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

Compliance Follow-up Review of Embassy Kathmandu, Nepal

Report Number ISP-C-05-22, June 2005

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INTRODUCTION

Compliance follow-up reviews (CFR) by the Office of Inspector General (OIG) provide senior managers of the Department of State (Department) with progress reports on the status of recommendations that resulted from inspections and provide OIG with a quality assurance assessment of its work.

The review took place in Washington, D.C., between December 28, 2004, and January 6, 2005, and in Kathmandu, Nepal between March 22 and 28, 2005. Ambassador Vincent Battle (team leader), Andrea Leopold, and Robert Torres conducted the review.

As a result of this evaluation, the report of OIG's 2003 inspection of Embassy Kathmandu, Nepal (ISP-I-04-09A and SIO-I-04-09A) is closed and 11 formal recommendations in that report are closed as well. However, two informal recommendations from that report have been reissued in this report as formal recommendations. Resolution of these recommendations remains governed by the timetable issued by OIG for the original recommendations.

This CFR also reviewed recommendations made in the January 2004 security inspection report (SIO-I-04-09A) and closes the 2004 report. However, four recommendations from that report are being reissued in this CFR.

Although the inspection report is closed, offices to which recommendations were addressed must still complete implementation of them or to report to OIG the changed circumstances that substantially affect implementation.

OVERVIEW

Embassy Kathmandu is a medium-size post with approximately 50 direct-hire Americans from six agencies; 500 locally employed staff, including 295 local contract guards; and a six-person Marine security guard detachment. Its total budget for FY 2005 from the Department is \$7.8 million.



With a per capita annual income of under \$250, Nepal is one of the world's poorest and least developed countries. Agriculture is the mainstay of the economy, but limited natural resources, a landlocked location between India and China, and poor infrastructure, education, and health all handicap the country's

efforts at development. Institutionalized corruption and a long history of public intervention in the economy further inhibit progress. The vibrant tourism industry has also declined, due to escalating political turmoil.

Nepal has had a hereditary monarchy for most of its history. In 1990, a new constitution established a parliamentary democracy, limiting the role of the king. A Maoist insurgency launched in 1996 killed thousands of citizens and destroyed millions of dollars worth of social and economic infrastructure. Since 2002, when the king dissolved parliament and dismissed the government, the political situation has deteriorated and violence has increased. In early 2005, in a move condemned by Nepal's closest allies as a setback for democracy, the king dismissed the government again, declared a state of emergency, and assumed absolute authority. Civil liberties, already fragile, and freedom of the press have eroded and human rights abuses have multiplied. The king justified his actions by the need for more robust action against the Maoist insurgency.

U.S.-Nepalese relations are dominated by this insurgency. There has been an increase over several years in both direct U.S. military assistance and training for Royal Nepal Army personnel. The budget for longer term economic and social development assistance grew to an all-time high of over \$40 million. Recent anti-democratic actions by the king have led to a review of these assistance programs.

EVALUATION OF COMPLIANCE

The inspection report issued in January 2004, *Embassy Kathmandu, Nepal* (ISP-I-04-09A), contained 15 formal recommendations. In that report, OIG found that the embassy's operation was impeded by insufficient attention to management and the poor example being set at the top, which may have exacerbated the poor management practices at lower levels. OIG also found that the then-serving Ambassador and deputy chief of mission (DCM) focused too much of their attention on substantive issues, leaving basic management adrift. Executive performance in coordination, communication, feedback, and problem solving was weak and morale faltered. Finally, there was improper managerial behavior in the management section, particularly in the management of entry-level personnel and local staff.

Prior to this CFR, all 15 of the earlier report's recommendations were closed through the regular compliance process. Looking at the earlier report's formal recommendations, this CFR confirmed compliance on all of them. The CFR team also spot-checked many of the 45 informal recommendations from the earlier report and decided to amend and reissue two of them as formal recommendations.

The CFR also reviewed nine formal recommendations and 32 informal recommendations made in OIG's January 2004 security inspection report. The CFR found some progress has been made in addressing those deficiencies, due to four large-scale construction projects being overseen by the Bureau of Overseas Buildings Operations (OBO). However, four recommendations from that report are being reissued.

Embassy management worked very cooperatively with OIG, as did the members of the new team in the executive office, the new facilities maintenance officer, the regional security officer, and the new consular chief. The management counselor was particularly active. She presented the team with an immensely useful spreadsheet of all the formal and informal recommendations, using it to brief the team on compliance to date and to explain plans for actions to close the remaining recommendations. The CFR team also was able to review firsthand all of the OBO construction projects underway or about to start.

EXECUTIVE DIRECTION

The new executive team has been in place in Kathmandu since mid-2004. In fact, the most important aspect of compliance with the findings of the 2004 report team was the Department's rapid removal of the two top leaders in the executive office and of the chief of the management section. They were replaced with carefully selected, seasoned leaders and managers.

The current Ambassador and DCM are career officers with broad experience in program direction. They have resolutely addressed OIG's concerns from the 2003 inspection and are actively engaged in all management issues, leading by example, and giving full attention to nurturing a team spirit. Although the embassy has not yet retained an expert team-building trainer from the National Foreign Affairs Training Center (NFATC), the change of personnel at the top has made this less necessary. The embassy, however, did send senior Foreign Service national personnel to an NFATC train-the-trainer session and hopes to use this for local team building. The DCM also now meets and coordinates regularly with all sections of the embassy, including both management and security. The collegiality at Embassy Kathmandu is now palpable, and morale is also strong. The embassy community has worked through several crises in the past six months, affirming its ability to overcome adversity.

Two issues of particular concern are the embassy's attention to the career development of entry-level personnel and its oversight of the visa referral system. The DCM has gained control of both programs and brought them into line with best practices.

CORE FUNCTIONS

Consular

The DCM and the chief of the consular section confirmed that the embassy complies with the earlier OIG recommendation concerning its visa referral policy. The Ambassador does not forward visa referrals to the consular section, and the program is now overseen by the DCM herself. The consular chief said the system is working well and that no one in the embassy is abusing it or attempting to circumvent it.

The Department has upgraded the position of chief of the consular section to the FS-02 level. The FS-03 officer, who is the current incumbent, was stretched into the position. The post is exerting strong efforts to recruit an at-grade candidate for the position for 2006. Although the fact that the position is language-designated for Nepali makes recruitment difficult, OIG agrees that the language designation is appropriate.

In the wake of OIG's inspection report, the consular section expanded into new office space, but it is still cramped. The section also brought into daily use two interview windows in the access-control facility. However, the consular section's physical deficiencies will become irrelevant when consular operations move into newly renovated, leased space at the Yak and Yeti office building. The facilities will more than adequately accommodate all personnel and activities of the section. The move-in date is April 16, 2005, and the embassy will advise OIG when the shift actually occurs. These facilities will house the consular section and the public diplomacy section until the completion of the new embassy compound, slated for 2007.

RESOURCE MANAGEMENT

The new management counselor and her team are overcoming past problems and making significant strides in managing multiple significant projects. The embassy also has a highly-qualified facilities management officer who, in coordination with the OBO project manager and the general services officer, is overseeing projects at the Yak and Yeti office building, the Phora Durbar compound, the chancery, and the new embassy site, known as Brahma Cottage. In addition, the embassy is focusing on attaining funding for the U.S. Agency for International Development portion of the new embassy compound, to ensure timely and efficient construction.

The project that will relocate the public diplomacy and consular sections to the Yak and Yeti is nearly completed and move-in is scheduled for April 2005. One contractor has begun constructing a new perimeter-security wall at the Phora Durbar compound and another contractor has begun clearing brush and trees at the Brahma Cottage. Three coordination meetings are held each week to ensure that the projects are on track and moving forward.

Real Property

Earlier, OIG reported that the embassy was concerned about too little coordinated planning taking place between it and the Department regarding the security upgrade at the Phora Durbar compound and the new embassy compound. OIG recommended that the embassy request that OBO provide a comprehensive plan that coordinates security work at the Phora Durbar site with the planned construction of facilities associated with the new embassy compound. OBO has clearly identified which offices will move to the new compound and which will remain on the Phora Durbar site. Further, the three weekly coordination meetings have participation from the general service officer, the facilities management officer, the OBO project manager, and the management officer. The recommendation was therefore closed, and this CFR confirms the continued compliance with this recommendation.

Diplomatic Pouch

OIG's earlier Informal Recommendation 40 called on the embassy to "ensure that pouch privileges are appropriately restricted in accordance with U.S. government regulations." The embassy suspended pouch access for the dental clinic on October 13, 2004. However, it continues to allow Lincoln School teachers to use the pouch. The embassy asked the school director to monitor use of the pouch and potential abuse, based on a March 1999 agreement that allowed teachers to use the pouch for letters.

This practice is contrary to law and regulation and must stop. Under 5 FAM 340, which deals with diplomatic pouch mail and schools abroad, employees of U.S. government-sponsored schools are not authorized to use the pouch for personal mail but only for official mail. OIG is closing that recommendation and reissuing it as a formal recommendation.

Recommendation CFR-1: Embassy Kathmandu should immediately discontinue allowing Lincoln School's teachers use of the diplomatic pouch for personal mail. (Action: Embassy Kathmandu)

General Services

The 2004 OIG inspection report found a need for an additional general services officer and called upon the Department, in Recommendation 11, to create and fill the position requested by the embassy in its 2004 mission performance plan. OIG confirmed that the Department established the position, and a new general service officer arrived in Kathmandu on December 13, 2004. The embassy has complied with the recommendation.

Information Management

OIG reported that the information management section did not have a comprehensive strategic information technology plan and called upon it to develop one that addresses its operational, technical, and staffing needs for the next three-to-five years (Recommendation 12). During the CFR, OIG reviewed the information management strategic plan and determined that it was appropriate.

Medical Care

The inspection report's Recommendation 13 called for the regional psychiatric officer, posted at Embassy New Delhi, to visit Embassy Kathmandu immediately and to establish a regular schedule of quarterly visits that allow sufficient time to assess community health concerns and conduct patient consultations. The regional psychiatric officer visited Kathmandu in January, June, September, and December 2004. In February 2005, the regional psychiatric officer returned to Embassy Kathmandu for three days. OIG reviewed the embassy's staff notices announcing the regional psychiatrist's visits and reconfirmed compliance with this closed recommendation.

MANAGEMENT CONTROLS

Human Resources

The 2004 report's Recommendation 14 called on the embassy to establish a clear policy and procedures to control excessive overtime. The embassy established and published its overtime policy on April 7, 2004. OIG verified that overtime has been largely kept under control, confirming compliance with this closed recommendation.

The embassy is working on a policy to reduce overtime for motor pool drivers to ensure they do not work over 10 hours per day, a limit based on the safe-driving requirements defined by the Department's Safety, Health, and Environment Management office. However, the response to this recommendation has not been implemented, and OIG is therefore closing Informal Recommendation 26 and reissuing it as a formal recommendation.

Recommendation CFR-2: Embassy Kathmandu should schedule motor pool drivers for workdays of no more than 10 hours to comply with the Department's Safety, Health, and Environment Management office guidelines. (Action: Embassy Kathmandu)

Dental Clinic

There has been a privately operated dental clinic at the Phora Durbar compound for many years, filling what had been an unmet need for dental care in Kathmandu. The clinic's independent dentist does not pay lease costs or other expenses, and there are now many dentists in Kathmandu. The earlier OIG report's Recommendation 15 called on the embassy, in coordination with Bureau of Near Eastern Affairs, Office of the Executive Director, to review the need for an on-compound dentist and to review the embassy's level of support for the dental clinic.

At the time of the CFR, the dental clinic was still operating. The Department in State cable 132645, dated June 2004, said the embassy should discontinue support and notify the dentist to cease operations. In October 2004, the embassy notified the dentist that he should leave the compound no later than April 11, 2005. The latest information regarding his departure indicates the clinic will cease on-compound operations on March 31, 2005, and reopen elsewhere later. Based on current information, the CFR confirmed compliance with this closed recommendation.

SECURITY

OIG reviewed Embassy Kathmandu's compliance with OIG's January 2004 security inspection report (SIO-I-04-09A) and all of the report's informal recommendations are closed. In some cases, the embassy had sought alternative but acceptable solutions. This CFR confirms the appropriateness of the changes and that adherence to the recommendations is continuing.

Regarding that report's formal recommendations, OIG confirmed compliance with the recommendation that the embassy establish a secondary mail-screening area that has all necessary equipment, protective clothing, and is separate from the compound access-control facility.

However, the embassy does not comply with the security report's Recommendation 2, which requires the embassy to build a three-meter fence to separate the general services facilities from the American Mission Association's recreation area. The fence will not be built by the estimated completion date, March 31, 2005. Security upgrades and other demolition and construction work at the Phora Durbar compound will require access to the compound by needed equipment and vehicles. The embassy agrees that a fence is needed and plans to construct it upon the completion of security and other upgrades at the Phora Durbar site.

OIG therefore closes Recommendation 2, but reissues a modification of it.

Recommendation CFR-3: Embassy Kathmandu, in coordination with the Bureau of Overseas Buildings Operations, should, upon the completion of security and other upgrades at the Phora Durbar site, construct a three-meter fence to separate the general services facilities from the American Mission Association recreation areas. (Action: Embassy Kathmandu, in coordination with OBO)

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Recommendation CFR-6: Embassy Kathmandu should install a false ceiling and appropriate air-conditioning in the alternate command center. (Action: Embassy Kathmandu)

OIG found that Recommendations 6, 7, 8, and 9 of the security report were implemented and that the embassy is still in compliance.

STATUS OF RECOMMENDATIONS FROM OIG REPORT ISP-I-04-09A

No.	Recommendation	Status	Action
1	The Bureau of South Asian Affairs should develop a plan for Embassy Kathmandu senior management to ensure that behavior in dealing with all staff is proper and professional. (Action: Bureau of South Asian Affairs)	Complied	Closed
2	Embassy Kathmandu must develop a comprehensive junior officer program to ensure the best possible integration into mission operations, mentoring, and development. (Action: Embassy Kathmandu)	Complied	Closed
3	Embassy Kathmandu should request the assistance of the National Foreign Affairs Training Center to develop team building exercises and other programs to promote greater staff cohesion and cooperation. (Action: Embassy Kathmandu, in coordination with NFATC)	Complied	Closed
4	Embassy Kathmandu should establish a weekly meeting of all the officers in the management section and the regional security officer chaired by the deputy chief of mission. (Action: Embassy Kathmandu)	Complied	Closed
5	All elements of Embassy Kathmandu should follow a visa referral policy consistent with the standard operating procedures contained in 2003 State 223774 and further described in 9 Foreign Affairs Manual (FAM) Appendix K. (Action: Embassy Kathmandu)	Complied	Closed
6	Given the dramatic growth in consular staffing, Embassy Kathmandu should ask the Department to review the position level of the consular section manager, number 30050003. (Action: Embassy Kathmandu, in coordination with SA, CA, and DGHR)	Complied	Closed
7	Embassy Kathmandu should commence the fulltime use of two existing interview windows in the public access control area for Foreign Service national consular staff to collect fees, handle document intake, and respond to walk-in inquiries. (Action: Embassy Kathmandu)	Complied	Closed
8	Embassy Kathmandu should provide additional, readily accessible workspace for consular files and document preparation prior to the consular section's move to the Yak and Yeti Hotel. (Action: Embassy Kathmandu)	Complied	Closed

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| 9 | Embassy Kathmandu should install an appropriate combination of carpeting and acoustic tiles on the public side of its consular interview windows to optimize the integrity and efficiency of client interviews and ensure privacy. (Action: Embassy Kathmandu) | Complied | Closed |
| 10 | Embassy Kathmandu should again request, and the Department should provide, a comprehensive plan that coordinates security work at the Phora Durbar site with planned construction of facilities associated with construction of the new embassy complex. (Action: Embassy Kathmandu, in coordination with OBO) | Complied | Closed |
| 11 | The Department should create and fill an additional American General Services Officer position requested by Embassy Kathmandu in its Mission Performance Plan. (Action: DGHR, in coordination with NEA/SA/EX) | Complied | Closed |
| 12 | Embassy Kathmandu should develop a mission information technology strategic plan that covers the embassy's operational, technical, and staffing needs for the next three to five years in accordance with 5 FAM 121.1. (Action: Embassy Kathmandu) | Complied | Closed |
| 13 | The regional psychiatric officer in New Delhi should visit Embassy Kathmandu immediately and establish a schedule of regular quarterly visits that allow sufficient time to assess community health concerns and conduct individual patient consultations. (Action: Embassy New Delhi) | Complied | Closed |
| 14 | Embassy Kathmandu should establish a clear policy and corresponding procedures to control excessive overtime worked. (Action: Embassy Kathmandu) | Complied | Closed |
| 15 | Embassy Kathmandu should ask the Department to review the need for and level of support to be provided to the American Embassy Dental Clinic. (Action: Embassy Kathmandu, in coordination with NEA/SA/EX) | Complied | Closed |

STATUS OF INFORMAL
RECOMMENDATIONS FROM OIG REPORT
ISP-I-04-09A

No. Informal Recommendations	Status	Action
26 The embassy does not adhere to the Department's policy on limiting duty hours for drivers to no more than ten hours per day.	Reissued as a formal Rec. CFR-2	Closed*
40 The private dental practice located on the general services office compound has been receiving pouch services contrary to Department regulations. Additionally, teachers at the Lincoln School have been receiving mail and occasional packages of supplies via pouch.	Reissued as formal Rec. CFR-1	Closed*

*Closed by CFR

STATUS OF RECOMMENDATIONS FROM OIG REPORT SIO-I-04-09A

No.	Recommendation	Status	Action
1	To ensure thorough screening of suspicious mail, Embassy Kathmandu should establish a secondary mail screening area that is outfitted with the required protective clothing and equipment and is separate from the compound access control facility. (Action: Embassy Kathmandu).	Complied	Closed*
2	Embassy Kathmandu, in conjunction with the Bureau of Overseas Buildings Operations, should construct a three-meter fence to separate the general services facilities from the American Mission association recreation areas. (Action: Embassy Kathmandu)	Reissued	Closed*
3	Embassy Kathmandu should increase the forced-entry protection of the door at the chancery emergency generator building, as required by 12 FAH-6 H-113.4x (Action: Embassy Kathmandu)	Reissued	Closed*
4	Embassy Kathmandu should, with the assistance of the Department, provide the general services office building with safe haven and an emergency generator room that offers 60 minutes of forced-entry ballistic-resistant protection, as required by 12 FAH-6 H-113.6 w and x. (Action: Embassy Kathmandu)	Reissued	Closed*
5	Embassy Kathmandu should locate and make operational an interim alternate command center that meets the requirements of 12 FAH-1 H-131 until the permanent site at the general service office warehouse is complete. (Action: Embassy Kathmandu)	Reissued	Closed
6	Embassy Kathmandu should update its emergency action plan and send it to the Department for approval (Action: Embassy Kathmandu)	Complied	Closed
7	Embassy Kathmandu should train and equip two five member, chemical/biological first-responder teams, assigning one to the chancery and the other to the general services compound. (Action: Embassy Kathmandu)	Complied	Closed*
8	See ISP/I-04-09A report	Complied	Closed
9	See ISP/I-04-09A report	Complied	Closed

*Closed by CFR

PRINCIPAL OFFICERS

Ambassador	James F. Moriarty	07/04
Deputy Chief of Mission	Elisabeth Millard	08/04

Chiefs of Section

Management	Michelle Esperdy	09/04
Consular	Robert N. Farquhar Jr.	08/04
Regional Security Officer	James Gayhart	08/03
Political/Economic Affairs	Grace Shelton	07/04
Public Affairs	Constance C. Jones	08/02

Other Agencies

Department of Defense		
Defense Attaché Office	LTC. James Oxley	06/02
Office of Defense Cooperation	Maj. Randall Koehlmoos	06/03
U.S. Agency for		
International Development	Donald Clark	06/03
Centers for Disease Control and		
Prevention	Dr. Thomas Wierzba	05/03