

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

**Semiannual Report
to the Congress**



October 1, 2000, to March 31, 2001

Summary of OIG Accomplishments

Financial Results:

Questioned costs	
Issued during the reporting period	\$ 1,152,000
Management decision during the reporting period	\$ 860,000
Recommendations for funds to be put to better use	
Issued during the reporting period	\$ 522,000
Management decision during the reporting period	\$ 428,000
Investigative recoveries	\$ 50,976

Investigative Results:

Cases opened	47
Cases closed	23
Judicial actions	62
Administrative actions	10
Hotline and complaint activity	176

Reports Issued: 46

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

Office of Inspector General
U.S. Department of State
OIG/PPM/RR, Room 810
1700 North Moore Street
Arlington, VA 22209

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
CONGRESSIONAL PLANNING AND OUTREACH	9
DEPARTMENT OF STATE	
FINANCIAL MANAGEMENT AND ADMINISTRATION	17
FOREIGN POLICY	25
SECURITY	41
HUMAN RESOURCES	43
INFORMATION TECHNOLOGY	45
INVESTIGATIONS	47
APPENDIX 1: Investigative Activities	55
APPENDIX 2: Reports Issued	56
APPENDIX 3: Savings and More Effective Use of Resources	
TABLE 1: Questioned Costs	58
TABLE 2: Funds Put to Better Use	59
APPENDIX 4: Resolution of Reports & Recommendations	
Previously Reported Significant Audit Recommendations	60
Audit Reports Pending Management Decision	61
BROADCASTING BOARD OF GOVERNORS	
OIG ACTIVITIES	69
APPENDIX 1: Investigative Activities	71
APPENDIX 2: Reports Issued	71
APPENDIX 3: Savings and More Effective Use of Resources	
TABLE 1: Questioned Costs	72
TABLE 2: Funds Put to Better Use	72
APPENDIX 4: Resolution of Reports & Recommendations	
Audit Reports Pending Management Decision	73
LIST OF ABBREVIATIONS	74
INDEX OF REPORTING REQUIREMENTS	Inside Back Cover

EXECUTIVE SUMMARY

During this semiannual reporting period, the Office of Inspector General (OIG) has continued to assist the Department of State (the Department) in addressing major management challenges, conducting oversight in the six key strategic areas: foreign policy, financial management and administration, human resources, information technology, security, and accountability and integrity.

These challenges can be distilled to three fundamental concerns: people, security, and technology. Their successful resolution requires strategic planning, adequate resources, and sustained commitment on the part of senior managers. The Department has made real progress in meeting some of these challenges, and the Secretary's recent testimony on the FY 2002 budget identified these issues as continuing priorities for the Department. In the past, the Department has been criticized for reluctance to change. Today, the Department is aggressively reexamining itself with a view to finding new ways to accomplish its mission more efficiently and effectively.

OIG has also helped the Broadcasting Board of Governors (BBG) to address its major management challenge—the transition to becoming an independent Federal entity. OIG found that the agency has made considerable progress in establishing its independence while continuing to transmit international broadcasts throughout the world. BBG made a number of organizational changes to incorporate some functions previously performed by the U.S. Information Agency (USIA), e.g., legal counsel, contracting, security, and civil rights. Several operational issues remained unresolved with the Department in connection with independence. The key issue is the lack of a Memorandum of Understanding on operating arrangements between BBG and the Department. The two agencies are now close to resolving that issue.

Security

The Department's most pressing challenge continues to be providing for the protection of people, information, and facilities overseas. The Department responded quickly to use Emergency Security Supplemental Appropriations to improve security for our people and facilities after the 1998 bombings of two U.S. embassies in Africa. These security measures include improved shatter resistant window film for all missions, strengthened perimeter defenses, and the institution of new initiatives like the

surveillance detection, overseas wireless, and armored vehicle programs. These programs have given U.S. embassies additional layers of real protection. Based on several reviews, OIG recommended that the Department reexamine these programs and tailor these initiatives more specifically to local security environments.

U.S. personnel and diplomatic facilities overseas are generally better protected now than they were before the bombings. It must be underscored, however, that most of our embassies still lack adequate setback. Under these conditions, adequate protection will require billions of dollars and sustained commitment for a number of years until the Department can replace the many chanceries, consulates, and other buildings in which our personnel currently work at risk.

OIG has worked closely with the Department in overseeing construction and maintenance initiatives undertaken with the FY 1999 \$1.5 billion Emergency Supplemental Appropriation to improve security in the interim. This reporting period OIG made recommendations regarding the new chancery in Kampala, Uganda, and reviewed construction in Luanda, Angola, and Doha, Qatar, as well as in Pristina, Kosovo, to determine if these designs and construction have the security features necessary to meet the local threat. In Pristina, OIG commended the Department's efforts to protect the facility and staff. These reports are summarized in the classified annex to this report.

OIG's review of the Bureau of Diplomatic Security's Surveillance Detection Program noted that the worldwide establishment of an entirely new security initiative against terrorism at U.S. missions was a significant achievement. However, the program has missed an important opportunity by not using surveillance detection staff as an additional layer of protection against mass casualty attacks. OIG also found that the surveillance detection programs lacked adequate procedures to address emergencies. In addition, software to track surveillance incidents failed to discern patterns of hostile surveillance. OIG identified best practices and alternative methods to more economically detect hostile surveillance.

Emergency Preparedness

OIG inspections have identified the need for more attention to emergency preparedness and stressed the importance of conducting crisis management exercises and emergency drills. Many posts are still not conducting missionwide exercises of all required drills in all facilities. This is such a recurring issue that OIG wrote a special memo to the Department on May 30, 2000, alerting it to the worldwide nature of the problem. In response, the Department issued instructions to all chiefs of mission to conduct these drills. In addition, a recent followup and compliance re-

view noted that the Department has still not published detailed guidance for temporary suspension of operations for embassies under terrorist threat. The Department has agreed to issue such guidelines based on a February 1999 OIG recommendation.

In 1998, OIG recommended that the Department implement worldwide “duck and cover” drills and install “imminent danger notification systems alarms” that could be activated by local guards protecting the embassy perimeter. Admiral Crowe’s Accountability Report reiterated that recommendation. OIG has conducted more than 60 security oversight inspections since then. Last August, OIG further recommended that embassy warning alarms be simplified to only two warning tones: one for immediate “duck and cover,” the other for immediate evacuation of the building. The Department is currently developing formal instructions for this change.

Information Technology

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

In response to recent legislation, OIG conducted a review to evaluate the Department’s practices regarding the collection of personally identifiable information through the use of “cookies” or other means on its public web sites. A cookie is a small text file that allows a server to track online purchases, maintain and serve customized web pages, or build profiles on individual site visitors.

OIG found that the Department’s policies restrict the use of persistent cookies on its public web sites without agency head approval as required by Federal online privacy guidelines prescribed by the Office of Management and Budget. Despite the Department’s Internet privacy restrictions, OIG found several Department web sites that were using persistent cookies without proper authorization. Web managers agreed to take steps to remove or seek the Secretary’s approval for the nine persistent cookies that OIG discovered. OIG found no evidence that any of the persistent cookies were used to collect personal data on site visitors.

The Department recognizes that it needs to strengthen web site management across the organization and has established a permanent, senior-level Internet Steering Committee. OIG recommends that the

Department establish a small Internet Program Office within the Office of the Under Secretary for Public Diplomacy and Public Affairs to support the Internet Steering Committee in overseeing and coordinating web sites on a Departmentwide basis.

Financial Management

The Department has made significant improvements in the area of financial management. However, serious problems persist, representing a challenge to Department operations. For the first time, the Department submitted its FY 2000 Financial Statement with the required OIG audits to the Office of Management and Budget by the March 1 deadline. OIG's FY 2000 financial statement audit gave the Department an unqualified opinion, which means that its financial statements were free of material misstatements.

Nevertheless, in preparing this year's audit of the Department's financial statement, OIG reported significant potential weaknesses related to information systems security that will require continued attention. The network needs to be retested, and the Department is currently making arrangements for an independent evaluation of the network. In addition, OIG findings of significant vulnerabilities at one overseas facility resulted in extensive preventive maintenance to secure the mainframe and provide improved overall physical security at other locations.

Assistance Program

Increasingly, the Department must manage and provide oversight for significant grants and other Federal programs in areas where, in the past, its responsibilities were largely confined to policy formulation and implementation. Economic Support Fund activities, traditionally administered by the U.S. Agency for International Development (USAID), are increasingly being managed by the Department in countries where there is no USAID operation. In addition, as a result of consolidation with USIA, the Department is now responsible for a wide variety of educational and cultural programs totaling over \$200 million.

OIG is currently working with Department managers to identify the scope and magnitude of assistance programs under its purview to assist in establishing uniform policies and procedures for issuing and managing these funds. For example, as part of an overall effort to review Freedom Support Act assistance to the New Independent States, OIG examined 14 grants totaling about \$5 million awarded by the former USIA to the Mississippi Consortium for International Development. OIG questioned a total of about \$1.2 million of which \$1.13 million was unallowable

under the terms of the grant. Since these deficiencies could apply to other Federal awards received by the grantee, the savings to the U.S. Government could be much higher.

Foreign Policy

OIG inspections evaluate the effectiveness of the ambassador in managing post operations and in coordinating the activities of all agencies at post. In FY 2001, OIG has tailored its inspection program specifically to assess how well ambassadors are overseeing and coordinating intelligence and law enforcement activities at missions with significant counter-narcotics programs or law enforcement activities.

Chief of Mission Authority

Several recent reports on the management of U.S. foreign affairs, including the report of the Overseas Presence Advisory Panel and the Independent Task Force report on State Department Reform, have recommended strengthening chief of mission authority to direct, coordinate, and oversee activities of all agencies operating at an embassy. These activities include foreign assistance programs, intelligence activities, and law enforcement operations. As the President's representative, our ambassadors must have the tools they need to provide effective leadership for the achievement of multifaceted foreign policy goals and for the advancement of U.S. interests.

Several of OIG's recent inspections have focused on the oversight and coordination of intelligence and law enforcement activities. For example, OIG found that Embassy Caracas had done an impressive job of helping to guide U.S. policy through a major transition in Venezuelan politics. However, the post needed to fully integrate narcotics control activities in Venezuela with related programs conducted by U.S. missions in neighboring countries. The lack of coordination reduced the effectiveness of the overall effort. By contrast, at Embassy Bogota, Colombia, interagency coordination was rigorous and effective.

OIG's inspection of Embassy Panama City, Panama, found that, although embassy components were in different locations, overall interagency cooperation at the post was excellent and included broad participation from all mission elements. However, the post was managing with mixed results an array of programs aimed at helping Panama meet the challenges of providing for its own defense, including security for the canal and defense against threats posed by guerilla and paramilitary groups from Colombia crossing into Panama.

OIG's inspection of Embassy Bratislava, Slovakia, found that the Embassy focused its policy implementation on three Department goals including regional security, economic development, and democracy. OIG noted that overall management of the post and greater chief of mission engagement was needed in such areas as political-military affairs and law enforcement.

Human Resources

Recruitment, retention, and professional training for Department Foreign Service and Civil Service employees are critical issues. Although the Department is beginning to develop the workforce planning needed, it has far to go. OIG's recent inspection of the Department's Bureau of European Affairs found an absence of good workforce management, difficulty in recruiting and retaining officers and clerical staff, and a need to increase project management skills. Understaffing had led to gaps in recruitment. This Bureau was being forced to rely on rehired annuitants, contractors, and interns to compensate for the lack of full-time employees. Officers were spending unnecessarily long hours drafting and clearing papers without sufficient guidance to ensure that they were relevant to policymakers. OIG has found this pattern elsewhere in the Department and overseas.

Recent OIG inspections in West Africa revealed that inadequate training and support for first-tour officers in consular positions has led to lapses in nonimmigrant visa management at some posts. Consular officer positions at small hardship posts such as Bamako, Mali, and Conakry, Guinea, are hard to fill and almost always are staffed by "directed" assignments of inexperienced first-tour junior officers. OIG found these officers ill-prepared to deal with the sophisticated alien smuggling operations and visa fraud pervasive in the region. OIG recommendations to counter this problem have led to establishing new regional consular officer positions to improve oversight of these small posts, and the development of new training programs specifically designed for entry level officers at one-officer posts. The Bureau of Consular Affairs has upgraded training for consular officers and circulated information among its consular sections on patterns of fraud. A more fully integrated data system would utilize advances in electronic storage and retrieval of visa records, making visa fraud easier to detect.

OIG's review of the Civil Service to Foreign Service Hard-to-Fill Program found that the program has been useful in reducing the impact of severe Foreign Service staffing shortages and enhancing work experiences for Civil Service employees. The program is worth continuing.

However, it is only one of several programs designed to deal with fundamental problems in workforce planning, management, and personnel shortages.

OIG is still concerned that the Department's workforce planning remains fragmented. It lacks linkages to strategic planning processes and is focused almost exclusively on the Foreign Service component of its workforce. As a result, the Department is still poorly positioned to define and defend the personnel requirements it needs to implement U.S. foreign policy objectives and strategies. Based on inspection findings, OIG believes that the Department should better integrate the Foreign and Civil Services. One direction the Department should consider is greater assignment integration. The Department should also expand training and professional opportunities for both services.

Foreign Service National Retirement System

Many Foreign Service national (FSN) employees do not have adequate retirement plans. Often, the local social insurance systems to which embassies and the FSNs contribute do not provide the benefits promised. The FSN pension issue and the problem it represents for our embassies have been cited in many post inspection reports throughout the last decade, and most recently in OIG inspections of Bamako, Mali; Dakar, Senegal; and Sarajevo, Bosnia-Herzegovina.

In response to OIG recommendations, the Department has explored a variety of ways to establish an alternative FSN retirement plan, including establishing an offshore retirement account, but has encountered significant legal difficulties related to the technical aspects of managing retirement funds. OIG would fully support a legislative initiative by the Department to resolve this issue.

Strategic Planning

Overall the Department's strategic planning process is improving, although it does not yet fully comply with the Government Performance Results Act. OIG has highlighted the need for improved performance information in the Department's bureau-level plan. The Department has still not developed overall priorities for its strategic goals and consequently has no overall basis for allocating resources to those priorities.

International Broadcasting

OIG reviewed the BBG's transition to an independent Federal entity. BBG independence did not result in any significant broadcasting changes. However, BBG made a number of organizational changes to

incorporate some functions previously performed by the USIA, including legal counsel, contracting, security, and civil rights. Several operational issues remained unresolved with the Department in connection with independence. OIG found that BBG and the Department have not come to agreement on a Memorandum of Understanding on future operating arrangements. Two key areas that hinder resolution of the Memorandum include BBG's level of support for the Department's interactive and other diplomacy programming and the extent of chief of mission authority over Voice of America correspondent travel overseas. Lack of resolution of these issues is delaying important communications to overseas posts concerning how the new BBG and the Department will work together. OIG's report recommends that BBG and the Department finalize outstanding operational agreements and resolve their differences.

CONGRESSIONAL PLANNING AND OUTREACH

Testimony

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

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

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

Congressional Requests and Comments on Proposed Legislation

In response to a request from the House Majority Leader, the Chairman of the House Committee on Budget, the House Committee on Government Reform, the Senate Committee on Budget and the Senate Committee on Governmental Affairs, the Inspector General reported on the major management challenges facing the Department and the BBG.

In response to a request from the Chairman of the House Committee on Government Reform, OIG reported on potential overpayments to government contractors over the past 3 to 5 years in connection with proposed legislation to conduct recovery audits of specified contracts.

OIG has reviewed the following proposed legislation:

H.R. 44 and S. 870 – to amend the Inspector General Act of 1978, which included provisions proscribing the receipt of awards or bonuses to Inspectors General, requiring an external review of OIG operations every 3 years, and providing for an annual rather than semiannual report to Congress.

S 1707 – amendments to the IG Act to authorize an IG criminal investigator academy and forensic laboratory.

S 3030 – proposed Audit Recovery Act.

H.R. 374 – to establish a 2-year commission to review information from OIG, the General Accounting Office, and Congressional Budget Office and report to the President and Congress on recommendations to reduce government waste.

H.R. 199 – Law Enforcement Officers Privacy Protection Act – to amend the Federal Rules of Civil Procedure to enhance the confidentiality of personal information of law enforcement officers.

H.R. 4857 Privacy and Identity Protection Act of 2000 – to protect the privacy of individuals with respect to their social security numbers.

Administrative Dispute Resolution Act of 1996 – review of report for public comment by Federal ADR Steering Committee on reasonable expectations of confidentiality under this statute.

OIG Outreach

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

Pursuant to a Memorandum of Agreement with the Republic of Argentina signed in June 2000 by the Secretary of State on behalf of the United States and the Minister for Foreign Affairs on behalf of the Republic of Argentina, the Inspector General and the OIG Executive Staff hosted meetings with representatives of the Argentine Anticorruption Office. These discussions focused on auditing policies and procedures, implementation of public financial disclosure reporting requirements for government officials, and followup procedures to ensure compliance with these procedures. Discussions also covered methods for enforcing overall adherence to ethical standards among government officials,

policies and procedures under the Freedom of Information Act for handling public disclosure of inspector general reports, reporting requirements to Congress, and procedures to enforce the provisions of the Whistleblower Protection Act.

In December, the Assistant Inspector General for Audits and the Assistant Inspector General for Inspections met with auditors and inspectors from the UN Office of Internal Oversight to discuss best practices and methodologies for program performance evaluations, compliance followup, and coordinating of joint audit and inspection projects.

In November, the Inspector General and members of the OIG Executive Staff traveled to the People's Republic of China to continue discussions with the Ministry of Supervision to develop effective tools to combat waste, fraud, and abuse in government operations. During this visit, the Inspector General met with senior officials in the Foreign Affairs Department of the Ministry of Supervision, to discuss implementing and enforcing conflict of interest rules for government officials. In meetings with the General Anticorruption Bureau of the Procuratorate, the Inspector General discussed roles and guidelines for investigating and prosecuting illegal activities. And in meetings with the Legislative Affairs Commission of the National People's Congress as well as officials in the Province of Zhejiang and Shanghai, the Inspector General discussed a variety of issues concerning the conduct of investigations, whistleblower protection, privacy rights, and mechanisms for greater transparency in government processes.

In addition, the Inspector General and members of the OIG Executive Staff attended the First Symposium of the International Commission Against Corruption in Hong Kong. Delegates from over 30 countries as well as representatives from international and regional government organizations and international businesses attended the session to discuss methods to detect and prevent corrupt practices.

U.S. Department of State

Financial Management and Administration	17
Foreign Policy	25
Security	41
Human Resources	43
Information Technology	45
Investigations	47
Appendix 1: Investigative Activities	55
Appendix 2: Reports Issued	56
Appendix 3: Savings and More Effective Use of Resources	
Table 1: Questioned Costs	58
Table 2: Funds Put to Better Use	59
Appendix 4: Resolution of Reports & Recommendations	
Previously Reported Significant Audit Recommendations . . .	60
Audit Reports Pending Management Decision	61

FINANCIAL MANAGEMENT AND ADMINISTRATION

In the area of Financial Management and Administration, OIG performed audits and inspections of Department and BBG programs to ensure they have the necessary financial systems and support services to meet operational needs and Federal requirements.

Assistance Program

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

As part of an overall effort to review Freedom Support Act assistance to the New Independent States, OIG examined 14 grants totaling about \$5 million awarded by the former USIA to Mississippi Consortium for International Development. OIG reviewed costs claimed and/or incurred for 1995 through July 18, 2000. The primary purpose was to determine if the Consortium adequately (1) accounted for Federal funds, (2) complied with applicable Federal laws and regulations related to the terms and conditions of the agreement, and (3) evaluated its New Independent States programs. In addition, OIG reviewed the grantee's claims for reimbursement of indirect costs for FY 1995-99. OIG found the following:

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

- The Consortium did not comply with applicable regulations and agreements. Examples include: untimely or incomplete reporting including the submission of indirect cost rate proposal packages, failure to meet cost share provisions, inadequate approval of time sheets, expired agreements, incomplete personnel records, and inadequate property accountability.

- Although the Consortium did not have written procedures for evaluating program results, its final program reports did facilitate evaluation.

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

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

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

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

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

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

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

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

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

The Government Management Reform Act requires the Department's financial statements to be audited annually. At OIG's direction, a certified public accounting firm performed the audit of the Department's FY 1999 Principal Financial Statements. Audits of the financial statements require, among other things, understanding and assessing the adequacy of the internal control process for recording, accumulating, and reporting financial data. This, in turn, requires an assessment of the security over the automated systems that process financial data. The accounting firm, in conjunction with its subcontractor, performed an assessment of security controls on the sensitive but unclassified automated information system at the Bangkok Financial Service Center, including a vulnerability and penetration testing analysis.

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

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

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

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

Procurement/ Contracting

Inquiry into the Procurement of Contractor Support for the International Affairs Global Resource Database (01-PP-002)

At the request of the Secretary of State, OIG conducted an inquiry into alleged improprieties in the Department's procurement of software support services for the International Affairs Global Resource Database project. OIG examined how one company came to be a subcontractor to the Department, whether the Department complied with Federal competition requirements in obtaining this company's services, and whether security requirements were followed. OIG also examined the Department's contract administration practices in overseeing this procurement.

OIG found that the Department complied with competition requirements, but the contract arrangement may not have been in the best interest of the government. Another contractor served as a contract vehicle for the subcontractor's services and did not exercise appropriate oversight for a prime contractor. Department personnel complied with security regulations in place at the time regarding the subcontractor's work on the project. Nonetheless, the Department has addressed potential security weaknesses in procedures regarding facility access and its software development policies.

OIG found several significant contract administration shortcomings on this procurement by both the Department and the prime contractor. Contractors working lengthy periods of time without authorization and, hence, at their own risk; delivery orders paying for prior work rather than the period ordered; inadequate attention to monitoring contract ceiling amounts; inadequate communication between the contracting officer, the contracting officer's representative, and task managers; and inadequate program support. These factors all contributed to a contract administration environment that allowed an unauthorized financial commitment of over \$500,000 by the government to occur on this procurement.

Major recommendations are that the Office of the Procurement Executive clarify guidance to Department officials on stating preferences for subcontractors to prime contractors, that the Office of Logistics Management assure, to the extent practical, that only one contracting officer's representative is appointed for each procurement, and that the task managers are informed in writing of their authorities and responsibilities.

Review of Humanitarian Demining Management and Procurement Activities (01-PP-003)

At the request of the Bureau of Political-Military Affairs, Office of Humanitarian Demining Programs (PM/HDP), OIG reviewed demining procurement activities. The primary purpose was to evaluate the effectiveness of PM/HDP in procuring and accounting for demining supplies and services. This included the review of controls over financial assistance, equipment, and services purchased with Nonproliferation, Antiterrorism, Demining, and Related Projects funds, as well as coordination and planning. OIG also examined the performance-based contract recently awarded by PM/HDP used to obtain demining supplies and services. OIG found a need for improved planning and coordination between PM/HDP and posts. OIG also determined that controls over financial assistance and equipment need to be strengthened. In addition,

OIG found that PM/HDP could improve oversight of contracts and grants awarded for demining supplies and services.

Major recommendations include implementing a Memorandum of Agreement between PM/HDP and posts, strengthening property accountability policies and procedures, developing a manual to be used by post officials, and coordinating purchases to obtain quantity discounts.

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

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

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

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

Administrative Activity

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

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

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

Application of Agreed-Upon Procedures Report (01-FM-006)

Under OIG's direction, a certified public accounting firm performed required procedures solely to assist the Office of Personnel Management in assessing the reasonableness of Retirement, Health Benefits, and Life Insurance withholdings/contributions as well as semiannual headcount information submitted by the Department. The sufficiency of the procedures was solely the responsibility of the Office of Personnel Management. We were not asked to, and did not, perform an audit on the withholdings or contributions; thus, we did not express an opinion on these accounts.

FOREIGN POLICY

In the area of Foreign Policy, OIG provides oversight to ensure that the Department effectively plans, coordinates, and manages U.S. foreign policy to advance national interests. OIG also provides oversight to ensure that BBG carries out international broadcasting initiatives consistent with foreign policy and national interests.

Domestic Inspection

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

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

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

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

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

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

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

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

Eastern Europe Inspections

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

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

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

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

was gaining significant momentum. The Embassy should seek Department support to restore this funding to an adequate level.

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

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

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

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

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

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

Program aspects of public diplomacy were well-managed and closely keyed to Mission Performance Plan objectives, particularly economic development and democracy. The information resource center deserved its excellent reputation. Prior U.S. Information Service management failed to adhere to Department guidelines concerning the consolidation of

U.S. Information Service staff with the Department. The Embassy should review position descriptions for the public affairs section staff and revise them to reflect program requirements.

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

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

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

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

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

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

Inconsistent management of administrative functions and weak internal controls in some administrative units left post resources vulnerable

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

African Inspections

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

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

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

The urgency of the AIDS effort cannot be overstated; there had been a major bottleneck in Kenya that threatened to slow the expansion of the Centers for Disease Control and Prevention. The Centers had funding and were sending American employees to Kenya, but there was no suitable space to accommodate the expansion. The implementation

of recently approved legislation should allow the Department of Health and Human Services to finance the desperately needed renovation of current research sites.

As U.S. operations normalized, U.S. attention turned to America's future in Kenya and whether the American presence should be reduced. This proved to be impractical, as Washington policymakers surveyed the region and found no alternatives to Kenya's still unique infrastructure.

The Ambassador has used his National Security Decision Directive-38 authority to try to control the size



Memorial Park, at the site of former American Embassy, honoring the 46 American and Kenyan employees who lost their lives in the service of the United States.

of Embassy Nairobi, but there were legitimate requests to expand the operations of the Federal Bureau of Investigation, the Immigration and Naturalization Service (INS), the Centers for Disease Control and Prevention, and the Broadcasting Board of Governors. This inspection confirmed the need for improved Department staffing to keep up with demands for administrative, consular, and reporting services.

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

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

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

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

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

Embassy Conakry, Guinea (ISP/I-01-01)

Although struggling with difficult working and living conditions, Embassy Conakry was meeting the U.S. Government's goals of promoting regional stability, providing humanitarian assistance, supporting democracy building, and protecting U.S. citizens. The periodic evacuations of staff from Embassy Freetown, Sierra Leone, and the transfer of its operations to neighboring Guinea, have been a challenge for Embassy Conakry and have strained the Embassy's already thin resources.

The Embassy had significant security upgrades under way for each of its separate locations. These upgrades will provide better security as well as greatly enhance Mission effectiveness, efficiency, and cohesiveness.

Embassy Conakry has worked diligently to improve management controls in its administrative operations. However, diplomatic readiness suffered from inadequate telecommunications systems. OIG recommended a comprehensive Mission telecommunications strategy to identify and implement upgrades needed.

Diplomatic readiness also suffered from incessant staffing gaps in key support positions. Untenured and junior officers were “stretched” into many of the Embassy’s hard-to-fill positions, including positions where they were expected to supervise other untenured and junior officers. The Department needs to examine whether the grade levels and the actual mix of persons staffing jobs throughout the Mission provide a sufficient level of experience to function effectively in such a difficult environment.

The discovery, in April 1999, of extensive visa fraud and Foreign Service national malfeasance was a wakeup call to the post and should be to the Department regarding the inherent vulnerability of consular operations placed under the part-time management of first-tour officers. Post management’s response was swift in restoring close operational control and accountability. OIG recommended that the Embassy formalize these improvements in consular management to ensure permanency.

Despite the Embassy’s vigorous efforts to stop the abuse of the diplomatic and official process by certain Guinean Government officials for the purpose of alien smuggling, this practice continued unabated. The Department needs to take strong measures to assist the Embassy in dealing with this problem.

Public affairs operations were thoroughly meshed with and supportive of Mission goals. However, public affairs were adversely affected by the Mission’s inadequate telecommunications systems. The Mission could expand its public affairs coverage of the assistance programs managed by the U.S. Agency for International Development and the Peace Corps.

Embassy Dakar, Senegal (ISP/I-01-03)

Embassy Dakar has done a good job representing the U.S. interests of promoting democracy, humanitarian assistance, economic prosperity, and regional stability. However, the Bureau of African Affairs could demonstrate more visibly its contention that Senegal is the United States’ most important Francophone African ally by sending a high level delegation to meet with new administration officials.

The Department should accredit the Ambassador in Senegal to Guinea-Bissau, where the U.S. Government has had no presence since evacuating the post over 2 years ago. Accreditation would meet the intent of National Security Directive 75, which calls for an appropriate presence in each sub-Saharan African country. It would also help promote regional stability, particularly because Senegal was involved in the conflict within Guinea-Bissau in the past.

Public affairs programs were getting more focus with the arrival of a new public affairs officer. OIG recommended that the Mission give greater public affairs attention to the humanitarian assistance efforts of the U.S. Agency for International Development and the Department of Defense. This will help demonstrate more publicly the importance the U.S. attaches to Senegal and help improve the Senegalese view of the United States.

Embassy Dakar offers regional support to consular operations for posts in five neighboring countries and serves as a centralized immigrant visa center for these posts and Embassy Freetown. Embassy closures and temporary visa unit shutdowns in those countries are bringing many more homeless nonimmigrant visa cases to Embassy Dakar. It may be time to consider centralizing nonimmigrant visa processing at Dakar.

Embassy Dakar had made good progress implementing security measures for the chancery. The Mission and the Department needed to act quickly to relocate USAID to a more secure site and the public affairs operations to more secure space in an administrative building near the chancery. They also needed to move quickly to acquire land for a new office building that would include all Mission elements.

The Embassy's diplomatic readiness was hindered, in part, by chronic staffing gaps, particularly in key administrative section positions such as general services and information management. The most critical operational need was to develop a more transparent, equitable, and rational housing program that includes preparation for new arrivals.

Embassy Bamako, Mali (ISP/I-01-04)

Embassy Bamako has done a good job meeting the U.S. Government's goals of providing humanitarian assistance, supporting democracy building, promoting regional stability and peacekeeping, and protecting U.S. citizens. An increased workload resulting from Mali's membership on the UN Security Council will challenge the Embassy. An even greater challenge is the increased workload caused by instability in Africa. OIG recommended that the Department provide an officer or analyst for the duration of Mali's membership on the Security Council.

In spite of security measures taken and planned, Mission elements remained vulnerable. OIG recommended that the Department focus on

improving Missionwide security by consolidating all Mission activities on a compound with proper setback. This would provide a proper level of security, reduce operating costs, and improve efficiency, effectiveness, and cohesiveness by consolidating staff and reducing duplicative operations.

Embassy Bamako was in a sad state of diplomatic readiness. Inadequate facilities, poor equipment, and unreliable telecommunications hampered Mission effectiveness, efficiency, and security. Incessant staffing gaps in key support positions plagued the mission. The Department needs to support post requests to increase funding and staffing to meet the needs of a Mission that has grown by 30 percent since 1998.

The U.S. Mission in Bamako enjoyed good collaboration among the various agencies. The deputy chief of mission served the Mission well as charge' for 6 months before the January 2000 arrival of the Ambassador, who brought new enthusiasm and energy to the Mission. Having developed productive and thorough access to Mali officials, the Ambassador needed to expand his attention to internal morale issues with other agency staff.

Embassy Bamako's visa operation fell prey to sophisticated alien smuggling in late 1999 because of the inexperience of the American staff. The section rebounded well, but still needed to be more proactive in combating visa fraud and alien smuggling. These efforts should be focused through strategies formulated in a revised Mission Performance Plan.

The public affairs section was thoroughly meshed with and supportive of Mission goals. The identification and selection of another more secure building for the American Cultural Center took much of the public affairs staff's time. OIG recommended that the section contribute to the post reporting plan and that the Mission expand its public affairs coverage of assistance programs.

Latin American Inspections

Embassy Bogota, Colombia (ISP/I-01-06)

Embassy Bogota works closely and well with the Government of Colombia to advance U.S. principal policy objectives in Colombia – supporting counternarcotics efforts and promoting democracy and free market reform. Congressional approval of \$1.3 billion to support *Plan Colombia*, a broad Colombian Government initiative to come to grips with Colombia's most pressing political, security, and economic challenges, will significantly increase demands on Embassy Bogota.

The Ambassador and the deputy chief of mission exercised strong control over a large, diverse, and extraordinarily busy Mission. Inter-

agency coordination was rigorous and effective. Significant numbers of visitors and officials on temporary duty in Colombia added to the management challenge, which the Embassy met successfully.

The Embassy's security program was well managed and had the full support of the Ambassador and Embassy management. However, the Embassy faced major security and space concerns, which must be resolved before any further expansion of the Mission. The presence of dependents at this danger pay post is unauthorized. If the Secretary of State does not approve an exception, either dependents or danger pay must be withdrawn, making the post much harder to staff.

The shortage of narcotics affairs section staff threatened the achievement of the principal U.S. objective in Colombia: stemming the flow of cocaine and heroin to the United States. Dramatic increases in FY 1999 and FY 2000 narcotics affairs section programs required an increase in staff to properly administer them. However, due to the lack of space, the section could not hire any new staff.

Demand for consular services greatly exceeded the Mission's resources. Despite effective and innovative management, a growing backlog of 200,000 visa applicants was an increasing drain on several Mission elements and an impediment to bilateral trade. Additional staffing had been authorized, but positions remained unfilled. Additional workspace and improved information systems were needed. The consular section did a good job of keeping American citizens informed of dangerous conditions and assisting Americans who became victims of Colombia's endemic crime and violence.

There was no reliable interface between the consular section and the Drug Enforcement Administration for sharing needed information from automated databases to process visa applications. OIG has identified this as a global problem, but it is most acute in Embassy Bogota where the intensity of the U.S. counternarcotics effort is unparalleled, and the volume of visa applications and fraud require both efficient and accurate background screening.

A historic recession, ongoing political insurgency, and escalating political and drug-related violence create a difficult climate for commercial promotion. Within this context, the Mission effectively promoted U.S. exports. Under the Ambassador's leadership, the Foreign Commercial Service, the Foreign Agricultural Service, the Animal and Plant Health Inspection Service, and the political/economic section cooperated effectively to advance Colombian reforms that opened markets to U.S. businesses.

The Embassy's public affairs strategy was outlined clearly in the Mission Performance Plan, and programming was linked directly to major Mission Performance Plan themes. The public affairs section was well

integrated into the Mission and adequately staffed. However, cramped workspace hampered operations, especially in the information resource center.

Embassy Bogota's Council for International Cooperative Administrative Support Services was not actively managing interagency support costs and services. OIG recommended that post management intervene to reactivate and direct the council.

Embassy Panama City, Panama (ISP-I-01-02)

Embassy Panama City was managing, with mixed results, an array of programs aimed at helping Panama to meet the challenges of providing for its own defense, including security for the canal and defense against threats posed by guerrilla and paramilitary groups from Colombia crossing into Panama. Other threats to Panama that impinge on U.S. security include narcotics trafficking, money laundering, and alien smuggling.

A contentious relationship between the Embassy and the Bureau of Western Hemisphere Affairs complicated and delayed policy implementation. The Bureau and Embassy management must move forward in a mutually supportive manner to improve Mission effectiveness. Similarly, in some cases, confrontational issues with some Washington offices of U.S. Government agencies have not always been resolved with constructive dialogue. The Embassy should focus on outreach to key senior level officials with other agencies, such as the Department of the Treasury, the Department of Commerce, and the U.S. Trade Representative.

An energetic community of law enforcement agencies operated under the careful coordination of the Ambassador and deputy chief of mission. Interagency cooperation was excellent and included broad participation from all Mission elements. Projected staff increases in law enforcement agencies may be justified in some cases, but require careful review under the National Security Decision Directive 38 process.

Embassy Panama City's severely dilapidated chancery, built in 1941, portrays a dismal image of the U.S. presence in Panama. The Department has acknowledged the post's security and safety shortcomings but has provided no near-term solution beyond limited cosmetic upgrades. Two site survey teams had identified a potential site for new chancery construction, but no funding had been committed. Working and security conditions dictate the clear need for a new chancery as soon as practical.

The political/economic section was involved in defining a new post-transfer bilateral political, economic, and security relationship. Washington commended post reporting and performance during the historic conversion period. However, the section was overstaffed for its current workload. OIG recommended abolishing two American positions and reassigning one American position within the Embassy.

Public affairs was well used by the Embassy as a whole. However, the public affairs section needed to realign to meet the changing needs of the Mission. OIG recommended abolishing one American position, reprogramming one American position, and reassigning one foreign national position within the section.

Outreach programs by the information resources management section and the public affairs section's information resource center had enhanced Missionwide use of information systems. This approach should be regarded as a management "best practice" for application at other missions.

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

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

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

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



U.S. chancery in Caracas

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

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

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

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

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

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

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

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

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

Polarization has long characterized discussion in the United States of Castro's Cuba. Bipartisan reluctance to take actions that might be interpreted as promoting normalization of relations with Cuba has also worked against expanding activities that might contribute to more

openness in Cuban society. People-to-people exchanges and other outreach activities should be expanded.

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



U.S. Interests Section Office Building, Havana

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

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

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

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

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

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

Consolidation

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

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

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

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

Export Licensing

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

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

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

SECURITY

OIG performs audits and inspections of the Department's programs for protecting the people, information, and facilities under its authority.

During this reporting period, OIG conducted security inspections at Embassies Damascus, Syria; Skopje, Macedonia; Beirut, Lebanon; Helsinki, Finland; Nicosia, Cyprus; Antananarivo, Madagascar; Port Louis, Mauritius; Moscow, Russia; Ljubljana, Slovenia; and Rangoon, Burma. OIG also conducted an audit of Emergency Action Management. These reports are summarized in the classified annex to this report.

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

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

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

HUMAN RESOURCES

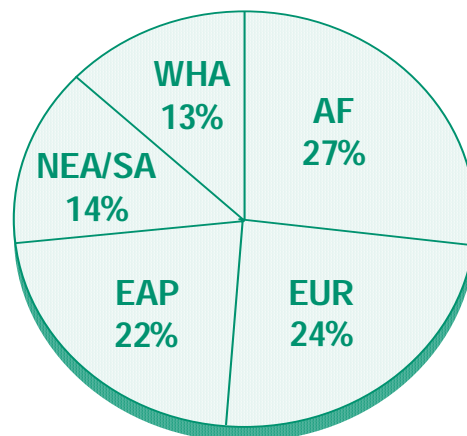
During this period, OIG provided oversight of the Department and BBG in attracting, placing, and retaining a highly skilled, motivated, diverse, flexible, and accountable workforce.

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

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

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

Civil Service Currently in Hard-to-Fill Positions Overseas



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

Tours of Duty

In May 1999, OIG issued its report on the Department's Overseas Tours of Duty. The Department currently has a policy of 2- and 3-year tours for virtually all of its overseas assignments. However, other U.S. Government agencies have 4-year tours in addition to 2- and 3-year tours. OIG recommended that the Department re-examine overseas tours to increase the number of 3-year tours and establish 4-year tours. We noted that this change would have positive financial and productivity implications.

In its initial response to our report, in February 2000, the Director General of the Foreign Service noted that the Department had already undertaken an intensive review of tours of duty in preparing for the integration of USIA. He concluded that there was little if anything to be gained, either financially or in productivity, from longer tours. Moreover, his response noted that several personnel problems (e.g., filling hardship posts) would be exacerbated with longer tours of duty.

Subsequent to this response, OIG staff responsible for work in this area met with officials in the Director General's office to further explain our findings, conclusions, and recommendations. In January 2001, a new Director General announced that he planned to change the standard tour of duty, at nondifferential posts, from 3 years to 4 years. He cited OIG's recommendations as well as other studies and noted several benefits from longer tours, including deepening staff understanding of the countries they serve in and cost savings.

The Director General's office is working closely with the American Foreign Service Association and the regional bureaus to implement the policy. The American Foreign Service Association has raised concerns about applying the policy to many current 3-year posts. OIG will continue to monitor implementation of the new policy.

INFORMATION TECHNOLOGY

During this period, OIG performed the following review of the Department's ability to have effective operations providing development, deployment, management, and maintenance of efficient and reliable information technology infrastructures.

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

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

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

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

Despite the Department's Internet privacy restrictions, we found that 9 of the 206 web sites that we identified in the Department were using persistent cookies without proper authorization. At two of the nine sites, the web managers knew that persistent cookies were being used, but did not realize that they needed agency head permission. The cookies were used for such activities as analyzing web trends, counting visitors, and facilitating user navigation through the sites. For the remaining seven situations, web managers did not know that cookies were being used. These cookies had been inserted through a commercial web development application as a convenient way of maintaining user preferences (i.e., graphics, screen color) as a user navigates from one web page to another during a site visit. Web managers agreed to take steps to remove or seek the Secretary's approval for the nine persistent cookies that were discovered during our review.

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

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

INVESTIGATIONS

OIG conducts accountability and integrity oversight work as part of its investigative operations. OIG also provides training and performs outreach activities designed to promote ethics and integrity in the workforce.

Initiated This Reporting Period

Conflict of Interest

OIG conducted an investigation into allegations that a U.S. ambassador violated conflict of interest laws by soliciting the government of the country of assignment to raise funds for a private nonprofit entity for which the Ambassador served as Director. Prior to assuming the position, the Ambassador had signed an ethics undertaking agreement not to participate in fundraising for the nonprofit entity. As a result of the investigation, the Ambassador signed a settlement agreement with the Department of Justice, Public Integrity Section, to pay \$5,000. (99-027)

Employee Misconduct

OIG conducted an investigation of a Diplomatic Security officer based on allegations that the officer misused government cars, telephones, and computers as part of the officer's outside employment. As a result of the investigation, on August 25, 2000, the Department's Bureau of Financial Management and Policy notified the officer to repay the Department \$10,335 for misuse of government property. On January 5, 2001, the Department's Bureau of Human Resources notified the officer of a proposal for a 30-day suspension for misuse of U.S. Government automobiles. (98-027)

Theft

OIG conducted an investigation into allegations that a Foreign Service officer wrote bad checks to the U.S. embassy where the officer was assigned. The total monetary loss to the government was determined to be \$14,713. The officer pled guilty to one misdemeanor count of Theft of Government Property in U.S. District Court for the Eastern District of Virginia. On January 9, 2001, the officer was sentenced to 3 years of

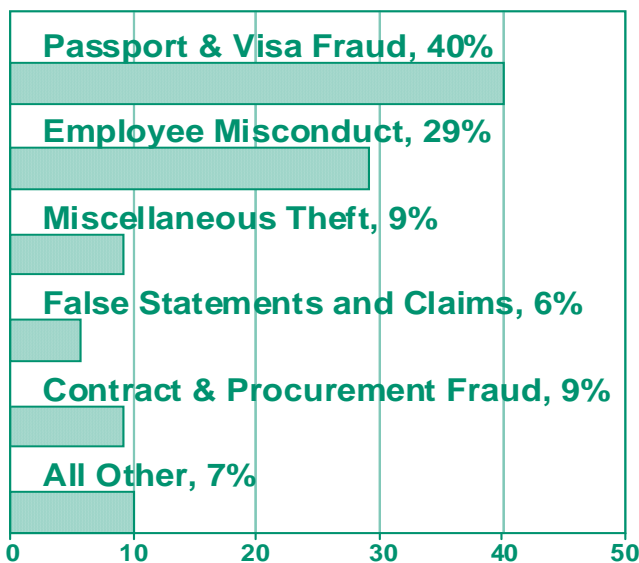
supervisory probation, 4 months of home detention, and full restitution to the U.S. Government. (99-037)

OIG conducted a joint investigation with the Department of Education, Office of Inspector General, and the U.S. Postal Inspection Service into allegations that a Foreign Service officer fraudulently submitted documentation, including death certificates, to creditors in an effort to alleviate \$31,709 in personal debts. On October 20, 2000, the officer pled guilty to one felony count of Conversion of U.S. Government Property over \$1,000 in U.S. District Court for the Eastern District of Virginia. The officer was sentenced to 3 years of unsupervised probation, a \$100 fine, and full restitution. (98-051)

OIG conducted an investigation into allegations that a Department timekeeper falsified time and attendance records to get overtime pay for hours that had not been worked. On January 5, 2001, the timekeeper pled guilty to one misdemeanor count of Theft of Government Property in District Court for the District of Columbia. As part of his/her plea agreement, the timekeeper agreed to resign from the Department and to make full restitution to the government. The timekeeper officially

resigned on February 2. On March 23, the former timekeeper was sentenced to 4 months of home detention, 2 years' probation, 50 hours of community service, and full restitution of \$12,867. (00-083)

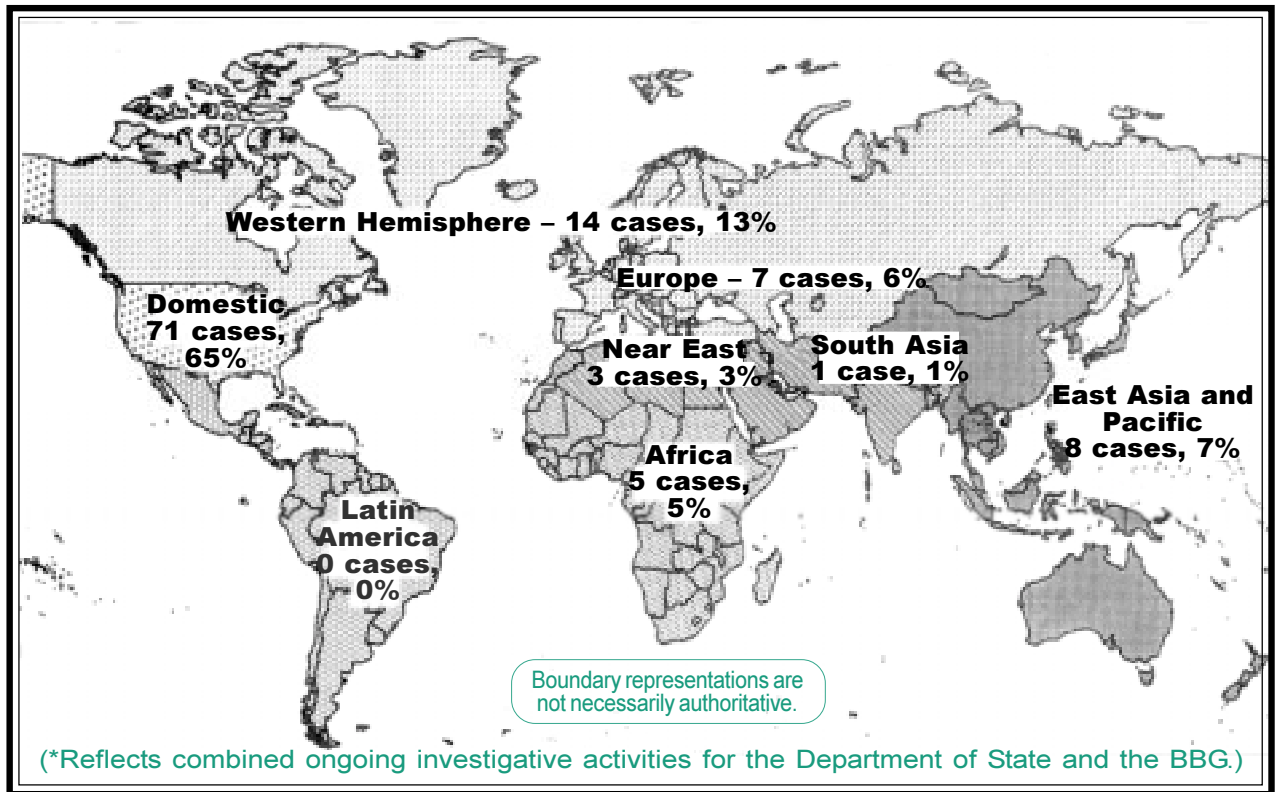
Types of Cases*



Visa Fraud

In October 2000, OIG opened a joint investigation with INS, based on information that a foreign national residing in New Jersey was manufacturing and selling machine-readable visas. Based on evidence developed in an undercover operation, the investigators obtained a search warrant for this individual's residence. During the execution of this warrant, the subject's computer was seized, along with account ledgers, counterfeit visas, social security cards, and other documentation and equipment. On November 1, 2000,

Geographic Distribution of Investigations*



the subject was charged with felony violations of visa fraud, immigration document fraud, and social security fraud. At the end of this reporting period, the subject was engaged in plea negotiations with the U.S. Attorney's Office. (01-002)

OIG opened a joint investigation with INS based on information that a group of Mexican nationals operating in Washington, D.C., was involved in the illegal manufacture and sale of fraudulent identity documents, including visas, permanent residency cards, and social security cards. Search warrants were executed on three locations. Evidence seized at one of the search sites indicated that the subjects had been manufacturing fraudulent F-1 (student) visas, permanent residency cards, work authorization cards, and other fraudulent documents. Four Mexican nationals subsequently pleaded guilty to felony charges of conspiracy to commit visa fraud and fraud in connection with identity documents. Three of them were sentenced in March 2001 to prison terms ranging from 24 to 28 months; they will be deported to Mexico on completion of these sentences. Sentencing was pending at the end of the reporting

period for the fourth individual, who pleaded guilty to these charges. A fifth Mexican national pleaded guilty to reentry after deportation; he was sentenced to 7 months' incarceration and will be deported on completion of the sentence. Criminal charges were dropped against a sixth individual, who was deported to Mexico. (01-003)

OIG opened a joint investigation with INS, Social Security Administration OIG, and the Florida Department of Law Enforcement, based on information developed in another OIG investigation, which indicated that a Polish national residing in Clearwater, Florida, was involved in the sale of counterfeit H1-B visas and other fraudulent identity documents. This subject is a legal permanent resident of the United States and had applied for U.S. citizenship. Information developed in the other investigation established that this subject had been the primary source of counterfeit H1-B visas for a group involved in a large-scale scheme to profit from the employment of unauthorized alien workers in the United States. Additional investigation, including analysis of financial records, developed further evidence of illegal activities. On March 22, 2001, this individual was charged in the Central District of Florida with felony violations of visa fraud, naturalization fraud, and social security fraud. (00-077)

OIG opened a joint investigation with INS in January 2000 of an allegation that student visas had been issued to a substantial number of Chinese nationals, based on fraudulent certifications that these individuals were students at a university in New England. The university advised that these individuals were not students, and that the documents were fraudulent. Further investigation determined that a group of Chinese nationals based in New York was operating this scheme.

This group had obtained fraudulent student visas for approximately 300 foreign nationals by providing fraudulent certifications pertaining to more than 20 universities and colleges. The group was also involved in obtaining fraudulent visas by preparing false petitions for employment for nonimmigrant workers. In November 2000, two Chinese nationals were arrested in New York City on charges of visa fraud in connection with this scheme. An arrest warrant was also issued for a third Chinese national, who is believed to be out of the United States. Disposition of these charges was pending at the end of this reporting period. (00-036)

OIG opened a joint investigation with INS, Tampa, Florida, based on information that a foreign national, who had been convicted of two felony violations in the United States, had used a fraudulent visa to reenter the United States illegally. The investigation determined that this individual had been convicted in the United States for possession of a narcotic drug with the intent to sell it and had fled from the United States to avoid incarceration. He reentered the United States with a fraudulent visa in a different name. He was then convicted of aggravated assault and was deported from the United States in October 2000. After being deported, he again reentered the United States. In March 2001, he was arrested, and was subsequently indicted on charges of visa fraud and reentry after deportation. (01-042)

Passport Fraud

OIG opened an investigation based on information received from a police detective in California. The information indicated that a passport that had been seized in the execution of a search warrant contained the picture of a Nigerian national who was under investigation for forgery and fraud; the name on the passport was not the true name of this individual. OIG obtained and reviewed relevant passport application records. In January 2001, a criminal complaint was filed in the Southern District of California, charging the Nigerian national with passport fraud. This individual was subsequently arrested and indicted for passport fraud on February 13, 2001. At the end of this reporting period, he remained incarcerated pending the resolution of this charge. (99-073)

Followup Actions

Visa Fraud

OIG conducted a joint investigation with the Federal Bureau of Investigation based on information that a school principal in Colorado had been engaged in a scheme to assist Russian nationals in fraudulently obtaining visas to enter the United States. The investigation developed evidence that this individual had used his position as an educator to submit letters to the U.S. Embassy in Moscow in support of applications for tourist visas. In these letters, he falsely claimed that the applicants would participate in cultural and educational activities that he had arranged in the United States.

When interviewed by investigators, the subject admitted that he had submitted such false information over a period of approximately 4 years; that he had been aware that most of these applicants did not intend to

participate in such cultural activities and did not intend to return to Russia; and that he had accepted fees from the applicants for obtaining these visas. The investigation determined that consular officials at the U.S. Embassy had based their approval of these visa applications largely on the letters that the subject had submitted.

In July 2000, this individual was indicted by a Federal grand jury in Colorado on felony charges of visa fraud and false statements. In September 2000, he pleaded guilty in U.S. District Court to both counts of the indictment.

In the Plea Agreement and Statement of Facts submitted to the Court, he admitted that he had provided false information to the U.S. Embassy in Moscow in support of 47 individuals who had fraudulently obtained U.S. visas, and that he had received approximately \$88,000 in fees for this. On March 19, 2001, this individual was sentenced to 10 months' imprisonment. (*See OIG Semiannual Report, April 1 to September 30, 2000, p. 30.*) (00-029)

Since August 1999, OIG has been conducting a joint investigation with INS, the Social Security Administration OIG, and the Internal Revenue Service, based on information that a network of individuals was engaged in a scheme involving visa fraud, alien smuggling, and money laundering. This group, operating in several parts of the United States and in the Czech Republic, was involved in a conspiracy to profit from the employment of unauthorized alien workers in the United States.

The investigation determined that the group assisted foreign nationals in obtaining nonimmigrant visas from U.S. consulates by misrepresenting the true purpose of the travel, and by providing fraudulent documentation in support of visa applications. Once in the United States, many of these foreign nationals were provided with counterfeit H1-B visas, which authorize employment. These fraudulent visas were then used to obtain social security cards and other identity documents.

Four Czech nationals, who had been living in the United States, entered guilty pleas to felony charges in February 2000 in U.S. District Court in Norfolk, Virginia. In May 2000, these four individuals were sentenced. One of these Czech nationals, who had pleaded guilty to conspiracy to launder monetary instruments, was sentenced to 84 months incarceration and will be deported on completion of the sentence. The Court also ordered the forfeiture of \$136,763 in seized assets. The other three individuals received lesser sentences, and will also be deported on completion of the sentences.

On March 22, 2001, a Slovak national was charged in Norfolk, Virginia, in a 15-count indictment with visa fraud, money laundering, wire fraud, and inducement of an alien to enter the United States illegally. This individual is believed to be residing in the Czech Republic. Extradition to the United States will be requested. This investigation is continuing, with criminal charges anticipated against additional individuals. (See *OIG Semiannual Report, October 1, 1999, to March 31, 2000, p. 30 and OIG Semiannual Report April 1, 2000, to September 30, 2000, p. 35.*) (99-072)

OIG is conducting a joint investigation with INS, based on information that Polish nationals in New Jersey were running a large-scale operation providing fraudulent visas, which were then used to obtain social security cards, drivers licenses, and other identifying documents. In July 2000, a participant in this scheme was arrested on felony charges of conspiracy and visa fraud and subsequently agreed to cooperate with investigators. In August 2000, a second participant was arrested on the same charges and also agreed to cooperate. On March 13, 2001, one of these individuals pleaded guilty to visa fraud in U.S. District Court and is continuing to cooperate in the ongoing investigation. The other individual is also continuing to cooperate. (See *OIG Semiannual Report, April 1 to September 30, 2000, p. 31.*) (99-065)

Passport Fraud

OIG opened an investigation in April 2000, based on information provided by the Office of the U.S. Attorney for the Southern District of New York. The information indicated that an individual under indictment for defrauding investors might have committed passport fraud in an attempt to flee the United States. OIG obtained and reviewed relevant passport application data.

On April 12, 2000, this individual was arrested at an airport by the U.S. Marshals Service while attempting to leave the United States, in violation of the bond conditions. The individual possessed an altered U.S. passport. On April 25, the subject was indicted on a felony charge of forgery or false use of a passport, as well as a felony charge of fraud related to the Investment Advisers Act, and, on August 2, pleaded guilty to the charge related to defrauding investors. On February 7, 2001, the individual was sentenced to 4 years and 9 months in prison, and was ordered to make restitution of \$9,870,612. (See *OIG Semiannual Report, April 1 to September 30, 2000, p. 31.*) (00-058)

Theft

In June 1999, OIG opened an investigation based on information provided by the Diplomatic Security Service indicating that a passport examiner at the New York Passport Agency had been engaged in the theft of passport fees. The investigation determined that the employee had used several different methods to steal application fees over a period of approximately 2 years. The passport examiner was terminated from employment in August 1999.

In July 2000, the former employee was charged in a Federal criminal complaint with a felony violation of theft of public money. On March 26, 2001, the individual pleaded guilty to this charge in U.S. District Court for the Southern District of New York. Sentencing was pending at the end of this reporting period. (*See OIG Semiannual Report, April 1 to September 30, 2000, p. 32.*) (99-059)

HOTLINE



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

Total allegations received	176
Held for action within OIG	26
Referred to other offices for action	124
Not substantiated – no action necessary	26

APPENDIX 1: INVESTIGATIVE ACTIVITIES¹

Workload		Total Judicial Actions	62
Cases pending 9/30/00	85	<i>Criminal</i>	
New cases opened	47	Prosecutive referrals	16
Cases closed	23	Prosecutive declinations	9
Cases pending 3/31/01	109	Prosecutive dismissals	1
		Acquittals	0
Preliminary inquiries pending 9/30/00	20	Indictments	14
Prelim opened	63	Convictions	11
Prelim closed	61	Sentencings	9
Prelim converted to cases	6	Time sentenced	173 months
Preliminary inquiries pending 3/31/01	22	Time suspended	0
		Time probation	8 years
Total Administrative Actions	10	Court-ordered fines	\$1,200
Admonishments	0	Court-ordered restitutions	\$44,776
Counseling	0		
Curtailment	0	<i>Civil</i>	
Demotions	0	Referrals	0
Reimbursements	0	Declinations	1
Reprimands	0	Complaints	0
Resignations	2	Judgments	1
Suspensions	1	Court-ordered fines	\$5,000
Terminations	2	Recoveries	0
Administrative referrals	5	Total judgments and recoveries	\$5,000
PFCRA ³ referrals	0		
Savings	0		

Administrative recoveries ⁴	\$	0
Judicial recoveries ⁵	\$	50,976
Total Investigative Recoveries	\$	50,976

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

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

³ Program Fraud and Civil Remedies Act.

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

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

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

APPENDIX 2: REPORTS ISSUED

Financial Management and Administrative

01-PP-002	Inquiry into the Procurement of Contractor Support for the International Affairs Global Resource Database	11/00
01-PP-003	Review of Humanitarian Demining Management and Procurement Activities	12/00
01-FM-004	Vulnerability and Penetration Testing Analysis of the Unclassified Automated Information Systems at the Bangkok Financial Service Center	1/01
01-FM-006	Application of Agreed-Upon Procedures Report	12/00
01-FMA-M-009	Review of the War for Talent Personnel Study	3/01
01-FMA-R-013	Audit of U.S. Department of State 2000 Principal Financial Statements	3/01
01-FMA-L-015	Water and Sewer Payments to the District of Columbia	2/01
01-FMA-R-016	Review of Selected Awards to Mississippi Consortium for International Development for Activities in the New Independent States	3/01
01-FMA-L-023	Federal Agencies' Centralized Trial-Balance System Agreed-Upon Procedures Report	3/01

Foreign Policy

01-FP-R-003	Bureau of European Affairs	3/01
01-FP-R-011	Embassy Sarajevo, Bosnia-Herzegovina	3/01
01-FP-R-012	Embassy Bratislava, Slovakia	3/01
01-FP-R-021	Embassy Sofia, Bulgaria	3/01
01-FP-R-026	Embassy Nairobi, Kenya	3/01
01-FP-R-025	Embassy Dar es Salaam, Tanzania	3/01
ISP/I-01-01	Embassy Conakry, Guinea	10/00
ISP/I-01-03	Embassy Dakar, Senegal	11/00
ISP/I-01-04	Embassy Bamako, Mali	11/00
ISP/I-01-06	Embassy Bogota, Colombia	12/00
01-FP-R-020	U.S. Interests Section Havana, Cuba	3/01
ISP/I-01-02	Embassy Panama City, Panama	11/00
01-FP-R-022	Embassy Caracas, Venezuela	3/01
ISP/I-01-05	Status of State-USIA Consolidation at Overseas Posts	3/01
01-FP-M-027	U.S. Munitions List and the Commodity Jurisdiction Process	3/01

Security

01-FMA-R-006	Review of the Surveillance Detection Program	3/01
SIO/A-01-02	Audit of Emergency Action Management	10/00
SIO/I-01-01	Embassy Damascus, Syria	10/00
SIO/I-01-03	Embassy Beirut, Lebanon	12/00
SIO/I-01-04	Embassy Skopje, Macedonia	11/00
SIO/I-01-05	Embassy Helsinki, Finland	12/00
SIO/I-01-07	Embassy Nicosia, Cyprus	12/00
SIO/I-01-08	Embassy Antananarivo, Madagascar	12/00
SIO/I-01-09	Embassy Port Louis, Mauritius	12/00
SIO/I-01-12	Embassy Rangoon, Burma	12/00
01-SEC-R-002	Embassy Moscow, Russia	3/01
01-SEC-R-004	U.S. Office Pristina	3/01

Followup Review

01-SEC-R-010	Embassy Ljubljana, Slovenia	3/01
--------------	-----------------------------	------

Contract Audits

<u>Contractor</u>	<u>Audit Number</u>	<u>Type</u>
Washington Group International	PA-BB-CG-0029	Labor Hour
Ayres Corporation	PA-BB-CG-0035	Labor Hour
Alphatech Corporation	PA-BB-CG-0037	At Risk Claim
Michael Graves & Associates	PA-BB-CG-0040	Labor Hour
Zimmer, Gunsul, Frasca, Partnership	PA-BB-CG-0041	Labor Hour

APPENDIX 3: SAVINGS & MORE EFFECTIVE USE OF RESOURCES

Table I
INSPECTOR GENERAL ISSUED AUDIT REPORTS¹
WITH QUESTIONED COSTS²

	<u>Number of Reports</u>	<u>(Dollars in Thousands)</u>	
		<u>Questioned Costs</u>	<u>Unsupported Costs</u>
A. For which no management decision has been made by the commencement of the reporting period	10	6,775	388
A1. Adjustment	0	0	0
A2. Adjusted Balance	10	6,775	388
B. Which were issued during the reporting period	2	1,152	20
Subtotals (A2 + B)	12	7,927	408
C. For which a management decision was made during the reporting period	3	860	23
– based on formal administrative or judicial appeal			
(i) dollar value of disallowed costs	0	0	0
(ii) dollar value of costs not disallowed	0	0	0
D. For which no management decision has been made by the end of the reporting period	9	7,067	385
Reports for which no management decision was made within 6 months of issuance	7	5,915	345

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

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

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

	<u>Number of Reports</u>	<u>Dollar Value (in thousands)</u>
A. For which no management decision has been made by the commencement of the reporting period	6	1,447
B. Which were issued during the reporting period	1	522
Subtotals (A + B)	7	1,969
C. For which a management decision was made during the reporting period	2	428
(i) dollar value of recommendations that were agreed to by management	2	428
– based on proposed management action		
– based on proposed legislative action		
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision has been made by the end of the reporting period	5	1,541
Reports for which no management decision was made within 6 months of issuance	4	1,019

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

APPENDIX 4: RESOLUTION OF REPORTS & RECOMMENDATIONS

PREVIOUSLY REPORTED SIGNIFICANT AUDIT RECOMMENDATIONS¹ PENDING FINAL ACTION²

Report Number	Rec. Number	Report Title Recommendation Summary	First Reported
3-PP-014		<i>Maintenance and Repair of Buildings Overseas</i>	3/31/94
	1.	Develop a system to identify and monitor the worldwide backlog of maintenance and repair deficiencies, including determining an acceptable level for the backlog and periodically updating the backlog for corrective action taken, additional deficiencies identified, and improved cost estimates.	
93-A-34/ ARR-95-08		<i>Grants Management Followup</i>	3/31/95
	5.	Require monthly reporting requirements on the project's status.	
	6.	Ensure that data in the grants system is reconciled with data in other grant-related systems.	
APR-96-07		<i>Exchange Visitor Information System</i>	3/31/96
	3.	Determine the feasibility of electronically transmitting J Visa data from sponsor organizations to the EVIS database at USIA.	

¹ Includes audit recommendations reported as significant in semiannual reports prior to September 30, 2000, on which Department management has agreed to take corrective action but for which those actions are not yet complete.

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

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

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

Summary: OIG made 22 recommendations to the Director General of the Foreign Service and the Director of Personnel (now Human Resources) to require personnel, like IM specialists staff, who hold positions with access to bulk quantities of sensitive information to undergo a special counterintelligence screen process prior to each assignment. Three of the recommendations remain unresolved, which were assigned to the Director General of the Foreign Service.

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

To be resolved by: June 2001

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

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

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

To be resolved by: June 2001

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

Summary: OIG made 4 recommendations to the Assistant Secretary for Intelligence and Research and the Director General of Personnel to document policy and procedures on how INR will process SCI access requests, arbitrate waivers and disputed decisions to include DS and the Bureau of Personnel (now Human Resources), and develop a reliable process for determining when SCI access authorizations terminate. Three of the 4 recommendations remain unresolved, which were assigned to the Assistant Secretary for Intelligence and Research.

Reason Unresolved: INR had advised OIG of its plan to respond to these recommendations. However, due to the Secretary of State's transfer of authority for protection of SCI material from INR to DS, INR responded that it no longer has primary responsibility for these recommendations. In recent correspondence to DS and INR, OIG requested that DS work with INR to reach resolution for these recommendations.

To be resolved by: June 2001

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

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

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

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

To be resolved by: June 2001

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

Summary: OIG made 19 recommendations to find solutions to overseas telephone security risks; 12 of these remain unresolved. Two of the unresolved recommendations were assigned to the Chief Information Officer, and 10 of the unresolved recommendations were assigned to DS.

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

To be resolved by: June 2001

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

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

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

To be resolved by: June 2001

International Institute of Wisconsin (CG-96-01), September 1996

Summary: OIG made recommendations on questioned grant costs totaling \$46,636 and internal controls and noncompliance issues.

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

To be resolved by: June 2001

Review of Indirect Costs Rates Proposed by the Institute of International Education (CG-99-015), May 1999

Summary: OIG made recommendations on questioned costs totaling \$1,054,098 that resulted from an inequitable allocation in indirect costs.

Reason Unresolved: The Department deferred a decision on the questioned costs pending completion of the appeal process.

To be resolved by: Unknown, Under appeal.

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

Sale and Leaseback Arrangement Proposed by the Institute of International Education (CG-99-016), May 1999

Summary: OIG made recommendations on the sale and leaseback arrangement proposed by the grantee that did not constitute a sale and leaseback within the meaning of the OMB cost principles and projected Funds Put to Better Use of \$4,300,000 over the life of the lease.

Reason Unresolved: The Department deferred a decision pending completion of the appeal process.

To be resolved by: Unknown; under appeal.

Washington Workshops Foundation (CG-99-025), September 1999

Summary: OIG made recommendations on questioned costs totaling \$913,000 and internal controls and compliance issues.

Reasons Unresolved: The Department is seeking clarification from the grantee.

To be resolved by: June 2001

ACLS Supporting the Vietnam Fulbright Economics (CG-99-026), October 1999

Summary: OIG made recommendations on questioned costs totaling about \$1.1 million and internal controls and compliance issues.

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

To be resolved by: June 2001

Town Affiliation Association of the U.S. (00-CG-019), July 2000

Summary: OIG made recommendations on questioned costs totaling about \$908,812 and internal controls and compliance issues.

Reason Unresolved: The Department is reviewing additional documentation provided by the grantee.

To be resolved by: June 2001

The American Councils for International Education (00-CG-032), September 2000

Summary: OIG made recommendations on questioned costs totaling \$1,186,847 and compliance issues.

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

To be resolved by: June 2001

Broadcasting Board of Governors

OIG Activities	69
Appendix 1: Investigative Activities	71
Appendix 2: Reports Issued	71
Appendix 3: Savings and More Effective Use of Resources	
Table 1: Questioned Costs	72
Table 2: Funds Put to Better Use	72
Appendix 4: Resolution of Reports & Recommendations	
Audit Reports Pending Management Decision	73

OIG ACTIVITIES

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

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

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

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

The report includes recommendations to the two agencies to:

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

- defer any expansion of the transmission system until the Department needs assessment is completed; and
 - seek Department reimbursement for transmission services that cannot be supported within existing BBG resources.
-

BBG-Related Work Developed during Inspections of Various Missions

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

The U.S. Interests Section does not systematically track Radio Martí and has not been able to produce reliable data on the effectiveness of Radio Martí. The Mission has conducted a few informal surveys, but results have been inconclusive. Most information on listenership was anecdotal. Given the sizeable cost of Radio Martí broadcasting and the important role the station can play as a voice of freedom, the U.S. Interests Section should systematically monitor its effectiveness and periodically forward listener views and comments on programming to Radio Martí managers.

Memorandum Report (ISP/I-01-07) and Memorandum Report (ISP/I-01-08)

Inspections of BBG operations in Bogota, Colombia, and Panama City, Panama, documented the need for appropriate cost-sharing arrangements for support of operations in those countries. BBG hoped to address this problem on the basis of a not yet finalized Memorandum of Understanding with the Department that would address the support reimbursement issue on a global basis.

Embassy Nairobi, Kenya (01-FP-R-026) and Embassy Dar es Salaam, Tanzania (01-FP-R-025)

OIG inspected the Nairobi bureau of the Voice of America and examined the Voice of America broadcast affiliate program in both Kenya and Tanzania. The Nairobi bureau earned praise for its operations. The inspections coincided with the visit of the BBG International Broadcasting Bureau's Director of the Office of Affiliate Relations, who reviewed with OIG the BBG goal of establishing a regional marketing office to support BBG's strategy for the growth of its affiliate network in east and southern Africa. Embassy Nairobi had twice previously denied National Security Decision Directive-38 approval for a marketing office. Ultimately, BBG has decided to look to Embassy Pretoria for permission to set up an office in Johannesburg that would serve the region.

APPENDIX 1: INVESTIGATIVE ACTIVITIES

Workload

Cases pending 9/30/00	0
New cases opened	0
Cases closed	0
Cases pending 3/31/01	0

Total Judicial Actions **0**

Total Administrative Actions **0**

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

APPENDIX 2: REPORTS ISSUED

01-FP-M-018	Review of the Broadcasting Board of Governors Transition to Independence	3/01
01-FP-R-020	U.S. Interests Section Havana, Cuba	3/01
ISP/I-01-07	Memorandum Report U.S. Embassy Bogota	11/00
ISP/I-01-08	Memorandum Report U.S. Embassy Panama	11/00
01-FP-R-026	Embassy Nairobi, Kenya	3/01
01-FP-R-025	Embassy Dar es Salaam, Tanzania	3/01

APPENDIX 3: SAVINGS & MORE EFFECTIVE USE OF RESOURCES

Table I
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH QUESTIONED COSTS

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

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

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

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

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

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

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

To be resolved by: August 2001

LIST OF ABBREVIATIONS

BBG	Broadcasting Board of Governors
DS	Bureau of Diplomatic Security
EU	European Union
EUR	Bureau of European Affairs
FACTS	Federal Agencies' Centralized Trial-Balance System
FSN	Foreign Service national
INS	Immigration and Naturalization Service
NATO	North Atlantic Treaty Organization
NIS	New Independent States
OIG	Office of Inspector General
PM/HDP	Bureau of Political-Military Affairs, Office of Humanitarian Demining Programs
USAID	U.S. Agency for International Development
USIA	U.S. Information Agency

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

REQUIREMENT	SUBJECT	PAGE NUMBERS
Section 4(a)(2)	Review of legislation and regulations	9-11
Section 5(a)(1)	Significant problems, abuses, and deficiencies	17-46, 69-70
Section 5(a)(2)	Significant recommendations for corrective action	17-46, 69-70
Section 5(a)(3)	Prior significant recommendations unimplemented	60
Section 5(a)(4)	Matters referred to prosecutive authorities	47-54
Section 5(a)(5)	Information or assistance refused	None
Section 5(a)(6)	List of reports issued	56-57, 71
Section 5(a)(7)	Summaries of significant reports	17-46, 69-70
Section 5(a)(8)	Audit reports—questioned costs	58, 72
Section 5(a)(9)	Audit reports—funds to be put to better use	59, 72
Section 5(a)(10)	Prior audit reports unresolved	61-63, 73
Section 5(a)(11)	Significant revised management decisions	None
Section 5(a)(12)	Significant management decisions with which OIG disagreed	None