

Office of Inspector General



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



Semiannual Report to the Congress

October 1, 1999, to March 31, 2000

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Executive Summary

During this semiannual reporting period, the Office of Inspector General (OIG) focused its oversight efforts on significant challenges facing the Department of State including: the Department's expenditures of the Emergency Supplemental Appropriations for security enhancements, the export licensing process and technology transfer issues, implementation of the Government Performance and Results Act, and the Y2K certification process.

Following the 1998 bombings of the U.S. Embassies in Nairobi and Dar es Salaam, Congress appropriated \$1.5 billion for the Department to cover the costs incurred by those bombings and begin security improvements at diplomatic missions abroad. The Department created a separate fund for managing these emergency supplemental appropriations. OIG established an Emergency Supplemental Oversight Committee to assess the Department's management controls and systems that account for and manage these funds.

OIG found that the Department has provided senior level attention to security issues, including the direct involvement of the Under Secretary for Management and the Security Oversight Board. The Department has adequately managed resources to improve security and established systems capable of appropriately accounting for and managing the emergency supplemental appropriations obligated and liquidated domestically. However, OIG found that reports on domestic program funds obligated to date included fund transfers as well as obligations, and the account coding structure was complex and confusing.

Despite pressure to procure security-related goods and services quickly, the Department has followed procurement and property management regulations. At overseas posts, most officials were satisfied with the Department's response to requests for security-related projects, but indicated that better communications at headquarters was needed. The Department is making considerable progress in filling 391 new security positions established with these funds which should help address the staffing shortages to support overseas security.

OIG completed its role in assisting the Department to meet the year 2000 challenge facing its information technology infrastructure. As reported in our previous Semiannual Report to the Congress, OIG assisted in establishing a process through which the Department could certify the Y2K compliance of its mission-critical systems. As of March 31, 2000, OIG had evaluated and provided comments to the Department on 56 mission-critical application certification packages.

The Inspector General also testified before Congress on several Y2K issues, including the Department's continued efforts to certify all mission-critical systems for Y2K compliance, assessments of host country preparedness, and the content of the Y2K readiness assessments provided by the Department in consular information sheets. OIG also stressed the need for a post-Y2K assessment to identify lessons learned and best practices that may be applicable to government agencies and private sector organizations.

Improved Conduct of Foreign Relations

Drawing on the inspections of overseas missions and domestic bureaus, and on in-depth audits of

selected issues, OIG assessed the conduct of foreign relations, particularly the skills and abilities of senior management and the availability and use of appropriate authorities and processes. During this semiannual reporting period, OIG inspected posts in Asia, Ukraine, North Africa, the Middle East, and Haiti.

OIG's inspection of the American Institute in Taiwan (AIT) found the management much improved since the 1993 inspection. OIG found that the Taipei office was doing a good job of advancing U.S. policies, promoting economic and trade interests, and handling the delicate political-military relationship. OIG noted however, that AIT's unique status and the nature of its relationship with the U.S. Government posed a number of management challenges for the Department, and recommended ways

to simplify the costly and cumbersome procedures that reduce AIT's ability to operate effectively.

OIG's inspection of the U.S. Embassy in Manila, Philippines, found the mission doing an excellent job of building support across the range of U.S. interests. OIG concerns centered on severe financial and management problems in the U.S. Employees Association, and significant problems in consular operations, including the renovation of a poorly laid out physical plant.

OIG found Embassy Kiev, Ukraine, to be a large, well-run post that effectively implemented a complex, long-term U.S. policy, with U.S.-funded programs totaling more than \$300 million each year. OIG found that the chancery compound was too small to accommodate the size of the mission and was a hazard to the health and safety of those

Best Practices

Contract Administration Procedures

In response to a December 1999 OIG audit report, the Office of Acquisitions Management agreed to a recommendation to strengthen contract acquisition and administrative procedures and management controls. The Office of Acquisitions Management issued a Quality Assurance Plan that provides a clear and concise reference for the requirements of contract review and approval. This document sets out in chart form the type of action being considered, who must review it, who can approve it, and the statutory or regulatory authority for the action. The Quality Assurance Plan constitutes a "best practice" and should prove to be a valuable guide for all Department

parties involved in contract review and approval processes.

Vehicle Registration

At Embassy Tunis, Tunisia, the lack of vehicle specification information hindered registration of the personal vehicles of new arrivals. Getting the appropriate information from the automobiles' American manufacturers was time consuming and delayed the issuance of license plates. The post's general services officer persuaded Tunisian customs officials that vehicle specification information readily available on the internet was sufficient and, as a result, vehicles are now registered and license tags are issued quickly, thus making the vehicles available for use shortly after newcomers arrive at post.

who worked there. OIG noted that the public diplomacy section employed innovative programs, including generating positive media attention to U.S. positions on Kosovo and ably administering an exchange program that sends over 1,000 Ukrainians to the United States each year.

In Rabat, Morocco, OIG found the embassy doing excellent work in advancing U.S. interests, which included stability, prosperity, and democracy, and in refocusing policy initiatives from multilateral issues, such as the Middle East Peace Process, to bilateral issues. OIG noted, however, that a mission reporting plan that incorporated the strategic goals of the Mission Performance Plan, was an urgent requirement. OIG found the consular section in Casablanca overburdened and struggling to manage a growing workload. Attention to policy issues, reporting, and outreach activities suffered as a result. OIG's review of the Broadcasting Board of Governors' (BBG) Transmitting Station in Morocco showed it to be well managed with improving efficiency. Diplomatic readiness was also improved because of upgrades to the embassy's telecommunications systems.

At Embassy Port-au-Prince, Haiti, OIG found that continuing controversy on U.S. intervention in 1994 and Haiti's prospects for democracy and economic development indicate a need for another policy review of U.S. interests in

terms of what can be achieved and what resources are required. This review is further warranted by the rapidly expanding U.S. effort to cooperate with Haitian authorities to block the growing traffic of illegal narcotics through Haiti to the United States. The consular section was strong and, with good support from the Bureau of Consular Affairs, effectively overcoming a large inherited backlog of immigrant visa cases while managing a heavy load of current applications. Widely scattered facilities and numerous physical security shortcomings seriously complicate Embassy Port-au-Prince's ability to meet current security standards.

Better Alignment of Fiscal and Human Resources with US Foreign Policy Priorities

The Government Performance and Results Act of 1993 (Results Act) requires that agencies set goals for program performance and measure results against those goals to help improve efficiency and effectiveness and to increase the accountability of Federal programs. In response to that law, the Department of State has developed strategic and annual performance plans. Congress has requested that Inspectors General assist with oversight of agency implementation of the Results Act.

OIG is selectively validating and verifying performance data under the Department's diplomatic

readiness goals as FY 1999 data becomes available. Additionally, OIG is continuing to build a Results Act component into selected audits and inspections. Thus far, our work has addressed the need for better performance information in the Department's Bureau of Personnel and Bureau for Economic Affairs.

OIG evaluated the policies and practices used to recruit Foreign Service specialists and found that, although the Bureau of Personnel's Performance Plan contained initiatives that could improve recruiting, it was silent on establishing specific goals for reducing the lengthy recruitment process. OIG identified the need to establish benchmarks to make the recruiting process more timely and incorporate these benchmarks in the Bureau of Personnel's plans.

OIG's report on the Department's effort to reduce trade barriers in the telecommunications industry found that fundamental weaknesses in the Department's performance planning limited its ability to effectively manage, coordinate, and report on its progress in reducing trade barriers. OIG recommended that the Bureau of Economic and Business Affairs, with guidance from the Department's core strategic planning team, develop priorities for the national interest of Economic Prosperity and align the performance and operational plans accordingly.

More Effective, Efficient, and Secure Operations and Infrastructures

OIG oversight under this strategic objective included reviews of the International Cooperative Administrative Support Services (ICASS) system, the export licensing process, and financial and procurement audits of several programs. OIG also conducted security oversight inspections, which are fully discussed in the classified annex to this report, as well as audits on overseas telephone security systems and card access control systems.

OIG reviewed posts' progress in selecting the most cost-effective service providers under the ICASS system. OIG also examined the Department's progress toward becoming a more cost-effective service provider and reviewed whether significant cost savings have been achieved under ICASS, including how "opt-outs," agencies pulling out of particular ICASS services, have affected overall U.S. Government costs. In the short period since the inception of ICASS, posts have implemented the basics of ICASS, resulting in improved transparency of costs. However, OIG found that significant cost savings have not yet resulted from ICASS. Although some agencies have indicated that they reduced costs by opting out of

ICASS services, opt-outs may not provide the most cost-effective arrangement to the U.S. Government.

The National Defense Authorization Act for Fiscal Year 2000 required the Inspectors General of the Departments of Commerce, Defense, Energy, and State cooperatively to review the export licensing process for foreign national visitors. The objective of the review was to determine whether the policies and procedures for the transfer of information at Federal laboratories and agencies to foreign nationals (deemed exports) from countries of concern adequately protect militarily sensitive technologies.

The Inspectors General found that Federal agencies' lack of awareness and understanding of deemed exports could damage national security if militarily sensitive technology is released to inappropriate end users. The Inspectors General concluded that few Federal laboratories or agencies applied for deemed export licensing applications in FY 1999 and that the level of compliance with deemed export regulations was unknown.

In response to a related requirement included in the National Defense Authorization Act for Fiscal Year 2000, OIG evaluated activities of the Department of State to counter illicit technology transfer to countries and entities of concern. The assessment was performed in coordination with Offices of Inspector General of the Departments of Defense, Commerce, Treasury, and the Central Intelligence Agency.

OIG found that the Department's visa screening program has been instrumental in identifying visa applicants who might be a concern with respect to illicit technology transfer and has resulted in useful information for the U.S. intelligence community, identification of potential visa fraud, and the denial of visas.

OIG's security oversight review of the Department's card access control systems found that no single office had been designated with lead responsibility for managing the systems, and as a result, important policy requirements were not adequately applied. OIG made several recommendations to improve management of the systems, including that the Department should place a greater focus on computer security aspects of those systems.

In another security oversight review, OIG assessed the Department's efforts to reduce the risk of compromise for operations and national security information discussed or processed at overseas posts. OIG's findings confirmed that the Department's ability to protect sensitive information transmitted on telephone systems could be improved. OIG recommended steps the Department should take to enhance telephone systems security overseas.

Greater Adherence to Fundamental Principles Governing Professional and Ethical Conduct

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

OIG also participated in public outreach activities related to professional and ethical conduct. In October, the Inspector General participated as a member of the U.S. delegation to the 9th International Anticorruption Conference held in South Africa. The conference addressed developing a code of ethics for government officials in countries addressing corruption. In March, the Inspector General participated in a Worldnet conference, "Good Governance and Anti-Corruption Techniques." The broadcast was transmitted to the Middle East, Europe, and Africa.

In light of OIG's responsibility to detect and prevent fraud, OIG issues Management Implication Reports (MIRs) when a systemic weakness is identified in a bureau-specific program or operation. In response to investigations related to the theft of passport fees, OIG issued two MIRs recommending that the Department:

- ensure that all passport agencies comply with internal control procedures regarding the handling of cash and receipts, and
- permit only authorized individuals access to the cashier area.

OIG issued another MIR recommending that the Department advise all contracting agents and posts of the importance of complying with appropriate contracting procedures to avoid potential pitfalls in any subsequent administrative or judicial proceeding.

Congressional Activities and OIG Outreach

Testimony

The Inspector General provided the following testimony to Congress during this semiannual reporting period on the operations related to OIG and the Department of State.

On October 13, the Inspector General submitted a written statement for the hearing record to the Senate Special Committee on the Year 2000 Technology Problem for the hearing titled, "International Preparedness: What in the World Will Happen?" The written statement provided the committee with an update to testimony previously presented before the committee by the Inspector General last July. The statement addressed the State Department's continued efforts to certify all mission-critical systems for Y2K compliance; host country preparedness; and the content of the Y2K readiness assessments provided by the State Department in consular information sheets.

On October 21, the Inspector General testified before the House Committee on International Relations on Year 2000 computer threats to U.S. interests abroad. The testimony provided the committee with a comprehensive overview of the Inspector General's Y2K oversight, business contingency planning, and the review of Y2K remediation efforts by the State Department and by countries that host U.S. embassies and consulates.

On March 1, the Inspector General provided the House Committee on Appropriations, Subcommittee on Commerce, Justice, State and Related Agencies with a statement on OIG's budget request and justification for FY 2001 funding. The statement discussed current and planned work in the context of OIG's strategic plan and outlined areas for program and operations efficiencies. The statement also presented the activities of the OIG including audits, investigations, and inspections of worldwide operations and programs of the Department of State and international broadcasting under the BBG.

Briefings

During this semiannual reporting period, OIG representatives met with Members of Congress and professional staff to share the results of OIG reviews and discuss OIG's oversight efforts related to: the Results Act, the FY 1999 Emergency Supplemental Appropriations, strategic priorities and annual planning, overseas staffing, international broadcasting, embassy security, the Lisbon Exposition, global Y2K issues, the Organization of

American States United Nations Joint Mission in Haiti, the Good Friday Peace Accord, and narcotics assistance programs in Colombia.

OIG Outreach

During this semiannual reporting period, OIG representatives participated in several outreach activities relating to the role of Inspectors General, anticorruption and rule of law issues, performance measurement, and the Y2K computer problem.

The Inspector General participated as a member of the U.S. delegation to the 9th International Anticorruption Conference held in Durban, South Africa, October 10-15. Conference participants included over 1,600 representatives from 134 countries. The conference discussed the need to develop a code of ethics for government officials in countries addressing corruption. Several participants in the conference requested U.S. assistance in establishing an Office of Inspector General in their respective countries.

The Inspector General was interviewed on the program "World Economics in Review" on international Y2K issues and the impact that Y2K failures could have on U.S. citizens. The program was broadcast in Europe and Asia by the International Herald Tribune Television Network on October 2.

In December, the Inspector General conducted training on Global Readiness and the Year 2000 Computer Problem at a seminar sponsored by the American Law Institute, American Bar Association Committee on Continuing Education. The Inspector General discussed the oversight role of the OIG in assessing the State Department's preparedness in addressing the Y2K computer problem. She also discussed the implications of Y2K-related computer problems on the global economy and trade, and host country preparedness in key sector areas of energy, transportation, telecommunications, financing, banking, and health care.

Also in December, the Inspector General addressed the Greater Washington Society of Certified Public Accountants Government Accounting and Auditing Committee on the role of Offices of Inspectors General in performance measurement and management. The Inspector General discussed the role of agencies and OIGs in performance measurement, including obstacles they face in collecting and analyzing data. She also discussed the approach that this Inspector General's office has taken in assessing the State Department's performance planning, and data collection and analysis efforts.

On January 27, the Inspector General made a presentation at the Association of Government Accountants 11th Annual Leadership Conference held in Washington, D.C., on performance measures and what can be done to make them more accurate. The Inspector General also discussed the role of

agencies and offices of inspectors general in performance measurement. On January 28, the Inspector General received the "Distinguished Federal Leadership Award" at the Conference and was recognized for promoting excellence in the financial management oversight of Federal agencies by the Inspector General community and for distinction in promoting auditing standards and accountability in governments around the world.

The Inspector General participated on March 3 in a Worldnet broadcast, "Good Governance and Anticorruption Techniques: The Bureaucracy." The broadcast was transmitted to the Middle East, Europe, and Africa in both English and French. Questions were addressed from broadcast recipients in Chad, Rwanda, and Guinea and covered reform initiatives to fight corruption at the public and private sector levels, donor corruption, and assistance available to nations seeking guidance.

On March 7, the Inspector General spoke on a panel titled "Audit Challenges for the 21st Century" at the 20th Annual Internal Auditing in Government Conference in Washington, D.C. Her remarks addressed the need for strengthened information security at a time when critical data and information resources are at risk of attack from both internal and external sources. The Inspector General discussed the role of OIG auditors in the oversight of information security issues. In addition, the IG presented information on performance measurement and noted the success that OIGs have demonstrated in their

use of different approaches in reviewing agency implementation of the Results Act. She also raised the challenges of measuring the results of the OIGs' own oversight in ways that go beyond traditional output measures.

Also in March, OIG's Director of Congressional and Media Relations participated on a U.S. assessment team, sponsored by the U.S. Department of Justice, which traveled to the Republic of Georgia. The team's mission was to make recommendations concerning the establishment of an Office of Inspector General in the Republic of Georgia, an external monitoring board to oversee activities of the Inspector General, and standards of conduct for investigators. At the conclusion of an intense weeklong review and meetings with key government officials and nongovernmental groups, the team presented its findings and recommendations to the Republic of Georgia's Council of Justice.

Comments on Proposed Legislation

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

- S 1993, Government Information and Security Act of 1999.
- HR 436, Government Waste, Fraud, and Effort Reduction Act.
- HR 1827, Government Waste Corrections Act of 1999.
- S 92 Biennial Budgeting and Appropriations Act.
- Draft legislation to Establish

Independent Statutory Law Enforcement Authority for OIGs.

- Draft legislation on the Federal Passenger Use Efficiency Act of 2000 (Home-to-Work Transportation).

Y2K Challenge

OIG was actively engaged with the Department and its embassies overseas, assisting them in meeting the Y2K challenge. A particular OIG focus was Y2K readiness of host countries where the United States maintains a presence. On October 13, 1999, OIG prepared a written statement for the record to the Senate Committee on the Year 2000 Technology Problem for the hearing titled "International Preparedness for Y2K." The written statement provided an update to previous testimony given to the committee in July 1999. The statement addressed the Department's continued efforts to certify all mission-critical systems for Y2K compliance; business continuity planning; and the content of the Y2K readiness assessments provided by the Department in the consular information sheets. The testimony also gave an update on continued assessments of host country Y2K preparedness based on site visits to Indonesia, China, Saudi Arabia, and Egypt.

In addition, on October 21, 1999, the Inspector General testified before the House Committee on International Relations on Year 2000 computer threats to U.S. interests abroad. As this was the committee's only hearing on the Y2K computer problem, the testimony presented the committee with a

comprehensive overview of the Inspector General's Y2K oversight and review of Y2K remediation efforts by the Department and by countries that host our embassies and consulates. Specifically the Inspector General discussed:

- the results of recent OIG visits to eight key countries to collect Y2K readiness information from embassy personnel and host country representatives. At these locations OIG met with host country Y2K program managers, representatives from key infrastructure sectors, and private sector officials to discuss their respective Y2K programs and to share information;
- the need for the Department to continue collecting information from its overseas posts concerning host country Y2K readiness and the potential for Y2K-related failures. The continuation of the data collection effort will facilitate decision making on Y2K issues by U.S. Government personnel both here and abroad and keep the public informed of potential global Y2K problems;
- the need for more detailed information on host country Y2K readiness to be made available to the public to provide a clearer picture of the potential for Y2K-related failures at foreign locations;
- the Department's progress in certifying its mission-critical systems for Y2K; and
- finally, the need for a post-Y2K assessment in order to identify lessons learned and best practices that may be applicable to government agencies and private sector organizations.

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Special Report

Congress appropriated about \$1.5 billion for security enhancements following the August 1998 bombings of U.S. Embassies in Nairobi and Dar es Salaam. The Department created a separate account for managing the FY 1999 Emergency Supplemental Appropriations (ESA) funds. OIG assessed the Department's management controls and systems that account for and manage ESA funds, recruit and train security and administrative personnel, and procure ESA goods and services. OIG also evaluated the Department's efforts to enhance physical security overseas.

Review of FY 1999 Emergency Supplemental Appropriations (00-OIG-001)

In this review, OIG found, overall, that the Department provided senior level attention and adequate management of resources to improve overseas security. The direct involvement of the Under Secretary for Management and the Security Oversight Board have provided focus for the overseas security enhancements and fostered coordination among the different bureaus.

The Department has established systems capable of appropriately accounting for and managing ESA funds obligated and liquidated domestically. However, Department reports on domestic program funds obligated to date were overstated because they include \$76 million

transferred to overseas posts that were not actual obligations for goods and services. In addition, the account coding structure the Department implemented was initially complex and confusing. Corrective actions are being implemented. The Department is making considerable progress in filling the 391 new security positions established under ESA. When hired, the new personnel should help address the staffing shortages to support overseas security. Despite the pressure to procure ESA goods and services quickly, the Department followed applicable procurement and property management regulations. Most overseas officials were satisfied with the Department's response to funding requests for post-proposed ESA-related procurements, minor construction projects, and expanded

guard services, but indicated that information gaps existed on some ESA-funded programs and projects. To best implement these programs, post officials recommended better communications with headquarters program elements and regional bureaus. Headquarters elements supported corrective actions in this area.

OIG's May 1999 reviews at the current or interim facilities for Embassies Dar es Salaam and Nairobi found they were more secure than at the time of the August 1998 bombings. However, both embassies still had vulnerabilities that needed to be addressed at the time of the security evaluation. For example, Embassy Dar es Salaam lacked sufficient emergency electrical power for security systems such as exterior security lights, alarms, and vehicle barriers. Also, Embassy Nairobi needed to strengthen the large glass windows in the front of the interim chancery building and provide a secondary exit point from the compound. The Department has corrected these deficiencies and reported action to correct many others described in our report.

Y2K Certification Process

OIG completed its role in assisting the Department to meet the challenge facing its information technology infrastructure, including computer software, hardware, and embedded devices. As reported in our previous Semi-annual Report to the Congress, OIG assisted in establishing a process through which the Department could certify the Y2K compliance of its mission-critical systems, by establishing detailed guidelines that each bureau must use in developing application certification packages for submission to the Y2K Program Management Office. The certification process provided the Department's senior managers with assurance that substantial effort had been made to prevent computer-related failures on January 1 and February 29, 2000. Through an agreement with the Under Secretary of State for Management, OIG reviewed the adequacy of all certification packages for mission-critical systems before they were provided to the Y2K certification panel and approved by the Department's Chief Information Officer. As of March 31, 2000, OIG evaluated and provided comments to the Department on 56 mission-critical application certification packages.

Results Act Review

The Results Act requires agencies to set goals for program performance and to measure results against those goals to help improve efficiency and effectiveness and to increase the accountability of Federal programs. Congress has requested that Inspectors General assist with oversight of agency implementation of the Results Act. In response to that law, the Department of State has developed strategic and annual performance plans built around a framework of 7 national interests, 16 strategic goals, and 3 support (diplomatic readiness) goals.

The Department is still developing overall agency performance goals and measures under the strategic goals, but has established them for its three diplomatic readiness goals. OIG's strategy is to selectively validate and verify performance data under these diplomatic readiness goals as FY 1999 data becomes available. Additionally, we will continue to build a Results Act component into selected audits and inspections. Thus far, our work has identified the need for better performance information in the Department in selected areas.

OIG's review of the policies and practices used to recruit Foreign Service specialists (00-HR-015) found that, although the Bureau of Personnel's Performance Plan contains initiatives that could improve recruiting, it

is silent on establishing specific goals for reducing the length of the process. OIG identified the need to establish and incorporate benchmarks on the timeliness of the recruiting process in the Bureau of Personnel's plans, which would lead to valuable indicators to help assess the Bureau's progress.

OIG's report on the Department's effort to reduce trade barriers (00-CI-009) in the telecommunications industry has found that fundamental weaknesses in the Department's performance planning limit its ability to effectively manage, coordinate, and report on its progress in reducing trade barriers. OIG recommended that the Bureau of Economic and Business Affairs, with guidance from the Department's core strategic planning team, develop priorities for the national interest of *Economic Prosperity* and align the performance and operational plans accordingly.

OIG's ongoing review of the Department's mission and bureau level planning process found that the Department was unable to link its strategic planning and resource allocation processes. We have also reported on mission-level strategic planning in each of our post inspection reports. For example, the inspection of Embassy Port-au-Prince (ISP/I-00-04) detailed highly visible problems in strategic planning concepts, which also were observed in other post inspections. OIG reported that Embassy Port-au-Prince's Mission Performance Plan (MPP) lacked coherent performance indicators and that its goals and objectives were not prioritized.

Implementation of the Managerial Cost Accounting Standards (00-FM-001)

In conjunction with the audit of the Department's financial statements, OIG reviewed and evaluated the Department's implementation of *Managerial Cost Accounting Standards*. OIG found that the Department is making reasonable progress, but additional work is needed for the Department to substantially comply with the standard. For example, the Department chose reasonable responsibility segments, recognized the cost of goods and services that it receives from other entities, and used an appropriate allocation methodology. However, the Department did not implement an effective process to routinely collect managerial cost information, establish outputs for each responsibility segment, or allocate all support costs. Until this is accomplished, financial information will not be fully useful as a management decision-making tool.

Allegations Regarding Construction of Warehouse/Annex at Embassy Ulaanbaatar (00-PP-002)

Regarding the construction of an embassy warehouse/annex, OIG received allegations that the prime contractor was unqualified to carry out the contract, the Department overpaid for the firm's services, the firm was not authorized to use subcontractors, and it had mistreated its subcontractors.

OIG found no evidence to support the allegations against the contractor, but determined that questionable contract administration practices by the Department may have contributed to the allegations. For example, the Department awarded a \$133,247 contract modification to the contractor for services that appeared to have been already covered in the prime contract. Although OIG accepted the Department's explanation for this modification, the lack of adequate contract file documentation, and other shortcomings reflected poor contract management practices. OIG recommended that these practices be reviewed and strengthened as appropriate.

Department of State Actions Regarding U.S. Funding for the International Civilian Mission in Haiti (00-CG-003)

In response to a request from the Chairman of the Senate Committee on Foreign Relations, OIG reviewed the actions of Department of State officials regarding U.S. funding for the joint Organization of American States (OAS)/United Nations International Civilian Mission in Haiti (MICIVIH). The chairman requested that OIG address several questions to determine whether Department officials made any commitments to OAS with regard to the 1999 congressional appropriation of funds for MICIVIH or encouraged OAS to spend money it did not have.

OIG found no basis to conclude that anyone in the Department made commitments to OAS officials about the funding for MICIVIH or encouraged OAS to continue operations without funding.

Joint Department of State/ USAID Quality Control Review

Our office and the USAID OIG conducted a joint quality control review of a public accounting firm's working papers for its audit of a mutual grantee. The audit covered the grantee's fiscal year which ended June 30, 1998. The objective of a control review is to assure that the audit was conducted in accordance with the applicable standards and meets the auditing requirements of the Office of Management and Budget Circular No. A-133. We focused the review on the following qualitative aspects of the audit: due professional care, planning, supervision, independence, quality control, internal controls, substantive testing, general and specific compliance testing, and the Schedule of Federal Awards. We found that the audit of the grantee performed for the fiscal year ended June 30, 1998, was technically deficient and will require corrective action by the accounting firm. However, the findings resulting from these deficiencies did not appear to affect the results of the audit. In particular, the auditors did not have adequate documentation to support their tests of internal controls on several compliance items including eligibility, matching, period of availability, reporting and subrecipient monitoring. The independent accounting firm also did not identify the Department of State as a source of Federal funding on the Data Collection Form. As a result, the Department would not be notified or provided audit results.

Nontax Delinquent Debt (00-FM-004)

OIG reviewed the Department's compliance with the Debt Collection Improvement Act of 1996 (Public Law 104-134). This audit was part of a President's Council on Integrity and Efficiency governmentwide review of nontax delinquent debt. Nontax delinquent debt includes debt unrelated to taxes owed by individuals to Federal agencies. The objectives of the review were to determine whether the Department's share of the reported \$60 billion in governmentwide nontax delinquent debt accurately represents the universe of such debt and to evaluate the ages and the collectibility of the delinquent debt. Also, the audit evaluated the Department's portfolio management activities to ensure that these practices minimized loss to the Federal Government.

OIG found that the Department diligently worked toward meeting the objective of the act to collect delinquent debts owed to the Federal Government and reduce losses arising from inadequate debt management activities. However, the audit identified several areas where improvements could be made. The OIG review found that the Department was not routinely sending delinquent debt for cross-servicing activities; the amount of debt sent to the Department of the Treasury for collection did not include accurate and complete amounts for interest, penalties, and administrative charges; and improvements were needed in debt management including producing a reliable aging schedule.

Audit of the Selection of Service Providers in the International Cooperative Administrative Support Services System (00-PP-005)

OIG reviewed posts' progress in selecting the most cost-effective service providers under the International Cooperative Administrative Support Services (ICASS) system. ICASS was initiated in 1996 in response to the National Performance Review Initiative and a congressional mandate to have a system in place that "allocates to each department and agency the full cost of its presence outside the United States." In addition to allocating costs, additional goals of ICASS were to: increase the transparency of costs, provide quality administrative services and increase customer satisfaction, reduce and contain costs, and promote local empowerment.

OIG examined whether posts had the tools necessary to identify and select the most cost-effective service providers. OIG also reviewed whether the Department had made progress towards becoming a more cost-effective service provider, and whether, at posts where another agency sought to serve as a provider, the service provider selection process worked as intended. OIG also reviewed whether significant cost savings have been achieved under ICASS, including how "opt-outs," agencies pulling out of particular ICASS services, have affected overall U.S. Government costs. In addition, OIG identified best practices that could aid posts in selecting the most cost-effective service provider.

In the short period since the inception of ICASS, posts have implemented the basics of ICASS, which has resulted in improved transparency of costs. However, improvements are needed to make the process more effective. OIG found that the Department could be a more cost-effective service provider. Most post ICASS councils have not been active in analyzing ICASS costs and seeking more cost-effective solutions. Some posts' MPPs and ICASS employee work statement requirements do not reflect the ICASS goals of improving the quality of services and lowering costs.

Finally, significant cost savings have not yet resulted from ICASS. Although some agencies have indicated that they reduced costs by opting out of ICASS services, opt-outs may not provide the most cost-effective arrangement to the U.S. Government. OIG also identified best practices at some posts visited and noted how OIG findings related to the goals and objectives of the Results Act.

OIG recommended that service providers evaluate their compliance with all measurable service standards. OIG also recommended that

the distribution of ICASS personnel time to cost centers be based, to the extent practical, on objective quantifiable measures, and that more accurate cost distribution factors be developed; post MPPs and administrative officers' work requirements reflect the goals of ICASS; ICASS data be used to conduct global, regional, and post-to-post comparisons to identify large differences in costs; guidance to posts regarding the process to be followed in choosing among competing service providers be clarified; and opt-outs of ICASS services be monitored and observations shared with respective posts or regional bureaus.

International Joint Commission's 1998 Principal Financial Statements (00-FM-006)

Pursuant to an interagency agreement, OIG audited the International Joint Commission's (IJC) 1998 Principal Financial Statements in order to obtain reasonable assurance and express an opinion on whether the financial statements were free of material misstatement, to determine

Language Proficiency Pay Program

In response to a 1996 OIG audit report, the Department implemented a new foreign language monetary incentive program that will reward proficiency and maintenance of designated "hard" languages, rather than language acquisition. The radically restructured program, which took effect on October 1, 1999, is designed to recognize the employees' linguistic contributions, improve language skills, and encourage repeat tours through monetary incentives.

whether IJC had an internal control structure that provides reasonable assurance of achieving internal control objectives, and whether IJC complied with applicable laws and regulations.

OIG issued an unqualified opinion on IJC's 1998 Principal Financial Statements, which means the financial statements were free of material misstatements. Although an unqualified opinion was issued for the 1998 Financial Statements, the report brings to management's attention concerns with security over the Department's mainframe computers and the inadequacy of its financial and accounting system, which is both an internal control weakness and an issue of noncompliance with several laws and regulations, including the Budget and Accounting Act of 1950, the Federal Managers' Financial Integrity Act, and the Chief Financial Officers Act. Because IJC uses the Department of State's accounting system, these problems affect IJC's financial reporting.

Electronic Fund Transfers (00-FM-007)

OIG initiated a review of the Department's progress in fulfilling its congressional mandate to put a system in place to make payments by electronic fund transfers (EFTs). The Department of the Treasury has set goals of 69 percent of the Department's payments made by EFTs for FY 1999 and 75 percent for FY 2000.

OIG determined that the Department is making progress toward converting payments from checks to EFTs. As of March 1, 1999, the Department was processing 62 percent of its payments by EFT. Based on its progress to date and ongoing efforts, OIG believes the Department is on track to meet Treasury goals. OIG's review indicated that the Department's controls over EFT processing are adequate domestically, as well as for the Financial Service Center OIG visited. However, some domestic controls need improvement in the areas concerning segregation of duties, security of the equipment, and payments to vendors.

Department of State Controls Over the Transfer of Militarily Sensitive Technology to Foreign Nationals from Countries and Entities of Concern (00-CI-008)

As part of the National Defense Authorization Act for FY 2000 (Public Law 106-65), OIG participated in an interagency review of the adequacy of policies and procedures to protect against the unauthorized release of militarily sensitive information to foreign nationals. OIG found that the Department does not systematically track foreign nationals on export licenses, but instead relies heavily on self-policing by U.S. companies. Therefore, although licensing agreements may be in place requiring adherence to policies and procedures protecting sensitive information, the risk of

unauthorized release persists. OIG made two recommendations to improve the Department's ability to monitor the transfer of technical information to foreign nationals and to inform responsible parties of applicable licensing requirements.

The Department of State's Strategic Planning and Management of Efforts to Reduce Foreign Trade Barriers in the Telecommunications Sector (00-CI-009)

OIG conducted a review to evaluate the Department's strategic and performance planning and its management of efforts to reduce trade barriers in the telecommunications industry. OIG's assessment of the Department's planning and performance goals and measures addresses the requirements of the Results Act.

Our review found that the Department's efforts to open international telecommunications markets for U.S. businesses have helped reduce trade barriers. However, most of the Department's performance indicators are not tied to its actual activities and do not have measurable targets. These weaknesses in the Department's performance planning limit its ability to effectively manage, coordinate, and report on its progress in reducing trade barriers in the telecommunications industry. OIG recommended that the Office of the Under Secretary for Economic, Business, and

Agricultural Affairs, in coordination with the Department's core planning group, develop specific priorities for the national interest goal of *Economic Prosperity* and align the strategic, annual performance, and operational plans to these goals and priorities. OIG also recommended that the bureau provide a measurable, targeted level of performance for each telecommunications performance indicator listed in its Bureau Performance Plan.

In addition, the Department could improve communication with its overseas missions on telecommunications issues. The Department's overall ability to respond to telecommunications issues is impaired when the missions are not fully and currently informed. OIG recommended that the Bureau of Economic and Business Affairs, International Communications and Information Policy, share information

on telecommunications meetings, private sector concerns, developing policy issues, congressional proceedings, and U.S. Department of Commerce and Foreign Commercial Service initiatives with posts in a timely manner.

Operations and Expenditures from the Appropriation for Emergencies in the Diplomatic and Consular Service (00-FM-011)

OIG performed an audit, as required by 22 USC Section 2671, as amended (Public Law 98-164), of the Operations and Expenditures from the Appropriation for Emergencies in the Diplomatic and Consular Service (the K Fund). The

objectives were to determine whether expenditures for FYs 1993-97 were in compliance with the authorizing legislation, internal controls over funds and property were adequate, and previous OIG recommendations had been implemented.

The general nature of the authorizing legislation has allowed for differing interpretations as to its intent; however, OIG reported that some of the expenditures do not appear to meet the intent of the legislation. The Department disagreed and believes that it does comply with the requirements. In addition, we found that the Department did not prepare timely or accurate quarterly reports to Congress as mandated by legislation.

The decentralized structure of the K Fund led to inefficiencies and exacerbated other internal control

Interagency Review of the Export Licensing Process for Foreign National Visitors

As required under specific provisions of the National Defense Authorization Act for Fiscal Year 2000, the Inspectors General of the Departments of Commerce, Defense, Energy, and State cooperatively reviewed the export licensing process for Foreign National visitors. Our overall objective was to determine whether the policies and procedures for the transfer of information at Federal laboratories and agencies to foreign nationals (deemed exports) from countries of concern adequately protect militarily sensitive technologies.

The Inspectors General found that Federal agencies' lack of awareness and understanding of deemed exports could damage national security if militarily sensitive technology is released to inappropriate end users. The Departments of Commerce and State OIGs found that both agencies could improve their outreach programs to raise awareness of deemed export regulations. In addition, the Inspectors General found that the Departments of Commerce and Defense did not have export control policies and procedures to help ensure that militarily critical technologies and technical information were only released to foreign nationals visiting research facilities in accordance with Federal export licensing requirements. The Inspectors General concluded that few Federal laboratories or agencies applied for deemed export licensing applications in FY 1999 and that the level of compliance with deemed export regulations was unknown. The participating OIGs made specific recommendations relevant to their own agencies.

weaknesses in the checking accounts, obligations, evacuations, and inventory. The K Fund lacked written policies and an internal review capability. Although the Department had implemented most K Fund recommendations from prior audits, OIG reissued one recommendation that had remained open and five others because the current practices did not reflect management's corrective actions.

Procurement Operations at Embassy Conakry, Guinea (00-PP-013)

Acting upon a March 1999 Embassy Conakry request, OIG reviewed procurement operations and leasing practices of the general services office. OIG found that management controls over the procurement process were not adequate. For example, procurement files were inaccurate or could not be located, changes to the local guard contract were not appropriately modified, and procurement actions were not competed as required. The post has been responsive to OIG recommendations and corrective actions have resulted in improved management and operations of the procurement process, including fostering more local competition for post procurement of products and services.

Recruiting Foreign Service Specialists (00-HR-015)

In another area, OIG evaluated the policies and practices used to recruit Foreign Service specialists. We found that the Department made significant progress in hiring Foreign Service specialists. For example, in FY 1999 the Department met 98 percent of its goal by hiring 582 of the required 588 specialists. However, one area warrants further review and action by the Bureau of Personnel: the amount of time needed to hire candidates after they apply for employment. For example, for the Information Management and Office Management specialists examined in our analysis, an average of 377 days elapsed from when the Bureau of Personnel received the resumes/applications until the candidates' first day of employment. Candidates tend to lose interest in working for the Department as the recruiting process drags on, according to the Bureau of Personnel. OIG recommended that the Bureau of Personnel's Bureau Performance Plan contain benchmarks on the amount of time needed to hire candidates after they apply for employment.

The Office of Inspections conducted post inspections at Embassies Kiev, Ukraine; Manila, Philippines; Port-au-Prince, Haiti; Rabat and Casablanca, Morocco; Tunis, Tunisia; Manama, Bahrain; and Sanaa, Yemen; and at the American Institute in Taiwan.

American Institute in Taiwan (ISP/I-00-01)

AIT is a nongovernmental entity established in 1979 to maintain the unofficial relationship between the United States and Taiwan and operates under contract to the Department. AIT has carried out its core mission with great success. Reenergized under its current leadership and with a talented, experienced staff, AIT Washington plays a unique role in translating U.S. Taiwan-related policies and programs into a nongovernmental context. AIT Taipei office is doing a fine job of advancing U.S. policies, promoting economic and trade interests, and handling the delicate political-military relationship.

AIT's unique status and the nature of its relationship with the U.S. Government pose a number of management challenges for the Department. Although AIT's management and administration much improved since the 1993 inspection, the time has come to simplify the costly and cumbersome procedures that reduce AIT's ability to operate effectively. OIG found that AIT should

simplify the assignment process, rationalize the uncertain and inadequate resource base, and negotiate a new contract to clarify and codify the tangle of administrative relationships with the Department of State and other U.S. Government agencies. In particular, AIT needs a new framework to provide long-term budgetary stability, and a more rational, transparent funding operation.

AIT Taipei has made significant strides in improving its administrative functions, but weaknesses remain in financial management, general services—especially the procurement process—and personnel. A new financial management system, once it is fully implemented and with appropriate internal controls, should permit AIT Taipei to manage its resources more transparently and effectively. AIT Taipei faces major decisions regarding real property, involving potential multi-million-dollar commitments that are beyond AIT's ability to fund or to manage. The Department must play an active role in deciding what construction will be done and in providing the funding to carry it out.

Because of its unique structure, public diplomacy was integrated within AIT Taipei's operations well before USIA was merged into the Department of State. Although the cultural and information section functioned well, OIG concluded that the section needs to be more actively involved in integrating public diplomacy into the broad range of AIT Taipei's activities.

AIT Taipei's consular operations conduct an extraordinarily high volume of business. They are well managed and serve as an example of efficient and productive application of consular best practices. OIG found some areas where consular operations need to be brought into compliance with worldwide consular policy and procedures.

Embassy Kiev, Ukraine (ISP/I-00-02)

Embassy Kiev is a big, well-run post. Under strong, compassionate leadership, the Embassy effectively implements a complex, long-term U.S. policy; U.S.-funded assistance programs total more than \$300 million each year and are among the largest in the world. The primary

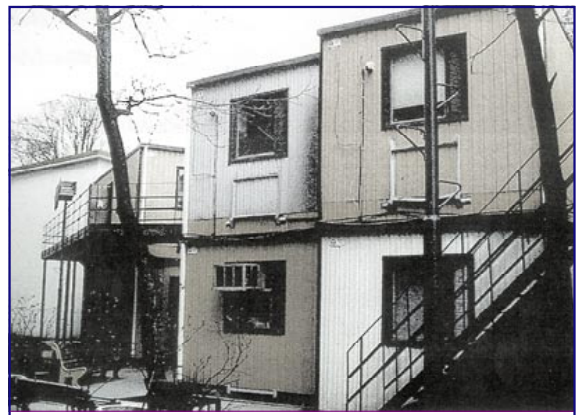


Foreign Service officers, crowded into small cubicles, share inadequate working space.

U.S. objective is to support Ukraine's transition to a Western-oriented democratic society with a market-related economy. Internal corruption, crime and political division work against rapid progress toward that objective.

The post's physical plant impedes efficient management. The chancery compound is too small to accommodate the size of the mission and is a hazard to the health and safety of those who work there. Officers sit back to back in cubicles; many Foreign Service national (FSN) employees are crowded into converted construction trailers, stacked on top of one another and none having adequate facilities. In the Defense attaché office, seven Americans share 336 square feet of space, including a corridor; in the economic section, three officers share 195 square feet. The cashier works in an area of 6 feet by 6 feet, with conditions adversely affecting internal controls. The embassy needs the Department's help to deal with its critical short- and long-term real property issues. Notwithstanding a daunting policy environment, poor working conditions, and a lack of basic benefits for national employees, mission morale is remarkably high.

The public diplomacy section employs innovative programs in support of mission objectives, including the generation of favorable media attention to U.S. positions on Kosovo



Stacked construction trailers are a health and safety hazard for the many FSNs who work within.

and a well-administered exchange program that sends over 1,000 Ukrainians to the United States each year.

Embassy Manila, Philippines, and Broadcasting Board of Governors' Philippines Transmitting Station (ISP/I-00-03)

The U.S. Embassy in Manila is one of the largest and most complex diplomatic establishments in the world. At present, policy differences are minimal and bilateral relations are excellent. The U.S. mission is positively engaged and doing an excellent job of building support across the range of U.S. interests. The Philippines' willingness to volunteer peacekeeping personnel in East Timor and speak out for democratic values in the Association of South East Asian Nations was particularly helpful to U.S. interests. Foreign assistance is virtually at an all-time low. The Embassy is commended for its part in facilitating the ratification of a

new "Visiting Forces Agreement" that will help strengthen the U.S. military presence regionally.

The Embassy front office should give closer attention to several administrative problems, in particular, severe financial and management problems in the U.S. Employees Association (USEA). A 1994 OIG inspection report specifically tasked post management with monitoring and correcting the USEA's problems. However, these problems have gone unattended since 1995 and, despite repeated visits from the Department's commissary and recreation staff, have now reached a crisis stage, since the association has weak internal controls and is losing money rapidly.

Manila is one of the most challenging consular operations in the world. The Embassy and the Department still must address significant problems, including renovation of a poorly laid out physical plant. Despite the massive workload, and the limitations on resources that have created chronic staffing gaps and hampered operations, the consular section is doing an excellent job of meeting its responsibilities. A large, skilled administrative operation with excellent section chiefs provides more than satisfactory services to all mission employees. OIG identified no serious deficiencies in the often nettlesome core administrative areas of financial management, personnel, information management, or the general services office. However, management controls need more attention by all concerned, and OIG made several recommendations in this area. OIG also agrees with the Department's opposition to U.S. Agency for International Development (USAID) Manila's effort to assume responsibility for its own FSN payroll system, rather than continue to use the Bangkok Financial Service Center.

OIG visited the BBG Transmitting Station on the Philippines Island of Luzon and found it to be a well run and effective operation. However, OIG found that BBG's Office of Affiliate Programs needs to better coordinate with Embassy Manila when identifying and contracting with Philippine commercial radio stations to rebroadcast Voice of America (VOA) programs.

Embassy Port-au-Prince, Haiti (ISP/I-00-04)

Continuing controversy on U.S. intervention in 1994 and Haiti's prospects for democracy and economic development indicate a need for another policy review of U.S. interests in terms of what can be achieved and what resources are required. This review is further warranted by the rapidly expanding U.S. effort to

cooperate with Haitian authorities in blocking the growing traffic of illegal narcotics through Haiti to the United States. A very difficult working environment and Haiti's uncertain future contribute to a crisis atmosphere at the Embassy. This is compounded by frequent high-level visits. In these circumstances, Embassy management is struggling, with mixed results, to support a growing U.S. diplomatic establishment. The Embassy is al-

ready at the outer limit of its ability to provide this support, and there are notable lapses in planning, record keeping, and organization. Embassy performance is further impeded by a number of vacant positions.

The public diplomacy section has been well integrated into the Embassy as a result of USIA-State Department consolidation. The Ambassador is highly skilled in using public diplomacy to advance U.S. interests and is supported effectively by this section. Embassy Port-au-Prince is making excellent use of VOA Creole media contacts to reach the people of Haiti. The consular section is also conspicuously strong and, with good support from the Bureau of Consular Affairs, effectively overcoming a large inherited backlog of immigrant visa cases while managing a heavy load of current applications.

Widely scattered facilities and numerous physical security shortcomings seriously complicate Embassy Port-au-Prince's ability to meet current security standards. Some security improvements will be included in a renovation of the chancery scheduled to start early in 2000. This renovation will significantly improve working conditions for those employees in the chancery, but a large number of mission employees will not be accommodated and will remain in trailers on the Embassy grounds or in scattered annexes. To meet longer-term needs the Embassy meanwhile should begin planning with the Office of Foreign Buildings Operations for a more suitable, secure, and perhaps better located chancery.

**Embassy Rabat,
Morocco, Consulate
General Casablanca,
and the BBG Morocco
Transmitting Station
(ISP/I-00-05)**

Morocco entered a new era with the accession of a young king with a reformist agenda in July 1999. Embassy Rabat is doing excellent work in advancing U.S. interests, which include stability, prosperity, and democracy, and in refocusing policy initiatives from multilateral issues, such as the Middle East Peace Process, to bilateral issues. U.S. support for the new king has resulted in increased attention to Morocco, a growing number of high-level visitors, and a demand for increased post reporting. A mission reporting plan, incorporating the strategic goals of the MPP, to coordinate the work of the political and economic sections, as well as the public affairs and consular sections and Consulate General Casablanca, is an urgent requirement. The mission developed an outstanding MPP but was frustrated by a lack of Department attention to resource needs. The Department needs to improve coordination of the inter-agency U.S.-North African Economic Partnership Initiative in 1998 to reduce trade barriers and boost U.S. investment in Morocco, Tunisia, and Algeria.

The consular section, based in the largest city and business capital, Casablanca, is overburdened and struggling to manage its growing workload. Attention to policy issues, reporting, and outreach activities suffer as a result. The Department needs to address consular readiness and staffing issues.

The Department, the Embassy, and Consulate General Casablanca need to focus on dysfunctional and inefficient space configuration in both posts, and relocate the public affairs sections in both Rabat and Casablanca. The physical distance of public affairs from the chancery in Rabat has hampered agency consolidation. The mission administrative section provides a high level of support, but greater communication and recognition for the staffs of the Consulate General and Morocco Transmitting Station in Tangier should be implemented.

The Transmitting Station is well managed and its efficiency is constantly improving. Diplomatic readiness is also improving because of upgrades to the Embassy's telecommunications systems. The security systems in Rabat, Casablanca, and Tangier are strong, and OIG made a series of formal recommendations and provided additional advice to help tighten security further.

Embassy Tunis, Tunisia (ISP/I-00-06)

The mission manages the 200-year-old relationship with Tunisia successfully by maintaining an active dialogue on key regional issues such as the Middle East Peace Process, Iraq, and Libya, and devoting sufficient attention to bilateral issues. An active U.S. program of joint military exercises and assistance has produced a generally pro-American military. Tunisians were enthusiastic at the initiation of the U.S.-North African Economic Partnership Initiative in 1998, but problems of insufficient funding, structure, and direction from Washington have led to disappointment so far. Moreover, as Tunisia begins a 2-year term on the United Nations Security Council in January 2000 as the sole Arab member, U.S. diplomacy will face a challenge on Iraqi issues because of widespread Tunisian sympathy with the plight of the Iraqi people under UN sanctions.

Interagency coordination at Embassy Tunis is excellent. However, poor morale in some sections would be ameliorated by better team building by the Ambassador and deputy chief of mission. Staff cohesion suffers from physical separation of some sections, which the construction of the approved new office building should largely resolve. The present buildings are scattered and inadequate in terms of space and utility and hamper efficient operations. Some, but not all, security concerns have been addressed by the front office. While

integration of public diplomacy has proceeded well after consolidation, realignment of officer duties and shifting foreign national workloads due to recent severe cutbacks need to be addressed. The consular section deserves high praise in implementing mission objectives and consular best practices, and for on-the-job training. The front office should deepen its involvement in consular policy issues.

Originally, the Department planned to relocate the Foreign Service Institute's Arabic Language Field School, currently in a suburb of Tunis, to the new chancery compound. With relatively few security upgrades, the school can stay where it is. More appropriately, planning should proceed to include an on-compound residence for the Marine security guard detachment in place of a building for the Arabic school. Once the Embassy moves to the new compound, the detachment quarters, if left in place, would be located too far away for reasonable reaction time.

Embassy Manama, Bahrain (ISP/I-00-07)

Bahrain, a tiny island emirate in the Persian Gulf, is a vital partner in promoting regional stability and has hosted the U.S. Navy's Fifth Fleet for over 50 years. It has few democratic institutions and no political parties. The Embassy is successfully promoting U.S. interests. For example, with the 1999 accession of a new Amir, the Embassy has pressed for internal political reform. OIG

found a need for better coordination with the Department on reporting requirements and on contact reporting policy. The Embassy is spearheading a successful interagency effort to enhance economic relations with Bahrain. This multifaceted public affairs program deserves credit for recent improvements in Bahraini press coverage of issues important to the United States. Although the U.S. naval contingent dwarfs the rest of the American presence in Bahrain, effective interagency coordination keeps the Ambassador firmly in control. The Embassy provides administrative support, but has little substantive interaction with the BBG office in Manama, which is staffed by a single expatriate FSN employee who monitors broadcasts in the region. Morale and job satisfaction of the mission's American and FSN employees are among the highest ever seen by recent OIG inspection teams, thanks largely to a thoughtful, caring, and energetic front office.

As a result of the consolidation of the State Department and USIA, the administrative section has taken over administrative functions from the public affairs section (formerly the United States Information Service). Some public affairs section FSN personnel should be transferred, and those who remain in the section should take over contact list and translation duties. Creation of a junior officer position is necessary so that the post can satisfy Washington demands for more political reporting while supporting Bahrain's

very heavy flow of official U.S. visitors. Some locally hired expatriate FSN employees have been receiving benefits appropriate only to third country national employees; their status must be adjusted to bring their salaries and benefits in line with the compensation plan for locally hired FSN employees, at an annual savings to the Embassy of \$80,000.

Embassy Sanaa, Yemen (ISP/I-00-08)

With its location on the southern tip of the Arabian Peninsula and a population larger than any of its neighbors, Yemen potentially could control access to a key international strategic shipping link at the mouth of the Red Sea. The United States thus has an interest in promoting a stable, prosperous Yemen sympathetic to U.S. concerns. Yet, regretfully, the scheduled termination of all USAID bilateral programs in September 2000 will reduce U.S. leverage on the formulation of Yemen's policies, sending the wrong message to a country that is an emerging democracy and the poorest state in the region.

Yemen's central government does not have effective control over powerful sheikdoms in the hinterland, some of which are providing long-term hospitality to international Islamic extremists. Recent kidnappings of Westerners, including Americans, and kidnapping attempts on embassy staff have affected post morale. Contacts and coordina-

tion regarding law enforcement and antiterrorism training programs for the Yemeni Government are excellent.

The Ambassador has excellent access to government officials to advance MPP goals of regional stability, democratization, counterterrorism, and economic reform. A successful humanitarian demining program has enhanced military-to-military relations. The volume of political and economic reporting is significantly limited by requirements for reporting officers to manage and perform liaison tasks for the programs of other U.S. Government agencies. There are major vulnerabilities in diplomatic readiness and management controls because of unacceptably long staffing gaps at Embassy Sanaa, particularly in administrative and security functions. Consular programs to reach out to the Yemeni-American community should be expanded. Consular operations also require a temporary staff increase to process accumulated case backlogs.

The public affairs section is straining to continue programs that were established in an era of more generous staffing. Consolidation of the USIA and the State Department has not affected the conduct of public diplomacy, but the continued financial viability of the prestigious Yemen-American Language Institute is in jeopardy now that it must conform to Department regulations. A Department working group is considering revisions in consolidation guidance.

Security and Intelligence Oversight

During this reporting period, OIG conducted the following security oversight inspections, which are summarized in the classified annex to this semi-annual report: Embassy Rome, Italy and the U.S. Mission to the UN Agencies for Food and Agriculture; Embassy Vatican, The Holy See; the Foreign National Employee Program in Russia; Embassy Dakar, Senegal; Embassy Abidjan, Cote d'Ivoire; Embassy Paris, France, and U.S. Mission to the Organization for Economic Cooperation and Development, Paris, France; Embassy The Hague, The Netherlands; Embassy Tallinn, Estonia; and Embassy Bratislava, Slovak Republic. OIG also conducted a security evaluation of temporary Embassy Doha Qatar and a followup review at Embassy Lisbon, Portugal.

Audits were completed on Overseas Telephone Systems Security Management, Management of Card Access Control Systems, Overtime for the Secretary's Detail, Bureau of Diplomatic Security (DS) Management of Overseas Operations, and Assessment of Department Activities to Counter Technology Transfer.

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

OIG assessed the Department's efforts to reduce the risk of compromise for operations and national security information discussed or processed at overseas posts. Telephone security risks at overseas posts have been reviewed in numerous prior reports. Overall, this report's findings confirm that the Department's ability to protect sensitive information transmitted on telephone systems could be improved. OIG recommended steps the Department should take to improve its telephone systems security overseas.

Department officials generally agreed that overseas telephone security needed improvement. A key Department concern was that implementation of the OIG recommendations may not be feasible without a commitment of resources.

Management of Card Access Control Systems (SIO/A-00-02)

Several organizational elements of the Department's Bureau of Diplomatic Security are involved in managing card access control systems used at U.S. posts abroad. However, no single office or element has been designated with lead responsibility for managing those systems. As a result, important policy requirements were not applied, or were not adequately applied, in the management of those systems. DS could significantly improve the management of card access control systems by:

- designating a single office primarily responsible for managing distinct card access system activities including system planning, installation, administration, and maintenance;
- assessing the risks, costs, and benefits of using card access control systems before acquiring such systems;
- acquiring and using only those systems approved by DS; and
- focusing greater attention on computer security aspects of those systems.

DS agreed with the findings and recommendations and indicated that the report would be used in improving the bureau's program for managing card access control systems.

Overtime for the Secretary's Detail (SIO/A-00-04)

DS's Professional Responsibility staff asked OIG to determine whether the overtime claimed by the agents of the Secretary's Detail was consistent with the hours worked. OIG performed a limited review of the time and attendance for the Secretary's Detail and concluded that the overtime claimed was consistent with the hours worked. In addition, supervisors from the Secretary's Detail had properly reviewed all of the timesheets sampled by OIG. OIG did not note any irregularities and made no recommendations.

Survey of Bureau of Diplomatic Security Management of Overseas Operations (SIO/A-00-22)

OIG initiated this survey to determine whether there are internal DS structural impediments to monitoring post security programs and enforcing standards. Since a number of recent recommendations for changes in DS management and operational concerns are under active consideration by the Department, OIG terminated the audit work on completion of the survey phase.

During the survey, OIG saw no indication of significant material weakness in DS's Office of Overseas Operations support of overseas security programs. The staff is diligent and conversant on the priority issues. DS's "banding" initiative has allowed identification of posts that could shore up defenses without relocating facilities. DS's initiative to create senior regional directors positions should also enhance the office's oversight functions.

DS has received funding to establish a Security Standards Tracking System that consolidates security information, measures compliance with security standards, and can be updated on a real-time basis. However, program officers

say that it will be several years before the system is fully operational.

OIG suggested that the organizational placement of the Office of Overseas Operations in the DS hierarchy be reassessed and that a more prominent positioning may be called for to reflect the office's standing as the focal point for DS programs overseas.

Assessment of Department Activities to Counter Technology Transfer (SIO/A-00-31)

This assessment of the Department's activities to counter illicit technology transfer was performed in coordination with representatives of the Inspectors General of the Departments of Defense, Commerce, and the Treasury, and the Inspector General of the Central Intelligence Agency. The assessment is in response to a requirement in the National Defense Authorization Act for Fiscal Year 2000.

The Department does not have a counterintelligence program that

focuses specifically on technology and technical information with potential military application. The Department has policies and programs that address the overall counterintelligence threat. However, the Department's Bureau of Consular Affairs administers a visa screening program, "Visas Mantis," designed to prevent visas from being issued to individuals seeking to enter the United States to violate laws prohibiting the export of goods, technology, or sensitive information.

The Visas Mantis program has been instrumental in identifying visa applicants who might be a concern with respect to illicit technology transfer, and has resulted in the denial of visas, useful information for the U.S. intelligence community, and identification of potential visa fraud. However, OIG found that improvements are needed in the Visas Mantis program. Specifically, the Department should:

- Develop documented guidance and procedures on the Visa Mantis program for U.S. Government agencies participating in the program,
- Take action on referrals of potential visa fraud from other U.S. Government agencies, and
- Develop detailed guidance on the list of sensitive technologies used in screening applicants under the Visas Mantis program.

The Department agreed with the OIG recommendations, but questioned whether the program is worth continuing in its current form given the varying levels of support provided by participating U.S. Government agencies.

Visa Fraud

In January 2000, OIG opened a joint investigation with the Immigration and Naturalization Service (INS) concerning an FSN investigator employed by INS at a U.S. Embassy. According to INS, the investigator had attempted to extort money in return for processing an asylum petition. The approval of such a petition is part of a process leading to the issuance of a U.S. visa to the applicant.

Based upon evidence developed in the investigation, the U.S. District Court in Alexandria, Virginia, issued a criminal complaint and arrest warrant for the employee on a felony charge of attempted extortion. During an interview after his arrest, the employee admitted to accepting money for facilitating six asylum petitions that resulted in the issuance of visas. The investigator was terminated from employment and subsequently entered a guilty plea to the felony charge. The subject remains incarcerated pending sentencing. (00-034)

OIG opened a joint investigation with INS, the Internal Revenue Service, and the OIG of the Social Security Administration in August 1999 based on information that a network of individuals, operating primarily in

Virginia, Florida, Kentucky, and the Czech Republic, was engaged in a conspiracy to profit from the employment of unauthorized alien workers in the United States.

Travel agents/recruiters in the Czech Republic worked with individuals in the United States to recruit foreign nationals, primarily from the Czech Republic and other East European countries, to work in various unskilled positions in retail stores and hotels in the United States. The recruiters generally helped the foreign nationals obtain nonimmigrant visitor visas from U.S. Embassies by misrepresenting the true purpose of the travel and by supplying the foreign nationals with fraudulent supporting documents for their visa applications. The foreign nationals then traveled to the United States on nonimmigrant visitor visas, which do not authorize employment. Once in the United States, many of these foreign nationals were provided with fraudulent H1-B visas, which do authorize employment. These fraudulent visas were then used to obtain Social Security cards from the Social Security Administration.

In February 2000, four Czech nationals who had been living and working in the United States entered guilty pleas to criminal charges in U.S. District Court in Norfolk, Virginia. All four agreed to cooperate in the continuing investigation.

One of the individuals who pleaded guilty to conspiracy to commit money laundering faces maximum penalties of 10 years in prison and a fine of \$250,000. The others who pleaded guilty face lesser maximum sentences. (99-072)

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

titions filed with the government. The immigration consultant and others were receiving fees from the aliens.

After a joint OIG undercover operation, interviews with alien customers, analysis of records seized in the execution of a search warrant, and other investigative steps, the immigration consultant and an attorney were indicted on felony charges of visa fraud, alien smuggling, and conspiracy. Resolution of these charges is pending. (95-099)

In July 1999, OIG initiated a joint investigation with the Social Security Administration's OIG and INS involving the use of fraudulent visas to obtain Social Security cards for unauthorized aliens. The investigation developed evidence that Turkish nationals, holding Turkish passports containing fraudulent H-2A, H1-B, L-1, and P-3 visas, were being transported from New York and Pennsylvania into Virginia in order to apply for and obtain Social Security cards. These types of visas, if legitimate, entitle a foreign

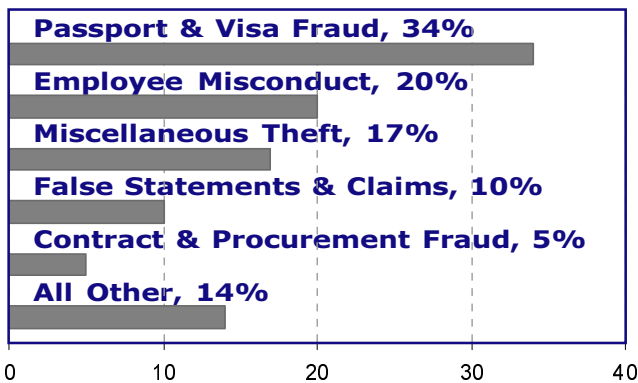
national to obtain a Social Security card and to work legally in the United States.

In September 1999, five Turkish nationals were arrested in Richmond, Virginia, on criminal charges including visa fraud. In November 1999, all five pleaded guilty to reduced charges. Three of these individuals were sentenced to time served and agreed to voluntary departure from the United States under INS procedures. The other two were sentenced to time served and agreed to cooperate with further investigative efforts. (99-067)

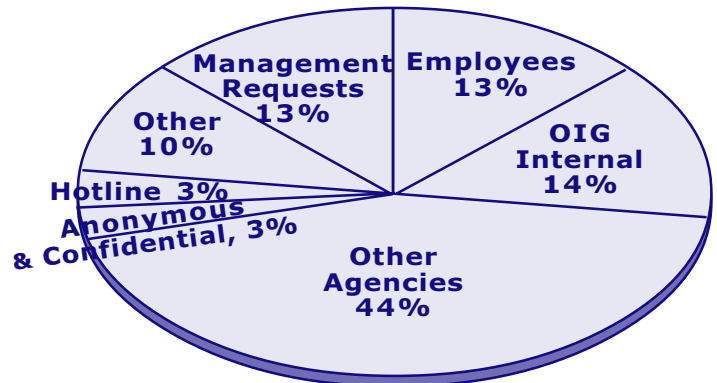
False Claims

An OIG investigation determined that a Department employee submitted and received payment for fraudulent overtime claims in excess of \$29,000. During the investigation, the employee admitted to falsifying the overtime claims and subsequently resigned from the Department. The former employee entered into a plea agreement to one felony count of theft of government

Types of Cases*

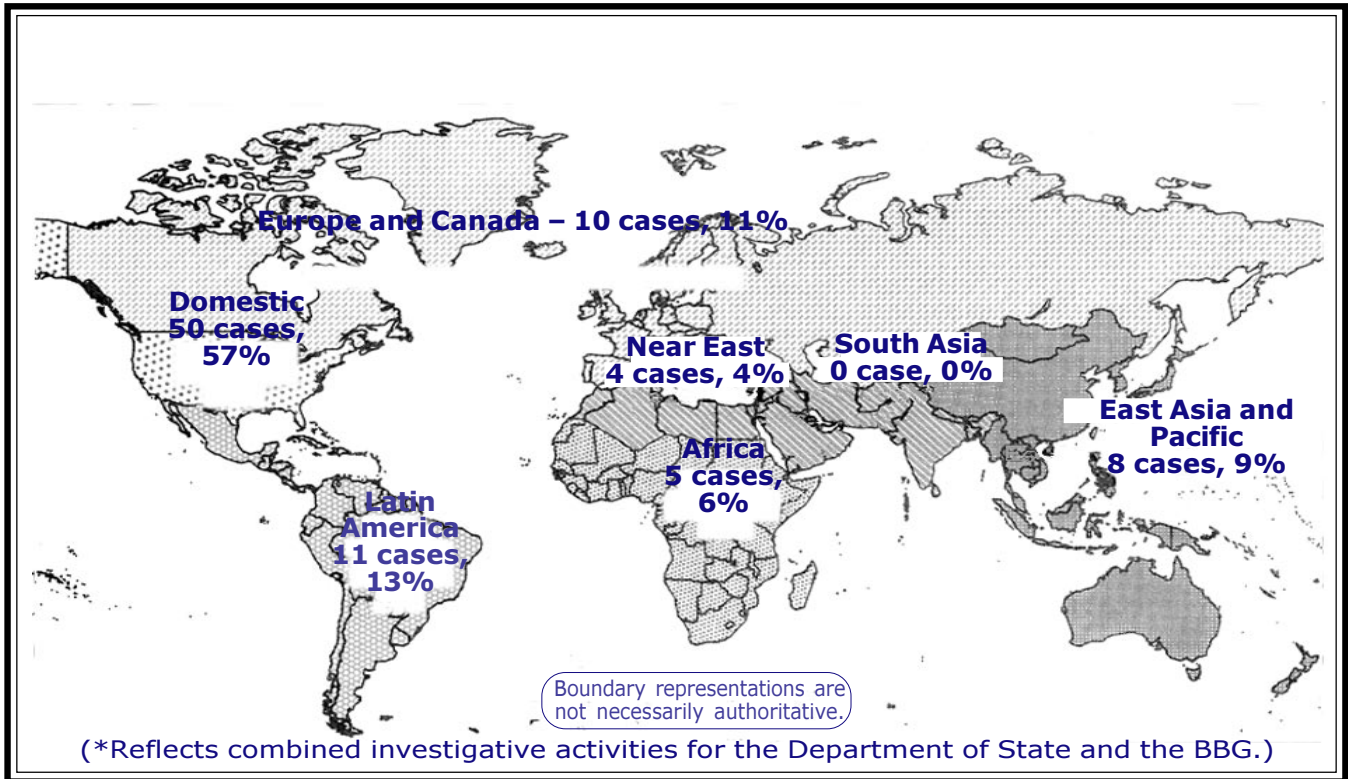


Sources of Allegations*



(*Charts reflect combined investigative activities for the Department of State and the BBG.)

Geographic Distribution of Investigations*



property and agreed to make restitution of the stolen funds. The individual was indicted on February 25, 2000, and the court accepted a guilty plea on March 14. Sentencing is scheduled for May 23. (00-005)

On October 29, 1999, based on information developed by the Office of Audits, OIG made a recovery of \$92,538 from a State Department contractor who billed the U.S. Government for insurance premiums on a policy that did not exist. The contractor had received approval to obtain the policy but never obtained it. The contractor claimed that he had mistakenly billed for the policy. (99-047)

OIG initiated an investigation based upon information that the spouse of a former Ambassador submitted a false voucher for reimbursement for damage to items included in a household effects (HHE) shipment. The investigation determined that the items the spouse claimed were damaged had been purchased for an amount significantly less than the value that the spouse claimed they were worth. On November 16, 1999, the Bureau of Finance and Management Policy (FMP) initiated a collection action in the amount of \$1,637, which the spouse subsequently paid. (99-062)

Falsified Certificates

OIG opened a joint investigation with the INS based on information that an English-as-a-second language (ESL) school was allegedly facilitating the entry of student pilots into the United States. The school allegedly falsely certified on INS I-20AB forms that the pilots would be attending the school. Subsequently, a student advisor working at the school sold falsely certified I-20AB forms to an undercover agent. Based on this information, simultaneous search warrants were executed at the ESL school and a related residence.

Pursuant to a plea agreement, the student advisor entered a guilty plea to a one-count information of

making a false certificate or writing. On October 20, 1999, the U.S. Attorney for the Central District of California provided the court documentation for sentencing that occurred on April 20, 1999. The individual was subsequently sentenced to 1,300 hours of community service work. (94-089)

Employee Misconduct

OIG initiated an investigation on October 14, 1999, based upon information that a junior Foreign Service officer awaiting tenure may have, while serving as a general services officer at an embassy, supervised auctions and inappropriately retained the proceeds. The OIG investigation did not substantiate the allegations. However, as a result of the investigation, the officer agreed to pay the embassy \$398 for outstanding personal telephone calls. The investigation, which included overseas travel, was completed in just over 120 days, allowing the Department to consider the employee for tenure. (99-081)

OIG initiated an investigation on November 1, 1999, based upon information that a Foreign Service officer had placed U.S. Government property from the officer's

official residence at post into an outgoing HHE shipment. The investigation determined that the officer did not remove the property but, because the officer neglected to secure the residence upon departure, the items were stolen from the residence. As a result, the officer agreed to pay \$1,125 for the missing items and other expenses. (00-006)

OIG initiated an investigation based upon allegations that a Foreign Service officer was placing personal long-distance telephone calls on an office telephone and not reimbursing the government. The officer admitted that some of the calls, which were made to another officer, were in fact personal in nature. On November 23, 1999, the two officers reimbursed the government a total of \$800 for the personal calls. (99-013)

Administrative Recovery

As a result of an OIG investigation, it was determined that due to an administrative error, a former senior-level Ambassador continued to receive a Department of State salary for several months after leaving the Department. After being notified by OIG of the continued payments, FMP determined that the Ambassador received \$20,601 in excess salary. On September 23, 1999, FMP notified the Ambassador of the overpayment and requested restitution. (99-027)

Enforceability of "Clinton Pledge"

OIG initiated an investigation based upon information that a former ambassador violated the terms of the "Clinton Pledge" (Executive Order 12834) by contacting the Department and asking for official action within 5 years of departure from the government. The case was referred to the Department of Justice, Civil Division, for prosecutive consideration, as a test case to determine whether the Executive Order was enforceable in civil court. The Department of Justice determined that the Executive Order was enforceable but subsequently declined to prosecute the case. (99-048)

Theft

OIG investigated the matter of a former Marine Security Guard who departed post without paying a debt for bad checks drafted from his personal checking account. The bad checks totaled \$1,482. They were returned to the post for insufficient funds. Post officials and employees within the U.S. Disbursing Office made several unsuccessful attempts to recover the funds. OIG located the individual upon return to the United States and facilitated recovery of the money. (99-084)

Management Implication Reports

OIG opened investigations on alleged thefts of passport fees at two passport agencies. The first was based upon information that applications paid for at the counter at the passport agency could not be accounted for when the applicants called to inquire about the status of their applications. Although each of the applicants had a receipt, none of the applications could be located in the office or in the agency's computer system. While the investigation could not conclusively identify who was responsible for the alleged thefts, the investigation determined that the missing money and applications had not been detected immediately because receipts had not been handled according to Department regulations. The agency also had failed to follow procedures limiting the number of authorized employees in the cashier office.

The other passport agency investigation was based upon information that two passport applications and their cash payments were missing. The two missing applications were for passports that were to have been expedited—which, according to established procedures, requires the fees to be batched separately from regular applications in clearly marked boxes. Somewhere in the process, the cash to the cashier and the applications to the adjudication unit were lost, and the investigation could not identify the individual or individuals responsible.

On July 15 and July 22, 1999, OIG issued two Management Implication Reports to the Bureau of Consular Affairs (CA) recommending that bureau passport management ensure that all passport agencies comply with internal control procedures regarding the handling of cash and receipts. It was further recommended that management ensure that only authorized individuals are permitted access to the cashier area. In the latter investigation, based on the agency's particular needs, the report also recommended that the bureau consider implementing additional internal controls by installing surveillance cameras to the cashier area at that agency. (98-119 and 99-025)

OIG opened a preliminary inquiry based on information alleging that, during the Persian Gulf War, U.S. Navy personnel assigned to a Middle East post pressured a Department of State contracting office into administering a 1988-89 contract for work that was either substandard or never performed. The investigation determined that the contract was a Navy Foreign Military Sales contract for shelving systems that involved the funds of the Middle East country affected and there was no loss to the U.S. Government. However, the contract did become an issue in a \$2-million civil lawsuit against the United States.

The investigation revealed that the original contract was worth approximately \$5 million and that the Department of State contracting officer authorized full payment of the contract based upon a bogus Certificate of Final Acceptance provided by the Navy. At the time, the

contractor had performed no work on the contract. Subsequently, many of the warehouses the contractor was to have worked on were destroyed, yet the contractor submitted in 1992 a \$3.8-million claim with interest to the Navy as wartime expenses with no supporting documentation. The Navy forwarded the claim to the Department of State contracting officer who authorized payment.

In 1993, the contractor received another Foreign Military Sales contract with the Navy for additional shelving; however, the Navy officials who administered this contract followed proper procedures. The contractor was denied reimbursement and subsequently brought the \$2-million civil suit against the United States, citing in part that, since an informal contracting process used by the Department of State had become the usual and customary contracting process, they (the contractor) should be reimbursed for their purchases. The Justice Department advised the Department of State that, regardless of the outcome of the lawsuit in District Court, the State Department was not exposed to financial loss.

As a result of this investigation, a Management Implication Report was issued on December 30, 1999, recommending that the Office of the Procurement Executive advise all contracting agents and posts of the importance of complying with appropriate contracting procedures in order to avoid potential pitfalls in any subsequent administrative or judicial proceeding. (99-PF-092)

FOLLOWUP ACTIONS

Visa Fraud

OIG opened a joint investigation in December 1997 with the U.S. Customs Service, INS, and the U.S. Social Security Administration's OIG based upon information that a foreign national in Garfield, New Jersey, was operating a business which provided fraudulent H1-B nonimmigrant visas to illegal aliens. The investigation developed evidence that the subject, posing as a financial and legal consultant, was manufacturing fraudulent H1-B visas, as well as INS entry stamps and INS employment authorization stamps. The subject was inserting them into passports supplied by his customers. The passports containing the fraudulent visas were then used as documentation in support of applications for Social Security cards and drivers' licenses. The subject generally charged \$1,800 per customer.

In April 1999, the principal subject of the investigation, a Polish national, was indicted on three felony charges of conspiracy to commit visa fraud. An associate of the principal subject was also indicted but subsequently fled the United States. In September 1999, the principal subject was convicted on all three counts after a jury trial in U.S. District Court, Newark, New Jersey. In February 2000, he was sentenced to 55 months imprisonment and a \$3,000 fine. He will be subject to deportation from the United States after completion of his sentence. (*See OIG Semiannual Report, April 1, 1998 to September 30, 1998, p.33.*) (98-030)

Embezzlement

OIG opened a joint investigation in April 1997 with the Federal Bureau of Investigation and the Internal Revenue Service based upon information that an assistant disbursing officer at the Charleston Financial Services Center, Charleston, South Carolina, may have embezzled Department funds. The investigation determined that the employee had stolen more than \$193,000 and had used several bank accounts in other names to further this scheme. When interviewed by OIG investigators, the employee admitted to using stolen funds to purchase crack cocaine and subsequently resigned from the Department and entered guilty pleas to 19 felony counts. On June 2, 1998, the subject was sentenced to 21 months' imprisonment and 36 months' parole and was ordered to make full restitution. On October 14, 1998, the former employee was again indicted, on a felony charge of possession of crack cocaine. OIG previously reported that the employee pleaded guilty to this charge on May 4, 1999. On November 29, 1999, the employee was sentenced to an additional 96 months (8 years) of imprisonment for possession of crack cocaine.

OIG also previously reported that on August 14, 1998, one of the individual's former associates entered a plea of guilty to one count of money laundering but that the sentencing had been postponed as the individual agreed to cooperate in the investigation. On August 24, 1999, the court sentenced this individual to 12 months of imprisonment and 24 months of supervised probation. The court also ordered the individual to successfully participate in several health and educational programs before the conclusion of her supervised probation.

OIG also reported that on January 28, 1999, the other associate, who had been the employee's principal drug supplier, pleaded guilty to one count of distribution of a controlled substance and one count of money laundering. On October 18, 1999, that individual's sentencing hearing was held. At the hearing, following OIG testimony, the drug dealer was sentenced to 15 years of incarceration and 5 years of probation. (*See OIG Semiannual Reports, October 1, 1998 to March 31, 1999, p.29 and April 1 to September 30, 1998, p. 38.*) (97-081)

Procurement Fraud

Based upon information received from an East Asian post, OIG initiated an investigation in December 1998 into allegations that an FSN employee had altered post procurement documents so that the post would pay for services that had not been ordered and were not received. An investigative team traveled to the post in January 1999 and

developed evidence that the employee had engaged in a pattern of fraud and theft. A local law enforcement agency was apprised of this information and agreed to participate in a joint investigation.

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

On November 14, 1999, the local District Court indicted the former employee on 24 counts of forgery and uttering false documents. The former employee pleaded not guilty to the charges. The trial is scheduled for May 2000. (See *OIG Semiannual Report, October 1, 1998, to March 31, 1999, pp. 28-29.*) (99-015)

Passport Fraud

OIG received information from the Postal Inspection Service that a U.S. passport had been recovered as part of a cache of stolen mail located during the execution of a search warrant on a storage locker near Los Angeles, California. The individual who had rented the storage locker, a Nigerian national, was under investigation by postal inspectors for theft and financial fraud. It was determined that the passport had been mailed from the Los Angeles Passport Agency to a legitimate passport applicant, but had not been received by that individual. OIG previously reported that the Nigerian national was indicted on February 13, 1998, on ten felony counts, including theft of the U.S. passport.

On August 18, 1998, the U.S. Attorney's Office filed a First Superseding Information against the Nigerian national containing one count each of mail fraud, mail theft, and money laundering. The Nigerian national waived prosecution by indictment and subsequently pleaded guilty to mail fraud and mail theft. Following a stipulated facts hearing, the court later found him to be guilty of the remaining count of money laundering. On August 19, 1999, the subject was sentenced to 57 months (4 years, 9 months) of incarceration and 60 months' supervisory probation and was ordered to pay \$329,862 in restitution. This sentencing report was not available for semiannual reporting in September 1999. (See *OIG Semiannual Report, October 1, 1997, to March 31, 1998, p.30.*) (97-002)

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 all of the agencies for which OIG has oversight.

Total allegations received	150
Held for action within OIG	16
Referred to other offices for action	110
Not substantiated – no action necessary	24

Appendix 1: Investigative Activities

Workload		Total Judicial Actions		80
Cases pending 9/30/99	94	Criminal		
New cases opened	49	Prosecutive referrals		20
Cases closed	56	Prosecutive declinations		6
Cases pending 3/31/00	87	Prosecutive dismissals		1
		Acquittals		1
Total Administrative Actions	32	Indictments ²		14
Admonishments	0	Convictions		17
Counseling	0	Sentencings		15
Curtailement	0	Time sentenced	294 months	
Debarments	0	Time suspended		0
Demotions	0	Time probation	26 years	
Reimbursements	12	Court-ordered fines	\$6,225	
Reprimands	0	Court-ordered restitutions	\$5,175	
Resignations	1	Civil		
Suspensions	0	Referrals		3
Terminations	4	Declinations		3
Administrative referrals	15	Complaints		0
PFCRA ³ referrals	0	Judgments		0
PFCRA declination	0	Recoveries		0
PFCRA reimbursement	0	Total judgments and recoveries		0
Savings	0			

Administrative recoveries ⁴	\$ 113,150
Judicial recoveries ⁵	\$ 11,400
Total Investigative Recoveries	\$ 124,550

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

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

³ Program Fraud and Civil Remedies Act.

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

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

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

Appendix 2: Reports Issued

Special Report

00-OIG-001	FY 1999 Emergency Supplemental Appropriations	1/00
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Office of Audits

00-FM-001	Implementation of the Managerial Cost Accounting Standards	11/99
00-PP-002	Allegations Regarding Construction of Warehouse/Annex at Embassy Ulaanbaatar	12/99
00-CG-003	Department of State Actions Related to U.S. Funding for the Joint Organization of American States/United Nations Mission in Haiti	12/99
00-FM-004	Nontax Delinquent Debt 12/99	
00-PP-005	Selection of Service Providers in the International Cooperative Administrative Support Services System	3/00
00-FM-006	International Joint Commission's 1998 Principal Financial Statements	1/00
00-FM-007	Electronic Fund Transfers	2/00
00-CI-008	Department of State Controls Over the Transfer of Militarily Sensitive Technology to Foreign Nationals from Countries and Entities of Concern	3/00
00-CI-009	The Department of State's Strategic Planning and Management of Efforts to Reduce Foreign Trade Barriers in the Telecommunications Sector	3/00
00-FM-011	Operations and Expenditures from the Appropriation for Emergencies in the Diplomatic and Consular Service	3/00
00-PP-013	Procurement Operations at Embassy Conakry, Guinea	3/00
00-HR-015	Recruiting Foreign Service Specialists	3/00

Office of Inspections

Inspections

ISP/I-00-01	American Institute in Taiwan	11/99
ISP/I-00-02	Embassy Kiev, Ukraine	11/99
ISP/I-00-03	Embassy Manila, Philippines, and the Broadcasting Board of Governors' Philippines Transmitting Station	3/00
ISP/I-00-04	Embassy Port-au-Prince, Haiti	3/00
ISP/I-00-05	Embassy Rabat, Morocco, Consulate General Casablanca, and the Broadcasting Board of Governors' Morocco Transmitting Station	3/00
ISP/I-00-06	Embassy Tunis, Tunisia	3/00
ISP/I-00-07	Embassy Manama, Bahrain	3/00
ISP/I-00-08	Embassy Sanaa, Yemen	3/00

Office of Security and Intelligence Oversight

Audits

SIO/A-00-01	Overseas Telephone Systems Security Management	11/99
SIO/A-00-02	Management of Card Access Control Systems	11/99
SIO/A-00-04	Overtime for the Secretary's Detail	10/99
SIO/A-00-22	Bureau of Diplomatic Security Management of Overseas Operations	2/00
SIO/A-00-31	Assessment of Department Activities to Counter Technology Transfer	3/00

Inspections

SIO/I-00-03	Embassy Rome, Italy, and U.S. Mission to the UN Agencies for Food and Agriculture	11/99
SIO/I-00-05	Embassy Vatican, The Holy See	11/99
SIO/I-00-07	The Foreign National Employee Program in Russia	11/99
SIO/I-00-08	Embassy Dakar, Senegal	12/99
SIO/I-00-09	Embassy Abidjan, Cote d'Ivoire	11/99
SIO/I-00-15	Embassy Paris, France, and U.S. Mission to the Organization for Economic Cooperation and Development, Paris France	1/00
SIO/I-00-17	Embassy The Hague, The Netherlands	3/00
SIO/I-00-20	Embassy Tallinn, Estonia	3/00
SIO/I-00-26	Embassy Bratislava, Slovak Republic	3/00

Security Evaluation

SIO/E-00-19	Temporary Embassy Doha, Qatar	3/00
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Moscow Oversight

SIO/M-00-21	Moscow Secure Chancery Facilities Project	3/00
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Followup Review

SIO/C-00-24	Embassy Lisbon, Portugal, and Consulate Ponta Delgada	3/00
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Contract Audits

<u>Contractor</u>	<u>Audit Number</u>	<u>Type</u>
Frederick Ward Associates	PA-BB-CG-0018	Labor Hour Rates
ARCON, Inc.	PA-BB-CG-0019	Labor Hour Rates
Wiss, Janney, Elstner Assoc.	PA-BB-CG-0020	Labor Hour Rates

Appendix 3:¹ Savings & More Effective Use of Resources

Table I
INSPECTOR GENERAL ISSUED AUDIT REPORTS²
WITH QUESTIONED COSTS³

	Number of Reports	(Dollars in Thousands)	
		Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period	11	6,8722	338
A1. Adjustment	0	0	50
A2. Adjusted Balance	11	6,822	388
B. Which were issued during the reporting period	0	0	0
Subtotals (A2 + B)	11	6,822	388
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	11	6,822	388
Reports for which no management decision was made within 6 months of issuance	11	6,822	388

¹ The tables in this appendix combine Department of State and U.S. Information Agency data previously reported in the semiannual report under separate tables.

² Includes audit reports issued by the Office of Audits and by the Office of Security and Intelligence Oversight.

³ 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	0	0
Subtotals (A + B)	6	1,447
C. For which a management decision was made during the reporting period	0	0
(i) dollar value of recommendations that were agreed to by management	0	0
– based on proposed management action		
– based on proposed legislative action		
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision has been made by the end of the reporting period	6	1,447
Reports for which no management decision was made within 6 months of issuance	6	1,447

¹A “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 4:¹ Resolution of Reports & Recommendations

PREVIOUSLY REPORTED SIGNIFICANT AUDIT RECOMMENDATIONS² PENDING FINAL ACTION³

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

¹ The tables in this appendix combine Department of State and U.S. Information Agency data previously reported in the semiannual report under separate tables.

² Includes audit recommendations reported as significant in semiannual reports prior to September 30, 1999, on which Department management has agreed to take corrective action but for which those actions are not yet complete.

³ Final action is recorded when a proposed course of action in response to a recommendation has been accepted by OIG and completed by management to OIG's satisfaction.

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

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

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

Reason Unresolved: The Director General of the Foreign Service has not responded, formally or informally to the report and subsequent follow-up inquiries. Therefore, OIG plans to send this issue to the audit resolution process.

To be resolved by: May 2000

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

Summary: OIG made 14 recommendations to the Under Secretary for Management and the Assistant Secretary for Administration to establish a security program and plan for the system, to address risks found during the audit, and to ensure that responsible officials are identified and kept informed about the system's security. The Department is in the process of deactivating the classified mainframe system. 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 or informally to the report and subsequent follow-up inquiries. Therefore, OIG plans to send this issue to the audit resolution process.

To be resolved by: May 2000

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

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

Reason Unresolved: INR has not formally responded to these recommendations.

To be resolved by: May 2000

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

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

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

To be resolved by: Unknown; case in litigation

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

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

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

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

To be resolved by: June 2000

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

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

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

To be resolved by: June 2000

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

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

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

To be resolved by: June 2000

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

Summary: OIG questioned \$46,626 as unallowable or unsupported by the Institute. These costs included airfares for individuals who did not participate in the program, excess working meals, and an unreasonable amount of tickets for sporting events. Also questioned were salary and benefits that were based on budget percentages instead of actual hours worked.

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

To be resolved by: June 2000

Broadcasting Board of Governors

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AUDITS

Allegations Regarding the Voice of America Television Project (00-PP-010)

OIG reviewed March 1999 allegations regarding the VOA Television Project. The allegations centered on the introduction of a new concept into VOA television called “small format” videototechnology or videojournalism. Essentially, this concept involves providing VOA journalists with small, handheld camcorders and related equipment so they can record their own stories without the need of a larger production crew. The allegations were that: (1) the contractor introducing this concept into VOA was virtually unknown; (2) the small format concept was untested and inferior to industry standards, and would thus subject VOA to international ridicule and loss of credibility; (3) additional television broadcasting to China was unnecessary and redundant; and (4) the current contract was wasteful and unnecessary.

OIG found that the first three allegations were not supported and that use by the International Broadcasting Bureau (IBB) of small format technology and expanded programming to China appeared to be legitimate IBB policy decisions that had congressional support. The fourth allegation concerned a negotiated, firm-fixed price contract for technical support for the VOA Television Project. No evidence was found to support the allegation that this contract was unnecessary. However, OIG did find that IBB approved, due to its decision that the need was urgent and compelling, a \$3-million contract ceiling price that was \$500,000 (20 percent) above what the contracting officer concluded was fair and reasonable. OIG found that IBB failed to prepare an independent government cost estimate prior to awarding this contract and that the procurement may have been rushed in order to expend end-of-year funds. OIG also believed that IBB’s sole source justifications for awarding both the current and prior contract for this technical support were questionable.

OIG recommended that IBB comply with the procedural requirements of the Federal Acquisition Regulation when considering whether to exercise the remaining tasks under the second option year for the contract; ensure that adequate independent government estimates, when necessary to establish price reasonableness, are performed in a timely manner on all procurements; remind officials of their responsibilities to ensure that acquisitions

are adequately planned to avoid rushed end-of-fiscal-year spending; and issue guidance to contracting officers to perform adequate market research and/or attempt a competitive procurement prior to approving a sole source procurement. IBB concurred overall with our recommendations.

INSPECTIONS

Embassy Manila, Philippines, and Broadcasting Board of Governors' Philippines Transmitting Station (ISP/I-00-03)

As part of its inspection of Embassy Manila, OIG conducted a limited review of the BBG's Transmitting Station in the Philippines and found that the station was well managed and that the Station Manager normally keeps the Ambassador informed on matters relating to implications for U.S.–Philippine relations. However, in discussions with embassy officials, OIG noted a coordination problem between the Embassy and BBG's Office of Affiliate Programs located in Washington. The Office of Affiliate Programs has contracts and agreements with Philippine commercial radio stations to broadcast VOA programs. Often, the affiliates' office has difficulty contacting these local stations and requests the Embassy to communicate with these stations. Even though BBG relies on the Embassy for this type of assistance, it did not consult or coordinate with the Embassy when it recently unilaterally renegotiated agreements with a total of 18 Philippine commercial stations. Because the BBG will continue to require embassy assistance with the local stations, OIG recommended that in the future BBG coordinate with Embassy Manila when contracting with new local commercial radio stations.

Embassy Rabat, Morocco, Consulate General Casablanca, and the BBG Morocco Transmitting Station (ISP/I-00-05)

During the inspection of Embassy Rabat, OIG reviewed BBG's Morocco Transmitting Station and found that it was well managed and known as a source of innovation for other BBG transmitting stations around the world. However, our review identified areas where improvements can be made to further enhance the effectiveness of this station's operations. Specifically, OIG recommended that Embassy Rabat take steps to ensure that the transmitting station's Foreign Service officers receive necessary diplomatic privileges. In addition, OIG recommended that the Embassy improve the station's administrative support services, terms, and conditions under its local guard contract and the ability to send and receive unclassified cables with the Embassy and Washington. OIG also recommended that BBG improve the station's personnel and staffing activities.

Good Neighbors

The Tinang site of the Philippines Transmitting Station covers 2,400 acres of land surrounded by cornfields and rice paddies. For several years, the site managers have set aside 1,400 acres of the site for a carefully planned "civic action" program where the neighboring communities can plant rice. Part of the proceeds from the sale of the harvest is used for senior citizen programs in the communities. BBG also provides a grant for a state-of-the-art preschool operated on the transmitter site for children from the adjacent communities. These projects present excellent good neighbor activities and positive public relations programs for the transmitting station and its personnel.

SECURITY AND INTELLIGENCE OVERSIGHT

During this reporting period, OIG conducted the following security oversight inspections, which are summarized in the classified annex to this semiannual report: Office of Cuba Broadcasting (Radio Marti) Miami, Florida; and the BBG Transmitting Sites in Germany.

INVESTIGATIONS

The former USIA Office of Security provided information to OIG which alleged that an IBB employee brought a female illegal alien into the United States in exchange for the forgiveness of a \$5,000 loan by the alien's husband. It was also alleged that the employee married an undocumented alien in exchange for \$6,000. OIG obtained documentation confirming the marriage and that the employee was married to another woman at the same time. The investigation also disclosed that the employee had fraudulently placed a former girlfriend and her children on his government health benefits as his spouse and dependents. The case was declined for prosecution in favor of administrative action. Pursuant to a written administrative agreement, on February 25, 2000, the employee received a 9-day suspension without pay and agreed to repay \$15,259 for the fraudulent government health care benefits. The agreement also provided for his immediate dismissal if he becomes involved in any future illegal activity. (98-005)

Appendix 1: Investigative Activities

Workload

Cases pending 9/30/99	2
New cases opened	0
Cases closed	1
Cases pending 3/31/00	1

Total Judicial Actions 0

Sentencing

Time probation	0
Court-ordered fine	0
Court-ordered restitution	0
Judicial recoveries	0

Total Administrative Actions 1

Suspension	1
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The statistics and narrative case descriptions of investigative activities appearing in this Semiannual Report to the Congress are the result of reports received from prosecutive and administrative authorities. The final actions may be changed at a later date by individual use of administrative and judicial appeals processes.

Appendix 2: Reports Issued

Office of Audits

00-PP-010	Allegations Regarding the Voice of America Project	3/00
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Office of Security and Intelligence Oversight

SIOI-00-10	Office of Cuba Broadcasting (Radio Marti), Miami, Florida	12/99
SIOI-00-25	Broadcasting Board of Governors' Transmitting Sites in Germany	12/99

Appendix 3:¹ Savings & More Effective Use of Resources

Table I
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH QUESTIONED COSTS

	Number of Reports	(Dollars in Thousands)	
		Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period	1	98	0
B. Which were issued during the reporting period	0	0	0
Subtotals (A + B)	1	98	0
C. For which a management decision was made during the reporting period	1	98	0
– based on formal administrative or judicial appeal			
(i) dollar value of disallowed costs	0	0	0
(ii) dollar value of costs not disallowed	0	0	0
D. For which no management decision has been made by the end of the reporting period	0	0	0
Reports for which no management decision was made within 6 months of issuance	0	0	0

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

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

¹The data in this appendix was included under the U.S. Information Agency information in the previous semiannual report.

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. In addition, BBG commented that any effort to define policy goals through which foreign policy responsiveness can be measured would set a dangerous precedent for international broadcasting and potentially impede the broadcast entities in gathering, writing, and delivering the news objectively. BBG is required to submit a report to the Congress on how it will respond to OIG recommendations on Radio Marti. OIG is reserving its judgement on resolution of the recommendation until it reviews how the BBG responds to the recommendation in the report due to the Congress by March 31, 2000.

To be resolved by: June 2000

Abbreviations

AIT	American Institute in Taiwan
BBG	Broadcasting Board of Governors
CA	Bureau of Consular Affairs
DS	Bureau of Diplomatic Security
ESA	Emergency Supplemental Appropriations
ESL	English-as-a-second language
FMP	Bureau of Finance and Management Policy
FSN	Foreign Service national
HHE	household effects
IBB	International Broadcasting Bureau
ICASS	International Cooperative Administrative Support Services
IJC	International Joint Commission
INS	Immigration and Naturalization Service
OAS	Organization of American States
MPP	Mission Performance Plan
OIG	Office of Inspector General
USAID	U.S. Agency for International Development
USEA	U.S. Employees Association
USIA	United States Information Agency
VOA	Voice of America

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

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Section 5(a)(2)	Significant recommendations for corrective action	13-28, 49-50
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Section 5(a)(4)	Matters referred to prosecutive authorities	29-35, 50
Section 5(a)(5)	Information or assistance refused	None
Section 5(a)(6)	List of reports issued	37, 51
Section 5(a)(7)	Summaries of significant reports	13-28, 49-50
Section 5(a)(8)	Audit reports—questioned costs	39, 52
Section 5(a)(9)	Audit reports—funds to be put to better use	40, 52
Section 5(a)(10)	Prior audit reports unresolved	42, 53
Section 5(a)(11)	Significant revised management decisions	None
Section 5(a)(12)	Significant management decisions with which OIG disagreed	None

Summary of OIG Accomplishments

Financial Results:

Questioned costs	
Issued during the reporting period	\$ 0
Management decision during the reporting period	\$ 98,000
Recommendations for funds to be put to better use	
Issued during the reporting period	\$ 0
Management decision during the reporting period	\$ 0
Investigative recoveries	\$ 124,550

Investigative Results:

Cases opened	49
Cases closed	57
Judicial actions	80
Administrative actions	33
Hotline and complaint activity	150

Reports Issued:

Audits	15
Inspections	8
Security and Intelligence Oversight reviews	25
Contract audits	3

Pictured on front cover is the U.S. Embassy compound in Sanaa, Yemen. See the narrative on the inspection report of Embassy Sanaa on page 26. *Photo by Richard V. Long*

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