

United States Department of State
and the Broadcasting Board of Governors
Office of Inspector General

Semiannual Report to the Congress



April 1 to September 30, 2001

Summary of OIG Accomplishments

Financial Results:

Questioned costs	
Issued during the reporting period	\$ 10,348,570
Management decision during the reporting period	\$ 0
Recommendations for funds to be put to better use	
Issued during the reporting period	\$ 0
Management decision during the reporting period	\$ 0
Investigative recoveries	\$ 389,334

Investigative Results:

Cases opened	23
Cases closed	43
Judicial actions	49
Administrative actions	8
Hotline and complaint activity	172

Reports Issued: 53

Requests for additional copies of this
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A MESSAGE FROM THE INSPECTOR GENERAL

I am grateful to the United States Senate for confirming me this past summer as the new Inspector General for the United States Department of State (Department) and the Broadcasting Board of Governors (BBG). I look forward to working closely with members of both the Senate and the House for many years to come as I discharge my important responsibilities. I am pleased to provide you with this my first semiannual report to the Congress.

Though I have been in this position for only a few months, I have already restructured my office, reordered priorities, and otherwise made changes better to carry out my duties. Specifically, I have identified four strategic goals against which I intend to review and monitor Department and BBG programs, activities, and operations, namely:

- The Department and BBG adequately protect the people, information, and facilities under their control in the United States and abroad;
- The Department and BBG effectively, efficiently, and economically advance the foreign policy interests of the United States;
- The Department and BBG have the necessary financial and support systems and controls to meet legal and operational requirements; and
- The Department and BBG are free of fraud, waste, abuse, and mismanagement.

In assessing the degree to which the Department and BBG succeed in meeting these goals, the Office of Inspector General (OIG) performs three core functions.

First, we inspect each of the approximately 260 embassies and consulates throughout the world, as well as international broadcasting facilities and the various domestic bureaus and offices of the Department and BBG.

In addition to these management-focused inspections, we also conduct discrete, specialized inspections focused on the degree to which our personnel, facilities, and intelligence assets are protected from attack or compromise. Given the tragic events

of September 11, the importance of this work is clearer than ever before, and we must redouble our efforts to carry it out. As the Congress passes more legislation and appropriates more money in this area, OIG must and will play a critically important oversight role, ensuring that the intent of the Congress is realized and that the money appropriated is well spent.

Our second major responsibility is auditing Department and BBG programs, operations, and activities to ensure that they are, to the maximum extent possible, effective, efficient, and economical. And, we ferret out instances of fraud, waste, abuse, and mismanagement.

The third major responsibility is investigating instances of fraud, waste, abuse, and mismanagement that may constitute either criminal or civil wrongdoing or a violation of Department or BBG regulations. Those instances involving crimes or civil fraud are referred to the Department of Justice for prosecution, and those involving violations of Department or BBG regulations are referred to the Department or BBG for administrative discipline.

So as to focus most intensively on these three core statutory functions, I have redeployed OIG personnel, funds, and other resources, minimizing to the greatest possible extent all support functions. Among other things, I have disbanded unnecessary support offices, and consolidated the other, essential ones into one administrative unit. The primary goal is to produce more and better inspection, audit, and investigative reports and to do so more quickly than ever before.

To emphasize the fact that I am the Inspector General for BBG as well as the Department, I have created the position of Assistant Inspector General for International Broadcasting. This unit, in collaboration with others in OIG, will continue our efforts better to serve the inspection, audit, and investigative needs of BBG.

And, I have consolidated all internal OIG information support and all of our external information technology oversight work into a new unit headed by a Chief Information Officer, who reports directly to me. The nature of our times, demands that we have the latest in information technology and that our systems are protected to the maximum possible extent against compromise.

I welcome your ideas for ways that we can further improve our work. I welcome, too, your work requests and your invitations to testify about matters of importance to you. And, to the extent that your schedules permit, members of Congress and staffers are welcome to look in on the various teams that we have throughout the

world at any given time so as to get a sense of what we do and how in your judgment we can do it better.

Again, I am grateful for the Congressional support that I have received to date. I look forward to working with you and your staffs in the years ahead.

Clark Kent Ervin

EXECUTIVE SUMMARY

During this semiannual reporting period new strategic goals were established for the OIG. Specifically, OIG has reviewed and monitored Department and BBG programs, activities, and operations in the following areas:

Department of State

The Department adequately protects the people, information, and facilities under its control in the United States and abroad

In support of OIG's goal to help the Department adequately protect the people, information, and facilities under its control in the United States and abroad, OIG completed an audit of the Department's background investigations program and conducted six security inspections or follow up reports and a summary of the security inspections of U.S. diplomatic posts in the Bureau of European Affairs. Security inspectors accompanying OIG inspection teams completed 13 classified security annexes, which will be summarized in a classified annex to this semiannual report.

In a review of the Department's personnel security investigations program for top secret clearances, OIG found that 98 percent of background investigations from a random sample of 50 investigations were not complete and periodic 5-year reinvestigations of employees holding top secret clearances are overdue.

OIG conducted a review of the Department's Anti-Terrorism Assistance (ATA) Program and recommended the solicitation of competitive bids, a Memorandum of Agreement to clarify ATA program responsibilities, and the establishment of country-specific objectives and measurements.

In response to the Government Information Security Reform Act (GISRA), OIG evaluated the Department's information security programs and concluded that information security weaknesses continue to threaten Department operations domestically and abroad. OIG also found that the Department has not developed performance measures for its information security program, but has made progress in implementing a GISRA provision to establish the agency's Chief Information Officer as the central management focal point for information security.

In a review of the Department's overseas wireless radio program, which provides a dedicated secure emergency and evacuation radio system, OIG found an improved security environment. Information Resource Management officials have generally established clear goals, incorporated performance measures, and worked vigorously for full implementation of the program. Additional coordination with Bureau of Diplomatic Security (DS) is necessary to ensure that local guard radios and the overseas wireless program address a shortcoming that was identified in the Nairobi bombing.

To assist U.S. Government efforts to ensure critical infrastructure protection (CIP) for the United States and our allies, OIG examined the Department's role as the lead agency for developing and implementing a CIP and its effectiveness as Foreign Affairs Functional Coordinator. The Department has made progress, but further work is required. OIG recommended that the Department assess the vulnerability of overseas operations to cyber-based disruptions; conduct security-control evaluations at least every 3 years; strengthen training; and expand the Department's international outreach.

The Department effectively, efficiently, and economically advances the foreign policy interests of the United States

A critical OIG mission is to inspect each post and bureau within the Department on a regular basis. Indeed, OIG is returning to the longstanding practice of inspecting every overseas post (and domestic bureau) at least once every five years, even though a Congressional waiver from such a statutory requirement remains in place. OIG is seeking to remove this waiver, so as again to be legally bound to such a cycle. OIG has continued its aggressive inspection program by inspecting six African, three South American, and two European posts during this reporting period.

In Africa, OIG primarily found embassies to be well run but overextended. Cut back in the early 1990s, Embassy Algiers would like to return to a more normal diplomacy program but is now neither equipped nor staffed to do so.

Operations at Embassy Djibouti are satisfactory, but its focus has been diluted and unnecessary security risks caused by the addition of Somalia to its area of responsibility. Better Internet access would benefit the isolated embassy in Asmara, Eritrea.

Overcrowded and extended over several sites, Embassy Accra does an outstanding job of reporting, but needs more staff training, file computerization, and written operating procedures.

In Gabon, Embassy Libreville's resources are overextended largely because the Department is providing a no-cost platform for another U.S. Government agency, at the expense of traditional diplomacy, and several officers have multiple duties because of chronic staffing shortages.

Budget shortfalls compromise the advancement of American foreign policy in Togo, and personnel vacancies and cramped office space hamper operations at Embassy Lome. The Department and the Bureau of African Affairs should evaluate the need for a continued U.S. presence in Djibouti and Togo and provide an appropriate level of support if such a presence is, in fact, desired.

In South America, Embassy Montevideo has coupled an aggressive commercial program with efforts to remove impediments to increased U.S. trade in Uruguay. OIG found Embassy Lima in the hands of a cohesive, well-led team, but insufficient space and resources threaten to degrade operations. Well-led Embassy Asuncion provides exemplary support to American interests in Paraguay; however, the Embassy has outgrown its chancery buildings, and the present office space is crowded and inefficiently arranged.

Although Embassy Budapest is host to a growing number of U.S. Government agencies with responsibilities outside Hungary, critical staffing gaps in the assignment of senior officers have hindered the Embassy's ability to coordinate and manage U.S. policy.

In Poland, Embassy Warsaw is doing an outstanding job of promoting U.S. interests; however, the well-organized mission performance plan needs to be better linked with resource allocation decisions. In both Hungary and Poland, the Agency for International Development mission has closed its doors, but significant U.S.-funded assistance programs continue to require coordination and tracking by the Embassy.

A review of counternarcotics in Bolivia and Ecuador found that the Bureau of International Narcotics and Law Enforcement Affairs (INL) and the Bureau for Western Hemisphere Affairs have provided effective and energetic interagency leadership. Nevertheless, to implement the Andean Regional Initiative (ARI) both bureaus should consider a more structured approach and new mechanisms for interagency coordination. INL should also consider assigning a full-time senior level ARI coordinator.

A follow up review of the Bureau of Human Resources found that the bureau is well aware of the need to draw the Foreign Service and the Civil Service personnel systems closer together. Despite improvements in workforce planning since 1997, the overall situation has not changed significantly. The Department's workforce planning remains separate from strategic planning and is focused largely on the Foreign Service, which comprises only one-third of the workforce.

OIG reviewed the Federal Voter Assistance Program and found that the lack of proper mail forwarding process resulted in 2- to 4-month delays in processing mail. OIG recommended that the Department establish procedures and revise guidance to permit use of the Department's pouches by private American citizens to return absentee voting materials to the United States.

The Department has the necessary financial and support systems and controls to meet legal and operational requirements

Reviewing financial management issues, OIG found that the Organization for Economic Cooperation and Development (OECD) has strengthened internal controls and implemented a new financial system. OIG recommended that OECD institutionalize annual external audits.

Other financial reviews found that the Bureau of Consular Affairs had addressed deficiencies in the cashiering operations at the Miami Passport Office, and that the Department's Worldwide Purchase Card Program lacked the requisite documentation to determine whether 12 percent of the purchases were properly made and reconciled in a timely manner.

OIG examined two grants totaling about \$4.3 million to the Iraqi National Congress Support Foundation and questioned \$2.2 million in costs. OIG found that significant improvements in accountability were needed.

OIG also examined 20 grants totaling about \$15 million as part of an overall effort to review Freedom Support Act assistance to the New Independent States within the former Soviet Union. OIG found the grantee did not adequately account for Federal funds and overcharged for travel costs. OIG questioned costs of approximately \$8 million of which \$272,297 was unallowable.

A contract audit of uniformed armed and unarmed guard services for Department offices in greater Washington D.C., with a value of \$68 million between January 1997 and June 2001, disclosed erroneous payments of approximately \$4.6 million for higher rates than required under the contract.

OIG reviewed overseas medical operations and found that medical professionals do a commendable job of providing health care and advice under difficult conditions overseas. The Department needs to complete tracking of reimbursements for overseas hospitalizations, since it has almost \$1 million in open accounts receivable for fiscal years 1996-1999.

The Department is free of fraud, waste, abuse, and mismanagement

OIG conducts investigations of alleged criminal, civil, and administrative misconduct. The investigations conducted during this reporting period included alleged theft, employee misconduct, conflict of interest, and visa fraud.

Specifically, investigations included a conflict of interest case against a former ambassador who contacted a U.S. embassy on behalf of his new employer within one year of retirement from the Department. The former ambassador paid \$10,000 in settlement. Another senior employee was reprimanded for violation of nepotism regulations when the employee attempted to intervene in a promotion decision on behalf of a family member.

The OIG cases within the reporting period included the arrest of an attorney in New York for visa fraud, mail fraud, and conspiracy in submitting fraudulent applications to the Diversity Immigrant Lottery Program.

Another successful case involved a joint investigation with the Immigration and Naturalization Service (INS) regarding a Turkish national who was charging customers \$5,000 to \$6,000 for C-1/D-1 transit/crewmen visas. The investigation widened as two associates of the Turkish nations were found to have generated numerous letters to several U.S. consulates.

Another joint investigation determined that substantial numbers of foreign nationals obtained passports with counterfeit work-authorized visas from the Social Security Administration's (SSA) offices in Richmond and Norfolk, Virginia. Using these false documents, the illegal aliens were able to obtain work-authorized Social Security cards.

Another case of visa fraud involved a large-scale scheme to defraud the EB-5 investor visa program. The investigators determined that a company had submitted fraudulent visa petitions and other false statements to the government, pocketing approximately \$21 million.

A case of student visa fraud at a New England university found that a group operating in New York issued a substantial number of student visas to Chinese nationals who were not students.

Seven people were arrested in a case on which OIG has been working with INS, the Internal Revenue Service, and the SSA since 1999 involving visa fraud, money laundering, wire fraud, and inducement of an alien to enter the country illegally.

In another investigation in Florida, two people were arrested on money laundering charges and inducing aliens to enter the country illegally.

In October 2000, OIG cooperated with the U.S. Customs Service in an investigation of an employee accused of stealing Department computer hardware/software and selling it overseas. The suspect was arrested, tried, convicted, and is now awaiting sentencing.

OIG also investigated an allegation received by DS involving the theft of passport fees by an examiner at the New York Passport Agency.

Broadcasting Board of Governors

The BBG adequately protects the people, information, and facilities under its control in the United States and abroad

OIG conducted a security follow up review of Radio Free Europe/Radio Liberty, Prague, Czech Republic. OIG also conducted two legislatively mandated audits that focused on BBG's information systems. OIG conducted a review of Internet privacy management at BBG. We also evaluated the information security program and practices of BBG as mandated under GISRA to identify BBG policies and procedures for securing electronic information and to determine BBG's effectiveness in implementing GISRA requirements.

The BBG effectively, efficiently, and economically advances the foreign policy interests of the United States

OIG reviewed BBG's audience research operations. OIG examined BBG's progress in developing a reliable research capability, its process for collecting and utilizing audience research, and its contracting practices related to audience research. In addition, OIG evaluated the audience research performance data as reported in BBG's FY 1999 performance report under the requirements of the Government Performance and Results Act (GPRA) (Public Law 103-62). OIG found that BBG made significant progress in developing a reliable audience research capability. However, OIG recommended that BBG better ensure the use of audience research, improve its GPRA planning and reporting process, and ensure that all BBG-related contracting practices comply with OMB guidance.

In an inspection of the Sao Tome Transmitting Station, OIG found the station to be self-sufficient and effectively managed; however, several staffing issues need to be addressed.

The BBG is free of fraud, waste, abuse, and mismanagement

An OIG investigation found that several members of BBG also served concurrently on the Board of Directors of a non-governmental organization that contracts with BBG, thereby creating the appearance of a conflict of interest. While the investigation concluded that this was a thing of the past, OIG issued a Management Implication Report recommending that future BBG governors be restricted from serving on the Board of Directors of any non-governmental organization.

CONGRESSIONAL ACTIVITIES AND OUTREACH

Hearings

On June 27, 2001, the Senate Foreign Relations Committee held a confirmation hearing at which Clark Kent Ervin's nomination to be Inspector General of the Department and the BBG was considered. The Inspector General was introduced by Senators Phil Gramm and Kay Bailey Hutchison of Texas. He was confirmed by the Senate on August 3, 2001.

Congressional Requests

- In response to a request from the Senate Subcommittee on Commerce, Justice, State and the Judiciary of the Committee on Appropriations, OIG reported on an audit of the Department's explosive detection equipment.
- In response to another request from the Senate Subcommittee on Commerce, Justice, State and the Judiciary of the Committee on Appropriations, OIG reported on a review of the financial management practices of OECD.
- In response to a request from the House Subcommittee on National Security, Veterans' Affairs, and International Relations, OIG briefed the subcommittee on the managerial and contracting practices of DynCorp as they pertain to a contract with the Department for an American police presence in Bosnia.

Comments on Proposed Legislation

The Inspector General has requested that Congress delete the statutory waiver that relieves OIG from a requirement that we inspect overseas posts and domestic bureaus on a 5-year cycle. This requirement is stated in Section 209 of the Foreign Service Act of 1980 (Public Law 96-465). The new Inspector General is committed to reinvigorating and maintaining a robust worldwide inspection program and to ensuring that OIG remains focused on this core statutory mission.

The OIG reviewed the following proposed legislation:

- HR 1646 and S. 1401 – The Foreign Relations Authorization Act, Fiscal Years 2002 and 2003, which authorizes the appropriations the Department needs to carry out its authorities, functions, duties and responsibilities in the conduct of the foreign affairs of the United States and for other purposes authorized by law, including public diplomacy activities and the diplomatic security program.
- HR 2500 and S. 1215 – The Departments of Commerce, Justice, State, and the Judiciary, and Related Agencies Appropriations Act, 2002, which appropriates funds for these agencies through September 30, 2002.
- HR 2506 – The Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2002, which appropriates funds for export and investment assistance, foreign assistance, foreign military assistance programs, multilateral economic assistance, and international development and counternarcotics activities.
- S. 1428 – The Intelligence Authorization Act for Fiscal Year 2002, which authorizes appropriations for intelligence and intelligence-related activities of the United States Government.
- HR 2215 – The 21st Century Department of Justice Appropriations Authorization Act, which includes a provision to establish an Inspector General within the Federal Bureau of Investigation.
- HR 2547 – The Erroneous Payments Recovery Act of 2001, which includes a provision that agencies conduct “recovery audits” for detecting erroneous payments.

Outreach

The Inspector General addressed the September Ambassadorial Seminar for newly-appointed ambassadors to discuss the role and function of the OIG and to share with them a variety of ideas for better management of their embassies.

In June, members of the OIG executive staff met with a visiting delegation from Taiwan's Foreign Ministry to discuss the audit, inspection, and evaluation systems for oversight of foreign embassies and missions. The OIG also shared methodologies for strengthening internal management controls in government programs.

GPRRA Review

The Department's strategic planning process continues to improve, although it does not yet fully comply with the GPRRA. The OIG assesses Department goals and performance measures, and verifies and validates performance data, as an integral component of its audits and inspections. For example, as noted elsewhere in this report, the Department has established clear goals and measures for its worldwide purchase card program and overseas wireless program, but it has not yet developed performance measures for its information security program. Assessments of the Mission Performance Plans at the posts we inspected also found deficiencies, although some plans, like Embassy Warsaw's, were well-organized and reflected extensive consultations within the mission.

