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

Report of Inspection

Embassy Astana and
Embassy Branch Office,
Almaty, Kazakhstan

Report Number ISP-I-08-11A, February 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, U.S. Department of State.

PURPOSE

The Office of Inspections provides the Secretary of State and Congress with systematic and independent evaluations of the operations of the Department of State, its posts abroad, and related activities. 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 being accurately and effectively represented; 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 instance 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 in the Department and elsewhere; as appropriate, circulated, reviewed, and compiled the results of survey instruments; conducted on site interviews with personnel at the overseas missions, in the Department, and elsewhere; and reviewed the substance of the report and its findings and recommendations with office, individuals, organizations, and activities affected by this review.



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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 "Bill Todd", written in a cursive style.

William E. Todd
Acting Inspector General

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KEY JUDGMENTS

- One year after a challenging move from Almaty, Embassy Astana still functions in something of a start-up mode. There are still rough edges to the operation.
- Almaty is the cultural, commercial, financial, and transportation center of the country. The U.S. government should have a continuing presence in that city. There is no designated principal officer at this Embassy Branch Office. A letter from the Ambassador specifies that the U.S. Agency for International Development (USAID) Regional Director (the senior U.S. government official assigned to Almaty) is the *ipso facto* head of the branch office. This is an acceptable compromise.
- At present, Almaty is the logical center for U.S. government regional operations in Central Asia. There are persuasive reasons for Almaty to be the location of the regional offices of USAID, Foreign Commercial Services, and the Centers for Disease Control. Potentially these will be joined by staff from the Drug Enforcement Administration
- The policy objective of reorienting U.S. policy in Central Asia to focus on north-south linkages rather than the historic ties to Russia and Europe is an uncertain experiment. Programmatic control, policy direction, and regional support cross bureaucratic lines in the Department of State (Department).
- Twenty-seven percent of Department direct-hire Americans at Embassy Astana are entry-level officers (ELOs). Several others are new to the jobs to which they are assigned. Heavy reliance on inexperienced employees is a potential vulnerability.
- Embassy Astana should be more rigorous in evaluating relevant functions before requesting or approving increases in American direct-hire employees.

CONTEXT

In 1997, President Nazarbayev, acting almost solely, determined that the capital of Kazakhstan would be relocated from Almaty in the far southeastern part of the country to Astana deep in the steppes of Central Asia. The progressive transfer of



the central government to the new capital foreshadowed the parallel move of the U.S. embassy to Astana, starting in 2003 and culminating in the formal move in September 2006.

Kazakh-Russian relationships seem as uncomfortable as they are critical. Linguistic and cultural ties will prevail for the foreseeable future. By design, the infrastructures and economies are inextricably joined – with the Russians willing and able to exert dominance (e.g., in determining the price of Kazakh petroleum exports). Many Kazakhs are skeptical about the Russian government’s policies and long-term objectives in the region.

By the same token, reorientation away from traditional trading partners (Russia, other Commonwealth of Independent States, and Western Europe) is embryonic at best. Kazakhs feel little affinity for their neighbors to the south. South Asian market potential, especially for energy is just that – a potential. The threats of transnational terrorism and trafficking in illegal substances draws the Kazakh government into dialogue with these neighbors, but other north-south ties are less promising.

Astana is an austere environment. There are few public amenities and infrastructure is rudimentary. The city seems to be one expansive construction camp with sometimes surrealistic architecture sprouting everywhere. Winters are long and harsh (with temperatures consistently below freezing from November to May, often as cold as -40 degrees Fahrenheit.) Embassy personnel take a certain pride in asserting that Astana is the coldest capital in the world. Geographic isolation and high cost of air transportation discourage travel to more congenial locales.

The embassy is a true hardship post. The hardship differential is 25 percent. Cost-of-living allowances add another 10 to 20 percent to base pay for American employees. Tours for American personnel are generally for two years; those who opt for a third year are eligible for an additional 15 percent service needs differential pay. Employees may also qualify for language incentive pay. These compensations and benefits help offset a high (and escalating) cost of living. Even so, recruiting both American and locally employed staff is difficult, and retention of the locally employed staff cadre is a looming challenge as many complete a one-year commitment to serve at Embassy Astana after the move from Almaty.

Partially offsetting these negative factors is the 2006 occupancy of a spacious, well-appointed chancery. Although street crime is on the rise, security at residences and offices in Astana is very good. Post morale and locally employed workforce issues are discussed elsewhere in this report.

Almaty remains the cultural, commercial, financial, and transportation hub of Kazakhstan. The Embassy Branch Office in that city (the former U.S. Embassy) is a robust U.S. government presence that should continue. It is a natural location for regional offices, including relocation of some U.S. government entities that no longer can operate effectively from Tashkent. By agreement with the Congress, the Department staffing at Almaty is capped at five positions. The regional offices of USAID are not so-capped, nor are those of other agencies (notably the Center for Disease Control (CDC) and Peace Corps, both of which are centered in Almaty. This report examines attendant issues and contains recommendations pertinent to future U.S. government operations at Almaty.

EXECUTIVE DIRECTION

The Ambassador has considerable regional expertise. His fluency in Russian enables him to communicate readily with host government officials with whom he has ready access at all levels. He has unquestioned mastery of all aspects of the bilateral relationship. Even during his frequent absences from Astana, he effectively conducts business with the host government via telephone and e-mail.

Because he was away from post for virtually the entire period of the on-site portion of the inspection, the Office of Inspector General (OIG) team did not have the opportunity for direct observation of the Ambassador's leadership and management style. However, it is clear that he guides with a light rein, expecting embassy sections and other agency units to carry out respective functions without close ambassadorial involvement or supervision. American employees generally perceive him to be conflict-averse, and he does little 'management by walking around.'

When in Astana, the Ambassador attends, and the deputy chief of mission (DCM) guides, twice-weekly country team meetings – one of which is with digital video conference (DVC) participation of personnel at the Embassy Branch Office in Almaty (EBO/A). These are essentially venues for exchanging information on current activities across the embassy. 'Brainstorming' sessions occur on an ad hoc basis, most often related to a specific issue (e.g., the 2007 elections).

To an unusual degree, the Ambassador delegates responsibility for day-to-day operations to the DCM. Both he and the Ambassador pay commendable attention to regulations. The DCM is especially concerned about morale, both among Americans and the locally employed staff. He is conscientious in mentoring ELOs. The DCM's supervisory style contrasts with that of the Ambassador. The DCM pays exceptionally close attention to detail.

Effective use of DVC, and frequent travel between Astana and Almaty ease the awkwardness and complications of ensuring cohesive operations of two parts of the same embassy – located 800 miles apart.

RIGHTSIZING:

At the time of the inspection, the Ambassador had approved 10 National Security Decision Directive-38 (NSDD-38) requests for additional non-Department personnel positions. The embassy requested four additional Department positions in the Mission Strategic Plan (MSP) submitted for FY 2009.

Ample, available office space at Embassy Astana satisfies one of the required considerations for NSDD-38 approval. The Ambassador actively seeks the addition of some other-agency positions (e.g., a Department of Energy direct-hire American). The embassy may be likened to a 'field of dreams,' and there is a temptation to fill the available space. At the same time, poor transportation connections and geographic remoteness from neighboring posts argue against consideration of Astana as a good venue to station regional offices.

Since 2003, mission staffing has increased by at least two to three Department direct hires a year. From 2003 to 2007, Department staffing grew from 29 positions to 40 positions. Department positions were requested and approved to support goals outlined in the MSP, formerly known as the Mission Performance Plan.

In addition, for 2008 and beyond, other agency positions have been requested through the NSDD-38 process. The MSP for FY 2009 shows an increase of 10 positions. Although many of these positions may be needed, the mission should do a better job of weighing the cost versus benefit of staffing increases. Space is available, but NSDD-38 guidelines require that all administrative issues be considered before the Chief of Mission makes a decision to approve staffing increases. NSDD-38 files had limited or no analysis about the impact of staffing increases on the management section. NSDD-38 guidelines stipulate that all administrative support issues, security issues, office and residential space issues, and training issues should be included and considered in the decision making process. In addition, the International Cooperative Administrative Support Services (ICASS) council is not advising the Ambassador of the cost implications of NSDD-38 proposals. Careful attention needs to be given to the NSDD-38 process to avoid overcrowding and strain on support functions.

The OIG team reviewed the NSDD-38 process with the DCM and management officer, and provided suggestions on ways to develop a more comprehensive decision package to enable the Ambassador to know the real costs underlying any increase in U.S. direct-hire staffing. Additionally, the OIG team encouraged them to conduct a serious analysis of each and every NSDD-38 proposal, especially for those positions with regional responsibilities before making a decision.

Recommendation 1: Embassy Astana should follow National Security Decision Directive-38 guidelines to perform and document a comprehensive analysis of both programmatic and administrative requirements, including administrative support, security, residential, and training cost issues prior to deciding on requests to increase personnel. (Action: Embassy Astana)

EMBASSY BRANCH OFFICE, ALMATY

Almaty remains the cultural, commercial, financial, and transportation hub of Kazakhstan. The Embassy Branch Office in that city (the former U.S. Embassy) is a robust U.S. government presence that should continue. It is a natural location for regional offices, including relocation of some U.S. government entities that no longer can operate effectively from Tashkent. By agreement with the Congress, Department staffing is capped at five positions. The regional offices of USAID) are not so capped, nor are those of the other agencies (notably the CDC and Peace Corps, both of which are centered in Almaty).

As discussed below, both the official and private U.S. presence in Almaty will continue to increase as will the workload for Department personnel. The OIG team believes that the cap on Department staffing should be lifted.

Recommendation 2: The Bureau of South and Central Asian Affairs, in coordination with the Bureau of Legislative Affairs, should propose a lifting of the cap on Department of State staffing in Almaty. (Action: SCA, in coordination with H)

Kazakhstan's burgeoning petroleum and energy sectors are headquartered in Almaty. There is a 130 member (and growing) American Chamber of Commerce, and Almaty aspires to become the Central Asian financial capital. These factors point to a continuing presence of the Department of Commerce's Foreign Commercial Service. The Ambassador is pressing the Drug Enforcement Administration to assign an American to work within the Central Asian Regional Information Coordination Center to be established at Almaty.

Almaty is designated an Embassy Branch Office (as distinct from a consulate or other self-standing entity). That arrangement vis a vis Embassy Astana has worked satisfactorily, due mostly to the frequent travel between the two parts of the embassy and creative use of DVC.

The Regional Director of USAID is the senior U.S. government official at EBO/A. However, that officer's responsibilities entail extended absences from Almaty. Then, the chain of authority is less established. The Ambassador urges a more orderly structure for his span of control and urges designation of a principal officer at EBO/Almaty. None of the other three extant EBOs – Banja Luka, Pristina, and Douala – has a designated Principal Officer. Although 3 FAH-1 H-2435.2 holds out a possibility for such designation, this appears to be linked directly to impediments in performing official duties at that location; such is not the case at EBO/Almaty. The OIG team concluded that the letter from the Ambassador to the previous Regional Director of USAID was a satisfactory compromise. Such a letter should be reissued to the present Regional Director of USAID.

Aspects of EBO/Almaty operations (e.g., consular, security, and ICASS support, etc.) are discussed elsewhere in this report.

POLICY AND PROGRAM IMPLEMENTATION

FOREIGN ASSISTANCE

U.S. economic assistance to Kazakhstan is declining as the country realizes growing revenues from its natural resources, especially oil. Overall assistance to Kazakhstan has declined from \$88.43 million in 2006 to an estimated \$70 million in 2007. As much as \$40 million is from the Department of Energy for nuclear nonproliferation programs. The embassy has requested \$28 million in its MSP for FY 2009. Freedom Support Act funds that comprised the bulk of the request have declined each year, from \$24.75 million in 2006 to \$20 million in 2007. The availability of Freedom Support Act funds in the future seem destined to decline further. The embassy's request for \$16.3 million in FSA funds in its 2009 MSP, was reduced to \$14.3 million in the budget request submitted to Congress.

Assistance has significant impact outside Astana, especially in health and education. Programs such as these do the most to overcome widespread suspicions that the United States is only interested Kazakhstan's oil. In the capital, U.S. support is gauged more in political terms. High on the Kazakh agenda is an effort to obtain support for Kazakhstan's chairmanship of the Organization for Security and Cooperation in Europe in 2009. President Nazarbayev remains interested in diversifying the country's economy, however.

Monitoring and oversight of the assistance programs fall to the Security Assistance Working Group (SAWG) and the Development Assistance Working Group (DAWG). (These groups are discussed elsewhere in this report.) The DCM chairs meetings of these groups, the agendas for which are prepared by the head of the political/economic (P/E) section. The Ambassador does not attend these meetings, but the DCM keeps him apprised of any developments. The regional USAID director does not attend these meetings either, but is represented by a USAID officer stationed in Almaty. Relations between USAID and Embassy Astana are cordial and productive.

POLITICAL AND ECONOMIC SECTION

The P/E section performs well even though short staffed at the time of the inspection. There are normally four political officers (one the section head) and two economic officers. At the time of this inspection, the combined section was headed by an FS-03 third-tour officer with two first tour ELOs. A locally employed national serves the P/E office in the EBO/A. The new head of section is scheduled to arrive in mid-October.

The two ELOs already have a year in Astana under their belts, and the acting head of section has successfully stepped up to the plate. The competent and energetic economic ELO has taken over the energy portfolio as well, winning praise from the Department of Energy desk officer in Washington.

Analytical political and economic reporting is sparse especially in the form of cables. The Bureau of South and Central Asian Affairs (SCA) was satisfied with reporting, but some other agency end-users in Washington termed it light and sometimes superficial. (These agencies do not have ready access to e-mail correspondence, a major form of Astana-Washington communication.) The OIG team found that the reporting was adequate.

Kazakhstan presents a challenging physical and social environment in which to work. Despite President Nazarbayev's vision of Kazakhstan as a modern Central Asian power – and U.S. government efforts to help him realize that vision – local cultural norms and Soviet traditions make corruption rampant, and access to many officials, especially mid-level or provincial bureaucrats, difficult. Penetrating the mid-level ranks of the Kazakh bureaucracies is time-consuming and frustrating, as officials, intent on preserving their positions that have often been gained by bribes or connections are rarely forthcoming. Meetings with most government officials require a formal request to the Foreign Ministry. In addition, many important contacts, especially among opposition figures, local nongovernmental and human rights organizations, as well as business leaders remain in Almaty.

The Ambassador has unparalleled access to the top echelons of the Kazakh government. When meeting with high-level officials, the Ambassador sometimes is accompanied by a P/E note taker. Otherwise, he takes notes and then communicates information to P/E officers for reporting as appropriate.

Much of the P/E officers' time is taken up taking care of visitors. While some visits provide access to important officials, others do not, or merely expose visitors to information already covered many times before. P/E officers would like to have



INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT

Funding for INL projects totals about \$1 million a year, with \$2 million available for ongoing programs at any one time. Programs include improving border security, providing a forensics laboratory, drug demand reduction, combating money laundering, and training border guards. The INL officer reports to the P/E chief but operates independently.

The current INL officer arrived August 2007 and has already been on an inspection tour with the Kazakh border guard to the Chinese and Uzbek borders. The INL position, rated for an FS-02, is a stretch for this FS-03 officer. He is supported by an enthusiastic locally employed staff trained as program managers. They are all women in their late twenties and early thirties and they have established good relations with Kazakh officialdom, some of whom were initially reluctant to establish relations with the embassy.

During the inspection, there were 14 (13 of whom were women) locally employed staff in P/E, PD, and INL: four in P/E, seven in PD, and three in INL. All were well-educated and in contrast to most of the locally employed staff happy to be working in the American Embassy. The female employees – especially those working in PD and INL – found working at the American Embassy to be liberating, especially when compared to outside employment. They reported that they are treated with respect, given responsibility, and encouraged to grow beyond the narrow bounds of their job descriptions. (Most Kazakh bureaucracies and national companies allegedly are sexist and constraining, with positions either bought or obtained through connections.)

ENVIRONMENT, SCIENCE, TECHNOLOGY AND HEALTH

Environment, science, technology and health (ESTH) issues are not specifically mentioned in the MSP. Two embassy objectives in the MSP – ensuring nonproliferation of weapons of mass destruction and health concerns, such as avian flu and HIV/AIDS, reflect ESTH concerns. Health concerns are the focus of the CDC in Almaty and one of the principal areas of emphasis in USAID programs.

Work related to nonproliferation and health constitute about one-third of one of the P/E officers' portfolio. He has written numerous telegrams on nonproliferation, a major embassy and U.S. government concern. This officer has been the acting section head since June 2007, but may devote more time to both subjects once the

new P/E section head arrives in mid-October 2007. He maintains close contact with USAID and CDC on health issues and with the Department of Commerce officer in Almaty in order to inform him of any high-tech trade opportunities.

There are plans to transfer a regional ESTH position from Tashkent to Astana. The Tashkent position is currently vacant, and there are no immediate prospects for filling this new slot. The officer working these issues notes that there seems to be little money for projects in Central Asia and that the last request to make a demarche for ESTH issues was over eight months ago.

REFUGEE AND MIGRATION AFFAIRS

Refugee and migration affairs form part of the portfolio of the P/E officer covering human rights. Refugee issues and migration flows are not major issues in Kazakhstan. The objective of the U.S. government is to secure Kazakhstan's adherence to the 1951 United Nations Convention of Refugees and to UN High Commissioner for Refugees processing procedures. The Kazakh government has not fully adopted legislation to implement the UN Convention. The Kazakh government is generally observant of the human rights of refugees, except for the occasional questionable handling of refugees from Uzbekistan and China.

The U.S. government gives small grants to the local UN High Commissioner for Refugees and International Organization for Migration missions; these grants are monitored by the Bureau of Population, Refugees, and Migration. The P/E officer covering refugee and migration issues maintains close contact with the UN High Commissioner for Refugees and International Organization for Migration missions in Kazakhstan as well as the local Red Crescent office and appropriate Kazakh government officials. Telegrams written on refugee matters generally deal with the treatment (or mistreatment) of refugees from Uzbekistan.

COUNTERTERRORISM

The P/E officer handling this portfolio departed in July 2007. His assigned successor had to withdraw because of medical considerations. No replacement is on the immediate horizon. However, overall cooperation with the Kazakh government on counterterrorism issues is good, and the country has an effective security apparatus. The government is especially concerned with possible threats from Islamic

fundamentalists in Uzbekistan, some of who are reputed to be ethnic Kazakhs. Three Kazakhs held as enemy noncombatants were returned from Guantanamo Bay in December 2006.

The departed P/E section chief handled negotiations with the Kazakh government over the disposal of spent fuel from a former nuclear reactor. The acting chief of section also handles counterterrorism issues as part of his nuclear nonproliferation portfolio. Sometimes issues get mired in government bureaucracies. Thus Kazakhstan has yet to take action on the U.S. sponsored “Global Initiative to Combat Nuclear Terrorism” after agreeing to host a meeting on this subject next spring. Some International Visitor programs sponsored by PD have an indirect application to counterterrorism. PD is currently working with the regional security officer to find candidates for a community policing International Visitor Program.

PUBLIC DIPLOMACY

The PD section in Astana is conducting successful transformational diplomacy. The embassy and SCA agree that exposing young Kazakhs to the United States is a key activity. However, budget constraints are such that the embassy can only send 30 to 35 visitors a year on the International Visitors Program. The post has about \$550,000 for its own programming, which includes Democracy Commission funds of \$250,000 for grants to local nongovernmental organizations and an additional \$30,000 for democracy outreach, which is intended for small grants to alumni of U.S. programs. One of the section’s notable accomplishments is the file locally employed staff keeps on returned alumni, who can be tapped for receptions or invited to events sponsored by the embassy. The section has another \$250,000 available for discretionary programming and can also draw on programs that Washington offers. The American Corners and the Information Resource Center (IRC) are also examples of successful programming for a relatively small outlay.

The PD section was short-staffed at the time of the inspection. There are supposed to be five American officers: a public affairs officer, who supervises the section; an information officer; a cultural affairs officer in Astana; a regional English language officer, and a public diplomacy officer in Almaty. There has been a staffing gap of several months in the information officer position, but the new incumbent is to arrive in the middle of October. The cultural affairs officer position has not been filled (or been bid upon) since it was created for Astana over a year ago as a part of the global repositioning program. The Department has a Civil Service candidate, but the assignment is on hold because regulations require one more attempt to fill the

position with a Foreign Service officer. The regional English language officer position was relocated from Tashkent to Astana with a new incumbent who arrived in August 2007. In the meantime, a Presidential Management Fellow worked in the section for a few months. The locally employed staff now handling English language programs will be paid out of the regional English language officer account. This will allow the section to hire an additional employee who will monitor and liaise with the eight American Corners located in various population centers in Kazakhstan. A ninth American Corner will be located in Astana once a suitable location has been found. PD expects alumni of U.S. government-funded programs to support the center, not only by using it but by supporting it by volunteering help.

Public Diplomacy Grants

Based on a judgmental sample, the OIG team concluded that the public affairs section effectively and properly administers its grants program. For FY 2007, the section awarded 78 grants totaling about \$559,000. The grants were issued to support cultural exchange, democracy promotion, empowerment projects, and English language training programs.

American Corners and the Information Resource Center

A typical American Corner is located in a library in a Kazakh educational institution. An employee of the library, whose salary is paid by the Kazakh government, oversees the corner in addition to his or her regularly assigned duties. PD supplies a few books and, more importantly, a few computer terminals. The American Corners will also be supported by the IRC, located at the embassy and operated by a locally employed staff who is a trained librarian.

IRCs have, in effect, replaced the American libraries once funded by the U.S. Information Agency. The aim of the IRC at the embassy is to enable Kazakh officials, scholars, and members of the general public to find information they are interested in, primarily by electronic means. At present, an estimated four to seven percent of the Kazakh population has ready access to the Internet. Despite this low percentage, the recently resuscitated embassy web site was recording approximately 17,500 hits a month.

Putting Kazakh citizens in charge of accessing information electronically (and having the Kazakhstan government pay for it) is transformational, though it depends on the dedication and the amount of time the center directors have. The locally employed staff hired to liaise with the center will provide advice and moral support, and the public affairs officer hopes to visit as many centers as possible during her tour. Frequent visits by American officers are the best way to encourage and show appreciation for what is, in large part, a voluntary activity.

CONSULAR AFFAIRS

Embassy Astana's consular section is well appointed, adequately staffed, and maintains appropriate management controls in a low fraud environment. The section is staffed by one ELO, a consular associate, and two locally employed staff. The Astana consular section processes nonimmigrant visas, passports, and notarials and provides American citizens services. Immigrant and refugee visas are processed by the consular unit at the EBO/A.

Consular management in Astana has taken steps to enhance the section's efficiency to handle an increasing nonimmigrant visa workload, ensuring that the consular web site information is up to date and requiring on-line electronic visa application form applications. Morale in the section is good with attention to local staff cross-training and management of the workflow to optimize their personal assets. One of the locally employed staff received additional training at the Foreign Service Institute, and the other attended a consular training workshop in Frankfurt.

The Frankfurt-based regional consular officer (RCO) visited the section during the OIG inspection and reviewed the section's procedures. The RCO visits both the Embassy Astana consular and EBO/Almaty at least twice a year. The RCO maintains regular phone and e-mail contact with both Astana and Almaty. The Regional Department of Homeland Security representative based in Moscow has not visited Astana this year, but the section's officer is in contact with him via phone and e-mail when immigration issues arise.

American Citizens Services

Astana's consular section adjudicates very few citizenship cases, and the demand for passport service is minimal. The section is prepared to assist Americans who may encounter problems ranging from minor difficulties to serious crises. The consular section has developed good working relationships with various Kazak

government ministries. The embassy warden system is well prepared to provide fast and useful information to private Americans in an emergency.

Nonimmigrant Visas

The section uses an efficient web-based interview appointment system, and applicants are able to complete their visa applications using the on-line system. This system enters the visa applicant's information directly into consular systems, thereby cutting the work and time that would be spent by locally employed staff on application data entry. The section continues to collect visa fees from applicants at the time of their interviews rather than outsourcing fee collection to a bank of financial institution. The last survey of banks that might collect visa fees in January 2007 did not identify one that would assume the service at reasonable cost. There are other financial institutions that were not included in the survey. The section also does not use a courier service to return passports with approved visas. Applicant's whose visas are approved must return the next day to retrieve their passports. Given the capability of local banks and courier services, it is likely that these operations could be outsourced.

Recommendation: 3: Embassy Astana should survey banks and local financial institutions to determine their ability to handle offsite visa fee collection at locations accessible to applicants. (Action: Embassy Astana)

Recommendation: 4: Embassy Astana should identify and obtain a courier service that can provide reliable pass back service throughout the country of passports with approved visas. (Action: Embassy Astana)

The EBO/A consular section is staffed by two officers and four locally employed staff. The section provides full visa and American citizens services. The section encounters few arrest cases and has had no problems with Kazakh authorities giving notification of the arrest of an American. However, Kazakh medical and social services are limited, and any American citizen emergency case requires intensive consular involvement. Most of the American citizens that live in southern Kazakhstan are able to travel easily to Almaty to replace lost/stolen passports, get extra pages, and renew passports. There is, however, a large American citizen population near the Caspian Sea, and twice a year the Almaty consular staff visits the Caspian

area to provide basic American citizens services. These visits are well attended and have received praise from the American oil companies in the area.

Almaty's consular section handles immigrant visa processing for all of Kazakhstan as well as Tajikistan and Kyrgyzstan. The section is covered by the RCO from Frankfurt and the Department of Homeland Security officer in Moscow. Summer worker (J-1) and travel program (B-1/2) visas are the section's fastest growing visa workload segments. Visa volume is expected to continue increasing as the Kazakh middle class grows and the area's oil and mineral revenues pump up the region's economy. The section is planning to request a part-time machine readable visa funded consular associate position to help meet the section's increasing American citizens services and visa workload.

Every immigrant visa adoption case at EBO/A receives intensive review and verification by a section officer. Officers also perform extensive outreach to orphanages and meet with mayors, doctors, and judges to explain the immigrant visa adoption process.

As discussed below, when the embassy moved to Astana in the summer of 2006, all classified connectivity was lost in Almaty. The Almaty section chief travels monthly to Astana to access classified cables, e-mail, and Intranet systems. All staff members are aware of fraud and reviews fraud related cables. Fraud and malfeasance prevention has a high priority for the consular manager. Weak controls in the Kyrgyz adoption system and the ease of obtaining fraudulent birth certificates raised concern about the integrity of Kyrgyz adoption cases. As a result, all Kyrgyz immigrant visa adoption cases are first reviewed by Embassy Bishkek for potential fraud before being forwarded to EBO/A. Almaty is in contact with other consular sections in the region to share information and to keep aware of their consular activities.

RESOURCE MANAGEMENT

Agency	U.S. Direct-Hire Staff	U.S. Local-Hire Staff	Foreign National Staff	Total Staff	Total Funding FY 2007 \$000
State – D&CP Astana	23	3	11	37	1,985
State – D&CP Almaty	2	1	8	11	--
State – ICASS Astana	9	3	118	130	10,056
State – ICASS Almaty	1	-	3	4	--
State – Public Diplomacy - Astana	4	1	10	15	1,062
State – Public Diplomacy - Almaty	1	-	5	6	--
State – Diplomatic Security - Astana	4	-	52	56	948
State – Diplomatic Security - Almaty	-	-	85	85	--
State – Marine Security	5	1	4	10	121
State – Representation	-	-	-	-	29
PD - Representation	-	-	-	-	7
State – OBO**	1	-	2	3	*
Commerce	1	-	7	8	*
Defense Attaché Office	5	1	2	8	*
Office of Military Cooperation	2	-	5	7	*
Defense Threat Reduction Office	2	-	2	4	*
USAID - Astana	1	-	-	1	*
USAID - Almaty	17	2	-	19	*
Centers for Disease Control	3	-	-	3	*
Peace Corps #	3	-	2	5	*
Department of Homeland Security	1	-	2	3	*
Totals	85	12	318	415	14,208

* Funding data not available

** OBO staff dedicated to finalizing NEC check list

Peace Corps – about 70 volunteers and 70 trainees

-- Funding included in amounts shown for Astana

REAL PROPERTY

New Embassy Compound

In 2006, Embassy Astana moved to a 21-acre new embassy compound (NEC). The NEC offers a pleasant, modern, and functional working environment for mission employees and visitors. The compound includes: a new office building, chief of mission residence, marine house, warehouse and general services annex, and a utility building. Plans are underway to build a \$750,000 heated garage and a \$750,000 recreational facility on site.

A two-year maintenance service agreement was included as part of the new embassy construction contract. A private firm, at a cost of \$1 million per year, provides this service. The facilities manager is the contracting officer's representative (COR) on this contract. The maintenance agreement was modified recently to include snow removal. There are no contractor performance issues.

The embassy has a highly qualified maintenance staff, and virtually all identified post-construction problems have been corrected. With Bureau of Overseas Buildings Operations (OBO) support and funding, the embassy completed a landscaping/dust abatement project for the grounds. OBO continues to provide support and funding to improve the compound and quality of life for the staff.

Embassy Branch Office, Almaty

EBO/A has adequate office space to conduct diplomatic operations. Consular and public affairs sections occupy one full and two half floors of a long-term leased commercial office building. Samal Towers is a 14-year long term lease, from January 1, 2007 to December 31, 2014. The regional medical office and Foreign Commercial Service also occupy space in this building. USAID, Peace Corps., and the Centers for Disease Control lease office space in other commercial buildings.

Housing

The mission has 47 short-term lease properties. The residences are in good to fair condition. The mission is gradually terminating leases for some of its less desirable properties and is leasing residences more in line with U.S. standards. The economy in Astana is on the upswing, and rental costs are increasing. New leases start at \$3,400 to \$4,000 per month. Housing is an especially important morale issue in a hardship post like Astana, and the mission in most cases approves all housing appeals.

MANAGEMENT OPERATIONS

Management operations, overall, are satisfactory. The major success of the section was the move from Almaty to Astana and into the NEC. There are however, problems in procurement operations, financial management, and information management that have been addressed but not fully corrected. Major issues facing management are the dissatisfaction of the locally employed workforce as a result of factors such as living conditions in Astana for those who transferred from Almaty as well as a perceived inadequate wage and benefits package. The relative inexperience of American supervisors (most of whom are performing in their current positions for the first time) and the high turnover of the locally employed staff due to both a return to Almaty and competition from outside sources, also impact operations.

HUMAN RESOURCES

The human resources officer who arrived in 2007 is an ELO on her first assignment. Overall, the unit is performing well. However, the officer faces several challenges. The morale of the entire workforce, both American and locally employed staff, needs to be raised. The mission's compensation package for the locally employed work force is marginally competitive – a considerable portion of the experienced workforce that transferred to Astana from Almaty has resigned or is resigning, and many are returning to Almaty. Public transportation to the NEC is minimal and unreliable. The cost of living for all employees is rising dramatically as Astana continues to grow.

Recommendation 6: Embassy Astana should obtain and provide reliable home to work transportation for the locally employed staff. (Action: Embassy Astana)

Employee Turnover

The turnover rate for locally employed staff in 2006 and 2007 exceeded 28 percent. Seventy-seven locally employed staff resigned rather than transferred from Almaty to Astana. Some of those who transferred to Astana are expected to resign once they complete their one year of service agreements. Still others are actively seeking employment with the many companies, particularly those that are energy and energy related that are looking for highly qualified multi-lingual employees. As previously discussed, the embassy can staunch the flow by providing competitive salaries and benefits.

Cost of Living

The high cost of living in Astana is impacting both the American and locally employed workforce. It has been announced that the cost of petroleum, oil, and lubricant products will double, and the cost of food staples such as bread have increased by 30 percent. The cost of living allowance report submitted by the embassy on May 30, 2007 is already out of date and inaccurate. The restaurant portion of the hotel and restaurant submission needs to be revised because the restaurants shown are not located at or near the hotels used most frequently by official travelers.

Recommendation 7: Embassy Astana should perform a new cost of living survey to include identifying restaurants in proximity to hotels most frequently used by official travelers and submit the survey to the Bureau of Administration's Office of Allowances. (Action: Embassy Astana)

Equal Employment Opportunity and Federal Women's Program

Embassy Astana has designated an Equal Employment Opportunity (EEO) counselor, a Federal Women's Program manager, and an EEO local staff liaison. The EEO counselor and EEO locally employed liaison have received training. EEO training was also provided to all American and local staff in 2007. There were two EEO complaints reported to the Department in FY 2007. Both were resolved at post.

The Federal Women's Program coordinator has not received training nor was she aware of her responsibilities. The OIG team provided written and oral instructions to the staff member designated with this responsibility.

GENERAL SERVICES

The general services section provides a wide range of services in a difficult, third world environment. The section's officers did a commendable job of moving embassy operations from Almaty to Astana. With the move over, the supervisory general services officer and assistant general services officer should concentrate their efforts on improving customer service, training local staff, and creating standard operating procedures.

American officers say that administrative services are improving. The general services section has addressed its customer service problems by terminating its poor performers. Also, the section has had to replace a few of its experienced local staff who decided to move back to Almaty. This is particularly so of the procurement section where four locally employed staff have less than one year of procurement experience. The inventory section also lost two experienced local staff. The assistant general services officer will get needed assistance upon the arrival of a management officer in November 2007. This officer will temporarily fill the vacant supervisory general services officer position until the current management counselor departs in summer 2008. At the time of inspection, the supervisory general services officer position had been vacant for about four months.

Procurement

The procurement unit has not met ICASS standards or other reasonable time-lines. Although requestors are concerned about how promptly requests are processed by the unit, they are more concerned about how long it takes to receive goods and services. The OIG team analyzed several procurements and found that some requests took a considerable amount of time to process, far exceeding established ICASS standards. The management staff said that many requests were not processed in a timely manner because of poor employee performance. The procurement agent was dissatisfied with his quality of life in Astana. Another employee was deemed to be incompetent. Other reasons include: insufficient information about requests, delays in getting the financial management section to fund requests, and finding new suppliers in a new capital city.

Feedback to clients about the status of orders had been minimal. The OIG team also found that the ICASS procurement standards include a wide range of variability. The delivery of goods shipped via surface transportation can take 60 to 120 days, and air shipments can take 10 to 45 days. Given this degree of variability, the procurement unit should provide follow-up at specified intervals. The section should also inform the customer when a delay is encountered, and provide information about when the goods or services are expected to arrive.

The embassy began using WebPass software in July 2007. This electronic procurement module of WebPass will allow requestors and staff to track procurement requests throughout the entire procurement cycle. In addition, purchase cards were issued to three locally employed staff in September 2007. Blanket purchase agreements were established with customs and shipping vendors. In 2008, blanket purchase agreements will be used to procure additional services. Use of these electronic systems, purchase cards, and blanket purchase orders should increase the speed of acquisitions and should provide greater tracking and accountability. The mission uses the Regional Procurement Support Office-Frankfurt for contracts over \$250,000.

The OIG team made several informal recommendations to improve procurement operations.

determine that the obligation represents items actually required; is technically correct; is stated in the proper amount; and represents a bona fide need. Financial reports showed open, unliquidated balances for fiscal years 2002 through 2006 totaling over \$423,000. The reports also showed unobligated balances (funds available) in excess of \$1 million for the same period that could no longer be used by the post.

Recommendation 12: Embassy Astana should implement procedures to review funds balances at least monthly making adjustments where necessary. (Action: Embassy Astana)

Embassy Astana has a long standing unliquidated balance of \$576,075 in its suspense deposit account. The balance represents funds left over from collections for a Defined Contribution Fund for locally employed staff. The post has sought guidance from SCA's Office of the Executive Director concerning disposition of the funds since FY 2004 and as recently as March 6, 2007, but has not received the requested guidance.

Recommendation 13: The Office of the Executive Director for South and Central Asian Affairs, in coordination with the Bureau of Resource Management should provide guidance to Embassy Astana for the disposition of the funds left over from the Defined Contribution Fund held in suspense. (Action: NEA/SCA/EX, in coordination with RM)

INTERNATIONAL COOPERATIVE ADMINISTRATIVE SUPPORT SERVICES

There are two administrative service providers in Kazakhstan: the Department in Astana and USAID in Almaty. After a rocky start, the relations between the Department and USAID have transitioned to an atmosphere of professionalism and productivity. Relations among other agencies are also cooperative.

As a service provider, USAID provides very good administrative services to the American staff resident in Almaty. USAID at EBO/A often exceeds established standards as evidenced by the high ICASS survey scores. The small complement of Department Americans and other agency personnel subscribe to most administrative services. There is no unnecessary duplication of administrative services.

In Astana, improvement is needed to raise the level of administrative services provided by the Department. As discussed earlier, the embassy has had to address poor performance issues and adjust to the loss of experienced personnel. The embassy has also had to adjust to being resident in a new city where goods, services, and suppliers are not as plentiful as in Almaty. Although ICASS standards have been revised recently, the ICASS council has no system in place to monitor established standards. Monitoring is paramount to improving administrative services and customer relations. The OIG team suggested that the mission hire a quality assurance monitor or designate a quality assurance monitor for each administrative section. The quality assurance monitor could be a local hire or eligible family member.

INFORMATION MANAGEMENT

Embassy Astana operates a comprehensive information management (IM) program including computer networks, communications, mail, pouch, radio, telephone, and DVC services. The IM section functions adequately and meets most day-to-day IM needs. However, the IM section was dysfunctional in terms of responsibilities and organizational structure. Personnel were having a difficult time performing their assigned duties and preferred alternatives for which they felt they were better suited. In order to continue to provide adequate IM services until personnel changes take place in the summer of 2008, personnel duties and responsibilities have been realigned. The realignment was made by post management in order to mitigate personnel conflicts within the IM section and to best match projects to the most appropriate staff member.

Although not readily apparent in the below average ICASS scores and internal conflicts, the IM section has some very able and technically qualified staff members. The coordination and project planning that went into the successful move from the old embassy in Almaty to the NEC in Astana in 2006 are to be commended. The staging of work, the setting-up of user workstations and provision of timely and critical access to both the Open Network and Classified Network systems went very well. The low ICASS scores were due in part to the weaknesses in the general

services procurement unit that delayed, and in many instances prevented, equipment shipments from arriving at post, thereby impacting IM's ability to fulfill its service obligations.

Help Desk Services

Help desk operations need considerable strengthening. Previously, the post telephone operators were responsible for assisting users with inputting their IM service requests into the system, or in instances where the user was unable to enter the information into the system, the telephone operator would enter the service request information for the user. The telephone operator also tracked, coordinated, and provided much needed follow-up assistance to alert IM staff of open service requests. This arrangement maximized IM resources. However, the system has failed due to gaps in both telephone and IM staffing. The gaps have caused users to largely bypass the entering service requests into the system and instead directly contacting IM personnel.

Recommendation 14: Embassy Astana should reinstitute procedures to manage the help desk service calls and require users to submit their service requests through the help desk system. (Action: Embassy Astana)

As of mid-October 2007, the tie line that allows Voice Over Internet Protocol dialing between Embassy Astana and the EBO/A had been inoperable for about two months. As a consequence, the cost of official communications from Almaty increased dramatically. The IM staff at Embassy Astana and EBO/A have done a good job troubleshooting all related equipment and circuits that they can access. The IM staff also submitted a Bureau of Information Resource Management service request (UTT ticket # 845410) for assistance. Since submitting the service request, Embassy Astana has not received the assistance required to resolve the issue in a reasonable amount of time.

Recommendation 15: The Bureau of Information Resource Management should assign subject matter experts to trouble shoot and fix the Voice Over Internet Protocol services in Almaty. (Action: IRM)

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QUALITY OF LIFE

HEALTH UNIT

Embassy Astana's medical unit is highly regarded. The unit has state-of-the-art equipment and an ample supply of medication and vaccines. The unit is headed by a Foreign Service nurse practitioner and is staffed by a locally employed nurse and an administrative assistant. The regional medical officer from EBO/A routinely visits Astana's medical unit. The health unit has an adequate number of first aid kits, and there are also kits at the two embassy safe haven locations. A memorandum of agreement has been made with four local medical facilities to assist the health unit in the event a major emergency or for diagnostics not available at the health unit. The unit's medical supplies are stored in secure areas. Supplies, drugs, vaccines, and controlled substances are properly maintained, and a computerized inventory is kept that shows supply levels and medicine expirations dates.

The health unit has on-hand a sufficient supply of Tamaflu and other drugs to meet the initial embassy staff demand should there be an outbreak of avian flu.

COMMUNITY LIAISON OFFICE

Embassy morale is low, as Astana has few recreational opportunities and six or more months of winter weather which limits mobility. On a positive note however, the community liaison office (CLO) coordinator has arranged trips out of the city to rural recreation areas. Several spouses work in the embassy. There is a bilateral work agreement, and four spouses have obtained jobs on the local economy. The current CLO coordinator will be leaving post in December, and a replacement has not been identified. At the time of the inspection, the remaining eligible family member labor pool could not provide candidates qualified for the full-time CLO coordinator position. Prospects are expected to improve during the 2008 transfer season.

Inventory

Embassy Astana acknowledges that small amounts of spare motor pool and maintenance parts need to be inventoried. The OIG team recommended informally that these items be inventoried as soon as possible in order to prevent possible theft or loss.

Consular Operations

The accountable consular officer complies with the guidelines set out in the Consular Management Handbook for managing fee collection, passports, visa foils, other controlled documents, and access to consular systems. Consular files did contain some outdated items, but the officer disposed of these materials during the course of the inspection. Embassy Astana holds Visas Viper meetings with representatives from all relevant embassy sections.

Premium Class Travel

Controls over the use of premium travel are in place. Business class tickets issued were for travel in excess of 14 hours, and were properly authorized using form DS-4087, *Authorization Request for Business Class Air Travel*. The embassy did not issue any first class tickets during this period.

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.

Procurement

Embassy Astana does not have a comprehensive procurement plan that includes a year-end spending plan.

Informal Recommendation 1: Embassy Astana should develop a comprehensive procurement plan.

Some staff complain that procurements take too long.

Informal Recommendation 2: Embassy Astana should issue an administrative notice reminding staff about the length of time and staff requirements involved in unclassified and secure procurements.

When there are delays in processing procurement requests, the procurement section is not letting customers know when goods and services will arrive.

Informal Recommendation 3: Embassy Astana should provide customer service training to the procurement staff.

The procurement unit frequently receives incomplete procurement requests.

Informal Recommendation 4: Embassy Astana should redesign its procurement request form highlighting required fields of information.

The procurement section does not monitor its compliance with ICASS standards.

Informal Recommendation 5: Embassy Astana should expand the procurement sections duties to include compliance with International Cooperative Administrative Support Services.

There are inefficiencies in the interaction between procurement and other management units. For example, obtaining funding for goods and services has caused some delays.

Informal Recommendation 6: Embassy Astana should develop procedures in coordination with other management sections in order to facilitate quicker procurements for goods and services.

Personal Property Management

The general services officer, who is the accountable property officer, has not conducted periodic, unannounced spot counts of expendable and nonexpendable property as required by 14 FAM 411.2-2 (c).

Informal Recommendation 7: Embassy Astana should perform periodic spot checks of expendable and nonexpendable inventories.

Inventories of automotive and maintenance parts have not been completed.

Informal Recommendation 8: Embassy Astana should complete inventories of automotive and maintenance parts.

International Cooperative Administrative Support Services

Although the embassy established its ICASS service performance standards, they are not integrated as part of daily management operations, nor are they monitored on a regular basis or included in local staff performance evaluations. Some units of the management section were not aware of the established service performance standards.

Informal Recommendation 9: Embassy Astana should monitor compliance with International Cooperative Administrative Support Service standards and use the results as a management tool to improve customer service.

Informal Recommendation 10: Embassy Astana should include compliance with International Cooperative Administrative Support Service standards as an element in performance evaluations.

The ICASS council does not understand its role and responsibility for advising the Chief of Mission on cost implications of NSDD-38 requests and making recom-

mendations on ICASS staffing levels per Department's guidance, Action Request and Guidance for Chief of Mission NSDD-38 Requests.

Informal Recommendation 11: Embassy Astana should distribute National Security Decision Directive-38 guidance and train International Cooperative Administrative Support Services council members on developing cost impacts for National Security Decision Directive-38 requests.

To recover costs, Department and USAID service providers are planning to charge non-ICASS subscribers for some administrative services.

Informal Recommendation 12: Embassy Astana should make sure that fees charged to non- International Cooperative Administrative Support Service subscribers are properly remitted back to the U.S. Treasury Department thereby avoiding supplementation of appropriations.

Travel

Staff believes the contractor, Carlson Wagonlit, does not provide travelers with the most competitive fares and does not provide responsive customer service.

Informal Recommendation 13: Embassy Astana should require the contracting officer's representative to monitor the contract, ensure terms and conditions are met, and recommend canceling the contract if services are inadequate.

Informal Recommendation 14: Embassy Astana should remind staff through an administrative notice that cheaper fares or restricted fares found on the Internet and elsewhere may not meet U.S. government travel regulations.

Financial Management Operations

According to 4 FAH-3 H-397.1-2, cash verifications should be conducted in an unpredictable pattern. Cash verifications in Almaty are being made in a predictable pattern, usually at the end of each month.

Informal Recommendation 15: Embassy Astana should require that cash verifications in Almaty be made using an unpredictable pattern at varying times of the month.

PRINCIPAL OFFICIALS

Officer	Name	Arrival Date
Ambassador	John Ordway	09/04
Deputy Chief of Mission	Kevin Milas	07/06
Chiefs of Sections:		
Management	Paul Gilmer	07/06
Consular	Jeffrey Lodinsky*	07/04
Political/Economic (Acting)	John Cooney	07/06
Political/Military	Douglas London	08/06
Public Affairs	Victoria Sloan	08/05
Regional Security	Julia Hill	07/06
Other Agencies:		
Defense Attaché	Colonel. Michael Hallisey	09/03
Defense Threat Reduction Office	Laura Smiley	07/06
Legal Attaché	Howard Leadbetter	06/07
Office of Defense Cooperation	Major Michael Chandler	06/06
Peace Corps	John Drotos*	03/07
U.S. Agency for International Development	William Frej*	08/07
Centers for Disease Control	Michael Favorov*	11/00
Foreign Commercial Service	Stuart Schaag*	08/06

*Located in Almaty

ABBREVIATIONS

CDC	Center for Disease Control
CLO	Community liaison office
DCM	Deputy chief of mission
DAWG	Development Assistance Working Group
DVC	Digital videoconference
EBO/A	Embassy Branch Office/Almaty
EEO	Equal Employment Opportunity
ELO	Entry-level officer
ICASS	International Cooperative Administrative Support Services
IRC	Information Resource Center
INL	Bureau of International Narcotics and Law Enforcement
MSP	Mission Strategic Plan
NEC	New embassy compound
NSDD	National Security Decision Document
OBO	Bureau of Overseas Buildings Operations
OIG	Office of Inspector General
PD	Public Diplomacy
P/E	Political/Economic
SAWG	Security Assistance Working Group
SCA	Bureau of South and Central Asian Affairs
USAID	U.S. Agency for International Development

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