



Office of Inspector General

United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

Semiannual Report to the Congress

April 1 to September 30, 2008



Summary of OIG Accomplishments

Financial Results:

Questioned costs

Issued during the reporting period	\$ 5,816,000
Management decision during the reporting period	\$34,000

Recommendations for funds to be put to better use

Issued during the reporting period	\$0
Management decision during the reporting period	\$0

Investigative recoveries \$881,055

Investigative Results:

Cases opened	109
Cases closed	36
Judicial actions	189
Administrative actions.....	3
Hotline and complaint activity	399

Reports Issued: 52

Picture on the front cover: Embassy Amman, Jordan

Site of OIG's new Middle East Regional Office

Picture provided by Office of Overseas Buildings Operations

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

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MESSAGE FROM THE ACTING INSPECTOR GENERAL



Acting Inspector General,
Harold W. Geisel

I am pleased to present this Office of Inspector General (OIG) semiannual report for the Department of State (Department) and the Broadcasting Board of Governors (BBG) for the period ending September 30, 2008, as required by the Inspector General Act of 1978, as amended.

The last time I had the pleasure of signing out the OIG Semiannual Report to the Congress as acting Inspector General was 1994. When I returned to OIG this past June, I found an organization far different from the one I left 13 years ago. More than a decade of essentially flat budgets had decimated OIG's personnel, infrastructure, and morale. OIG's FY 2007 budget

was at basically the same level it had been when I arrived in OIG in 1994, before the 1996 merger of the United States Information Agency (USIA) Office of Inspector General and its staff and responsibilities. As a result of this and other challenges, staffing was at its lowest point since the early years of the establishment of an independent OIG at the Department.

Since then, I am happy to say, OIG has set itself solidly on the road to recovery. With a strong cadre of dedicated employees and nearly \$24 million in new funding since 2007, OIG has increased staffing, begun rebuilding its core capabilities, and expanded its fledgling overseas presence. Our Middle East Regional Office (MERO) in Amman, Jordan, is well-established and rapidly turning out a series of key reviews that are having a real impact on Department operations in Iraq, Afghanistan, and the Middle East. Office of Investigations (INV) staffing has more than doubled in the last year, and INV will be adding a Middle East division in the coming months. Between now and the end of the calendar year, MERO and INV will be putting boots on the ground in Baghdad, Kabul, and Cairo—substantially enhancing OIG's ability to provide oversight and assistance for high-cost, high-risk Department and BBG programs in the Middle East. We are grateful to Congress for the support that has made this expansion possible. I also would like to commend the staff of the OIG for the accomplishments, professionalism, and dedication they have demonstrated during this transitional period.

Obviously, one does not overcome the effects of a decade of inadequate resources in less than a year. OIG staffing, despite significant growth in recent months, is still nearly 20 percent below the level it was when the Department and USIA OIGs merged in 1996. The \$20.5 million in supplemental and bridge funding that has made this rejuvenation possible expires at the end of FY 2009, with no guarantee that it will continue into future fiscal years—particularly given the burden of the economic situation facing the U.S. Government and the American people. This situation requires that our efforts to restore capabilities be prudently and efficiently managed to provide flexibility as we work to provide a compelling return on investment that justifies the confidence and encouragement that Congress has demonstrated with the funding provided thus far. We look forward to the continued support of the Congress as we assist the Department and BBG to improve management; strengthen integrity and accountability; and ensure the most efficient, effective, and economical use of their resources.



Harold W. Geisel
Acting Inspector General

EXECUTIVE SUMMARY

This semiannual reporting period was marked by a limited Office of Inspector General (OIG) review of Bureau of Consular Affairs (CA) controls over access to passport records in the Department of State's (Department) Passport Information Electronic Records System (PIERS), issuance of the first two reports from OIG's new Middle East Regional Office (MERO), and inspections of the Department's Bureau of Overseas Buildings Operations (OBO). In furtherance of its mission to promote effective management, accountability, and positive change in the Department, the Broadcasting Board of Governors (BBG), and the foreign affairs community, OIG conducted audits, inspections, and investigations resulting in \$5.9 million in cost efficiencies, fines, and recoveries; six convictions and three administrative actions from investigations; and issuance of 52 reports with recommendations to improve Department and BBG programs and operations. A full list of reports issued by OIG during this period can be found in Appendix 2 of each agency section of this report. This report summarizes work carried out by OIG during the period April 1 through September 30, 2008.

Passport Information Electronic Records System

In March 2008, after reports of breaches of a presidential candidate's passport records, the OIG Office of Audits initiated a limited review of CA controls over access to the Passport Information Electronic Records System (PIERS) to determine whether the Department adequately protects passport records and data contained in PIERS from unauthorized access and responds effectively when incidents of unauthorized access occur. OIG made 22 recommendations to address the control weaknesses found, including the development of policies and procedures to accurately identify the users of passport information, to detect unauthorized access to passport and applicant information, and to respond effectively when unauthorized access has been determined. All recommendations are considered resolved, but remain open pending further action.

On July 10, 2008, Acting Inspector General Harold Geisel and Assistant Inspector General for Audits Mark Duda testified before the U.S. Senate Committee on the Judiciary on the final OIG report *Controls and Notification for Access to Passport Records in the Department of State's Passport Information Electronic Records System (PIERS)*. In his testimony, the Acting Inspector General cited the "many control weaknesses" that OIG had found regarding "the prevention and detection of unauthorized access to passport and applicant information and the subsequent response and disciplin-

ary processes when a potential unauthorized access is substantiated.” The Acting Inspector General said that the Department “should make resources available to conduct the [necessary vulnerability and risk] assessments” of all passport systems as quickly as possible and commended CA and the Bureau of Administration for the immediate actions taken.

In related work, OIG conducted an investigation of a Department contract employee who improperly accessed PIERS by looking up the passport files of presidential candidates, as well as other individuals, for nonofficial purposes. The investigation determined that the contract employee electronically accessed through PIERS approximately 200 different passport applications without authorization. The contract employee was terminated from his assignment with the contractor and pleaded guilty to unauthorized computer access in violation of 18 U.S.C. Section 1030(a)(2)(B).

Middle East Regional Office

In January 2008, OIG established its first overseas office at the American Embassy in Amman, Jordan. During this reporting period, MERO issued reports on the Department’s management of the Iraqi special immigrant visa (SIV) program and the Iraqi refugee resettlement program.

A MERO evaluation to determine whether the Department is effectively managing the Iraqi SIV programs found that the Department effectively met congressional allocations for issuing SIVs to former Iraqi interpreters and translators, but more than 25 percent of approved applicants did not meet the program’s criterion of working primarily as an interpreter or translator. The Department was still in the process of formulating guidance to bureaus and embassies in the region on administering the new SIV program. OIG identified resource allocation, eligibility screening, and fraud prevention as significant challenges facing the program.

MERO also evaluated whether the Department is effectively managing the Iraqi refugee resettlement program found that the U.S. Government is on track to meet, and possibly exceed, its FY 2008 goal of resettling 12,000 Iraqi refugees in the United States. However, the continued cooperation of the Syrian Government and a stable security environment in Lebanon are necessary to conduct refugee-processing operations. OIG identified a number of factors indicating that a smaller-scale processing operation, geared toward addressing the relatively limited number of compelling cases that are unable to process out of Amman, may be more appropriate for Baghdad.

Office of Audits

During this reporting period, OIG auditors completed the last of the mandated reviews of export controls, conducted jointly with the Inspectors General of the Departments of Commerce, Defense, Energy, Homeland Security, and the Treasury; the Central Intelligence Agency; and the United States Postal Service. From 2000 through 2006, the OIGs jointly issued nine interagency reports and 40 agency-specific reports containing 273 recommendations to improve Federal export control policies and procedures, 29 of which were made to the Department. The 2008 interagency report determined that action on 234 of the recommendations, including 28 of the recommendations addressed to the Department, had been completed. The remaining recommendation, stating that the Department's Directorate of Defense Trade Controls should "establish performance measures that detail benchmarks and timeframes for reducing and eliminating the number of unfavorable post-license end-use checks," remains unresolved while the office considers "whether such measures, along with time-lines and benchmarks, would be of value in its compliance and licensing functions."

Independent external contractors also issued reports and related management letters on the 2007 and 2006 financial statements of the Department; the International Boundary and Water Commission, United States and Mexico, U.S. Section; and the Foreign Service Retirement and Disability Fund. Under the provisions of Office of Management and Budget (OMB) Circulars A-122, A-110, and A-133, certified public accounting firms contracted by OIG performed agreed-upon procedures of indirect cost rates proposed by seven Department grantees, identifying over \$5 million in unsupported questioned costs. OIG also completed 14 analytical desk reviews of single audit reports for six entities, with Department expenditures totaling nearly \$35.7 million, to ensure whether the audit reports met reporting standards and requirements and to identify issues requiring management attention.

Office of Inspections

During this semiannual reporting period, OIG inspectors conducted inspections of OBO and full and limited-scope inspections of 25 overseas missions.

The OBO inspection found an organization that had successfully completed 54 new embassy compounds (NEC) and annex office buildings between 2001 and 2008 but was facing major challenges. The Director Ad Interim took charge in January 2008, quickly correcting a number of organizational deficiencies; improving coordination

and communication between regional bureaus, overseas posts, and other agencies; and pursuing major realignments of functions and responsibilities, including efforts to fix major operational problems in information management and human resources.

Inspectors found that the Department's goal of constructing 150 NECs by 2018, at a total cost of \$17.5 billion, may be unrealistic, given escalating construction, commodity, and labor costs and the depreciation of the dollar. In response to OIG's global customer survey of diplomatic missions and a detailed analysis of 12 completed NECs, many posts commented favorably on the new facilities, but expressed concerns about commissioning, post-occupancy use, and NEC maintenance. OBO's organizational structure was overly complex, with a lack of effective coordination, communication, and accountability, and the contracting process was cumbersome and complicated. Costs to support and maintain the Department's legacy facilities were increasing, with no effective systems in place to plan, budget, and track operation and maintenance costs.

An October 8, 2008, cable (STATE 00109155) from OBO to all diplomatic and consular posts said that the OIG report on the inspection of OBO was useful in OBO's recently completed realignment of offices, which was done with the goal of streamlining the organization and improving its business processes to support its main mission—providing safe, secure facilities for colleagues stationed abroad.

OIG also reviewed how the Department was organized and the procedures that were in place to carry out its statutory responsibilities to identify and designate terrorist entities and those supporting terrorism, making those entities subject to sanctions, and to ensure that U.S. assistance funds would not inadvertently go to terrorists. OIG reviewed both aspects of the Department's process for vetting the names of organizations and individuals being considered for assistance against lists of designated terrorist entities, focusing particularly on the Office of the Coordinator for Counterterrorism (S/CT) and the Office of Terrorism Finance and Economic Sanctions Policy in the Bureau of Economic, Energy, and Business Affairs (EEB). The inspection reaffirmed a 2006 inspection recommendation that S/CT, in coordination with the Bureau of Intelligence and Research, should facilitate the work of S/CT's Designation Unit by giving it better communications capabilities and easier access to all source intelligence. While the review was in progress, the Deputy Secretary issued timely guidance reemphasizing the responsibility of senior officials at the Department and the U.S. Agency for International Development to apply due diligence procedures to prevent U.S. Government assistance money from inadvertently going to terrorists. The guidance also established an interoffice committee chaired by EEB to coordinate and strengthen vetting policies and procedures throughout the Department.

Office of Investigations

During this reporting period, OIG's Office of Investigations opened 109 investigations and closed 35, resulting in six convictions, two indictments, more than 14 years in imprisonment and probation, and over \$880,000 in fines and recoveries. Conflict of interest investigations resulted in termination of two employees and judgments valued at more than \$800,000.

The Office of Investigations also began a large scale investigative project involving Department employees and contract employees who were improperly accessing PIERS to look up the records of prominent American citizens, including three Presidential candidates. The first of these cases to be resolved concluded in September 2008 when a former contract employee pleaded guilty to accessing over 200 different PIERS files without authorization. The Office of Investigations anticipates that there will be additional prosecutions and administrative sanctions going forward

International Broadcasting

In response to a congressional request, OIG reviewed actions taken by Alhurra, an entity of the Middle East Broadcasting Networks, Inc., to strengthen its procedures and policies, particularly its policies involving terrorists or those who support them. OIG found that in the past year, Alhurra had taken significant steps to tighten its procedures and policies, including updating its 2005 Journalistic Code of Ethics, implementing new management controls over programming, and creating a journalistic training program.

OIG inspectors identified as a best practice the development by Embassy Asuncion's public diplomacy section of a computerized system that downloads Voice of America News with hourly updates. The recordings, made available to journalists through a toll-free telephone line, ensure that small local media outlets have free access to up-to-date world news.

CONGRESSIONAL ACTIVITIES AND OUTREACH

Testimony

During this reporting period, Acting Inspector General Harold W. Geisel and Assistant Inspector General for Audits Mark Duda testified before the Senate Judiciary Committee July 10, 2008, on OIG's *Review of Controls and Notification for Access to Passport Records in the Department of State's Passport Information Electronic Records System (PIERS)*, AUD/IP-08-29, July 2008.

On June 18, 2008, Deputy Assistant Inspector General for Inspections Frank Ward and OIG General Counsel Erich Hart testified before the House Oversight and Government Reform Subcommittee on National Security and the Foreign Affairs Subcommittee on OIG's report *Rule of Law Program in Afghanistan*, ISP-I-08-09, January 2008.

Congressional Mandates and Requests

In response to legislative mandates and requests from Congress, OIG conducted the following reviews during this semiannual period. Any classified work undertaken at Congress's request is addressed in a separate classified annex to this semiannual report.

In House Report 110-97 (H.R. Rep. No. 110-147, at 17 [2007]) for the State, Foreign Operations, and Related Programs Appropriations Bill, 2008, the Committee on Appropriations requested that OIG review the current programming policies and procedures at Alhurra, particularly its policies involving terrorists or those who support them. In the subsequent explanatory statement of the Committee on Appropriations to the Consolidated Appropriations Act, 2008 (P.L. 110-161), dated December 27, 2007, this language did not appear. However, the House subcommittee asked OIG to prepare a report discussing actions taken by Alhurra to strengthen its procedures and policies. Based on this request, OIG issued the inspection *Alhurra's Programming Policies and Procedures*, ISP-IB-08-45.

Testimony on the PIERS Report

On July 10, 2008, the Acting Inspector General and the Assistant Inspector General for Audits (AIGA) testified before the U.S. Senate Committee on the Judiciary on the OIG report *Controls and Notification for Access to Passport Records in the Department of State's Passport Information Electronic Records System (PIERS)*.

In March 2008, after reports of breaches of a Presidential candidate's passport records, OIG initiated a limited review of Bureau of Consular Affairs (CA) controls over access to passport records in PIERS. The review was to determine whether the Department adequately protects passport records and data contained in PIERS from unauthorized access and responds effectively when incidents of unauthorized access occur.

In his testimony, the Acting Inspector General cited the "many control weaknesses" that OIG had found regarding "the prevention and detection of unauthorized access to passport and applicant information and the subsequent response and disciplinary processes when a potential unauthorized access is substantiated."

In his testimony, the AIGA said the Department had stated that in some cases the lack of resources contributed to the lack of controls and to the Department's ability to assess vulnerabilities and risk. OIG described security and management practices used by the Internal Revenue Service and the Social Security Administration as examples of where the Department could make similar improvements, and it made 22 recommendations to address the control weaknesses found with safeguarding passport records.

The AIGA further stated that OIG did not verify instances of unauthorized access. However, OIG did conduct a judgmentally determined study at the initiation of the review to identify the frequency with which the records for 150 high-profile individuals were accessed in PIERS between September 2002 and March 2008. The AIGA said that the results revealed "several patterns that raised serious concerns about the potential for undetected unauthorized access to passport records." Specifically, of the 150 names included in the study, records of 127 individuals (85 percent) had been accessed at least once. The query results showed a total of 4,148 hits to the passport information for these individuals. The AIGA said that OIG had not made a determination as to whether the hits represented authorized or unauthorized access and that although an 85 percent hit rate appears to be "excessive," the Department lacks criteria to determine whether this is actually "an inordinately high rate."

The Acting Inspector General said that the Department "should make resources available to conduct the [necessary vulnerability and risk] assessments" of all passport systems "as quickly as possible" and that CA should "ensure the accuracy of Privacy Impact Assessments for PIERS and for all other passport systems to accurately reflect security controls for and risks to personally identifiable information [PII]." However, the Acting Inspector General commended CA and the Bureau of Administration for the "immediate actions taken," which included "issuing interim guidance on the various steps to be followed and decisions to be made in response to a potential incident of unauthorized access to passport records and applicant [PII], and a Department-wide [PII] breach response policy."

As mandated by the Federal Information Security Management Act of 2002 (FISMA) (44 U.S.C. § 3545), OIG issued the report *Review of the Information Security Program of Sensitive Compartmented Information Systems at the Department of State*, AUD/IT-08-33, which is summarized in the classified annex to this report.

As mandated by the National Defense Authorization Act for FY 2000 (P.L. 106-65), Title XIV, a joint review was conducted by the Departments of State, Commerce, Defense, Energy, Homeland Security, Agriculture, and the Treasury; the Central Intelligence Agency; and the United States Postal Service. The report was entitled *Interagency Review of Prior Inspector General Recommendations Related to U.S. Export Controls D-2008-095*, September 2008.

As mandated in the Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act of 2008 (P.L. 110-293), the Department's OIG participated in developing a coordinated audit plan for fiscal year 2009 that was finalized in response to P.L. 110-293 to provide oversight to programs implemented under this act. It was signed by the Inspectors General for the Department, Health and Human Services (HHS), and U.S. Agency for International Development (USAID) on September 26, 2008.

As mandated by the Chief Financial Officers Act of 1990 (P.L. 101-576, as amended), OIG directed and monitored the following financial statement audits and other work conducted by an independent external auditor:

AUD/FM-08-04 *Management Letter Related to the Audit of the Department of State 2007 and 2006 Financial Statements*

AUD/FM-08-24 *Independent Auditor's Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2007 and 2006 Financial Statements*

AUD/FM-08-25 *Management Letter Related to the Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2007 and 2006 Financial Statements*

AUD/FM-08-26 *Independent Auditor's Report on the Foreign Service Retirement and Disability Fund 2007, 2006, and 2005 Financial Statements*

AUD/FM-08-27	<i>Management Letter Related to the Audit of the Foreign Service Retirement and Disability Fund 2007, 2006, and 2005 Financial Statements</i>
AUD/FM-08-38	<i>Independent Accountant's Report on the Application of Agreed-Upon Procedures: Retirement, Health Benefits, and Life Insurance Withholdings/Contributions and Supplemental Semiannual Headcount Report Submitted to the Office of Personnel Management</i>

Media Assistance and Outreach

During this semiannual period, OIG made its reports available to and responded to an increased number of media inquires about work it performed and other related matters. During this period, OIG responded to 31 media inquires related to 17 different issues.

Listed in order of issues that drew the most inquiries, OIG responded to the following from major media:

- Audit and investigation into allegations that Department contract employees accessed passport records of presidential candidates without authorization. (6)
- Middle East Regional Office reviews of Iraq Special Immigrant Visas and Iraq Refugee Processing (2)
- Inquiries into OIG's Web site and disclosure policy (2)
- Oversight work related to AEY, Inc. and contracting issues in Albania. (2)

An additional 10 inquiries were received regarding work currently in process.

Outreach

As part of continuing efforts to promote accountability through better awareness of OIG's role, mission, and services, the OIG staff participated in the following outreach activities during this semiannual period:

- OIG senior staff from the Offices of Audits, Inspections, Investigations, and General Counsel made presentations in response to requests by the senior staff of the House and Senate Appropriations Committee Subcommittee on Foreign Operations, the House Foreign Affairs Committee and the Senate Foreign Relations Committee, the House Oversight and Government Reform Committee, and the Senate Homeland Security and Government Reform Committee.
- With “boots on the ground,” OIG conducted briefings for members of a Congressional staff delegation in Baghdad on August 25, 2008. The Office of Audits briefed the delegation on the ongoing audit of the Blackwater world-wide protective services contract, and the Middle East Regional Office provided an overview of its mission and oversight activities. OIG’s General Counsel accompanied the delegation on its two-day schedule of meetings with Embassy Baghdad’s leadership and representatives of various U.S. and Iraqi oversight, programmatic, and law enforcement offices.
- OIG changed its Web posting policies and practices in April 2008 to facilitate public access to many more OIG products. Since the old OIG Web posting policy was changed, 93 additional inspections, reviews and audits, dating from 2003 through 2009 have been posted on OIG’s public Web site. New oversight products are now routinely posted on the site following appropriate reviews and clearances.
- MERO staff made presentations to numerous Embassy officials in Baghdad and other locations in the Middle East to explain how OIG’s new Middle East Region Office would operate in the Middle East.
- Senior Office of Investigations staff engaged in fraud awareness meetings with 22 senior embassy officials in Kabul, Baghdad, and Amman in anticipation of increased investigative Middle East presence.
- OIG senior staff from the Offices of Audits, Investigations, and Inspections senior staff made presentations at four ambassadorial seminars, two deputy chief of mission courses, and four Foreign Service officer orientations, as well as financial management, general services officer, and other courses offered by the Foreign Service Institute.
- OIG senior staff also met with Ambassadors and deputy chiefs of mission preparing to depart for new assignments to discuss areas of emphasis in their missions and provide suggestions to assist in the management of their missions.

- In September 2008, as part of its recruitment process, OIG hosted an open house for Civil Service and Foreign Service personnel interested in career opportunities within OIG.
 - OIG staff from the Departments of Defense and Homeland Security recently attended OIG's New Inspectors Training Course.
 - Investigations staff gave a fraud awareness presentation to a class at the National Defense Intelligence College.
 - Senior OIG staff from the Department and USAID briefed the Department's new coordinator for Iraq anticorruption programs on work the OIGs have conducted or planned in Iraq.
-

Interagency Coordination

- OIG is providing assistance to the Special Inspector General for Afghanistan Reconstruction in establishing an office and operations in Afghanistan.
- OIG senior staff works closely with the Department of Defense OIG, USAID OIG, Special Inspector General for Afghanistan Reconstruction, and Special Inspector General for Iraq Reconstruction to coordinate and plan audits and reviews in Iraq and Afghanistan.
- OIG senior staff works closely with the Offices of Inspectors General for USAID, HHS, Peace Core, Labor, and Defense to coordinate and plan audits and reviews related to the United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act of 2008 and the President's Emergency Plan for AIDS Relief.

Legislation Monitored

OIG reviewed and monitored the following legislation during this semiannual report period:

- H.R. 2642, the Supplemental Appropriations Act, 2008, now P.L. 110-252 signed into law on June 30, 2008, which provided OIG supplemental funding as well as 2009 bridge funding.

- H.R. 2764, the Department of State, Foreign Operations, and Related Appropriations Act of 2008, which includes \$33.7 million in funding for OIG for Fiscal Year 2008.
- H.R.1585, the National Defense Authorization Act for Fiscal Year 2008, now P.L. 110-181 (Sec. 1229), as it pertains to language establishing a Special Inspector General for Afghanistan Reconstruction and audit requirements for Private Security Detail Contracts hired by the State Department in Iraq.
- S. 2731, Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act of 2008, which would require that the Inspectors General of the Department of State, USAID, and HHS jointly develop five coordinated annual plans for oversight activity (financial audits and performance reviews) for fiscal years 2009 through 2013 for programs authorized under this Act and Section 104A of the Foreign Assistance Act.
- H.R. 2740, the Military Extraterritorial Jurisdiction Act Expansion and Reinforcement Act of 2007, which would require Inspectors General working in any military theater of operations to coordinate their work with a newly created theater investigative unit within the Federal Bureau of Investigation (FBI).
- H.R. 928, S.1723, and S.2324, Improving Government Accountability Act, as introduced in both the House and the Senate, which amend the 1978 Inspector General Act.
- H.R. 2420, International Climate Cooperation Re-Engagement Act of 2007, which would assign oversight responsibility for the newly created International Clean Energy Foundation to OIG.
- S. 1825, Commission on Wartime Contracting Establishment Act, which would assign oversight review of security, intelligence, and reconstruction in Iraq and Afghanistan to the Special Inspector General for Iraq Reconstruction in conjunction with State OIG and the Inspectors General from the Defense Department and USAID.
- H.R. 2764, Division D – Financial Services and Government Appropriations Act, 2008, Title VII, which would place certain requirements on the Web sites of the Department and OIG.
- H.R. 1469 and S. 991, the Senator Paul Simon Study Abroad Foundation Act of 2007, as introduced in the House and Senate. Both bills assign oversight responsibilities for the newly created foundation to OIG.

Implementation of the Government Performance and Results Act and the President's Management Agenda

In support of the Government Performance and Results Act and the President's Management Agenda, OIG reviewed mission and bureau strategic plans, as well as rightsizing and consolidation issues for each mission and office inspected during this reporting period.

Performance Measures

From 2000 to 2006, OIG participated in issuing nine interagency reports and 40 agency-specific reports on U.S. export controls. As a result, 29 recommendations were made to the Department, 28 of which are closed. As of the compliance followup review during this SAR reporting period, only one recommendation remains unresolved—that the Bureau of Political-Military Affairs, Directorate of Defense Trade Controls (PM/DDTC), should “establish performance measures that detail benchmarks and timeframes for reducing and eliminating the number of unfavorable post-license end-use checks.” PM/DDTC stated that over the next year it would consider “whether such measures, along with time-lines and benchmarks, would be of value in its compliance and licensing functions.”

Rightsizing

The OIG team found that Embassy Tokyo made a comprehensive review of personnel resource requirements, identified a significant number of American and LE staff that could either be reprogrammed or eliminated, and submitted their recommendations to the Department. The Embassy was able to initiate actions addressing the LE staff, and some American positions have remained vacant since the departure of the incumbents.

Although various offices in the Department have praised the study, the Department has not initiated actions necessary to either eliminate or reprogram 23 identified positions. If the Department's cited \$505,000 cost of support for each American

direct-hire employee were to be applied to these positions, the potential for significant savings exists.

The methodology employed by Embassy Tokyo was similar to that used in the private sector and should be a model for the Department to emulate. The Tokyo right-sizing exercise was designed to increase productivity and efficiency while decreasing waste and duplication. The focus was not only on Department elements but on the entire mission. Agencies and activities were encouraged to think about performing assigned missions better by doing things differently and approaching the function as if they were just starting a mission in Japan. The head of every section, agency, and department was asked to explain his or her organizational chart as well as the duties and functions performed by each individual. As a result, every position in the Embassy was closely reviewed, thus enabling management to recognize overlap and duplication. This process gave supervisors and managers an opportunity to recommend changes that could increase productivity and reduce costs.

OIG recommended that the Bureau of East Asian and Pacific Affairs, in coordination with the Bureau of Human Resources (HR), abolish or reprogram the 23 positions identified in Embassy Tokyo's review.

U.S. Department of State

MIDDLE EAST REGIONAL OFFICE

Status of Iraqi Special Immigrant Visa Programs (MERO-IQO-08-01)

The Department of State, Office of Inspector General, Middle East Regional Office (MERO) conducted an evaluation to determine whether the Department is effectively managing the Iraqi special immigrant visa (SIV) programs.

The Department effectively met congressional allocations for issuing SIVs to former Iraqi (and Afghan) interpreters and translators for FYs 2006 and 2007, and is on pace to meet the FY 2008 goal. However, OIG's analysis of a large sample of completed and active case files, indicated more than 25 percent of approved applicants did not meet the program's criteria of working primarily as an interpreter or translator, but rather in a wide variety of positions, such as medical doctors, warehouse workers, and caterers. Furthermore, OIG identified a number of cases that appeared to be outside the intent of the program, as expressed by members of Congress. These cases resulted in SIV issuances that should have gone to either those in fear of their or their families' safety if they stayed in Iraq, other qualified individuals, or applicants with no other options for obtaining visas.

The Department was still in the process of formulating guidance to bureaus and embassies in the region regarding administering the new SIV program, known as the Kennedy Bill, for Iraqis employed by the U.S. Government. OIG identified (1) allocating resources, (2) screening for eligibility, and (3) fraud prevention as significant challenges for executing this program.

Status of U.S. Refugee Resettlement Processing for Iraqi Nationals (MERO-IQO-08-02)

MERO conducted an evaluation to determine whether the Department is effectively managing the Iraqi refugee resettlement program.

The U.S. Government is on track to meet, and possibly exceed, its goal of resettling 12,000 Iraqi refugees in the United States in FY 2008. An important caveat is the continued cooperation of the Syrian Government and a stable security environment in Lebanon to conduct refugee processing operations. There are currently large-scale Iraqi refugee processing operations in Syria, Jordan, Turkey, and Lebanon, with smaller programs in Egypt and other countries in the region.

The Refugee Crisis in Iraq Act of 2007 requires the establishment of a refugee processing mechanism in Iraq. OIG has identified a number of factors that indicate a smaller-scale processing operation, geared toward addressing the relatively limited number of compelling cases that are unable to process out of Amman, may be more appropriate for Baghdad.

AUDITS

Review of Controls and Notification for Access to Passport Records in the Department of State's Passport Information Electronic Records System (PIERS) (AUD-IP-08-29)

In March 2008, media reports surfaced that the passport files maintained by the Department of three U.S. Senators, who were also presidential candidates, had been improperly accessed by Department employees and contract staff. On March 21, 2008, following the first reported breach and at the direction of the Acting Inspector General, the Office of Audits initiated a limited review of CA's controls over access to passport records in the Department's Passport Information Electronic Records System. Specifically, this review focused on determining whether the Department (1) adequately protects passport records and data contained in PIERS from unauthorized access and (2) responds effectively when incidents of unauthorized access occur.

OIG found many control weaknesses—including a general lack of policies, procedures, guidance, and training—relating to the prevention and detection of unauthorized access to passport and applicant information and the subsequent response and disciplinary processes when a potential unauthorized access is substantiated. In some cases, Department officials stated that the lack of resources contributed to the lack of controls and to the Department's ability to assess vulnerabilities and risk. OIG made 22 recommendations to address the control weaknesses found, including the development of policies and procedures to accurately identify the users of passport information, to detect unauthorized access to passport and applicant information, and to respond effectively when unauthorized access has been determined. All of the recommendations are considered resolved, but remain open pending further action.

In addition, after the passport record breaches were publicized, the Department took some immediate actions, which included issuing interim guidance on the various steps to be followed and decisions to be made in response to a potential incident of unauthorized access to passport records and personally identifiable information (PII) of an applicant, and a Department-wide PII breach response policy. Additional actions are underway by the Department, including conducting vulnerability and risk assessments of all passport systems.

Based on this report, the Acting Inspector General and the Assistant Inspector General for Audits testified before the Senate Judiciary Committee on July 10, 2008, regarding controls and notification for access to passport records in PIERS.

**Interagency Review of Prior Inspector General
Recommendations Related to U.S. Export Controls
(D-2008-095, September 2008)**

The National Defense Authorization Act for FY 2000, Public Law 106-65, mandates that the Inspectors General of certain agencies conduct and report the results of a joint review to determine whether management effectively addressed export control recommendations made pursuant to the Act. There are annual reporting requirements for 8 years under this Act.

Participants in this review were from the Offices of Inspector General for the Departments of State, Commerce, Defense, Energy, Homeland Security, and the Treasury; the Central Intelligence Agency; and the United States Postal Service. Although the Act requires the Federal Bureau of Investigation to participate in the review, it did not participate because it does not have an active role in the licensing process for export control technology.

From 2000 to 2006, the OIGs participated in issuing nine interagency reports and 40 agency-specific reports on U.S. export controls. The OIGs made 273 recommendations in these 49 reports to improve Federal export control policies and procedures. The 2008 interagency report, which satisfies the eighth and final statutory reporting requirement under the Act, determined that 234 of the recommendations were closed and that Federal managers needed to take additional actions to implement the 39 remaining (open) recommendations.

From 2000 to 2006, 29 recommendations were made to the Department, 28 of which are closed. As of the final report, only one recommendation remained unresolved—that the Bureau of Political-Military Affairs, Directorate of Defense Trade Controls (PM/DDTC), should “establish performance measures that detail benchmarks and timeframes for reducing and eliminating the number of unfavorable post-license end-use checks.” PM/DDTC stated that it would consider, over the next year, “whether such measures, along with time-lines and benchmarks, would be of value in its compliance and licensing functions.”

Management Letter Related to the Audit of the Department of State 2007 and 2006 Financial Statements (AUD/FM-08-04)

During the audit of the Department's 2007 and 2006 financial statements, the independent external auditor identified internal control weaknesses relating to fund balance with Treasury, accounts receivable and payable, payroll accruals, payroll documentation, heritage assets, deferred maintenance, compliance with the Improper Payments Information Act, non-personnel expenses, prompt payments, controls over cash and cash receipts at posts, information technology security, indirect cost allocation for construction in progress, personal property, and the Foreign Service Retirement and Disability Fund's actuarial liability. The auditor recommended that the Department take appropriate action to address these weaknesses.

Independent Auditor's Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2007 and 2006 Financial Statements (AUD/FM-08-24)

The independent external auditor issued an unqualified opinion on the International Boundary and Water Commission, United States and Mexico, U.S. Section's financial statements as of September 30, 2007 and 2006, and did not identify any material weaknesses related to internal control or material instances of noncompliance.

Management Letter Related to the Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2007 and 2006 Financial Statements (AUD/FM-08-25)

During the audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section's (USIBWC) 2007 and 2006 financial statements, the independent external auditor identified internal control weaknesses relating to USIBWC's internal audits and evaluations, property and equipment, contract accruals, personnel issues, and financial reporting. The independent external auditor recommended that USIBWC take appropriate action to address these weaknesses.

Independent Auditor's Report on the Foreign Service Retirement and Disability Fund 2007, 2006, and 2005 Financial Statements (AUD/FM-08-26)

The independent external auditor issued an unqualified opinion on the Foreign Service Retirement and Disability Fund financial statements as of September 30, 2007, 2006, and 2005, and did not identify any material weaknesses related to internal control or material instances of noncompliance.

Management Letter Related to the Audit of the Foreign Service Retirement and Disability Fund 2007, 2006, and 2005 Financial Statements (AUD/FM-08-27)

During the audit of the Foreign Service Retirement and Disability Fund's (FSRDF) financial statements as of 2007, 2006, and 2005, the independent external auditor identified an internal control weakness relating to overpayments to annuitants. The Department was not consistent in establishing an accounts receivable in a timely manner after it discovered overpayments to annuitants. The independent external auditor recommended that the Department establish accounts receivable for collection

of overpayments to annuitants as soon as overpayments are discovered. The independent external auditor also noted opportunities for the Department to improve its actuarial report related to FSRDF.

Independent Accountants' Report on the Application of Agreed-Upon Procedures: Retirement, Health Benefits, and Life Insurance Withholdings/Contributions and Supplemental Semiannual Headcount Report Submitted to the Office of Personnel Management (AUD/FM-08-38)

Under OIG's direction, an independent external auditor performed agreed-upon procedures, as required by Office of Management and Budget Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. These procedures were performed solely to assist the Office of Personnel Management (OPM) in assessing the reasonableness of the retirement, health benefits, and life insurance withholdings and contributions, as well as enrollment information, submitted by the Department through the Semiannual Headcount Report. The auditor identified two instances in which information on health insurance election submitted by the Department and information OPM had in its files was inconsistent, two instances in which information on basic life insurance election submitted by the Department and information OPM had in its files was inconsistent, and four instances of reportable differences between OPM's calculations of life insurance coverage withholdings and the amounts submitted by the Department.

Independent Accountants' Reports

During this reporting period, OIG contracted with two certified public accounting firms, as specified, to perform agreed-upon procedures of indirect cost rates and a final buyout claim, under the provisions of OMB (Office of Management and Budget) Circulars A-122, *Cost Principles for Non-Profit Organizations*; A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*; and A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The organizations reviewed and the results of the agreed-upon procedures are as follows:

Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by American Refugee Committee, Inc. (AUD/CG-08-22)

Leonard G. Birnbaum and Company, LLP, Certified Public Accountants, determined that the American Refugee Committee had properly calculated and reported its proposed indirect cost rates for the years ended December 31, 2006, and 2005. Also, the Committee's accounting system was adequate for accumulating and reporting indirect costs under the provisions of Circulars A-122 and A-110. The accountants recommended that the Department accept and finalize the Committee's indirect cost rates for the years specified, as proposed by the Committee and as recommended in the accountants' report.

Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by Council on International Educational Exchange, Inc. (AUD/CG-08-23)

OIG contracted L.F. Harris & Associates, Certified Public Accountants, P.A., to perform certain agreed-upon procedures to determine whether the indirect cost rates proposed by the Council on International Educational Exchange, Inc., for the fiscal

years ended August 31, 2005, 2004, and 2003, complied with applicable regulations. The accountants found that although the Council had charged some unallowable costs to federal programs, its accounting system was adequate to accumulate and report indirect costs under the provisions of Circulars A-122 and A-110.

The accountants noted, in reviewing the Council's indirect costs, that the base used to calculate the rates was incorrectly computed, including participant support costs. Also, the indirect cost rate calculation submitted to the Department by the Council incorrectly calculated indirect costs as a percentage of total costs instead of indirect costs as a percentage of direct costs. As a result, the accountants adjusted the base and recomputed the rates reported by the Council for FYs 2005, 2004, and 2003. In addition, the accountants questioned as unallowable Council indirect expenses of \$1,953,607, \$587,049, and \$2,388,577 for FYs 2005, 2004, and 2003, respectively. The accountants recommended that the Department accept and finalize the indirect cost rates for FYs 2005, 2004, and 2003, as recommended in the report.

Independent Accountants' Report on the Application of Agreed-Upon Procedures on Final Buyout Claim by Enviro-Management & Research, Inc., Under Contract No. S-FBOAD-98-D0010 (AUD/CG-08-28)

Leonard G. Birnbaum and Company, LLP, Certified Public Accountants, determined that the January 30, 2008, final buyout claim submitted by Enviro-Management & Research, Inc. (EMR), under Contract No. S-FBOAD-98-D0010 was reasonable, allocable, and allowable under relevant federal cost principles and the terms and conditions of the contract. The accountants concluded that the claim made by EMR was without merit and that the Department had overpaid the amount financed for this project. The accountants recommended that the Department decline to pay EMR's \$146,757 buyout claim and require the contractor to reimburse the Department for overpayments totaling \$15,607.

Independent Accountant's Report on the Application of Agreed-Upon Procedures on the Indirect Cost Rate Proposed by Church World Service, Inc. (AUD/CG-08-30)

Leonard G. Birnbaum and Company, LLP, Certified Public Accountants, determined that the indirect cost rate proposed by Church World Service, Inc. (CWS), for the fiscal year ended June 30, 2006, was properly calculated and reported. The accountant found CWS's accounting system to be adequate for accumulating and reporting indirect costs under the provisions of OMB Circulars A-122 and A-110. The accountant recommended that the Department accept and finalize CWS's indirect cost rate for the fiscal year stated, as recommended in the report.

Independent Accountants' Report on the Application of Agreed-Upon Procedures on the Indirect Cost Rates Proposed by Project Harmony, Inc. (AUD/CG-08-31)

Project Harmony, Inc., is a not-for-profit organization that provides professional and training programs in a variety of settings in the United States and in countries of the former Soviet Union. L.F. Harris & Associates, P.A., Certified Public Accountants, determined that Project Harmony's proposed indirect cost rates for the fiscal years ended June 30, 2005, 2004, and 2003, were properly calculated. Also, Project Harmony's accounting system was adequate for accumulating and reporting indirect costs under the provisions of OMB Circulars A-122 and A-110. The accountants recommended that the Department accept and finalize Project Harmony's indirect cost rates for the three fiscal years stated, as recommended in the report, "fully considering any additional payments by the Department or Project Harmony, as necessary, to account for differences between the final and the recommended indirect rates."

Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by Nacel Open Door, Inc. (AUD/CG-08-32)

L.F. Harris & Associates, P.A., Certified Public Accountants, performed certain agreed-upon procedures to determine whether the indirect cost rates proposed by Nacel Open Door, Inc. for the years ended December 31, 2005, 2004, and 2003, complied with applicable regulations. The accountants found Nacel's accounting system to be inadequate for accumulating and reporting indirect costs under the provisions of OMB Circulars A-122, A-110, and A-133. Specifically, Nacel's current accounting system did not meet the requirements of the circulars, and Nacel had been experiencing "ongoing problems" with the accounting system for many years. The May 2004 OIG report *Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by Nacel Open Door, Inc.* (AUD/CG-04-30), prepared by other independent accountants, also found Nacel's accounting system to be inadequate for accumulating and reporting indirect costs under the provisions of the circulars. Consequently, at that time, the independent accountants were not able to express an opinion on the rates proposed by Nacel for grant years 1994 through 2001. Officials in the Department's Office of Logistics Management, Office of Acquisitions Management, International Programs Division, said that they had not approved provisional or final indirect cost rates for Nacel for the period 1998 through 2007.

The accountants were unable to confirm Nacel's proposed indirect costs rates for 2005, 2004, and 2003 because Nacel did not provide sufficient documentation to support its rates. Also, Circular A-122 requires that expenses incurred under federal grants be adequately documented, be reasonable for the performance of the grant, and be allocable. Based on their sampling of Nacel's expenditures incurred under the grants during 2003, 2004, and 2005, the accountants found unsupported costs totaling \$94,524 for the 3 years.

The accountants recommended that the Bureau of Educational and Cultural Affairs (ECA) require Nacel to fully comply with the provisions of applicable OMB circulars within 60 days of the date of the report and provide ECA with verification of its compliance by an independent public accountant. OIG also recommended that ECA withhold funding for future grants and payments under existing grants until Nacel was in full compliance with the applicable circulars. Further, OIG recommended that ECA require Nacel to establish appropriate policies and procedures to ensure that

costs under the grants are documented and accounted for in accordance with the applicable circulars and that Nacel provide information so that ECA can make an appropriate determination on the unsupported costs of \$94,524.

Independent Accountants' Report on the Application of Agreed-Upon Procedures on the Indirect Cost Rates Proposed by The Graduate School, USDA (AUD/CG-08-34)

Leonard G. Birnbaum and Company, LLP, Certified Public Accountants, performed certain agreed-upon procedures to determine whether the indirect cost rates proposed by The Graduate School, USDA, for the fiscal years ended June 30, 2007, 2006, and 2005, complied with applicable regulations. The accountants found the School's accounting system to be adequate for accumulating and reporting indirect costs under the provisions of applicable requirements. Also, the School had properly calculated its indirect cost rates for 2006. However, it had not always properly calculated its indirect cost rates for 2007 and 2005. For example, facility rental costs of \$5.6 million and product design costs of \$2.8 million were omitted from the calculations in 2007 and 2005, respectively. The accountant recommended that the Department accept and finalize the indirect cost rates for 2007, 2006, and 2005, as recommended in the report.

Nonfederal Audits of Nonprofit Institutions

OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, establishes audit requirements for specified entities receiving federal awards. Public accounting firms employed by nonfederal entities conduct the audits. The firms file these single audit reports with the Federal Audit Clearinghouse, and OIG reviews audit reports involving Department funds and provides quality assurance and general oversight.

OIG conducted its reviews using the President's Council on Integrity and Efficiency's *Uniform Guide for Initial Review of A-133 Audit Reports*. The objectives of the reviews were to determine whether the audit reports meet applicable reporting standards and OMB Circular A-133 reporting requirements and to identify issues that may require management attention. During this reporting period, OIG completed 14

analytical desk reviews of single audits for six entities, with Department expenditures totaling \$35,656,367. OIG recommended that the Department ensure that internal control weaknesses and instances of noncompliance are corrected.

Report Number	Grantee	Fiscal Year	Department of State Expenditures	Other Federal Agency Expenditures	Total Federal Expenditures
08-A133003	Scholastic, Inc.	2005	\$3,875,062	0	\$3,875,062
08-A133004	Foundation for Enterprise Development	2005	1,732,531	0	1,732,531
		2006	2,352,394	0	2,352,394
08-A133005	William Davidson Institute at the University of Michigan	2004	278,121	\$228,697	506,818
		2005	492,519	314,318	806,837
		2006	578,658	256,771	835,429
08-A133006	World Relief of Minnesota	2005	475,502	182,957	658,459
		2006	487,721	171,092	658,813
08-A133007	AFS-USA, Inc.	2004	3,645,578	0	3,645,578
		2005	4,660,282	0	4,660,282
		2006	4,346,370	0	4,346,370
08-A133008	LASPAU: Academic and Professional Program for the Americas, Inc.	2004	4,544,477	0	4,544,477
		2005	4,322,827	0	4,322,827
		2006	3,864,325	0	3,864,325
TOTAL			\$35,656,367	\$1,153,835	\$36,810,202

INSPECTIONS

Domestic Operations

Inspection of the Bureau of Overseas Buildings Operations (ISP-I-08-34)

The Bureau of Overseas Buildings Operations (OBO) successfully completed 54 new embassy compounds (NEC) and annex office buildings under the Construction Security Program, placing over 17,000 embassy employees in secure facilities between 2001 and 2008. Current OBO leadership endeavored to build on this record by maintaining the pace of construction while improving relations with other Department bureaus and missions abroad that felt left out of the planning process.

The Director Ad Interim took charge in January 2008. He quickly corrected a number of organizational deficiencies and improved coordination and communication between regional bureaus, overseas posts, and other agencies. During the inspection, he was pursuing major realignments of functions and responsibilities, including efforts to fix major operational problems in information management and human resources. The Director Ad Interim has made tremendous strides in a short time, but progress has been slow and much remains to be done.

The ultimate goal of the Department is to construct 150 NECs by 2018, at a total cost of \$17.5 billion. Escalating construction, commodity, and labor costs, and the depreciation of the dollar threaten to prevent the attainment of that very important goal. Either the program must be scaled back, additional resources identified, or the program stretched beyond 2018.

OIG conducted a global customer survey of diplomatic missions and a detailed analysis of 12 completed NECs. Posts commented favorably about their new facilities. Many have received positive feedback from their host governments that the facilities are architecturally attractive and appropriate. At the same time, posts expressed concern about commissioning, post-occupancy use, and NEC maintenance.

OBO's continuing use of the design-build and Standard Embassy Design concepts was effective. However, the organizational structure of OBO was overly complex, with entities operating in semi-isolation resulting in the lack of effective coordina-

tion, communication, and accountability. The contracting process was cumbersome and complicated, and must be streamlined. Organizational problems ultimately add to the cost of construction projects.

The Department does not know the future costs of operating and maintaining its facilities overseas, although OBO was addressing the problem. Costs to support and maintain the Department's legacy facilities were increasing. There were no effective systems in place to plan, budget, and track operation and maintenance costs. The Department must do a better job of identifying the resources necessary to protect its multibillion-dollar investment.

Review of the Process for Sharing Department Cables via the Net-Centric Diplomacy Program (SIA-08-04)

The Net-Centric Diplomacy (NCD) program was accomplishing its intended purpose of facilitating the sharing of classified and unclassified cables originating from the Department and overseas posts with other U.S. Government agencies that have Secret Internet Protocol Router Network (SIPRNet) access.

Some posts were not sharing cables with other government agencies via the SIPRNet distribution (SIPDIS) caption because of the mistaken belief that posting cables to the NCD database requires SIPRNet access.

The Department had not provided adequate guidance regarding the specific types of personally identifiable information that should be excluded from cables posted to the NCD, so as to avoid the potential for violations of the Privacy Act.

Limited-Scope Review of Department of State Counterterrorism Designation and Vetting Procedures (ISP-I-08-26)

OIG reviewed how the Department was organized and the procedures that were in place to carry out its statutory responsibilities in two aspects of the fight against terrorism. First, the Department was mandated to identify and designate terrorist entities and those supporting terrorism, making those entities subject to sanctions. Second, the Department and U.S. Agency for International Development (USAID) were required by law and regulation to ensure that U.S. assistance funds would not inadvertently go to terrorists. One important method to prevent this was by vetting the names of organizations and individuals being considered for assistance against lists of designated terrorist entities. OIG reviewed both aspects of this process, focusing particularly on two offices with central roles: the Office of the Coordinator for Counterterrorism (S/CT) and the Office of Terrorism Finance and Economic Sanctions Policy in the Bureau of Economic, Energy, and Business Affairs (EEB).

The OIG team also revisited S/CT's inability to comply with a 2006 inspection recommendation that S/CT, in coordination with the Bureau of Intelligence and Research, facilitate the work of S/CT's Designation Unit by giving it better communications capabilities and easier access to all source intelligence. This review reaffirmed the old recommendation, and recognized the commitment and specific steps that the two offices agreed upon to reach this goal. The S/CT Designations Unit was unable to fully and quickly engage its interagency counterparts because it did not have access to Intelligence Community Electronic Mail. OIG focused on this problem and obtained commitments from S/CT and the Bureau of Intelligence and Research that would result in Intelligence Community Electronic Mail being provided to the Designations Unit.

While the review was in progress, the Deputy Secretary issued timely guidance reemphasizing the responsibility of senior officials at the Department and USAID to apply due diligence procedures to prevent U.S. Government assistance money from inadvertently going to terrorists. The guidance also established an interoffice committee chaired by EEB to coordinate and strengthen vetting policies and procedures throughout the Department. The Director for U.S. Foreign Assistance issued instructions to all Department bureaus and USAID that FY 2008 funding requests must include a statement of compliance with the Deputy Secretary's guidelines. This timely guidance also reiterated the importance of vetting.

**Review of Department's Use of Its Defense Export
Licensing Watchlist in the Acquisition Process**
(SIA-I-08-05)

The purpose of this review was to determine the Department's use of its defense export licensing Watchlist in the acquisition process, with specific focus on AEY, Inc. Reportedly, AEY was put on the Watchlist as early as April 2006. Subsequently it was awarded four contracts by the Department, one in December 2006, two in February 2007, and one in June 2007.

This review found that Department officials are not using the Watchlist in the acquisition process, as much of the information in the Watchlist does not relate to contract performance. The Watchlist was not created for the acquisition process but for the purpose of alerting defense export licensing officers and compliance specialists when reviewing a party's application for an arms export license. However, in response to the U.S. House of Representatives, Committee on Oversight and Government Reform, hearing regarding AEY and its contracts with the U.S. Government on June 24, 2008, Department representatives have been meeting with Department of Defense acquisition experts to develop contract clause language that would allow the use of Watchlist information in the acquisition process.

During fiscal years 2004 through 2007, the Department issued 39 purchase orders to AEY for arms and munitions, totaling approximately \$5.9 million. Of these 39 purchase orders, one was cancelled, and another was partially cancelled. In February 2006, AEY was flagged by the Department for its inability to deliver according to its bid specifications, and, as a result, activity with AEY was temporarily suspended. Activity with AEY was reactivated in March 2006 following discussions between Department and company officials regarding the need to improve the company's business practices. AEY was again flagged in November 2006, whereupon Department acquisition officials ceased issuing new purchases to the company. This review contains no recommendations.

Overseas Missions

Bureau of African Affairs

Inspection of Embassy Abidjan, Cote d'Ivoire (ISP-I-08-10A)

OIG's inspection of Embassy Abidjan found that the recently arrived Ambassador and deputy chief of mission (DCM) were giving priority to improving communications and morale within the mission. The inspection noted that deficiencies in management operations were compounded by poor communication within the management section, as well as between the management section and other mission elements.

Embassy participation on the school board and attention to school administration had been minimal, at best. There appeared to be no written record of a lease agreement granting the school permission to lease U.S. Government-owned property (the school's former location) to the United Nations. The Embassy did not know how the \$2 million received from the leased property had been spent. OIG made recommendations to address this situation.

The NEC was designed and constructed when Embassy Abidjan was a much larger mission that served as a regional support center for West Africa. Ongoing political turmoil had resulted in major downsizing of mission staff, leaving the current occupancy of the NEC at less than two-thirds of capacity. The Embassy and OBO were devising plans to close off large sections of the facility to reduce operating expenses. However, post management should also develop options for relocating other U.S. Government activities from elsewhere in Abidjan into vacant embassy office space.

During this semiannual reporting period, OIG issued 10 classified annexes to overseas mission inspections in Abidjan, Cote d'Ivoire; Abuja, Nigeria; Ottawa, Canada; Rangoon, Burma; Tokyo, Japan; Port Louis, Mauritius; Geneva, Switzerland; Managua, Nicaragua; La Paz, Bolivia; and Asuncion, Paraguay. These annexes are summarized in the classified annex to this Semiannual Report to the Congress.

The President's Emergency Plan for AIDS Relief (PEPFAR) managed an active and cohesive program for prevention, treatment, and mitigation of HIV and AIDS under the leadership of the Ambassador and PEPFAR coordinator. Embassy Abidjan was maintaining a very active public diplomacy program out of its Information Resource Center within the embassy compound and three American Corners throughout the country. Management oversight of the American Corners, including the accountability of funds, was deficient.

Inspection of Embassy Abuja and Consulate General Lagos, Nigeria (ISP-I-08-25A)

The inspection occurred at a time when Embassy Abuja leadership had changed entirely, with a new Ambassador, DCM, and principal officer in Lagos. This change provided embassy leadership with the opportunity for a forward-looking approach—working together to tackle the challenges and craft constructive solutions for the U.S. presence in Nigeria.

Foreign assistance funding for Nigeria was heavily weighted toward PEPFAR at 87 percent of the total. The likelihood of even more PEPFAR funding was engendering pressures for staff growth in several agencies. The mission's administrative platform, however, could not support large increases. The Ambassador was exercising her authority judiciously in reviewing requests for new positions while ensuring the fiscal and human resources to support them. OIG recommended that Embassy Abuja follow National Security Decision Directive-38 guidelines to perform and document a comprehensive analysis of both programmatic and administrative requirements prior to deciding on requests to increase personnel.

Despite a robust package of incentives, staffing Lagos and Abuja was hard, with many officers in stretch assignments, working out-of-cone, on excursion tours, or on directed first assignments. These staffing woes, an operating budget that was lagging behind program funding, and aging facilities in Lagos reduced the efficiency of diplomatic operations.

Both the consulate office building and many U.S. Government-owned residences in Lagos had suffered physical neglect, based partly on the view that operations in Lagos would get smaller when the Embassy moved to Abuja in 2000. This shrinkage is unlikely to happen. To support staff morale, the FY 2009 timetable for renovations and physical security upgrades at the consulate office building and housing units must not be allowed to slip.

The chancery annex to be built in Abuja will not provide adequate work space for the number of employees slated to work in it. The Department should amend the project design to increase available work space. It appeared that the Embassy's efforts to find a new, affordable warehouse in Abuja had succeeded.

Consular operations in Nigeria are atypical and difficult to manage, coordinate, and staff. Sophisticated patterns of fraud have an impact on protecting visa and passport integrity. Nonetheless, processes were essentially sound, management controls appeared effective, and consular leadership was tackling some of the persistent problems systematically. In both Abuja and Lagos, the OIG team discussed ways to increase efficiency in the nonimmigrant and immigrant visa units.

Limited-Scope Inspection of Embassy Malabo, Equatorial Guinea (ISP-I-08-33)

The U.S. Government had well-defined interests in both oil and gas exploration and exploitation in Equatorial Guinea's territorial waters, and in security and stability in the Gulf of Guinea that justified a broad and serious engagement with the government of Equatorial Guinea. Engagement with the Government of Equatorial Guinea also offered the opportunity to promote a more open democratic society where the benefits of the oil boom would bring transparency, respect for human rights, and effective delivery of social services. Embassy Malabo had identified its priorities to advance these goals.

In its efforts to strengthen ties with the Government of Equatorial Guinea, Embassy Malabo met opposition from Washington, which was based on a legacy of negative thinking about the country that stemmed from serious human rights abuses of the past. The Embassy also met opposition from those who insisted that, despite the importance of U.S. interests in Equatorial Guinea, the Embassy should remain small.

Limited-Scope Inspection of Embassy Cotonou, Benin (ISP-I-08-28)

Operating from a run-down embassy complex, the Ambassador was energetically promoting key U.S. interests in Benin, and assertively trying to upgrade the tools of engagement necessary to promote U.S. interests. Given the comparatively limited U.S.

engagement with Benin, apart from the various aid channels, the Ambassador and the DCM had appropriately made assistance the centerpiece of their attention.

Embassy Cotonou was performing well in promoting U.S. business, which sold approximately \$200 million in goods to Benin in 2007, double the previous year. This result was all the more impressive given the small size of Benin's economy. In addition, a U.S. firm landed a \$67 million power plant construction project.

Since August 2007, Embassy Cotonou's consular section had been led by a mid-level officer who replaced a series of entry-level officers routinely rotated from the consular section to the political-economic section. This position upgrade should enhance continuity and expertise, and ensure that good management practices are followed. The OIG team made several informal recommendations to improve the consular section's signage, Web site, scheduling, and records handling.

Embassy Cotonou's ongoing academic advising was highly effective. Services include day-long Internet-based examinations on behalf of the New Jersey-based Educational Testing Service to test the English language capabilities of prospective students intending to study at U.S. universities.

General services operations had overcome resistance to implementing rules and had upgraded workspaces and created attractive open areas for community activities. The OIG team made informal recommendations to improve consolidated motor vehicle operations.

Limited-Scope Inspection of Embassy Libreville, Gabon (ISP-I-08-31)

Embassy Libreville was working to overcome prolonged staffing gaps in furthering its key democracy, regional security, and commercial objectives. The responsibilities of many officers at Embassy Libreville exceeded their grade or experience, leading to inefficiencies and a prolonged learning phase. Within the constraints of its staffing, the Embassy was assertively and effectively promoting U.S. national interests in the oil-rich Gulf of Guinea.

OIG identified two issues with the international school. To resolve the first issue, OIG recommended Embassy Libreville review and revise the memorandum of understanding between the Embassy and the school to reflect what services the Embassy will provide, including mail and pouch services for educational materials only, and medical services only for designated teachers. The second issue related to

the school occupying U.S. Government-owned property. OIG found no documentation indicating that the Embassy collected any lease costs from the school for the use of the property. OIG recommended Embassy Libreville conduct a market survey to determine a reasonable market value to charge the school annually for occupying the property or determine a market value for the property and sell it.

OIG identified drainage and water problems, including open drains within the general services annex that back-up with raw sewage and standing water that serves as breeder grounds for malarial mosquitoes. OIG recommended that Embassy Libreville and OBO fix septic systems and rain water catchments, and cover drainage channels.

Limited-Scope Inspection of Embassy Lome, Togo (ISP-I-08-32)

Embassy Lome was using its assets to the maximum to advance the chief policy goals of furthering democracy, relative prosperity, and health. With an outstanding range of contacts within the government, Embassy Lome was well positioned to advance U.S. law enforcement concerns, including counterterrorism and counternarcotics. The Ambassador and DCM had forged a flexible, productive embassy with a strong desire to do well as a team.

Embassy Lome's management section was working very well. The general services section had exemplary accomplishments that included the move to the new embassy compound. The OIG team made informal recommendations to improve the Equal Employment Opportunity and Federal Women's Programs, review local staffing levels, and train staff on the Department's WebPass administrative application.

Limited-Scope Inspection of Embassy Windhoek, Namibia (ISP-I-08-43)

Embassy Windhoek was a successful mission sharply focused on the assistance programs that dominate the U.S.-Namibian relationship and on the need to keep Namibia's Government on a democratic track. The massive PEPFAR program was anchoring all U.S. assistance activity in Namibia and, in a sense, serving as the center-

piece for Embassy Windhoek's overall work. PEPFAR was promoting mission unity among the agencies directly involved. This work in Namibia was compelling a new level and type of interagency collaboration because of the sheer complexity and size of the program.

Embassy Windhoek had repeatedly proposed that the U.S. Trade and Development Agency work with the U.S. Department of Commerce to ensure that any trade leads would be widely disseminated via its Trade Opportunities Program, but the U.S. Trade and Development Agency had declined to act on this embassy initiative. Similarly, with the Millennium Challenge Corporation soon to be investing in Namibia on a major scale, it, too, could benefit American business by instituting a linkage system between its projects and Commerce's Trade Opportunities Program. The OIG team recommended that Embassy Windhoek, in coordination with EEB, request that the U.S. Trade and Development Agency and the Millennium Challenge Corporation create direct links between their grants and the dissemination of trade leads to U.S. firms.

The small management section was exceeding expectations. For example, the Embassy had no maintenance staff; consequently, the Embassy used many Blanket Purchase Agreements for goods and services. These multiple awards ensured competition at the micro-purchase threshold and demonstrated the Embassy's commitment to customer service.

Limited-Scope Inspection of Embassy Port Louis, Mauritius (ISP-I-08-49A)

OIG's inspection of Embassy Port Louis found the Ambassador particularly attuned to security issues. He was engaged in promoting American business and commercial interests, and had good access to key decision makers in both government and the private sector. OIG found that measures were needed to reduce the workload expected of the small political-economic section, and recommended that the Department determine which mandated reports could be submitted by Embassy Port Louis on a biennial rather than annual basis. In response to inadequacies found in the consular waiting area, OIG recommended that the processing of visa applicants be modified to address crowd control, security, and personal comfort issues.

Bureau of East Asian and Pacific Affairs

Inspection of Embassy Rangoon, Burma (ISP-I-08-36A)

The chargé d'affaires and the DCM provided strong leadership to Embassy Rangoon on policy and program issues during a period of Burmese political crisis and intensified U.S. policy focus. They engaged heavily in the design and successful implementation of very imaginative small grants and public diplomacy programs, and the chargé communicated effectively in shaping U.S. policy. However, leadership and management of the mission by the chargé and DCM have been inconsistent and have failed to provide necessary communication, coordination, problem solving, and fairness to foster a genuine sense of teamwork.

The entire embassy staff worked together to accomplish a successful move into a new chancery in September 2007, despite road closures, violent street demonstrations, heavy monsoon rains, and disruptions to power and communications. The new chancery is bright and well equipped, and the embassy staff was functioning well within the new facility.

Faced with the challenges of a hostile political environment and tightly controlled access to Burmese Government officials and other contacts, the chargé and the Embassy had reached out effectively to the political opposition and civil society. The political-economic section had produced a steady flow of reliable reporting and analysis of value to U.S. policy makers at the highest levels, before, during, and after the September 2007 political crisis. In an environment where traditional public outreach is severely limited, the active and effective public diplomacy programs of the American Center enable the mission to reach out in a number of innovative ways to the Burmese people.

OIG identified several areas in the human resources section that needed to be addressed. These include employment procedures for eligible family members, implementation of a wage increase for the locally employed (LE) staff, updating the LE staff handbook, and ensuring the proper storage of sensitive personal information. In addition, OIG recommended determining the appropriate size of some management units and abolishing local positions in others.

Inspection of Embassy Tokyo, Japan, and Constituent Posts (ISP-I-08-39A)

The Ambassador was the driving force for an internal rightsizing exercise that engaged each office and agency in a bottom-up examination of staffing levels that could reduce Department of State and other agency staffing considerably over several years. Embassy Tokyo's rightsizing exercise was designed to increase productivity and decrease waste in every section and agency. OIG made a recommendation that the Department implement the recommendations that arose from the rightsizing exercise.

The political and economic sections were providing substantial, high-quality reporting in a good mix of cable and e-mail form. The political-military unit was leading important negotiations on a range of security issues and coordinating closely with U.S. military and civilian officials in Japan, U.S. Pacific Command, and Washington. OIG recommended that Embassy Tokyo conduct a complete review of the relative workload of all personnel in the political-military and security policy unit of the political section, with a view to providing better balance in the workload, greater guidance and career development for all U.S. officers, and greater clarity and delineation of the workload of the unit's two LE staff workers.

Public diplomacy planning was well conceived, but additional steps needed to be taken to implement the public diplomacy plan. OIG recommended that Embassy Tokyo develop and implement a mission-wide public diplomacy plan based on current Mission Strategic Plan goals. In addition, OIG recommended that Embassy Tokyo conduct a customer and management review of the media analysis and translation team production to identify and eliminate duplicative and low-priority products and reduce outside translation by bringing this function within the media analysis and translation team.

Consular services were being performed efficiently in the Embassy and constituent posts, but nonimmigrant visa workload could increase substantially later this year, depending on how the electronic travel authorization program is implemented. Child custody issues in Japan are extremely difficult, and OIG recommended that Embassy Tokyo prepare and implement a strategic plan to persuade the Japanese Government to sign and ratify The Hague Convention on the Civil Aspects of International Child Abduction and assist consular officers in gaining access to American children in Japan who are the subject of child-custody disputes.

Management operations, overall, were outstanding and focused on providing very good customer service to the large mission and the consulates. OIG made recommendations that Embassy Tokyo review, revise, and reprogram some LE staff positions. OIG also recommended that the Embassy encourage the LE staff association to dissolve the executive committee that presently exists and hold an election to select committee members that can restore viability to the association.

The five constituent posts were providing a relatively small and low-cost, yet important, regional representation and outreach to the public and to major economic and political-military centers. Embassy Tokyo's intensive communications with, and good support for, the constituent posts was helping to assure that the consulates worked productively and were well integrated into the mission.

Bureau of European and Eurasian Affairs

Limited-Scope Inspection of Embassy Bratislava, Slovakia (ISP-I-08-27)

The OIG team commended Embassy Bratislava for its extensive rightsizing exercise that produced significant cost savings and eliminated several LE staff and two American positions. Post management was making minor adjustments with the contractors who replaced the LE staff. Embassy Bratislava should be rewarded by the Department of State with a portion of the resulting financial savings, including those made in centrally held and post budgets.

The Ambassador and DCM were providing strong executive direction for Embassy Bratislava. The Ambassador was seeking to improve coordination among sections by designating mission-wide managers for key issues. The FY 2010 Mission Strategic Plan was even tighter and clearer than the FY 2009 version praised by the Department.

The political/economic section had successfully lobbied the Slovak Government to moderate draft laws restricting the press and nongovernmental organizations while reassigning responsibilities to cope with the unanticipated loss of an American political officer position. Return of the officer position in summer 2008 will allow the section chief to clarify those responsibilities.

Limited-Scope Inspection of Embassy Tallinn, Estonia (ISP-I-08-38)

Embassy Tallinn maintained the lean organizational structure envisioned when the Department opened posts across the former Soviet Union in the early 1990s. Outsourcing resulted in a relatively small LE staff, and regional support provided many other services.

The political-economic section was having difficulty managing the demands put on it by the Department of State, post management, and its own ambitious reporting plan. The OIG team recommended that the portfolios be redistributed more equitably and the timeliness of reporting given priority over editing.

A well-managed public affairs section maintained an impressive mission-wide outreach program and had a close working relationship with the media, which gave the Embassy unusually broad opportunities to present U.S. views to the Estonian public.

A low nonimmigrant visa refusal rate, coupled with Estonian progress on other legislative requirements of the revised Visa Waiver Program, made Estonia a good candidate to be included in the program early on under the security waiver. The well-run consular section, with post management support, maintained a productive working relationship with the Department of Homeland Security on this issue.

Inspection of Embassy Vilnius, Lithuania (ISP-I-08-42)

Embassy Vilnius' post management was successful in steering the bilateral relationship, advancing key U.S. goals, and keeping policy makers aware that Lithuanians were becoming more Eurocentric and likely to follow U.S. policy leads only when convinced of their underlying good sense.

Developing and rightsizing an LE staff profile more in tune with Lithuania's rapidly developing economy and rising inflation was Embassy Vilnius' greatest challenge. LE staff compensation had not changed in four years and required adjustment.

A joint political-economic section was deeply engaged in promoting continued Lithuanian participation in several peacekeeping operations, in working to resolve outstanding Jewish property issues dating from the Second World War, and in carrying out numerous demarches from Washington.

The Visa Waiver Program was a major issue in the bilateral relationship. Although Lithuania was on a path to meet its benchmarks in the roadmap for the inclusion of Lithuania in the Visa Waiver Program, Lithuanian expectations had to be managed, and the Ambassador and his staff were doing an excellent job in that regard.

Limited-Scope Inspection of the U.S. Mission to the United Nations Agencies in Rome (ISP-I-08-40)

The U.S. Mission to the United Nations Agencies in Rome (USUN Rome) was well managed and successfully pursuing U.S. goals in all six of the UN entities located in Rome. Coordination and teamwork on the Food and Agriculture Organization reform, a major U.S. priority, was particularly noteworthy.

Advocacy and reporting were well managed and coordinated at USUN Rome, notably with regard to the Food and Agriculture Organization, World Food Program, and International Development Law Organization. There was a need for closer coordination between the Department of the Treasury, other Washington agencies, and USUN Rome to ensure that projects funded by the International Fund for Agricultural Development are clearly integrated into overall U.S. food and agriculture objectives. The OIG team recommended that USUN Rome request, and the Department fund, an LE position dedicated to facilitating the Department's evaluation of and advocacy of specific projects of the International Fund for Agricultural Development. The OIG team also made an informal recommendation that USUN Rome prepare scene-setter cables to the incoming Department of Treasury delegation to provide some helpful project information prior to their arrival.

The Ambassador and public affairs officer had created and implemented a particularly effective public diplomacy tool—a media tour that groups them and important journalists on visits to projects in developing countries that are funded by the United

States through the Rome UN agencies. The OIG team recommended that USUN Rome seek an increase in its public diplomacy base program budget aligned to its expanded use of media tours and request an LE public diplomacy position to ensure continuity to this innovative program.

Limited-Scope Inspection of Embassy Vatican, The Holy See (ISP-I-08-41)

The Vatican is actively engaged with a number of areas of interest to the United States, including the Balkans, the Middle East, and China, as well as on global issues affecting human rights, population, terrorism, and trafficking in persons. At the time of the inspection, a newly arrived Ambassador had succeeded remarkably quickly in energizing this small embassy and had embarked on an ambitious agenda, tied to goals in the Mission Strategic Plan for the coming year.

As recently as 2006, the Department decided not to have Embassy Vatican relocate to newly available space on the Embassy Rome compound. Embassy Vatican has retained a small LE staff to provide services that might not be easily available from Embassy Rome, its main provider. The Embassy is housed in a leased building fronting on a busy street and in need of relatively costly upgrades. The OIG team recommended that Embassy Vatican develop and implement a plan to relocate to the Embassy Rome compound as soon as possible, with an eye toward cost savings and improved security.

A small but vibrant political section maintains good relations with Vatican officials and provided a steady stream of extremely well-drafted and insightful reporting to Washington readers. Making the international relations officer generalist more available to the section will improve its already strong performance. The OIG team also recommended that Embassy Vatican work out a program with Embassy Rome to provide regular training assignments and exposure for the public affairs officer in that Embassy's public diplomacy section.

Inspection of U.S. Mission to the United Nations and Other International Organizations, Geneva (ISP-I-08-51A)

The U.S. Mission to the United Nations and Other International Organizations has worked diligently and with success to meet its priority strategic goal of promoting the interests of the United States in multilateral UN organizations based in Geneva. The achievement of some key policy goals in human rights, economic, and other areas has been inhibited by unclear policy guidance and the lack of a single point of contact in the Department corresponding to a country desk.

After a number of years of static budgets and increasing costs, the mission offered buyouts to senior LE staff in order to meet a mandated budget rescission this fiscal year. This action, coupled with several severances for cause, resulted in 12 vacant positions in the management section, leaving it critically understaffed and in danger of becoming unable to provide adequate services to its clients.

The arrangements for staffing and funding the mission's conference services office were not sustainable and were inherently inefficient. OIG recommended that this strongly performing office, which supports 4,000 delegates per year, be reviewed and regularized.

Bureau of Central and South Asian Affairs

Limited-Scope Inspection of Embassy Ashgabat, Turkmenistan (ISP-I-08-46)

Embassy Ashgabat was a high-functioning mission successfully advancing U.S. policy goals of developing cooperation with the new Turkmenistan Government in the areas of energy, security, education, health, and economic and political reform, including democracy and human rights. Turkmenistan had been without an accredited U.S. ambassador for two years and was likely to remain so for another year. This was perceived negatively by Turkmenistan and reduces U.S. influence.

Embassy Ashgabat's chancery was an extremely overcrowded, prefabricated building completed in 1995 and intended to accommodate a staff half the present size. Several mission offices were located in three off-site locations. OBO has scheduled Ashgabat for a new embassy compound in FY 2018. The Embassy needs to prepare a rightsizing study to advance the process.

The Embassy was operating at peak capacity, with officers under some stress from the heavy workload. The prospective infusion of \$50 million dollars of U.S. counternarcotics assistance into Turkmenistan over the next two years, in addition to other program activities, may require additional American and LE staff positions. The Embassy had included the need for additional positions in its Mission Strategic Plan.

Limited-Scope Inspection of Embassy Tashkent, Uzbekistan (ISP-I-08-50)

Embassy Tashkent was successfully advancing U.S. policy objectives in the difficult environment of Uzbekistan. Under the leadership of the Ambassador and the deputy chief of mission, the mission was widening cooperation in areas welcomed by the host government, such as border security and counternarcotics, while continuing to advocate for progress in more sensitive areas such as democracy and human rights.

The inspection of resource management and management controls revealed no identifiable weaknesses, and resources appeared well managed. The OIG team made recommendations covering some administrative and information management issues.

Bureau of Western Hemisphere Affairs

Inspection of Embassy Ottawa, Canada, and Constituent Posts (ISP-I-08-35A)

Interagency coordination, while complicated by the proliferation of U.S. federal agencies represented in Canada, was robust and collegial, with one exception: the Department of Homeland Security's (DHS) Customs and Border Protection pre-clearance sites across Canada, although under chief of mission control, continued to operate as virtually autonomous entities, raising questions as to Embassy Ottawa's responsibility for security and internal control measures at these sites.

Funding for public diplomacy activities in Canada was so low that many opportunities to influence attitudes of key constituencies were not used. Public affairs officers were making excellent use of target-of-opportunity speakers and events to fill funding gaps.

Consular sections across Canada had experienced growth in demand for visitor visa services. The facilities in both Vancouver and Toronto will require physical alterations to adapt to this increased workload. Demand for citizenship services will increase as the requirement for all U.S. citizens residing in Canada to present a valid citizenship document in order to cross the border comes into force.

The hundreds of new American direct-hire positions, primarily in the law enforcement and security areas, approved for the mission over the last five years have not been properly factored into the administrative support system. As a result, the platform for provision of administrative support services, as well as some security services, is inadequate to meet mandatory requirements.

Inspection of the U.S. Mission to the International Civil Aviation Organization in Montreal, Canada (ISP-I-08-44)

The U.S. Mission to the International Civil Aviation Organization (USICAO) was a lean operation that had taken on increased importance following September 11, 2001, the first time that civil aircraft were used as weapons of mass destruction. This

event emphasized the priority of enhanced global civil aviation security, along with other priorities such as safety and environmental protection. OIG's review of USICAO found that the mission is effective in advancing U.S. civil aviation policy.

OIG had reservations on the adequacy of the budget to support the expanded focus of the mission. OIG recommended that USICAO assess its budget requirements in the next Mission Strategic Plan submission based on increased International Civil Aviation Organization's (ICAO) strategic objectives and U.S. operational responsibilities.

On occasion, USICAO was not receiving instructions in a timely fashion. At times, this was due to policy differences among offices or agencies in Washington. OIG recommended that USICAO's Washington desk in the Bureau of International Organizations be more active in brokering resolution to cross-cutting differences so that instructions are clear and timely.

Due to the small size of the mission but the increased importance of policy issues, it is imperative that the mission has continuity of leadership to maintain policy coordination and advocacy in ICAO. OIG recommended that the Bureau of International Organizations closely monitor staffing assignments to avoid transferring the Ambassador and DCM on the same cycle.

Inspection of Embassy Managua, Nicaragua (ISP-I-08-54A)

Embassy Managua was highly successful in the execution of policy and 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 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 were smooth and productive. Embassy Managua's robust public diplomacy outreach ensured that official U.S. positions gained a hearing in Nicaragua. The consular section was productive and efficient, but needed an additional officer and modification of the new consular waiting area. Embassy Managua, with strong support from the Ambassador and deputy chief of mission, seamlessly integrated its security program into the structure and operations of the newly constructed embassy.

Inspection of Embassy La Paz, Bolivia (ISP-I-08-56A)

The OIG team observed first hand that Embassy La Paz prepared well for, and the regional security officer managed effectively, the internal defense of the chancery compound during a recent violent demonstration.

Embassy La Paz recently submitted a rightsizing report identifying the staffing levels required to support its Mission Strategic Plan goals. However, the report did not address how the current difficulties in the bilateral relationship impede the ability of several mission elements to accomplish their goals and how staff levels could be adjusted to reflect these conditions. The Embassy had developed and implemented effective programs of support for democracy and the rule of law in the face of Bolivian Government criticism and attempted interference.

The Embassy's effective counternarcotics programs aimed at interdiction, coca eradication, and alternative development were preserving the longstanding U.S. investment in counternarcotics efforts in the world's third-largest coca producing country. The Embassy was providing excellent reporting on the broad spectrum of political, economic, and counternarcotics issues.

The International Cooperative Administrative Support Services service provider was doing an excellent job of providing management support across virtually the entire range of administrative operations at Embassy La Paz and the embassy branch offices in Santa Cruz, Cochabamba, and Trinidad. Opportunities existed for greater efficiency and economy by consolidating parallel management operations of the Department of State and other agencies at post. The mission had made initial efforts to consolidate housing and shipping operations, but further progress will require the active engagement of the executive office and greater USAID cooperation.

A management and legal stalemate in Washington has kept Embassy Bolivia from establishing an American presence post in Santa Cruz and has hampered outreach into this increasingly economically and politically important region.

Inspection of Embassy Asuncion, Paraguay (ISP-I-08-57A)

Embassy Asuncion had moved aggressively to take advantage of Paraguay's increased readiness to act against corruption and transnational criminal organizations by initiating coordinated programs to disrupt criminal activity, narcotics trafficking, and possible financing of terrorist organizations. The country team and the inter-agency law enforcement/counterterrorism working group were functioning collaboratively to advance these objectives under the leadership of the Ambassador and deputy chief of mission. The Embassy had also supported Paraguay's transition to more democratic institutions and was establishing constructive relations with the opposition leaders who won the country's fairest election ever.

The Embassy had taken great public diplomacy advantage of Paraguayans' general agreement with U.S. foreign policy toward Paraguay to improve the image of the United States in Paraguay. The Ambassador had been very effective in underlining publicly, often using the Guarani national language, U.S. support for the Paraguayan people, including private sector medical and scholarship contributions.

The Embassy had witnessed an explosive growth in Department of Defense personnel, focused principally on training Paraguayan Armed Forces in peacekeeping and support for counterterrorism. Additional growth of U.S. military presence is not desirable at this time, and the Embassy will need to continue assuring that U.S. armed forces' presence and activities in country do not overshadow other U.S. programs. The Embassy was tracking closely proposed changes in personnel under Chief of Mission authority and was adhering to National Security Decision Directive-38 procedures. However, Defense personnel under the authority of an area military commander were receiving International Cooperative Administrative Support Services for which they may not have been paying the appropriate amount. The Embassy will need to restrict further personnel growth because of space constraints until the completion of the new embassy compound.

BEST PRACTICES

Embassy Asuncion

Best Practice: Toll-Free Telephone Access to Voice of America News

Issue: Local media in less developed countries with marginal infrastructure still have considerable impact on local perceptions of the United States and issues of interest. These institutions, however, do not have the budget to purchase wire services, nor do they have reliable Internet access. Providing them with accurate reporting from Voice of America in a format that they can use easily helps the U.S. Government reach local populations and provide accurate understanding of the United States and its policies.

Response: The public diplomacy section developed a computerized system that downloads Voice of America news, updating it hourly. These digital recordings are then made accessible to journalists through a toll-free telephone line.

Result: Small local media outlets now have free access to up-to-date world news. The public diplomacy section tracks several dozen calls per week, but implementing the system in larger underdeveloped countries could provide greater results.

Embassy La Paz

Best Practice: Management of the Cell Phone and Telephone Database Program

Issue: The financial management office wanted a way to accurately account for all calls made by mission employees. In addition to providing accountability for calls made, the office wanted to provide mission employees official billing statements in a matter of minutes.

Response: The Information Service Center created a database that could account for cell phone and telephone calls made by mission employees. The database allows users to identify and separate their nonofficial from their official calls. The database also gives the financial management office the tools to accurately collect reimbursement from those that have exceeded the permitted amount for personal calls.

Result: The phone program has proven to be very effective and continues to operate efficiently. As a result, the total number of financial management office person-hours was reduced by 99 percent, in addition to eliminating any possible loss in government resources and funding. Several other posts worldwide have followed suit, adopting the database to their program.

Embassy Ottawa

Best Practice: Inventory Control/Property Management

Issue: Maintaining a timely and accurate inventory of the personal property at the Ambassador and DCM residences is a painstaking and laborious exercise.

Solution: The Embassy's warehouse supervisor and the storekeeper have developed a best practice for inventory control. Every piece of property at both residences has been digitally pictured, along with its nonexpendable property application property number, so that any item can be identified and traced, both by record book and by computer.

Results: It is now much easier to complete an inventory or spot check on individual items at either residence.

Best Practice: Ecology Fair/Waste Management

Issue: How to emphasize to the embassy community the cost savings of recycling and the benefits of using more efficient lighting (such as compact fluorescent lights).

Solution: Embassy Ottawa has made the "greening" of mission operations a priority, and it is included as a goal in the management affairs strategic plan. The conservation program began as a cost-saving measure several years ago and has blossomed into a mission-wide commitment. Recycling bins are readily available throughout the mission, including at consulates general, and their use is encouraged. In the embassy building, which receives generous amounts of natural light in its interior atrium, only one-half of the lights are turned on, with no apparent detriment.

In early March 2008, the general services and facilities maintenance sections sponsored an ecology fair in the embassy auditorium. The fair was the culmination of a major effort to track embassy-generated waste, in which the post actually measured the pounds of paper, plastic, and other recyclables that were thrown out unsorted

and found that 39 percent of the material sent to the landfill was potentially recyclable. Booths displayed graphically the break out of the “waste audit” and what could have been recycled. Other booths had examples of regular light bulbs and compact fluorescent light bulbs, which are 75 percent more efficient, and the differences in brightness and energy usage. Again, graphs were used to portray how much could be saved in energy costs if the embassy buildings and employee residences were fitted with compact florescent light bulbs. (Mission Canada families’ savings could be as high as \$85,000.) Led by the Ambassador, many embassy employees attended the fair.

Results: The embassy community is now better informed on the benefits of (and hopefully recruited into adopting) recycling and utilizing compact florescent lighting.

Embassy Tokyo

Best Practice: Use of Mobile Phone Technology to Reach Younger Audiences

Issue: How to most effectively provide younger Japanese information about the United States, the American Embassy, and public program opportunities in order to increase contacts with this important audience.

Response: The Information Resource Center has created a cell phone Internet site that users can access by scanning a two-dimensional bar code with their mobile phones. The site offers information on visas, the American Embassy, frequently asked questions, and links to material more easily accessed online. This site also enables the American centers throughout Japan to advertise upcoming programs among younger audiences. The Embassy and consulates have been actively promoting this service with business cards providing the bar code.

Result: The site has been in operation for approximately one year and has been steadily gaining use. In February 2008, there were over 12,000 page views. Tokyo’s use of mobile-phone technology to reach younger audiences is an approach that may be adaptable in other countries with a strong electronic infrastructure.

Best Practice: Telephone Information System

Issue: Embassy Tokyo has a large telephone system that is used at the Embassy and the housing compound for both business and personal calls. Keeping track of the billing from the computerized telephone system and the variety of local telephone companies that are used is a complicated task.

Response: Embassy Tokyo's telephone information system is a locally developed telephone billing application that separately bills official and personal calls. The application compares the data from the Embassy's telephone usage log against the data received from the various Japanese telephone companies to create the bills. Users must dial 8 before making official calls and 9 before making personal calls. The individual section bills are printed and distributed in hard copy, and the personal bills are distributed electronically by e-mail.

Result: Prior to automating this billing process, two employees worked full time on telephone billing. This job can now be done in a small fraction of the original time required and requires only part-time use of one staff position. The telephone information system also provides a comprehensive telephone directory accessible via the Embassy's OpenNet. This service allows callers to find office extensions, cell phone numbers, and home telephone numbers.

Best Practice: Bottom-Up Approach to Rightsizing

Best Practice: Utilize a private-sector "bottom-up" approach to maximize the efficiency of and rightsize Mission Tokyo operations.

Issue: How best to right-size Mission Tokyo by identifying better ways to operate and identify positions no longer required.

Response: By employing the methodology used in the private sector that concentrates on increasing productivity and eliminating waste and duplication, all mission entities were analyzed. The need for and value of every person and position in every section was questioned and justified. Employees were asked to determine if there was a better way to operate. This approach enabled management to pinpoint duplication and waste.

Result: Potential savings are in the millions. A significant number of both American and LE staff positions were either eliminated or referred to the Department to be abolished or reprogrammed.

INVESTIGATIONS

CONFLICT OF INTEREST

OIG conducted a joint investigation with the Bureau of Diplomatic Security (DS) concerning a Consular Associate at an African post who accepted illegal gratuities in exchange for issuing visas. After lengthy plea negotiations with the Department of Justice, the Consular Associate agreed on May 13, 2008, to plead guilty to two counts of violating the conflict-of-interest statutes. As a result of the plea, the Consular Associate was placed on one year probation and agreed to restitution to the government in the amount of \$505,115.

OIG conducted an investigation of a senior Department manager who accepted illegal gratuities from Department contractors, including skybox tickets to a National Football League (NFL) game worth over \$400 a piece, and also pressured subcontractors to hire friends and members of his church. In addition, the senior manager took trips with a subordinate at government expense for the purpose of engaging in an extramarital affair with the subordinate. The subordinate also accepted illegal gratuities, including the skybox NFL tickets, from Department contractors. The senior manager also threatened to terminate a contract if the contractor did not give a raise to a personal friend. When interviewed, both employees admitted to all of the allegations. On May 21, 2008, HR proposed termination for both employees.

OIG conducted an investigation involving a U.S. Ambassador who violated the Ethics Reform Act by failing to report a substantial amount of earned outside income. OIG referred the matter to the Department of Justice, Civil Division. On June 17, 2008, the Ambassador signed a Settlement Agreement wherein he agreed to pay \$300,000 to the U.S. Treasury to resolve the matter involving his improper receipt of outside income. As part of the settlement, the United States agreed to take no further action against the Ambassador. The agreement also stipulated that the Ambassador would neither admit nor deny the validity of any of the claims against him.

THREATS AND CIVIL RIGHTS VIOLATION

OIG conducted a joint investigation with the Federal Bureau of Investigation (FBI) of a Department employee who made several threats via telephone and electronic mail to an Arab-American organization. When interviewed by FBI and OIG agents, the employee admitted to making the threatening communications. The subject was indicted for making threatening communications and subsequently pleaded guilty on two counts related to the violations.

Investigator Receives FBI Award

On August 11, 2008, Special Agent Stan Becton received the FBI's Director's Award for outstanding investigative work. The Director's Award was presented to Special Agent Becton for his diligent efforts working with the FBI in conducting a hate crime case. The case resulted in the subject, a former Department employee, being convicted and sentenced to a year in prison.

On July 11, 2008, the subject was sentenced in U.S. District Court for the District of Columbia to 12 months and one day on each charge, to be served concurrently. The subject was also ordered to pay a \$10,000 fine and \$125 special assessment to the court. Upon completion of incarceration, the subject will be placed on 36 months of probation. The subject retired from the Department prior to his indictment and was, therefore, not subject to disciplinary action. (07-002)

EMBEZZLEMENT

OIG conducted an investigation of a Foreign Service officer (FSO) who embezzled approximately \$47,000 by issuing a contract to his brother for which the Department did not receive any work. The FSO resigned from the Department, and both brothers were indicted for their roles in the scheme. On May 19, 2008, the former FSO pleaded guilty to a one-count charge of mail fraud and a one-count charge of money laundering.

On June 23, 2008, the Federal trial of the brother commenced in the Eastern District of Tennessee. On June 25, 2008, the jury acquitted the brother on charges of conspiracy to defraud the U.S. Government and conspiracy to commit money laundering. During the trial, the former FSO took the stand as a witness for the defense and committed perjury by lying under oath about both his and his brother's involvement in the fraud. Sentencing for the former FSO is scheduled for October 2008. (04-027)

VISA FRAUD

OIG conducted a joint investigation based upon a referral from the Bureau of Immigration and Customs Enforcement (ICE) that an immigration attorney based in Arlington was involved in visa fraud by filing fraudulent immigration-related paperwork on behalf of some of her clients. The joint investigation with ICE, FBI, and Department of Labor OIG determined that the attorney was falsifying asylum claims for her clients by taking their original claims and translating them into English, incorporating false information so that they would qualify.

On April 15, 2008, the attorney pleaded guilty to one count of fraud related to visas, permits, and other immigration documents. On July 11, 2008, the attorney was sentenced to two month's incarceration, to be followed by a two-year supervised release, and was ordered to forfeit \$60,000. (06-014)

EMPLOYEE MISCONDUCT

OIG conducted an investigation of a Department employee who forged the name of her supervisor on time-and-attendance documents and falsely claimed overtime payments. When interviewed, the subject admitted to making the falsifications. On April 8, 2008, OIG was notified by HR that the employee had served a 10-day suspension from March 24 through April 3, 2008. On May 30, 2008, the Bureau of Resource Management notified OIG that the employee had repaid the Department a total of \$840 for overtime payments received for time that she did not work. (07-036)

OIG conducted an investigation of a Department contract employee who improperly accessed the Department's Passport Information Electronic Records System (PIERS) by looking up the passport files of presidential candidates, as well as other individuals, for nonofficial purposes. The investigation determined that the contract employee electronically accessed through PIERS approximately 200 different passport applications without authorization. The contract employee was terminated from his assignment with the contractor. On September 22, 2008, the contract employee pleaded guilty to a one-count criminal information in the U.S. District Court for the District of Columbia to Unauthorized Computer Access in violation of 18 U.S.C. Section 1030(a)(2)(B). (08-014)

FOLLOW-UP ACTIONS

VISA FRAUD

A joint investigation with the Department of Labor OIG, the Internal Revenue Service, the FBI, and the DHS OIG revealed that an employment and immigration services company based in Falls Church, Virginia, falsified employment-based visa applications on behalf of its employer clients by claiming the employers had an existing need for skilled worker that could not be filled from the local job pool of U.S. workers.

The investigation determined that false certifications were used to secure visas for foreign nationals to enter the United States. A search warrant was executed at four locations, including the offices of the employment and immigration services company. The investigation revealed the company filed at least 1,400 fraudulent visa applications with the Department as part of this scheme. Illegal immigrants were charged as much as \$120,000 each to obtain visas under false pretenses.

A total of seven individuals were indicted or agreed to plead guilty in U.S. District Court, Eastern District of Virginia, on charges of conspiracy to commit immigration fraud, conspiracy to encourage an alien to unlawfully enter the United States, money laundering and misprision of a felony. On May 20, 2005, one defendant was sentenced to two years' imprisonment; two years' supervised release and fined \$1,500. On August 12, 2005, another defendant was sentenced to two years imprisonment, two years' probation, and fined \$750. On October 21, 2005, one defendant was sentenced to 70 months' imprisonment. On November 18, 2005, another defendant was sentenced to four months' imprisonment, six months' community confinement, three years' supervised release, and was fined \$7,000. On December 2, 2005, the remaining three defendants were sentenced. One received 44 months' imprisonment and three years' supervised released. Another received 18 months' imprisonment and three years' supervised released. The third received 15 months' imprisonment and two years' supervised release. The subjects also were required to forfeit over \$3.2 million dollars in proceeds from the scheme.

At the time of the prosecutions, one of the co-defendants fled to China to escape punishment and was declared a fugitive. In early 2008, he was apprehended by Chinese authorities and extradited to the United States. On May 9, 2008, he pleaded guilty an indictment charging him with conspiracy to commit immigration fraud and

making false statements. On July 25, 2008, he was sentenced to 18 months' incarceration, to be followed by three years of supervised release. (See *OIG Semiannual Report, October 1, 2005, to March 31, 2006, pp 50-51*) (05-019)

OIG conducted a joint investigation with the U.S. Department of Labor, OIG; DHS's Bureau of Immigration and Customs Enforcement; and the Department's Bureau of Diplomatic Security, of a construction company allegedly committing employment-based visa fraud by filing labor certifications for workers they did not intend to employ. The investigation determined that the company filed more than 65 labor certifications for foreign workers, many of which never worked for the company and paid in excess of \$20,000 for their labor certifications. The president of the construction company pleaded guilty to a one-count criminal information charging him with conspiracy to commit visa/immigration fraud and making false statements. The company president also agreed to an order of forfeiture in the amount of \$250,000.

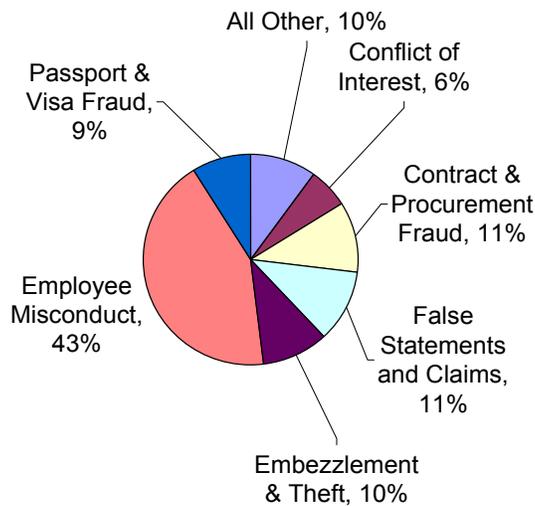
On September 12, 2007, the company vice president and another co-conspirator were indicted on seven counts relating to the scheme. On November 8, 2007, the company president was sentenced to 21 months' incarceration, to be followed by two years of supervised release. On January 23, 2008, the other co-conspirators pleaded guilty to one count each. The company vice president also agreed to a forfeiture order in the amount of \$300,000. On April 11, 2008, one co-defendant was sentenced to 33 months' incarceration, to be followed by three years supervised release. He was also ordered to comply with his consent order of forfeiture in the amount of \$300,000. On April 18, 2008, the other co-defendant was sentenced to 24 months' supervised release, ordered to perform 50 hours of community service, and fined \$5,000. (See *OIG Semiannual Report, October 1, 2007, to March 31, 2008, pp 51*) (05-046)

PASSPORT FRAUD

OIG conducted an investigation of a German national who assumed the identity of a deceased infant to obtain a U.S. Passport. When interviewed by OIG the subject related the story of how she and her German national husband had come to the United States in 1975 to work on a cruise line. She said her ex-husband obtained the identity documents of two deceased infants of American citizens for them to use. Both she and her ex-husband established American citizenship using the false documents and then obtained U.S. passports.

On August 23, 2007, the subject was indicted on two counts for making false statements on her application for a U.S. passport and application for citizenship. OIG agents arrested her the same day. On December 7, 2007, the subject pleaded guilty to one count of the indictment. On February 13, 2008, she was sentenced to time served and had her U.S. citizenship revoked.

As a result of the information provided by the subject, on February 21, 2008, her ex-husband was indicted on five counts of using a passport secured by false means. OIG agents arrested him the next day. On April 4, 2008, the ex-husband pleaded guilty to one count of 18 USC § 1542 - for knowingly and willfully using a U.S. passport to gain entry into the United States, and that such passport was secured by reason of false statement. On April 21, 2008, the husband was sentenced to “time served,” ordered to pay a \$100 court assessment, and was surrendered to the custody of the U.S. Immigration and Customs Enforcement for deportation proceedings. (*See OIG Semiannual Report, October 1, 2007 to March 31, 2008, pp 52-53*) (05-051 & 07-034)



Hotline

Referral To Other Offices for Action	200
Held for Action Within OIG	57
No Action Necessary	142
Total Complaints Received	399

APPENDIX 1: DEPARTMENT OF STATE INVESTIGATIVE ACTIVITIES

Preliminary Inquiries

Opened	22
Closed	26

Investigations

Opened	109
Closed	35
Pending (9/30/08)	123

Criminal Actions

Referrals for Prosecution	7
Indictments/Informations	2
Convictions	6
Sentencings (Months Imprisonment)	47
Sentencings (Months Probation)	122
Declinations	3

Civil Actions

Civil Referrals	1
Civil Judgments	1

Administrative Referrals

Referrals for Personnel Action	2
Suitability Referrals to DS	5

Administrative Actions

Removals	3
Suspensions	0
Reprimand/Admonishments	0
Debarment Actions	0

Monetary Recoveries

Criminal Fines/Recoveries	\$580,215
Civil Recoveries	\$300,000
Administrative Recoveries	\$ 840

Total Investigative Recoveries **\$881,055**

APPENDIX 2: REPORTS ISSUED

AUD/CG-08-22	Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by American Refugee Committee, Inc.
AUD/CG-08-23	Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by Council on International Educational Exchange, Inc.
AUD/CG-08-28	Independent Accountants' Report on the Application of Agreed-Upon Procedures on Final Buyout Claim by Enviro-Management & Research, Inc.
AUD/CG-08-30	Independent Accountant's Report on the Application of Agreed-Upon Procedures on the Indirect Cost Rate Proposed by Church World Service, Inc.
AUD/CG-08-31	Independent Accountants' Report on the Application of Agreed-Upon Procedures on the Indirect Cost Rates Proposed by Project Harmony, Inc.
AUD/CG-08-32	Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by Nacel Open Door, Inc.
AUD/CG-08-34	Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by The Graduate School, USDA
AUD/FM-08-04	Management Letter Related to the Audit of the Department of State's 2007 & 2006 Financial Statements
AUD/FM-08-24	Independent Auditor's Report on the International Boundary & Water Commission, United States & Mexico, U.S. Section, 2007 & 2006 Financial Statements
AUD/FM-08-25	Management Letter Related to the Audit of the International Boundary & Water Commission, United States & Mexico, U.S. Section, 2007 & 2006 Financial Statements
AUD/FM-08-26	Audit Report on the Foreign Service Retirement & Disability Fund 2007, 2006, & 2005 Financial Statements
AUD/FM-08-27	Management Letter Related to the Audit of the Foreign Service Retirement & Disability Fund 2007, 2006, & 2005 Financial Statements
AUD/FM-08-38	Independent Accountants' Report on the Application of Agreed-Upon Procedures: Retirement, Health Benefits, and Life Insurance Withholdings/Contributions and Supplemental Semiannual Headcount Report Submitted to the Office of Personnel Management
AUD/IP-08-29	Review of Controls & Notification for Access to Passport Records in the Department of State's Information Electronic Records System (PIERS)
ISP-I-08-10A	Inspection of Embassy Abidjan, Cote d'Ivoire
ISP-I-08-25A	Inspection of Embassy Abuja & Consulate General Lagos, Nigeria

ISP-I-08-26	Limited-Scope Review of Department of State Counterterrorism Designation & Vetting Procedures
ISP-I-08-27	Limited-Scope Inspection of Embassy Bratislava, Slovakia
ISP-I-08-28	Limited-Scope Inspection of Embassy Cotonou, Benin
ISP-I-08-31	Limited-Scope Inspection of Embassy Libreville, Gabon
ISP-I-08-32	Limited-Scope Inspection of Embassy Lome, Togo
ISP-I-08-33	Limited-Scope Inspection of Embassy Malabo, Equatorial Guinea
ISP-I-08-34	Inspection of the Bureau of Overseas Buildings Operations
ISP-I-08-35A	Inspection of Embassy Ottawa, Canada, and Constituent Posts
ISP-I-08-36A	Inspection of Embassy Rangoon, Burma
ISP-I-08-38	Limited-Scope Inspection of Embassy Tallinn, Estonia
ISP-I-08-39A	Inspection of Embassy Tokyo, Japan & Constituent Posts
ISP-I-08-40	Limited-Scope Inspection of the U.S. Mission to the United Nations Agencies in Rome
ISP-I-08-41	Limited-Scope Inspection of Embassy Vatican City, The Holy See
ISP-I-08-42	Limited-Scope Inspection of Embassy Vilnius, Lithuania
ISP-I-08-43	Inspection of Embassy Windhoek, Namibia
ISP-I-08-44	Inspection of the U.S. Mission to the International Civil Aviation Organization in Montreal, Canada
ISP-I-08-46	Limited-Scope Inspection of Embassy Ashgabat, Turkmenistan
ISP-I-08-49A	Limited-Scope Inspection of Embassy Port Louis, Mauritius
ISP-I-08-50	Limited-Scope Inspection of Embassy Tashkent, Uzbekistan
ISP-I-08-51A	Inspection of U.S. Mission to the United Nations and Other International Organizations, Geneva, Switzerland
ISP-I-08-54A	Inspection of Embassy Managua, Nicaragua
ISP-I-08-56A	Inspection of Embassy La Paz, Bolivia
ISP-I-08-57A	Inspection of Embassy Asuncion, Paraguay
MERO-IQO-08-01	Status of Iraqi Special Immigrant Visa Programs
MERO-IQO-08-02	Status of U.S. Refugee Resettlement Processing for Iraqi Nationals
SIA-08-04	Review of the Process for Sharing Department Cables via the Net-Centric Diplomacy (NCD) Program
SIA-08-05	Review of Department's Use of Its Defense Export Licensing Watchlist in the Acquisition Process

Classified Reports Issued:

AUD/IT-08-33	Review of the Information Security Program for Sensitive Compartmented Information Systems at the Department of State
ISP-S-08-10A	Classified Annex to the Inspection of Embassy Abidjan, Cote d'Ivoire
ISP-S-08-25A	Classified Annex to the Inspection of Embassy Abuja and Consulate General Lagos, Nigeria
ISP-S-08-35A	Classified Annex to the Inspection of Embassy Ottawa and Constituent Post, Canada
ISP-S-08-36A	Classified Annex to the Inspection of Embassy Rangoon, Burma
ISP-S-08-39A	Classified Annex to the Inspection of Embassy Tokyo, Japan, and Constituent Posts
ISP-S-08-49A	Classified Annex to the Inspection of Embassy Port Louis, Mauritius
ISP-S-08-51A	Classified Annex to the Inspection of U.S. Mission to the United Nations and Other International Organizations, Geneva, Switzerland
ISP-S-08-54A	Classified Annex to the Inspection of Embassy Managua, Nicaragua
ISP-S-08-56A	Classified Annex to the Inspection of Embassy La Paz, Bolivia
ISP-S-08-57A	Classified Annex to the Inspection of Embassy Asuncion, Paraguay

APPENDIX 3: SAVINGS AND MORE EFFECTIVE USE OF RESOURCES

Table 1
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH QUESTIONED COSTS

	Type of Report	Number of Reports	Question Costs	Unsupported Costs
A.	For which no management decision has been made by the commencement of the reporting period	9	\$8,396,000	\$2,121,000
B.	Which were issued during the reporting period	3	\$5,816,000	\$5,024,000
	Subtotals (A + B)	12	\$14,212,000	\$7,145,000
C.	For which a management decision was made during the reporting period based on formal administrative or judicial appeal	2	\$34,000	
	(i) dollar value of disallowed costs		\$34,000	\$0
	(ii) dollar value of costs not disallowed		\$0	
D.	For which no management decision has been made by the end of the reporting period	10	\$14,178,000	\$7,145,000
	Reports for which no management decision was made within six months of issuance	5	\$1,855	\$1,457

Table 2
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH RECOMMENDATIONS THAT FUNDS
BE PUT TO BETTER USE

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

APPENDIX 4: RESOLUTION OF REPORTS AND RECOMMENDATIONS

Previously Reported Significant Audit Recommendations Pending Final Action

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
SIO-A-02-55	2	<i>Memorandum Report Special Review of Main State Security</i> OIG recommended the Department install interior hard lines that provide 15 minute forced-entry, ballistic-resistant protection at every Main State lobby. These hard lines should be supplemented with 15-minute forced entry, ballistic-resistance guard booths to ensure all passage through the hard line is controlled.	9/02
AUD/FM-05-06	1	<i>Assessment of the Certification and Accreditation, Change Management, and Patch Management Process</i> OIG recommended the Bureau of Information Resource Management revise the security test and evaluation of the certification and accreditation process to include a complete vulnerability scan of the systems being assessed.	11/04
IT-I-06-03	1	<i>Review of the Information Security Program at the Department of State</i> OIG recommended the Chief Information Officer verify that information security roles and responsibilities for the Department are clearly defined, to include, at a minimum, compliance with the Federal Information Security Management Act (FISMA).	10/06
	2	OIG recommended the Chief Information Officer develop and implement an agency-wide information security program plan based upon and supported by clearly defined information security roles and responsibilities.	

- 3 OIG recommended the Chief Information Officer verify that all information technology assets for the Department are reported and accounted for within a comprehensive inventory process.
- 4 OIG recommended the Chief Information Officer implement parameters (as defined in the Federal Information Security Management Act) to be used for identifying all contractor systems to be included in the Department's inventory.
- 6 OIG recommended the Chief Information Officer establish a comprehensive plan for the Information Systems Security Officer program that includes consistent prioritization of duties and training.
- 7 OIG recommended the Chief Information Officer develop a process for determining an accurate total number of Department employees required to take information security awareness training.
- 8 OIG recommended that the Chief Information Officer assign one entity with responsibility to manage the certification and accreditation process.
- 9 OIG recommended the Chief Information Officer revise policies to ensure that information technology security findings and recommendations from external and internal reviews are being addressed in the plans of action and milestones process.

AUD/IQO-07-20 Rec. No. *Review of DynCorp International, LLC, Contract Number S-LMAQM-04-C-0030, Task Order 0338, for the Iraqi Police Training Program Support (Joint audit with the Special Inspector General for Iraq Reconstruction)*

1

OIG recommended the Bureau of International Narcotics and Law Enforcement Affairs (INL) present a plan to the U.S. Ambassador to Iraq for review and approval on the use of residential camp to house police trainers, as originally intended, or make arrangements to dispose of the camp. Because of the lengthy consideration already given to deciding what to do with the trailers, this action should be taken within the next 60 days.

2

OIG recommended the Office of Acquisitions Management seek reimbursement from DynCorp of the improperly authorized payment of \$4.2 million that represents contractually unauthorized work directed by the Iraqi Ministry of Interior. This work included the relocation of the residential camp, the manufacture of additional VIP trailers, and the construction of an Olympic-size swimming pool.

- 2 OIG recommended the Bureau of Administration ensure the Office of Emergency Management's Planning and Preparedness Division has sufficient staffing to finalize 6 FAM 400, Office of Emergency Management Program, and the proposed 6 FAH-1 H-100, Domestic Emergency Handbook, and ensure the emergency preparedness policies and procedures contained in these manuals are implemented and enforced in a timely manner.

- 3 OIG recommended the Secretary's Office of the Coordinator for Counterterrorism dedicate sufficient staff to finalize the National Incident Management System and to correct the inaccuracies in the National Response Plan, and submit the information to the Department of Homeland Security (DHS) in a timely manner.

AUD/CG-07-25	Rec. No.	<i>Review of the Institute of International Education's Indirect Cost Rates for Fiscal Years 2002-05</i>	4/07
	1	OIG recommended the Bureau of Educational and Cultural Affairs grants officer require the Institute of International Education to consistently account for severance pay for FYs 2002-05 as indirect or direct costs, identify overpayments of severance and other benefits related to the severance pay, reimburse the Department for unallowable severance pay and benefits, reduce the fringe benefits pool by the overpayments, and recompute the fringe benefits pool for allocation to the other cost pools.	
	2	OIG recommended the Bureau of Educational and Cultural Affairs grants officer require the Institute of International Education to reimburse the Department for bond and loan interest, personal living, and other indirect costs classified as unallowable; reduce the indirect cost pools by the unallowable costs; and recompute the indirect cost rates in the appropriate pools.	
AUD/CG-07-29		<i>Independent Accountants' Report on the Application of Agreed-Upon Procedures on Costs Claimed by Atlantic Corridor U.S.A., Inc., Under Department of State Department of State Grants</i>	6/07
	1	OIG recommended the Bureau of Educational and Cultural Affairs require Atlantic Corridor to refund the Department the \$226,705 in excess drawdowns related to Department grants and prohibit any future drawdowns until the funds are repaid and the grantee has established controls limiting any future requests of grant funds to the minimum amount necessary to cover allowable costs.	
	2	OIG recommended the Bureau of Educational and Cultural Affairs require Atlantic Corridor to refund the Department for \$45,361 of unallowable costs related to the grants and to provide information so that the Department can make an appropriate determination on the unsupported costs of \$97,388.	

AUD/IP-07-47	Rec. No.	<i>Return-to-Work: An Important Program for the Department of State to Implement</i>	8/07
	1	OIG recommended the Bureau of Human Resources develop and implement a return-to-work program for workers' compensation beneficiaries considering the best proactive elements discussed in this report.	
AUD/CG-07-37		<i>Independent Accountants' Report on the Application of Agreed-Upon Procedures on Costs Claimed by Meridian International Center Under Department of State Cooperative Agreements</i>	9/07
	1	OIG recommended the Bureau of Educational and Cultural Affairs (1) determine whether the Center's use of the forgone opportunity costs concerning the Center's conference facilities constitutes an appropriate cost-share amount under the cooperative agreement, and (2) following this determination, as appropriate, require the Center to provide supporting documentation for the claimed cost-share amounts or an alternative cost-sharing proposal.	
AUD/IQO-07-48		<i>Accounting for Government-Owned Personal Property Held by Selected Contractors in Afghanistan</i>	9/07
	1	OIG recommended the Department develop and implement policies and procedures to achieve compliance with Federal Acquisition Regulation requirements for reviewing a contractor's property control system.	
	2	OIG recommended the Department take actions to address the \$2.9 million in unallowable costs identified in this report, including reconciling contract requirements to the property acquired and invoiced by the contractors for which they were reimbursed and determine whether property in excess of amounts specified in the contract or task order was required to accomplish contract objectives; documenting the reconciliation and determination, use them as the basis for approving the costs of any excess property deemed allowable, and issue a modification to the task order indicating the approval; and resolving any unallowable costs associated with property that was determined to be unnecessary to the accomplishment of contract objectives.	

- 3 OIG recommended the Department take the following steps to address the \$25.5 million in unsupported costs identified in this report: reconcile the property acquired and invoiced by the contractors for which they were reimbursed to the contractor's property lists by obtaining and reviewing contractor documentation detailing the types and quantities of property acquired; determine whether the property was needed and consistent with contract requirements; and resolve any unsupported allowable costs associated with property that could not be supported with adequate documentation or was determined to be unnecessary to the accomplishment of contract objectives.
- 4 OIG recommended the Department develop and implement a process for reviewing the capitalized asset reports submitted by contractors to verify that reports are received for all contracts with contractor-held property and reconciling, at least annually, the capitalized asset reports submitted by contractors to the contractors' property lists to verify that the capitalized asset reports are complete and accurate.
- 5 OIG recommended the Department evaluate its current structure for monitoring government property held by contractors, assess the benefits of creating a property administrator function, and use this evaluation to clearly define the authority and responsibility for property oversight for each member of its contract administration team.
- 6 OIG recommended the Department develop and implement policies and procedures for monitoring government property held by contractors.

Previously Reported Significant Inspections Recommendations Pending Final Action

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
ISP-C-07-04	1	<i>Compliance Follow-up Review of the Inspection of the USIBWC</i> OIG recommended the Bureau of Western Hemisphere Affairs, in coordination with the Bureau of Legislative Affairs, the Office of the Legal Adviser, and the Bureau of Human Resources, seek legislation making the U.S. Section of the International Boundary and Water Commission an entity of the Department of State.	10/06
ISP-I-07-16	13	<i>Inspection of the Bureau of Human Resources (Phase I)</i> The Bureau of Human Resources, in coordination with the Foreign Service Institute, should establish an Executive Advisory Board to provide oversight of the Career Entry Program and include representatives from the Office of Civil Service Personnel Management (HR/CSP); Office of Recruitment, Examination and Employment (HR/REE); Foreign Service Institute (FSI); and an individual from outside the Department. (Action: HR, in coordination with FSI)	5/07
	33	The Bureau of Human Resources should, in coordination with the Bureau of Resource Management, establish a global savings mechanism to supplement the locally employed staff's retirement plan. (Action: HR, in coordination with RM)	
ISP-I-07-21	10	<i>Inspection of the Bureau of Administration, Office of Logistics Operations and Office of Program Management and Policy</i> OIG recommended the Bureau of Resource Management, in coordination with the Bureau of Administration, establish procedures in the Foreign Affairs Manual to require that all bureau and office heads, and chiefs of mission assure in their management controls certifications that an inventory was conducted and reconciled with property records and that the results were submitted.	5/07
	13	OIG recommended the Bureau of Administration revise regulations to eliminate the criteria allowing the authorization of adjustments when shortages total less than one percent of the stated inventory value and, when a shortage exists, instead require all domestic and overseas entities to submit either the applicable Property Survey Report or Property Disposal Authorization and Survey Report with the inventory certification.	

- 22 OIG recommended the Bureau of Resource Management, in coordination with the Bureau of Administration, establish and implement a system to pay the U.S. Postal Service and bill and collect reimbursement from other agencies for postal service provided to posts being converted to Department-managed postal operations.
- 27 OIG recommended the Bureau of Human Resources, in coordination with the Bureau of Administration, establish a logistics management function skill code and a logistics certification program for logistics professionals worldwide.

Revised Management Decisions

None to report.

Significant Management Success In Resolving and Implementing Recommendations

Report Number	Rec. No.	<i>Report Title</i> Recommendation Summary
ISP-I-07-12	5	<i>Bureau of Administration's Office of the Procurement Executive, Office of Acquisitions Management, & Office of Small & Disadvantaged Business Utilization</i>

In the 2006 inspection of the Bureau of Administration's Office of the Procurement Executive, OIG recommended consolidating local guard program contracting in the Office of Acquisition Management (A/LM/AQM). Few areas of procurement in the Department called so obviously for reform as did local guard contracting which at the time was estimated to cost the Department approximately \$218 million.

On September 2008, the Under Secretary for Management issued a Department-wide notice that A/LM/AQM had created a new branch that deals solely with local guard contracts. This initiative should improve oversight, standardize local guard contracting and reduce local guard costs worldwide. The regional security officers on-site would continue to be the CORs for the local guard contracts at their posts. While it may be difficult to contract for local guard services from Washington, enormous benefits should accrue from consolidating the work for most overseas posts. The result should be essential protective services worldwide at the most cost-effective price.

Summary of Audit Reports Without Management Decision for More Than Six Months

Report Number: 00-FM-011

Subject: Audit of Operations and Expenditures for Emergencies in the Diplomatic and Consular Services

Date Issued: March 31, 2000

Reason for not being resolved: In a December 12, 2007, memorandum, the Bureau of Resource Management (RM) stated the program is administered differently than it was when the audit report was issued more than 7 years ago. RM suggested a follow-up audit and said it considered action completed on all of the open recommendations. OIG, in its May 20, 2008, response, said that until a follow-up audit or additional information is provided, the recommendations are still pertinent. RM did not provide additional information requested by the September 30, 2008, date specified in OIG's May 20 request.

Projected date of resolution: March 2009

Report Number: 01-FMA-R-078

Subject: Information Technology Vulnerability Assessment at the Charleston Financial Service Center

Date Issued: September 11, 2001

Reason for not being resolved: RM had not responded to recommendations 13-15 when the report was issued or to OIG's most recent request for a response, sent on June 16, 2008. Therefore, the three recommendations remain unresolved.

Projected date of resolution: March 2009

Report Number: AUD/CG-05-26

Subject: Review of Selected Grants Awarded to Institute for the Study and Development of Legal Systems

Date Issued: October 18, 2005

Reason for not being resolved: In an August 25, 2006, e-mail to OIG, the Bureau of Educational and Cultural Affairs (ECA) stated it lacked a sufficient number of grants officers to address the report's recommendations and would not be able to address them until October 2006. As of September 30, 2008, ECA had not responded to OIG's January 24, March 4, and June 10, 2008, requests for a response to the recommendations.

Projected date of resolution: March 2009

Report Number: AUD/CG-06-02

Subject: Application of Agreed-Upon Procedures to George Mason University Awards

Date Issued: February 24, 2006

Reason for not being resolved: In an August 25, 2006, e-mail to OIG, ECA stated it lacked a sufficient number of grants officers to address the report's recommendations and would not be able to address them until October 2006. As of September 30, 2008, ECA had not responded to OIG's January 24, March 4, and June 10, 2008, requests for a response to the recommendations.

Projected date of resolution: March 2009

Report Number: AUD/FM-06-39

Subject: Internal Controls Related to Travel Advances

Date Issued: September 29, 2006

Reason for not being resolved: As of September 30, 2008, RM had not responded to the report's recommendations when the report was issued or to OIG's most recent request for a response, sent on June 16, 2008.

Projected date of resolution: March 2009

Report Number: AUD/FM-07-28

Subject: Internal Procurement Practices at Embassy Berlin

Date Issued: July 12, 2007

Reason for not being resolved: Embassy Berlin responded to OIG's recommendations in a January 2008 cable. OIG will analyze the response to determine whether the actions taken by the Embassy will satisfy the intent of the recommendations.

Projected date of resolution: March 2009

Report Number: AUD/IQO-07-20

Subject: Review of DynCorp International, L.L.C, Contract Number S-LMAQM-04-C-0030, Task Order 0338, for the Iraqi Police Training Program Support

Date Issued: January 30, 2007

Reason for not being resolved: The Bureau of Administration disagreed with OIG on the recommendation (No. 6) pertaining to the establishment and enforcement of tenure limitations for contracting personnel. OIG is reviewing the Bureau's justification for not implementing this recommendation.

Projected date of resolution: March 2009

Report Number: AUD/CG-08-02

Subject: Independent Accountants' Report on the Application of Agreed-Upon Procedures on Costs Claimed by Young Men's Christian Association of Greater New York Under Department of State Grants

Date Issued: December 19, 2007

Reason for not being resolved: As of September 30, 2008, the Bureau of Educational and Cultural Affairs had not responded to OIG's most recent March 4 or June 10, 2008, requests for a response to the report's recommendations.

Projected date of resolution: March 2009

Report Number: AUD/CG-08-11

Subject: Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by Sister Cities International, Inc.

Date Issued: January 17, 2008

Reason for not being resolved: As of September 30, 2008, the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, International Programs Division, had not responded to the report's recommendation.

Projected date of resolution: March 2009

APPENDIX 5: AUDITS PERFORMED BY CONTRACTORS

AUD/CG-08-04	Management Letter Related to the Audit of the Department of State 2007 and 2006 Financial Statements Leonard G. Birnbaum and Company, LLP Financial Audit
AUD/CG-08-22	Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by American Refugee Committee, Inc. Leonard G. Birnbaum and Company, LLP Indirect Cost Rate Review
AUD/CG-08-23	Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by the Council on International Educational Exchange, Inc. L.F. Harris & Associates, CPA, P.A. Indirect Cost Rate Review
AUD/FM-08-24	Independent Auditor's Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2007 and 2008 Financial Statements Leonard G. Birnbaum and Company, LLP Financial Audit
AUD/FM-08-25	Management Letter Related to the Audit of the International Boundary and Water Commission, United States and Mexico, 2007 and 2006 Financial Statements Leonard G. Birnbaum and Company, LLP Financial Audit
AUD/FM-08-26	Audit Report on the Foreign Service Retirement and Disability Fund 2007, 2006, and 2005 Financial Statements Leonard G. Birnbaum and Company, LLP Financial Audit
AUD/FM-08-27	Management Letter Related to the Audit of the Foreign Service Retirement and Disability Fund 2007, 2006, and 2005 Financial Statements Leonard G. Birnbaum and Company, LLP Financial Audit

AUD/IP-08-28	Independent Accountant's Report on the Application of Agreed-Upon Procedures on Final Buyout Claim by Enviro-Management & Research, Inc., Under Contract No. S-FBOAD-98-D0010 Leonard G. Birnbaum and Company, LLP Final Buyout Claim Review
AUD/CG-08-30	Independent Accountant's Report on the Application of Agreed-Upon Procedures on the Indirect Cost Rates Proposed by Church World Service, Inc. Leonard G. Birnbaum and Company, LLP Indirect Cost Rate Review
AUD/CG-08-31	Independent Accountant's Report on the Application of Agreed-Upon Procedures on the Indirect Cost Rate Proposed by Project Harmony, Inc. L.F. Harris & Associates, CPA, P.A. Indirect Cost Rate Review
AUD/CG-08-32	Independent Accountant's Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by Nacel Open Door, Inc. L.F. Harris & Associates, CPA, P.A. Indirect Cost Rate Review
AUD/CG-08-34	Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by The Graduate School, USDA Leonard G. Birnbaum and Company, LLP Indirect Cost Rate Review
AUD/FM-08-38	Independent Accountant's Report on the Application of Agreed-Upon Procedures: Retirement, Health Benefits, and Life Insurance Withholdings/Contributions and Supplemental Semiannual Headcount Report Submitted to the Office of Personnel Management Leonard G. Birnbaum and Company, LLP Attestation Engagement

APPENDIX 6: MANAGEMENT AND PERFORMANCE CHALLENGE

The protection of personally identifiable information is a significant information security challenge for the Department. As of April 2008, the Department's Passport Information Electronic Records System (PIERS) contained records on about 192 million passports for about 127 million passport holders. Bureau of Consular Affairs officials said that there were about 20,500 users with active PIERS accounts as of May 2008 and that about 12,200 of these users were employees or contractors of the Department. PIERS is also accessed by users at other federal departments and agencies to assist in conducting investigations, security assessments, and analyses. Based on the results of a 2008 OIG review, there are many control weaknesses—including a general lack of policies, procedures, guidance, and training—relating to the prevention and detection of unauthorized access to passport and applicant information and the subsequent response and disciplinary processes when a potential unauthorized access is substantiated.

In some cases, Department officials stated that the lack of resources contributed to the lack of controls and to the Department's ability to assess vulnerabilities and risk. In response, the Bureaus of Consular Affairs and Administration took a number of corrective actions. These actions included issuing interim guidance on the various steps to be followed and decisions to be made in response to a potential incident of unauthorized access to passport records and applicant personally identifiable information and issuing a Department-wide personally identifiable information breach response policy. Additional actions to address the 22 recommendations made by OIG are underway by the Department, including conducting vulnerability and risk assessments of all passport systems.

Broadcasting Board of Governors

INSPECTIONS

Alhurra's Programming Policies and Procedures (ISP-IB-08-45)

The Middle East Broadcasting Networks, Inc., is a nonprofit grantee of the Broadcasting Board of Governors that operates Alhurra Television and Radio Sawa. In response to a congressional request, OIG reviewed actions taken by Alhurra to strengthen its procedures and policies, particularly its policies involving terrorists or those who support them. This included how the Middle East Broadcasting Networks, Inc., had progressed in carrying out 24/7 streaming, archiving on Alhurra's Web site of all original programs, and the random translation of Alhurra's original programming by an independent entity.

OIG found that in the past year, Alhurra had taken significant steps to tighten its procedures and policies in order to protect the credibility that is critical to fulfilling its mission. These steps included updating its 2005 Journalistic Code of Ethics, implementing new management controls over programming, and creating a journalistic training program.

Embassy Asuncion Best Practice

In its inspection of Embassy Asuncion, Paraguay, OIG inspectors identified as a best practice the development by Embassy Asuncion's public diplomacy section of a computerized system that downloads Voice of America News with hourly updates. The recordings, made available to journalists through a toll-free telephone line, ensure that small local media outlets have free access to up-to-date world news. The public diplomacy section tracks several dozen calls per week, but implementing the system in larger underdeveloped countries could provide greater results.

APPENDIX 1: BROADCASTING BOARD OF GOVERNORS INVESTIGATIVE ACTIVITIES

Preliminary Inquiries	
Opened	0
Closed	1
Investigations	
Opened	0
Closed	1
Pending (9/30/08)	4
Criminal Actions	
Referrals for Prosecution	0
Indictments/Informations	0
Convictions	0
Sentencings (Months Imprisonment)	0
Sentencings (Months Probation)	0
Declinations	0
Civil Actions	
Civil Referrals	0
Civil Judgments	0
Administrative Referrals	
Referrals for Personnel Action	0
Suitability Referrals to DS	0
Administrative Actions	
Removals	1
Suspensions	0
Reprimand/Admonishments	0
Debarment Actions	0
Monetary Recoveries	
Criminal Fines/Recoveries	\$0
Civil Recoveries	\$0
Administrative Recoveries	\$0
Total Investigative Recoveries	\$0

APPENDIX 2: REPORTS ISSUED

ISP-IB-08-45 Alhurra's Programming Policies and Procedures

APPENDIX 3: SAVINGS AND MORE EFFECTIVE USE OF RESOURCES

Table 1
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH QUESTIONED COSTS

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

Table 2
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH RECOMMENDATIONS THAT FUNDS
BE PUT TO BETTER USE

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

ABBREVIATIONS

AIGA	Assistant Inspector General for Audits
BBG	Broadcasting Board of Governors
CA	Bureau of Consular Affairs
CWS	Church Worldwide Service
DCM	Deputy chief of mission
Department	U.S. Department of State
DHS	U.S. Department of Homeland Security
DS	Bureau of Diplomatic Security
DS/PSP/DEAV	Office of Physical Security Programs, Defensive Equipment and Armored Vehicle Division, DS
ECA	Bureau of Educational and Cultural Affairs
EEB	Bureau of Economic, Energy, and Business Affairs
EMR	Enviro-Management & Research, Inc.
FISMA	Federal Information Security Management Act
FSI	Foreign Service Institute
FSRDF	Foreign Service Retirement and Disability Fund
HR	Bureau of Human Resources
HR/CSP	Office of Civil Service Personnel Management, HR
HR/REE	Office of Recruitment, Examination and Employment, HR
ICAO	International Civil Aviation Organization
ICE	Bureau of Immigration and Customs Enforcement, DHS
INL	Bureau of International Narcotics and Law Enforcement Affairs
INV	Office of Investigations
LE	Locally employed

MERO	Middle East Regional Office
NEC	New embassy compound
OBO	Bureau of Overseas Buildings Operations
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PEPFAR	President's Emergency Plan for AIDS Relief
PIERS	Passport Information Electronic Records System
PM/DDTC	Bureau of Political-Military Affairs, Directorate of Defense Trade Controls
RM	Bureau of Resource Management
S/CT	Office of the Coordinator for Counterterrorism
SAR	Semiannual Report to the Congress
SIV	Special immigrant visa
USAID	U.S. Agency for International Development
USIBWC	International Boundary and Water Commission, United States and Mexico, U.S. Section
USICAO	U.S. Mission to the International Civil Aviation Organization
USUN Rome	United Nations Agencies in Rome

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

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Section 5(a)(6)	List of reports issued	69-71, 97
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Section 5(a)(12)	Significant management decisions with which OIG disagreed	none

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