



# Office of Inspector General

*United States Department of State  
and the Broadcasting Board of Governors*

## **Office of Inspector General**

### **Semiannual Report to the Congress**

**April 1, 2004 to September 30, 2004**



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## Summary of OIG Accomplishments

### Financial Results:

#### Questioned costs

<i>Issued during the reporting period</i>	\$ 3,800,000
<i>Management decision during the reporting period</i>	\$

#### Recommendations for funds to be put to better use

<i>Issued during the reporting period</i>	\$ 1,800,000
<i>Management decision during the reporting period</i>	\$ 1,800,000

<i>Investigative recoveries</i>	\$134,928
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### Investigative Results:

<i>Cases opened</i>	27
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<i>Cases closed</i>	17
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<i>Judicial actions</i>	35
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<i>Administrative actions</i>	10
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<i>Hotline and complaint activity</i>	244
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<b>Reports Issued:</b>	99
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*Pictured on the front cover: Embassy Prague, Czech Republic*

*Picture provided by Office of Overseas Buildings Operations*

*Requests for additional copies of this publication should be addressed to:*

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# TABLE OF CONTENTS

EXECUTIVE SUMMARY .....	1
CONGRESSIONAL ACTIVITIES AND OUTREACH .....	7
OIG ACTIVITIES RELATED TO IRAQ .....	11
<b>DEPARTMENT OF STATE</b>	
SECURITY .....	15
INSPECTIONS .....	17
AUDITS .....	47
INFORMATION TECHNOLOGY .....	67
INVESTIGATIONS .....	79
APPENDIX 1: INVESTIGATIVE ACTIVITIES .....	85
APPENDIX 2: REPORTS ISSUED .....	87
APPENDIX 3: SAVINGS AND MORE EFFECTIVE USE OF RESOURCES	
Table 1: Questioned Costs .....	93
Table 2: Funds to be Put to Better Use .....	94
<b>BROADCASTING BOARD OF GOVERNORS</b>	
INSPECTIONS .....	99
INFORMATION TECHNOLOGY .....	107
INVESTIGATIONS .....	109
APPENDIX 1: INVESTIGATIVE ACTIVITIES .....	111
APPENDIX 2: REPORTS ISSUED .....	113
APPENDIX 3: SAVINGS AND MORE EFFECTIVE USE OF RESOURCES	
Table 1: Questioned Costs .....	115
Table 2: Funds to be Put to Better Use .....	116
LIST OF ABBREVIATIONS .....	117



# EXECUTIVE SUMMARY

During this semiannual reporting period, the Office of Inspector General (OIG) reviewed and monitored programs, activities, and operations of the Department of State (Department) and Broadcasting Board of Governors (BBG), considering them in light of, among other factors, OIG's strategic goals that support and assist the Department and BBG.

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## **Effectively, Efficiently, and Economically Advance the Foreign Policy Interests of the United States**

OIG conducted several inspections, audits, and other reviews regarding the management and operations of key U.S. foreign policy programs and established an Iraq Coordination Group to provide oversight as the Department transitioned from the Coalition Provisional Authority to Embassy Baghdad.

During this period, OIG issued three reports specifically relevant to Iraq. In response to congressional interest, OIG issued a factsheet on the Iraqi National Congress Support Foundation, which indicated that previously reported questioned costs amounting to \$2.3 million have not yet been remitted to the Department. Additionally, OIG assessed the procurement evaluation and award procedures associated with the Iraqi Police Training Program, a program implemented by the Bureau of International Narcotics and Law Enforcement Affairs, and OIG examined two contracting actions amounting to \$334 million. Regarding the contracts, OIG concluded that the Department followed appropriate procurement regulations and procedures and treated all offerors fairly. OIG also reviewed cashier operations at Embassy Baghdad, due to the high volume of cash to be disbursed, and determined that internal controls were adequate for start-up, but that Embassy Baghdad should formalize its cashiering operation and its relationship for services provided by the U.S. Army.

OIG also conducted seven inspections at posts in the Middle East and the surrounding region including those in Kuwait, Abu Dhabi, Ankara, Doha, Kabul, Muscat, and Nicosia. These posts play a major role in U.S. activities in Iraq and in the global war on terrorism. Overall, OIG found these posts to be operating well, despite heavy workloads and intense security concerns. For example, Embassy Kuwait is the platform for operations and entry to Iraq by Coalition and U.S. troops, contractor employees, visitors, and congressional delegations. Despite the volume of visitors and the resulting heavy workload, the post is managed well and embassy personnel rate it relatively high. At Embassy Kabul, where the mission performance plan (MPP) is managed as a living document, the embassy uses military officers to staff its Embassy Interagency Planning Group (EIPG) and has regularly reviewed its performance indicators with all units at post, providing progress reports to post management and to the Deputies Committee in Washington. The EIPG concept can serve as a model for future emergency situations. The embassy and the Bureau of Overseas Buildings Operations (OBO) have worked to alleviate primitive living and working conditions and, when major construction projects are completed next year, the post will attain a more normal profile.

Overall, these Middle Eastern posts experienced warranted but rapid growth in staffing and, although they coped well with the resulting demands, OIG found that staffing growth was not tightly linked to the MPP process and that International Cooperative Administrative Support Services (ICASS) was only marginally effective in managing demands for additional staffing. OIG's work identified staffing gaps in the region and recommended appropriate solutions.

In its inspection of Embassy Khartoum, OIG determined that the post did an effective job of advancing U.S. policy in Sudan by alerting Washington to the deteriorating humanitarian crisis and by making enormous progress toward reopening a functioning mission. However, OIG determined that the embassy's effectiveness was hampered by the lack of a country desk within the Bureau of African Affairs (AF). OIG recommended that AF place Sudan in a geographic directorate and send its executive director to the embassy to review additional managerial needs and develop a plan to address them. OIG also determined that Embassy Khartoum lacked the skills needed for handling its responsibilities and that regional support was insufficient. The Department generally agreed with OIG's recommendations and is taking steps to address them.

During this reporting period, OIG reviewed the Consular Lookout and Support System (CLASS), a sophisticated, real-time, decision-support system used to perform name checks of visa and passport applicants and of foreign visitors entering the United States. OIG found that CLASS, which is seen by many as the best of the security community's enterprise systems, can be improved by better management of systems development, closer cooperation with other bureaus, and tighter management controls.

Outside of the Middle East, OIG inspected ten U.S. missions in Africa, including those in Mbabane, Pretoria, Khartoum, Maseru, Addis Ababa, Asmara, Djibouti, Bangui, N'Djamena, and Yaounde. Leadership and staffing issues were major concerns at these posts, and OIG responded with a summary report on hardship posts, based on all recent OIG inspections in Africa. Overall, OIG found

these hardship posts lacked a cadre of qualified American officers at all levels, and many lacked strong leadership. Exacerbating the problem were overuse of stretch assignments, inadequate supervision, overwhelming backlogs of work, excessive staff overtime, and low morale. OIG recommended that the Department reconvene the Hardship Incentives Working Group, to review and recommend ways to improve staffing at hardship posts, including through use of temporary-duty personnel and retaining Civil Service personnel who perform well on excursion tours at African hardship posts.

OIG, over this period, inspected posts within the Bureau of European and Eurasian Affairs (EUR), including those in Berlin, Frankfurt, Prague, and The Hague. OIG found that Frankfurt's Regional Support Center (RSC) is providing outstanding service, particularly in financial and human resources management. OIG also concluded that EUR's use of the Foreign Service national (FSN) Executive Corps should be emulated by all other regional bureaus, and that the Frankfurt RSC should consolidate functions performed by regional support activities in Paris and Vienna.

OIG inspected BBG's operations, including transmitting stations, marketing and program placement operations, and several foreign Voice of America (VOA) news bureaus. Among the recommendations arising from the inspections were calls for human resource succession-planning for the International Broadcasting Bureau in Greece, for recovery of the 16-percent value added tax (VAT) in Germany since the transmitting station is losing more than \$500,000 to VAT annually, and for consultations with Embassy Djibouti to bring the unexploded ordnance problem at the transmitting station to the attention of the government of Djibouti.

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## **Adequately Protect the People, Information, and Facilities under their Control in the United States and Abroad**

During this period, OIG conducted 17 security inspections and security management reviews, five compliance follow-up reviews, and three special reviews. Security inspections focus upon protecting people, facilities, and national security information, whereas security management reviews examine senior management's oversight of a security program. The details of these inspections and reviews are discussed in the classified annex to this report.

OIG also conducted three special reviews during this period, one regarding the Department's implementation of its lock-and-leave policies and procedures and another regarding the architectural and engineering contractors involved in designing the new compound for Embassy Beijing. A third focused on how errors came to be part of the 2003 *Patterns of Global Terrorism* report. OIG found that improvements are needed at some lock-and-leave posts and that the Department has provided vigorous

security oversight for the architectural and engineering firms designing the Beijing embassy compound. The work on the 2003 *Patterns* report, which came at the request of six Senators, found that inaccurate and incomplete data and statements were included in the report because of omissions and inconsistencies in information provided by the Terrorist Threat Integration Center (TTIC). Additionally, OIG concluded that the Coordinator for Counterterrorism needed to provide the appropriate staff for analysis and oversight of the report. OIG recommended better coordination between the offices that provide and analyze terrorist incident data and that additional personnel analyze this data and oversee development of subsequent *Patterns* reports. The Department agreed with OIG's recommendations and has taken steps to implement them.

Over the period, OIG Information Technology (IT) staff participated in inspections of 11 overseas missions and two domestic bureaus and reviewed the State Messaging and Archive Retrieval Toolset (SMART). SMART will replace the Department's antiquated messaging systems with a single system that offers messaging, archiving, and information sharing at the desktop. OIG's review of Phase I of the project found that the Department is making excellent progress and had no recommendations.

OIG conducted annual evaluations of the Department's and the BBG's information security program, as mandated by the Federal Information Security Management Act of 2002 (FISMA). OIG found that the Department had made significant improvements over the previous year by, for example, changing its certification and accreditation process, improving its plans of action and milestones process, and developing a Web-based tool for security awareness training. OIG recommended, and the Department implemented, the establishment of an information governance structure that will include cross-bureau working-level teams.

OIG's FISMA review for the BBG found that BBG had also made progress, in this case by reorganizing its IT program, defining 24 major systems, and performing risk assessments. OIG also found that BBG developed plans of action and milestones for ten of its 24 systems, for quarterly reporting to the Office of Management and Budget (OMB). The first FY 2004 quarterly report to OMB under the new structure identified 20 information security weaknesses, of which two have been corrected. However, OIG remains concerned that BBG's information security needs management attention.

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## **Implement the Necessary Financial and Support Systems and Controls to meet Legal and Operational Requirements**

OIG audited and reviewed the Department's and BBG's financial and administrative support systems. Among these was a review of the contract for worldwide protective services, including protection of the President of Afghanistan and key embassy personnel in Kabul. An audit of the contract's first six months of operations found that 25 of 31 separately funded line-items were significantly under- or over-billed. This included the double billing of a rental charge for \$55,000. Also



the contractor's accounting and billing procedures were unacceptable. OIG's subsequent review found this contractor erroneously claimed that all financial and control deficiencies had been corrected. Moreover, OIG found additional accounting errors including duplicate or erroneous billings amounting to about \$950,000. OIG also found there was a lack of adequate oversight by Department officials. With OIG's findings and the contractor's subsequent review, the total refund due to the Department was about \$1.4 million. The Department has agreed to hire specially trained financial personnel to monitor the contract.

OIG also reviewed the unexpended balances for fiscal years 1995 through 2002 of the Diplomatic Telecommunications Service Program Office (DTS-PO). In doing so, OIG recommended that the Department review and question the unliquidated obligations of \$28.3 million, to determine if they could be put to better use. OIG also concluded that funding authority might have expired for some of the \$9.5 million in unobligated balances, meaning that some funds may revert to the U.S. Treasury. In total, OIG questioned about \$51 million in the DTS-PO program. To date, \$1.8 million has been recovered.

OIG also conducted three reviews involving OBO: an evaluation and analysis of the cost/schedule data for the contract for the design and construction of an embassy compound in Kabul, Afghanistan; a review of the New Embassy Compound (NEC) Program, and a review of the Management Compound for Physical Security Upgrades. OIG found that the Kabul embassy compound contract lacked an incentive for completion on time and within budget. Regarding the NEC Program's design and planning phases, OIG determined that OBO's new fixed-price contract process should reduce escalating costs and shift the financial risk to the contractor. In its review of the OBO Management Compound for Physical Security Upgrades, OIG concluded that the Department's process for identifying and approving security upgrades requires better communication with the posts needing upgrades.

Recognizing that one of the Department's highest priority financial management goals is a fully integrated, worldwide financial management operation, OIG reviewed the controls in place to minimize the risks associated with transferring additional financial services from Washington, D.C., to the Charleston Financial Service Center (CFSC). OIG found that the Department did not have adequate controls in place to prevent and detect financial errors and irregularities. OIG also found that the Department's plans to implement the move were not complete enough for ensuring that critical services would be continued or that potential lapses in services would be minimized. OIG, however, found no errors or irregularities caused by the control weaknesses nor did it find significant service reductions. During the audit, the Department took action to address many of the issues that OIG identified.

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## **Ensure Accountability and Prevent or Eliminate Fraud, Waste, Abuse, and Mismanagement in Programs and Operations**

Over the period, OIG pursued several investigations involving theft of government property, false claims, employee misconduct, forgery, and embezzlement and was involved in several follow up actions resulting from completed investigations.

One investigation, conducted with the Federal Bureau of Investigation (FBI), responded to the theft of \$2.7 million in post assignment travel funds by a former FSN employee at Embassy Lusaka, Zambia. This investigation resulted in the arrest and indictment of three Zambian nationals. An OIG investigator is scheduled to testify in the resulting prosecutions.

OIG also investigated a Department of Labor employee, who continued to receive a salary from the Department for a year after his temporary-duty assignment expired. In June 2004, the employee was placed into pre-trial diversion, and agreed to repay the Department \$78,616 in salary payments and to complete 200 hours of community service.

During this period, OIG, the FBI, and the Bureau of Diplomatic Security, jointly investigated the case of a former embassy management officer and a consular associate, who were suspected of alien smuggling and visa fraud. OIG investigated allegations involving voucher fraud by the same employees and discovered approximately 13 incidents of voucher fraud. On May 1, 2004, the suspects pleaded guilty to charges of alien smuggling and visa fraud and agreed to forfeit \$750,000 in assets.

# CONGRESSIONAL ACTIVITIES AND OUTREACH

## Testimony

On April 29, 2004, the former Deputy Inspector General testified before the Subcommittee on Immigration, Border Security, and Claims of the House Judiciary Committee, regarding the Office of Inspector General's September 2003 report on the Diversity Visa Program (*ISP-CA-03-52*). The testimony outlined the findings and recommendations of the report and the Department's progress in implementing its recommendations. The testimony also outlined the need for new legislation.

## Congressional Requests

In response to legislative mandates and requests from Congress, the OIG conducted the following reviews during this semiannual period:

- In conjunction with several other federal offices of Inspector General, OIG was a contributor to the *Interagency Review of Foreign National Access to Export-Controlled Technology in the United States* (Report No. D-2004-062), issued in April 2004. In addition, OIG issued its own Department of State specific report titled *Review of Export Controls for Foreign Persons Employed at Companies and Universities* (AUD/PR-04-24).
- As mandated by the FISMA, OIG conducted independent assessments of the Department's and the Broadcasting Board of Governors' compliance in establishing and ensuring effective controls over information technology resources. (Report numbers IT-A-04-08 and IT-A-04-07.)
- In response to interest expressed by several Members of Congress and based on prior work, OIG issued a *Factsheet on the Iraqi National Congress Support Foundation* (AUD/CG-04-41).
- In response to a joint request by six Senators via the Secretary of State, OIG conducted a review into the Department's process for reporting on Patterns of Global Terrorism, which resulted in the report, *Review of the Department's Patterns of Global Terrorism - 2003 Report* (SIO-S-04-18)
- Monthly, OIG reports to the Senate Committee on Governmental Affairs regarding financial audits related to the Department's efforts in Iraq.

Within this semiannual period, the Deputy Inspector General and OIG staff met with staff of the Senate Subcommittees on Commerce, Justice, State and the Judiciary, the House Commerce, Justice, State, the Judiciary and Related Agencies, the Senate Foreign Relations Committee, the House International Relations Committee, and the Senate Governmental Affairs Committee, House Government Reform Committee and the House Intelligence Committee to review and comment on a variety of issues regarding the operations and programs of the Department and BBG.

OIG monitored the following legislation during this assessment period:

- H.R. 4754 – The Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 2005
- H.R. 4818 – The Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2005
- S. 2144 – The Foreign Affairs Authorization Act, Fiscal Year 2005
- H.R. 4613 and S. 2559 The Defense Department Fiscal Year 2005 Appropriations bill, which became Public Law 108-287 on August 5, 2004
- H.R. 4200 and S. 2400 – The Ronald Reagan National Defense Authorizations Act for Fiscal Year 2005
- S. 2537 and H.R. 4567 – The Department of Homeland Security Appropriations Act, 2005
- S. 2514 – The Global Peacekeeping Operations Initiative Act of 2004

## **Outreach/Media Assistance**

The OIG participates in several courses offered by the Foreign Service Institute to inform all newly appointed ambassadors, deputy chiefs of mission, new Foreign Service officers, and new Civil Service employees regarding the role, mission, and services provided by OIG. In addition, the Inspector General or Deputy Inspector General individually briefs all newly appointed ambassadors prior to their departure regarding issues specifically related to their assigned embassies.

During this semiannual reporting period, OIG participated in four Ambassadorial Seminars, four Foreign Service Officer Orientations, one Foreign Service National Seminar, three Management Officer's Seminars, two Seminars for Deputy Chiefs of Mission, and two New Civil Service Officer Orientations.

As part of OIG's anticorruption outreach and in conjunction with the inspection of the Embassy

Addis Ababa (Ethiopia), the inspection team presented inspection techniques and information on OIG's role and mission during a training session hosted by Ethiopian Audit and Inspection Services.

In July, the Assistant Inspector General for Inspections and the Acting Assistant Inspector General for Investigations, the Legislative Advisor, and a Legislative Analyst met with representatives from the equivalent of Inspector General offices from China and Chile separately to provide information on OIG's role and mission, which related to OIG's anticorruption outreach.

During this reporting period, OIG responded to media inquiries concerning OIG's 2001 and 2002 Reviews of the Iraqi National Congress Support Foundation, OIG work conducted in New Delhi, and the Department's global terrorism report.

## **Implementation of the Government Performance and Results Act and the President's Management Agenda**

During this semiannual reporting period, the OIG continued to selectively evaluate Department and BBG efforts to manage for results by reviewing mission and bureau performance plans for each mission and bureau inspected, recommending establishment of effective performance measures for selected programs and operations, and identifying issues, concerns, and improvements related to the implementation of the President's Management Agenda (PMA).

With strong support from senior leadership, the Department has made considerable progress in addressing its strategic and performance planning challenges. Improved electronic tools for budgeting and planning have helped the Department streamline development of plans and performance reports, improve linkage of goals and resources, and moderate some of the burden imposed on bureaus and overseas missions. The Deputy Secretary reviews bureau performance plans and resource requests, challenging bureau leaders to account for organizational performance and effectiveness and to address the recommendations for improvement identified by the Office of Management and Budget, OIG, and the Government Accountability Office. Information from the Program Assessment Rating Tool evaluations has been integrated into the Department's budget planning tool, allowing it to be linked to goals and resources.

The Department has also made great strides in the quality and accessibility of its performance reporting. Its FY 2003 Performance and Accountability Report received the Association of Government Accountants Certificate of Excellence in Accountability Reporting for the third year in a row, and the League of American Communications Professionals awarded the report first place in the Government Classification and fourth place overall, out of 900 entries. The Department is close to meeting all of the criteria for success identified by the President's Management Initiative to integrate budget and performance and is expected to "move to green" in the near future.

Every post management inspection routinely reviews how the inspected embassy or bureau develops and uses its respective Mission Performance Plan (MPP) or Bureau Performance Plan (BPP). For example, during this period, OIG reported that:

- Embassy Kabul's (ISP-I-04-35) MPP was a living management tool; and
- At Embassy Abu Dhabi, OIG did not find any coordinated planning mechanism that would assist the mission and the bureau in rightsizing U.S. Government representation to the United Arab Emirates (UAE), although the MPP did include resource requests;
- Growth at regional support centers in Germany, Thailand, and South Africa has not been well planned, has strained existing resources and management structures, and has required chiefs of mission to make staffing decisions outside their ability to evaluate in a meaningful fashion;
- Embassy Athens (ISP-I-04-21A) should undertake a mission-wide assessment of its personnel and resource requirements promptly after the conclusion of the Olympic games, reflecting the diminished demands and changing priorities in the bilateral relationship with Greece;
- Embassy Bangkok (ISP-I-04-22A) should conduct a complete assessment of existing staff levels of all agencies and should initiate NSDD-38 actions to eliminate any position not determined to be critical to accomplishing the mission's objectives;
- The Bureau of Near Eastern Affairs should respond favorably to Embassy Doha's (ISP-I-04-23A) request for two additional positions; and
- The Bureau of East Asian and Pacific Affairs should approve and fill the two World Trade Organization positions Embassy Beijing (ISP-I-04-36A) has requested.

# OIG ACTIVITIES RELATED TO IRAQ



*Embassy Baghdad*

A major component of OIG's work will entail oversight of Department and BBG programs, activities, and operations in and related to Iraq. To that end, Iraq coordination staff are stationed in Washington, D.C. In Iraq, OIG is currently carrying out its oversight responsibilities primarily through a series of temporary duty assignments related to specific activities. OIG expects that these responsibilities will continue at least through FY 2007.

During this period, OIG issued three Iraq-related reports: *Factsheet on the Iraqi National Congress Support Foundation (AUD/CG-04-41)*, *Review of the Department of State Procurement Competitions to Support the Iraqi Police Training Program (AUD/IQO-04-47)* and *Review of Cashiering Operations at Embassy Baghdad (AUD/IQO-04-48)*. These reports are summarized in the Audits section of this report.

## **Memorandum of Agreement Between the Inspectors General of the Department of State, The U.S. Agency for International Development, The Department of Defense and the Coalition Provisional Authority**

Consistent with the Emergency Supplemental Appropriations Act for Defense for the Reconstruction of Iraq and Afghanistan, 2004, P.L. 108-106, The Office of Inspector General of the Coalition Provisional Authority (CPA) will terminate on December 31, 2004. In June 2004, the Department of State Office of Inspector General entered into a Memorandum of Agreement with the Inspectors General of the Coalition Provisional Authority, the U.S. Agency for International Development and the Department of Defense to proactively prevent fraud and abuse and to ensure the continued effective conduct and supervision of audits and investigations as provided in the Supplemental relating to the programs and activities of the CPA and funds from the Iraq Relief and Reconstruction Fund.







United States Department of State  
and the Broadcasting Board of Governors

*Office of Inspector General*

October 29, 2004

MEMORANDUM

TO: The Secretary

FROM: OIG – Cameron R. Hume, Acting

SUBJECT: Semiannual Report to the Congress, April 1 to September 30, 2004

I am pleased to transmit to you the Office of Inspector General's Semiannual Report to the Congress for the period ending September 30, 2004. During this reporting period, OIG reviewed and monitored programs, activities, and operations of the Department considering them in light of, among other factors, OIG's strategic goals that support and assist the Department.

With the Department's opening of Embassy Baghdad, OIG established a presence in Baghdad and issued three reports related to activities in Iraq. OIG audited and reviewed the Department's financial and administrative systems. Among these audits were a review of the contract for worldwide protective services, including protection of the President of Afghanistan and key embassy personnel in Kabul, as well as the review of the controls in place to minimize the risks associated with transferring additional financial services from Washington, D.C., to the Charleston Financial Service Center.

In the area of security oversight, OIG conducted 17 security inspections and security management reviews, five compliance follow-up reviews, and three special reviews. These are summarized in a classified annex to this report. OIG also conducted three special reviews during this period, one regarding the Department's implementation of its lock-and-leave policies and procedures and another regarding the architectural and engineering contractors involved in designing the new compound for Embassy Beijing. A third focused on how errors came to be part of the 2003 *Patterns of Global Terrorism* report and found that inaccurate and incomplete data and statements were included in the report because of omissions and inconsistencies in information provided by the Terrorist Threat Integration Center. OIG recommended better coordination between the offices that provide and analyze terrorist incident data and that additional personnel analyze this data and oversee development of subsequent *Patterns* reports.

Relevant to the Department's goal of advancing U.S. foreign policy interests, OIG inspections covered issues of border security, rightsizing, and regionalization. Related to border security, OIG reviewed the Consular Lookout and Support System (CLASS), a sophisticated, real-time, decision-support system used to perform name checks of visa and passport applicants and of foreign visitors entering the United States. OIG found that CLASS, which is seen by many as the best of

the security community's enterprise systems, can be improved by better management of systems development, closer cooperation with other bureaus, and tighter management controls.

OIG addressed rightsizing issues at U.S. missions in the Middle East and Africa. In a summary report on leadership and staffing issues facing hardship posts at U.S. missions in Africa, OIG found that, to a great extent, these hardship posts lacked qualified American officers and strong leadership, which resulted in overuse of stretch assignments, inadequate supervision, overwhelming backlogs of work, excessive staff overtime, and low morale. OIG recommended that the Department enhance leadership and management training and reconvene the Hardship Incentives Working Group to oversee progress on staffing hardship posts. OIG also identified rightsizing issues at Embassies Kuwait, Doha, Muscat, and Abu Dhabi. Staffing increases are particularly notable in Doha (252 percent growth in seven years), and Abu Dhabi (46 percent growth in seven years). OIG generally found that staffing increases were warranted by policy imperatives related to counterterrorism and the war in Iraq. The real-time policy demands of preparing for the wars in Iraq and Afghanistan moved much faster than the regular MPP resource process. Tighter linkage between NSDD-38 decisionmaking, the MPP process, and ICASS resource decisions would assist in managing growth.

In the related issue of regionalization, OIG inspected three of the Department's four major regional centers in Germany, Thailand, and South Africa and found that the Department is making incremental progress in consolidating services at regional support hubs. However, in most cases, growth at regional hubs has not been well planned and has strained existing resources and management structures.

OIG investigative work this period included theft of government property, false claims, employee misconduct, forgery, and embezzlement.

The IG Act requires that you transmit the report to the appropriate committees of the Congress by November 30, 2004, together with any comments you may wish to make.

# SECURITY

During this period, OIG conducted 17 security oversight inspections and security management inspections/reviews, five compliance follow-up reviews, and three special reviews – a review of the Department’s implementation of lock-and-leave policies and procedures, a review of the architectural and engineering contractors involved in the construction of the new embassy compound at Embassy Beijing, and a special inquiry concerning the 2003 *Patterns of Global Terrorism* report.

With the exception of the 2003 *Patterns* report, these reports are classified and are summarized in a separate, classified annex to this report. A complete list of the reports issued during this semiannual period may be found in Appendix 2 of this report.

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## **Review of the Department’s Patterns of Global Terrorism – 2003 Report (SIO-S-04-18)**

In response to a joint letter to Secretary of State Colin Powell from six members of the U.S. Senate, OIG reviewed how inaccurate and incomplete data and statements came to be included in the *Patterns of Global Terrorism – 2003* report, which was released April 29, 2004. Although the Department has overall responsibility for producing this annual report on international terrorism, the report’s Appendix A – Chronology of Significant Terrorist Incidents, relies on data adjudicated by an Incident Review Panel that includes members of the Intelligence Community.

OIG found that omissions and apparent inconsistencies in the database were due to a number of factors. The shift of the responsibility for the maintenance of the database of terrorist events from one organization to another, along with the lack of trained, long-term personnel working in that office, also probably contributed to the lack of supervision of the database. In addition, the process for assembling the report at the Department, while differing little from that of previous years, lacked sufficient oversight and coordination.



# INSPECTIONS

## ***Equal Employment Opportunity Memorandum Report (ISP-I-04-33)***

*During FY 2003, several OIG inspections conducted by OIG noted weaknesses in Equal Employment Opportunity (EEO) Programs at overseas posts. OIG found that many locally engaged staff were unaware of EEO principles or did not believe they applied to them.*

*Although OIG made recommendations at each mission to address identified shortcomings, OIG believes they are not isolated cases. Based on a review of reports that identified EEO issues, OIG recommended that the Department take appropriate steps to ensure that all overseas missions are aware of the importance of the Department's Equal Employment Opportunity program and that all mission employees, including locally employed staff, are aware of the responsibilities of and protections available to all employees with respect to maintaining a proper work environment and ensuring equality in the workplace. OIG also recommended that the Department emphasize the application of EEO principles to locally employed staff in its training for outgoing ambassadors and deputy chiefs of mission, and also for entry-level officers, who are often first-line supervisors for locally employed staff.*

## African Affairs

### **Strengthening Leadership and Staffing at African Hardship Posts (ISP-I-04-54)**

*OIG prepared a summary of leadership and staffing issues facing hardship posts based on several OIG inspections of U.S. missions in Africa. OIG found a strong relationship among leadership, morale, staffing, and diplomatic readiness at hardship posts. However, recent inspections showed that, to a great extent, these posts lacked qualified and interested American officers at all levels, and many did not have strong leadership. These deficiencies led to costly failures in diplomatic readiness including overuse of stretch assignments, inadequate supervision, overwhelming backlogs of work, excessive staff overtime, and low morale.*

*OIG found with good leadership from the ambassador and deputy chief of mission (DCM), hardship posts can be successful, congenial workplaces with high morale and can attract qualified staff, even in the most difficult of environments. OIG recommended that the Department place stronger emphasis on leadership qualities of ambassadors and DCMs, including the ability to motivate and encourage staff and to teach subordinates to set priorities and be self-reliant. OIG also recommended enhanced leadership and management training.*

*To address staffing shortcomings, OIG recommended that the Department reconvene the Hardship Incentives Working Group to oversee progress on staffing hardship posts, implement a formal program for temporary duty personnel, and implement procedures to facilitate the retention of Civil Service personnel who perform well at African hardship posts, identifying ways in which they can continue to function in this role.*

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## **Inspection of Embassy Mbabane, Swaziland (ISP-I-04-25A) Fieldwork concluded March, 2004**

OIG found Embassy Mbabane adequately staffed but suffering from weak management. The embassy was lacking standard policies and important management controls.

The return of the Peace Corps had significantly enhanced U.S. engagement, and the United States was the leading bilateral donor for HIV/AIDS programs. Consular responsibilities at Embassy Mbabane were light, and OIG recommended that all visa functions be transferred to Consulate General Johannesburg.

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## **Inspection of Embassy Pretoria, South Africa, and Constituent Posts (ISP-I-04-28A) Fieldwork concluded March 2004**

South Africa is a management challenge marked by dramatic mission growth over the past decade as well as the increased workload to advance key U.S. priorities such as HIV/AIDS, democracy, and regional stability.

Over the past ten years, the size of the mission skyrocketed, with 28 agencies represented at the time of the inspection. Building programs were underway or planned in three locations, but key elements of the management/administrative platform remain seriously underinvested. Proposals to expand Pretoria/Johannesburg as a regional support hub require greater analysis and coordination with the Bureau of Overseas Buildings Operations.

The mission had achieved notable success in priority areas such as HIV/AIDS, especially with the effective engagement of nongovernmental organizations and improving law enforcement coordination. General regional support and handling a constant stream of official visitors also received strong marks. Washington consumers were generally satisfied with political and economic reporting. Public diplomacy efforts had been effective and were growing.

The mission's success in advancing its substantive agenda had not been fully mirrored in internal operations. This mission had communication and coordination problems and a lack of cohesiveness.

Consular officers had kept pace with rapidly changing requirements and were observing necessary management controls. OIG recommended that a nationwide system be implemented for visa inquiries to reduce workload and improve public relations. Weak management was a concern in several embassy sections, especially human resources activities.

The three consulates general posed unique challenges. Johannesburg was well managed, but its proximity to Pretoria presented coordination and turf issues. Cape Town had excellent outreach and contact efforts but serious administrative weaknesses that may require an upgrade in management personnel. Durban, the epicenter of South Africa's AIDS pandemic, produced good reporting on this issue, but key officers demonstrated poor people-management skills.

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## **Inspection of Embassy Maseru, Kingdom of Lesotho (ISP-I-04-32) Fieldwork concluded February 2004**

Embassy Maseru, one of the smallest U.S. embassies, was working hard to advance U.S. interests in this country of two million people. During the inspection, a key issue facing the embassy was how small can a post be and still effectively cover such essential areas as security and information management.

Security coverage, provided by Embassy Gaborone at the time of the inspection, should come from South Africa and needed to be enhanced. Information management support, which was inadequate, must be improved to meet post's needs. Embassy Maseru had sought the assignment of a regional security officer and an information management specialist. OIG supported these requests, absent significant increases in regional support.

Consular responsibilities were light, and OIG recommended that all remaining visa functions be transferred to Consulate General Johannesburg. Insufficient communication among staff had hindered morale. Administrative operations needed to be tightened and receive greater oversight from the front office. Embassy Maseru had insufficient management controls in warehousing and expendable supplies, procurement, and the clearing of funds that have been obligated but not spent.



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## **Inspection of Embassy Addis Ababa, Ethiopia (ISP-I-04-42A) Fieldwork concluded June 2004**

OIG found that Embassy Addis Ababa has successfully worked to gain the Ethiopian government's cooperation in meeting three of the major U.S. foreign policy objectives for Africa: to maintain peace in the volatile Horn of Africa, to win the war against terrorists who find haven in the Horn, and to make inroads in redressing food insecurity and HIV/AIDS in Ethiopia. The embassy now should explore ways in which the African Union, which has its headquarters in Addis, could be drawn on to advance U.S. interests Africa-wide.

The inspection also identified some morale issues, and management controls need attention. The consular staff accomplishes a daunting array of tasks but would benefit from more focused office management, an improved filing system, and accelerated handling of correspondence. Embassy Addis Ababa does not have a formal, reliable management controls review system. OIG recommended that the embassy designate the deputy chief of mission as the management controls officer and conduct an embassy-wide management controls review.

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## **Inspection of Embassy Asmara, Eritrea (ISP-I-04-43A) Fieldwork concluded May 2004**

U.S. bilateral relations with Eritrea are strained, and Eritrean cooperation is limited and patchy. OIG found that Embassy Asmara is poised to respond promptly should the situation improve. Given Eritrea's location in the Horn of Africa, near the U.S. military base in Djibouti, Eritrea's cooperation in policing coastal waters could be very useful in the war on terrorism.

OIG found that Embassy Asmara will be essentially rightsized following the addition of a new consular officer. However, OIG did identify staffing issues. The Department's inability to provide continuity in staffing is at variance with the mission's growing strategic-military importance. Also, staffing gaps need better coverage through longer stays by temporarily assigned officers or when-actually-employed annuitants. Finally, constant turnover in the management officer position has adversely affected operations.

U.S. bilateral assistance, even if declining in some areas with budget reductions, has achieved significant development results. Similarly, the mission's public diplomacy unit has been creative in seeking opportunities to expand its programs.

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## **Inspection of Embassy Djibouti, Republic of Djibouti (ISP-I-04-44A) Fieldwork concluded May 2004**

The abrupt emergence of Djibouti as a forward base for the United States in the global war on terrorism has raised significant challenges that the embassy is successfully meeting. Embassy Djibouti is important largely because the United States has established its only military base in Africa in Djibouti. The embassy has achieved commendable results in creating positive relations among the embassy, the U.S. military, the French, and the government of Djibouti to facilitate the work of the base.

Embassy support has been crucial in enabling the U.S. Agency for International Development and the Department of Defense to commit over \$50 million in development and military funds quickly, helping to maintain continued acceptance by Djiboutians that their decision to allow the base was the right one.

Embassy Djibouti has managed to cope with a number of management and personnel challenges. OIG made recommendations to address human resources issues for direct-hire American and Foreign Service national staff.

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## **Inspection of Embassy Khartoum, Sudan (ISP-I-04-46A) Fieldwork concluded May 2004**

Embassy Khartoum is effective in advancing the U.S. policy agenda in Sudan. It took the lead in alerting Washington to the deteriorating humanitarian crisis in Darfur in western Sudan. In addition, the embassy has made enormous progress in reopening as a functioning mission in Khartoum in order to reestablish more productive relations with the government of Sudan and further U.S. counterterrorism and humanitarian priorities.

The inspection found that skills are not commensurate with the enormous tasks facing the embassy, and regional support, spread among several neighboring African posts, is insufficient to fill the gaps. OIG recommended that Embassy Khartoum request temporary duty officers to help meet needs in the areas of management, public affairs, facilities, and human resources. OIG also recommended that Embassy Khartoum complete memoranda of understanding with neighboring embassies to provide regional support for facilities maintenance, human resources, and financial management. In addition, OIG recommended that the embassy recruit a midlevel consular officer and an entry-level officer to perform American citizens services and political reporting duties. OIG also found morale issues and made a recommendation to address them

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## **Management Assessment Review of Embassy Bangui, Central African Republic (ISP-I-04-48) Fieldwork concluded June 2004**

Since the withdrawal of American staff from the Central African Republic in November 2002 during a breakdown in security, U.S. interests have received little attention. OIG found that the U.S. facilities in Bangui are deteriorating, notwithstanding annual expenditures of almost \$2 million. Responsibility for oversight of embassy activities is split among the Bureau of African Affairs, Embassy N'Djamena, and Embassy Yaoundé. OIG found little apparent thought given to policy and management issues.

Foreign Service nationals are responsible for the U.S. facilities and for the local conduct of bilateral relations. Little attention is paid to the upkeep and maintenance of the deteriorating real property, and the FSNs communicate as best they can with personnel in the Bureau of African Affairs.

OIG recommended that the Department decide the status of the mission and take immediate steps to oversee U.S. government interests, personnel, and property in Bangui, including establishing clear policy and management guidelines, consolidating support functions at one location, and accrediting the U.S. ambassador from a nearby location to the Central African Republic. OIG also made several recommendations to improve general services and recommended that the bureau provide FSNs clear written guidance.

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## **Inspection of Embassy N'Djamena, Chad (ISP-I-04-49A) Fieldwork concluded May 2004**

OIG's inspection of Embassy N'Djamena found that recent personnel changes, petroleum production, and counterterrorism successes, coupled with the urgency of supporting humanitarian efforts in the east, have given needed life and meaning to Embassy N'Djamena. Before then, the embassy focused primarily on the need to survive in Chad's harsh environment. However, OIG found that the embassy has a noticeable lack of direction that negatively affects performance and morale and noted that a new Ambassador must continue the work of a temporary duty chargé, who helped to energize the post.

Historically difficult to staff, Embassy N'Djamena has had difficulty attracting the expertise it needs to fulfill its objectives and provide a reasonable quality of life for embassy personnel. AF has assigned temporary duty personnel, but they are unable to give the embassy the continuity and sustained direction it needs. There was also a notable lack of supervisory oversight and a need for FSN training in human resources, financial management, and information management, and Department assistance is required in these three units.

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## **Inspection of Embassy Yaoundé, Cameroon (ISP-I-04-52A) Fieldwork concluded June 2004**

OIG found that Embassy Yaoundé is effectively engaged to influence Cameroon in its political and economic development and to encourage it to become more conscious of its international role. Public diplomacy efforts are appropriately directed. Embassy Yaoundé is also effective in its support for the newly opened embassy in Malabo, Equatorial Guinea. The Ambassador delivers hard messages to that government on the need to improve its human rights record and develop a more participatory political system. However, current disruptions in commercial and charter air service to Malabo seriously constrain

Embassy Yaoundé's ability to provide services in a timely and sustained manner. Embassy Yaoundé's role in supporting the embassy in Bangui, Central African Republic, should be formalized with clear instructions from the Department on what level of coverage and administrative support is in the interests of the United States.

Embassy Yaoundé works as an integrated, well-functioning whole with a good sense of community and high morale among American direct-hire employees and locally employed staff. The embassy, in particular the Ambassador, has worked hard and successfully to recruit the personnel it needs. It benefits from the strong performance of entry-level Foreign Service officers and specialists and Civil Service employees on excursion tours, who together fill over half of the Department direct-hire positions in Yaoundé and the branch office in Douala.

OIG recommended that the embassy improve consular operations through better management. OIG also made several recommendations to improve procedures for financial management and general services.

## East Asian and Pacific Affairs

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### **Inspection of Embassy Bangkok, Thailand, and Constituent Post (ISP-I-04-22A) Fieldwork concluded March 2004**

OIG found that rightsizing was a major issue to be addressed at Embassy Bangkok, one of the largest U.S. diplomatic presences abroad. There was continuing pressure for further staff increases due to a congenial host country environment, apparent political stability, ease of transportation/communications, and reasonable costs of operation. However, the haphazard accretion in staff was not in accordance with any overall plan.

Embassy Bangkok is, *de facto*, a regional center of U.S. government operations. Coverage ranges from 59 other posts served by the Bangkok Financial Service Center to frequent work with four neighboring embassies in Burma and what formerly was known as Indo-China. On the interrelated issues of rightsizing and regionalization, the prevailing attitude was that growth was inevitable.

The Chief of Mission's authority applies to the regional offices. Although he was responsible for the welfare and safety of many tenant agencies, the Ambassador had no authority or capability to evaluate the extent or effectiveness of the work of those entities outside Thailand. This rendered the NSDD-38 process (approval process for permanent hire) moot as a tool for effective management decisions.

This mission operated in a resource-plentiful environment, both in terms of funding and personnel. Thus far, this has enabled Embassy Bangkok to easily meet the administrative support needs of the 41 subscribers to the ICASS system.

Morale at the mission is good, especially at Chiang Mai and among those who work in the Inman-standard new chancery. The Ambassador and deputy chief of mission are well respected. Priority attention was given to counterterrorism, bilateral military cooperation, and law enforcement issues. In these areas, program implementation was very effective. However, the consular staff needed more front office attention and recognition.

In managerial style, this is a mission where a premium is placed on an agreeable community atmosphere. The corollary is a certain lack of constructive criticism or debate over either policy or management issues. An unusually large number of the American staff has served previously in Thailand. There is a subtle, but pervasive, deference to this depth of experience and an inclination to accept conventional wisdom in addressing issues.

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## **Inspection of Bangkok Financial Service Center (ISP-I-04-29) Fieldwork concluded March 2004**

During its inspection, OIG found the Bangkok Financial Service Center (BFSC) provided outstanding customer service. However, implementation of the Regional Financial Management System (RFMS) has been costly both financially and in its effect on the personnel of the BFSC. Additional Foreign Service national personnel were needed to meet the increased workload demands caused by assuming responsibility for 22 additional posts and implementing RFMS. Management controls needed to be strengthened both through separation of duties and an independent review of RFMS and its associated applications.

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## **Inspection of Embassy Beijing, China, and Constituent Posts (ISP-I-04-36A) Fieldwork concluded June 2004**

Embassy Beijing was well focused on U.S. foreign policy and national security priorities in China and was accomplishing positive results in fostering a constructive U.S.-Chinese relationship. The embassy has more than doubled in size since 1997 to a total American and local staff of about 1,500. Additional major staff increases are expected as the U.S.-Chinese relationship continues to expand, raising questions whether planned new office buildings and other facilities will be adequate.

OIG recommended that Embassy Beijing develop a plan to monitor proposed staffing and programs in China to ensure there is sufficient accommodation for projected growth that may exceed the capacity of existing facilities and those under construction.



*Embassy Beijing*

OIG found that Embassy Beijing was not taking sufficient advantage of the many opportunities that China offers for public diplomacy and media outreach. A more active public diplomacy posture by the embassy and the constituent posts is needed to reach new audiences such as youth and to support China's English-language teaching programs. The government of China has expanded its educational exchanges with the United States. OIG recommended that the Bureau of East Asian and Pacific Affairs engage the government of China on establishing a Fulbright Commission in China.

The mission's consular component was performing well, with good morale despite very heavy workloads, poor working conditions, limited resources, and high levels of visa fraud. This high performance was a tribute to strong consular leadership and a dedicated and talented group of junior officers and locally employed staff.

Management operations were for the most part performed well given the challenges posed by an extremely large and complex mission with four constituent posts spread over a vast geographical area. However, there were significant gaps in management controls that need to be addressed.

The mission's four constituent posts – Consulates General Shanghai, Guangzhou, Shenyang, and Chengdu – make a substantial contribution to U.S. goals in China through targeted political and economic reporting, strong trade advocacy, active public diplomacy programs, and effective consular services. In view of its demonstrated capable management, the mission would benefit by devolving authority to constituent posts, including contact with the media, selection of their own international visitor program candidates, and their own post awards program.

## Near Eastern Affairs

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### **Inspection of Embassy Abu Dhabi and Consulate General Dubai, United Arab Emirates (ISP-I-04-19A) Fieldwork concluded March 2004**

OIG's inspection of Embassy Abu Dhabi found it to be effective in the key areas of counterterrorism, nonproliferation, and trade promotion. The embassy also advanced key U.S. security interests effectively through close coordination with the U.S. military and the government of the United Arab Emirates.

Embassy Abu Dhabi was managing rapid growth of staff. The consular sections in Abu Dhabi and Dubai were effective in applying stringent procedures in order to comply with homeland security measures. These procedures should be reinforced by mission leadership and respected throughout the mission. Public diplomacy efforts were well directed, but OIG found the embassy could be more effective once full staffing is achieved. The management section merited high marks for the successful, smooth transition to a new embassy compound in January 2004. OIG recommended that attention be given to strengthening the operational controls and procedures needed for a mid-size embassy to run well.

Although many employees were highly interested in their work, some staff members felt the pressure of a heavy workload and an atmosphere of criticism at the embassy. Locally employed staff (LES) was concerned about erosion in the compensation plan, as promised increases, with the exception of health benefits, had not materialized. Nevertheless many LES continued to cite the embassy as a good employer.

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### **Inspection of Embassy Doha, Qatar (ISP-I-04-23A) Fieldwork concluded February 2004**

During its inspection of Embassy Doha, OIG found that management performed well in coordinating with the U.S. military presence in Qatar, including the forward headquarters of U.S. Central Command. Embassy Doha obtained full support from Qatar for Operation Iraqi Freedom and the war



on terrorism. U.S. economic interests have grown with the economic boom fueled by the development of Qatar's enormous natural gas reserves.

The embassy had grown appropriately to keep pace with the full bilateral agenda, with some additional growth anticipated. However, positions were not easy to fill, and the embassy needed to advertise itself as a good place to work. Housing, schooling, and medical care were good, and the work interesting.

Overall the embassy was well managed, and morale was generally good. However, locally employed staff had concerns about some work environment and benefit issues. Communication on these issues was underway with embassy management.

OIG recommended the embassy initiate the steps necessary with the Bureau of Overseas Buildings Operations for the purchase of the 12.8-acre compound where the chancery is located. At the time of the inspection, the property was on a short-term lease with rental costs expected to escalate dramatically. The United States had already made a significant investment in outfitting the chancery and was about to build a Marine house on the compound.

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## **Inspection of Embassy Kuwait, Kuwait (ISP-I-04-24A) Fieldwork concluded February 2004**

Embassy Kuwait plays a major role in supporting U.S. activities in Iraq. Its achievements have included helping engineer and manage Kuwait's contribution of 60 percent of its land for use in Operation Iraqi Freedom and obtaining \$2 billion in Kuwaiti support to coalition forces.

At the time of the inspection, the Ambassador served in Iraq as the Deputy to Ambassador Bremer at the Coalition Provisional Authority, leaving the deputy chief of mission as chargé in Kuwait. Kuwait is the platform for operations in Iraq. The embassy worked closely and effectively with the U.S. troops and thousands of civilian military contractors. Over a quarter of a million coalition troops were rotating through the country in early 2004.

Kuwait also serves as the gateway for travelers to Iraq. The embassy staff and its new Iraq Support Unit worked with the U.S. military's contract Federal Deployment Center to process employees, visitors, and congressional delegations transiting to and from the Coalition Provisional Authority and Iraq. At the time of the inspection, it appeared that security concerns were likely to prevent use of Baghdad International Airport for commercial flights for at least another one to two years, meaning Embassy

Kuwait may serve as a platform for establishing Embassy Baghdad. However, Department plans were unclear, and the issue needed attention.

The embassy had also done an outstanding job managing regular bilateral relations. In March the United States and Kuwait signed a Trade and Investment Framework Agreement. The quantity of reporting has decreased with the rise of operational commitments, but its quality has remained high.

Overall management operations were functioning very well as evidenced by the high scores received from embassy personnel on OIG's workplace and quality of life questionnaire. The current management team had begun addressing long-standing compensation plan failings in an effort to address morale issues. Bureau of Near Eastern Affairs funding support for this initiative was required.

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## **Inspection of Embassy Muscat, Oman (ISP-I-04-26A) Fieldwork concluded March 2004**

Oman is a vital partner in advancing U.S. interests in the Middle East. Its sustained military cooperation is critical to the implementation of U.S. operations in the region. The embassy was intent on going beyond this excellent military relationship to broaden economic, scientific, and cultural ties. A Trade and Investment Framework Agreement was about to be concluded. Oman was expected to be the first Arab country to participate in the Smithsonian's Folklife Festival.

Although the post had a history of low morale, due in part to staffing gaps in senior embassy management, a new embassy team had markedly improved morale and operations. However, several personnel and administrative issues still needed attention. OIG recommended that the Department assign a temporary duty human resources officer to the embassy to work on the most pressing issues.

U.S. border security was well served by the consular section, and most management controls were in place. Given post-September 11, 2001, security concerns in the region, however, the Department needed to ensure that the recently approved mid-level consular position is filled by an experienced consular officer.

## Rightsizing

### Embassies Kuwait, Doha, Muscat, and Abu Dhabi

*Following September 11, 2001, all four of these posts have experienced brisk growth in the numbers of American and local hire employees, a transition that has not gone entirely smoothly in all cases. Staffing increases are particularly notable in Doha (252 percent growth in seven years), and Abu Dhabi (46 percent growth in seven years). OIG found that staffing increases were warranted by legitimate policy imperatives related to counterterrorism and the war in Iraq. Most of the staffing growth supports the bilateral mission rather than regional functions that might be located elsewhere.*

*Staffing growth at Embassy Abu Dhabi was not tightly linked to the Mission Performance Plan (MPP) process, and the ICASS mechanism was only marginally effective in managing demands for additional staffing resources. The real-time policy demands of preparing for the wars in Iraq and Afghanistan moved much faster than the regular MPP resource process, which usually takes several years to produce positions. For example, the war in Iraq, the Diplomatic Readiness Initiative, and other agency NSDD-38 requests move independently of the MPP process and required adjustment of staffing levels in ways impossible to predict when the current year MPPs were written.*

*At Embassy Kuwait, ICASS functioned in a collegial manner that promoted open communication flow between management officers and the ICASS councils. At Embassy Abu Dhabi, the ICASS council met only sporadically in reaction to specific requests, hindering the usefulness of ICASS as a mechanism for addressing the post's changing administrative requirements. Tighter linkage between NSDD-38 decisionmaking, the MPP process, and ICASS resource decisions would assist in managing growth more effectively in all posts. One common problem was escalating benefits costs for local employees. Because of policy decisions on the part of governments in the region to eliminate health insurance and other benefits for noncitizens, LES employment costs have escalated rapidly, leading to pressure on ICASS budgets. If left unaddressed, these problems could erode the diplomatic readiness of our embassies in the region.*

## European and Eurasian Affairs

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### **Inspection of Embassy Ankara, Turkey, and Constituent Posts (ISP-I-04-20A) Fieldwork concluded March 2004**

During its inspection, OIG found Embassy Ankara engaged with the Turkish government on an impressive high priority policy agenda, including Iraq, Cyprus, Afghanistan, Turkish economic reform, and counterterrorism. The U.S.-Turkish bilateral relationship was returning to an even keel after a very difficult period in 2003 emanating from the March 1, 2003, Turkish decision to refuse U.S. military movement through Turkey into Iraq at the outbreak of the conflict.

The Ambassador provided effective leadership and had a strong supporting cast in key embassy sections and the country team. The political-military and economic sections performed well under the exceptionally demanding pressures of the Iraq conflict and Turkey's crisis driven economic reform. The public affairs and political sections had also performed well. The consular section was a model operation.

OIG found major management issues facing the embassy, most notably the need for a new embassy compound and the need for prompt action to counter the dramatic drop in Foreign Service national pay precipitated by the dollar's decline against the Turkish lira. There were also significant problems relating to unwieldy procurement practices, delayed vouchers, and the reception of new arrivals. Those problems affected morale and mission efficiency and needed senior level attention. On the positive side, OIG found that the management section had done a good job handling the construction of a new consulate general in Istanbul; moving Consulate Adana to new, more secure quarters; and managing a torrent of senior visitors.

Consulate General Istanbul is well led and well run as is the small Consulate Adana. The Izmir American Presence Post has not justified the investment in resources and personnel and should be closed.

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## **Inspection of Embassy Athens, Greece, and Constituent Post (ISP-I-04-21A) Fieldwork concluded February 2004**

OIG's inspection of Embassy Athens found that, reflecting high-level Washington concerns, security against terrorism at the Olympic games was the embassy's dominant priority. Embassy Athens was the driving force and the *de facto* central U.S. government coordinator for a massive interagency effort, in conjunction with the Greek government, to create a secure environment for the Athens Games.

In preparation for the Olympic games, the embassy was burgeoning with every agency adding personnel, including the Department. There was constant interchange with the highest levels of the Greek government and the coordination of myriad joint law enforcement, intelligence, and military preparatory activities. Upon completion of the games, OIG recommended the embassy be prepared to promptly release all personnel assigned for Olympic support. In the immediate post-Olympic period, OIG also recommended that the embassy undertake a broad mission-wide reassessment of its policy priorities and consequent personnel and resource needs.

The embassy was performing exceptionally in meeting the challenges it faced. Overall, morale was high. OIG found the mission's primary strengths to be a highly motivated, cohesive country team actively engaged in support of the embassy's major objectives, and strong performances from the public affairs section, the regional security office, and the political and economic sections. In the post-Olympic period, OIG recommended the embassy establish a broadly structured public diplomacy outreach program, encompassing other mission elements.

The consular section was managing its workload well but had managerial/morale issues that required correcting and may need continuing executive office attention. Overall, the management section was performing adequately, but its component unit American managers needed to take a more proactive stance in dealing with their unit's problems, particularly general services operations. Consulate General Thessaloniki had management/morale problems that need attention. Internal controls were in place and functioning adequately in Embassy Athens. However, OIG found several weaknesses and left corrective recommendations.

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## **Inspection of Embassy Nicosia, Cyprus (ISP-I-04-27A) Fieldwork concluded April 2004**

OIG found Embassy Nicosia to be a busy post, absorbed in a single issue of major importance to the United States—the Cyprus Settlement process. The embassy deserves recognition for the outstanding job it has done in support of the international effort to bring the long-festering Cyprus issue to resolution.

Embassy Nicosia was a well-led, well-run post. The Ambassador gave the mission firm, clear policy direction, and the political, public affairs, and economic sections functioned at a high level of competence. The embassy was a model in terms of integration of public diplomacy into its diplomatic activities. The embassy provided excellent direction to the bicommunal programs funded by the Economic Support Fund. The consular section was well managed and had readily adapted to the biometric data collection requirement.

The management section operated efficiently and provided an appropriate level of services across the board. It received good marks from the mission staff. Overall, morale was good with complaints focused on the school situation and the high cost of living in Cyprus. Management controls were effective, although minor weaknesses were noted.

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## **Inspection of Embassy Berlin, German (ISP-I-04-37A) Fieldwork concluded July 2004**

Embassy Berlin has performed well in seeking to understand and address German attitudes and opinion. It has adopted a creative and aggressive strategy for public outreach designed to counter negative German perceptions of the United States. Embassy efforts helped maintain German cooperation on key counterterrorism and security issues even during a period of strained bilateral relations.

The size and complexity of Mission Germany pose unique management challenges, including constructing and moving to a new chancery in Berlin and establishing an expanded regional services and support center in Frankfurt. The Department's acquisition of Creekbed, a former military hospital complex in Frankfurt, is a key element in its plans for an expanded grouping of regional offices capable

of offering improved and more cost-effective diplomatic and administrative support services to U.S. missions in Europe, Africa, the Middle East, and parts of Asia. To date, however, the presumed priority that the Department and the Congress have attached to this project has not been matched by a comparable commitment of resources. OIG recommended that the Department establish a working group to review plans and resource requirements for the current and future phases of the Creekbed project.

The success of the expanded Frankfurt regional administrative support center will also require changes in the way the Department currently interprets the authorities granted to chiefs of mission under National Security Decision Directive 38 (NSDD-38) with respect to overseas staffing. OIG recommended that the initial responsibility for determining which regional functions and elements to relocate to Frankfurt should be centralized in the Department as part of the regionalization and rightsizing effort. Any reinterpretation of existing authorities must, however, recognize and preserve the Chief of Mission's responsibility and accountability for the safety and security of all personnel assigned to his/her mission.

The decision by Congress to cut by over one-third the construction budget for the Berlin chancery while simultaneously requiring the embassy to give up other facilities in Berlin was motivated, at least in part, by a desire to force the issue of rightsizing the Berlin operation. Embassy Berlin has worked diligently to respond to congressional expectations. The proposed consolidation of administrative operations in Frankfurt offers a further opportunity to reduce staffing in Berlin and should be pursued with equal rigor.

Current congressional directives, if applied rigidly, could impose serious constraints on the embassy's ability to accommodate the staff necessary to conduct essential business operations in the future. Among other things, the current limitations do not take into account the anticipated relocations of key German government offices to Berlin and the implications of these changes for the staffing of Embassy Berlin. The restrictions also limit the embassy's ability to adapt its consular operations to the changed, post-September 11, 2001, requirements for visa issuance.

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## **Inspection of Embassy Prague, the Czech Republic (ISP-I-04-39A) Fieldwork concluded June 2004**

The Czech Republic, as a member of the North Atlantic Treaty Organization and now the European Union, looks to the Western alliances for ties that will balance its geographic position and bind it fully to the West. OIG's inspection found that embassy advocacy has helped assure that the

current government remains generally supportive of U.S. positions; the Czechs have been strong allies on counterterrorism and U.S. Middle East policy and have personnel in Afghanistan and Iraq.

The embassy also provided Washington with timely and highly respected analysis and reporting on political, economic, and social issues, including the fragility of the current governing coalition and the difficulty of economic reform.

Morale was almost uniformly high, a tribute, in part, to strong management leadership and support across the board. The information management support section received particularly high marks. All point to the conclusion that the mission is essentially rightsized. Although the embassy is generally well managed, OIG made recommendations for improvements in the consular, information technology, and human resources sections.

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## **Inspection of Embassy The Hague, the Netherlands, and Consulate General Amsterdam (ISP-I-04-40A)**

### **Fieldwork concluded June 2004**

Embassy The Hague has successfully achieved its objectives of retaining and expanding the historically close and cooperative relations between the United States and the Netherlands. The embassy correctly pursues Dutch support across a wide range of issues. Because of the Netherlands' economic strength and status as the world's sixth largest aid donor, the Dutch have real influence in Europe and in international organizations so Dutch support for U.S. positions has a multiplier effect.

The embassy has had particular success with counterterrorism efforts. The Netherlands was the first country in Western Europe to install radiological detection gates to check cargo containers destined for the United States. The embassy's blueprint for working with the Dutch in blocking terrorist financing was a best practice paper adopted by the Financial Action Task Force.

Administrative services are satisfactory and improving with the institution of a more service-oriented approach. OIG made a series of recommendations to improve human resources, financial management, and information technology services.



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## **Inspection of the Regional Support Center, Frankfurt, Germany (ISP-I-04-45) Fieldwork concluded June 2004**

OIG found that the Frankfurt Regional Support Center (RSC) is providing outstanding service supporting posts, particularly in the areas of financial management and human resources management. The establishment and use of the Foreign Service National Executive Corps by the Bureau of European and Eurasian Affairs should be emulated by all of the Department's regional bureaus. This group of highly qualified, highly experienced Foreign Service nationals, most located in their home countries, also provide on-site assistance.

OIG found that some of Frankfurt RSC's training and support services were duplicated by other organizations. OIG recommended that Frankfurt RSC coordinate offerings of training courses with the Foreign Service Institute to ensure quality control, curriculum, and expertise of trainers. OIG also recommended that the Under Secretary for Management, Office of Management, Policy and Planning, direct implementation of a program of consolidation of like functions in the Frankfurt RSC that are presently performed by various regional support activities in Paris and Vienna.

The printing and publications operation at the Regional Program Office in Vienna produces quality work but at a very high cost. OIG recommended that the Bureau of Administration and the Frankfurt RSC do a cost and benefit analysis of the printing and publications operations and the alternative of outsourcing its work to contractors.

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## **Compliance Follow-up Review of Embassy Lisbon and Consulate Ponta Delgada, Portugal (ISP-C-04-47) Field work concluded May 2004**

OIG conducted a compliance follow-up review (CFR) of Embassy Lisbon and Consulate Ponta Delgada, Portugal. The original inspection, issued September 2003 (ISP-I-03-35), contained 53 recommendations. Prior to the CFR, 38 recommendations had been closed through the regular compliance process. Embassy Lisbon had not yet complied with, or contested, 15 others that remained open.

Embassy management worked cooperatively with the CFR team to close the remaining 15 recommendations. Two recommendations, one to terminate Embassy Lisbon's shuttle service and one to obtain a determination from the Office of the Legal Adviser on the propriety of the use of funds for minor construction purposes, were reissued.

The CFR also included a review of recommendations made in the December 2002 report, Information Security Inspection, Embassy Lisbon (IT-I-03-03). Although significant progress had been made in addressing deficiencies noted in that report, OIG reissued four of those recommendations relating to review of the mission's user and operational system practices, appointing an independent information systems security officer, the random review of user libraries, documents, and mailboxes, and deficiencies in the site certification report.

## South Asian Affairs

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### **Review of Embassy Kabul, Afghanistan (ISP-I-04-35) Fieldwork concluded May 2004**

OIG conducted a management assessment review of Embassy Kabul and found it had responded well to the President's decision of summer 2003 to "accelerate success" in Afghanistan. The Ambassador exercised extraordinary influence for positive change on the Afghan political scene, supported by a hard-working staff willing to endure the challenges of living in Kabul. Morale was generally good.

Embassy Kabul and the Combined Forces Command (CFC) were a model of tandem coordination to achieve joint goals. Collocation of the CFC Commanding General in the embassy is a concept that may have application in Iraq and future emergency situations. The embassy also coordinated closely with the International Security Assistance Force. Provincial Reconstruction Teams, combining U.S. and coalition military and civilian officers, were helping to restore order and promote development.

Embassy Kabul's Mission Performance Plan was a living management tool. The Embassy Interagency Planning Group (EIPG) regularly reviewed performance indicators with all units at post, providing progress reports to post management and the Deputies Committee<sup>1</sup> in Washington. Employing military officers to staff the EIPG was innovative; the Department may wish to consider whether the EIPG concept could be used in other emergencies and staffed on an interagency basis.

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<sup>1</sup>The Deputies Committee is an interagency policymaking body of the U.S. government made up of the number two or other high-ranking officer from the relevant agencies, depending on the issue. They have policymaking authority on their own but sometimes meet to prepare an issue for consideration by their bosses, as members of the Principals Committee.

Another innovative concept, the Afghanistan Reconstruction Group was off to a slow start. Its purpose, duration, and relationship to the rest of the embassy needed clarification. All three aspects of U.S. counternarcotics strategy, eradication, judicial and legal reform, and the creation of a strong police, required urgent attention. The Department had not been able to staff key positions at post, and Embassy Kabul had not made counternarcotics programs a priority.

The volume and quality of reporting from the mission was good, particularly given the difficulty of the operating environment. Better coordination of the numerous mission elements able to contribute to reporting was needed.

Proactive and energetic work by Embassy Kabul's management team had alleviated, to the extent possible, the primitive living and working conditions. Completion of major construction projects will allow a more normal post profile to develop over the next year. The Embassy and the Bureau of Overseas Buildings Operations (OBO) worked well together to manage these massive projects. As building moves toward completion, OIG urged OBO to find a way to provide earthquake and blast protection for the renovated office building and to restore funding for the basic necessities and amenities cut due to cost overruns.

## Domestic Bureaus

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### **Inspection of the Bureau of East Asian and Pacific Affairs (ISP-I-04-30) Fieldwork concluded March 2004**

OIG found that the Bureau of East Asian and Pacific Affairs (EAP) manages well an impressive, high-visibility foreign policy portfolio with some of the most important and powerful nations the United States deals with, including Japan, Korea, and China. EAP's Assistant Secretary has the personal and highly delicate roles of chief negotiator with North Korea and coordinator of the relevant policy initiatives within the U.S. government, with China, and with other regional powers. He confronts the contentious issue of North Korea, where failure could open the risk of nuclear conflict, with discipline, skill, and expertise.

North Korea is the bureau's priority. It is a demanding and controversial problem that requires information to be tightly held to avoid unauthorized leaks. This has a negative effect on communication with other agencies. Within EAP, limiting communication about an important segment of bureau activity negatively affects morale.

OIG made several recommendations related to staffing, including that EAP reprogram, fill, transfer, and review positions to use staff more effectively. OIG found that the Office of Public Diplomacy was detached from the desk-level, day-to-day operations and recommended that the public diplomacy country officers move to the geographic offices where they are needed closer to policy formulation.

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## **Bureau of International Information Programs (ISP-I-04-31) Fieldwork concluded March 2004**

OIG's inspection of the Bureau of International Information Programs (IIP) found it makes an important contribution to U.S. public diplomacy through programs aimed at informing and influencing the opinion of foreign audiences on U.S. foreign policy. However, the lack of strong, sustained leadership over time, lack of clear status of the bureau, including failure to designate the coordinator and the deputy coordinators as assistant secretary and deputy assistant secretaries with those titles in the Department, and failure to integrate IIP into the Department have contributed to reduced effectiveness, accountability and management control problems, isolation, and lowered staff morale.

OIG recommended that IIP develop a plan to maximize the bureau's ability to play the key role it should play in helping to encourage positive foreign perceptions of U.S. foreign policies. OIG found that much greater outreach and advocacy by IIP is needed to ensure that the rest of the Department and the field are familiar with IIP products and services and involved in the development and implementation of IIP strategies and programs. Current IIP leadership is committed to make this happen.

OIG also recommended that IIP develop a capability to evaluate the effectiveness of its programs and services, and reexamine its programs to permit increased focus on youth and disenfranchised population groups. OIG noted that IIP needed the Department's help to reorganize administrative services to ensure that effective services, adequate management controls, and accountability arrangements are in place.

### **Minimizing Cashier-Provided Accommodation Exchange Overseas (ISP-I-04-34)**

*Several OIG inspections conducted overseas found that although local banking facilities and automated teller machines (ATMs) are widely available and adequate in some countries, embassies continue to use U.S. government funds to pay cashiers to provide routine accommodation exchange services for mission employees. In Paris, Geneva, and Brussels, where highly developed banking facilities and ATMs exist, for example, embassy cashiers continue to provide employees routine accommodation exchange services.*

*Outsourcing or eliminating routine embassy cashier-provided accommodation exchange services in some countries could save U.S. government funds and reduce internal control vulnerabilities. Embassy staff time saved would include that of the embassy cashier, the cashier's supervisor, and employees waiting in embassy hallways to cash checks. OIG recommended that the Department issue a cable encouraging posts to use local banking facilities and ATMs, and update Accommodation Exchange sections of the Foreign Affairs Manual and Handbook to reflect existence of ATMs.*

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## **Review of the Consular Lookout and Support System (ISP-I-04-53)**

The Office of the Inspector General conducted a review of the Consular Lookout and Support System (CLASS) at the request of the Assistant Secretary of the Bureau of Consular Affairs (CA), examining the development of the system, its management, and its operations. CLASS is a sophisticated, real-time, decision support system used to perform name checks of visa and passport applicants and foreign visitors entering the United States. OIG found that CLASS is a critical U.S. government asset, regarded by many as the best of the security community enterprise systems, unique both in character and in the immense investment made to tailor it to the mission.

OIG found that CA has been an innovative user and effective advocate of open data exchanges with CLASS representing a major link between the Department and other key agencies. Both CA and the Bureau of Information Resource Management (IRM) favor closer collaboration, and the Open Sources Information System-enabled consolidated consular database will play an increasing role in this area.

To pursue these goals, OIG found that better management of CA systems development and closer cooperation with IRM are essential. Tighter management controls are required and an information management office should be established and adequately staffed. Current CLASS policies and regulations are out of date and should be revised.

### **Regionalization of Embassy Staff in Progress, but New Responsibilities Strain Resources, Management Structures**

The President's Management Agenda calls for the U.S. government to rationalize an overseas presence determined more by bureaucratic inertia and historical legacy than by long-term foreign policy goals. OIG finds that the Department is making incremental progress in consolidating services at regional support hubs. However, in most cases, growth at regional hubs has not been well planned and has strained existing resources and management structures.

During the last year, OIG conducted post inspections at three of the Department's four major regional centers in Germany, Thailand, and South Africa. The Department's regional centers provide support across the spectrum of embassy operations including not only administrative services such as accounting, information management, and human resources, but also program support from as many as 30 different agencies, ranging from the Federal Bureau of Investigation to the Centers for Disease Control.

- *Frankfurt, Germany:* OIG found that the largest regional center, Frankfurt, does an outstanding job of providing services to its customers in over 100 countries. Frankfurt is already the largest consulate in the world. The Department's acquisition of Creekbed, a former military hospital complex in Frankfurt, is a key element in its plans for an expanded grouping of regional offices capable of offering improved and more cost-effective diplomatic and administrative support. To date, however, the presumed priority that the State Department and the Congress have attached to this project has not been matched by a comparable commitment of resources. OIG recommended extensive changes to the embassy's management structure to accommodate its growing regional responsibilities.

- *Bangkok, Thailand:* Thailand has become a de facto regional hub for supporting 59 posts in Asia and the Middle East. Services provided by most of the regional providers evaluated by OIG received high marks from customers. To date, the accretion of regional operations and concomitant growth in staff have taken place in piecemeal fashion. Although Washington policymakers are in the best position to decide who comes to post, OIG did not find evidence that requests from other agencies are considered in the context of how they might relate to one another or their overall impact. Executive direction of this mega-mission is complicated by the unusually large number of regional operations at the embassy.
- *Pretoria, South Africa:* OIG found that the regional center at Pretoria has developed without long-range planning and resources commensurate to its responsibilities. In the early 1990s, only three U.S. government agencies were represented at the mission, and they focused on a fairly narrow policy agenda. Today, there are 28 agencies represented at the mission. Of the over 740 staff, fully 100 provide regional support. Fundamentally, the virtual unchecked growth in the South Africa mission has continued without necessary investment in the support platform. Although Pretoria and Johannesburg offer unique advantages in terms of providing regional support to Africa, the mission's physical infrastructure is inadequate for future expansion. The regional support currently provided is already insufficient to maintain fully effective operations in the surrounding embassies, particularly in the areas of information management and security. The effect on staff has been lower morale and dissatisfaction with basic services at the bilateral mission.

## Best Practices

### Ankara

**Best Practice:** *Electronic Sharing of Warden Lists*

**Issue:** *All regions in Turkey are subject to earthquakes and security concerns. Contacting all emergency wardens quickly is difficult.*

**Response:** *In order to ensure that designated wardens and Americans residing in or visiting Turkey can be reached, the embassy and consulates received authorization from the Department to share warden lists electronically. This permits Ankara or Istanbul to notify Americans nationwide if the local consular district office cannot do so.*

**Result:** *There is now more reliable means to contact designated wardens and Americans in Turkey. This represents an excellent back-up plan, and OIG commends the Department and post for this best practice.*

### The Bureau of East Asian and Pacific Affairs

**Best Practice:** *Initiatives to improve morale, communication, and productivity of the bureau's office management specialists.*

**Issue:** *There was pervasive discontent among office management specialists and some of their supervisors.*

**Response:** *The bureau initiated a series of in-house seminars as a mechanism to promote a dialogue and provide training to staff. The agenda of one of the seminars included "How the Front Office Works" and "Paper Flow: Getting Your Office's Product to the Right Person in the Right Shape." The seminars featured high-level EAP and Department officials.*

**Result:** *Many office management specialists have a better appreciation of the contribution they make to the bureau and have taken on new opportunities and challenges as a result of the seminars.*

### Beijing

**Best Practice:** *A well-conceived mission-wide entry-level officer program.*

**Issue:** *Expanding entry-level officer participation in mission-wide activities contributing to career development and effective use of a large pool of entry-level officers.*



**Response:** *The DCM has developed a well-conceived entry-level officer program that has regional implications and application. The program incorporates cross training in most of the mission's activities. Officers are given the opportunity to deal with issues at the mission level as well as at constituent posts' levels.*

**Result:** *Entry-level officers have very responsible positions due to the language and hardship assignment difficulties. This large percentage of entry-level officers is turning out excellent performance under stressful and challenging conditions, and at the same time this program helps them pursue career progression in a positive fashion.*

**Best Practice:** *Publication of Standard American English Bimonthly*

**Issue:** *Voice of America Standard American English Web Site is blocked in China.*

**Response:** *The public affairs section in Shanghai selects articles on American politics, economy, and culture from the Voice of America web site and provides them to a Shanghai audiovisual publishing house for resale and use in schools and universities throughout Shanghai.*

**Result:** *Teachers use the book as a major resource for teaching English in Chinese high schools. Universities also use the book as an important English speaking educational resource.*

## **Prague**

**Best Practice:** *Automated Mobile Phone Billing System*

**Issue:** *The embassy wanted to create a more efficient way to review telephone invoices for official and personal calls.*

**Response:** *The financial management section, working in conjunction with the procurement and information management offices, developed an automated program that creates an individual invoice for each telephone call and sends the invoice to each user by e-mail. The users are required to highlight all personal calls, certify the invoice, and return it to the financial management office. To make identification easier, all official numbers are highlighted, and a user can mark multiple appearances of the same number with one mouse click. In addition, when the invoice is sent to the user, fiscal data is applied automatically, making payment even easier.*

**Result:** *This automated system has reduced the amount of time that was required for the former manual process (for example, making photocopies*

*of invoices, sending the invoices to users, calculating the amount due, and billing requirements). Because the system is paperless, the requirement to store paper invoices has been reduced to storing the data on CD's.*

**Best Practice:** *Vendor Procurement Conference*

**Issue:** *The embassy found that when blanket purchase orders were introduced into the vendor community, many of the vendors did not understand how this new procurement mechanism worked. As a result, the embassy had difficulty getting vendors to do business with the embassy.*

**Response:** *The embassy organized a vendor conference. This conference took the vendors through the embassy's procurement process. For example, how the embassy gets its money, the roles of the embassy procurement staff, the different categories of procurement and how it affects the vendors, and how the embassy financial office operates, and how different payments are made.*

**Result:** *The conference was a success and the vendors walked away with the knowledge of how to do better business with the embassy. The embassy plans to continue this conference annually.*

**Best Practice:** *Employee Procurement Conference*

**Issue:** *A rash of unauthorized commitments occurred at the embassy.*

**Response:** *The embassy organized and held an employee procurement conference to better train nonprocurement employees about how the procurement system works and what is expected of them as a client to ensure adherence to Department and embassy regulations and procedures. The embassy financial management office also participated so that customers could receive an overview of the purchase process from request, vouchering, funding and receiving, to payment.*

**Result:** *Since the conference, the embassy has not had another unauthorized commitment occur. The embassy plans to continue this conference annually.*

# AUDITS

## Contracts and Grants Division

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### **Review of World Relief Corporation of National Association of Evangelicals' Refugee Reception and Placement Program (AUD/CG-04-49)**



*WR World Headquarters, Baltimore, MD*

At the request of the Department, OIG conducted a review of the World Relief Corporation of National Association of Evangelicals' (WR) Refugee Reception and Placement Program for FYs 2000, 2001, and 2002. OIG found that WR needs to make significant improvements in its accountability for federal funds, internal controls, and compliance with regulations and terms of the agreements. Specifically, the grantee (1) did not record or allocate costs to its federal programs based on a rational or logical methodology, (2) had significant spending in the fourth quarter of 2002 when refugee arrivals declined, and (3) had inconsistencies between the financial data recorded in the grantee's official accounting records and the amounts reported in the certified financial reports and its annual single audit reports.

As a result of deficiencies noted, OIG questioned costs totaling about \$2.2 million. Of that amount, \$154,207 was unauthorized or unallowable under terms and conditions of the agreements and \$2,034,203 was classified as unsupported because of either inadequate or a lack of documentation. OIG recommended that the Bureau of Population, Refugees, and Migration (PRM) require the grantee to comply with the terms and conditions of the agreements, reimburse the Department for unallowable costs, and provide additional documentation for unsupported costs.

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## **Analytical Review of the Multinational Force and Observers' (MFO) FY 2002 and FY 2003 Financial Statements, and FY 2004 and FY 2005 Budgets (AUD/CG-04-44)**

- The MFO's FY 2003 expenses totaled \$48.5 million, a decrease of \$3.8 million (7.3 percent) from its FY 2002 expenses of \$52.3 million. The most significant change was that the MFO's supplies expenses decreased by \$3.6 million mainly because MFO used older aircraft for spares instead of purchasing new parts.
- The external auditor opined that the FY 2002 and 2003 financial statements presented fairly, in all material respects, the financial position of the MFO.
- The FY 2004 and FY 2005 budgeted expenses for each year were \$51 million, which has remained unchanged since 1995.

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## **Factsheet on the Iraqi National Congress Support Foundation (AUD/CG-04-41)**

In response to congressional interest, OIG prepared a factsheet on the Iraqi National Congress Support Foundation (INCSF). The factsheet provided information from two OIG audit reports as well as pertinent information obtained from other audit entities, such as the Government Accountability Office. From March 2000 until September 2003, the Department awarded 5 cooperative agreements and 18 amendments totaling approximately \$32.6 million to INCSF. Of this amount, OIG examined approximately \$15.4 million or 47 percent. Of the amount examined, OIG questioned \$2.3 million or 14.9 percent. To date, INCSF has not remitted any of these questioned costs.

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## **Evaluation of Financial Management Activities Office of Antiterrorism Assistance (AUD/CG-04-40)**

OIG evaluated financial management processes, procedures, and systems used by the Office of Antiterrorism Assistance (ATA) and provided appropriate recommendations for improvements. OIG designed the work to be carried out in three phases: survey, evaluation, and reporting. This report presented results of the survey phase and identified four specific risk areas: (1) standard operating procedures documentation generally did not exist; (2) information systems were not integrated, resulting in untimely and inaccurate information that ultimately hampers program heads in efficiently managing programs; (3) a large number of contractors held program management positions that, for practical purposes, should be held by direct hires; and (4) the procurement process lacked the efficiencies needed to properly equip ATA training programs on a timely basis.

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## **The National Endowment for Democracy (AUD/CG-04-39)**

The National Endowment for Democracy Act, as amended, mandates that OIG audit the annual financial transactions of National Endowment for Democracy (the Endowment). OIG found that the Endowment generally had adequately accounted for federal funds. However, OIG noted two issues requiring attention: improving the identification and segregation of funds by grant and establishing a negotiated indirect cost rate agreement. Additionally, OIG determined that the increased funding received for the two most recent years, FYs 2003 and 2004, coupled with a proposed significant increase in the annual appropriation for FY 2005, will increase the need for efficient administration and oversight.

The Endowment also generally complied with laws, regulations, policies, and terms of the agreements. However, OIG identified several areas where the Endowment could improve its administration of the grant-awarding and -monitoring process. Specifically, OIG noted issues with the timeliness of the risk assessment and the execution of the grant award as well as with monitoring policies, procedures, and practices. Finally, high bank balances for an account maintaining federal funds remain an area of concern from the previous audit of the Endowment; consequently, OIG reissued a recommendation pertaining to this problem.

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## **Application of Agreed-Upon Procedures on a Claim for General and Administrative Expenses on Travel Costs by North American Telecommunications, Inc. (AUD/CG-04-36)**

OIG performed agreed-upon procedures on a claim for general and administrative expenses on travel costs by North American Telecommunications, Inc. (NATI). OIG considered the claim to be in accordance with NATI's and its subcontractor's usual accounting practices consistent with Federal Acquisition Regulation Subpart 31.2 and, as such, allowable in accordance with the terms and conditions of the contract under which NATI made its claim. OIG recommended that a Department contracting officer accept the amount claimed by NATI.

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## **Review of the International Republican Institute Indirect Cost Rates for Fiscal Years 1999 through 2003 (AUD/CG-04-35)**

At the request of the Department and as part of the overall audit of the National Endowment for Democracy, OIG conducted a review of the indirect costs reported by the International Republican Institute (IRI) for fiscal years ending September 30, 1999 through 2003. OIG found that the indirect cost rates reported by IRI in its Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, single audit reports for the stated periods were mathematically correct for FYs 1999 through 2003. However, OIG also noted that these rates did not comply with OMB Circular A-122, *Cost Principles for Non-Profit Organizations*. For example, IRI did not break out the indirect cost component into the required facilities and administration categories.

Additionally, the recommended indirect cost rates were lower than the provisional rates, which resulted in excess reimbursements to IRI for indirect expenses. Moreover, OIG found questioned costs of \$10,168 for advertising and public relations costs and adjusted \$40,291 from the overhead base for the portion of a fundraising contract that does not receive an allocation of overhead.

OIG recommended that the Department require IRI to comply with OMB Circular A-122 by breaking out its rates by facilities and administration, or provide the grantee with a written waiver of the requirements and accept the recommended indirect cost rates for FYs 1999 through 2003 as a basis for negotiating the final indirect cost rates with IRI.

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## **Evaluation and Analysis of Cost and Schedule Data for the Kabul Embassy Compound Project (AUD/CG-04-34)**

At the request of the Department, OIG evaluated and analyzed cost and schedule data submitted by Kellogg, Brown, & Root, Inc. (KBR) under Contract No. SALMEC-02-C-0042 for the design and construction of an embassy compound in Kabul, Afghanistan. The contractor has projected schedule delays and cost overruns on the contract. The original schedule called for mobilization to begin in October 2002 and completion of the contract in December 2004. The contractor's current estimated completion date is May 2005.

OIG concluded that this cost-plus-fixed-fee contract provided the contractor with limited motivation to complete the project on time and within budget. OIG also concluded that the contractor failed to comply with the contract's schedule, thereby hindering efforts by the Bureau of Overseas Buildings Operations (OBO) to fully oversee the Embassy Kabul project. OIG recommended that OBO (1) require the contractor to conform to the schedule specified in the contract by providing detailed manpower requirements, material and equipment requirements, and related cost elements; (2) review such estimates for adequacy, reasonableness, and appropriateness; (3) require the contractor to incorporate OBO revisions and recommendations in its schedule; and (4) require the contractor to establish such procedures as are necessary to ensure that the schedules submitted by the contractor are, in fact, implemented by project field staff.

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## **Review of the World Relief Corporation Indirect Cost Rates for Fiscal Year 2002 (AUD/CG-04-33)**

At the request of the Department, OIG conducted a review of FY 2002 indirect cost rates for WR. As of March 1, 2004, WR had not submitted its FY 2002 indirect cost rate proposal to the Department as required by OMB Circular A-122, *Cost Principles for Non-Profit Organizations*. OIG found that the indirect cost rate reported by WR in its draft indirect cost proposal for the stated period was mathematically correct. However, OIG also noted that this rate did not comply with OMB Circular A-122. For example, WR excluded bad debt expense from the indirect cost base. OIG questioned unallowable and misclassified costs in the indirect pools. As a result, OIG adjusted the indirect cost rates and reduced the U.S. Program Management and Overseas Program Management rates.

OIG recommended that the Department require WR to comply with OMB Circular A-122 by submitting an annual indirect cost rate proposal within the required timeframe and accept the recommended indirect cost rates for FY 2002 as a basis for negotiating the final indirect cost rates.

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### **Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by National Council for International Visitors (AUD/CG-04-31)**

At the request of the Department, OIG performed a review of the National Council for International Visitors' proposed indirect cost rates. The grantee's accounting system was adequate to accumulate and report indirect costs and allocate costs equitably among final cost objectives. However, OIG noted that the proposed indirect cost for FYs 1998 through 2002 included a year-end accrual for unvested sick leave that contravenes accounting practices generally accepted in the United States of America. Accordingly, OIG questioned those costs, \$19,719, in their entirety. OIG recommended that the Department accept and finalize the indirect cost rates as adjusted by OIG for the accrued unvested sick leave reported by the grantee for the fiscal years ending September 30, 1998 through 2002.

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### **Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by the Nacel Open Door, Inc. (AUD/CG-04-30)**

At the request of the Department, OIG performed a review of the Nacel Open Door, Inc.'s proposed indirect cost rates. The grantee was generally unable to reconcile the amounts presented as general and administrative costs for its government grants to its books and records or its financial statements. Because of this condition, OIG was precluded from performing sufficient work to enable it to express an opinion on the rates proposed by the grantee for grant years 1994 through 2001, inclusive, and therefore did not.



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## **Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by the Graduate School, USDA (AUD/CG-04-29)**

At the request of the Department, OIG performed a review of the Graduate School, U.S. Department of Agriculture (USDA's) proposed indirect cost rates for FYs 1999 through 2001. OIG's review disclosed that the indirect costs for fiscal years ending September 30, 1999 through 2001 reported by the grantee were properly calculated and allowable under the provisions of OMB Circular A-122. However, OIG did note that the indirect cost proposals for each of the fiscal years from 1999 through 2001 included, as a separate category, an administrative fee for participant support costs and other program enhancement costs, but the administrative fee was not supported by any recorded indirect costs. Accordingly, OIG questioned those fees in their entirety. OIG recommended that the Department obtain reimbursement for the questioned costs.

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## **Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by the International Center for Journalists, Inc. (AUD/CG-04-27)**

At the request of the Department, OIG performed a review of the International Center for Journalists, Inc.'s proposed indirect cost rates. The grantee's accounting system was adequate to accumulate and report indirect costs and allocate costs equitably among final cost objectives. However, OIG noted that the fringe benefit amount used in computing the fringe benefit rate for FY 1996 included an amount that was not an allowable fringe benefit component. OIG adjusted the submitted fringe benefit rate and recommended that the Department accept and finalize the 1996 fringe benefit rate as adjusted, and accept and finalize the 1996 through 2002 indirect rates and the 1997 through 2002 fringe benefit rates as submitted.

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## **Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by Sister Cities International, Inc. (AUD/CG-04-26)**

At the request of the Department, OIG performed a review of Sister Cities International, Inc.'s proposed indirect cost rates for FYs 1993 through 2002. The grantee's accounting system was adequate to accumulate and report indirect costs and allocate costs equitably among final cost objectives, and procedures existed to determine allowable costs for FYs 2001 and 2002. The absence of any supporting records for FYs 1993 through 2000, however, prevented OIG from performing the necessary procedures to enable OIG to comment on or recommend the acceptance of rates for those fiscal years.

## Nonfederal Audits of Nonprofit Institutions and Fulbright Commissions

Starting in October, OIG will participate in the National Single Audit Coordinators project to assess single audit quality government-wide.

OMB Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, establishes audit requirements for specified entities receiving federal awards. Public accounting firms employed by nonfederal entities conduct the audits. The firms file these single audit reports with the Federal Audit Clearinghouse, which forwards reports containing findings and questioned costs to OIG. OIG reviews all audit reports involving Department funds and provides quality assurance and general oversight. During the 6-month reporting period, OIG completed 32 analytical desk reviews of single audit reports for 12 entities, with Department expenditures totaling \$322,662,229. OIG submitted the completed reviews to the Department, recommending that it resolve questioned costs totaling \$324,912. OIG recommended that the Department finalize provisional indirect cost rates and ensure correction of grantee internal control weaknesses and instances of noncompliance.

Report Number	Grantee	Questioned Costs
04-A133C02	Nacel Open Door, Inc	\$176,694
04-A133C03	Wheelchair Foundation	\$126,626
04-A133C04	Church World Service	\$10,409
04-A133C05	Trustees of Anatolia College	0
04-A133C06	American Council for International Education	0
04-A133C07	Center for Citizens Initiatives	0
04-A133C08	American Institute in Taiwan	0
04-A133C09	American Refugee Committee	0
04-A133C10	National Strategy Information Center	\$10,000
04-A133C11	American Council of Young Political Leaders	0
04-A133C12	LASPAU: Academic & Professional Programs for the Americas	\$1,183
04-A133C13	Sister Cities International	0
<b>Total</b>		<b>\$324,912</b>

During the 6-month period, OIG also received three Fulbright Commission audit reports (Belgium and Luxembourg for FY 2000 and Brazil for 2000 and 2001), which the Fulbright program regulations require. OIG's initial reviews identified no questioned costs or compliance issues.

## Lockerbie Trial Costs Settled

*In September 2002, OIG issued its audit report, Review of Lockerbie Trial Costs (AUD/CG-02-43). OIG conducted this review to determine (1) the total costs of conducting the trial, and (2) the appropriate incremental costs of conducting the trial in the Netherlands rather than in Scotland. On the basis of an informal agreement to fund half the appropriate incremental costs of conducting the trial in the Netherlands rather than Scotland, the Department awarded a grant to the U.K. to fund a portion of the trial costs. OIG concluded that the Department had paid the U.K. approximately \$23 million, with a balance of \$8 million due to the U.K. for trial costs.*

*The U.K. had originally requested an additional \$21 million from the United States. In September 2004, the U.K. and the Department reached a negotiated final settlement of \$8 million. OIG's work resulted in \$13 million of funds put to better use for the Department.*

## Financial Management Division

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### **Application of Agreed-Upon Procedures for Retirement, Health Benefits, and Life Insurance Withholdings/Contributions and Supplemental Semiannual Headcount Report (AUD/FM-04-50)**

Under OIG's direction, an independent external auditor performed the procedures enumerated in OMB Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, Appendix I-1. These procedures were performed solely to assist the Office of Personnel Management in assessing the reasonableness of the Retirement, Health Benefits, and Life Insurance withholdings and contributions as well as semiannual headcount information submitted by the Department.

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## **Review of Cashiering Operations at Embassy Baghdad (AUD/IQO-04-48)**

Embassy Baghdad began operations on June 28, 2004. OIG initiated a review of the internal controls related to the cashiering operations at Embassy Baghdad because of the high volume of cash expected to be disbursed at the embassy and the risks generally associated with cash payments.

OIG did not identify any significant internal control weaknesses in the embassy's initial start-up operation; however, it did identify some issues that the embassy needs to address. First, the U.S. Army was providing many services to the embassy. Although the embassy planned to expand its cashiering operations in October 2004, the U.S. Army will continue to provide some significant services. The embassy needs to develop a formal agreement related to these services.

Second, the embassy was in the process of developing cashiering policies and procedures, but these had not been completed during OIG's review. In addition, OIG noted some concerns with the availability of system support for future cashiering operations.

OIG recommended that the embassy establish a memorandum of agreement with the U.S. Army to ensure that it continues to provide essential cashiering services; develop and publish specific policies and procedures for the post's cashiering operations; and ensure that adequate systems support is available.

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## **International Boundary and Water Commission Financial Statements for FY 2003 (AUD/FM-04-46)**

International Boundary and Water Commission's, U.S. Section (USIBWC), financial statements as of September 30, 2003, in order to report on whether they fairly present the financial position and results of financial operations in accordance with generally accepted accounting principles, to determine whether USIBWC has an internal control structure that provides reasonable assurance of achieving internal control objectives, and to determine whether USIBWC complied with applicable laws and regulations. USIBWC 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.

OIG's contractor issued an unqualified opinion on the USIBWC financial statements as of September 30, 2003. However, the audit found that USIBWC did not maintain general ledger accounts

accurately in accordance with federal accounting principles and systems requirements, which was considered a material weakness. The audit also found that USIBWC did not fully comply with the Clean Water Act.

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## **Audit of the International Cooperative Administrative Support Services' 2002 and 2001 Financial Statements (AUD/FM-04-43)**

An independent external auditor, under OIG's direction, audited the International Cooperative Administrative Support Services' (ICASS) 2002 and 2001 financial statements to obtain reasonable assurance and express an opinion on whether the financial statements fairly present, in all material respects, the financial position and results of financial operations in conformity with generally accepted accounting principles; to determine whether ICASS had an internal control structure that provided reasonable assurance of achieving internal control objectives; and to determine whether ICASS complied with applicable laws and regulations.

Although the external auditor issued an unqualified opinion on the ICASS 2002 and 2001 financial statements, the report brought to management's attention concerns about security over the Department's information system networks and the inadequacy of the Department's financial and accounting system controls over undelivered orders.

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## **Audit of the Controls Over the Move of Domestic Financial Operations to Charleston (AUD/FM-04-42)**

As part of its efforts to consolidate worldwide financial management operations at a centralized location in the United States, the Department is transferring Washington-based domestic financial services to the Charleston Financial Service Center (CFSC) in Charleston, South Carolina. OIG reviewed the controls to minimize the inherent risks associated with the transfer.

OIG found that the Department did not have adequate controls to prevent and detect financial errors and irregularities. In addition, the consolidation plans developed by the Department to implement the move were not complete enough to enable management to ensure that critical services

would continue throughout the transfer and to manage and limit the effect of potential lapses in services. No errors or irregularities caused by the control weaknesses or significant reductions in services came to OIG's attention. OIG also noted that the Department continued to refine its consolidation plans throughout this review and had already taken action to address many of the issues presented in this report. Because of these positive actions, OIG did not make recommendations to improve controls or management of the transfer in this report.

OIG did recommend, however, that the Bureau of Resource Management document the lessons learned from its consolidation of financial services at CFSC so that they can be applied to future Department projects.

## **Procurement, Property, and Administrative Support Division**

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### **Review of the Department of State Procurement Competitions To Support the Iraqi Police Training Program (AUD/IQO-04-47)**

OIG assessed the procurement evaluation and award procedures associated with two procurement actions awarded to Dyncorp International during 2003 and 2004 to support Iraqi police training programs. From this review, OIG determined that Department contracting personnel followed applicable procurement regulations and procedures that promoted competition, and all offerors were treated fairly and equitably. However, the initial procurement action inaccurately described the services that subsequently were required. INL officials had developed a statement of work based on technical and cost criteria to provide law enforcement personnel for service in Iraq. The contract instead provided facility support advisors in Iraq funded by the Coalition Provisional Authority. In Jordan, the contract was used to construct Iraqi police training facilities and operate and maintain these facilities. The initial contracting action was to be temporary, pending a worldwide multiyear award for international police training and advisory services. This latter procurement action was designed to foster competition between three qualified contractors, although task orders could be sole-sourced.

In April 2004, a portion of the initial contract dealing with support service to the Iraqi police training center in Jordan was extended for one year. However, the second multiyear procurement action (2004-08) was available, and the requirements could have been competed. In April 2004, the portion of the initial contract with DynCorp dealing with facility support for CPA-funded advisors in Iraq was removed and was awarded noncompetitively as a sole-source task order. The justification for this action at about \$189 million indicated that DynCorp would continue the efforts begun under the initial contract and work on new requirements to build training facilities in Baghdad.

INL officials agreed that future task orders under the second multiyear contract would have more clearly defined requirements that would promote maximum competition. OIG plans to monitor competition for international police training and advisory services in future work. In response to draft of this report, INL officials identified many of the obstacles they encountered in supporting Iraqi police training efforts.

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## **Review of Allegations Concerning DynCorp International's World wide Personal Protective Services Contract in Afghanistan (AUD/PPA-04-45)**

OIG learned of allegations pertaining to improper management activities regarding DynCorp International's Worldwide Personal Protective Services (WPPS) contract in Afghanistan. This portion of the contract provides protective services, construction of a housing compound, and related operational support for the president of Afghanistan and the U.S. Embassy in Kabul. In November 2003, a source raised allegations of possible WPPS contract fraud.



*The "Yellow House" construction renovation project where OIG found a \$57,605 double-billing, plus indirect costs. The building was never used by the contractor and was turned over to the Afghan government.*

OIG's review found no indications of fraud or mismanagement by the contractor. OIG Identified poor financial oversight of the contractor by the Bureau of Diplomatic Security (DS) that allowed duplicate or erroneous billings of about \$950,00 to be charged to the contract. This amount was identified from reviewing \$17 million of \$60.6 million in contract expenses. OIG also noted instances of poor accounting of expenses by DynCorp, including charges to the wrong task order. DS has acknowledged that contractor financial oversight needs to be improved and has proposed hiring a financial specialist to review contractor invoices. The contracting officer reported that, thus far, the credits have totaled over \$1.4.million.



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## Review of the Management of Compound Physical Security Upgrades (AUD/PPA-04-37)



*View from international school looking at the security wall around consulate building Dhahran, Saudi Arabia*

Since a reorganization in May 2001, OBO headquarters management has initiated several improvements to make the compound physical security upgrades program more timely and cost-effective. Under new leadership, OBO has reengineered its planning processes and emphasized its interest in timely results and cost containment. OIG found that the processes for identifying and approving projects needing security upgrades and for planning, funding, and procuring contracts were well conceived. However, OIG found that the procedures, particularly communications with the posts, could be improved to help reduce the confusion and disruption that some posts experience during project planning and construction. Also, the construction projects that had onsite OBO project directors were better equipped to solve problems than were sites with consulting contractors, who could not make the necessary construction changes. Finally, although OBO has processes and procedures in place for the procurement and review of architectural drawings, OIG found that some of the drawings were faulty, having erroneous dimensions that caused project delays that could be subject to contractor claims.

On the basis of OIG's work, the contracting officer initiated liability actions against an architect and engineering firm for its errors and omissions. For future upgrades, OBO intends to:

- write an impact statement to notify the post about construction activities that may impact personnel or operations;
- designate a regional employee that will act as an OBO project director;
- improve the communications with post personnel by including them in planning meetings (via meeting minutes) and pre-bid meetings;
- improve the process for making changes to drawings that are agreed to at design reviews; and
- perform evaluations of the architect and engineering firms.

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## **Review of the Bureau of Overseas Buildings Operations' New Embassy Construction Program Planning and Design Phase (AUD/PPA-04-07)**

This review assessed the New Embassy Compound (NEC) Program design and planning phases. OIG found that OBO headquarters management has initiated several improvements to the NEC program to address more timely and cost-effective embassy construction. OBO believes that process improvements will significantly reduce the time from contract award to construction completion. Also, OBO's new fixed-price contract process can reduce the risk to the Department of escalating costs and shift the financial risk to the contractor.

OIG found that communication between OBO and Department bureaus, tenant agencies and their headquarters, and other agencies concerned with projected overseas staffing needed improvement. During the course of the review, OIG observed that over half of the tenant agencies that were contacted indicated they had communication problems with OBO staff, including not being fully informed about the planning and design process. In addition, five regional bureaus had different views about the quality of communication among OBO, the bureaus, and the posts.

After OIG's review, significant program changes did occur, including improvements to the risk assessment process that could significantly reduce the potential delays OIG identified for NEC construction projects. In July 2003, the Department published the *Guide to Developing Staffing Projections for New Embassy and Consulate Compound Construction* to address many of the concerns voiced by tenant agencies and Department bureaus. OBO has begun to host annual meetings to discuss the staffing projection process with responsible representatives from tenant agencies and regional and program bureaus.

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## **Review of Diplomatic Telecommunications Service Program Office Unexpended Balances for FYs 1995-2002 (AUD/PPA-04-22)**

On the basis of information OIG learned during a separate review of the Department's financial contributions made to the Diplomatic Telecommunications Service Program Office (DTS-PO), the Department asked DTS-PO for more documentation. For FYs 1995-2002, OIG identified unliquidated obligations totaling about \$28.3 million and unobligated balances of about \$9.5 million from annual Department allotments for DTS-PO. The funding authorities for some of the \$9.5 million in unobligated balances have expired, and the funds may have to revert back to the Treasury. OIG discussed its findings with Department officials, but did not attempt to determine the reasons why such large balances were carried forward or have yet to be liquidated. About \$1.8 million, to date, has been deobligated and put to better use.

## **Program Reviews Division**

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### **Review of the International Traffic in Arms Regulations Registration Fee Collection Process (AUD/PR-04-25)**

At the request of the Department, OIG reviewed the International Traffic in Arms Regulations (ITAR) registration fee collection process. OIG's review addressed the current manual and proposed electronic registration fee collection processes and the obstacles the Bureau of Political-Military Affairs, Directorate of Defense Trade Controls (PM/DDTC) encounters in receiving and using the monies collected.

OIG found that processing registration fees for export licensing did not occur in a timely manner. Several offices play a role in the collection, recording, and allotment of registration fees. Delays in each of these steps resulted in unnecessary delays in making funds available to PM/DDTC.

OIG concluded that the fee collection, recording, and allotment process was too complex and inefficient and recommended several steps to streamline and improve its timeliness. OIG also identified management and internal control weaknesses that need to be addressed. The implementation of OIG's recommendations should improve PM/DDTC's planning and use of the registration fees collected.

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## **Review of Export Controls for Foreign Persons Employed at Companies and Universities (AUD/PR-04-24)**

In response to a congressional mandate, OIG audited the Department's implementation of the ITAR pertaining to foreign persons in the United States and their access to items on the U.S. Munitions List. The Inspectors General of the Departments of Commerce, Defense, Energy, and State are to audit their respective agency's adherence to U.S. government policies and procedures for the export of technologies and technical information to countries and entities of concern.

Overall, OIG found that PM/DDTC's export control processes are supported by outside agencies, including Commerce, Defense, and Homeland Security, and coordination takes place between PM/DDTC and other Department bureaus that support export controls over foreign persons employed by U.S. companies and universities. OIG found that PM/DDTC is not yet able to identify all foreign persons employed in the U.S. defense trade because it has not fully implemented planned improvements to its information management systems. OIG also found opportunities for improvements in the Department's export control outreach and compliance audit programs.

The seven companies and one university OIG visited had established export control compliance programs, and most export control documents were up-to-date. However, 23 out of 26 companies OIG contacted had problems providing an accurate number of foreign persons employed. Additionally, OIG's review found that one company was allowing foreign persons to continue working after their visa had expired because their I-94 work authorization and their export license had not expired.

Among OIG's recommendations were that the Department:

- improve its information management systems to ensure that foreign persons employed in the U.S. defense trade can be accurately identified;
- develop export control compliance audit policies and procedures; and
- work to ensure that the expiration dates for a foreign person's export license, visa, and U.S. work authorization documents coincide.

## Interagency Export Controls Report

*The National Defense Authorization Act for FY 2000 requires that the Inspectors General for Commerce, Defense, Energy, and State conduct an annual review of U.S. government policies and procedures in preventing the export of sensitive technologies and technical information to countries and entities of concern. The topic of this year's report, published in April 2004, was access to controlled technology and information by foreign nationals at U.S. companies and universities. The Inspectors General at Homeland Security and the Central Intelligence Agency also participated in this review.*

*The interagency team*

- concluded that federal departments could improve their outreach programs to raise awareness and understanding of export regulations regarding the release of export-controlled technology to foreign nationals in the United States;*
- found that reviews to ensure compliance with federal export laws and regulations needed improvement; and*
- reported that some federal export license exemptions were broadly applied and might offer a means for a foreign national from a country of concern to circumvent regulations related to the release of export-controlled technology.*

*We hope this interagency report will be useful to Congress and the Administration in shaping the future of export licensing policies and procedures.*

## Peer Review

*To ensure that audit reports meet government auditing standards, OIGs conduct peer reviews of each other's operations every three years. In 2004, OIG reviewed the quality control system for audits in the Social Security Administration's Office of Inspector General (SSA-OIG). OIG provided SSA-OIG an unqualified, or clean, opinion on its audit operations. Similarly, the Department of the Interior, Office of Inspector General, provided an unqualified opinion in 2004 on this OIG's audit function.*

## HIV/AIDS Initiative

*In January 2003, the administration announced the President's Emergency Plan for AIDS Relief (PEPFAR), a five-year, \$15 billion initiative to combat the global HIV/AIDS pandemic. OIG, along with the Office of Inspector General at the U.S. Agency for International Development (USAID), is leading an effort to ensure adequate oversight of PEPFAR funds and adequate coordination of OIG work. While the President's coordinator for this effort is located in the Department, funding is provided to several other agencies, primarily USAID and the Department of Health and Human Services. The coordination of the agency OIGs will ensure comprehensive audit coverage and avoid duplication of effort.*

# INFORMATION TECHNOLOGY

OIG evaluates information management (IM), information systems security, and information technology (IT) in the Department through a program of audits, inspections, and reviews. During this reporting period, OIG completed an audit of the planning for replacing the Department's antiquated messaging system. OIG also inspected the information management policies, procedures, and practices and the information systems security management at eleven overseas missions – Abu Dhabi, United Arab Emirates; Ankara, Turkey; Athens, Greece; Bangkok, Thailand; Doha, Qatar; Kuwait, Kuwait; Maseru, Lesotho; Mbabane, Swaziland; Muscat, Oman; Nicosia, Cyprus; and Pretoria, South Africa – and two domestic bureaus, the Bureau of East Asian and Pacific Affairs and the Bureau of International Information Programs. OIG also issued inspection reports on two of the four regional information management centers (RIMCs) – Bangkok and Pretoria, one report on the Bangkok Financial Service Center, and three information systems security reports on Bucharest, Romania; Sofia, Bulgaria; and London, England. Finally, OIG used the results of the audit and inspection processes to prepare the mandated reports to the Congress and the Office of Management and Budget on the OIG evaluation of the information system security program at the Department of State.

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## **Review of the Information Security Program at the Department of State (IT-A-04-08)**

OIG found that the Department has taken a number of actions directed at improving the effectiveness of the Department's information security program since last year's independent evaluation. For example, the Department implemented a bureau-level Department FISMA scorecard. This performance scorecard, shared internally with senior management, is a one-page snapshot of a bureau's progress in information assurance. The Department has deployed an automated application tool to be used by the bureaus in an effort to automate the FISMA reporting process. Further, the Department developed a web-based training tool that is used to meet the requirement that all employees receive annual IT security awareness briefings. By using this web-based tool, the Department has the ability to track completion of annual awareness briefings electronically for each employee worldwide.

The Department has improved its Plans of Action and Milestones (POA&M) process at headquarters since last year's evaluation. Restructuring of the certification and accreditation process, automation of FISMA data submissions, and the development of a draft POA&M process guide have been instrumental in helping the Department improve identification of its IT security vulnerabilities and address these issues through the POA&M process. In addition, the Department undertook an 18-month project to certify and accredit its major applications and general support systems. As of the first week in September, the Department had processed and approved 92 percent of the general support systems and major applications included in the project. The 18-month project has been coordinated with OMB, and has moved the Department constructively forward to begin meeting FISMA requirements in a key area where it previously had been failing.

However, OIG found several key areas that still require senior management attention. The Department has not adequately coordinated and shared information with relevant Department parties, such as Critical Infrastructure Protection (CIP) officials, involved in identifying and addressing IT security vulnerabilities for the POA&M process. At the time of this evaluation, the Department had not developed procedures to ensure that IT security findings were being addressed in the POA&M process nor had it extended the process to include its domestic and overseas sites.

Further, the Department inventory of IT systems remains incomplete and needs to be updated by the responsible Department officials, as required by FISMA. The Department lacks procedures to identify the number of contractor services or facilities performing work for the Department using their own systems or connecting to the Department networks. The Department's patch management program needs improvement. Patch management roles and responsibilities still remain unclear to post officials, and posts are unsure of the procedures for installing patches or obtaining assistance.

The Department continues to fragment responsibility for information systems security and to date has developed no effective coordinating or monitoring mechanism to ensure that delegated responsibilities are effectively accomplished. Further, the implementation of information security at overseas posts requires increased Department attention.

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## **Phase I of Department of State's Approach to Establishing a New Messaging System (IT-A-04-05)**

The Department's State Messaging and Archive Retrieval Toolset (SMART) is designed to replace the Department's legacy messaging systems with a single system that provides modern messaging, archiving, and information sharing at the desktop. The SMART project management office (M/SMART PMO) within the Under Secretary for Management has been leading efforts to acquire and deploy a



simple, secure, and user-driven system to support the conduct of diplomacy through modern messaging, archiving, and information sharing. The initiative meets one of the five top goals in the Department's Information Technology Strategic Plan: to develop a modern communications system for reliable, secure, and flexible exchange of formal and informal memoranda, information, and records, operating in an Internet-like environment within the Department and across the interagency community.

OIG found that Phase I approach for developing SMART was based on adequate analysis of the mission and business processes that the system is intended to support. M/SMART PMO conducted surveys to compile system and user requirements, which were then prioritized during the prototype evaluation and vendor selection phases. These requirements were based on input from a range of users and functions across participating offices and bureaus. Security requirements for the initiation phase have been adequately addressed in the Security Classification Guide of November 2003. OIG has no recommendations at this point but plans to review SMART again after subsequent phases are completed.

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OIG found many opportunities for improving IT security and IM at all overseas missions and bureaus. For information systems security, OIG reviewed controls including IT security and IM policies, procedures, activities, and hardware and software configuration settings. In general, the missions and bureaus could significantly improve the following:

- Management controls by ensuring the separation of duties required for independent information systems security oversight.
- Operational controls by increasing the monitoring of information systems to prevent inappropriate use.
- Technical controls by complying with the Department's configuration standards.

Listed below are summaries of representative IT inspections during this reporting period. OIG discussed the results and the recommendations with appropriate embassy and Department officials who concurred with the recommendations.

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## **Embassy Abu Dhabi and Consulate General Dubai, United Arab Emirates (ISP-I-04-19A)**

The information management section is in the process of establishing the required information processing and handling systems at the NEC. Compounding the problems facing the information technology section is the imminent transfer of key personnel.

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## **Embassy Ankara, Turkey, and Constituent Posts (ISP-I-04-20A)**

The embassy is responsible for three constituent posts – with differing information technology and communication needs. Its responsibilities range from supporting over 200 customers in the embassy to an American Presence Post with one officer. Visits are ad hoc and generally deal with a specific problem. OIG suggests that the information management staff meet periodically to share ideas, solutions, and plan for the future. More information should be developed in coordination among the various sites. For example, if each site is designated as a backup for the other, specifics need to be outlined that determine what work will be processed, who is responsible, and the schedule for running such work. None of these have been identified. Finally, Consulate General Istanbul and Embassy Ankara are developing contingency plans independently without mutual consultation.

Support from regional functions and Washington is spotty. Confusion remains over the roles and responsibilities of regional and Washington-based groups including the Regional Information Management Center Frankfurt, the Bureau of Information Resource Management Customer Support, and the Diplomatic Telecommunications Service Program Office. In general, technical support has been adequate but training, administrative support, and coordination needs improvement. At the policy and higher levels much improvement is needed. Because of the time differences the Bureau of Information Resource Management's Help Desk has not been very effective in resolving software problems.

Embassy Ankara has designated an employee at Consulate General Istanbul as the mission Information System Security Officer (ISSO). OIG agrees in principle with the concept of a mission-wide ISSO given the appropriate responsibility with the concomitant resources. However, the embassy has not adequately described his responsibilities. Further, the individual has not been given a budget to perform any analyses.

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## **Embassy Athens, Greece and Consulate General Thessaloniki (ISP-I-04-21A)**

There is a clear need for an information systems security officer to monitor system activity constantly. To correct errors in software, new instructions called patches are applied where the software has faults. Three patches have been identified as high risk, but one is not available. The two high-risk patches are available for implementation, but only one has been implemented. In some cases, if a patch is not implemented a post may be subject to removal from the network. None of the patches identified as low or medium risk have been implemented.

Embassies are permitted to implement software for special needs. The special software must be approved by a local configuration control board that ensures the software does not interfere with regular processing. The Department's configuration control board must also be notified if local software is implemented. Embassy Athens local configuration control board's documentation does not comply with Department guidance that requires test and evaluation reports. Recent requests have not had these reports attached. There is no indication the control board has reported all locally approved software to the Department.

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## **Embassy Bangkok, Thailand, and Constituent Post (ISP-I-04-22A)**

OIG identified several areas where information management and security controls should be improved to ensure that the mission continues to meet information technology needs. Specifically, the alternate information system security officer (ISSO) position should be reassigned to the information system center to provide the primary ISSO with needed assistance to address security requirements. In addition, a training program needs to be established for the help desk and information program center (IPC) staff. Finally, the embassy should establish procedures for informing representatives of network and system failures.

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## **Embassy Kuwait, Kuwait (ISP-I-04-24A)**

The embassy needs to focus on a greater awareness of the importance of information technology security while promoting a greater understanding of information management. Inadequate separation of duties between operational and oversight activities exists.

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## **Embassy Mbabane, Swaziland (ISP-I-04-25A)**

Operating communications and information processing systems in Swaziland has its challenges. Electrical power and communications lines present additional difficulties in Swaziland. Embassy information systems are subject to frequent power surges as well as lightning strikes that cause outages and have damaged servers in the past. This is a particular problem during the rainy season. Telephone lines are equally problematic, and likewise more so during the rainy season. Tie lines to offsite locations, including the Ambassador and DCM's residences, general services office (GSO) compound, and public diplomacy building, are frequently out of service, and during the rainy season are generally inoperable.

Network topology diagrams, physical wiring diagrams, and documentation of telecommunications lines are incomplete. Post does not have detailed systems activity and maintenance logs.

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## **Embassy Muscat, Oman (ISP-I-04-26A)**

The information management section's customer service record is mixed but improving. The hours maintained by the section, and Washington response time, and the lack of a customer service ethic, have been areas of concern. ICASS service standards do not explicitly outline the normal duty hours for information technology support. The section is in the process of redrafting the ICASS standard to accurately reflect support hours for embassy personnel.

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## **Embassy Nicosia, Cyprus (ISP-I-04-27A)**

There are many examples of forward-thinking projects underway to improve customer service and system performance. But these plans have not been incorporated into an overarching mission strategic plan encompassing operational, technical, and staffing needs for the next three to five years. Thus, the cost of major infrastructure changes are not included in the embassy's budget and will create significant problems when such costs are identified and must be funded by the embassy. For example, the embassy is upgrading the telephone system. The training costs and post preparation costs of \$18,000 come out of post's operating budget and were not planned as the post was unaware of these costs until the arrival of the survey team in February/March 2003. Other infrastructure changes include upgrading the unclassified backbone in April of 2004 (which is included in the MPP) and upgrading the servers in October of 2004.

Most weaknesses in systems operations identified during the inspection are due to inadequate information and guidance from the Department. In May 2003, a team from the Department's Office of Information Assurance performed a site certification and accreditation review of the classified and unclassified networks. The embassy received this report in March 2004. However, this report did not identify the need for detection systems at the offsite locations, nor did it note corrective actions taken by the embassy when the team was on-site.

Inadequate segregation of duties may pose an internal control problem without defined standard operating procedures. Development of written procedures to implement the information systems security officer duties, and procedures for ongoing monitoring of state systems, are needed to ensure transparency. Also, work requirements statements did not include information systems security as a key element for the information systems security officer and the alternate.

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## **Inspection of Embassy Pretoria, South Africa, and Constituent Posts (ISP-I-04-28A)**

The IM section is a cohesive unit that works well together and is proactive in identifying deficiencies in the program and finding effective ways to resolve them and improve service to customers. However, insufficient resources and problems in communication and coordination with the executive office and other agencies at post are impeding progress. IM's role as a support provider to other posts within the region is not clearly defined and places further strains on resources. These strains will be compounded by current expansion plans that will require service for additional users and connectivity for additional locations, without corresponding expansion of IM staff.

The IM section's responsibility for providing systems support to six other posts in the region presents a considerable strain on the resources of Embassy Pretoria. Although the AF bureau provides funding for the support provided by Pretoria, having IM staff away on temporary duty leaves the IM section understaffed and often unable to complete important projects. While the IM section cooperates with the Regional Information Management Center, the relationship between the two in terms of responsibility for providing regional support is often unclear. Staffing patterns within the region are similarly unclear, given that IM staff members from Pretoria often serve temporary duty to provide technical expertise to a post that actually has a better user-to-systems staff ratio.

The IM section has been having communication and coordination difficulties with other sections and other tenant agencies. The other agencies have been buying their own computer equipment and asking the IM section to service it, which is difficult because it is generally different from the standard baseline equipment from the Bureau of Information Resource Management. Other agencies also do not provide any check-out information when employees leave, which creates difficulties in deleting user accounts and updating the custom mail recipients' list. Additionally, the IM section is not being sufficiently notified in advance of projects affecting infrastructure. A current example is a planned office move that will place ten employees in a space with only two network drops; IM was not notified of the planned move to allow appropriate planning and changes in the network architecture. Similar daily ad hoc requests circumvent the help desk or proper channels and further strain the IM section.

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## **Bureau of East Asian and Pacific Affairs (ISP-I-04-30)**

Contingency planning is designed to ensure continuity of operations under adverse conditions. Contingency planning also addresses the ability to recover from a disruption and provide service to meet the minimal needs of users. OIG recommended that the Bureau of East Asian and Pacific Affairs develop and implement a contingency plan for its unclassified and classified information systems.

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## **Bureau of International Information Programs (ISP-I-04-31)**

OIG identified several issues for action by IIP officials: 1) lack of consistent communication and lack of coordination between employees in International Information Programs/Educational and Cultural Affairs/Information Technology (IIP-ECA/IT), which has some times resulted in poor project

planning and performance accountability; 2) some configuration settings that are outside of the baseline standards; 3) adequate identification of user requirements during the development phase of a project, which is essential to the project's success; and 4) development and documentation of patch management procedures.

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## **Embassy Maseru, Kingdom of Lesotho (ISP-I-04-32)**

A system topology diagram depicting the interconnections of the sensitive but unclassified system can assist maintenance personnel. OIG recommended that Embassy Maseru, in coordination with the Bureau of Information Resource Management, create system topology diagrams for the sensitive but unclassified system.

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## **Regional Information Management Center Pretoria (IT-I-04-06)**

RIMC Pretoria, one of the four regional centers, provides excellent support for emergency or crisis situations to the 40 posts within its geographic region. Although management makes the best use of limited resources, current staffing does not allow timely resolution of non-emergency problems, and preventive maintenance is not a consideration.

Much can be done to improve the support provided to posts within Africa. Several entities provide regional support within the area, including RIMC Pretoria, RIMC Frankfurt, and embassies with assigned regional responsibilities. To prevent overlap in some areas and inadequate attention to others, the roles and responsibilities of these entities need to be clearly defined and documented. IRM should provide RIMC Pretoria with temporary staff resources to support the Department's antiterrorism efforts in its geographic area and to maintain continuing activities. RIMC Pretoria management needs to identify and ensure that technicians have the requisite training prior to their arrival at the RIMC. Finally, the RIMC satellite branch offices should be relocated to areas more accessible to commercial transportation.

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## **Regional Information Management Center Bangkok (IT-I-04-04)**

The Bureau of Information Resource Management (IRM) provides telecommunications, network, systems engineering, installation, and maintenance support to U.S. embassies and consulates worldwide through four regional telecommunications support centers. RIMC Bangkok, one of the four regional centers, provides adequate support to the 58 posts within its geographic region.

To ensure continued adequate support to the posts, RIMC Bangkok and IRM must address several issues. Specifically, IRM should provide RIMC Bangkok with temporary staff resources to support the Department's antiterrorism efforts in its geographic area. To ensure appropriate contractor oversight, RIMC Bangkok needs a copy of the service contract for telecommunications support. RIMC Bangkok management needs to identify the training necessary for each staff member to perform effectively and then ensure that the training is taken. Further, RIMC Bangkok management needs to improve top-down communications with staff. Finally, Travel Manager needs to be used for processing travel authorizations and vouchers.

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## **Bangkok Financial Service Center (ISP-I-04-29)**

The lack of clearly separated roles and responsibilities within the BFSC information management and information systems security officer /programming divisions has the potential to impact negatively the internal controls of financial applications. The IM division is responsible for computer operations and the networks that support the financial applications. The ISSO/programming division is responsible for development of the RFMS/D (Disbursing) and is headed by the ISSO. Overall, the separation between the two divisions and the corresponding roles and responsibilities of the two divisions are unclear in many cases. The rationale for assigning operational control and security oversight of the three network domains is similarly vague.

The financial applications in use have limitations on functionality and internal control vulnerabilities. For example, the local area network Serviced Post Financial Management System, the other RFMS feeder system, was granted interim authority to operate despite weaknesses that are still pending remediation.



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## **Information Technology Security Inspections of Embassy Bucharest, Romania (IT-I-04-01), Embassy Sofia, Bulgaria (IT-I-04-02), and Embassy London, United Kingdom (IT-I-04-03)**

The Office of Inspector General inspected the management, operational and technical information technology security controls implemented by the missions. These controls involved IT security policies, procedures, activities, and software and hardware settings.



# INVESTIGATIONS

## THEFT OF GOVERNMENT PROPERTY

OIG received information that a private citizen was selling computers and office equipment bearing U.S. Department of State property tags on the Internet and at yard sales he was holding at his residence. A joint investigation conducted with the Coral Springs, Florida, Police Department determined that the private citizen had obtained the property from the Department's Regional Procurement Support Office, Florida Regional Center, under false pretenses. The property in question had been classified as excess, and was supposed to have been donated to a charitable organization. The investigation determined that the subject of the investigation misrepresented himself as belonging to the charitable organization that was supposed to receive the property.

A search warrant of the subject's residence resulted in the recovery of \$30,543 in stolen U.S. Government property. Furthermore, records obtained from the Internet company showed that the subject had earned an additional \$5,562 in proceeds from illegal sales of U.S. Government property. The subject was subsequently arrested and pled guilty to a 3<sup>rd</sup> Degree Grand Theft Felony Charge under State of Florida code. He was sentenced to two years probation and ordered to pay \$373 in court costs.

## FALSE CLAIMS

OIG received information that a Foreign Service Officer assigned to a U.S. Embassy overseas submitted a false travel voucher for emergency home leave. The voucher included a receipt in the amount of \$2,584 for lodging expenses at a Virginia bed and breakfast. Embassy officials were unable to verify the bed and breakfast as a legitimate business, and as a result the voucher was never actually paid. OIG's investigation determined that the lodging receipt submitted by the officer was fabricated and that the officer and his spouse had actually stayed at a friend's residence during their home leave, making them ineligible for lodging reimbursement. On April 12, 2004, the officer received a 30-day suspension for filing a fabricated receipt to the Department for travel reimbursement.

OIG conducted a joint investigation with the Bureau of Diplomatic Security (DS) who reported that a DS special agent filed a travel voucher claiming \$1,058 reimbursement for expenses that he was not entitled. Investigation confirmed that the DS agent went to his supervisor who denied approval of the travel voucher because the DS agent was not eligible. The investigation also confirmed that the DS agent went to another DS supervisor and had him approve the travel voucher by not informing him that the first DS supervisor had declined to authorize payment because he was not eligible to receive reimbursement for the expenses claimed. When interviewed, the DS agent admitted that he knowingly sought and received payment by having a DS supervisor approve the travel voucher by not informing him that the first DS supervisor had denied approval because he was not eligible for reimbursement of the expenses. OIG sent a report of investigation to the Department's Bureau of Human Resources, which on June 4, 2004, recommended a five-day suspension for the DS agent.

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OIG conducted an investigation of a senior Foreign Service Officer who applied for and received Separate Maintenance Allowance (SMA) payments for her spouse and child despite the fact the her dependents were residing in the city to which she was assigned. The investigation determined that the total amount of improper payments received by the officer was \$8,822. On September 8, 2004, the Department's Bureau of Human Resources proposed a five-day suspension for the officer. The Civil Division of the Department of Justice accepted the case, and a civil settlement with the officer is pending.

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OIG conducted an investigation of a Department of State employee stationed overseas who falsified Separate Maintenance Allowance (SMA) documents in order to receive payments for family separation. The employee claimed her husband as an eligible family member living in the United States in order to receive the SMA. However, the investigation determined that the employee's husband was not living in the U.S. and was instead detailed overseas for the U.S. government during the time period that the employee claimed eligibility for SMA. The investigation determined that the employee deliberately failed to disclose this information on her SMA application and was ordered to pay a total of \$7,284.48.

## **EMPLOYEE MISCONDUCT**

OIG received information that a senior Foreign Service Officer assigned at a U.S. Embassy overseas routinely used embassy vehicles for personal errands without reimbursing the Department as required. OIG's investigation determined that the officer extensively used embassy vehicles for personal reasons, including driving to and from the embassy, transporting the officer's children to school and transporting

relatives to and from the airport. The calculated cost of using the embassy vehicles for these purposes amounted to approximately \$7,100. On August 27, 2004, the Bureau of Human Resources proposed a 60-day suspension for the officer.

## FORGERY

OIG opened a joint investigation with the Department of Homeland Security, Office of Inspector General, and the Internal Revenue Service, into allegations that a Detention Enforcement Officer forged numerous documents, including letters on official Department of State letterhead in the name of a Department employee, for the purpose of defrauding various insurance companies. OIG provided support for the investigation, including conducting a DNA test on envelopes handled by the Detention officer. On September 2, 2004, the Detention Officer was arrested in Elizabeth City, New Jersey, and charged with one count of embezzlement and one count of impersonation. The court case is currently pending in Federal District Court in New Jersey.

## VISA FRAUD

OIG conducted a joint investigation with the Bureau of Diplomatic Security, (DS) Visa Fraud Branch, of an Immigrant Visa Chief at a U.S. Embassy overseas. This individual married another woman while still married to his first wife and then petitioned for immigrant visas for his second wife and her son. This individual provided false documentation that included a divorce certificate to the Department of Homeland Security to have the petitions expedited and approved. As a result of the investigation, the Immigrant Visa Chief was relieved of his duties and returned to the United States where he was subsequently arrested on visa fraud charges. This individual has agreed to plead guilty to one count of visa fraud, but a court date for the plea has not yet been set.

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OIG joined a joint investigation with DS and Federal Bureau of Investigation involving a former management officer and consular associate at a foreign embassy that were suspected of alien smuggling and visa fraud. OIG was asked to investigate allegations involving voucher fraud by the same employees. OIG investigators and auditors discovered approximately 13 incidents of voucher fraud. On May 1, 2004, the subjects pleaded guilty to charges of alien smuggling and visa fraud that included an agreement to forfeit \$750,000 in assets. Sentencing is pending.

## EMBEZZLEMENT

OIG conducted an investigation of a Department of Labor employee who continued to receive a salary from the Department of State a year after his temporary duty assignment with the Department expired. The Labor employee returned to Labor and began receiving salaries from both Departments, which were deposited directly into his bank account. In June 2004, the employee was placed into pre-trial diversion, and agreed to repay the Department a total of \$78,616 in salary payments and to complete 200 hours of community service.

## FOLLOW-UP ACTIONS

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### PROPOSAL FOR DEBARMENT

OIG previously reported the investigation of a company that provided explosive ordnance detector dogs and handlers to the Department of State and other government agencies in the wake of the September 11, 2001 terrorist attacks. The investigation disclosed that the company had provided false information concerning the qualifications of its dogs and handlers. As a result, the owner of the company was convicted and sentenced to 78 months imprisonment; three years supervised release and restitution in the amount of \$708,450.78. The Department of State has placed the owner and his company on the list of parties proposed for debarment. This action excludes the owner and his company from Federal Procurement and Nonprocurement Programs. (See OIG Semiannual Report, April 1, 2003 to September 30, 2003)

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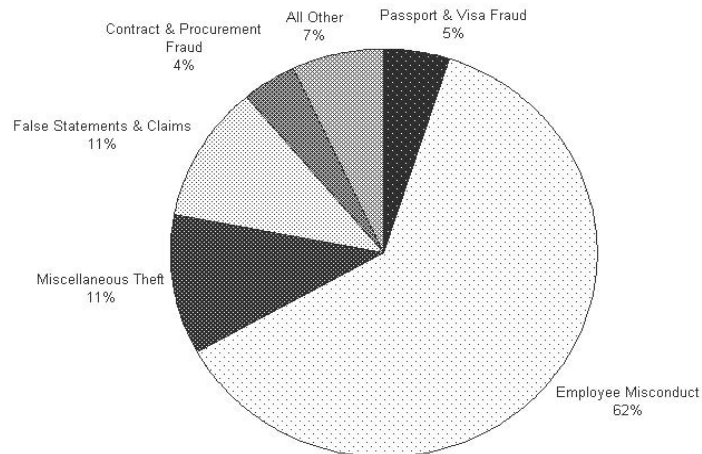
## EMBEZZLEMENT

OIG previously reported a joint investigation with the Federal Bureau of Investigation of the theft of \$2.7 million in post assignment travel funds by a former FSN employee at U.S. Embassy Lusaka, Zambia, that resulted in the arrest and indictment of three Zambian nationals involved in the scheme. On February 24, 2004, the Zambian Police Service charged the former FSN embassy employee and the two Zambian nationals involved in this scheme under a 114-count criminal indictment.

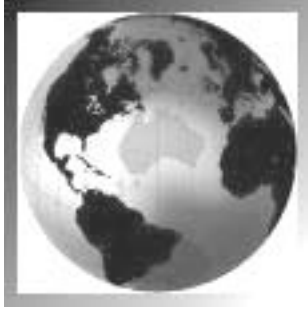
On August 3, 2004, Zambian prosecutors consolidated some of the charges and dismissed others that resulted in a superseding indictment totaling 72 counts against the three defendants. An OIG investigator testified once and will testify again at the end of October 2004 in the trial of the two Zambian national defendants and his testimony in the trial of the former FSN employee is scheduled in November 2004.

A fourth Zambian national defendant sentenced on November 8, 2002, to 30 months incarceration and three years supervised release for his part in this scheme was released from U.S. Federal prison and deported to Zambia on June 22, 2004, where he was arrested by Zambian authorities for the theft of over \$1 million from Zambian companies. The arrest was made after the OIG investigator provided evidence to the Zambian police that this person was involved in the theft of monies from the Zambian companies. (See OIG SemiAnnual Report, October 1, 2003 to March 31, 2004)

## Types of Cases



## Geographic Distribution of Ongoing Investigations



South Asian .....	0%
Near Eastern.....	5%
East Asia and Pacific Islands .....	5%
Africa .....	13%
Europe .....	10%
Western Hemisphere .....	7%
Domestic .....	60%
<b>TOTAL.....</b>	<b>100%</b>

## Hotline

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

Held for action within OIG	7
Referral to other offices for action	152
No action Necessary	85
Total Allegations received	244





# APPENDIX 1: INVESTIGATIVE ACTIVITIES

<b>Workload</b>		<b>Total Judicial Actions</b>	<b>34</b>
<i>Cases pending 3/31/04</i>	48	<b>Criminal</b>	
<i>New cases opened</i>	27	<i>Prosecutive referrals</i>	11
<i>Cases closed</i>	15	<i>Prosecutive declinations</i>	11
<i>Cases pending 9/30/04</i>	60	<i>Prosecutive dismissals</i>	0
<i>Preliminary inquiries pending 3/31/04</i>	15	<i>Acquittals</i>	0
<i>Preliminary inquiries opened</i>	7	<i>Indictments</i>	2
<i>Preliminary inquiries closed</i>	13	<i>Convictions</i>	5
<i>Preliminary inquiries</i>		<i>Sentencings</i>	3
<i>converted to cases</i>	2	<i>Time sentenced</i>	12 months
<i>Preliminary inquiries pending 9/30/04</i>	7	<i>Time probation</i>	24 months
<b>Total Administrative Actions</b>	<b>10</b>	<i>Court-ordered fines</i>	\$0
		<i>Court-ordered restitutions</i>	\$78,615.65
<i>Admonishments</i>	0	<b>Civil</b>	
<i>Counseling</i>	0	<i>Referrals</i>	1
<i>Curtailment</i>	0	<i>Declinations</i>	0
<i>Demotions</i>	0	<i>Complaints</i>	0
<i>Reimbursements</i>	0	<i>Judgments</i>	1
<i>Reprimands</i>	0	<i>Court-ordered fines</i>	\$0
<i>Resignations</i>	0	<i>Recoveries</i>	0
<i>Suspensions</i>	4	<b>Total judgments</b>	
<i>Terminations (DOS employees)</i>	0	<b>and recoveries</b>	<b>\$0</b>
<i>Terminations (Contract employees)</i>	0		
<i>Administrative referrals</i>	6		
<i>Program Fraud and</i>			
<i>Civil Remedies Act referrals</i>	0		
<i>Savings</i>	0		

<i>Administrative recoveries</i>	\$ 37,827.26
<i>Judicial recoveries</i>	\$ 78,615.65
<b>Total Investigative Recoveries</b>	<b>\$ 116,442.91</b>



## APPENDIX 2: REPORTS ISSUED

### Security and Intelligence Oversight

#### Inspections

SIO-I-04-19A	Security Inspection of Embassy Abu Dhabi, and Consulate General Dubai, United Arab Emirates	07-04
SIO-I-04-20A	Security Inspection of Embassy Ankara, Turkey, and Constituent Posts	06-04
SIO-I-04-21A	Security Inspection of Embassy Athens, Greece, and Consulate General Thessaloniki	06-04
SIO-I-04-23A	Security Inspection of Embassy Doha, Qatar	06-04
SIO-I-04-24A	Security Inspection of Embassy Kuwait, Kuwait	05-04
SIO-I-04-25A	Security Inspection of Embassy Mbabane, Swaziland	07-04
SIO-I-04-27A	Security Management Review, Embassy Nicosia, Cyprus	07-04
SIO-I-04-28A	Security Inspection of Embassy Pretoria, South Africa, and Constituent Posts	07-04
SIO-I-04-36A	Security Inspection of Embassy Beijing, China	09-04
SIO-I-04-38A	Security Inspection of Embassy Hong Kong, China	09-04
SIO-I-04-39A	Security Management Inspection of Embassy Prague, Czech Republic	09-04
SIO-I-04-40A	Security Management Review of Embassy The Hague, The Netherlands	09-04
SIO-I-04-42A	Security Inspection of Embassy Addis Ababa, Ethiopia	09-04
SIO-I-04-43A	Security Inspection of Embassy Asmara, Eritrea	09-04
SIO-I-04-44A	Security Management Review of Embassy Djibouti, Republic of Djibouti	09-04

## Compliance Follow-Up

SIO-C-04-22A	Security Compliance Follow-up Review of Embassy Bangkok, Thailand	05-04
SIO-C-04-26A	Security Compliance Follow-up Review of Embassy Muscat, Oman	07-04
SIO-C-04-46A	Security Compliance Follow-up Review of Embassy Khartoum, Sudan	09-04
SIO-C-04-49A	Security Compliance Follow-up Review of Embassy N'Djamena, Chad, and Embassy Bangui, Central African Republic	09-04
SIO-C-04-52A	Security Compliance Follow-up Review of Embassy Yaoundé, Cameroon, and Constituent Post	09-04

## Special Reviews

SIO-S-04-06	Review of New Embassy Construction – Embassy Beijing	04-04
SIO-S-04-15	Review of the Implementation of the Department's Lock-and-Leave Policy and Procedures	07-04
SIO-S-04-18	Review of the Department's Patterns of Global Terrorism – 2003 Report	09-04

## Office of Inspections

ISP-I-04-19A	Inspection of Embassy Abu Dhabi and Consulate General Dubai, United Arab Emirates	07-04
ISP-I-04-20A	Inspection of Embassy Ankara, Turkey, and Constituent Posts	06-04
ISP-I-04-21A	Inspection of Embassy Athens, Greece, and Consulate General Thessaloniki	06-04
ISP-I-04-22A	Inspection of Embassy Bangkok, Thailand, and Constituent Post	05-04
ISP-I-04-23A	Inspection of Embassy Doha, Qatar	06-04
ISP-I-04-24A	Inspection of Embassy Kuwait, Kuwait	05-04
ISP-I-04-25A	Inspection of Embassy Mbabane, Swaziland	07-04

ISP-I-04-26A	Inspection of Embassy Muscat, Oman	07-04
ISP-I-04-27A	Inspection of Embassy Nicosia, Cyprus	07-04
ISP-I-04-28A	Inspection of Embassy Pretoria, South Africa, and Constituent Posts	07-04
ISP-I-04-29	Inspection of Bangkok Financial Service Center	05-04
ISP-I-04-30	Inspection of the Bureau of East Asian and Pacific Affairs	07-04
ISP-I-04-31	Inspection of the Bureau of International Information Programs	07-04
ISP-I-04-32	Inspection of Embassy Maseru, Kingdom of Lesotho	07-04
ISP-I-04-33	Improvements Needed in EEO Programs Overseas	04-04
ISP-I-04-34	Minimizing Cashier-Provided Accommodation Exchange Overseas	07-04
ISP-I-04-35	Management Assessment Review of Embassy Kabul, Afghanistan	06-04
ISP-I-04-36A	Inspection of Embassy Beijing, China, and Constituent Posts	09-04
ISP-I-04-37A	Inspection of Embassy Berlin, Germany	09-04
ISP-I-04-39A	Inspection of Embassy Prague, the Czech Republic	09-04
ISP-I-04-40A	Inspection of Embassy The Hague, The Netherlands, and Consulate General Amsterdam	09-04
ISP-I-04-42A	Inspection of Embassy Addis Ababa, Ethiopia	09-04
ISP-I-04-43A	Inspection of Embassy Asmara, Eritrea	09-04
ISP-I-04-44A	Inspection of Embassy Djibouti, Republic of Djibouti	09-04
ISP-I-04-45	Inspection of the Regional Support Center, Frankfurt, Germany	09-04
ISP-I-04-46A	Inspection of Embassy Khartoum, Sudan	09-04
ISP-I-04-48	Management Assessment Review of Embassy Bangui, Central African Republic	09-04

ISP-I-04-49A	Inspection of Embassy N'Djamena, Chad	09-04
ISP-I-04-52A	Inspection of Embassy Yaoundé, Cameroon	09-04
ISP-I-04-53	Review of the Consular Lookout and Support System	09-04
ISP-I-04-54	Strengthening Leadership and Staffing at African Hardship Posts	07-04

#### Compliance Follow-up

ISP-C-04-47	Compliance Follow-up Review of Embassy Lisbon and Consulate Ponta Delgada, Portugal	09-04
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### Office of Audits

#### Iraq Oversight

AUD/IQO-04-47	Review of Department of State Procurement Competitions to Support the Iraqi Police Training Program	09-04
AUD/IQO-04-48	Review of Cashiering Operations at Embassy Baghdad	09-04

#### Contracts and Grants

AUD/CG-04-27	Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by International Center for Journalists, Inc.	05-04
AUD/CG-04-29	Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by Graduate School, USDA	06-04
AUD/CG-04-30	Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by Nacel Open Door, Inc.	05-04
AUD/CG-04-31	Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by National Council for International Visitors	05-04
AUD/CG-04-32	Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by the Institute for Training and Development	09-04
AUD/CG-04-33	Review of the World Relief Corporation Indirect Cost Rates for Fiscal Year 2002	06-04
AUD/CG-04-34	Evaluation and Analysis of Cost/Schedule Data – Kabul Embassy Compound Project	07-04

AUD/CG-04-35	Review of the International Republican Institute Indirect Cost Rates for Fiscal Years 1999, 2000, 2001, 2002 and 2003	06-04
AUD/CG-04-36	Application of Agreed-Upon Procedures on Claim for General and Administrative Expenses on Travel Costs by North American Telecommunications, Inc.	08-04
AUD/CG-04-39	The National Endowment for Democracy	08-04
AUD/CG-04-40	Office of Anti-Terrorism Assistance, U.S. Department of State, Evaluation of Financial Management Activities, Report on Survey Results	07-04
AUD/CG-04-41	Factsheet on the Iraqi National Congress Support Foundation	07-04
AUD/CG-04-44	Analytical Review of the Multinational Force and Observers' FY 2002 and FY 2003 Financial Statements, and FY 2004 and FY 2005 Budgets	09-04
AUD/CG-04-49	Review of World Relief Corporation of National Association of Evangelicals' Refugee Reception and Placement Program	09-04

#### Procurement, Property and Administrative Support

AUD/PPA-04-07	Review of the Bureau of Overseas Buildings Operations' New Embassy Construction Program Planning and Design Phase	05-04
AUD/PPA-04-22	Review of Diplomatic Telecommunications Service Program Office Unexpended Balances for Fiscal Years 1995-2002	04-04
AUD/PPA-04-37	Review of the Management of Compound Physical Security Upgrades	08-04
AUD/PPA-04-45	Review of Allegations Concerning DynCorp International's Worldwide Personal Protective Services Contract in Afghanistan	09-04

#### Program Reviews

AUD/PR-04-24	Review of Export Controls for Foreign Persons Employed at Companies and Universities	04-04
AUD/PR-04-25	Review of the International Traffic in Arms Regulations Registration Fee Collection Process	07-04

## Financial Management

AUD/FM-04-42	Audit of the Controls Over the Move of Domestic Financial Operations to Charleston	09-04
AUD/FM-04-43	Audit of the International Cooperative Administrative Support Services' 2002 and 2001 Financial Statements	09-04

## Information Technology

### Inspections

IT-I-04-01	Information Technology Security Inspection of Embassy Bucharest, Romania	06-04
IT-I-04-02	Information Technology Security Inspection of Embassy Sofia, Bulgaria	06-04
IT-I-04-03	Information Technology Security Inspection of Embassy London, United Kingdom	06-04
IT-I-04-04	Information Technology Security Inspection of the Regional Information Management Center Bangkok	07-04
IT-I-04-06	Information Technology Security Inspection of the Regional Information Management Center Pretoria	08-04

### Audit

IT-A-04-05	Phase I of the Department of State's Approach to Establishing a New Messaging System (SMART)	08-04
IT-A-04-08	Review of the Information Security Program at the Department of State (FISMA)	09-04



# APPENDIX 3: SAVINGS AND MORE EFFECTIVE USE OF RESOURCES

Table 1

## INSPECTOR GENERAL ISSUED AUDIT REPORTS WITH QUESTIONED COSTS<sup>4</sup>

	Number of Reports	Questioned Costs	Unsupported Costs
		(Dollars in Thousands)	
A. For which no management decision has been made by the commencement of the reporting period	12	12,592	9,115
B. Which were issued during the reporting period	4	3,800	3,400
C. For which a management decision was made during the reporting period – based on formal administrative or judicial appeal (i) dollar value of disallowed costs (ii) dollar value of costs not disallowed			
D. For which no management decision has been made by the end of the reporting period	16	16,392	12,515
Reports for which no management decision was made within 6 months of issuance	12	12,592	9,115

<sup>4</sup>Questioned 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 audit, such costs are not supported by adequate documentation; or finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

**Table 2**

**INSPECTOR GENERAL ISSUED AUDIT REPORTS  
WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE<sup>5</sup>**

	Number of Reports	Dollar Value (in thousands)
A. For which no management decision has been made by the commencement of the reporting period.	2	670
B. Which were issued during the reporting	1	1,800
Subtotals (A + B)	2	670
C. For which a management decision was made during the reporting period (i) dollar value of recommendations that were agreed to by management -based on proposed management action -based on proposed legislative action	1	1,800
(ii) dollar value of recommendations that were not agreed to by management		
D. For which no management decision has been made by the end of the reporting period	2	670
Reports for which no management decision was made within 6 months of issuance.	2	670

<sup>5</sup> 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.

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## **Significant Management Successes In Implementing OIG Recommendations**

In its Inspection of Mexico City, Mexico, & Constituent Posts (ISP-I-03-50), September, 2003. OIG recommended that the embassy prepare a revised staffing projection and list all mission positions and functions not persuasively shown to be essential. In response to the recommendation, the embassy established a 17-member rightsizing committee, drawing from a cross-section of the mission's agencies and sections. The committee produced a 60-page report with recommendations that tied rightsizing to the seven major mission performance plan goals. The report was posted on Embassy's intranet website for comment and the Ambassador will use it to make decisions about rightsizing the mission.





United States Department of State  
and the Broadcasting Board of Governors

*Office of Inspector General*

October 29, 2004

MEMORANDUM

TO: Mr. Kenneth Y. Tomlinson, Chairman  
Broadcasting Board of Governors

FROM: Cameron R. Hume   
Acting Inspector General

SUBJECT: Semiannual Report to Congress,  
April 1 to September 30, 2004

I am pleased to transmit to you the Office of Inspector General's Semiannual Report to the Congress for the period ending September 30, 2004.

During this period OIG inspected Broadcasting Board of Governors' (BBG) operations, including transmitting stations, marketing and program placement operations, and several foreign Voice of America news bureaus. Among the recommendations arising from the inspections were calls for human resource succession-planning for the International Broadcasting Bureau in Greece, recovery of the 16-percent value added tax (VAT) in Germany since the transmitting station is losing more than \$500,000 to VAT annually, and for consultations with Embassy Djibouti to bring the unexploded ordnance problem at the transmitting station to the attention of the government of Djibouti.

OIG conducted an annual evaluation of the BBG's information security program, as mandated by the Federal Information Security Management Act of 2002 and found that BBG had made progress by reorganizing its IT program, defining 24 major systems, and performing risk assessments. BBG also had developed plans of action and milestones for ten of its 24 systems, for quarterly reporting to the Office of Management and Budget (OMB). The first FY 2004 quarterly report to OMB under the new structure identified 20 information security weaknesses, of which two have been corrected. However, OIG remains concerned that BBG's information security needs management attention.

In area of investigation, OIG followed up on a case of a senior BBG employee engaged in a conflict of interest. The employee oversaw the disbursement of \$92,000 in training grant funds to a grantee, which then subcontracted with a company headed by the BBG employee's spouse. The employee pleaded guilty in U.S. District Court to one count of violating 18 U.S.C. 208 and was terminated from his position. On May 6, 2004, the employee was sentenced to three years probation and 50 hours of community service. He was also fined \$1000, ordered to pay restitution of \$15,064 and had to pay a \$25 special assessment.

This report is required by the Inspector General Act of 1978, as amended, and covers the work of this office during the period indicated. The Act requires that you transmit the report to the appropriate committees of the Congress by November 30, together with any comments you may wish to make.



# BROADCASTING BOARD OF GOVERNORS INSPECTIONS

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## **Inspection of the International Broadcasting Bureau's Transmitting Station in Greece (IBO-I-04-05)**

The International Broadcasting Bureau's (IBB) Greece Transmitting Station, with sites in Kavala and Rhodes, is well managed. With a transmitter availability rate of 99.92 percent in December 2003, it is meeting its mission to provide shortwave and mediumwave broadcasts to primary target areas in Europe, Russia, Africa, the Caucasus, Central and South Asia, and Tibet. It transmits over 237 hours a day in 33 languages for Radio Free Asia, Radio Free Europe/Radio Liberty, Voice of America, Middle East Radio Network, and the Greek government's Elliniki Radiofonia Tileorasi.

The station faces an impending crisis in its workforce. Of the 92 Foreign Service nationals (FSN) at the two sites as of January 2004, over half were at least 50 years old; many key managerial personnel are scheduled to retire in the next few years. The station needs to train new people, but IBB announced a hiring freeze through FY 2004. The Office of Inspector General recommended that IBB continue to support the station with innovative ways to address its need for human resources. After the OIG site visit, IBB reported that it would consider using a buildings-and-grounds maintenance contract to hire "fill-in" employees for critical positions affected by the IBB worldwide FSN hiring freeze.

The transmitting station property is leased from the Greek government. Over the years, local citizens have populated one area of the Kavala leased land with various beach structures and a church. An American supervisor estimated that the encroached area is about 11 percent of the total, with an apportioned lease cost of over \$46,000 annually. IBB is concerned about the safety of the area and possible liability issues. OIG recommended that IBB modify its land lease agreement with the Greek government, returning the encroached area to the government and seeking a guarantee from the government to maintain the integrity of the remaining portion of the lease. IBB said that it would address this issue in 2007, when the lease came up for renewal, but OIG believes that some interim action is necessary.

The station manager identified improvements needed in the station's information technology infrastructure. The station is now about 80 percent finished with planned upgrades. The station's computer management specialist learns new technology on the job, with assistance from the station manager. After the OIG inspection, he attended a week-long specialized training class. OIG agreed with the high priority of providing appropriate training to the computer management specialist. Supervisors at the Kavala and Rhodes stations provide a good management controls environment and demonstrate compliance with regulations. Beginning in November 2003, the station has scheduled one American supervisor to visit the site in Rhodes monthly to discuss operations and perform a checklist inspection.

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## **Inspection of Broadcasting Board of Governors' Operations in Thailand (IBO-I-04-06)**

There are four major entities of the Broadcasting Board of Governors (BBG) in Thailand: the Thailand Transmitting Station, the Regional Office of Marketing and Program Placement, the Voice of America (VOA), and Radio Free Asia (RFA). OIG found that they do not formally coordinate, nor do they believe there is a need for such coordination. The Thailand Transmitting Station is clearly the largest establishment, has the most extensively trained and experienced staff, and is the best managed of the four major BBG entities in Thailand.

The initial agreements for the Thailand Transmitting Station, which date back to 1965, involved the broadcasting of VOA programming. Since RFA began broadcasting from points outside of Thailand in September 1996, the Royal Thai government has shown no interest in amending these agreements to include broadcasting of RFA programming, although Embassy Bangkok has pursued the matter occasionally with senior members of the Thai government. Although there have been a series of bilateral agreements relating to the Thailand Transmitting Station over the years and subsequent amendments, OIG could find no evidence that Embassy Bangkok ever formally received permission from the Thai Ministry of Foreign Affairs, by way of an exchange of diplomatic notes or other amendment, allowing the U.S. government to broadcast Radio Free Europe/Radio Liberty (RFE/RL) programs from the Udorn transmitter plant. Those broadcasts, nevertheless, began in 1995 and continue with the inclusion of Radio Farda programs.

OIG found that the VOA Bangkok News Bureau and the International Broadcasting Bureau (IBB) Asia Regional Office of Marketing and Program Placement both need to improve their management controls regarding their separation of duties, and VOA also needs to improve its documentation. IBB Washington also has a role to play in ensuring a positive internal control environment. IBB is working to address these issues.



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## **Inspection of the Broadcasting Board of Governors' Operations in the Republic of South Africa (IBO-I-04-07)**

The Broadcasting Board of Governors' operations in South Africa include the International Broadcasting Bureau's Regional Office of Marketing and Program Placement and a Voice of America news bureau. OIG reviewed IBB's regional office policy implementation, resource management, and management controls. The primary focus was to determine IBB's relationship to the U.S. mission in South Africa, any concerns with the International Cooperative Administrative Support Services (ICASS) support provided to the regional office and VOA, and IBB's own assessment of the activities it supports in Africa.

The regional office oversees program placement in Angola, Burundi, Djibouti, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, South Africa, Tanzania, Uganda, Zaire, and Zambia. It has arrangements with 48 local broadcasting affiliate stations in 17 countries. The regional marketing director said that programming is going well in Angola, which receives funding from the U.S. Agency for International Development, and in Uganda and Eastern Congo. English-to-Africa and TV-to-Africa programs are particularly popular. There are challenges in some parts of the region to airing BBG programming because of state control of the media or competition within the liberalized media market. The office also experiences funding constraints for advertising, workshops, and equipment installation.

The regional office is collocated in Johannesburg with the Department of Commerce, U.S. Foreign Commercial Service (FCS). The FCS has made plans to move into a new consulate general compound when it is completed in about two years. The regional marketing director was unaware of these plans. OIG is concerned that IBB has not made sufficient plans through Embassy Pretoria to relocate its regional office. As a result of the inspection, IBB's Office of Marketing and Program Placement (OMPP) said that it would establish a relationship with the appropriate personnel at Embassy Pretoria in order to obtain specifics about the embassy's plans for future space and the impact of those plans on IBB's ICASS costs.

The regional marketing director questioned ICASS costs from Embassy Pretoria in the area of budget and planning services. OIG pointed out the need to clarify the budgeting services that the embassy is providing IBB and to be sure that IBB is not paying for services that it does not receive. After the inspection, OMPP reviewed the budget and financial planning services and held extensive discussions with the embassy's senior financial management officer. As a result, the embassy revised the ICASS costs to reflect the actual services needed by IBB.

The VOA news bureau in Johannesburg covers South Africa, Namibia, Zimbabwe, Mozambique, and Zambia. The correspondents maintain a professional contact status only with official Americans at the mission in order to maintain journalistic independence. A memorandum of understanding between BBG and the Department helps to clarify the VOA relationships with the mission and the regional security officer.

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## **Inspection of the International Broadcasting Bureau's Germany Transmitting Station (IBO-I-04-10)**

U.S. international civilian broadcasting in Germany dates from World War II. Over time it has changed from a collection of disparate elements to unified control by the IBB and from a focus on Western Europe and cold war targets to support for U.S. antiterrorism efforts, with a movement of the broadcasting center of gravity to the Balkans, the Caucasus, the Middle East, and Central and South Asia. A changed political environment and a coalition of environmentalists and opponents of U.S. policies and presence in Germany contributed to the closure of the Holzkirchen transmitter site and could threaten the functioning of the remaining three sites at Ismaning, Lampertheim, and Biblis. The management of the Germany Transmitting Station and Embassy Berlin need to develop a strategy to avoid that outcome. In the meantime, the IBB FM radio frequency in Berlin is underutilized, but could be an important tool in Embassy Berlin's public diplomacy strategy. BBG is planning to take a step in that direction with a proposed change in the format of the Voice of America programming carried on the station.

With capital assets valued at approximately \$36.4 million, an FY 2004 program budget of approximately \$12.2 million, and a staff of 74 (3 Foreign Service Officers, 64 locally employed staff, and 7 third country national personal services agreement contract employees), the Germany Transmitting Station has become a key part of the IBB transmitting network and Global Satellite Interconnect System. The Ismaning site, near Munich, has gone from being a shortwave site to a site where over-the-air broadcasting by medium wave only is minimal. Its role as a satellite downlinking and uplinking hub and mini-network control center is now its primary work, and without this capability, IBB would be hard-pressed to carry out its global transmission objectives. The Germany Transmitting Station has nurtured an automation team that has designed an automation system that has saved IBB millions of dollars. Staff of the Germany Transmitting Station manufacture the system's hard components, write the computer software application, train others in its operation, and have installed the system in Germany and in IBB transmitting stations around the world. The Germany Transmitting Station also serves as a regional technical support center for several transmitting stations within the IBB network. Four members of the engineering staff function as members of the Technical Support Team. Other staff have temporarily supplemented the team. This team travels to other transmitting stations throughout the IBB system to provide technical support and training to staff at other transmitting stations.

The Germany Transmitting Station is losing over \$500,000 a year to a 16-percent value added tax (VAT) from which it is actually exempt under the terms of the bilateral agreement for the operation of the station. No refunds of the VAT have ever been received. Further, challenges to the diplomatic status of IBB Foreign Service officers (FSO) have resulted in the denial of protections for their dependents. OIG has asked that Embassy Berlin, in coordination with the Department of State's Office of Foreign Missions and the Germany Transmitting Station, work together to resolve these issues with the German government.

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## **Inspection of the International Broadcasting Bureau's Djibouti Transmitting Station (IBO-I-04-13)**

On April 1, 2004, the Broadcasting Board of Governors' International Broadcasting Bureau (IBB) transmitting station located outside of Djibouti, Republic of Djibouti, began transmitting Arabic broadcasts of the Middle East Radio Network's Radio Sawa. Radio Sawa, headquartered in Washington, D.C., creates especially for Sudan the unique stream of programming known as the Sudan feed broadcast from the Djibouti Transmitting Station. Although the transmission was developed primarily for the Sudan stream of Radio Sawa it also reaches parts of Yemen, Djibouti, and Saudi Arabia.

The U.S. government and the government of the Republic of Djibouti signed an agreement, dated June 18, 2002, establishing the U.S. radio transmitting facilities in Djibouti on a 200,000-square-meter site, located within 4 Kilometers of the country's coast. This agreement allowed IBB to construct facilities and install two FM and one medium wave transmitter to transmit IBB radio programs. An annex to the agreement, known as PK 12 and signed on September 4, 2003, addressed the operation, maintenance, and security of the transmission facility and site. PK 12 is also known as the Djibouti Transmitting Station. The agreement also required IBB to provide transmitters (two newly purchased medium wave (AM) broadcast transmitters and one existing high-frequency transmitter used for shortwave transmissions), facility renovations, equipment replacement, spare parts for the first year of operation, and training at the 20 year old Dorale Transmitting Station, about five kilometers from the Djibouti Transmitting Station. The Dorale site is owned and operated by Radio Television Djibouti (RTD) and no BBG/IBB programming originates from that site.

The IBB Morocco Transmitting Station, located in Tangiers, provides management and contract oversight and is tasked to review replacement part purchases, payment schedules, condition of IBB furnished equipment, and so forth. Staff from Morocco and IBB Washington visit the Djibouti station frequently. Some of the Morocco Transmitting Station's technically qualified local staff are to be in Djibouti for about one year to train RTD staff.

IBB signed an International Cooperative Administrative Support Services (ICASS) agreement with Embassy Djibouti that provides assistance for temporary duty staff visiting from Morocco and Washington, D.C., including shipping, travel, cashiering, accounting, and other recordkeeping needs. Although the public diplomacy staff has occasionally been involved in the transmitting station activities, OIG saw no need for a permanent American direct-hire employee at the PK 12 transmitting station because IBB has the technology to control the Djibouti Transmitting Station remotely from either the Morocco Transmitting Station or some other location under the supervision of IBB Foreign Service officers. Management controls such as access, maintenance, and inventory safeguards are in the hands of RTD, pursuant to the PK 12 agreement. There is no petty cash at the site, and inventory controls are in place. Staff from the IBB Morocco Transmitting Station also perform management oversight duties when visiting on temporary duty.

The security requirements of the transmitter site are mitigated by the fact that IBB has no permanent, direct-hire staff in Djibouti. In 2002, Djibouti was declared free of land mines following international efforts to make the country mine-free. However, on May 6, 2004, just about one month after operations began, there was a fire and explosion at a remote area of the transmitter site caused by detonation of unexploded ordnance left from the era when the French used the beach to test weapons. Pursuant to a recommendation by OIG, IBB has consulted with Embassy Djibouti and is taking steps to have the government of Djibouti survey the site for unexploded ordnance and, after its removal or detonation, issue a certification that the site has been cleared.

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## **Inspection of the Broadcasting Board of Governors' Operations in the Czech Republic (IBO-I-04-15)**

The inspection of the Broadcasting Board of Governors' operations in the Czech Republic focused on the IBB Regional Marketing and Program Placement Office (RMPPPO). Although OIG did meet with the president of Radio Free Europe/Radio Liberty (RFE/RL) and visited RFE/RL facilities, it did not conduct an overall inspection of RFE/RL. A separate classified OIG report (*Security Inspection of Radio Free Europe/Radio Liberty Sites in Prague, Czech Republic* (SIO-I-04-12)) addressed the security posture and planned relocation of RFE/RL. OIG made no recommendations as a result of this inspection.

RFE/RL is a private, nonprofit, U.S. government-funded broadcasting organization operating under a grant made and supervised by the BBG. It broadcasts over 1,000 hours of programming weekly in 30 languages to Southeastern and Eastern Europe, the Caucasus, and Central and Southwestern Asia, including both Iran and Iraq. The RFE/RL budget for FY 2004 is more than \$77 million, up from approximately \$59 million when the current RFE/RL President took office in August 1997. RFE/RL employs nearly 600 persons in Prague, including approximately 80 U.S. citizens. The organization employs over a thousand more people in the nations of its area of operations. As a private corporation

and a BBG grantee organization, RFE/RL and its employees do not come under the authority of the chief of mission at Embassy Prague.

The IBB RMPPPO is collocated with RFE/RL. The RMPPPO consists of a director, a deputy director, four Foreign Service national positions, two contractors in Prague, and several contractors in other countries in the area of operations. Discussions with RMPPPO staff, including the new deputy director and two of the Foreign Service nationals, revealed high morale and appreciation for the leadership of the RMPPPO director. The RMPPPO and its personnel, unlike those of RFE/RL, are under chief of mission authority. The RMPPPO director manages an annual budget of \$500,000 and pays out \$2.8 million in leases for VOA and RFE/RL. The leases are for broadcast time used for placement of VOA and RFE/RL programming. The director spends about 40 percent of his time traveling, although funding constraints have recently begun to limit travel and overall marketing activities.

The RMPPPO provides support for the placement and expanded reach of VOA radio, television, and Internet products. The office currently has arrangements with 474 affiliates in 27 countries. It also provides marketing assistance to RFE/RL. The RMPPPO director reported that annual market surveys show particular program success in Russia, Turkey, Bosnia and Herzegovina, Serbia (including Kosovo and Montenegro), and Croatia. Programming in Ukraine has been difficult owing to political pressures from the Kuchma government. A programming agreement was recently signed with Pakistan, but operational success remains in question. RMPPPO has a private affiliate television broadcast relationship in Uzbekistan, but the government has been uncooperative in allowing radio affiliates. The governments of Turkmenistan and Belarus refuse to allow affiliate relationships.

The RMPPPO director indicated that the office's relationship with the various sections of Embassy Prague was "very cordial and cooperative." The director or his deputy attend country team and ICASS meetings and plan to increase participation in embassy community events. Relations with Embassy Prague public affairs officers are friendly, but have been limited since the RFE/RL Czech language service was terminated in 2002. RMPPPO receives embassy administrative support through ICASS. Key services include budget and fiscal transactions, residential leasing, some maintenance, and payroll. The director qualifies embassy administrative support as "very good" and is especially appreciative of budget and fiscal support, which presents particular challenges because of the differing banking regulations and procedures for payments in many of the countries in the target area. RMPPPO describes its working relationship with IBB Washington as excellent. There is daily e-mail, telephone, and fax communication. RMPPPO particularly appreciates the budget support and the free flow of ideas from Washington.



# INFORMATION TECHNOLOGY

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## **Review of the Information Security Program at Broadcasting Board of Governors (IT-A-04-07)**

OIG's evaluation of the BBG's information security program concluded that BBG has made progress in the past year in reorganizing its information technology program. As of May 30, 2004, BBG appointed a Chief Technical Officer (CTO), a new Chief Information Officer (CIO), and a Chief Information Security Officer. Additionally, BBG defined 24 major systems, performed risk assessments, and developed: general support system and major application system security plans, operating system security configuration standards, patch management policies, an incident response plan, and a user information technology security training program. BBG has developed Plans of Action and Milestones (PAO&M) for 10 of its 24 systems for quarterly reporting to OMB. The first FY2004 quarterly report to OMB under the new reorganization structure in July identified 20 information security weaknesses, of which two have been corrected.

Despite this progress, several key areas of information security still require management attention. BBG's CIO has not developed an agency-wide Enterprise Architecture as required by Federal Information Security Management Act. Also, BBG's transmitting stations need headquarters direction and guidance to meet information security requirements.





# INVESTIGATIONS

## Follow-up Actions

OIG received information from the Broadcasting Board of Governors (BBG), Office of General Counsel that a senior BBG employee was engaging in a conflict of interest. The senior BBG employee oversaw the disbursement of \$92,000 in training grant funds to a grantee, which then subcontracted with a company headed by the BBG employee's wife. On January 14, 2004, the BBG employee pleaded guilty in U.S. District Court to one count of violating 18 U.S.C. 208. Concurrently, the employee was terminated from his position with BBG and was debarred from doing business with BBG for three years. On May 6, 2004, the employee was sentenced to three years probation and 50 hours of community service. He was also fined \$1000, ordered to pay restitution of \$15,064 and had to pay a \$25 special assessment. (See OIG SemiAnnual Report, October 1, 2003 to March 31, 2004, pp. 83)



## APPENDIX 1: INVESTIGATIVE ACTIVITIES

<b>Workload</b>	<b>Number</b>
<i>Cases pending 3/31/04</i>	3
<i>New cases opened</i>	0
<i>Cases closed</i>	2
<i>Cases pending 9/30/04</i>	1
<i>Preliminary inquiries pending 3/31/04</i>	0
<i>Preliminary inquiries opened</i>	0
<i>Preliminary inquiries closed</i>	0
<i>Preliminary inquiries converted to cases</i>	0
<i>Preliminary inquiries pending 9/31/04</i>	0
<b>Total Judicial Actions</b>	<b>1</b>
<b>Prosecutive Referral</b>	<b>0</b>
<b>Prosecutive Declination</b>	<b>0</b>
<i>Criminal Indictment</i>	0
<i>Criminal Conviction</i>	0
<i>Criminal Sentencing</i>	1
<i>Time Probation</i>	36 Months
<i>Court Ordered Fine</i>	\$ 1,000.00
<i>Court Ordered Restitution</i>	\$17,484.95
<b>Total Investigative Recoveries</b>	<b><u>\$18,484.95</u></b>



## APPENDIX 2: REPORTS ISSUED

### Security

SIO-I-04-12	<i>Security Inspection of Radio Free Europe/Radio Liberty Sites in Prague, Czech Republic</i>	09-04
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### Inspections

IBO-I-04-05	<i>Inspection of the International Broadcasting Bureau's Transmitting Station in Greece</i>	07-04
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IBO-I-04-06	<i>Inspection of the Broadcasting Board of Governors' Operations in Thailand</i>	08-04
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IBO-I-04-07	<i>Inspection of the Broadcasting Board of Governors' Operations in the Republic of South Africa</i>	08-04
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IBO-I-04-10	<i>Inspection of the International Broadcasting Bureau's Transmitting Station in Germany</i>	09-04
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IBO-I-04-13	<i>Inspection of the International Broadcasting Bureau's Djibouti Transmitting Station</i>	09-04
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IBO-I-04-14	<i>Inspection of the Broadcasting Board of Governors' Operations in China</i>	09-04
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IBO-I-04-15	<i>The Broadcasting Board of Governors' Operations in the Czech Republic</i>	09-04
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### Information Technology

IT-A-04-07	<i>Review of the Information Security Program at the Broadcasting Board of Governors</i>	09-04
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# APPENDIX 3: SAVINGS AND MORE EFFECTIVE USE OF RESOURCES

Table 1

## INSPECTOR GENERAL ISSUED AUDIT REPORTS WITH QUESTIONED COSTS

	Number of Reports	Questioned Costs	Unsupported Costs
(Dollars 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 report period – based on formal administrative or judicial appeal		
	(i) dollar value or disallowed	0	0
	(ii) dollar value of costs not disallowed	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

Table 2

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

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



## LIST OF ABBREVIATIONS

AF	Bureau of African Affairs
ATM	Automated teller machine
BBG	Broadcasting Board of Governors
BFSC	Bangkok Financial Service Center
CFSC	Charleston Financial Service Center
CIO	Chief Information Officer
CLASS	Consular Lookout and Support System
CPA	Coalition Provisional Authority
CTO	Chief Technical Officer
DCM	Deputy chief of mission
Department	Department of State
DS	Bureau of Diplomatic Security
DTS-PO	Diplomatic Telecommunications Service Program Office
EAP	Bureau of East Asian and Pacific Affairs
EEO	Equal Employment Opportunity Programs
EIPG	Embassy Interagency Planning Group
FISMA	Federal Information Security Management Act
FSN	Foreign Service national
FSO	Foreign Service office(r)
GSO	General Services Officer
IBB	International Broadcasting Bureau
ICASS	International Cooperative Administrative Support Services
IIP	Bureau of International Information Programs
INCSF	Iraqi National Congress Support Foundation
INL	Bureau of International Narcotics and Law Enforcement Affairs

IRI	International Republican Institute
IRM	Bureau of Information Resource Management
IT	Information technology
LES	Locally employed staff
MFO	Multinational Force and Observers
MPP	Mission Performance Plan
NATI	North American Telecommunications, Inc.
NEC	New Embassy Compound
NIV	Nonimmigrant visa
OBO	Bureau of Overseas Buildings Operations
OIG	Office of Inspector General
OMB	Office of Management and Budget
RFE/RL	Radio Free Europe/Radio Liberty
RFMS	Regional Financial Management System
RIMC	Regional Information Management Center
RMPPPO	Regional Marketing and Program Placement Office
RSC	Regional Support Center
SEP	Special Embassy Program
SMA	Separate Maintenance Allowance
USAID	U.S. Agency for International Development
USIBWC	International Boundary and Water Commission, U.S. Section
USIBWC	International Boundary and Water Commissions' U.S. Section
VAT	Value added tax
VOA	Voice of America
WR	World Relief

**INDEX OF REPORTING REQUIREMENTS  
INSPECTOR GENERAL ACT OF 1978, AS AMENDED**

<i>REQUIREMENT</i>	<i>SUBJECT</i>	<i>PAGE NUMBERS</i>
Section 4(a)(2)	Review of legislation and regulations	8
Section 5(a)(1)	Significant problems, abuses, and deficiencies	13-75, 95-105
Section 5(a)(2)	Significant recommendations for corrective action	13-75, 95-105
Section 5(a)(3)	Prior significant recommendations unimplemented	92
Section 5(a)(4)	Matters referred to prosecutive authorities	83-84, 105
Section 5(a)(5)	Information or assistance refused	none
Section 5(a)(6)	List of reports issued	85-90, 109
Section 5(a)(7)	Summaries of significant reports	13-75, 95-105
Section 5(a)(8)	Audit reports—questioned costs	93, 115
Section 5(a)(9)	Audit reports—funds to be put to better use	94, 116
Section 5(a)(10)	Prior audit reports unresolved	94, 95
Section 5(a)(11)	Significant revised management decisions	none
Section 5(a)(12)	Significant management decisions with which OIG disagreed	none







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