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

# Report of Inspection

Embassy  
Managua, Nicaragua

Report Number ISP-I-08-54A, September 2008

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## PURPOSE, SCOPE AND METHODOLOGY OF THE INSPECTION

This inspection was conducted in accordance with the Quality Standards for Inspections, as issued by the President's Council on Integrity and Efficiency, and the Inspector's Handbook, as issued by the Office of Inspector General for the U.S. Department of State (Department) and the Broadcasting Board of Governors (BBG).

### PURPOSE

- The Office of Inspections provides the Secretary of State, the Chairman of the BBG, and Congress with systematic and independent evaluations of the operations of the Department and the BBG. Inspections cover three broad areas, consistent with Section 209 of the Foreign Service Act of 1980:
- Policy Implementation: whether policy goals and objectives are being effectively achieved; whether U.S. interests are being accurately and effectively represented; and whether all elements of an office or mission are being adequately coordinated.
- Resource Management: whether resources are being used and managed with maximum efficiency, effectiveness, and economy and whether financial transactions and accounts are properly conducted, maintained, and reported.
- Management Controls: whether the administration of activities and operations meets the requirements of applicable laws and regulations; whether internal management controls have been instituted to ensure quality of performance and reduce the likelihood of mismanagement; whether instances of fraud, waste, or abuse exist; and whether adequate steps for detection, correction, and prevention have been taken.

### METHODOLOGY

In conducting this inspection, the inspectors: reviewed pertinent records; as appropriate, circulated, reviewed, and compiled the results of survey instruments; conducted on-site interviews; and reviewed the substance of the report and its findings and recommendations with offices, individuals, organizations, and activities affected by this review.



United States Department of State  
and the Broadcasting Board of Governors

*Office of Inspector General*

PREFACE

This report was prepared by the Office of Inspector General (OIG) pursuant to the Inspector General Act of 1978, as amended, Section 209 of the Foreign Service Act of 1980, the Arms Control and Disarmament Amendments Act of 1987, and the Department of State and Related Agencies Appropriations Act, FY 1996. It is one of a series of audit, inspection, investigative, and special reports prepared by OIG periodically as part of its oversight responsibility with respect to the Department of State and the Broadcasting Board of Governors to identify and prevent fraud, waste, abuse, and mismanagement.

This report is the result of an assessment of the strengths and weaknesses of the office, post, or function under review. It is based on interviews with employees and officials of relevant agencies and institutions, direct observation, and a review of applicable documents.

The recommendations therein have been developed on the basis of the best knowledge available to the OIG, and have been discussed in draft with those responsible for implementation. It is my hope that these recommendations will result in more effective, efficient, and/or economical operations.

I express my appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in black ink, appearing to read "H.W. Geisel".

Harold W. Geisel  
Acting Inspector General

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## KEY JUDGEMENTS

- A highly successful embassy in execution of policy, Managua has appropriately recalibrated the relationship with the Nicaraguan government to reflect the harsher new realities of dealing with Sandinista leader Ortega as an elected president.
- In close coordination with the Bureau of Western Hemisphere Affairs, Embassy Managua has effectively implemented Washington's strategy of sustained engagement along with assistance to allow the United States maximum influence in preserving democracy and market-based economic development in Nicaragua.
- Interagency relationships are smooth and productive, with the Ambassador and the deputy chief of mission enjoying respect among agency chiefs who collectively view the front office as skilled at conveying authority without being authoritarian.
- Embassy Managua's robust public diplomacy outreach, anchored by an Ambassador with excellent Spanish and media skills, is ensuring that official U.S. positions gain a hearing in Nicaragua.
- Under the exemplary leadership of the consul general and deputy, the consular section is productive and efficient, but needs an additional officer and modification of the new consular waiting area.
- Embassy Managua, with strong support from the Ambassador and deputy chief of mission, has seamlessly integrated its security program into the structure and operations of the newly constructed embassy.
- The management section has significant multiple problems in human resources, procurement operations, and housing that warrant correction and intensified front office involvement.



## CONTEXT

Central America's largest and least densely populated nation, Nicaragua, is slightly smaller than Mississippi (46,430 square miles) with double the population (5.7 million people). Wedged between Honduras to the north and Costa Rica to the south, the country is the second poorest in the Americas. Economic output has only



recently reached the levels of 1979 when the Sandinista Liberation Front government first took power and touched off a decade of civil war, economic chaos, unemployment, and hyperinflation (known locally as Huperinflation in honor of then Finance Minister Huper). At present, agriculture – bananas, coffee, sugar, and tobacco – dominates exports and an economy that, in recent years, has enjoyed steady but modest (three to four percent) growth. Nearly half the work force is underemployed, a disquieting circumstance for a country where democracy remains fragile.

Modern Nicaragua was shaped by foreign intervention and by domestic despots from the right and left. Spanish conquistadors and their followers ruled for 300 years; a U.S. adventurer William Walker set himself up as president for a year in 1856; U.S. marines presided over the country from 1911 to 1933; and the Somoza family ruled from 1943 until their ouster by the Sandinistas. In 1990, democratic elections unseated the Sandinistas and set Nicaragua on a generally steady course towards meaningful democracy and rule of law which the U.S. government strongly encouraged. In 2006, however, Sandinista leader Daniel Ortega capitalized on a divided opposition to return to the presidency with just 38 percent of the vote.

The outcome of the 2006 elections has sharply shifted the nature of the Nicaraguan executive and Embassy Managua's engagement with the Ortega government which was on the other side of the battle lines from the U.S.-supported Contras in



the 1980s. Simply put, the U.S. historical baggage and the Ortega government's bureaucratic impedimenta are such that they constrain the ability of Embassy Managua to function, despite the skills of a highly-experienced Ambassador who has managed to stay effective and otherwise ride out the transition once Ortega returned to power.

Overall, United States policy has been effective, emphasizing engagement rather than reflexively lashing back at Ortega whenever he blusters against America. With strong coordination from the Bureau of Western Hemisphere Affairs (WHA), Embassy Managua has set out to keep the relationship on as positive a course as possible. Among the embassy's tool kit are the Central American Free Trade Agreement, baseball diplomacy, various exchanges, and roughly \$80 million in assistance per year. All this serves as institutional guardrails to keep the Ortega government from completely abandoning democratic practice.

Central America is no longer a focal point of U.S.-Soviet confrontation except for disquiet about where President Ortega may be taking Nicaragua. This in turn serves to limit resources for Embassy Managua, a circumstance reflected in several internal management issues. Overall, however, the embassy functions with admirable smoothness and productivity.

## EXECUTIVE DIRECTION

Embassy Managua is a highly successful mission in execution of policy. Its steward is an Ambassador known as a consummate professional diplomat with exceptional knowledge of both the U.S. policy environment and Nicaragua. As such, he enjoys the complete confidence of the Washington foreign affairs community which has been particularly impressed by the Ambassador's ability to move forward bilateral negotiations on a status of forces agreement – a difficult task in the best of times.

In close coordination with Washington, from the Department desk officer to higher echelons, the Ambassador has recalibrated the relationship with the Nicaraguan government to reflect the harsher new realities of dealing with Sandinista leader Ortega as an elected president. As Ortega has maintained forms of democratic governance while steadily undermining democracy and rule of law, the Ambassador and his team have responded via smart engagement—robust public diplomacy and programmatic outreach to the Nicaraguan people along with moderated confrontation with the Ortega regime as necessary. This is a balancing act, the more so as the politics of Nicaragua are polarized, highly personal in nature, and flecked with memories of the U.S. role regarding the Contras.

The Washington policy backdrop constrains Embassy Managua's executive direction. The Executive Branch policy environment at times features sharp-edged dispute on how best to proceed. For good measure, there is a history of disagreements between Congress and the Executive Branch over Central American policy in general and Nicaraguan policy in particular. A chief of mission is inevitably sucked into this maelstrom, the more so if implicitly and unfairly associated with the inability of the United States to prevent Ortega from regaining power in the 2006 elections.

In the classic inside-outside approach, the Ambassador uses the deputy chief of mission (DCM) as the embassy's chief operating officer. The DCM knows the Ambassador's thinking on all substantive issues and can serve effectively as charge d'affaires in the chief of mission's absence. Good personal relations between the Ambassador and DCM serve to reinforce their decisions and actions.

Interagency relationships are smooth and productive, with the Ambassador and DCM enjoying respect among agency chiefs who collectively view the front office as skilled at conveying authority without being authoritarian. All acknowledge the Ambassador's talent for defining the embassy message and imparting it effectively to

the Nicaraguan people. Agency and section chiefs also commend the Ambassador for deflecting the Sandinista government's efforts to block some U.S. programs.

The Ambassador and DCM generally use meetings to good effect. Appropriate in length, participatory in nature, they are generally appreciated by section and agency heads who welcome the Ambassador's insights and deep knowledge of the Nicaraguan context.

A bit of fine-tuning may, however, be in order. The front office could usefully rein in long-winded participants. More broadly, the three weekly thematic meetings might be collapsed into two sessions, thus freeing up officers at this busy embassy. The election transition working group meeting could benefit from a new name—the election was in 2006—to reflect current emphasis on long-term efforts to assure the continuance of true electoral democracy and rule of law, electoral or otherwise, in Nicaragua. Additionally, the embassy might benefit from folding this election meeting into the currently separate policy/program meeting, and in so doing, slim down participation and sharpen the focus on policy concerns. Further, the embassy might recast its weekly aid, economics, and democracy meeting to be a developmental assistance get-together, given that democracy and economics are covered elsewhere.

## Mission Strategic Plan

Embassy Managua's 2010 Mission Strategic Plan (MSP) is a concise, internally consistent presentation of U.S. policy and goals. It features realistic benchmarks and metrics chiefly related to assistance programs and to the need to engage the difficult Ortega regime while also offering U.S. support to those elements of Nicaragua's civil society, private sector, political class, and government bent on preserving rule of law and democracy in the country. The MSP lays out a template for this delicate balancing act with admirable precision and appropriate focus on increasing funding for public diplomacy by \$7 million while also highlighting health and education programs to uplift Nicaragua's huge underclass. Washington reviewers assessed Embassy Managua's effort as one of the best MSPs worldwide. This accords with the view of the Office of Inspector General (OIG) team, although the team notes that the document is heavy on abbreviations; some might be discarded, especially in the otherwise beautifully crafted chief of mission statement.

While the OIG team concurs that the MSP exercise is useful in itself in that it forces missions to think holistically, it believes this goal could be reinforced through greater mission participation in the Washington reviews up the line. Embassy Mana-

gua, for example, argues that it could usefully participate via digital videoconferencing in the Assistant-Secretary level review of the plan. The OIG team concurs that more post involvement at all levels of the Washington review process is essential.

Embassy Managua correctly points out that MSP performance indicators are not always ideal evaluation tools as they are required to be quantitative and primarily based on external monitoring agencies. These agencies typically compile figures 18 months or so after the events themselves. Ideally, embassies would have greater flexibility in the use of qualitative indicators. While Embassy Managua correctly observes that the MSP and the U.S. Agency for International Development (USAID) operation plan, each featuring differing objectives and indicators, unnecessarily consume mission resources, the embassy has been successful in ensuring that both the Department and USAID's structural planning reflect input from all parts of the mission.

## Security

The Ambassador and DCM attend scrupulously to the security of personnel, property, and classified information. In so doing, they have empowered Embassy Managua's security professionals rather than being intrusive. Meetings with the regional security officer are collegial, two-way in nature, and frequent. The flow of information appears ideal. Mutual respect is evident. Employees from all agencies at post uniformly credit the mission's leadership for their concern about the security and safety of all employees.

Embassy employees view the Ambassador and DCM as highly anticipatory in perceiving the security implications of any political, economic, or organized criminal development within Nicaragua. Within the embassy, the Ambassador frequently uses the country team to highlight security issues as well as to urge for updating the Emergency Action Plan and for holding frequent meetings of the Emergency Action Committee. Outside the mission, the Ambassador took the initiative to work security issues, relevant to resident American citizens, at three town hall meetings and other venues.

A classified annex to this report provides additional findings from the OIG team's security review.

## Entry-level Program

Despite a 2000 OIG recommendation that the embassy establish a formal entry-level program, Embassy Managua, as of 2006, did not have an active program. In 2007, entry-level employees took the initiative to organize brown bag lunches at which various embassy officials explained their roles and responsibilities. Since then, the incoming DCM has participated in a discussion with entry-level employees about employee evaluation reports, hosted a lunch, met individually with all entry-level employees, and otherwise shown increased interest in mentoring. Nevertheless, the OIG team believes that the entry-level mentoring program needs a formalized structure. The OIG team noted during the inspection that the DCM was not the reviewing officer on the employee evaluation reports for entry-level generalist officers. The DCM promptly agreed to assume that responsibility.

**Recommendation 1:** Embassy Managua should formalize the deputy chief of mission's mentoring and counseling responsibilities for entry-level generalist officers as part of a more intensified formal entry-level program. (Action: Embassy Managua)

## Morale

Morale among American staff is good, but it could be better. A common lament is that the Managua tour has not met expectations, in part because the embassy's hardship differential was lowered in stages from 20 percent to 15 percent to 10 percent. The resumption of power by the Sandinistas 18 months ago has meant a drumbeat of criticism by the host government. This puts the embassy on the defensive, with everything under the Ortega regime harder than before. Managua is now a wearisome place, and needs nurturing. Appropriately, the Ambassador and DCM offer an inspiring model for commitment, competence, and focus that is richly appreciated by senior and most mid-level officers, Department or otherwise. At the lower ranks, however, officers thirst for more positive reinforcement and greater encouragement from the front office. Others note that the Ambassador is approachable but on occasion can be blunt to the point of discouraging complete feedback. They also point out the need for the Ambassador to hew more to the maxim that one praises in public and criticizes in private.





## POLICY AND PROGRAM IMPLEMENTATION

The January 2007 return to power of Daniel Ortega's Sandinista Front—out of power for 17 years—raised Embassy Managua's profile in Washington and complicated its official existence. The mission has vigorously and effectively implemented Washington's strategy of sustained engagement combined with assistance, concurring that this allows the United States maximum influence in preserving democracy and market-based economic development. The multi-pronged assistance program itself serves as an institutional guardrail to discourage Ortega from a sharp turn to the left or more open hostility to the United States.

Despite the episodic sniping by the Ortega government, the embassy's programmatic sections have maintained reasonably cordial relations with the relevant ministries. This effort was anchored by the Ambassador who maintains adequate personal ties with Nicaragua's top leadership, even as he forcefully promotes United States objectives. Appropriately, he and his team keep a sharp eye on the endemic partisanship and corruption lest these subvert U.S. programs.

## POLITICAL AND ECONOMIC REPORTING AND ANALYSIS

Washington consumers of Embassy Managua's reporting generally laud the depth and scope of the economic and political sections' products. These, appropriately, have focused on the elections that brought Sandinista leader Daniel Ortega back to power and his subsequent efforts to torque the political and economic system for partisan purposes. In dilating somewhat exclusively on this theme, the embassy crafted numerous, highly praised analytical pieces on the new government. With President Ortega settled into office for the long term, mission reporting and analysis is focusing on the underlying long-term issues, such as rule of law and rational economic policies among others, that will determine whether or not Nicaragua advances. In so doing, Embassy Managua balances its tools well, using e-mail, cables, and telephone as appropriate to ensure that its customers, inside and outside the Department, benefit from the mission's reporting. These messages are generally crafted to be user-friendly although in some instances, shorter paragraphs and shorter sentences would be welcome. Some Washington users believe that the embassy could be quicker in its spot reporting.



The political section manages a counternarcotics training program underwritten by the Bureau of International Narcotics and Law Enforcement Affairs (INL). Funding for this program has fluctuated from year to year, but there is still a considerable sum of money in the pipeline and, reflecting considerable success in the number of interdictions, future budget requests are robust. One political officer manages these programs but relies heavily on support from the management section with which relations have been less than perfect. Part of the problem may stem from a lack of understanding of the grants and contracting process by the program office. Requiring the narcotics affairs officer to take the grants management and contracting modules at the Foreign Service Institute would ensure that the program officer and the management staff speak the same language and reduce miscommunication that has precluded smooth management of this important program.

**Recommendation 2:** Embassy Managua, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs and the Bureau of Western Hemisphere Affairs, should require that the narcotics affairs officer have grant management training before beginning his or her assignment. (Action: Embassy Managua, in coordination with INL and WHA)

In addition to generating well-received economic reporting, the economic section has assigned one officer and one LE staff to handle trade policy, investment, and commercial services. In addition, Embassy Managua is partnered with the foreign commercial officer in El Salvador. Although President Ortega's return to power discouraged some American companies, the economic section continues to believe there are U.S. interests that can be advanced, and they remain aggressive in supporting U.S. commercial interests. The section has drawn on the Business Facilitation and Incentive Fund to support competitiveness forums. It also regularly updates the Country Commercial Guide and cooperates closely with the local staff of the Foreign Agricultural Service. The OIG team observes that two-way trade flows with Nicaragua will exceed those of developing countries elsewhere that enjoy more robust staffing and support.

The 2000 inspection noted that the section had ceased reporting on macroeconomic issues with the belief that adequate information was available via open sources. The economics section has, however, resumed reporting on macroeconomics and broader issues, under the direction of a highly experienced section chief and a talented mid-level officer. Both officers, as well as other members of the economics section, coordinate this valuable research with Department of Treasury officials and USAID experts in Managua.

The Department regularly calls upon both the political and economic sections to make demarches. While the burden of advocating policy positions with the host country government is not overly burdensome, Embassy Managua could engage the Nicaraguan government more rapidly if the Department were to routinely provide Spanish translations of multicountry formal and informal demarches. In any case, with the United States represented in more than 20 Spanish-language countries, the argument for more centralized translation work is evident. If need be, such translations could even be outsourced to lower-cost off-shore providers.

Overall, although the political and economic sections have substantial and diverse reporting and program responsibilities, both sections have adequate staffing, enjoy excellent coordination with each other and with other agencies and otherwise carry out their mandates with evident effectiveness.

## Property Claims Office

For over a decade, Embassy Managua's property claims office has worked with U.S. citizens to resolve outstanding claims resulting from the then Marxist Sandinista government's wholesale confiscation of property during the 1980s. Section 527 of the Foreign Appropriation Act of 1994-95 reinforces this mandate, but also allows the Secretary of State to waive the prohibition of U.S. economic assistance and support on an annual basis if the Secretary determines that this is in the national interest. The effort put forth by the government of Nicaragua to resolve outstanding claims factors in any such determinations.

A Foreign Service officer, supported by two LE lawyers, staffs the property office which dates from 1996 and has already resolved some 1,600 Section 527 cases. The time limit for U.S. citizen claims for expropriation under this legislation expired on July 31, 2005, and new claims are not considered in implementing the prohibition of U.S. assistance under this legislation. Currently, some 650 cases covered by this legislation await resolution, the pace of which slowed with the return of President Ortega to power in January 2007. Since then, only 17 cases have been resolved.

The OIG team notes that its previous inspection of this mission recommended that Embassy Managua reassess the need for a full-time property claims officer in the spring of 2001.

**Recommendation 3:** Embassy Managua, in coordination with the Bureau of Western Hemisphere Affairs, should reassess the need for the property claims officer in the next assignment cycle and determine whether this position needs to be continued. (Action: Embassy Managua, in coordination with WHA)

## PUBLIC DIPLOMACY

Public diplomacy supports all aspects of the mission's efforts to foster a more democratic, prosperous, and secure Nicaragua that remains committed to democratic processes and economic participation in the regional and global economy. By ensuring that the considerable U.S. development assistance is known to Nicaraguans, by engaging individuals and institutions that support democracy and free market economics, and by promoting mutual understanding and shared values among the next generation of leaders, public diplomacy seeks to create a positive view of the United States and its policies. Polls suggest their efforts have succeeded; a March 2008 survey found that 81 percent of Nicaraguans view the United States favorably. With three direct-hire Foreign Service positions, 11 LE staff, and a program budget of nearly one-half million dollars in 2008, the public affairs section is minimally funded for this key Central American nation.

### Mission Coordination, Planning, and Assessment

The public affairs officer is concluding a highly successful three-year tour featuring close and productive cooperation with other embassy elements, including an Ambassador and DCM who applaud the section for its energy and imagination. The public affairs officer and team participate fully in the development of the MSP and are routinely involved in all of the mission's thematic working groups. The section maintains and regularly updates a six-month public diplomacy action plan to coordinate activities. They use the Mission Activity Tracker and have found the new program to be successful in documenting results reporting. Although subsections of the public affairs section maintain individual mailing and contact lists, there is no single database that enables the section to record participation, generate guest lists, and assist in planning outreach to key contacts. Ideally, the public affairs section would work with the Bureau of Western Hemispheric Affairs to develop and implement a single contact list for targeted audiences (formerly known as Distribution Records System).

Given that the United States is funding and implementing a robust foreign assistance program, it is essential that these efforts are known among the people who benefit from them. Both the Millennium Challenge Corporation (MCC) and USAID have public outreach coordinators on staff. The public affairs section has effective working relations with these and other embassy units, ensuring that a coordinated message of U.S. assistance reaches local media.

## Information Advocacy and Media Outreach

With rank, a high public profile, and a sure touch for the media, the Ambassador is the embassy's most effective spokesman. He is active in giving interviews, writing op-eds, and personally interacting with media figures. Recognizing the importance of highlighting U.S. foreign assistance to Nicaragua, the Ambassador will "go anywhere, at anytime, to cut any ribbon" to ensure that the message of U.S. support of the people of Nicaragua gets wide media coverage.

The mission's public diplomacy section is effective in supporting the full range of media outreach programs. Local media are receptive to mission statements and interviews; the section regularly schedules the Ambassador with newspapers and broadcast media. The mission also ensures that media exposure is integral to programs for senior U.S. officials visiting Managua.

Radio is an important medium throughout Nicaragua and is the main channel of information in remote areas. The mission maintains a free 1-800-number so that radio stations can call in and obtain audio clips of Voice of America and the public statements of embassy officials. In a nation where internet penetration is still limited, the mission is wise to use appropriate technologies to reach its target audiences. Currently, 34 stations, rural and urban, participate in the program with a potential audience of 80 percent of the population.

## Public Diplomacy Outreach

The public diplomacy section employs three venues to reach out to Nicaraguan audiences. The Binational Center conducts English language programs that reach 2,000 students. The public affairs officer and cultural affairs officer are members of the board, and the public affairs section provides grants to the center to employ both a student advisor and a librarian. The section has also established an American Corner at the library of the Central Bank of Nicaragua. This institution has branches in two cities outside of Managua, and the public affairs section has built on its American Corner relationship to establish a small presence in both of these branches called "American Book Shelves." The American Corner coordinator, whose salary

is paid by a grant to the host institution, oversees program activity at all of these venues. The public affairs section also issues a small number of democracy grants to local non-governmental organizations. Monitoring grants, especially those that require periodic renewal, has been spotty; two grants currently await ratification for unauthorized commitments, and grants are sometimes prepared at the last minute. Establishing a tracking system for renewals, ensuring that all grant requirements are followed, and allowing sufficient time for processing are steps that can help alleviate this problem.

**Recommendation 4:** Embassy Managua should establish suitable management controls over grants and provide training for officers and staff handling the grants process. (Action: Embassy Managua)

## Education, Exchanges, and English-Teaching

The public affairs section supports an active program of Fulbright and international visitor exchanges. The mission International Visitor Leadership Program, which sends approximately 15 Nicaraguans to the United States each year, is linked to the MSP and has active participation of the DCM. Nicaragua is a non-commission country, and the mission manages a small but effective Fulbright program that covers all categories of scholars and students. The section also oversees the Humphrey and other exchange programs, and cooperates with other sections that offer exchange programs. The mission hosts one English-teaching fellow and works with both academic institutions and the Binational Center to advance the teaching of English.

All of these programs seek to build a better bilateral relationship by increasing mutual understanding. Although an effort is made to engage alumni of these programs, the efforts are diffused and ad hoc, and Embassy Managua is not involving its returned grantees as effectively as it might.

**Recommendation 5:** Embassy Managua, in coordination with the Bureau of Educational and Cultural Affairs, should design and implement a method for involving former Nicaraguan grantees in alumni activities sponsored by the public affairs section. (Action: Embassy Managua, in coordination with ECA)

## Information Resource Center and Embassy Web Site

A small but active information resource center staffed by a single full-time director is located in the new embassy compound (NEC). Access to the facility is by appointment; the center draws about 10-15 visitors a week and responds to between 30 and 50 reference questions a month by phone. Since the move, the information resource center director has aggressively publicized the center's services and coordinated activities with the rest of the section and mission. The regional information officer based in Mexico regularly visits and reports on the center.

## ASSISTANCE

Second to Haiti for the dubious distinction of being the poorest country in the Western Hemisphere, Nicaragua relies heavily on international assistance. The United States, the largest bilateral donor, provided upwards of \$80 million in aid in 2008. USAID and MCC programs anchor this assistance while a \$2.2 million Peace Corps program involving 170 volunteers touches the grass roots with evident effectiveness. Among other activities are modest Food for Progress, Animal and Plant Health Inspection, and U.S. Trade and Development Agency projects.

USAID, with ten direct-hire Americans and 40 LE staff, administers an annual programmatic budget of \$35 million. It is building Nicaraguan capacity in areas ranging from health and education to economic development. Critical to the U.S. goal of retaining a small amount of democratic governance and rule of law in Nicaragua is a democracy program to strengthen political parties as well as Nicaragua's nascent civil society. This serves as tangible proof of U.S. commitment to Nicaragua and an implicit check on the Ortega government's anti-free-market solutions to the country's needs. In the short term, the \$4.4 million democracy funding is crucial to the November municipal elections, a litmus as to whether healthy multiparty democracy can weather the Ortega regime. In the medium term, USAID is challenged by the Ortega government's decision to dismiss many key health and education technocrats, thus leaving USAID without its best counterparts. Further, the host government appears reflexively prone to excessive oversight of programs, if not outright command and control over foreign assistance.

The 2000 OIG inspection highlighted an unsatisfactory relationship between the Ambassador and the USAID director. That is no longer the case. Current relations are, in fact, exemplary. The Ambassador is credited with exceptional skill in public diplomacy and in lobbying both Washington and Nicaraguan officials to further

USAID programs. A new embassy complex allows for collocation of USAID and other agencies. This, in turn, has simplified and strengthened coordination with the entire Managua mission. The Ambassador, a professional economist with vast regional experience, has empowered USAID while subtly encouraging U.S. assistance to focus on sectors of Nicaraguan society with the potential to pressure the Ortega government in a meaningful, sustained fashion.

The MCC is undertaking a five-year \$175 million integrated development effort in northwestern Nicaragua, an impoverished area with considerable economic potential because of its arable land and proximity to Honduran and Salvadoran markets. The corporation's operations within Embassy Managua are lean in staffing, positive in outlook, and successful in forging outstanding relationships with other Embassy Managua elements. The MCC's project breakdown includes \$110 million for roads, \$35 million for rural business development, and \$35 million for regularizing land titles. While Nicaraguan ministers sit in on the corporation's monthly board meetings, to date, they have not displayed a desire to tinker with project designs. President Ortega appears well-disposed towards the corporation, and even participated with the MCC's Chairman in a public event. Nonetheless, the OIG team sees a need to carefully monitor Nicaraguan performance on millennium challenge indicators, above all, those related to rule of law and corruption.

Other U.S. assistance includes a variety of small military programs including Foreign Military Financing and International Military Education and Training support as well as a modest counternarcotics and anti-trafficking-in-persons activity by INL involving the Nicaraguan Navy and National police. This appears money well spent; the more so as Nicaragua's military encounters political pressure to compromise its apolitical status. A modest increase in security assistance could prove highly cost-effective in assuring that a military already well-disposed towards the United States continues to view America as the partner of choice.

## CONSULAR AFFAIRS

Under the exemplary leadership of the consul general and deputy, the consular section is productive and efficient. Consular leadership surveys prepared by his staff rate the consul general extremely high across the board and above all in team-building, mentoring, communication and leading by example. The high morale in the section contributes to the ability of the relatively small staff (four officers, two part-time eligible family members, and 11 LE staff) to do an excellent job in the face of big challenges. The consul general and his team enjoy strong support from the front office.

## Consular Management

### Staffing Issues

Embassy Managua's consular section is not adequately staffed to cope with the nonimmigrant visa (NIV) work and to assist the deputy section chief in handling a growing and difficult American citizens services workload. The NIV workload has remained fairly steady for the past several years; in 2007, Embassy Managua adjudicated 24,229 NIV cases. The refusal rate of 40 percent for 2007 is consistent with long-term trends and indicative of the need for adjudicating officers to be vigilant against fraud. During the inspection, the Nicaraguan media reported a poll which had found 66.3 percent of Nicaraguans wanting to emigrate from the country and 44.5 percent of those were hoping to go to the United States.

Staffing gaps in 2007 occasioned a backlog of NIV appointments of more than 40 days. With an improvement in staffing and hard work, the consular section cleared off this backlog in 2008, and at present, applicants can normally obtain appointments within two days. While the volume of NIV workload remained steady, the return of the Sandinistas to power in late 2006 complicated visa operations. Many applications from the Nicaraguan government now require approval from the Department before a visa can be issued, but in spite of repeated warnings by the embassy, Nicaraguan officials going on official business often wait until the last minute to apply for their visas. This imposes extra work on the consular officers as they try to resolve these cases in a timely manner. The immigrant visa workload has more than doubled in the last five years, but it is still a manageable workload for one officer. In 2007, Embassy Managua processed 2,680 immigrant visa applications.

There is ample NIV work to warrant having two officers. The other three officers, including the consul general, assist the lone entry-level officer in conducting visa interviews but each of them also has heavy workloads. For several years the embassy has requested an additional consular officer position. Just as the inspection began, the Bureau of Consular Affairs approved Embassy Managua for inclusion in a new professional adjudication specialist program. While this is a positive step, the OIG team believes that the need for an additional officer position remains justified. Having two entry-level officers for NIV work would allow section managers greater flexibility in reallocating resources to cope with a workload, especially in American citizens services, that is growing and often unpredictable. That workload will become even greater whenever the residual work from the property office (see the discussion in the reporting and advocacy section) is assumed by the consular section.



**Recommendation 6:** The Bureau of Consular Affairs, in coordination with the Bureau of Western Hemisphere Affairs, should approve Embassy Managua's request for an additional consular officer position. (Action: CA, in coordination with WHA)

## Management Controls

The inspection team's review of the consular management controls found them in excellent shape. In recent years this apparently was not the case, but upon arrival in Managua in 2006, the consul general requested the assistance of a consular management advisory team from the Bureau for Consular Affairs to identify the weaknesses. Almost all of the problems that were identified by the consul general and this team have since been resolved.

One cause for concern remains. The Ambassador has not always adhered to the visa referral policy for the embassy, a policy that he issued. Specifically, he sometimes advocates on behalf of visa applicants through e-mail messages to the consular section. Some of the cases lack a clear U.S. government interest, and the Ambassador does not always have personal knowledge of the applicant. A review of the cases showed no indication that the consular officers were swayed in their decisions by the Ambassador's messages. In some cases in which the applicants were subsequently refused, the Ambassador questioned the merits of the decisions. The Ambassador was counseled by the inspection team about the need to adhere strictly to the requirement that any advocacy on behalf of a visa applicant be done solely through the referral process and only when there is an evident U.S. Government interest.

## Space Issues

While the new embassy complex solved many space problems for the consular section, it created a new set of problems that embassy managers are working to resolve. For example, with the indoor waiting room reduced in size by 60 percent from the old embassy facility, most visa applicants wait in a large outdoor waiting area. That area is covered against the elements but its ceilings are too high for ceiling fans to provide relief from the tropical heat and high humidity. The small inside waiting room affords no privacy for visa applicants since the interviews can be heard by everyone in the room.

In constructing the new embassy, the Bureau of Overseas Buildings Operations (OBO) installed a queuing system for the consulate. This, however, was done without allowing consular managers an opportunity to provide input into the design process. The result: a design that is less than user-friendly. The outside waiting area lacks an electronic information screen that would let visa applicants know that it is their turn to go inside for fingerprinting and interviews. A local consular employee and guards have to direct people.

A further issue is that the most practical place for the queuing numbers to be issued would be at the compound access control point, where a contractor already screens visa applicants to ensure they have required documents. At present, a LE staff member issues queuing numbers to applicants who are already inside the waiting room because OBO failed to install a conduit allowing the queuing system to be accessed from the compound access control point. This makes for poor crowd flow. It also requires a local staffer to work outside the hardline in violation of security regulations. The embassy purchased the equipment to run a conduit to the compound access control point and to install electronic signs in the outdoor waiting area.

**Recommendation 7:** Embassy Managua should complete the project to run a conduit to the compound access control point and install signage for the queuing system in the outdoor waiting area. (Action: Embassy Managua)

**Recommendation 8:** Embassy Managua should reassign the locally employed staff member who works in the inside consular waiting room to work in the compound access control point once the queuing system has been reconfigured. (Action: Embassy Managua)

Prior to being processed at the consular window, visa applicants must line up outside on the sidewalk in front of the compound control access point. OBO, in designing this area, failed to provide covering for these applicants. Tellingly, the Nicaraguan government and media, while praising the new embassy, observed that its design left Nicaraguan citizens exposed to the rain or blazing sun. The OIG team views this as a serious public diplomacy failing. In a makeshift fix, Embassy Managua built a temporary awning. This is neither attractive nor likely to withstand a heavy windstorm. The embassy is drafting plans for a more permanent shelter which will require funding.

**Recommendation 9:** Embassy Managua should, in coordination with the Bureau of Overseas Buildings Operations, build a shelter for visa applicants on the sidewalk in front of the compound access control point. (Action: Embassy Managua, in coordination with OBO)

## American Citizens Services

Staff time devoted to services for American citizens in Nicaragua continues to grow. Nicaragua has gained a reputation as a desirable place for American citizens, especially retirees, to live. It is relatively inexpensive and the crime rate has been historically low compared to the rest of Central America. The increased number of American residents and tourists is reflected in a growing passport and citizenship workload. At the same time, crime is on the increase and the consular section had to deal with an uptick in violent crimes against American citizens. Even in the best of circumstances, these cases typically consume a disproportionate amount of time. Moreover, the return of the Sandinistas to power resulted in reduced cooperation by the Nicaraguan authorities, especially in notifying the embassy when Americans are arrested, and in permitting consular access to arrestees. Embassy employees devoted literally hundreds of hours to a high-profile case in which an American was wrongly convicted of a murder. He was finally released with the help of embassy officials, including direct intervention by the Ambassador with President Ortega. The outstanding performance on that case is indicative of the overall excellent job the consular employees are doing to serve American citizens in Nicaragua.

American citizens also become embroiled in property disputes despite warnings in consular notifications against investing in property in Nicaragua. The return of a Sandinista-dominated government amplified this problem. In fact, the previous Sandinista government confiscated so many properties owned by American citizens that a special entity was created in the embassy devoted to assisting Americans who have claims against the Nicaraguan government. The number of those cases, which are currently handled by the economic section, continues to decline. Eventually the residual work will be assumed by the consular section.

## Fraud Prevention Program

The embassy has a robust fraud prevention program marked by strong cooperation between the regional security office and the consular section. An assistant regional security officer position devoted primarily to consular fraud prevention issues was created a few years ago and has proven to be a strong asset. Validation surveys were recently conducted to provide feedback to the consular officers who are adjudicating NIVs.



## RESOURCE MANAGEMENT

Agency	U.S. Direct-Hire Staff	U.S. Local-Hire Staff	Foreign National Staff	Total Staff	Total Funding FY 2008 \$000
State – D&CP	34	2	26	62	\$1,935
State – ICASS	7	11	296*	314	5,402
State – Public Diplomacy	3	0	10	13	427
State - MRV	0	2	1	3	69
State – Diplomatic Security	3	1	115	119	1,256
State – Marine Security	7	0	0	7	164
State – Representation	0	0	0	0	22
State – OBO	1	0	0	1	1,267
State - INL	1	0	1	2	324
Treasury	1	0	0	1	**
Defense Attaché Office	4	0	2	6	248
U.S. Military Assistance Group	8	0	5	13	544
USAID #	10	1	40	51	2,000
Drug Enforcement Administration	5	0	1	6	**
Peace Corps ##	7	1	15	23	2,200
Animal and Plant Health Inspection Service	1	0	1	2	113
Foreign Agricultural Service	0	0	2	2	66
MCC	2	1	2	5	169
<b>Totals</b>	<b>94</b>	<b>19</b>	<b>517</b>	<b>630</b>	<b>\$16,206</b>

\* Includes 144 Local Guards

\*\* Funding data not available

# USAID – operating expenses \$2 million; program costs - \$23 million

## Peace Corps – 156 volunteers and 39 trainees

## Management Operations

Management operations, overall, are satisfactory with especially strong performances by the information management unit and the facilities management unit. The major success of the section was the smooth move, in November 2007, into the NEC. There are, however, distinct shortcomings in human resources, procurement operations, and the housing program that merit correction. Major issues facing management include the need to better emphasize customer service as well as to rebuild the morale and job satisfaction of a local workforce that is dispirited by perceived and actual abusive treatment by some embassy officers. Also of concern is an inadequate EEO program. As discussed below, only select management functions scored well on the OIG workplace and quality of life questionnaire. The section will experience substantial turnover during summer 2008 when the management counselor and several unit chiefs transfer.

## Human Resources

Embassy Managua has designated its management counselor as its on-site human resources officer. Yet, the management counselor is already a busy officer without sufficient time to do justice to an additional portfolio. The LE staff of five is short on experience and has not received sufficient training. While the regional human resources officer assigned to Tegucigalpa provides support, it has been minimal and not always authoritative. Effective the summer of 2008, the Florida Regional Support Center is slated to begin providing assistance.

Several human resource issues need additional management attention. These include the need to address a nepotism problem, implementation of a compensation plan to include provisions for overtime and night differential in accordance with Nicaraguan law, completion and issuance of a LE staff handbook, establishing enhanced procedures for the timely processing of LE staff evaluation reports, and setting up cultural awareness and sensitivity training for the American as well as local staff.

## Nepotism

The embassy has not followed statutory procedures for obtaining Department approvals for the employment of the Ambassador's adult son and daughter, both members of his household. The American Employees' Association has employed the son in various capacities such as general manager and cafeteria manager for the past two years. The Ambassador or designee is responsible for monitoring the

American Employees' Association's operations in accordance with 6 FAM 522. While the award of a purchase order or a contract to household members is technically not subject to antinepotism rules, it is subject to conflict of interest prohibitions contained in 3 FAH-1 H-8312 b. (The embassy sought and received guidance from the Office of the Legal Adviser. As a result, the Ambassador issued a Commitment to Recuse on May 23, 2008.)

The embassy has used various categories to employ the Ambassador's daughter. The processes do not fulfill the requirements established by 3 FAH-1 H-8314 a. (1) for antinepotism reviews, which are as follows:

Posts must request and receive the approval of the Director of the Office of Overseas Employment (HR/OE) before employing a household member abroad if any of the following conditions applies: the employee or prospective employee is a household member of an ambassador, chief of mission, deputy chief of mission, principal officer, or deputy principal officer.

Personnel actions for the Ambassador's daughter show the Overseas Seasonal Hire Program, full-time, effective May 29, 2007, termination September 30, 2007; part-time temporary appointment, nonsummer hire, effective October 1, 2007, extended to May 9, 2008, termination May 9, 2008; seasonal hire, full-time, effective May 11, 2008. The work performed and the job position remained the same for the entire period(s) of employment – C50-112 administrative assistant.

**Recommendation 10:** Embassy Managua should request and receive the approval of the Director of the Office of Overseas Employment before continuing employment of the Ambassador's daughter. (Action: Embassy Managua)

### Noncompliance with local labor law

The embassy's compensation plan provides four schedules, ranging from 40 to 60 hours per week, for the basic workweek. The scheduled workweek for the local guard force, which includes residential guards doing night duty, is 60 hours. Overtime rates are not paid until the hours of the basic workweek are exceeded. In addition, night differential is not authorized for Managua. These provisions contravene Articles 49 through 59 of the Nicaraguan Labor Law. Article 51, for example, states "night work should not be longer than seven hours daily and should not exceed a total of 42 hours a week."



**Recommendation 11:** Embassy Managua, in coordination with the Bureau of Human Resources, should implement a compensation plan consistent with the Nicaraguan Labor Code addressing workweeks and night differential pay. (Action: Embassy Managua, in coordination with DG/HR)

## The Evaluation Process

Overall, the performance evaluation process is working well for American employees. The process for LE staff, however, could benefit from strengthening. The OIG team review confirmed that evaluations are not completed on time, thereby delaying salary increases as well as counseling and performance reviews. As of March 27, 2008, 52 evaluations were overdue. One was ten months late; several were at least five months late. There was some improvement at the time of the inspection. As of May 22, 2008, 17 evaluations were late. Although the Human Resources unit has periodically sent reminders to supervisors, these communications are not completely effective. Procedures have not been implemented so that if the first reminder is ignored, the DCM sends reminders to supervisors and further addresses delinquencies in their employee evaluation reports.

**Recommendation 12:** Embassy Managua should establish procedures that will provide timely completion of performance evaluations for the locally employed staff, including holding supervisors formally accountable for this responsibility in their work requirement statements and employee evaluation reports. (Action: Embassy Managua)

**Recommendation 13:** Embassy Managua should establish procedures wherein the deputy chief of mission will be advised of seriously delinquent evaluation reports on locally employed staff and will follow up with the rating supervisors. (Action: Embassy Managua)

## Cultural Insensitivity

Embassy personnel told the OIG team that they have witnessed or been the recipients of verbal abuse and harassment due to cultural insensitivity and inattention to EEO principles by some American officers. Public or semipublic displays of ill temper have been all too frequent. The OIG team received accounts of LE staff at all levels being subjected to insensitive behavior; and some expressed concern about a prevalent lack of respect within the embassy community.

**Recommendation 14:** Embassy Managua should conduct mandatory cross-cultural sensitivity training sessions for all Americans and locally employed staff. (Action: Embassy Managua)

## The Locally Employed Staff Handbook

The Locally Employed Staff Handbook is out of date and incomplete. The current handbook was made effective in 2002. Since that time, LE staff has increased. Policies and procedures for EEO and the grievance process as they pertain to LE staff, for example, are incomplete. A new handbook was in the planning at the time of the inspection.

## Equal Employment Opportunity

The EEO program, particularly as it pertains to LE staff, needs considerable strengthening. Although the embassy did take appropriate corrective action in one case in 2007, LE staff characterize the incumbent EEO counselor, who is scheduled to transfer in summer 2008, (b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2) . LE staff responses to the OIG Management questionnaire included such comments as:

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financial management officer has addressed the problems by reorganizing the unit and replacing some poorly performing LE staff, (b) (2) (b) (6) . Cashier operations scored well on the OIG Workplace and Quality of Life Questionnaire. Corrective actions also included strict interpretation of laws and regulations. Although this policy has not always resulted in customer satisfaction, it brought to light major weaknesses in some clients' operations that included unauthorized commitments.

## International Cooperative Administrative Support Services

The Department is the primary service provider. As a result of the consolidation of organizations in the NEC, some functions formerly performed by USAID for its personnel, such as housing management and motor pool operations, were consolidated with State. The relations between the Department and USAID have transitioned to an atmosphere of professionalism and productivity. The USAID director is chairman of the International Cooperative Administrative Support Services (ICASS) council.

As a service provider, the Department did not score well on both the most recent ICASS customer satisfaction survey and the OIG Workplace and Quality Of Life Questionnaire. Overall, management of human resources and management of the general services section received the lowest scores of 53 rated categories. To some extent, the low scores can be attributed to an overly demanding, uncooperative, and negative clientele. The embassy has been addressing poor performance issues and considerably more emphasis is now being placed on customer service.

## General Services Operations

Embassy Managua successfully moved into the NEC in November of 2007. The old embassy compound was appraised for \$706,589 but was sold for \$1,455,000 in May of 2008.

Embassy Managua's general service operations have a litany of problems. The section is recovering from several years of poor management controls, poor inventory reporting from prior general service management teams, and a high turnover of LE staff. The housing section of the general services operations is providing service to a housing pool of 70 with just two LE staff. Within the past year, three housing coordinators have resigned. In FY 2006, Embassy Managua reported a total of \$468,609 of missing nonexpendable inventory leading the mission to seek assistance from the Bureau of Administration's Property Management Branch for training and a review of embassy property operations. The property management division visited Embassy Managua in April of 2007, and recommended adjusting the property

records of the missing items so that these items could be removed from the embassy inventory. Embassy Managua did not, however, receive the report and recommendations from the property management division until April 30, 2008. The missing items were neither located nor were the inventory adjustments corrected by Embassy Managua.

These problems are such that general service issues deserve additional direct attention by the embassy's managers. In so doing, they could usefully address the housing section staffing requirements, the management of the interagency housing board, incorrect or incomplete adjustments for missing inventory adjustments, and the need to train warehouse and procurement staff on how to conduct inventory and reconciliation as well as procurement of items valued less than \$3,000.

### Housing Program

Embassy Managua's interagency housing board is not being effectively managed  
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(b) (6)(b) (6)(b) (6)(b) (6) The housing board was allowed to dictate who and what agencies "would make a good fit" in having a seat on the board rather than representing all agencies or a range of personnel at the embassy. The board also violates the requirement in 15 FAM 212.2-2(B) that the composition of the housing board include high and low ranking personnel from U.S. Government agencies.  
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The housing board standards and procedures are not aligned with either the Post Housing Policy Handbook or with 15 FAM 210, Housing Abroad Program. The board has approved several waivers and appeals that were not cost-effective for the U.S. Government and appeared motivated in some instances by personal preference rather than true need. The housing board has also removed and added houses to the pool based solely on amenities and neighborhood preferences of certain individuals, regardless of the cost to the U.S. Government. This is contrary to 15 FAM 212.4.

The board's mismanagement in selecting and assigning houses caused delays in getting the homes ready for new arrivals. The delays meant that some incoming officers and staff had to occupy temporary quarters for several months. More broadly, the housing selection process commanded an inordinate amount of time, manpower, and resources. When the general service officer has to look at 40 homes for an agency chief, it is time for senior management to step in. Similarly, when houses presented to the housing board by the general service officer are rejected because

they lack a pool or spacious yards, questions arise as to the permissive culture of the embassy—again a management responsibility.

Embassy Managua has not completed an independent market survey in two years as required by 15 FAM 212.6 b. that states that posts must conduct a market survey at least annually and provide the OBO Real Estate Office with a copy of the survey within 30 days of completion. Additionally, the embassy is not in compliance with 15 FAM 223 that requires the embassy to have a current housing profile approved by OBO.

**Recommendation 17:** Embassy Managua should disband the current inter-agency housing board and reconstitute the board in accordance with Department guidance so as to represent all agencies and include higher and lower ranking personnel. (Action: Embassy Managua)

**Recommendation 18:** Embassy Managua should update the current housing profile and send to the Bureau of Overseas Buildings Operations for approval. (Action: Embassy Managua)

## Property Management

In April 2007, the general services property section reported a loss for FY 2006 of \$468,609 of its nonexpendable inventory to the Property Survey Board. The Property Survey Board and the general service officer noted that the bulk of missing property was lost, stolen, or otherwise unaccounted for over a period of several years because of poor management controls and inventory reporting by prior general service management teams. Serious irregularities in past practices were concealed by a former warehouse supervisor who was terminated for malfeasance. The warehouse supervisor created a phantom storage area, a nonexistent location to delay recognition of items unaccounted for prior to 2006. Some of the missing inventory included 14 air conditioning units delivered in October 2006. These were not found during the last physical inventory of embassy housing or office space, and there are no records for work orders involving the use, repair, movement, or placement of these units. According to Embassy Managua's regional security officer, there is no record of an investigation for the missing inventory to include the 14 missing air condition units. Embassy Managua has not complied with 14 FAM 416.5-1(B) b. that states "if

theft or fraud is suspected as accounting for the storage, the property management officer must report all relevant information to the Office of the Inspector General, Office of Investigations.”

Embassy Managua contacted the Bureau of Administration Property Management Branch to request a visit to provide training and to review post property operations. The visit was conducted in April of 2007. Embassy Managua has implemented several of the recommendations from the property survey board and the property management branch, but a few recommendations remain outstanding. According to 14 FAM 416.4 a., “when discrepancies are found between the physical inventory count and the property record balances that are not traceable to errors in record keeping, immediate action must be taken to resolve the discrepancies.” One of the corrective items that was not completed according to 14 FAM 416.5-1(B) is the adjustment of inventory records. Embassy Managua has requested an extension for submitting the 2007 property management report.

Property records of items required to be included in the nonexpendable property application need greater attention. The previous and current warehouse staff has not adhered to 14 FAM 414.1-1 a., which lists what items are expendable and nonexpendable. The warehouse staff is currently inputting all items to include those with an acquisition cost over \$500 into the nonexpendable property application.

**Recommendation 19:** Embassy Managua should perform an investigation of the disappearance of the missing items from the nonexpendable inventory and report all relevant information to the Office of the Inspector General, Office of Investigations. (Action: Embassy Managua)

**Recommendation 20:** Embassy Managua should remove expendable supplies with an acquisition cost under \$500 from the nonexpendable property application and use the approved property record system Web Pass Procurement to track expendables. (Action: Embassy Managua)





## Information Management

Embassy Managua's information management section is a stand-out performer as confirmed by the very high Workplace and Quality of Life Questionnaire scores, the Personal Questionnaires, and the direct observation of the OIG team. In addition to being very strong technically, the information management section also sets the bar for the rest of the embassy with its customer service. The few minor technical concerns or questions that the OIG team had were immediately attended to by the information management staff.

Embassy Managua operates a comprehensive information management section that includes unclassified, classified networks, dedicated Internet network, radios and telephones. On the unclassified side, the section supports 231 workstations, 7 servers, and 325 user accounts. The American information management staff consists of four information management specialists and one eligible family member. Three LE staff members provide technical support for the unclassified systems and one LE staff member serves as the radio technician. One LE staff member serves as the telephone technician, two LE staff members serve as post's switch board operators, and three LE staff members provide customer service for the mailroom.

Much of the success and reputation of the information management section reflects the abilities and technical skills of the information management officer who has earned the respect of supervisors, peers, and staff. When the information management officer arrived at Embassy Managua in July 2006, there had not been a physical inventory of the information management equipment in over four years and the move into the NEC was thought to be just months away. Under the information management officer's leadership, the team meticulously conducted a physical inventory of all the information management equipment to reconcile the inventory prior to the move into the NEC.

The information management section employees also deserve commendation for their planning and flawless execution in moving into the NEC – above all for their close coordination with the OBO. The OIG team confirmed that the information management section moved the critical network and telephone systems into the NEC with minimal downtime and in a manner that was almost seamless from a user standpoint.

Nicaragua's constant power fluctuations and frequent power outages coupled with the lack of a central, universal power supply (UPS) system for Embassy Managua caused sensitive information management servers and workstations throughout the NEC to shutdown. These conditions also damaged equipment and caused

extensive downtime to USAID's computer systems. Although unstable power conditions were a particular problem immediately after the move to the NEC, (before the generators could be adjusted to provide basic failover capacity) electrical problems continue to exist despite adjustments made to the compounds two generators.

Although the mission raised its concerns with OBO more than a year before the actual move-in date, OBO would not consider revising their plans to include a central UPS system for the NEC.

The lack of a centralized UPS system necessitated ordering 295 individual workstation UPS units at a cost of \$14,370. In addition, the information management section was forced to purchase four rack-mounted UPS systems to support the mission's server system at a cost of \$5,637. Since the move, an additional 40 workstation UPS units had to be obtained.

If Embassy Managua continues to operate with unreliable power backup systems, the recurring purchase of workstation and server UPS systems will make continuing long-term demands on mission funding. A high-capacity central system will be a more cost effective solution.

**Recommendation 24:** Embassy Managua should request, and the Bureau of Overseas Buildings Operations should fund, a high-capacity central universal power system sufficient to provide sustained power protection and failover capabilities for the mission's computer systems. (Action: Embassy Managua, in coordination with OBO)



## QUALITY OF LIFE

### Health Unit

The embassy's health unit is a new state-of-the-art facility that provides primary care to approximately 100 Americans and their families, and provides occupational healthcare to over 500 LE staff. The Foreign Service health practitioner is supported by two local registered nurses, one full-time and one part-time, and an administrative assistant. The unit is spacious and well-equipped. However, there is a lack of privacy in the reception area that was commented on in the ICASS survey. The health practitioner has made some changes to correct this problem.

### Avian Influenza

There are no reported cases of Avian influenza. Vaccines are on hand and stored in a secure facility.

### American Employees' Association

The American Employees' Association (AEA) primarily operates a cafeteria and a gift shop. As of April 30, 2008, the AEA had a negative net worth in excess of \$25,000. The insolvency is due primarily to a \$41,000 debt owed to the U.S. government for fuel purchased for resale. The operations were sorely mismanaged and oversight appeared nonexistent. As a result, proceeds of gasoline sales could not be accounted for and reimbursements were not made. AEA no longer sells gasoline. There is little likelihood, given the scope of its operations, that the debt can be repaid. It was estimated that AEA lost \$10,000 in 2007 and net income for the first four months of 2008 was about \$250. The AEA board, at the time of the inspection, was preparing a memorandum to the embassy addressing the debt.

As a result of AEA's losses for several years running, the Office of Commissary Affairs conducted an internal audit in January/February 2008. Their audit report addressed all facets of operations and contained 18 recommendations. Areas addressed included the gasoline problem and the association's failure to comply with Internal Revenue Service requirements. This is in marked contrast to the annual certifications for 2006 and 2007 prepared by the Ambassador's representative. These

certifications simply stated that the employees' association was managed prudently, was in full compliance with all legal requirements, and that an adequate system of internal controls to protect the assets of the association and the interests of the U.S. government were in place and functioning. Paragraph 6 FAM 554 b. states in part that serious or repeated instances of false certifications shall be referred to the Director General by the Assistant Secretary for Administration for appropriate disciplinary action.

**Recommendation 25:** Embassy Managua, in coordination with the Bureau of Administration, should determine whether the American Employees' Association certifications prepared for 2006 and 2007 meet the criteria of false certifications and should be referred for appropriate disciplinary action. (Action: Embassy Managua in coordination with A)

Both the cafeteria and the gift shop sales are conducted in both cash and credit transactions. AEA members can charge purchases. Billings to members are made monthly and are to be paid at the time of receipt. The AEA ages its accounts receivable. The report prepared as of April 30, 2008, showed that several accounts were past due. One individual had debts that were over 90 days old but was still extended credit. There was no policy and procedure in place to enforce timely payment.

**Recommendation 26:** Embassy Managua should implement and enforce policies and procedures for timely payment and collection of amounts due the American Employees' Association. (Action: Embassy Managua)



**Recommendation 27:** Embassy Managua should initiate procedures to compare amounts paid by the health insurance contractor with premium payments made by the embassy to determine if payments were excessive and refunds may be forthcoming. (Action: Embassy Managua)

## Ratification

The contracting officer's warrant is for \$250,000. The extension of the health insurance contract discussed above was valued at \$136,359 for six months (modification 14). On an annualized basis the contract would be valued at about \$273,000, thereby exceeding the contracting officer's warrant. There is no documentation showing that the contracting officer sought or received a delegation of authority to award the modification that on an annualized basis would exceed his warrant (paragraph (a) (1) DOSAR 601.603-70) as required by 14 FAM 215e. In actuality, the contract was already extended for a full year – May 19, 2007, to May 18, 2008. Ratification in accordance with paragraph 601.602-3 Department of State Acquisition Regulations is required.

**Recommendation 28:** Embassy Managua should forward a request for ratification of contract SONU70002C0202 to the Bureau of Administration. (Action: Embassy Managua, in coordination with A).

## FORMAL RECOMMENDATIONS

**Recommendation 1:** The deputy chief of mission should formalize his mentoring and counseling responsibilities for entry-level generalist officers as part of a more intensified formal entry-level program. (Action: Embassy Managua)

**Recommendation 2:** Embassy Managua, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs and the Bureau of Western Hemisphere Affairs, should require that the narcotics affairs officer have grant management training before beginning his or her assignment. (Action: Embassy Managua, in coordination with INL and WHA)

**Recommendation 3:** Embassy Managua, in coordination with the Bureau of Western Hemisphere Affairs, should reassess the need for the property claims officer in the next assignment cycle and determine whether this position needs to be continued. (Action: Embassy Managua, in coordination with WHA)

**Recommendation 4:** Embassy Managua should establish suitable management controls over grants and provide training for officers and staff handling the grants process. (Action: Embassy Managua)

**Recommendation 5:** Embassy Managua, in coordination with the Bureau of Educational and Cultural Affairs, should design and implement a method for involving former Nicaraguan grantees in alumni activities sponsored by the public affairs section. (Action: Embassy Managua, in coordination with ECA)

**Recommendation 6:** The Bureau of Consular Affairs, in coordination with the Bureau of Western Hemisphere Affairs, should approve Embassy Managua's request for an additional consular officer position. (Action: CA, in coordination with WHA)

**Recommendation 7:** Embassy Managua should complete the project to run a conduit to the compound access control point and install signage for the queuing system in the outdoor waiting area. (Action: Embassy Managua)

**Recommendation 8:** Embassy Managua should reassign the locally employed staff member who works in the inside consular waiting room to work in the compound access control once the queuing system has been reconfigured. (Action: Embassy Managua)



**Recommendation 9:** Embassy Managua should, in coordination with the Bureau of Overseas Buildings Operations, build a shelter for visa applicants on the sidewalk in front of the compound access control point. (Action: Embassy Managua, in coordination with OBO)

**Recommendation 10:** Embassy Managua should request and receive the approval of the Director of the Office of Overseas Employment before continuing employment of the Ambassador's daughter. (Action: Embassy Managua)

**Recommendation 11:** Embassy Managua, in coordination with the Bureau of Human Resources, should implement a compensation plan consistent with the Nicaraguan Labor Code addressing workweeks and night differential pay. (Action: Embassy Managua, in coordination with DGHR)

**Recommendation 12:** Embassy Managua should establish procedures that will provide timely completion of performance evaluations for the locally employed staff, including holding supervisors formally accountable for this responsibility in their work requirement statements and employee evaluation reports. (Action: Embassy Managua)

**Recommendation 13:** Embassy Managua should establish procedures wherein the deputy chief of mission will be advised of seriously delinquent evaluation reports on locally employed staff and will follow up with the rating supervisors. (Action: Embassy Managua)

**Recommendation 14:** Embassy Managua should conduct mandatory cross-cultural sensitivity training sessions for all Americans and locally employed staff. (Action: Embassy Managua)

**Recommendation 15:** Embassy Managua should revise the procedures addressing Equal Employment Opportunity and grievance matters in the locally employed staff handbook. (Action: Embassy Managua)

**Recommendation 16:** Embassy Managua should appoint two locally employed staff representing each gender as Equal Employment Opportunity liaisons. (Action: Embassy Managua)

**Recommendation 17:** Embassy Managua should disband the current interagency housing board and reconstitute the board in accordance with Department guidance so as to represent all agencies and include higher and lower ranking personnel. (Action: Embassy Managua)

**Recommendation 18:** Embassy Managua should update the current housing profile and send to the Bureau of Overseas Buildings Operations for approval. (Action: Embassy Managua)

**Recommendation 19:** Embassy Managua should perform an investigation of the disappearance of the missing items from the nonexpendable inventory and report all relevant information to the Office of the Inspector General, Office of Investigations. (Action: Embassy Managua)

**Recommendation 20:** Embassy Managua should remove expendable supplies with an acquisition cost under \$500 from the nonexpendable property application and use the approved property record system Web Pass Procurement to track expendables. (Action: Embassy Managua)

**Recommendation 21:** Embassy Managua should train warehouse staff, explaining the criteria for accountability which will define what items are expendable and nonexpendable. (Action: Embassy Managua)

**Recommendation 22:** Embassy Managua should create a procurement guide for requestors delineating the detailed process for requesting and processing a procurement request through the procurement unit, the ICASS time standards for processing a procurement item, and the Web Pass requisitioning procedures. (Action: Embassy Managua)

**Recommendation 23:** Embassy Managua should incorporate follow-up actions in the procurement process to ensure that funding is approved before service is provided. (Action: Embassy Managua)

**Recommendation 24:** Embassy Managua should request, and the Bureau of Overseas Buildings Operations should fund, a high-capacity central universal power system sufficient to provide sustained power protection and failover capabilities for the mission's computer systems. (Action: Embassy Managua, in coordination with OBO)

**Recommendation 25:** Embassy Managua, in coordination with the Bureau of Administration, should determine whether the certifications prepared for 2006 and 2007 meet the criteria of false certifications and should be referred for appropriate disciplinary action. (Action: Embassy Managua in coordination with A)

**Recommendation 26:** Embassy Managua should implement and enforce policies and procedures for timely payment and collection of amounts due the American Employees' Association. (Action: Embassy Managua)

**Recommendation 27:** Embassy Managua should initiate procedures to compare amounts paid by the health insurance contractor with premium payments made by the embassy to determine if payments were excessive and refunds may be forthcoming. (Action: Embassy Managua)

**Recommendation 28:** Embassy Managua should forward a request for ratification of contract SONU70002C0202 to the Bureau of Administration. (Action: Embassy Managua, in coordination with A)

## INFORMAL RECOMMENDATIONS

Informal recommendations cover operational matters not requiring action by organizations outside the inspected unit and/or the parent regional bureau. Informal recommendations will not be subject to the OIG compliance process. However, any subsequent OIG inspection or on-site compliance review will assess the mission's progress in implementing the informal recommendations.

The current regime of thematic weekly meetings (focusing on democracy, policies and programs, and assistance and economics) could be refined for greater efficiency and focus.

**Informal Recommendation 1:** The three weekly thematic meetings should be merged into two meetings built around the themes of political development and economic development.

Embassy Managua could engage the Nicaraguan government more rapidly and with less staff time if the Department routinely provided Spanish translations of multi-country formal and informal demarches.

**Informal Recommendation 2:** Embassy Managua should engage the Bureau of Western Hemisphere Affairs to find out if more Spanish translations of bureau-wide demarches could be prepared in Washington or elsewhere.

Although the Public Affairs Section has a number of discrete mailing lists and databases that allow the section to prepare guest lists and mailings, there is currently no single section-wide system that would enable the section to analyze its audience, record program participation, and facilitate contact management.

**Informal Recommendation 3:** Embassy Managua should consult with the Bureau of Western Hemisphere Affairs to develop and implement a suitable contact management system in Managua.



## PRINCIPAL OFFICIALS

	<b>Name</b>	<b>Arrival</b>
Ambassador	Paul A. Trivelli	9/2005
Deputy Chief of Mission	Richard M. Sanders	9/2007
<b>Chiefs of Section:</b>		
Management	Paula M. Bravo	8/2004
Consular	Marc J. Meznar	8/2006
Political	Christopher Robinson	7/2007
Economic	Joseph Ripley	8/2006
Public Affairs	Jerome Oetgen	8/2006
Regional Security	Christopher Rooks	7/2007
<b>Other Agencies:</b>		
Defense attaché office	Col. Daniel Alabre	2/2007
USAID	Alex Dickie	7/2005
Peace Corps	George Baldino	6/2006
USMILGRP	LTC Robert Gaddis	6/2005
Animal and Plant Health		
Inspection Service	Jack Amen	1/2007
MCC	Amy Kirschenbaum	3/2008
Drug Enforcement		
Administration	Michael Sanders	7/2006



## ABBREVIATIONS

AEA	American Employees' Association
DCM	Deputy chief of mission
EEO	Equal Employment Opportunity
ICASS	International Cooperative Administrative Support Services
INL	Bureau of International Narcotics and Law Enforcement Affairs
LES	Locally employed staff
MCC	Millennium Challenge Corporation
MSP	Mission Strategic Plan
NEC	New embassy compound
NIV	Nonimmigrant visa
OBO	Bureau of Overseas Buildings Operations
OIG	Office of Inspector General
UPS	Universal power supply
USAID	U.S. Agency for International Development
WHA	Bureau of Western Hemisphere Affairs



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