were issued on overseas posts' compliance with the physical security standards and on the evaluations of Embassy Luanda, Angola, and Embassy Kampala, Uganda. Security inspections were completed at embassies Algiers, Algeria; Athens, Greece; Berlin, Germany; Budapest, Hungary; Chisinau, Moldova; Dhaka, Bangladesh; Ljubljana, Slovenia; Riga, Latvia; Vilnius, Lithuania; and Warsaw, Poland. These reports are summarized in the classified annex to this report.

OIG also reviewed the Department's Counterintelligence Program. The audit focused on the process at the Department of State and selected other agencies for screening assignments to overseas posts deemed "critical" for counterintelligence threat; the Department's counterintelligence awareness program; and the Department's policies for reporting contacts and relationships with foreign nationals. A number of recommendations were made to improve procedures for screening assignments to critical threat posts, counterintelligence awareness briefings, and contact and relationship reporting requirements.

In another review, OIG examined the Exchange Visitor Program, which facilitates educational and cultural exchanges between U.S. citizens and foreign nationals. OIG found that the Department was unable to effectively administer and

monitor the program primarily because of inadequate resources. The Department's lax monitoring had created an atmosphere in which program regulations could easily be ignored or abused. OIG encountered widespread violations of program regulations by some program sponsors.

OIG reviewed the Department's management of overseas allowances in order to determine if the process was administered in compliance with applicable rules, regulations, and guidance. OIG found that, overall, the allowance setting process is well managed. However, OIG found discrepancies that were brought to the attention of the Department. The Department has taken action to comply with, or agreed to address, all four OIG recommendations.

As part of an overall effort to review Freedom Support Act assistance to the New Independent States (NIS), OIG engaged certified public accountants to review claimed costs by the American Councils for International Education (ACIE) to determine if the indirect and direct costs incurred and claimed were allowable under the grant agreements, their terms and conditions, and applicable Federal laws and regulations. OIG found missing or inadequate documentation to support some direct and indirect charges and items that were unallowable under the grant terms and conditions. As a result, OIG questioned costs totaling about \$1.2 million. OIG recommended that the Department require ACIE to reimburse the Department for unallowable costs and provide additional documentation for the unsupported costs.

OIG also examined seven grants totaling about \$3 million awarded by the former United States Information Agency and the Department of State to the Town Affiliation Association of the United States, Inc. (the Association). OIG questioned costs totaling \$908,812. OIG also found poor financial management and internal control weaknesses, and noncompliance with applicable regulations and agreements. OIG recommended that the Association reimburse the Department for unallowable costs and provide additional documentation for the unsupported costs. Because the findings indicated serious financial weaknesses, OIG recommended that the Department also place the organization on a cost reimbursable basis for current grants and restrict new awards to the organization until the Association fully implements actions for assuming financial capability.

The Government Management Reform Act requires OIG to audit the Department's Principal Financial Statements in order to obtain reasonable assurance and express an opinion on whether the financial statements were free of material misstatements, 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. OIG issued an unqualified opinion on the Department's 1999 and 1998 Principal Financial

Statements, which means the financial statements were free of material misstatements. Although an unqualified opinion was issued, the report brought to management's attention several concerns including the Department's noncompliance with several laws and regulations.

During this semiannual period, OIG also issued unqualified opinions on the Foreign Service Retirement and Disability Fund's Financial Statements for FY 1999, the International Boundary and Water Commission's Balance Sheet as of September 30, 1999, and the financial statements of the International Cooperative Administrative Support Services Program's 1999 and 1998 financial statements.

Greater Adherence to Fundamental Principles Governing Professional and Ethical Conduct

OIG's mandate is to prevent and detect waste, fraud and mismanagement. Specific allegations or other information indicating possible violations of law or regulation are investigated by OIG special agents supported by other OIG offices as appropriate. During this semiannual period, OIG conducted investigations in several areas, including visa fraud, passport fraud, nepotism, and theft.

As a result of a joint investigation with the Bureau of Diplomatic Security (DS), a Foreign Service officer and a foreign national were arrested in Chicago, Illinois, and Miami, Florida, respectively, for the

sale of U.S. visas at a U.S. embassy. In addition, over \$1.8 million in cash, gold bars, and other assets representing the proceeds of the visa sales were seized. The arrests were the result of a lengthy joint undercover operation conducted by agents of both OIG and DS. The officer subsequently resigned from the Foreign Service and has been incarcerated since his arrest. Prosecution of both the officer and the foreign national is currently pending. As a result of the investigation, the Department's Bureau of Consular Affairs conducted an extensive assessment of consular operations at the embassy.

In April 1998, OIG opened an investigation based upon information that officers of a company based in Northern Virginia were engaged in a large-scale scheme to defraud the EB-5 investor visa program. Under this program, U.S. visas may be issued to foreign nationals who invest at least \$500,000 in a business that creates jobs in a low employment area of the United States. In August, the two principal officers of the company were indicted by a federal grand jury on felony charges of visa fraud, conspiracy, money

laundering, and false income tax returns. Resolution of these charges was pending at the end of this reporting period. This investigation was conducted jointly with the Immigration and Naturalization Service (INS) and the Internal Revenue Service.

In April 2000, OIG opened an investigation based upon information provided by a U.S. District Attorney indicating that an individual under indictment for defrauding investors may have been involved in passport fraud. In April, this individual was arrested at an international airport while attempting to leave the United States, in violation of the conditions of his bond. He had in his possession an altered U.S. passport. He was indicted on a felony charge of forgery or false use of a passport, as well as a felony charge of fraud relating to the Investment Advisers Act. The evidence indicated that he embezzled as much as \$9 million from clients' accounts. In August, he pleaded guilty to the charge of defrauding investors. At the end of this reporting period, he remained incarcerated as he awaited sentencing.

Congressional Activities and OIG Outreach

Testimony

The Inspector General testified before the House Permanent Select Committee on Intelligence on May 4, and the House Committee on International Relations on May 11, on OIG oversight and the findings and recommendations contained in the OIG report *Protecting Classified Documents at Main State Headquarters* (SIO/A-99-46), and the Department's response to recent security lapses.

On May 17, the Inspector General testified before the House Committee on International Relations on OIG oversight and report findings and recommendations addressed in the OIG report *Review of FY 1999 Emergency Supplemental Appropriations* (00-OIG-001), the Department's Response to the Overseas Presence Advisory Panel Report, and other management initiatives undertaken by the Bureau of Diplomatic Security to enhance domestic and overseas security programs.

On July 19, the Inspector General testified before the Subcommittee on National Security, Veterans Affairs and International Relations of the House Committee on Government Reform. The testimony provided the committee with an update of the Inspector General's 1999 testimony on major management challenges facing the Department of State and implementation of the Government Performance and Results Act of 1993 (Results Act). Significant management challenges addressed included domestic and overseas security programs; new embassy construction projects; financial management, including electronic banking and standardizing overseas financial management systems; real property management and maintenance; and grants management.

Congressional Request

In response to a congressional request, OIG reviewed the Department's policies regarding political activity by employees. OIG found that the Department has a long-standing policy of limiting participation in partisan campaigns by top officials and political appointees in recognition of the bipartisan character of foreign policy. OIG also found that the Department widely distributes information on the Hatch Act and regularly informs employees of prohibited activities, with additional notices prior to presidential campaigns.

Comments on Proposed Legislation

OIG provided comments and proposed changes on various legislation, including:

- S 870, Legislation to amend the Inspector General Act of 1978 (5 U.S.C. App.) to increase efficiency and accountability of Office of Inspector General;
 - S 1993, Government Information Security Act of 2000;
 - S 2507, Intelligence Authorization for FY 2001;
 - S 2712, The Reports Consolidation Act of 2000;
 - S 3030, legislation to provide for executive agencies to conduct annual recovery audits and recovery activities;
 - S 3144, legislation to grant statutory law enforcement authorities to certain IG offices;
 - HR 4392, Intelligence Authorization for FY 2001;
 - HR 4760 and HR 5024, legislation to create a Federal Chief Information Officer;
 - HR 3378, Tijuana River Valley Estuary and Beach Sewage Cleanup Act of 2000; and
 - Draft legislation to provide appropriations for Commerce, Justice, State, the Judiciary and related agencies for FY 2001.
-

OIG Outreach

Global and Anticorruption Initiatives: On April 6, the Inspector General participated in the second of a series of planned Worldnet broadcasts addressing international anticorruption efforts, titled “Good Governance and Anti-Corruption Techniques: The Bureaucracy.” Questions were fielded from public diplomacy video conference centers in Abidjan, Cote d’Ivoire, and Abuja and Lagos, Nigeria, with broadcasting to European, Near Eastern, and Western Hemisphere posts. Participants’ discussion addressed government reform initiatives to combat corruption; oversight and accountability measures to ensure against waste, fraud, and abuse in government; transparency in government through public disclosure of audit and investigative report findings; institution of legislation for greater accountability, internal controls, and whistleblower protection; law enforcement initiatives to fight corruption; and prosecutorial and judicial proceedings to convict offenders.

The Director of Congressional and Media Relations participated in the third of this series of Worldnet broadcasts addressing global anti-corruption initiatives on May 23 with audience participants in Port-au-Prince, Haiti; Dar es Salaam, Tanzania; and Yaounde, Cameroon.

On June 14, Secretary of State Madeleine Albright and Argentine Foreign Minister Adalberto Rodriguez Giavarini signed a Memorandum of Agreement for a cooperative exchange between the Department of State Office of Inspector General and the Anticorruption Office of the Argentine Republic. To begin the exchange, the Inspector General

held a digital video conference on August 1 to identify areas of mutual interest for further discussion between Washington and Buenos Aires. Topics will include strengthening internal controls, enhancing professional standards for the conduct of audits and investigations and establishing procedures for public disclosure of information to bring greater transparency to government processes.

Evaluating and Auditing Program Information and Performance Data in Government:

On September 27, the Inspector General gave the keynote address at a conference titled Evaluating and Auditing Program Information and Performance Data in Government. The Inspector General discussed the value of the Results Act, difficulties in Results Act implementation, and ways auditors, agencies, and oversight entities can impact performance.

Results Act Review

OIG reported the results of our work on the Results Act in letters to the Chairman of the Senate Committee on Governmental Affairs dated June 1 and July 11, 2000. The Inspector General also testified on our Results Act work before the House Committee on Government Reform, Subcommittee on National Security, Veterans Affairs, and International Relations on July 19, 2000. Overall, we reported that although the Department’s strategic

planning process had improved, it still did not fully comply with the Results Act. For instance the Department has not developed overall priorities for its strategic goals, and consequently has no overall basis for allocating resources to priorities. We also reported that the Department's initial Performance Report (for FY 1999) provided minimal explanation of unmet goals and did not discuss the methods in place to collect and verify data.

In our letters and in our testimony, we stated that OIG's work has also highlighted the need for improved performance information in the Department's bureau-level plans. Additionally, our ongoing audit of mission-level plans uncovered several weaknesses in the process for developing plans at the Department's overseas posts. For example, mission performance plans (MPPs) have not provided the Department with the ability to gauge progress against a mission's goals because of weak performance goals and indicators.

In addition to our audit of the MPP process, a review of the content and use of the MPP continues to be an integral part of every post inspection. During this reporting period OIG's Office of Inspections evaluated post experiences with MPPs at 12 missions, generally finding that the MPPs were useful in focusing attention on missionwide strategic goals. With few exceptions, the process of developing the MPPs was inclusive—it reflected good interagency coordination, and incorporated input from all embassy sections and mission agencies. Embassy Santiago and its public affairs section made exceptionally good

use of the MPP process. The public diplomacy strategy is a particular focus of the mission, and is clearly outlined in the MPP (ISP/I-00-13).

Some post inspection reports included recommendations to improve MPPs. For instance, OIG recommended that the MPP process be strengthened at Embassy Ottawa by bringing the six consuls general in Canada more actively into the process. OIG also recommended including a missionwide reporting plan to enhance reporting on Canadian developments (ISP/I-00-21). Some posts continue to report problems with feedback from headquarters on their MPPs. For instance, Embassy Bogota reported that the response from Washington to its draft submission showed a disappointing lack of coordination. Comments were disjointed, and at times conflicting or demonstrating unawareness of basic facts (ISP/I-00-22).

OIG has also begun to build a Results Act component into our reviews of the BBG. For example, OIG's review of the BBG transmission delivery system found that performance measures for the system were not linked to the way operating managers measure performance. OIG recommended that the BBG Chairman ensure that performance measures are used by the managers working within the seven components of the transmission delivery system. (00-IB-033)

OIG will continue to build a Results Act component into many of our audits and inspections.

Emerging Global Information Technology Management

Rapid advancements in information technology (IT) and heightened interconnectivity through use of the Internet have revolutionized the way in which much of the world communicates and conducts business. In the current technological environment, industries and governments worldwide have been challenged to adopt broader IT perspectives and no longer manage technology strictly in the context of their individual organizations and operations. The recent year 2000 (Y2K) technology problem and subsequent global efforts to address it exemplified this challenge. Like no other issue before, Y2K illustrated the need for international IT cooperation to ensure that, while the world continues to reap the efficiencies and economic benefits of systems innovations, we also effectively manage the risks and vulnerabilities that increased automation brings. To face the common IT threat, organizations and countries worldwide successfully worked together, sharing information and managing in ways unheard of before to avert potential widespread disasters and disruptions. We have much to learn from their efforts, not only to help improve day-to-day management operations but, more importantly, to address other emerging global issues as we move forward with managing information and technology in the new millennium.

Over the past 2 years, OIG has been an effective partner with the Department in meeting the management challenges created by the

Y2K technology problem. Following the successful (and relatively uneventful) Y2K transition, OIG began a retrospective study to determine what best practices and/or lessons learned can be garnered from Y2K. Our objective has been to develop guidance that can be used to help address other emerging global information technology management issues, such as computer security, critical infrastructure protection, Internet governance, and the digital divide (i.e., the technology *haves* vs. the *have-nots*).

OIG's study of Y2K best practices and lessons learned has entailed extensive data collection and dozens of meetings with senior executives, project managers, and information technology professionals at a variety of public and private organizations both domestically and overseas. As a result of our study, we identified the following successful information technology management practices, approaches, and lessons learned that can be considered, adapted, and applied as appropriate to address other global IT issues.

Recognize leadership and commitment as keys to success: This includes understanding the U.S. leadership responsibility, optimizing the contribution of key individuals in rallying worldwide cooperation, and ensuring involvement by senior managers to provide the resources, focus, and effort needed for successful global IT project management.

Appreciate the value of coordination, cooperation, and collaboration: This involves promoting shared responsibility for tackling common IT issues at the global, regional, and national levels. It also includes recognizing the benefits and necessity of government/industry partnerships and legal/regulatory support in addressing worldwide IT challenges.

Exploit opportunities for management improvements: Side benefits of the Y2K exercise include greater recognition of the importance of IT to mission accomplishment, enhanced business processes, improved technology asset management, increased contingency and emergency preparedness, introduction of innovative tools and techniques, and recognition of the importance of timely management action.

Coordinate monitoring, reporting, and analysis activities: The Y2K exercise has demonstrated the need for global project managers to provide clear guidance, reduce duplicative data collection activities, eliminate redundant and burdensome reporting requirements, synthesize data analysis, and coordinate status monitoring and communications activities. Y2K has also emphasized the proactive role that audit organizations can play in problem resolution.

Build public awareness and confidence: Managing fear, launching public awareness campaigns, and instituting emergency safeguards are critical aspects of gaining individual support and cooperation in overcoming a global IT threat.

Consider cultural differences: Y2K has illustrated the need for the United States and other industrialized nations to look beyond Western perspectives and recognize the different needs, approaches, and views of other nations and cultures in global IT project management.

This information will be discussed in our final report, along with actual examples and case study illustrations of each practice. For quality assurance purposes, we will obtain comments on an exposure draft of our report from all organizations that participated in our review. The exposure draft is scheduled for release by the end of calendar year 2000.

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CONSULAR AND INTERNATIONAL PROGRAMS

INL-Administered Programs in Colombia (00-CI-021)

In March 1999, the Chairmen of the House Committees on International Relations and Government Reform requested that OIG review INL counternarcotics efforts in Colombia. The request tasked the Office of Inspector General with answering 21 specific questions related to INL's counternarcotics programs in Colombia. The Committees' questions centered on various areas of the Department's counternarcotics efforts in Colombia. These included the experience and training of Narcotics Affairs Section (NAS) officers, the chain of command between INL headquarters and NAS Bogota, the costs and benefits of using

American contractors in the eradication program, and the configuration of the B-212 and UH-II helicopters transferred to the Colombian National Police.

OIG found that INL is doing an adequate job of recruiting qualified NAS officers for Bogota. Although we found examples where communication was lacking between INL

headquarters, INL Aviation Division, and NAS Bogota, OIG found no basis to recommend a restructuring of the chain of command.

The increased American contractor presence in the eradication program resulted in more drug crops being sprayed in Colombia. Despite spending over \$100 million on the increased eradication efforts during FY 1997-99, the Central Intelligence Agency and the Department disagree about the effectiveness of the program. Although the data indicate that the spray program has had the effect of moving cultivation from one region to another, it is uncertain whether the current program has decreased the supply of drugs from Colombia. Furthermore, the Department's efforts have had little measurable impact on the availability of drugs in the United States.

OIG also found that NAS Bogota and INL should have been more proactive in helping the Colombian National Police identify desirable modifications to the standard UH-II helicopter configuration. Better communication among NAS Bogota, INL Aviation Division, and INL headquarters may have reduced some of the problems associated with the transfer of these helicopters.



One of the UH-II helicopters that the Bureau of International Narcotics and Law Enforcement (INL) provided to the Colombian National Police.

The Exchange Visitor Program Needs Improved Management and Oversight (00-CI-028)

OIG conducted a review of the Department of State's Exchange Visitor Program (EVP), which facilitates educational and cultural exchanges between U.S. citizens and foreign nationals. The objective of the review was to evaluate whether the Exchange Visitor Program is effectively administered and monitored. This review concentrated on the Trainee category, which is one of the largest categories in the Exchange Visitor Program with about 30,000 participants per year.

OIG found that the Office of Exchange Visitor Program Services is unable to effectively administer and monitor the Exchange Visitor Program primarily because of inadequate resources. EVP's lax monitoring has created an atmosphere in which program regulations can easily be ignored or abused. At the locations visited, OIG encountered widespread violations of program regulations by program sponsors in the Trainee category. At one location we visited, EVP concluded that the violations by the sponsor justified initiating actions to revoke the sponsor's designation. During our fieldwork, we also visited five third-party program sponsors. At two of the five, we found that they were using exchange visitors to fill regular staff positions, a clear violation of program regulations in the Trainee category. OIG recommended

that the Bureau of Educational and Cultural Affairs devote the necessary resources to establish a compliance function in the Office of Exchange Visitor Program Services. Its responsibilities should include: visiting Trainee sponsors, interviewing responsible officers, conducting file reviews, interviewing third parties and exchange participants, and performing on-site investigation of program misuse and abuse as necessary. As part of its responsibilities, the compliance unit should ensure that all required agreements are in place between sponsors and the third parties, and that sponsors are effectively monitoring third parties.

Also, a key intent of the legislation establishing the Exchange Visitor Program was to ensure that reciprocity existed so that Americans participate in similar experiences abroad. Our review found that reciprocity is being accomplished to only a small degree. OIG recommended that EVP keep statistics on the level of reciprocity initiated as a result of the Exchange Visitor Program and require sponsors to include reciprocal programs as a part of their program designation.

Embassy Bogota's Counternarcotics Program: Legajos Account Administration, Fondo Rotatorio Account Administration, and Aviation Fuel Accountability (00-CI-029, -030, and -031)

At the request of INL and the Chairman of the Senate Caucus on International Narcotics Control, OIG reviewed the internal controls over the Department's counternarcotics efforts in Colombia. The review focused on three specific areas: (1) the Colombian National Police (CNP) administered procurements of local goods and services, called the Legajos account; (2) the CNP administered contract for civilian Colombian contractor pilots and mechanics who support CNP counternarcotics efforts in Colombia, called the Fondo Rotatorio; and (3) aviation fuel provided to CNP's counternarcotics programs. The primary objective of these reviews was to determine if the internal controls were adequate to prevent waste, fraud, and mismanagement. OIG found internal control weaknesses in all three accounts.

In the review of the Legajos account, OIG found that, generally, Legajos purchases tested were reasonable and complied with established NAS and CNP policies and procedures. However, controls over the Legajos account needed strengthening. For example, NAS's voucher examination process needs to be more substantive and analytical, and records management needs to be improved. Also, NAS Bogota technical advisors were not performing end-use monitoring reviews

on a regular basis. Recommendations were made to improve the management controls over the Legajos account.

OIG also found that internal controls over the Fondo Rotatorio were weak, and NAS Bogota lacked adequate oversight of the CNP's contract administration. For example, NAS Bogota and CNP file management were inadequate, and neither NAS Bogota nor the CNP adequately verified whether civilian personnel were meeting the terms of their contract agreements and were paid only for services rendered. NAS Bogota has decided to replace the Fondo Rotatorio with a commercial employment agency. We recommended that NAS Bogota, through its oversight of the new contract, ensure that effective internal control practices and procedures are implemented.

In reviewing the controls over aviation fuel, OIG identified several internal control weaknesses and, based on our calculations of fuel purchased and consumed, we were unable to account for approximately 469,000 gallons of fuel or 17 percent of total fuel purchased. The most significant problem we found was that the NAS at Embassy Bogota had not established an adequate process to monitor and account for aviation fuel. For example, no one in NAS Bogota is currently responsible for oversight of aviation fuel. In addition, NAS Bogota neither reviews the CNP's monthly fuel reports nor maintains records

of how much fuel was purchased for specific fueling locations. Consequently, NAS Bogota cannot be assured that aviation fuel is only being used for its intended purpose — to support the counternarcotics program. Our review did not identify specific evidence of unauthorized use of aviation fuel, but we could not dismiss the possibility.

CONTRACTS AND GRANTS

Status of Interagency Working Group on U.S. Government-Sponsored International Exchanges and Training Programs (00-CG-012)

OIG conducted a survey of the Interagency Working Group (IAWG) on U.S. Government-sponsored international exchanges and training programs to assess IAWG's progress in achieving its charge of recommending measures for improving the coordination, efficiency, and effectiveness of international exchanges and training programs via seven specific mandates. On July 15, 1997, Executive Order 13055, Coordination of U.S. Government International Exchanges and Training Programs, established IAWG and provided its initial mandates. The Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, (Public Law 105-277, section 101(b)), provided the legal authority for IAWG and made some changes to the Executive Order, including increasing the

number of specific mandates to the final total of seven.

Overall, OIG found that IAWG has made significant progress in attaining some of its mandates but only limited progress in achieving others. For example, IAWG developed an electronic data management system to collect, analyze, and report exchange and training data provided by concerned U.S. Government departments and agencies, and it has taken steps to promote greater understanding and cooperation among these departments and agencies on common issues and challenges in conducting these programs. However, IAWG has not yet identified any programmatic duplication or overlap despite efforts to do so. It also has made only minimal progress toward developing a coordinated and cost-effective strategy for all U.S. Government-sponsored international exchanges and training programs, which must include an action plan with the objective of achieving a minimum of 10 percent cost savings through greater efficiency, the consolidation of programs, or the elimination of duplication. In explaining its limited progress in some areas, IAWG cited several impediments that hamper efforts to fulfill some of its mandates, and these barriers to successful implementation are addressed in this report. OIG has long recognized the importance and cost savings potential of IAWG's function and will continue to monitor the working group's progress in achieving its mandates.

Review of Grant IA-PSLJ-G7190287 Awarded to the Foundation for International Arts and Education for International Exchanges and Training in the New Independent States (00-CG-016)

OIG reviewed the Community Connections grant, Number IA-PSLJ-G7190287, at the Foundation for International Arts and Education (the Foundation), as part of its continuing responsibility to audit Freedom Support Act assistance to the New Independent States (NIS). Since 1997, the United States Information Agency¹ has provided Freedom Support Act funds to the Foundation to organize and implement community-based, professional training programs for entrepreneurs, legal professionals, and government officials from the New Independent State of Georgia. OIG reviewed the Foundation's transactions for FYs 1997-99. The objectives were to determine whether the Foundation (1) adequately accounted for Federal funds, (2) complied with applicable regulations and provisions in the grant agreement, and (3) had procedures in place to evaluate the success of its NIS program.

Generally, the Foundation adequately accounted for Federal funds; however, it needs to improve

¹On October 1, 1999, the Department and the United States Information Agency (USIA) consolidated. Under the consolidation, USIA grantees report to the Department's Bureau of Educational and Cultural Affairs.

its financial management of Federal grants. OIG found that transactions were not always properly recorded in its accounting system and duties were not adequately separated because of limited staffing. In addition, OIG found one instance of noncompliance with applicable regulations. Specifically, the Foundation did not establish a rational methodology for allocating overhead costs between Foundation and for-profit activities. To ensure that Federal funds are properly accounted for and spent for the intended purpose, OIG recommended that the Bureau of Educational and Cultural Affairs require the Foundation to strengthen their controls to ensure accurate accounting results and compliance with regulations.

The Foundation did not have written procedures for evaluating its Community Connections Program; however, its interim progress reports did facilitate evaluation. Specifically, the reports highlighted program accomplishments with goals and objectives as required by regulations and grant agreements, which were to provide professional experience and exposure to American life for 10 Georgian participants. In addition, the reports also explained the assignment of participants to American families and businesses; described seminar topics and places visited; and analyzed problems and potential solutions. Because the Community Connections Program had quantifiable goals and objectives, the Foundation's program evaluations should assist the Department in meeting its requirements under the Results Act.

Review of Awards to Town Affiliation Association of the United States, Inc., for Activities in the New Independent States (00-CG-019)

As part of an overall effort to review Freedom Support Act assistance to the New Independent States, the OIG examined seven grants totaling about \$3 million awarded by USIA and the Department of State to Town Affiliation Association of the United States, Inc. (the Association). OIG reviewed costs claimed and incurred for FY 1996 through November 30, 1999. The primary purpose was to determine if the Association (1) adequately accounted for Federal funds, (2) complied with applicable Federal laws and regulations related to the terms and conditions of the agreement, and (3) had procedures for evaluating its programs for the New Independent States. OIG found:

- that the Association did not always adequately account for Federal funds. As a result, OIG questioned costs totaling \$908,812. Of that amount, \$804,318 was classified as unsupported because of a lack of documentation, and \$104,494 was unallowable under terms and conditions of the grant.
- poor financial management and internal control weaknesses including inaccuracies and inconsistencies with financial data, cash advances

in excess of needs, inadequate and outdated written accounting procedures, and a lack of separation of duties.

- noncompliance with applicable regulations and agreements, such as untimely or incomplete reporting including the submission of indirect cost rate proposal packages, overestimating labor requirements, inadequate monitoring of subrecipients, and not meeting cost-share provisions.

- that, although the Association did not have written procedures for evaluating program results, it did conduct several independent evaluations of specific NIS programs during the audit.

In addition, OIG identified other matters needing clarification related to the grantee's use of two different names and the financial capability of the organization. Although Sister Cities International (SCI) is not the grantee's legal name, it is used interchangeably with the Association, which has caused some confusion. In August 1997, the U.S. Agency for International Development (USAID) determined that SCI was not financially capable of continuing performance on Government awards. As of March 2000, USAID had not reinstated the Association to USAID's Private and Voluntary Organizations registry. As a result, the grantee known as SCI is not eligible for most forms of foreign assistance from USAID.

OIG recommended that the Association reimburse the Department for unallowable costs and provide additional documentation for the unsupported costs. Because the above findings indicate serious financial weaknesses, OIG recommended that the Department grant officers also place the organization on a cost reimbursable basis for current grants and restrict new awards to the organization until the Association fully implements actions for assuming financial capability.

Termination Claim Submitted by Farinha, Inc., dba Paragon Construction Under Contract S-FBOAD-97-C-0019 (00-CG-026)

The Department awarded Contract S-FBOAD-97-C-0019 to Farinha, Inc., dba Paragon Construction on October 8, 1997, in the amount of \$2,250,000 and provided for the renovation of the existing heating, ventilating, and air conditioning system and replacement of windows at the Embassy in Rangoon, Burma. Subsequent modifications increased the contract price to \$2,575,937. The Department terminated the contract for the convenience of the government on April 1, 1999. On November 12, Paragon submitted its termination settlement proposal in the gross amount of \$2,617,244. The audit questioned a total of \$732,168. OIG recommended that the Office of Foreign Building Operations resolve the questioned amounts with the contractor.

FY 1996-98 Indirect Cost Rates and Claimed Costs for Selected Grants Awarded to the American Councils for International Education for Activities in the New Independent States (00-CG-032)

As part of an overall effort to review Freedom Support Act assistance to the NIS, OIG engaged certified public accountants to perform agreed-upon procedures with respect to claimed costs by the American Councils for International Education, formerly the American Council of Teachers of Russian. We reviewed the indirect cost rates for FY 1996-98 and costs incurred and/or claimed for four grants totaling about \$10.7 million awarded by the USIA to ACIE. Our primary purpose was to determine if the indirect and direct costs incurred and claimed were allowable under the grant agreements, their terms and conditions, and applicable Federal laws and regulations. We found:

- missing or inadequate documentation to support some direct and indirect charges. In addition, we also identified items that were unallowable under the grant terms and conditions. As a result, we questioned costs totaling about \$1.2 million. Of that amount, about \$94,000 related to direct grant charges and \$1.1 million related to FY 1996-98 fringe benefits and indirect charges. Because the overhead and fringe benefit rates apply to all Federal awards, the savings to the U.S. Government will be much higher. However, due to our limited scope,

we cannot project the cost savings to the entire universe.

- noncompliance with applicable regulations and agreements, such as failure to meet cost share provisions and submission of indirect cost proposals.

OIG recommended that the Bureau of Educational and Cultural Affairs grant officers require ACIE to reimburse the Department of State for unallowable costs and provide additional documentation for the unsupported costs. OIG also recommended that the grants officer finalize the fringe benefit and indirect cost rates.

FINANCIAL MANAGEMENT

Computer Security Reviews of Paris Accounting and Disbursement System and Consolidated American Payroll Processing System (00-FM-014)

OIG performed an assessment of computer controls over the Paris Accounting and Disbursement System and the Consolidated American Payroll Processing System. This assessment was part of the annual audit of the Department of State's principal financial statements. Issues relating to computer controls were identified and appropriate actions were recommended.

Foreign Service Retirement and Disability Fund's Financial Statements for FY 1999 (00-FM-017)

OIG audited the Foreign Service Retirement and Disability Fund's (FSRDF) Financial Statements for FY 1999 in order to obtain reasonable assurance and express an opinion on whether the financial statements were free of material misstatement, to determine whether FSRDF had an internal control structure that provides reasonable assurance of achieving internal control objectives, and to determine whether FSRDF complied with applicable laws and regulations. The FSRDF is a trust fund that provides pensions to retired and disabled members of the Foreign Service. For FY 1999, FSRDF reported assets of \$10.3 billion and no actuarial unfunded liability.

OIG issued an unqualified opinion on the FSRDF financial statements for FY 1999. The audit did not identify any internal control weaknesses or instances of noncompliance with laws and regulations that were considered necessary for disclosure.

U.S. Department of State 1999 and 1998 Principal Financial Statements (00-FM-022)

The Government Management Reform Act (GMRA) requires OIG to audit the Department's Principal Financial Statements in order to obtain reasonable assurance and express an opinion on whether the

financial statements were free of material misstatements, 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.

OIG issued an unqualified opinion on the Department's 1999 and 1998 Principal Financial Statements, which means the financial statements were free of material misstatements. Although an unqualified opinion was issued for the 1999 and 1998 Principal Financial Statements, the report brought to management's attention concerns with security over the domestic mainframe computers and the Paris Accounting and Disbursing System; the inadequacy of internal controls over the management of unliquidated obligations; 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, including the Budget and Accounting Act of 1950, the Federal Managers' Financial Integrity Act, The Chief Financial Officers Act, and the Federal Financial Management Improvement Act. OIG also brought to management's attention noncompliance with GMRA, which requires agencies to prepare audited financial statements and submit them to the Office of Management and Budget by March 1 of each year.

International Boundary and Water Commission's Balance Sheet for FY 1999 (00-FM-023)

OIG audited the International Boundary and Water Commission's (IBWC) Balance Sheet as of September 30, 1999, in order to obtain reasonable assurance and express an opinion on whether the balance sheet was free of material misstatement, to determine whether IBWC has an internal control structure that provides reasonable assurance of achieving internal control objectives, and to determine 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 along the United States and Mexico boundary. For FY 1999, IBWC reported assets of \$380 million.

OIG issued an unqualified opinion on the IBWC Balance Sheet as of September 30, 1999, which means the IBWC's financial position was free of material misstatements. Although an unqualified opinion was issued, the report brought to management's attention internal control weaknesses over back-up tapes of the network and 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.

Federal Agencies' Centralized Trial-Balance System Agreed-Upon Procedures and Findings (00-FM-024)

The Department of the Treasury annually prepares and submits to the President and the 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 statements 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 Data to the related information in the agency's consolidated financial statements as of and for the fiscal year ending September 30, 1999. The accounting firm determined that there were no material differences between the FACTS data and the agency's financial statements.

Tracking and Monitoring Emergency Supplemental Appropriation Funds (00-FM-025)

During 1999, OIG audited the systems and processes in place to track and monitor emergency supplemental appropriation (ESA) funds. Following the August 1998, bombings of the U.S. Embassies in Nairobi, Kenya, and Dar es Salaam, Tanzania, the Department received a supplemental appropriation of approximately \$1.5 billion to address its immediate security needs. The Department received an additional \$567.6 million for security enhancements in FY 2000 and estimated an additional \$3 billion is needed to fully fund priority security enhancements.

This audit was conducted in conjunction with an OIG-wide effort to review the effectiveness of the Department's management of the ESA. The objective of this audit was to determine whether the Department's systems and processes for tracking and monitoring expenditures of ESA funds were sufficient to ensure that the Department could fully account for funds expended based on transactions recorded in its official accounting records and provide the information needed to properly manage ESA funds and programs.

Overall, OIG found that the systems and processes in place were sufficient to ensure that the Department can account for and properly manage ESA funds, with the exception of a significant amount of funds provided to overseas posts. OIG found that information on overseas ESA transactions

was not captured in sufficient detail to meet the Department's reporting and managing needs. OIG also identified discrepancies in accounting records. In addition, OIG found that the flow of ESA management information at posts could be improved. OIG recommended that the Department define its reporting and management information needs; develop a method of capturing information on overseas ESA transactions in the Department's accounting systems; provide oversight to ensure the accuracy of ESA data in overseas systems; and develop and provide to overseas posts a standard management information reporting format.

International Cooperative Administrative Support Services Program's 1999 and 1998 Financial Statements (00-FM-034)

OIG audited the ICASS Program's 1999 and 1998 financial statements in order to: obtain reasonable assurance and express an opinion on whether the financial statements were free of material misstatement, determine whether ICASS had an internal control structure that provided reasonable assurance of achieving internal control objectives, and determine whether ICASS complied with applicable laws and regulations.

OIG issued an unqualified opinion on the financial statements, indicating that they were free of material misstatements. Although an unqualified opinion was issued, the report brought to management's attention concerns with security over

the domestic mainframe computers and the Paris Accounting and Disbursing System, the inadequacy of the Department's financial and accounting system, and the inadequacy of the Department's controls over unliquidated obligations.

HUMAN RESOURCES

Overseas Allowances (00-HR-020)

Overseas allowances are provided to employees as recruiting and retention incentives and in compensation for expenses and hardship conditions. The Department is authorized to determine allowances for all U.S. civilian employees overseas. OIG reviewed the Department of State's management of overseas allowances in order to determine if the process is administered in compliance with applicable rules, regulations, and guidance.

OIG found that, overall, the allowance setting process is well managed. However, OIG found discrepancies that were brought to the attention of the Office of Allowances. OIG recommended that the Office of Allowances modify the Hotel and Restaurant Report, monitor the timeliness of posts' submissions, establish procedures for improved post reporting on hotel usage, and strengthen their analysis procedures. The Office of Allowances has taken action to comply with, or agreed to address, all four OIG recommendations.

Inspections

The Office of Inspections conducted post inspections at Embassies Managua, Nicaragua; San Salvador, El Salvador; Buenos Aires, Argentina; Santiago, Chile; Ottawa, Canada; Gaborone, Botswana; Addis Ababa, Ethiopia; Vienna, Austria and consular Agency Salzburg; the U.S. Mission to the Organization for Security and Cooperation in Europe (OSCE); the U.S. Mission to the United Nations Organization in Vienna, Austria (UNVIE); and the Regional Program Office in Vienna Austria.

Embassy Managua, Nicaragua (ISP/I-00-10)

Now a partner rather than a threat, Nicaragua cooperates with the United States in areas of mutual concern, such as blocking narcotics trafficking. Through programs aimed at consolidating democracy and strengthening national institutions, Embassy Managua is effectively engaged in developing possibilities for further cooperation. U.S. agencies are well integrated in this effort.

For nearly 30 years the Embassy has been located in an inadequate building of temporary construction. A new chancery is urgently needed. There are several administrative shortcomings, including the need for a more proactive ICASS council and updated computer systems. Management controls in some areas, including the general services office, are weak and need to be improved.

Embassy San Salvador, El Salvador (ISP/I-00-11)

U.S. programs that strengthen democracy, promote economic reform, and alleviate rural poverty have been important in the significant progress El Salvador has made since the end of its civil war 8 years ago. Embassy San Salvador's management of interagency participation in mission programs, especially in law enforcement, is a model for embassies elsewhere. U.S. programs aimed at improving the rule of the law have scored some impressive results.

One of six Salvadorans lives in the United States. The pressure of many others to follow puts enormous strain on the understaffed consular section. More personnel are urgently needed. U.S. programs intended to curb illegal immigration—a principal U.S. interest—have so far not overcome the main incentives to leave—a very high crime rate, poverty, and a strong U.S. economy.

All mission elements except the Peace Corps are located on the

secure chancery compound. The management of administrative and support functions at the Embassy is generally strong.

Embassy Buenos Aires, Argentina (ISP/I-00-12)

With a 3-year gap in the ambassador's position in Buenos Aires, the mission is ably led by the chargé, who has done an outstanding job in managing the bilateral relationship. The lack of an ambassador has been more an embarrassment than a detriment to U.S.–Argentine relations. There is excellent access at the very highest levels of the new Argentine government, inaugurated in December 1999, as there was with the old. The embassy team has fostered relationships of mutual trust and openness, ensuring that the new government remains committed to continuing Argentina's role as the United States' best friend in the region. A series of acting deputy chiefs of mission, all of whom believed their tenure would be brief, made for less attention to internal management of the mission than necessary.

Reporting and analysis are of high quality, and the mission's "economic cluster," composed of the economic section, Foreign Commercial Service (FCS), and Foreign Agricultural Service (FAS), cooperates well at all levels on coverage of issues of mutual interest, including successful promotion of U.S. exports, sharing of contacts and information, and the frequent and numerous high-level visits. Public diplomacy strategy has been effectively woven into every aspect of

the mission's performance plan and is integral to post activities.

Fraudulent use of the visa-free Argentine passport by third country nationals and alien smugglers to illegally migrate to the United States may have an impact on U.S. border security. The Embassy and the Department need to better combine efforts to help the Argentine Government strengthen its immigration system. Argentina's inclusion in the visa waiver program has significantly lessened the Embassy's visa workload and led to downsizing of staff. Additional resource savings can be achieved by further implementation of the Bureau of Consular Affairs' best practice procedures.

The post's attention to security issues is excellent, and it has initiated several positive steps while awaiting Department decisions. Staffing gaps in the administrative section have affected diplomatic readiness. Full staffing, expected by summer 2000, will permit focus on real property issues, including chancery space utilization and upkeep of the recently renovated ambassador's residence.

Embassy Santiago, Chile (ISP/I-00-13)

Embassy Santiago is a model embassy, demonstrating clearly what can be accomplished with good management, teamwork, adequate staff and resources, a secure yet attractive chancery, and functional facilities and equipment. Front office attention to security is thorough. Morale and job satisfaction are high. The Ambassador and his

deputy provide a successful, well-balanced, coordinated approach to achieving U.S. goals and objectives, with a particular focus on public diplomacy. The mission performance plan is an effective guide to maximizing bilateral relations. The mission makes good use of significant numbers of high-level visitors to further U.S. Government objectives.

The economic/political section advocates U.S. policies actively and produces a sufficient amount of high quality reporting clearly focused on the needs of Washington policymakers. The FCS and FAS cooperate very effectively, under the leadership of the Ambassador, to expand the Chilean market for U.S. exports. In 2000, FCS negotiated a landmark e-commerce agreement with Chile and FAS was involved in resolving the 11-year old "poisoned grapes" dispute. Strong efforts by the Embassy and the Chilean Government, as proposed by Chile in 1994, to negotiate a bilateral free trade agreement (FTA) with the United States failed to stimulate progress. The failure of the U.S. executive branch to obtain fast track authority to negotiate binding free trade agreements without congressional amendments, combined with the lack of movement on the FTA effort, has caused a continuing decline in the U.S. share of the Chilean import market.

The public affairs section has successfully developed, and continues to maintain, a dialogue with key institutions and individuals to create understanding and support for U.S. international affairs goals through a full range of programs. The BBG is

active, and Voice of America programs are transmitted countrywide by a large number of Chilean AM and FM stations.

Adoption of Bureau of Consular Affairs best practices by the consular section has streamlined nonimmigrant visa processing. The prospect of increased visa demand makes imperative the implementation of additional consular best practices.

The administrative staff is strongly led, proactive, collegial, cohesive, and highly customer-service oriented. Department support is needed to resolve a land dispute with the Chilean Government, as well as on some staffing issues.

Embassy Gaborone, Botswana (ISP/I-00-14)

The intensification of U.S. interest in Africa, particularly in southern Africa, has placed heavy demands on this small post. The Ambassador is effectively managing his dual role as head of the bilateral mission in Botswana and as the Secretary of State's Special Representative to the Southern African Development Community.

The United States is aggressively assisting Botswana in addressing the devastating medical and social challenges presented by the HIV/AIDS epidemic. The Centers for Disease Control are doubling their presence and expanding programs. All elements of the mission are engaged in this endeavor.

New, regional initiatives and the resulting responsibilities have led to an increase in American direct hire

positions without sufficient resources to provide for administrative support. Additional increases in staffing expected in summer 2000 will further strain administrative support resources.

Several weaknesses in routine management systems and controls reflect the inexperience of first line managers, a rapid growth in workload, and the higher priority placed on meeting policy and program responsibilities. Embassy management had accurately identified many of the problems at the outset of the inspection, and had already intensified its efforts to resolve them. More needs to be done.

Embassy Gaborone's chancery compound meets most security standards. Security awareness was high, but additional drills are necessary to familiarize personnel with emergency procedures.

One of the biggest challenges facing the post is the allocation of space within the chancery. The increase in personnel requires a rethinking of space allocation within the mission. Embassy Gaborone needs to develop future staff and workload requirements to determine how best to reconfigure office space. Preliminary proposals, including rough cost estimates, should be presented to the Department for action.

The consolidation of public diplomacy generally went smoothly, but the section was unable to complete some routine, but important, administrative tasks because staff resources were occupied with more immediately important matters. BBG's transmitting station in

Selebi-Phikwe (250 miles northwest of Gaborone) is well integrated into the embassy community and appears to be operating well (widespread flooding prevented OIG's programmed site visit).

Embassy Addis Ababa, Ethiopia (ISP/I-00-15)

During the inspection, Embassy Addis Ababa was vigorously addressing a broad range of U.S. interests in a region of strategic importance, but was hampered by the conflict between Ethiopia and Eritrea. The U.S. foreign affairs establishment was giving its full attention to the peaceful resolution of the conflict, making it the Embassy's top priority. Concurrently, the imminent threat of drought and the consequent need for food assistance demanded prompt attention. Under these circumstances, post management directed resources accordingly, allocating fewer resources to certain other policy and program elements.

The mission's financial and personnel resources were found to be generally adequate. The political uncertainty and the potential for another evacuation, however, decreased the number of potential bidders for positions at this "hard to fill" post. Extended gaps in the general services section and elsewhere in the administrative and consular sections were alleviated by the Bureau of African Affairs' continual support and the assignment of temporary-duty personnel.

The public diplomacy function was performing well and consolidation had generally worked smoothly.

Post management supported the regional security officer's aggressive program of security upgrades and heightened security awareness, which won widespread cooperation from the embassy community.

The Department is in the initial stages of developing plans for a new office building that would meet security standards as well as collocate the U.S. Agency for International Development. Realistically, these plans are a number of years away from fruition. In the interim, the Department should evaluate potential short-term solutions to provide a more secure environment for the embassy community.

Embassy Addis Ababa was providing quality consular services to American citizens and foreign nationals. However, the workspace of the consular section is inadequate. As plans are made to relocate the consular section, the Embassy should ensure that consular office space and waiting areas are significantly expanded and configured to better promote efficiency and safety.

Financial management at Embassy Addis Ababa is complicated by the Ethiopian Government's refusal to accept birr (the national currency) for telephone charges, utilities, government residential leases, vehicle insurance, and air transportation (including pouch), and the resulting accumulation of a considerable amount of unusable birr collected by the Embassy in consular fees. The Embassy needs to convince the Ethiopian Government to permit payment of local expenses in local currency.

U.S. Mission to the Organization for Security and Cooperation in Europe (ISP/I-00-16)

The Mission is effectively engaged in reshaping the OSCE from a deliberative forum into an operational organization. U.S. dominance, however, could undermine OSCE's effectiveness as an instrument of U.S. policy. Mission interagency cooperation is good, presenting an integrated diplomatic and military perspective. While it effectively represents American interests to the OSCE, the Mission's internal leadership is weak, focusing on policy objectives to the detriment of staff and resource management. As OSCE field missions in the Balkans and other areas dramatically increase, the Mission's preoccupation in staffing them with Americans rises. This function should not be assigned to the political section. Officers competent to do these tasks should be assigned to the Mission and management of general field mission staff recruitment should be outsourced. The Mission, like other U.S. entities in Vienna, works on law enforcement activities that should be better coordinated. The Joint Administrative Office effectively supports all three missions in Vienna. For USOSCE, a major need is more suitable office space.

U.S. Mission to the United Nations Organization in Vienna, Austria (UNVIE) (ISP/I-00-17)

The Ambassador focuses on nuclear issues to the virtual exclusion of narcotics and crime control. Overall Mission leadership needs strengthening. Policy issues engross most supervisors, leaving them little time for developing subordinates. This results in internal tension that potentially may interfere with achieving policy goals.

The Mission strongly represents U.S. nonproliferation interests on a strengthened nuclear safeguards regime designed to locate materials deliberately diverted from peaceful use. Department policy instructions to the Mission on funding the International Atomic Energy Agency are inconsistent. Though the Senate rejected U.S. participation in the Comprehensive Nuclear Test Ban Treaty, the United States has strong interest in continuing development of verification standards. The Mission advocates related positions such as establishment of worldwide monitoring stations capable of detecting nuclear detonations. Arms Control and Disarmament Agency consolidation into the State Department went smoothly.

To properly support the Mission, the new Bureau of Verification and Compliance and the Bureau of Arms Control must closely coordinate clear lines of authority. Joint Administrative Office functions effectively support all three missions in Vienna. Specifically, action to fulfill UNVIE's greatest requirement—relocating to a site near its international organization interlocutors—is close to resolution.

Embassy Vienna and Consular Agency Salzburg (ISP/I-00-18)

U.S. policies, reacting to rightist Austrian Freedom Party participation in the current government, limit U.S. influence in Austria. While the Embassy assesses that government's performance, the larger agenda is in abeyance. Senior national employees in some Embassy sections operate without sufficient American supervision. The Embassy misgauged popular dissatisfaction with the status quo before the 1999 election and did not foresee the Freedom Party's inclusion in the new government. It responded well to the surge in demand for political reporting following the election. All three U.S. missions in Vienna work on a wide variety of law enforcement related activities but they do not fully coordinate operations. The Joint Administrative Office effectively supports all three missions in Vienna, though a \$4 million building maintenance backlog clouds the horizon. Coordination of former USIS



Embassy Vienna, Austria

and Embassy undertakings requires more effort, especially in information technology applications. The reclassification workload associated with State-USIA consolidation offered the personnel section a huge task, which it nonetheless completed ahead of schedule. The Embassy developed a best practice in forming a team to proactively review administrative operations to seek efficiencies and improve service quality. Success to date includes streamlining the motor pool and outsourcing expendable supply operations.

Regional Program Office, Vienna, Austria (ISP/I-00-20)

The Regional Program Office (RPO) provides a range of excellent services in a timely and valuable way to posts with urgent program and administrative needs. Several management issues should be addressed by both the RPO and the Bureau for European Affairs (EUR). EUR recently determined that supervisory authority over RPO Vienna would reside with its regional support operation in Frankfurt, Germany, now under the leadership of a new EUR deputy executive director. At the time of the inspection, the new supervisory structure was not yet in place, and OIG recommended that all long-term resource commitments, such as adding personnel, be postponed until the new deputy executive director could review the RPO operation in person and make determinations as to the full role of Vienna operation in relation to the services made available in Frankfurt.

*Inspection of Embassy
Ottawa, Canada
(ISP/I-00-21)*

Embassy Ottawa plays an essential catalytic coordinating role in assuring that the diverse strands of the all-pervasive U.S.-Canada bilateral relationship are harmonized with broader U.S. interests and policies. Inevitably, areas of contention exist, but are managed within the framework of a broader relationship mutually recognized as of bedrock importance, and the mission works coherently and intelligently, spending as much time with Washington agencies as with Canadian interlocutors. However, effective amalgamation of Canadian affairs into the Bureau of Western Hemisphere Affairs has not yet been achieved. The mission's executive leadership and policy direction are excellent, with the MPP providing the Embassy and its six constituent posts a clear policy framework. But the Embassy needs to bring the consuls general into the MPP process more actively and establish a missionwide reporting plan. Led by the Ambassador and deputy chief of mission, interagency relationships are outstanding, and a growing and well-integrated law enforcement presence reflects the high priority given to terrorism and cross-border crime. A regional law enforcement hub is taking shape in Vancouver.

Embassy Ottawa's economic section handles the high priority economic and environmental issues that dominate the mission agenda extremely well. The political section, so as to better manage its var-

ied portfolio, needs to better structure its staff responsibilities. Under the Ambassador's lead, public outreach and advocacy engage all major mission elements including the consulates general. The mission provides an appropriate level of administrative support to State Department and other agency elements, and the administrative section managed well the mission's move into the new chancery in fall 1999. However, the general services unit is in disarray and needs reorganization, and there are management control weaknesses that require senior level attention. Implementation of necessary surveillance programs nationwide requires increased personnel and funding and current contracts need to be competed. The six consulates general provide a high level of consular services and assiduously pursue MPP goals. Greater use of consular best practices and more efficient workload distribution would free resources to support a missionwide, antifraud strategy. OIG supports the establishment of an American Presence Post in Winnipeg.

OIG noted three best practices. The mission has inaugurated a junior officer conference, the digital videoconferencing capabilities of the public affairs section have been utilized by other sections to hold substantive virtual bilateral negotiations and, at the Ambassador's initiative, a missionwide speakers bureau was set up with funds provided for training speaker participants.

Security and Intelligence Oversight

During this reporting period, OIG conducted several security oversight projects, including various security inspections and compliance followup reports, intelligence oversight reports, and security annexes to OIG inspections. Although not individually summarized here, these reports are discussed at length in the classified annex to this semiannual report. The reports continue to reflect OIG's heightened concerns with physical and perimeter security issues at our overseas posts. Most of the individual post reports identified vulnerabilities exploitable by terrorist or mob violence and correspondingly included recommendations for appropriate enhancements. Many of the reports noted concerns over the existing adequacy of physical setback for the chancery, office annexes, or residential quarters from areas accessible by the general public. Many of the necessary corrective actions would require resources beyond those currently available from the Department.

Also during this reporting period, reports were issued on overseas posts' compliance with the physical security standards and on the evaluations of Embassy Luanda, Angola, and Embassy Kampala, Uganda. Security inspections were completed at embassies Algiers, Algeria; Athens, Greece; Berlin, Germany; Budapest, Hungary; Chisinau, Moldova; Dhaka, Bangladesh; Ljubljana, Slovenia; Riga, Latvia; Vilnius, Lithuania; and Warsaw, Poland. In addition, reports were issued for an audit of the Department's Counterintelligence Program, a domestic inspection of State Annex 26 in Beltsville, Maryland, an inspection of the use of tones with the Selectone emergency notification system, and a compliance followup review of Embassy London, United Kingdom, and its constituent posts.

The Department's Counterintelligence Program (SIO/A-00-48)

This audit examined the Department's Counterintelligence Program. The audit focused on the process at the Department of State and selected other agencies for screening assignments to overseas posts deemed "critical" for counterintelligence threat; the Department's counterintelligence awareness program; and the Department's policies for reporting contacts and relationships with foreign nationals.

A number of recommendations were made to improve procedures for screening assignments to critical threat posts, counterintelligence awareness briefings, and contact and relationship reporting requirements.

Investigations

Visa Fraud

As a result of a joint investigation with DS, on March 17, 2000, a Foreign Service officer and a foreign national were arrested in Chicago, Illinois, and Miami, Florida, respectively, for the sale of U.S. visas at a U.S. embassy. In addition, over \$1.8 million in cash, gold bars, and other assets representing the proceeds of the visa sales were seized. The arrests were the result of a lengthy joint undercover operation conducted by agents of both OIG and DS. The officer subsequently resigned from the Foreign Service and has been incarcerated since his arrest. Prosecution of both the officer and the foreign national is currently pending.

The investigation determined that three Foreign Service nationals (FSNs) employed by the embassy were also involved in the visa sale scheme, and they were subsequently terminated from employment. One of the FSNs subsequently traveled to the United States, was arrested, and is currently incarcerated awaiting prosecution.

As a result of the investigation, the Department's Bureau of Consular Affairs conducted an extensive assessment of consular operations at the embassy. (99-068)

OIG opened a joint investigation with the Federal Bureau of Investigation (FBI) in December 1999, based upon information provided by the FBI indicating that a former school principal in Colorado was engaged in a scheme to assist Russian nationals in fraudulently obtaining visas for entry into the United States.

The investigation developed evidence that the individual had been involved in this activity for several years. He used his position as a professional educator to create short-term educational and cultural programs for Russian teachers and students. He submitted letters to the U.S. Embassy in Moscow in support of applications for tourist visas, and accompanied the applicants to the Embassy for their visa interviews.

The former principal acknowledged during an interview with investigators that the vast majority of the individuals who had obtained visas in this manner had no intention of returning to Russia. He acknowledged that he had charged fees for this and estimated that he had obtained fraudulent visas for more than 70 Russian nationals. There was no indication of involvement in this scheme by any Embassy employee.

On June 26, 2000, the former principal was indicted by a federal grand jury in Colorado on felony charges of visa fraud and false statements. On September 20, 2000, the former school principal pleaded guilty to both counts of the indictment. Sentencing is pending. (00-029)

In April 1998, OIG opened an investigation based upon information that officers of a company based in Northern Virginia were engaged in a large-scale scheme to defraud the EB-5 investor visa program. Under this program, U.S. visas may be issued to foreign nationals who invest at least \$500,000 in a business that creates jobs in a low employment area of the United States.

This investigation was conducted jointly with INS and the Internal Revenue Service. The investigators developed evidence that company officers had been involved in submitting numerous fraudulent visa applications, as well as other false statements to the government, and that they had taken funds obtained from alien customers, which were to be invested, for their own use. Little, if any, money was invested in U.S. businesses, and few, if any, jobs were created.

On August 10, 2000, the two principal officers of the company were indicted by a federal grand jury on felony charges of visa fraud, conspiracy, money laundering, and false income tax returns. Resolution of these charges was pending at the end of this reporting period. (98-079)

OIG initiated an investigation in February 2000, based upon information provided by the INS that a Jamaican national arrested in Richmond, Virginia, on drug distribution charges had fraudulently obtained a nonimmigrant U.S. visa in a false identity. On May 10, a criminal complaint was issued, along with an arrest warrant, charging this individual with visa fraud. The subject

remained a fugitive at the end of this reporting period. (00-045)

OIG opened a joint investigation in July 1999 with the INS, based upon information that a Polish national in New Jersey was running a large-scale operation providing fraudulent visas which were then used to obtain social security cards, drivers licenses, and other identifying documents. On July 13, 2000, a participant in this operation was arrested on felony charges of conspiracy and visa fraud. He subsequently agreed to cooperate with investigators. On August 16, a second participant was arrested on the same charges, and also agreed to cooperate. The investigation was ongoing at the end of this reporting period. (99-065)

Passport Fraud

In April 2000, OIG opened an investigation based upon information provided by the Office of the United States Attorney for the Southern District of New York, indicating that an individual under indictment for defrauding investors may have been involved in passport fraud. On April 12, this individual was arrested at Newark, New Jersey, International Airport while attempting to leave the United States, in violation of the conditions of his bond. He had in his possession an altered U.S. passport. On April 25, he was indicted on a felony charge of forgery or false use of a passport, as well as a felony charge of fraud relating to the Investment Advisers Act. The evidence indicated that he embezzled as much as \$9 million from clients' accounts. On August 2, he pleaded guilty to the charge of defrauding investors. At the end of this reporting period, he remained incarcerated as he awaited sentencing. (00-058)

OIG Preliminary Inquiries

The OIG Office of Investigations receives allegations and information from a variety of sources, including the OIG Hotline. Not all information reported to OIG warrants the opening of a criminal investigation. While some matters reported to OIG clearly indicate that a crime has been committed, or that a violation of rule, regulation, or Department policy has occurred, some matters that are reported are unclear or too vague to make an informed decision on how to handle them. In these instances, OIG conducts a preliminary inquiry to develop more factual information.

OIG has established a 45-day time period within which a decision must be made whether to: (1) close the preliminary inquiry, (2) open a criminal investigation, or (3) refer the matter to the appropriate bureau or to another agency for appropriate action. The vast majority of preliminary inquiries are resolved without opening an official investigation.

The Office of Investigations began the preliminary inquiry process in June 1998, in order to more expeditiously process and resolve allegations and complaints. Since then, it has opened 393 preliminary inquiries. Of the 393 inquiries, 83 have led to criminal investigations.

Nepotism

An OIG investigation determined that a U.S. Embassy had hired the spouse of a Foreign Service officer to be a temporary employee in violation of nepotism regulations. Because of the limited number of American employees at the Embassy, no position could be found for the spouse in which the officer would not have served as the reviewing official on the spouse's performance appraisal. As a result of OIG's investigation, the Embassy terminated the spouse's employment. (00-052)

Reimbursement

An OIG investigation determined that a former Foreign Service officer left the Department without repaying a travel advance received while still employed. On August 7, 2000, OIG was notified that the Department's Bureau of Finance and Management Policy retained \$3,547 from the officer's lump sum annual leave payment to cover the outstanding amount of the travel advance. (00-042)

Theft

OIG opened an investigation in June 1999 based upon information provided by the Diplomatic Security Service indicating that a passport examiner at the New York Passport Agency had been engaged in the theft of passport fees. The investigation determined that the employee had used several different methods to steal application fees over a period of approximately 2 years. It was estimated that the total amount of the thefts exceeded \$175,000. The

passport examiner was terminated from employment in August 1999.

On July 21, 2000, a criminal complaint was issued, charging the former employee with theft of public money. Resolution of these charges was pending at the end of this reporting period. (99-059)

Management Implication Report

An OIG investigation determined that a diplomatic courier accepted maps from a Department vendor, which were displayed in his government office. The value of the maps exceeded the acceptable gift limit. As a result of the investigation, the employee agreed to return the maps. OIG also found that acceptance of maps is a common practice within the diplomatic courier service. On June 20, 2000, OIG issued a Management Implication Report (MIR) to the Chief of Courier Operations recommending that a notice be issued to all diplomatic couriers informing them that they should not

accept such maps and that any maps already accepted should be returned. On July 17, OIG received a response to the MIR stating that the notice had been issued. The Courier Service also notified OIG that upon receiving the notice, another diplomatic courier indicated that he had received two maps from a vendor and

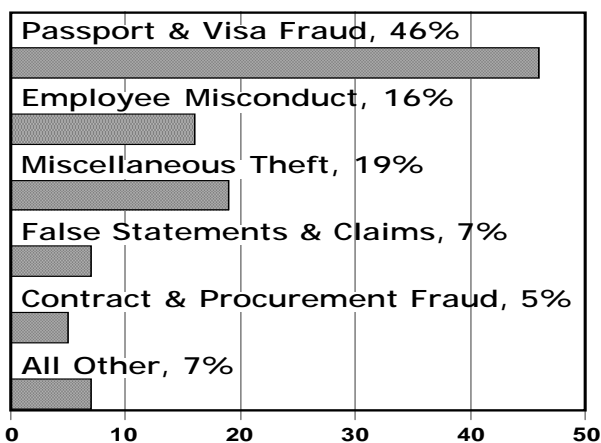
that he was making arrangements to have the maps returned. (00-056)

False Statements

OIG opened a joint investigation in December 1997 with the Defense Criminal Investigative Service (DCIS) based on information provided by DCIS that a subcontractor, then working at both government agencies, had submitted fraudulent certifications of training in support of its submissions to perform electrical contract work. The company improperly performed some electrical service work on the main electric service of a military base located near Washington, D.C. The investigation disclosed that this company also performed electrical preventive maintenance work on approximately 80 electric plant motors in the main State Department building. One week after this work was performed, one of the motors shorted out because of a frayed wire. The investigation also disclosed that the company worked at the National Foreign Affairs Training Center and falsely reported that it performed preventive maintenance work on electrical components that did not exist.

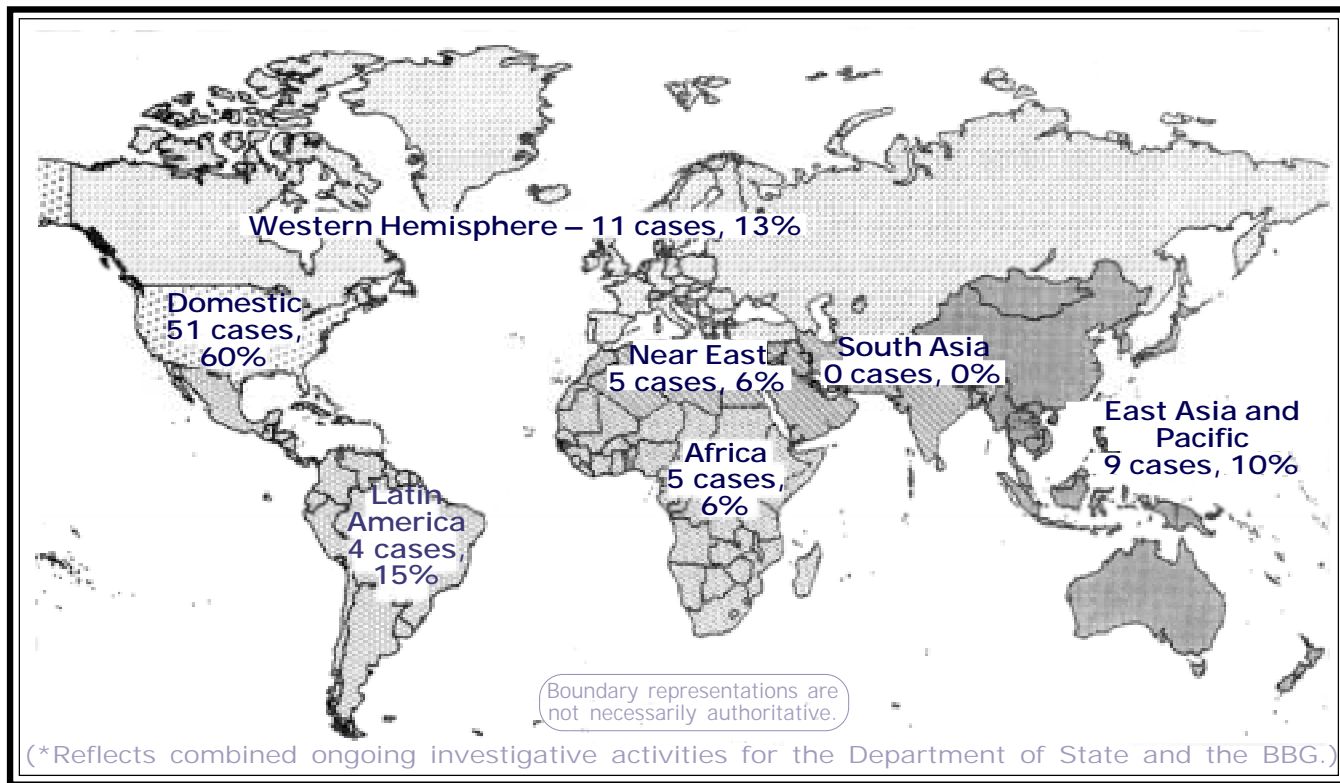
On March 30, 2000, the company owner was indicted in the U.S. District Court for the Eastern District of Virginia, on a felony count of submitting a false statement to the U.S. Government. On May 26, the owner pleaded guilty. On August 4, the owner was sentenced to supervised probation for a period of 2 years, fined \$2,500 and ordered to pay a special assessment of \$100. (98-025)

Types of Cases*



(*Reflects combined ongoing investigative activities for the Department of State and the BBG.)

Geographic Distribution of Investigations*



FOLLOWUP ACTIONS

Embezzlement

OIG conducted a joint investigation with another agency's OIG into allegations that an employee of that agency, on detail to the Department of State, submitted false reimbursement vouchers during the evacuation of a U.S. embassy overseas. On May 29, 1999, the Bureau of Finance and Management Policy issued a letter of collection to the employee in the amount of \$4,440. On January 18, 2000, the employee pleaded guilty in U.S. District Court to one felony count of theft of U.S. Government property. The employee was sentenced to 12 months of supervised probation, a \$1,000 fine, a \$25 special assessment and restitution to the U.S. Government in the amount of \$8,580. (See *OIG Semiannual Report, April 1, 1999, to September 30, 1999, p. 30*) (99-052)

False Claims

This office previously reported that an OIG investigation determined that a Department employee submitted and received payment for fraudulent overtime claims in excess of \$29,000.

During the investigation, the employee admitted to falsifying the overtime claims and subsequently resigned from the Department. The former employee agreed to plead guilty to one felony count of theft of government property and agreed to make restitution of the stolen funds. The individual was indicted on February 25, 2000, and the court accepted a guilty plea on March 14.

On May 24 in U.S. District Court, the judge sentenced the former employee to 5 years of pro-

bation and 6 months of electronic home detention; the former employee was also ordered to repay \$28,632 in restitution and to pay a special assessment of \$100. (See *OIG Semiannual Reports, October 1, 1999, to March 31, 2000, p.30-31*) (00-005)

Procurement Fraud

Based upon information received from an East Asian post, OIG initiated an investigation in December 1998 into allegations that an FSN employee had altered procurement documents so that the post would pay for services that had not been ordered and were not received. An investigative team traveled to the post in January 1999 and developed evidence that the employee had engaged in a pattern of fraud and theft. A local law enforcement agency was apprised of this information and agreed to participate in a joint investigation.

OIG previously reported that on January 20, 1999, the employee was arrested on criminal charges and a search warrant was executed on the premises of a local vendor. During an interview with investigators, the employee admitted to having engaged in fraud and was terminated from employment effective February 5. The post's audit of records pertaining to all procurement expenditures for the past 3 years developed substantial evidence of alterations of invoices, as well as the creation of false, inflated invoices exceeding \$200,000 in fraudulent payments.

OIG also previously reported that on November 14 the Local Dis-

trict Court indicted the former employee on 24 counts of forgery and uttering false documents. The former employee pleaded not guilty to the charges.

As part of a plea bargain on May 12, 2000, in the Local District Court, the former employee pleaded guilty to 18 counts of forgery and admitted to having forged invoices and making false claims equivalent to approximately \$141,207 from August 1996 to January 1999. On May 29, 2000, the former employee was sentenced on the first of 18 counts to 2 years in jail and was ordered to pay approximately \$13,000 to the post within 14 days. The judge reduced the sentence from 4 years because of the subject's guilty plea and lack of criminal record. The judge also sentenced the former employee to 2 years in jail on each of the remaining 17 counts, to be served concurrently with the first count.

The monetary recovery at this point is a total of approximately \$75,700 or about half of the stolen amount. This includes the subject's unpaid salary, annual leave, retirement, and the court-ordered payment. The post intends to explore further recovery possibilities. (See *OIG Semiannual Report, October 1, 1998, to March 31, 1999, pp. 28-29 and OIG Semiannual Report, October 1, 1999, to March 31, 2000, pp. 34-35.*) (99-015)

Visa Fraud

OIG conducted a joint investigation with the INS and the Social Security Administration's OIG into a network of individuals involved in visa

fraud and alien smuggling. This group, operating in the Czech Republic and in several areas of the United States, engaged in a conspiracy to profit from the employment of unauthorized alien workers in the United States. The alien workers, who were from the Czech Republic and other countries in Eastern Europe, were employed in various janitorial positions in retail stores, hotels, and motels in the United States.

Recruiters in Eastern Europe helped foreign nationals to obtain nonimmigrant visitor visas from United States consulates by misrepresenting the true nature of the travel, and by providing fraudulent documentation in support of visa applications. The workers then entered the United States on these visas, which do not authorize employment. Once in the United States, many of these foreign nationals were provided with fraudulent H-1B visas, which do authorize employment. These fraudulent visas were then used to obtain social security cards.

In February 2000, four Czech nationals who had been living in the United States entered guilty pleas to felony charges in U.S. District Court in Norfolk, Virginia. In May, one of these individuals, who had pleaded guilty to conspiracy to launder monetary instruments, was sentenced to 84 months' incarceration and was ordered deported upon completion of the sentence. The judge also ordered the forfeiture to the government of \$136,763 in seized assets.



The other three individuals, who were also sentenced during May 2000, received lesser sentences. (See *OIG Semiannual Report, October 1, 1999, to March 31, 2000, pp. 29-30.*) (99-072)

OIG opened a joint investigation in 1995 with INS and the Department of Labor OIG, based upon information that an immigration consultant was conspiring with others to defraud the H1-B visa program. The H1-B program was created by Congress to allow workers whose skills are in short supply to work in the United States. The investigation developed evidence that the immigration consultant, working with associates, arranged, through petitions filed by U.S. corporations, to have numerous foreign nationals certified as professionals to be hired in highly skilled positions. In many instances, after the aliens were admitted to the United States, the original petitioner did not employ them. They were often employed in positions that did

not require the professional skills claimed in the petitions filed with the Government. The immigration consultant and others received income from fees charged to the aliens.

On February 3, 2000, the immigration consultant and an attorney were indicted on felony charges of visa fraud, alien smuggling, and conspiracy. On August 4, the controller of a large health care organization pleaded guilty in U.S. District Court to a felony charge of encouraging or inducing aliens to enter and reside in the United States. On the same date, the health care organization also pleaded guilty to the same felony charge. Both the individual and the organization agreed to cooperate in the investigation.

On September 22, the immigration consultant pleaded guilty to visa fraud and conspiracy. Sentencing remained pending on these pleas at the end of this reporting period. (See *OIG Semiannual Report, October 1, 1999, to March 31, 2000, p. 30.*) (95-099)

HOTLINE

The OIG Hotline, operated by the Office of Investigations, is a prompt, effective channel for employees to report incidents of fraud, waste, abuse, and mismanagement to the Inspector General. Below is a summary of Hotline activity for the agencies for which OIG has oversight.

Total allegations received	178
Held for action within OIG	21
Referred to other offices for action	107
Not substantiated – no action necessary	50

Appendix 1: Investigative Activities¹

Workload		Total Judicial Actions	56
Cases pending 3/31/00	87	Criminal	
New cases opened	43	Prosecutive referrals	18
Cases closed	45	Prosecutive declinations	7
Cases pending 9/30/00	85	Prosecutive dismissals	3
		Acquittals	0
Prelim opened	82	Indictments ²	12
Prelim closed	74	Convictions	6
Prelim converted to cases	15	Sentencings	8
Preliminary inquiries pending 9/30/00	21	Time sentenced	149 months
		Time suspended	0
Total Administrative Actions	28	Time probation	10 years
Admonishments	0	Court-ordered fines	\$1,325
Counseling	1	Court-ordered restitutions	\$186,827
Curtailement	0		
Demotions	0	Civil	
Reimbursements	7	Referrals	1
Reprimands	2	Declinations	1
Resignations	0	Complaints	0
Suspensions	1	Judgments	0
Terminations	5	Recoveries	0
Administrative referrals	12	Total judgments and recoveries	0
PFCRA ³ referrals	0		
Savings	0		

Administrative recoveries ⁴	\$ 90,680
Judicial recoveries ⁵	\$ 188,153
Total Investigative Recoveries	\$ 278,833

¹ This appendix reflects investigative statistics for the Department of State only. Please see page 51 for investigative statistics related to BBG.

² Indictments included formal criminal charges brought against a subject. The manner in which charges are brought varies from country to country.

³ Program Fraud and Civil Remedies Act.

⁴ Includes recoveries from administrative actions, such as reimbursements and savings.

⁵ Includes recoveries from judicial actions, including court-ordered fines and restitutions and civil judgments and recoveries.

The statistics and narrative case descriptions of investigative activities appearing in this Semiannual Report to the Congress are the result of reports received from prosecutive and administrative authorities. The final actions may be changed at a later date by individual use of administrative and judicial appeals processes.

Appendix 2: Reports Issued

Special Report

00-OIG-002 June 2000 Overseas Posts' Compliance with Physical Security Standards

Office of Audits

00-CG-12 July 2000 Status of Interagency Working Group on U.S.G.-Sponsored International Exchanges and Training Programs

00-FM-14 June 2000 Computer Security Review of Paris Accounting and Disbursement System and Consolidated American Payroll Processing System

00-CG-16 July 2000 Grant IA-PSLJ-G7190287 Awarded to Foundation for International Arts and Education for International Exchanges and Training in the New Independent States

00-FM-017 May 2000 Foreign Service Retirement and Disability Fund's Financial Statements for FY 1999

00-CG-019 July 2000 Awards to Town Affiliation Association of the United States, Inc., for Activities in the New Independent States

00-HR-020 July 2000 Overseas Allowances

00-CI-021 July 2000 INL-Administered Programs in Columbia

00-FM-022 June 2000 U.S. Department of State 1999 and 1998 Principal Financial Statements

00-FM-023 Sept. 2000 International Boundary and Water Commission's Balance Sheet for FY 1999

00-FM-024 June 2000 Federal Agencies' Centralized Trial Balance System Agreed-Upon Procedures and Findings

00-FM-025 July 2000 Tracking and Monitoring Emergency Supplemental Appropriation Funds

00-CG-026 July 2000 Audit of Termination Claim Submitted by Farinha, DBA Paragon Construction Under Contract Number S-FBOAD-97-C-0019

00-CI-028 Sept. 2000 Exchange Visitor Program Needs Improved Management and Oversight

00-CI-029 Sept. 2000 Embassy Bogota's Counternarcotics Program: Legajos Account Administration

00-CI-030 Sept. 2000 Embassy Bogota's Counternarcotics Program: Fondo Rotatorio Account Administration

00-CI-031 Sept. 2000 Embassy Bogota's Counternarcotics Program: Aviation Fuel Accountability

00-CG-032 Sept. 2000 FY 1996-98 Indirect Cost Rates and Claimed Costs for Selected Grants Awarded to the American Councils for International Education for Activities in the New Independent States

00-FM-034 Sept. 2000 International Cooperative Administrative Support Services Program's 1999 and 1998 Financial Statements

Office of Inspections

ISP/I-00-10 May 2000 Embassy Managua, Nicaragua

ISP/I-00-11 May 2000 Embassy San Salvador, El Salvador

ISP/I-00-12 May 2000 Embassy Buenos Aires, Argentina

ISP/I-00-13 July 2000 Embassy Santiago, Chile

ISP/I-00-14 July 2000 Embassy Gaborone, Botswana

ISP/I-00-15	July 2000	Embassy Addis Ababa, Ethiopia
ISP/I-00-16	Aug. 2000	U.S. Mission to the Organization for Security and Cooperation in Europe
ISP/I-00-17	Aug. 2000	U.S. Mission to the United Nations Organization in Vienna, Austria
ISP/I-00-18	Aug. 2000	Embassy Vienna and Consular Agency Salzburg
ISP/I-00-20	Aug. 2000	Regional Program Office in Vienna, Austria
ISP/I-00-21	Sept. 2000	Embassy Ottawa, Canada

Office of Security and Intelligence Oversight

Security Audit

SIO/A-00-48	Sept. 2000	The Department's Counterintelligence Program
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Security Inspections

SIO/I-00-23	May 2000	Embassy Riga, Latvia
SIO/I-00-29	April 2000	Embassy Vilnius, Lithuania
SIO/I-00-30	April 2000	Embassy Ljubljana, Slovenia
SIO/I-00-32	May 2000	Embassy Berlin, Germany, and Constituent Posts
SIO/I-00-35	May 2000	Embassy Budapest, Hungary
SIO/I-00-38	June 2000	Embassy Chisinau, Moldova
SIO/I-00-40	July 2000	State Annex 26, Beltsville, Maryland
SIO/I-00-43	Aug. 2000	Embassy Algiers, Algeria
SIO/I-00-46	Aug. 2000	Use of Tones with the Selectone Emergency Notification System
SIO/I-00-49	Sept. 2000	Embassy Warsaw, Poland and Consulate General Krakow
SIO/I-00-52	Sept. 2000	Embassy Athens, Greece and Consulate General Thessaloniki
SIO/I-00-54	Sept. 2000	Embassy Dhaka, Bangladesh

Security Evaluation

SIO/E-00-33	May 2000	Embassy Luanda, Angola
SIO/E-00-50	Sept. 2000	Embassy, Kampala, Uganda

Moscow Oversight

SIO/M-00-45	July 2000	Moscow Secure Chancery Facility Project
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Followup Review

SIO/C-00-53	Sept. 2000	Embassy London, United Kingdom, and Constituent Posts
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Contract Audits

Contractor	Audit Number	Type
Pacific Environmental Services	PA-BB-CG-0024a	Labor Hour Rates
URS	PA-BB-CG-0024b	Labor Hour Rates
Project Management Services	PA-BB-CG-0024c	Labor Hour Rates
McKissack & McKissack	PA-BB-CG-0025a	Labor Hour Rates
Karn, Charuhas, Chapman & Twohey	PA-BB-CG-0025b	Labor Hour Rates
Washington Group International	PA-BB-CG-0029	Labor Hour Rates
DMJM/Berger, Joint Venture	PA-CC-CG-0002	Labor Hour Rates
KC Industries	PA-CC-CG-0003	Labor Hour Rates
Ayres Corporation	PA-BB-CG-0035	Financial Capability

Appendix 3: Savings & More Effective Use of Resources

Table I
INSPECTOR GENERAL ISSUED AUDIT REPORTS¹
WITH QUESTIONED COSTS²

	Number of Reports	(Dollars in Thousands)	
		Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period	11	6,822	388
A1. Adjustment	0	0	0
A2. Adjusted Balance	11	6,822	388
B. Which were issued during the reporting period	3	2,828	1,213
Subtotals (A2 + B)	14	11,251	16,018
C. For which a management decision was made during the reporting period	1	47	0
– based on formal administrative or judicial appeal			
(i) dollar value of disallowed costs	0	0	0
(ii) dollar value of costs not disallowed	0	0	0
D. For which no management decision has been made by the end of the reporting period	13	11,204	16,018
Reports for which no management decision was made within 6 months of issuance	10	6,775	388

¹ Includes audit reports issued by the Office of Audits and by the Office of Security and Intelligence Oversight.

² Questioned costs are costs that are questioned by the OIG because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; a finding that, at the time of the audit, such costs are not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Table II
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE¹

	Number of Reports	Dollar Value (in thousands)
A. For which no management decision has been made by the commencement of the reporting period	6	1,447
B. Which were issued during the reporting period	0	0
Subtotals (A + B)	6	1,447
C. For which a management decision was made during the reporting period	0	0
(i) dollar value of recommendations that were agreed to by management	0	0
– based on proposed management action		
– based on proposed legislative action		
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision has been made by the end of the reporting period	6	1,447
Reports for which no management decision was made within 6 months of issuance	6	1,447

¹ A “recommendation that funds be put to better use” is a recommendation by the OIG that funds could be used more efficiently if Department management took actions to implement and complete the recommendations, including: reductions in outlays; deobligation of funds from programs or operations; withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; costs not incurred by implementing recommended improvements related to the operations of the Department, a contractor, or a grantee; avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or any other savings which are specifically identified.

Appendix 4: Resolution of Reports & Recommendations

PREVIOUSLY REPORTED SIGNIFICANT AUDIT RECOMMENDATIONS¹ PENDING FINAL ACTION²

Report Number	Rec. Number	Report Title Recommendation Summary	First Reported
4-PP-014		<i>Maintenance and Repair of Buildings Overseas</i> <ol style="list-style-type: none">1. Develop a system to identify and monitor the worldwide backlog of maintenance and repair deficiencies, including determining an acceptable level for the backlog and periodically updating the backlog for corrective action taken, additional deficiencies identified, and improved cost estimates.	3/31/94
5-FM-007		<i>Review of Financial Systems Development</i> <ol style="list-style-type: none">2. The Under Secretary for Management review the current alignment of resources and responsibilities for system acquisition and development in the Department and determine the optimal management arrangement for system acquisition and development.	3/31/95
93-A-34/ ARR-95-08		<i>Grants Management Followup</i> <ol style="list-style-type: none">5. Require monthly reporting requirements on the project's status.6. Ensure that data in the grants system is reconciled with data in other grant-related systems.	3/31/95
APR-96-07		<i>Exchange Visitor Information System</i> <ol style="list-style-type: none">3. Determine the feasibility of electronically transmitting J Visa data from sponsor organizations to the EVIS database at USIA.	3/31/96

¹ Includes audit recommendations reported as significant in semiannual reports prior to September 30, 1999, on which Department management has agreed to take corrective action but for which those actions are not yet complete.

² Final action is recorded when a proposed course of action in response to a recommendation has been accepted by OIG and completed by management to OIG's satisfaction.

SUMMARY OF AUDIT REPORTS WITHOUT MANAGEMENT DECISION FOR MORE THAN SIX MONTHS

Management of Secure Communications (SIO/A-97-15), March 1997

Summary: OIG made 23 recommendations to the Director General of the Foreign Service and the Director of Personnel to require personnel, like IM specialists staff, who hold positions with access to bulk quantities of sensitive information to undergo a special counterintelligence screen process prior to each assignment. Three of those 23 recommendations remain unresolved, which were assigned to the Director General of the Foreign Service.

Reason Unresolved: The Director General of the Foreign Service has not responded, formally or informally to the report and subsequent follow-up inquiries.

To be resolved by: December 2000

Classified (Red) Mainframe System's Security (SIO/A-97-02), October 1996

Summary: OIG made 14 recommendations to the Under Secretary for Management and the Assistant Secretary for Administration to establish a security program and plan for the system, to address risks found during the audit, and to ensure that responsible officials are identified and kept informed about the system's security. Four of the 14 recommendations remain unresolved, which were assigned to the Under Secretary for Management.

Reason Unresolved: The Under Secretary for Management has not responded formally to the report. However, OIG is working with that office to reach resolution on all of the recommendations.

To be resolved by: December 2000

Management of Sensitive Compartmented Information Access (SIO/A-98-49) September 1998

Summary: OIG made 4 recommendations to the Assistant Secretary for Intelligence and Research and the Director General of Personnel to document policy and procedures on how INR will process SCI access requests, arbitrate waivers and disputed decisions to include DS and the Bureau of Personnel, and develop a reliable process for determining when SCI access authorizations terminate. Three of the 4 recommendations remain unresolved, which were assigned to the Assistant Secretary for Intelligence and Research. In discussions with OIG, INR has advised OIG of its plan to respond to these recommendations.

Reason Unresolved: These recommendations were transferred to DS in May 2000 due to the Secretary of State's transfer of authority for protection of SCI material. OIG is working with DS to reach resolution for these recommendations.

To be resolved by: March 2001

Protective Services (SIO/A-99-29), June 1999

Summary: OIG made 25 recommendations to improve the protection provided to visiting dignitaries and foreign missions in the United States; 24 recommendations were made to DS, and 3 of these, which address centralizing all functions for the protection of foreign missions, transferring the authority for the ambassador's protective detail, and implementing a policy restricting the number of days that agents work, remain unresolved.

Reason unresolved: DS has not responded to these recommendations since October 1999.

To be resolved by: December 2000

SUMMARY OF AUDIT REPORTS WITHOUT MANAGEMENT DECISION FOR MORE THAN SIX MONTHS

Overseas Telephone Systems Security Management (SIO/A-00-01), November 1999

Summary: OIG made 19 recommendations to find solutions to overseas telephone security risks; 14 of these remain unresolved. Two of the unresolved recommendations were assigned to the Chief Information Officer, and 6 of the unresolved recommendations were assigned to DS.

Reason unresolved: OIG is working with DS and with the Chief Information Officer to reach resolution on all of the recommendations.

To be resolved by: December 2000

International Development Exchange (A-92-24), November 1992

Summary: OIG made recommendations on questioned costs of \$59,497 and accounting system deficiencies.

Reason unresolved: The Department deferred a decision on the questioned costs pending completion of OIG's investigation, which was referred to the Justice Department in July 1994.

To be resolved by: Unknown; case in litigation

Delphi International Group (A-92-23), December 1992

Summary: OIG questioned grant costs totaling \$253,772, which included costs associated with an OIG investigation. In September 1997, the Department of Justice reached a settlement with Delphi on the investigation, but \$117,179 in audit costs remain unresolved.

Reason unresolved: The Department is seeking clarification and documentation from the grantee.

To be resolved by: December 2000

North/South Center (ARR-94-03), March 1994

Summary: OIG recommended that USIA seek reimbursement of \$1,507,261 in questioned costs, approximately \$1 million of which resulted from an inequitable allocation of indirect costs to the Center. The Department of Health and Human Services, which has audit cognizance, established new indirect cost rates.

Reason unresolved: The Department deferred action on about \$480,000 in remaining questioned costs pending further consultation with the Bureau of Educational and Cultural Affairs and awaiting additional information from the bureau.

To be resolved by: December 2000

Delphi International Group (ALR-94-03), March 1994

Summary: OIG questioned grant costs totaling \$202,188, which included costs associated with an OIG investigation. In September 1997, the Department of Justice reached a settlement with Delphi on the investigation, but \$110,147 in audit costs remain unresolved.

Reason unresolved: The Department is seeking clarification and documentation from the grantee.

To be resolved by: December 2000

Broadcasting Board of Governors

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OIG Activities

OFFICE OF AUDITS

Broadcasting Board of Governors Transmission Delivery System (00-IB-033)

The overall objective of this review was to evaluate the BBG plans and initiatives for the management and operation of its worldwide broadcast transmission delivery system. This system broadcasts daily to more than 90 countries in 61 different languages primarily by radio and TV transmissions. It is the primary infrastructure that the United States uses for all of its nonmilitary international broadcasting, is valued at more than \$1.5 billion, and costs in excess of \$100 million annually to operate.



BBG transmitting station in Bangkok, Thailand.

OIG found that while BBG has an agencywide strategic plan, it does not comprehensively address the transmission delivery system or how the agency plans to provide surge capacity to support U.S. foreign policy objectives during crises abroad. BBG has recently completed several studies and assessments that can provide a framework for assessing and planning for the transmission delivery system. Strengthening strategic planning will bring the BBG more in line with the policy formulation and planning guidance provided by OMB Circular A-11. OIG recommended that the BBG

address more comprehensively its strategic plans for the transmission delivery system either within its agencywide plan or in a separate planning document.

OIG also recommended that this plan should demonstrate how the BBG will support U.S. foreign policy objectives during crises abroad.

The report also notes that the BBG transmitting stations themselves were well managed and operated. The stations' ability to maximize their operational capabilities by transmitting the right program, on the right frequency, at the right time averaged about 99.5 percent. Although the stations are well managed, OIG identified opportunities to improve the management and operations of the delivery system including

- improving the level and timeliness of IBB personnel support for station employees,
- ensuring construction expertise is available for transmitting stations, and
- improving management controls by implementing a compliance-monitoring process for affiliate broadcasts.

OFFICE OF INSPECTIONS

International Broadcasting Bureau (IBB) Technical Monitoring Office in Vienna, Austria (ISP/I-00-19)

Embassy Vienna hosts the IBB Technical Monitoring Office, one of the U.S. Government's several regional operations located in Vienna and staffed by two local employees. The operation appears to be efficient, the staff competent, morale high, and relations with the Embassy excellent. The monitoring office checks on broadcasts to Europe, including Russia, and to Africa and the Middle East, including India. The operation uses automatic remote monitoring systems based in 14 different locations throughout these regions and functions 24 hours a day, 7 days a week. The inspection made one recommendation concerning management of the certification of the time and attendance of the employees. The current approach is not appropriate.

OFFICE OF SECURITY AND INTELLIGENCE OVERSIGHT

During this reporting period, OIG conducted a security oversight inspection of the BBG Relay Station, Kavala, Greece. The need for security improvements includes installation of an imminent danger notification system, shatter-resistant window film, and enhanced physical and procedural security measures for the office building. This inspection is summarized in the classified annex to this semiannual report.

Appendix 1: Investigative Activities

Workload

Cases pending 3/31/00	1
New cases opened	0
Cases closed	1
Cases pending 9/30/00	0

Total Judicial Actions **0**

Total Administrative Actions **0**

The statistics and narrative case descriptions of investigative activities appearing in this Semiannual Report to the Congress are the result of reports received from prosecutive and administrative authorities. The final actions may be changed at a later date by individual use of administrative and judicial appeals processes.

Appendix 2: Reports Issued

Office of Audits

00-IB-033 Sept. 2000 BBG Transmission Delivery System

Office of Inspections

ISP/I-00-19 Aug. 2000 IBB Technical Monitoring Office in Vienna, Austria

Office of Security and Intelligence Oversight

SIO/I-00-47 Aug. 2000 Broadcasting Board of Governors Relay Station, Kavala, Greece

Appendix 3: Savings & More Effective Use of Resources

Table I
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH QUESTIONED COSTS

	Number of Reports	(Dollars in Thousands)	
		Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period	0	0	0
B. Which were issued during the reporting period	0	0	0
Subtotals (A + B)	0	0	0
C. For which a management decision was made during the reporting period	0	0	0
– based on formal administrative or judicial appeal			
(i) dollar value of disallowed costs	0	0	0
(ii) dollar value of costs not disallowed	0	0	0
D. For which no management decision has been made by the end of the reporting period	0	0	0
Reports for which no management decision was made within 6 months of issuance	0	0	0

Table II
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

	Number of Reports	Dollar Value (in thousands)
A. For which no management decision has been made by the commencement of the reporting period	0	0
B. Which were issued during the reporting period	0	0
Subtotals (A + B)	0	0
C. For which a management decision was made during the reporting period	0	0
(i) dollar value of recommendations that were agreed to by management	0	0
– based on proposed management action		
– based on proposed legislative action		
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision has been made by the end of the reporting period	0	0
Reports for which no management decision was made within 6 months of issuance	0	0

SUMMARY OF AUDIT REPORTS WITHOUT MANAGEMENT DECISION FOR MORE THAN SIX MONTHS

Radio Marti Policies and Procedures (99-IB-010) June 1999

Summary: OIG recommended that the Broadcasting Board of Governors establish policies and procedures so that future evaluation panels can assess whether the foreign policy requirements of the Voice of America Charter and the 1994 International Broadcasting Act are being met.

Reason Unresolved: BBG disagrees with the recommendation and believes there are sufficient mechanisms in place to ensure that broadcasts satisfy statutory requirements. On April 13, 2000, BBG cited as further support for this position the recently completed legislatively mandated review of BBG language services. According to BBG, this review process, carried out in consultation with the Department of State, is a valuable method of assessing whether BBG broadcasting remains consistent with U.S. foreign policy objectives. Although the language reviews are important, they do not address the content of programs aired by BBG, which is the intent of the recommendation. Instead, such reviews assess the focus of BBG programming and, as necessary, the need to reallocate resources to areas of higher priority. Furthermore, in a March 2000 response to BBG, OIG pointed out that it would reserve judgement on resolution of this recommendation until it received BBG's March 31, 2000, report to the Congress on OIG's Radio Marti recommendations, including the one now without a management decision. On August 29, 2000, OIG again requested that BBG provide a copy of the issued report so that OIG may consider it in coming to a mutually acceptable resolution of the recommendation.

To be resolved by: November 2000

Abbreviations

A/FBO	Office of Foreign Buildings Operations
ACIE	American Councils for International Education
BBG	Broadcasting Board of Governors
CNP	Columbian National Police
DS	Bureau of Diplomatic Security
ESA	Emergency Supplemental Appropriations
EUR	Bureau for European Affairs
EVP	Exchange Visitor Program
FACTS	Federal Agencies Centralized Trial-Balance System
FAS	Foreign Agricultural Service
FBI	Federal Bureau of Investigation
FCS	Foreign Commercial Service
FSN	Foreign Service national
FSRDF	Foreign Service Retirement and Disability Fund
FTA	Free trade agreement
GMRA	Government Management Reform Act
IAWG	Interagency Working Group
IBB	International Broadcasting Bureau
IBWC	International Boundary and Water Commission
ICASS	International Cooperative Administrative Support Services
INL	Bureau of International Narcotics and Law Enforcement Affairs
INS	Immigration and Naturalization Service
IT	Information technology
MPP	Mission performance plan
NAS	Narcotics Affairs Section
NIS	New Independent States
OIG	Office of Inspector General
OSCE	Organization for Security and Cooperation in Europe
RPO	Regional Program Office
USAID	U.S. Agency for International Development
UNVIE	U.S. Mission to the United Nations Organization in Vienna, Austria
USIA	United States Information Agency
Y2K	Year 2000

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Section 5(a)(12)	Significant management decisions with which OIG disagreed	None

Requests for additional copies of this
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