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

Report of Inspection

Embassy Caracas, Venezuela

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CONTEXT



Half again as large as Texas and with a slightly larger population (26.5 million), the Bolivarian Republic of Venezuela could be – but is not – the richest country in Latin America. It boasts the third largest oil reserves in the world and some of the richest farmland in South America. It enjoys a booming stock market that soared 130 percent last year and an economic growth rate of 10 percent in 2006. Despite strained bilateral ties, the trade relationship with the United States has flourished, with Venezuela purchasing

\$8.5 billion in American goods and vehicles while exporting over a million barrels of oil each day to the United States. More broadly, the United States has enjoyed close political and economic relations with Venezuela for nearly 200 years, and the robust partnership that exists on many fronts can weather most forms of stress. This is the good news.

Venezuela has the world's highest waterfall (Angel Falls, with a 3,212-foot drop). The water that cascades over those falls provides an apt metaphor for what the country is going through. Among a host of ills, Venezuela has seen its currency plunge from one of the world's most solid (the villains in the film *Dr. No* asked to be paid in Venezuelan bolivars rather than Swiss francs) to one that is discounted 50 percent on the parallel markets. In 2006, the country experienced the highest inflation in Latin America, 17 percent, and, for the first time in years, foreign direct investment turned negative. In early 2007, the Venezuelan stock market suffered a record one-day fall and shed nearly a fifth of its value as investors responded to President Hugo Chavez's new blueprint for socialist reform – nationalization of the telecommunications and energy industries, revision of the commercial code, and elimination of Central Bank autonomy, among other measures. More fundamentally, income distribution in Venezuela is profoundly skewed: the rich of Caracas have it and flaunt it, while about 60 percent of the country's citizens exist below the poverty line. An astronomical surge in violent crime is the most palpable outgrowth of this disparity: the murder rate in Venezuela is over seven times higher than that of the United States.

EXECUTIVE DIRECTION

LEADERSHIP

The skillful leadership of a focused and imaginative Ambassador has kept the U.S. government as much a player as humanly possible in Venezuela. (b) (2)
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(b) (2)(b) (2)(b) (2)(b) (2)(b) (2) The executive team is looking for ways to extend their mission's reach beyond official Caracas, including the upgrade of the Maracaibo consular agency to a two-officer American presence post once the Venezuelan government assents (see below).

The Ambassador and DCM have appropriately focused on how to maintain a strong embassy esprit de corps in a deteriorating environment, on how to preserve adequate breathing space for public diplomacy, and on how to maintain overall embassy morale and discipline in a situation when some mission elements are under attack more than others. In so doing, the Ambassador and DCM – a team that marches as one – have employed a host of ancillary tactics to maintain, on U.S. government terms, such engagement as is possible with the Venezuelan government. In their view and that of the Office of Inspector General (OIG) team, as well as of senior WHA officials, there is no gain — at this point — in “Cubanizing” the relationship.

Under the Ambassador's and DCM's direction, Embassy Caracas documents Chavez's misbehavior for the Department and other foreign affairs agencies but does so in a balanced fashion that lessens the likelihood of over-reaction by individual Washington elements irked by Chavez's antics. The Ambassador's strategy has succeeded in keeping disparate Washington agencies, some with diametrically opposing views, working together towards a common, sensible outcome. Further, a review of cable traffic and decision memoranda confirms that the Ambassador has been effective in conveying his mission's views to the Executive Branch and in shaping the policy dialogue at the very highest levels. In so doing, the Ambassador and DCM have helped create a collective U.S. government strategy with bipartisan approval.

The management style of the Ambassador and DCM sets the tone and direction of the mission while maintaining a collegial embassy atmosphere and a collaborative approach to decisionmaking. Both listen carefully, ask for the most important points, cut directly to the heart of the issue, and provide crisp directions once a final course has been set. Although the Ambassador establishes the essential strategic architecture for the post in most instances, the DCM regularly encourages staff to try their hand at crafting new strategic directions for the embassy. In this spirit, the DCM brought down a special facilitation team from the Army Command and General Staff College to work the country team through a range of plausible scenarios.

THE COUNTRY TEAM AND INTERAGENCY RELATIONS

All nine agency heads at Embassy Caracas credit the exceptional effectiveness of the Ambassador and DCM in ensuring that each agency and section has set the proper strategic direction and developed viable tactics with which to achieve key goals and to best position Embassy Caracas for the next, likely more restrictive, phase in its relations with the Venezuelan government. Senior staff uniformly view the Ambassador as an evenhanded arbiter of interagency relationships and the country-team process, a circumstance that maximizes cooperation at post among the many agencies involved with law enforcement or military issues.

Above all else, the Ambassador has successfully encouraged agencies to work out tactical differences at post rather than move their skirmishes to parent agencies in Washington. To safeguard interagency harmony, the Ambassador and DCM have brokered differences in a fashion that did not give a victory to one side or the other. When their considered judgment has concluded with a tilt towards one agency, they have provided a clear explanation for the decision related to a specific objective. Against this backdrop, the DCM effectively stewards a law enforcement working group that includes, among others, the Drug Enforcement Administration (DEA), narcotics affairs section (NAS), RSO, Department of Homeland Security (DHS) and military group (MILGP). The OIG team found exemplary coordination between sections and agencies, each of which evinced a precise sense of mission goals and objectives.

The country-team process works well. The Ambassador and DCM have an evident command of the issues and how these relate to the relevant Washington dynamic. The executive team takes decisions briskly and conveys these promptly and unambiguously, leaving no doubt as to when, where, or how they are willing to engage. Both stay rigorously on message and retarget conversation as necessary to

maintain focus. The Ambassador and DCM provide ample feedback to staff but refrain from over-involvement, apart from oversight of the political section, where the DCM favors a very hands-on approach. Both are perceived as willing to acknowledge their mistakes. Both generously share high-level contacts – the Ambassador, for example, encouraged his narcotics affairs officer to meet directly with a cabinet minister when the opportunity presented itself.

PUBLIC DIPLOMACY

Strained relations between the United States and the Chavez government have spawned numerous officially encouraged attacks (eggs, rocks, and vegetable projectiles – not to mention verbiage – and the swarming of embassy vehicles by crowds). These and other forms of harassment severely limit official contact and constrain embassy outreach to the public. The Ambassador and DCM are nonetheless attuned to the nuances of public diplomacy and factor this into all of their political calculations, including development of the Mission’s Strategic Plan (MSP). (See below.) This is all the more essential in Chavez’s Venezuela where Embassy Caracas must talk to the government via the media – and hears back from the Venezuelan government via public channels. The Ambassador and DCM work collaboratively with a talented PAS chief and team to ensure “smart confrontation” whereby the embassy responds to regime provocations with elliptical retorts or “understatements bordering on sarcasm” – and chooses the issue, time, and locale for delivering the barbed message rather than snapping reflexively back at government attacks. In the same vein, the front office appropriately stresses the need to address issues, not personalities, and the benefits of talking about democracy in Venezuela, not the lack thereof.

The Ambassador and DCM communicate freely and frequently with the PAS; all officers within the section can e-mail the Ambassador directly and expect a prompt response. Once a public diplomacy activity germinates, the front office may suggest ancillary activities to flesh out or amplify the core event. A case in point is when the Ambassador was invited to throw out the first ball at a Venezuelan major league baseball game, and PAS arranged for him to meet dual-national Venezuelan-American players in the dugout and pose for photos, which PAS posted on the mission web site. As a bonus, the Ambassador did Spanish-language color commentary on the radio.

In total, the Ambassador alone has done over 100 public diplomacy events a year, many upcountry and/or in poor barrios – backdrops that subtly impart the message

that the United States is not as unwelcome in the poorer communities as President Chavez would have his countrymen believe. The Ambassador handles this heavy load brilliantly.

The Ambassador and DCM distributed high-impact, PAS-conceived calendars as the mission's annual Christmas gratuity. This initiative provides an excellent example of the pervasive intramission synergy in Embassy Caracas. MILGP provided funding for this innovative product that featured 12 Venezuelan stars who play in the U.S. major leagues. The Ambassador worked with the Department to obtain necessary clearances from major league baseball for the copywritten photographs that, with an accompanying Spanish-language text, were printed in Manila. The 10,000 calendars went like hotcakes; even members of the Chavez-dominated National Assembly complimented the initiative.

MORALE AND COST SAVINGS

Visitors to Caracas may marvel at the year-round beautiful weather, cheap gasoline, vibrant nightlife, and fine food, but official life in Venezuela is wearing. The government makes no secret of its hostility, and the land of perpetual spring is also the land of perpetual crime – in many instances officers must drive around the block rather than walk. Officers can tank up at 17 cents a gallon but need great dexterity and patience for the commute through Caracas' traffic-snarled streets. The rigors of daily life have taken their toll: the embassy has experienced 15 curtailments over the past 18 months – and no extensions of tour.

These morale problems also reflect other causes. There are less than ideal relations between U.S. and locally employed (LE) staff, the legacy of years of bad blood between the two sides driven to some degree by local employees' sense of entitlement. The current management section inherited a "can't do" attitude regarding housing and other quality of life complaints. At the core, however, lies the fact that Embassy Caracas has changed over the past decade from a nice, comfortable family post to a less-than-pleasant post whose irritations range from increasing alienation from the Venezuelan government, purposefully lengthy delays in providing tax exemption cards and vehicle licenses to rampant crime. During a normal three-year tour, an employee stands a 40-percent chance of being victimized at least once.

Embassy Caracas leadership has been attentive to morale issues but acknowledges that they were slow to comprehend the seriousness of the housing complaints: previous management staff papered over most complaints. In an attempt to reverse the downward trend in morale, the Ambassador and DCM recently held two town

hall meetings to air employee concerns about crime, housing, and the cost of living. In response to soaring prices for basic foodstuffs, they have sought mission views on the need for a commissary and are actively developing a plan that would draw upon an exemption in Venezuela's foreign exchange law to insulate employees from the grossly overvalued currency. In addition to improving post morale, this measure would potentially reduce the cost-of-living allowance, with attendant savings to the U.S. government. Concurrently, the front office is exploring how Embassy Caracas can access the legal parallel currency market for official operations, a measure that could result in savings on the order of seven figures.

Background: The Venezuelan government's determination to maintain a fixed exchange rate in the face of downward pressures on its currency, the bolivar, has sharply widened the spread between the official and parallel exchange rates. The government officially prices the bolivar at 2,150 to the U.S. dollar, but presently the bolivar trades at nearly twice that rate on the open market. While no one can estimate how long this spread will remain or, for that matter, how long the Venezuelan government will permit parallel market operations in their current form, the current exchange arrangement unnecessarily drains the embassy's funds.

One option available to the mission is to work with the Bureau of Resource Management and WHA to obtain permission to acquire bolivars at the prevailing parallel market rate for mission operating costs. This would be done in accordance with the Venezuelan law of September 14, 2005, that provides a clear exception for foreign exchange obtained through operations involving securities. (The embassy has already obtained from its legal counsel an analysis/opinion that these types of operations – swaps, American Depository Receipts, and the like – do not violate current exchange control regulations.) The OIG team notes that, in addition to this opinion, the Venezuelan legal community widely accepts that such operations, as distinct from illegal black-market exchanges between individuals, are fully legal. During the inspection, the OIG team confirmed directly that European embassies are already using this vehicle. Other primary users include major Venezuelan and multinational (including U.S.-registered) companies, as well as the Venezuelan government itself.

Recommendation 1: Embassy Caracas, in coordination with the Bureau of Western Hemisphere Affairs, should seek approval from the Bureau of Resource Management to use legally authorized parallel exchange mechanisms to acquire local currency for all official expenses and cashing. (Action: Embassy Caracas, in coordination with RM and WHA)

ENTRY-LEVEL OFFICER AND EQUAL EMPLOYMENT OPPORTUNITY PROGRAMS

Embassy Caracas has an excellent formal mentoring program for both specialists and generalists. Shortly after arrival in Caracas, the embassy's sizeable (15 to 20 at any given time) complement of entry-level officers (ELOs) have ample opportunity to engage with the Ambassador and DCM, both in the office and at their respective residences. The Ambassador and DCM use these encounters to share their overall vision for the post and to encourage the newcomers to offer fresh perspectives on mission operations. The embassy's ELOs credit the Ambassador and DCM with keeping everyone involved and aware of the larger political situation as well as for being attentive to new ideas. Tellingly, both the Ambassador and DCM know every ELO by name. At a minimum, the DCM meets one-on-one with each ELO quarterly.

The OIG team commends Embassy Caracas for its attention to ELOs. Senior management generically encourages these officers to take the initiative and specifically invites them to participate in country team meetings on a rotating basis. The DCM ensures that each ELO hosts a representational event, drafts a reporting cable, processes a voucher, and goes on an official trip. When ELOs serve as control officers for ambassadorial travel upcountry, the Ambassador treats their efforts as a learning experience rather than as a high-wire act where mistakes occasion rebuke. The Ambassador in particular patiently preps them for visits by Congressional Delegations, where mistakes can have more serious consequences.

The DCM seeks to assign each ELO a project that meshes with their particular skill sets. For example, one officer with a planning background participated in a seminar on transformational leadership and presented his findings to the country team. The DCM tapped another ELO with crisis management experience for a red-team exercise. He assigned a former information technology specialist turned ELO to a project that drew on his technical expertise.

Embassy Caracas leadership is attentive to Equal Employment Opportunity directives and principles and enforces these in the day-to-day management of the mission. There have been no formal Equal Employment Opportunity complaints for the past year.

MISSION PERFORMANCE PLAN

Preparation of the FY 2008 Mission Performance Plan (MPP) was a collaborative effort that included the entire Embassy Caracas country team. The result of this inclusive approach was a first-class blueprint for how the mission could best shape its approach to promoting U.S. interests and values in Venezuela. The architecture of the document was outstanding. It clearly identified vital U.S. interests in Venezuela, set seven specific policy goals, and laid out appropriate strategies for achieving these. The narrative presentation was clear and to the point; justifications of requests for additional resources and personnel were cogent.

In terms of performance in satisfying indicators for success, the embassy did well in the areas of mutual understanding, trade and investment, proper visa adjudication and administrative services. It did less well in achieving the goal of prevention and response to terrorism and fell well below targets in the goals of democratic systems and practices and disruption of criminal organizations. The downturn in the U.S.-Venezuelan bilateral relationship severely constrained the mission's ability to work with the Venezuelan government on democracy promotion and antinarcotics initiatives. Interlocutors of the OIG team who worked in these areas agreed that many of the performance indicators had been overly optimistic. They noted that the Ambassador had instructed all contributors to the FY 2009 MSP now in draft – the successor document to the MPP – to take a hard look at what the mission can realistically hope to accomplish as they set indicators for the future.

SECURITY

The Ambassador and DCM have worked through an outstanding and empowered RSO to instill an admirable culture of security at Embassy Caracas – a post operating in a critical threat environment. They have taken a strategic view on security issues to ensure that the embassy is positioning itself for the long term regarding housing and other security-relevant variables. In terms of the immediate situation, the front office has been decisive in responding to security incidents and prompt in informing the community as a whole of specific steps undertaken to prevent similar incidents from happening again.

The Ambassador engages with the RSO literally at all hours of the day; the RSO meets formally with the DCM each week but also has, as necessary, immediate access to the Ambassador. Appropriately, the DCM has increased counterintelligence working group meetings to biweekly, instituted town-hall gatherings to discuss

crime, interviewed in person the victims of criminal incidents, and placed high-risk modes of public transport off limits. The DCM provides clear and appropriate security warnings for the community and ensures that these do not violate the double-standard rule. Embassy Caracas is currently considering the preemptive step of placing the more dangerous parts of Caracas – a city with a shockingly high murder rate – off-limits. Mission management has increased radio checks to weekly, enforcing full compliance through direct reminders to those who are delinquent.

POLICY AND PROGRAM IMPLEMENTATION

POLITICAL REPORTING FUNCTION

The political section of Embassy Caracas has been forced to pick up an ever heavier load with even fewer hands. Concurrent with Venezuela's rapid rise to prominence onto the U.S. government's policy scope, the loss of two political section positions and lengthy, unanticipated staffing gaps in another have depleted the section, leaving just four core reporting officers on board. Section management has done a yeoman's job of juggling priorities and providing patchwork coverage of high-profile issues as these emerge – several Washington consumers noted a sharp uptick in reporting – but a formal readjustment of section staffing will ultimately be required if Embassy Caracas is to stay ahead of the political reporting curve. More specific discussion follows.

An experienced economic cone officer heads the political section. He has focused on management of reporting assets and cultivation of Venezuelan government officials as top priorities and has consequently produced limited political reporting on his own. He is the mission's chief point of contact with the Venezuelan government's Ministry of External Relations, where he delivers demarches and works mission-specific issues – most importantly reciprocity – and global issues. His personal relations with Venezuelan interlocutors are good, and should be maintained in spite of the difficulties in eliciting cooperation from the ministry.

The extremely capable political section deputy has picked up much of the slack and has generated a steady stream of quality reports on a wide range of issues: internal politics, labor, terrorism, and scene setters for visits. These messages are sufficiently detailed, and value-added analyses append the majority. In addition to his reporting portfolio, the deputy supervises the section's lone LE political assistant, who researches issues for section officers and maintains contacts with officials in the Venezuelan government.

A political analyst covers the National Assembly, judiciary, and aspects of President Chavez's constitutional changes. The analyst has also produced a volume of high-impact cables; unfortunately, this position will not be refilled upon her departure in 2007, thus putting at risk in-depth reporting on this portfolio.

A first-tour ELO has recently taken over the crucial human rights portfolio and is off to a brisk start – human rights reporting has been top notch, including the 2006 Country Human Rights Report. The close-out of a second political analyst position in summer 2006 shifted the political-military portfolio to this ELO as well, who has not been able to do justice to the portfolio. The short-staffing of the section has been further complicated by the departure of two successive consular-political rotational ELOs for other assignments after their initial consular year, effectively eliminating a political reporting slot for the past two years.

The excellent interagency and intersectional relations that characterize Embassy Caracas have helped the political section address staffing problems: senior consular managers generously volunteered that the next consular-political rotational officer should go into the political section first. A new reporting officer identified in the global repositioning exercise for the proposed American presence post Maracaibo may be available to work in the Embassy Caracas political section for some initial period. In addition, the section has used a short-term Pickering Fellow and a presidential management intern as stopgaps, which has helped – and should continue to help – alleviate the staffing strain. They do not, however, provide a long-term response to the request in Embassy Caracas' FY 2006 MPP for the creation of two new political slots, a request that the OIG team thinks is justified.

Recommendation 2: Embassy Caracas, in coordination with the Bureau of Western Hemisphere Affairs and the Bureau of Human Resources, should create and fill an additional political officer position in Caracas. (Action: Embassy Caracas, in coordination with DGHR and WHA)

The recommended elimination of the NAS in 2007, barring a Venezuelan government change of heart about signing an amended bilateral agreement (see the counternarcotics coordination section), does not mean that the important narcotic portfolio will disappear. Programs would certainly be further reduced, but narcotics reporting and more modest antidrug programs targeting local and municipal entities may still be possible, and someone must manage these. The political section is the logical candidate. A second new political section position would ideally supplement regional political reporting as well as perform counternarcotics duties.

Recommendation 3: Embassy Caracas, in coordination with the Bureau of Western Hemisphere Affairs, the Bureau of International Narcotics and Law Enforcement Affairs, and the Bureau of Human Resources, should create and fill a new political position to cover counternarcotics assistance initiatives and regional reporting. (Action: Embassy Caracas, in coordination with WHA, INL, and DGHR)

Overall, the political section output is of high quality, both in the view of the OIG team and the majority of Washington consumers polled by the OIG team. The tone of the reporting is balanced – even when covering the latest rhetorical outrages of the Venezuelan leadership – and the section’s treatment of the highly polarized media environment has been a model of objectivity.

To ensure that focus remains on the priorities of Washington policymakers, the Ambassador and/or DCM convene a weekly policy/reporting coordination meeting of all reporting sections and offices. The DCM further refines the political focus in a separate coordination meeting with the political section chief and deputy. The weekly policy discussion can be freewheeling, and the Ambassador in particular has urged reporting officers to speak out when they disagree with policy direction. Some political officers have voiced dissenting views on how harsh a line the mission should take with the Venezuelan government, but on most points front-office and political-section positions are in agreement. This careful coordination of reporting has paid dividends. As an example, the political section produced good broad-brush spot reporting on the December 2006 presidential election and buttressed this with an excellent analytical cable on technical details of the vote. The turnaround time on spot reports is generally acceptable, although the editing process up to and through the DCM is sometimes slow.

Political reporting officers have done a fine job in identifying reliable sources, a far-from-easy task. Contact with U.S. diplomats is not career-enhancing for Venezuelan officials, and the mission’s pool of government insiders has largely evaporated. Reporting officers retain access to only a dozen members of the National Assembly – Chavez supporters all – and a handful of magistrates. Political section attempts to ply contacts with International Visitor Program grants and other blandishments have not worked: approved grantees have withdrawn from their programs at the last moment and, more recently, others have refused even to be nominated.

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Internally, the section communicates through one-on-one interactions, short-notice group meetings, and a weekly staff meeting. The section managers are doing a good job of bringing ELOs along. Other aspects of internal section management do not always meet the mark. There is neither a representation nor a travel plan on file, and there is no designated biographic reporting officer. Despite the ad hoc approach to the representation function, all section officers have access to adequate representation funds and have engaged in appropriate outreach – the outcome is satisfactory. Short-staffing has been an impediment to regional travel, with the exception of the run-up to elections, and the OIG team made an informal recommendation that the section chief should seek to schedule visits to areas outside of Caracas on a quarterly basis. The lack of a designated biographic coordinator has not stopped section officers from funneling detailed input to the section's office management specialist, who maintains two separate electronic data bases.

The political section has engaged in valuable activities other than core reporting. Officers have frequently briefed resident or visiting U.S. businessmen on the shifting Venezuelan political environment and its likely impact on the business/investment climate. The deputy section chief in particular has engaged in public diplomacy outreach through speeches to university students. The section managed a \$130,000 grant from the Office to Monitor and Combat Trafficking in Persons. A review revealed that the grant file was complete. In the same vein, the political section also worked closely with PAS and the U.S. Agency for International Development's (USAID) Office of Transition Initiatives (OTI) on democracy promotion programs. Two OTI institutional contractors based in Caracas programmed \$5 million dollars in FY 2006 through five contracts or cooperative grant agreements in support of democratic change and human rights in Venezuela. OTI's FY 2007 budget has fallen to \$2.7 million, and this vital program risks withering on the vine if the Department does not make available additional resources, probably from the Economic Support Fund.

POLITICAL-MILITARY AFFAIRS

Political-military cooperation between the United States and the Venezuelan government has plummeted over the past three years as President Chavez has increasingly co-opted Venezuela's military institutions. Embassy Caracas nonetheless retains three separate Department of Defense (DOD) elements, albeit two at much-reduced staffing levels. The largest unit is the Defense attaché office (DAO) headed by a U.S. Air Force colonel. The DAO consists of seven military attaches from the Air Force, Army, Navy, and U.S. Coast Guard; a civilian analyst; a four-person

Some residual military cooperation continues, and the MILGP has sought to maintain initiatives that fall outside of the International Military and Educational Training, Foreign Military Sales, and other proscribed activities. MILGP continues to invite Venezuelan officials to participate in seminars at the National Defense University's Center for Hemispheric Studies, and U.S. delegations attend disaster response and other multilateral conferences organized by the Defense Ministries of the Americas under the aegis of the Organization of American States. Last year, the MILGP facilitated – but did not fund – the dispatch of Venezuelan military personnel to the United States for flight simulation training at a private civilian facility. The MILGP has also served as go-between on a state partnership program between Venezuela and Florida that engages in military-to-military, military-to-civilian, civilian-to-civilian police training, as well as emergency preparedness and related activities. In 2006, MILGP provided \$20,000 in computer equipment to Venezuela's Federal Civil Defense organization.

The residual security cooperation is often rocky. A year ago, the MILGP offered Venezuelan participants slots in a counterterrorism conference; the Venezuelan military accepted but withdrew its candidates at the last moment. Like DAO, the MILGP has experienced a pullback by former contacts within the Venezuelan military concerned lest undue proximity to the MILGP derail their careers. The MILGP is nonetheless committed to maintaining at least a truncated profile in hopes that renewed security cooperation will eventually become possible.

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There is good synergy internally between the DOD elements as well as externally with other sections of the embassy. The embassy recently launched a political-military working group that includes the DAO, MILGP, and political and economic sections. The DCM chairs this group. The political analyst responsible for the political-military portfolio departed in 2006 and was not replaced. His duties have devolved to a newly arrived first-tour political officer. Competing human rights responsibilities have thus far precluded a close focus on political-military matters, and there has been a perceptible falloff in reporting.

COUNTERNARCOTICS AND LAW ENFORCEMENT COOPERATION

The highly competent chief of NAS sets the agenda for meetings of the law enforcement working group (LEWG) of Embassy Caracas that convene biweekly under the able guidance of the DCM. A wide range of offices and agencies participate in the LEWG: DEA, LEGATT, NAS, RSO, DHS Immigration and Customs Enforcement, TAT, PAS, and the political and consular sections. DAO and MILGP also attend because of their historic involvement in counternarcotics and counterterrorism training programs for Venezuelan security forces.

There is near unanimity among participants that the LEWG has fostered seamless coordination between the law enforcement agencies at post, a judgment that the OIG team shares. Each unit is cognizant of its areas of responsibility. None has staked out territory at the expense of others. The LEWG has facilitated cooperation rather than competition in inevitable areas of overlap.

Not surprisingly, counternarcotics issues routinely dominate LEWG meetings. In recent years, Venezuela has become the biggest transshipment point in the hemisphere for drugs going to the North American and European markets, with an estimated 200-300 metric tons of Andean cocaine and a small amount of heroin flowing through Venezuela each year. There is modest local production of narcotics. Official corruption and the reluctance of the Venezuelan government to honor its international antidrug commitments have increasingly made Venezuela a haven for regional drug lords on the lam.

Although Embassy Caracas does not have a counternarcotics working group, the LEWG assumes that role. By extension, the DCM is the de facto coordinator for narcotics affairs as well as LEWG chair with strong backstopping of the NAS chief. These two follow closely the complementary activities of the offices and agencies primarily focused on antidrug issues – DEA, NAS, and TAT. The other law enforcement agencies resident in Caracas acknowledge the primacy of DEA in the antidrug domain and feed DEA useful information unearthed in pursuit of their own primary objectives. This culture of sharing works admirably.

DEA is the largest law enforcement agency at post. Its staff of 10 special agents, two analysts, three U.S. direct-hire nonspecial agents, and a technical specialist was approved through the National Security Decision Directive 38 process. It operates in Venezuela under a 1974 exchange of diplomatic notes between the United States and the Venezuelan government, a binding 1978 memorandum of understanding, and the 1988 UN Convention against Trafficking in Drugs and Psychotropic Substances.

Legal and treaty underpinnings notwithstanding, DEA has encountered rough sailing over the past two years. In 2005, senior Venezuelan government officials publicly accused DEA of fronting for the Central Intelligence Agency and threatened to shut down the entire DEA operation. Senior officials, to include President Chavez, did not follow through on repeated threats to expel DEA staff, and of late the Venezuelan government has taken a somewhat less strident line. The fact remains, however, that the DEA has been unable to run overt operations within Venezuela or provide either commodities or training to Venezuelan antidrug entities since August 2005. The recent removal of corrupt officials from the Venezuelan antidrug establishment and the appointment of a new drug czar may improve DEA access at high levels, but these changes have not yet yielded concrete results, including the restoration of a vetted Venezuelan police unit. (b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)

The NAS consists of the chief, who is the single Department officer and due to rotate out in summer 2008. The NAS chief is supported by an LE staff logistics specialist, an EFM who handles budgeting and travel, and a local driver. Until 2006, there were four additional NAS employees, including two U.S. Customs and Border Protection officers based in Valencia, the city nearest to the Puerto Cabello container port where the Bureau of International Narcotics and Law Enforcement Affairs (INL) had funded the establishment of a \$3 million container inspection facility. Due to lack of cooperation from the Venezuelans and a legal flap over an improperly shielded radioactive isotope shipped into Venezuela by a NAS contractor, the inspection facility has never commenced operation, and the customs and border protection officers have departed. These positions still remain on the books, however, with residual ICASS costs to NAS – even though it appears unlikely that Embassy Caracas will be able to fill either of these slots anytime soon.

Recommendation 4: Embassy Caracas, in coordination with the Office of Rightsizing, should seek National Security Decision Directive 38 approval to formally eliminate the two U.S. Customs and Border Protection positions in the narcotics affairs section. (Action: Embassy Caracas, in coordination with M/R, INL, and WHA)

The operational predicament of NAS is considerably more complicated than that of DEA, because NAS depends upon a binding annual amendment to the 2001 letter of agreement signed with the Venezuelan government. Annual signature of the binding amendment permits NAS to program new funds in Venezuela although it does not actually address the continuation of NAS presence in country. Signature

of the amendment had been automatic since 2001, but following the 2005 Venezuelan government accusations that DEA personnel were in fact spies, the Venezuelan government insisted that a binding addendum to the 1978 bilateral memorandum of understanding also be signed, to which the U.S. government assented. The Venezuelan government subsequently declined to sign either the annual amendment or the very addendum it had proposed, in effect freezing additional funding from the Andean Counternarcotics Initiative and limiting NAS to pipeline funding and activities.

The NAS chief has made the best of a bad situation. He has deobligated funds from interdiction activities frozen by the Venezuelan government and reprogrammed them with willing state and municipal government officials, especially in Zulia State, which is controlled by the opposition. He has traveled internally in Venezuela more than any other Foreign Service officer, other than the Ambassador, and has piggybacked reporting on to his operational duties. He has worked closely with the political and economic sections, PAS, and USAID to publicize the positive impact of remaining counternarcotics activities. Despite his best efforts, the reality remains that once the \$2 million pipeline funding is exhausted, the NAS operational role in Venezuela will come to a halt unless the Venezuelan government signs the necessary paperwork. Continued NAS presence in country without new funding would occasion a financial cost not justified by programmatic results. As things stand, the depletion of remaining NAS pipeline funding will more or less coincide with the end of the current NAS chief's tour.

Recommendation 5: Embassy Caracas, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, should close the narcotics affairs section and transfer remaining narcotics affairs section activities and select personnel into the political section unless the Venezuelan government has signed required bilateral agreements by July 1, 2007, that is, before assignment of a new narcotics affairs section chief occurs. (Action: Embassy Caracas, in coordination with INL)

Given the resource implications of such a change, especially for the political section, the portion of this report discussing the political section contains related recommendations.

There has recently been a minor disagreement between NAS and DEA over language in the 2006 International Narcotics Strategies Country Report describing official corruption in the government of Venezuela, language that DEA perceives as having complicated its dealings with the Venezuelan antidrug establishment. NAS

maintains that embassy treatment of this subject has been factual and objective. During the course of the OIG visit, the DCM scheduled a session with mission counternarcotics personnel and forged a single harmonized position on this point.

The NAS chief requested and received an informal visit from an INL audit contractor in February 2007, just prior to the arrival of the OIG team. After reviewing the excellent report that resulted, the OIG team seconds the totality of contractor recommendations for corrective measures that NAS can take to improve its performance. Most importantly, an intensive NAS effort to program all remaining pipeline funds within the next 18 months will require a review and rewrite of the job requirements for the currently empty NAS purchasing agent job before it is refilled.

Recommendation 6: Embassy Caracas should review and rewrite the position description for the narcotics affairs section's purchasing agent and subsequently advertise and fill the job. (Action: Embassy Caracas)

The INL audit contractor identified several additional areas of concern: a filing system that is difficult to audit and not in accordance with the INL Financial Management Handbook; files that should be culled or retired; incomplete procedures for Leahy Amendment and Section 487 vetting of potential program recipients on human rights grounds; a NAS government travel card with an unnecessarily high \$1 million purchase limit; and a \$100,000 (rather than the requested \$10,000) warrant for the NAS grants officer. The NAS chief should complete the corrective actions he has already begun to eliminate these vulnerabilities. This is the subject of an informal recommendation.

The INL audit contractor confirmed that NAS has submitted required reports to INL and that cuff records and official accounts mesh. The OIG team commends the NAS chief for soliciting the visit of a professional auditor and acting promptly on the auditor's findings.

DHS Immigrations and Customs Enforcement, RSO, and the LEGATT respectively handle the other parts of the law-enforcement portfolio. The three-person DHS shop covers Guyana, Surinam, and Peru as well as Venezuela. Support for domestic investigations on counterterrorism, money laundering, and human smuggling is the major focus of their efforts. They also assist other law enforcement agencies at post by passing along information on aliens of special interest. The Venezuelan police assist DHS on a case-by-case basis, especially when the Venezuelans hope to benefit from overt DHS assistance on tax and customs cases. Venezuelan officials have reciprocated in cases of human smuggling but will not run car tags

or provide other routine services, with a few exceptions. A major DHS preoccupation is rampant corruption within the Venezuelan bureaucracy that has resulted in undocumented entries into Venezuela and the purchase of Venezuelan passports for onward travel.

The RSO complement consists of five U.S. direct-hire and eight LE staff employees. To date, the current RSO has experienced few law-enforcement problems with Venezuelan authorities, and when these arise, they have been handled in a civil and collegial fashion. He said that local police have offered some cooperation, especially individuals cultivated on a one-to-one basis. There is overlap between RSO and the LEGATT on fugitives from U.S. justice, but the two units have established a cooperative approach wherein each pursues those cases referred by its respective headquarters but informs the other in advance to avoid duplication.

The three-person LEGATT office does not benefit from the normal liaison relationship that it has in most countries – LEGATT is concerned that exchanges on sensitive espionage or counterterrorism topics could find their way to the wrong ears. The senior LEGATT meets monthly with the Directorate for the Services of Intelligence and Prevention (DISIP) about matters of mutual interest, around which the discussants “delicately dance.” Venezuelan authorities will not extradite Venezuelan nationals indicted for criminal activities in the United States but have offered to try some in-country. On a police-to-police basis, local authorities have been more helpful on assisting with U.S. fugitives hiding in Venezuela. Neither side publicizes these efforts. Like DEA, LEGATT has offered a variety of U.S.-based training opportunities only to see Venezuelan government candidates withdraw at the last moment. Like virtually every other agency in the law enforcement community, LEGATT was unstinting in praise of the positive coordination roles played by the hands-on Ambassador and his very capable DCM.

COUNTERTERRORISM COORDINATION

The office of regional affairs has the lead in counterterrorism activities, with the RSO and LEGATT playing a supporting role. The Venezuelan government’s performance on terrorism issues has been a matter of concern, and recent cooperation with the embassy has been minimal. Venezuelan security officials have declined to take advantage of embassy offers for counterterrorism training. DISIP did react promptly when a self-styled Muslim activist placed two explosive devices along the embassy wall, and ensuing DISIP investigation and resolution of the case were gen-

erally satisfactory. The DISIP gave its U.S. embassy counterparts only cursory briefings during the course of the investigation and scheduled one brief meeting with the lead investigator. They did not provide the mission access to either physical evidence or the suspects arrested in conjunction with the case.

Two Colombian groups designated by the U.S. government as foreign terrorist organizations – the Revolutionary Armed Forces of Colombia and the National Liberation Army – operate on Venezuelan territory near the Colombian border with benign official tolerance, at best. The informal rendition under cloudy circumstances of a senior Revolutionary Armed Forces of Colombia member from Venezuela to Colombia sparked tensions between the two countries in 2005. Venezuela hosts a large Middle Eastern community centered on Margarita Island, where the Venezuelan government holds limited sway. At least one mosque in Venezuela has adopted a militant public stance. The performance of the scandal-plagued Venezuelan bureaucracy in documenting arriving aliens and controlling identity and travel documents is also a matter of concern.

ECONOMIC REPORTING AND COMMERCIAL OUTREACH

The economic section, frequently lauded for the quantity and quality of its reporting and analysis, does a superb job of keeping Washington readers informed. The section has focused appropriately on strategic issues, including the bilateral trade and investment relations and the likely course of President Chavez's 21st Century socialism. Artful workarounds have allowed the section to flourish in spite of limited official access, the opacity of Venezuelan government processes, and dubious or unobtainable statistics. The section also advises U.S. industry and stands ready to advocate if and when asked.

The section has three core-reporting officers, two LE staff, and an office management specialist. In addition, at the time of the inspection a consular officer on an informal rotation was engaged in reporting and analysis. While on paper staffing appears adequate, two of three core-reporting officers were until recently entry-level rotational officers without economic backgrounds. By the time they had attained a firm grasp of their portfolios, they were scheduled to rotate out. The Department has remedied this by placing a full-tour economic officer in one of these positions.

Interagency Relations

Led by an officer with a collegial and cooperative style, the economic section has excellent relations with all embassy elements including the Foreign Agricultural Service and Foreign Commercial Service representatives. Most interaction between this trio is informal – there is no economic working group to facilitate coordination. The OIG team has not recommended formation of an economic working group but would welcome this as a post initiative, should it be deemed of use. Given the collaborative atmosphere prevailing at Embassy Caracas, the absence of such a group has not impaired synergy among the three agencies.

Access and Data Reliability

The tense bilateral relationship has increasingly limited access to official contacts in the economic sphere. The economic section has fared better than many other embassy elements in this respect, in large part due to the technical nature of the issues, the loyalty of some of the section's contacts, and the section chief's success in convincing government interlocutors that contacts are in their interest. In 2006, when Federal Aviation Administration concerns over the safety of Venezuelan aircraft entering U.S. airspace nearly prompted Venezuelan sanctions against U.S. air carriers serving Venezuela, the Ambassador and economic section worked skillfully behind the scenes to obtain a favorable resolution. Likewise, the economic section worked with the Venezuelan government on the technical matter of turtle excluder nets so that the Venezuelan shrimp catch could continue to be certified for sale on the U.S. market. The economic section worked with the Foreign Agricultural Service to strengthen coordination on avian influenza with technical agencies of the Venezuelan government.

The doors for dialogue are closed on other issues such as free trade agreements in the hemisphere. President Chavez has vociferously opposed the Free Trade Agreement of the Americas initiative of the United States. During President Bush's March 2007 visit to Latin America, Chavez mounted a parallel campaign opposing closer integration with the United States, with extensive local and international media coverage.

Venezuelan politics have increasingly trumped economic realities. The result – official government statistics for some key areas, including the energy sector, are compromised and unreliable. For the time being, the macrofinancial statistics of the central bank appear to be accurate, albeit overly aggregated and thus overly general.

The Chavez government is pushing legislation that would take away constitutionally mandated central bank autonomy in May 2007. At that point, it remains to be seen whether central bank statistics will continue to be reliable.

Advocacy and Consultation

The OIG team met with the executives of several American firms involved in the oil and gas sector, service companies, and the leadership of the local American Chamber of Commerce. At this point, companies rarely seek embassy advocacy lest it be a kiss of death. However, a growing number of U.S. firms already in Venezuela, as well as those that are contemplating a presence in the country, have consulted with the embassy.

The Business Environment, Investment Climate, and Distortions of the Economy

The business environment in Venezuela is surreal in that U.S. exports to Venezuela are at historic highs, U.S. firms are profitable, and the United States and Venezuela are natural partner economies. All the while, the Venezuelan government uses anti-American rhetoric and touts a policy of diversification away from the U.S. market. The business environment and investment climate in Venezuela have deteriorated markedly as the Venezuelan government has abolished official contracts, acted unpredictably, and embarked on selective nationalizations. For example, the parastatal petroleum company, Petroleos de Venezuela, is seeking a controlling interest in the Venezuelan operations of U.S. firms such as ExxonMobil, ConocoPhillips, and Chevron. Other U.S. firms such as Verizon and AES, which runs the Caracas electric power utility, saw their share in local firms nationalized in early 2007. Both firms have reached an agreement with the Venezuelan government on terms of compensation.

Although the United States has \$9.6 billion in direct foreign investment in Venezuela, the vast bulk in the form of long-time energy sector investments, the Venezuelan government has poisoned the investment climate to the point that just \$16 million in additional U.S. direct foreign investment came into the country in 2006. Tellingly, net capital outflows from Venezuela reached \$2.6 billion during 2006 while neighboring Colombia attracted a robust \$1.1 billion in new foreign direct investment.

Venezuela remains a good market for U.S. firms desiring to sell rather than invest, if only because Venezuela is awash in oil cash and has a strong consumer

orientation. Nonetheless, the Venezuelan government's political decisions, including a series of new controls, have distorted the market, fueled the inflation rate (at 17 percent already the highest in Latin America), and probably kept the already-record level of U.S. exports to Venezuela from going even higher. All in all, the number of industrial sector enterprises declined from 11,000 to 5,000 over the past five years because of price, interest rate, and foreign exchange controls as well as uncertainty about what President Chavez's much-touted 21st Century socialism really portends.

Exchange Rates and Repatriation of Earnings

Venezuela has a complex parallel exchange market in which the street rate for U.S. dollars, currently 4,000 bolivars to the U.S. dollar, is about twice that of the official exchange rate of 2,150 bolivars. The spread in the exchange rates exists because of foreign exchange controls and the fact that people want dollars and are willing to pay twice as much in bolivar terms to get them. The Venezuelan government controls foreign exchange conversions through a government agency known as CADIVI that is the only authorized entity for foreign exchange conversion. This has created difficulties for U.S. firms, particularly with the repatriation of dividends, profits, and other earnings. However, these difficulties are not insurmountable.

The September 14, 2005, Law Against Illegal Foreign Exchange Transactions provides an exemption to the current exchange control regulations for operations involving Venezuelan government securities. This can be done through swap transactions through a broker or a different dual transaction involving U.S.-dollar-denominated Venezuelan government bonds and American depository receipts. The latter method also involves a licensed Venezuelan securities brokerage company in addition to a foreign brokerage company and a bank account outside of Venezuela. Any other use of the parallel exchange rate is illegal.

Energy Industry

The U.S.-Venezuelan energy relationship – the hub of bilateral economic ties – is of strategic importance to the United States. Venezuela varies between being the third to fifth largest supplier of crude petroleum to the United States. Approximately 40 percent of Venezuelan production goes to the United States, and this accounted for roughly 72 percent of the \$46 billion in two-way trade in 2006. Globally, oil exports account for 90 percent of Venezuela's export earnings. U.S. firms are major players in petroleum exploration, extraction, and support services.

The economic section has covered this sector especially well and has arranged for additional technical training in the United States to further upgrade the skills of the officer responsible for the petroleum portfolio. After the scheduled May 1, 2007, Petroleos de Venezuela takeover of operational control of the heavy-oil strategic associations in the energy sector, information on the industry will in all likelihood become even more difficult to obtain. It will be essential that the economic section find a way to maintain the current high-level of reporting and analysis. In so doing, the economic section cannot afford to place the petroleum portfolio in the hands of someone who lacks the technical and legal expertise required to track this sector and to assist U.S. firms.

Recommendation 7: The Bureau of Human Resources, in coordination with the Bureau of Western Hemisphere Affairs, the Bureau of Economic, Energy, and Business Affairs, and the Foreign Service Institute, should identify future candidates for the petroleum officer position at Embassy Caracas who have the requisite expertise or, in the event that such expertise is unavailable, provide adequate training to the new petroleum officers prior to their arrival at post. (Action: DGHR, in coordination with WHA, EEB, and FSI)

Black Gold: Enabler of Domestic Policy and Regional Influence

Venezuelan oil revenues have enabled Chavez to fund the Bolivarian revolution by transferring, at least temporarily, increased services and resources to the poorer classes. The same source has enabled Chavez to expand his influence in the region. Despite domestic subsidies so hefty that gasoline is cheaper than locally bottled drinking water, Venezuela's oil-generated foreign exchange reserves will likely permit the Venezuelan government to continue on this path for years to come. The economic section has done a superb job of reporting these developments and analyzing how long Chavez can pursue the present course before oil price downturns or the weight of self-inflicted market distortions change the fundamentals. The officers and LE staff in the economic section have a good grasp of the parameters of this equation and have provided solid, updated analysis of the "bread and circuses" politics of the Chavez regime.

Environment, Science, Technology, and Health

An economic section officer handles the environment, science, technology, and health portfolio on a part-time basis. The mission's strained relationship with the Venezuelan government has to a degree limited this portfolio, but Venezuelan officials will cooperate on various subjects of immediate interest to the Venezuelan government. Avian influenza and marine-conservation are two such areas of cooperation.

PUBLIC DIPLOMACY

An increasingly denied and hostile official environment leaves public diplomacy as the principal tool used by Embassy Caracas to shape opinions about the United States. The Ambassador alone participates in 100 media events a year, and PAS ably supports him in getting out the message that shared values, cultural and sporting interests, interdependent economies, and propinquity bind together the United States and Venezuela. Whatever its many challenges, PAS maintains high morale and an evident esprit de corps. In keeping with mission strategy, the public affairs officer, information officer (IO), cultural affairs officer, and the two other officers in the section conduct "smart confrontation" whereby they avoid butting heads directly with a regime that demonizes the United States daily for domestic political purposes.

The PAS complement of five officers and seventeen LE staff operates with a budget of \$1.26 million. Foreign Service officer staffing will increase by two more officers in April and June 2007 as part of the Department's Global Repositioning Initiative. One of the newcomers will staff the public diplomacy function in the proposed new American presence post in Maracaibo, Venezuela's second largest city. The second will become assistant IO. Ideally, PAS would add two additional LE staff positions to support these new officers, but current budget strictures likely preclude this. During the inspection, the Department advised PAS to prepare for a nine-percent cut in FY 2007. In addition, a wage increase for LE staff will absorb an additional \$25,000. As a consequence, PAS will not even be able to replace an EFM who worked on English language programs.

Recommendation 8: Embassy Caracas, in coordination with the Bureau of Western Hemisphere Affairs, should request approval and funding for an increase in locally employed support staff, and the Bureau of Resource Management should review budgetary support to the Embassy Caracas public affairs section in light of this request. (Action: Embassy Caracas, in coordination with WHA and RM)

Operational Environment and Security Risks in Delivering the Message

The operational environment for public diplomacy work is hostile. President Chavez and the Chavista media savage the U.S. government and Embassy Caracas daily, accusing American and Venezuelan embassy members of being spies or worse. Officials of government institutions that once cooperated with the embassy no longer do so lest it have negative consequences on their own employment prospects. As a result, official facilities once used for public events have become unavailable. Also under evident government pressure are NGOs, private institutions, and individuals that receive funding from the Venezuelan government. They too have pulled back from PAS, effectively eliminating another set of venues and partners for speaker programs. In addition to disappearing program venues and contacts, PAS has found it difficult to fill LE staff vacancies or attract International Visitor Program or Fulbright candidates.

The hostile environment has induced stress. Some LE staff stated that they do not advertise their embassy connection for fear of hostile accusations or worse. During the inspection, a PAS LE staff member was rattled when her name and attendant accusations against her aired on a nationally broadcast television program. Government thugs have several times placed LE staff and American officers in threatening situations during public events. During one incident in 2006, motorcyclists chased the Ambassador's car and pelted the vehicle with eggs. The IO, who was with the Ambassador, provided a running telephone commentary to the Associated Press that the international media carried live. A PAS local employee in the vehicle alertly filmed the incident on her cell phone, and the resultant media coverage embarrassed the Chavez regime.

Other serious attacks have occurred. On one occasion, the hosts of an event put a visiting PAS speaker into the trunk of a student's car in order to take the speaker to safety. Meanwhile, the accompanying cultural affairs officer swapped clothing with another student to avoid a potential abduction. In 2006, a PAS driver delivering books fled a stone-throwing mob. In light of these incidents, PAS now weighs the potential risks of each activity and venue as it plans programming, including the growing likelihood of criminal rather than political attacks. The barrios of Caracas, for example, are notably risky. Nonetheless, PAS was able to judiciously stage a successful cultural event inside one of the largest barrios in late 2006.

Public Diplomacy Strategic Planning and Implementation

PAS participated fully in the preparation of the mission's FY 2008 MPP, with a lead role in the mutual understanding goal and a support role in four of the other six MSP goals. Drawing on the template of the WHA Strategic Communication Plan, PAS has developed its own public diplomacy plan to counteract the anti-American rhetoric of the Chavez government and otherwise narrow the distance between the United States at large and the Venezuelan public. PAS has also collaborated with other sections and agencies at post: USAID, the Commercial Service, MILGP, and the Foreign Agricultural Service. PAS has also provided support to NAS, the economic section, and the consular section through the press to dispel misconceptions about U.S. government programs and to inform the public about opportunities for study, tourism, or business.

Predictably, PAS has found the going hard as it imparts its message in strongly pro-Chavez areas rather than, for example, in greater Caracas, which consists of 10 independent municipalities with their own mayors and public auditoriums and exhibition halls. In particular, PAS has favored programming in areas such as Chacao, with its opposition mayor and a largely middle class and pro-American population. All this said, PAS does have some Chavista contacts and regularly invites Chavistas and government representatives to public events, albeit with modest success.

Outreach to the Social Base of the Bolivarian Revolution

The highly regarded Venezuelan polling firm Datanalysis indicated in a March 2007 report that nearly 80 percent of Venezuela's population is in the two lowest (D and E) income classes.¹ Most of this population is ethnically part African or Amerindian, and represents the base of President Chavez's Bolivarian revolution. They are essential to his continuing electoral successes. Chavez has tailored his rhetoric to their concerns and redirected in their general direction a growing portion of Venezuela's oil wealth.

¹ Venezuelan social classes are indicated by the letters A through E with those in class A having the highest incomes while those in class E have the lowest incomes. A simple way to describe these classes is to equate class A as rich, class B as upper middle class, class C as the middle class, class D as the working poor, and class E as extremely poor. Datanalysis presented statistics on the average monthly household incomes of those classes in March 2007. Using the exchange rate of 1 Bolivar equals 0.0004654 U.S. Dollars that prevailed in August 2007, the average monthly household income of these classes would be as follows: the combined A/B group \$4,703; group C \$1,041; group D \$494; and group E \$278.

With a few million rather than billions of dollars at its disposal, Embassy Caracas realizes that it cannot outbid Chavez for the affections of this base. Nor can it match airtime or comprehensive newsprint coverage of Chavez's rhetoric in the government-owned media. Instead, the embassy and the Ambassador have exploited select areas of comparative advantage, most notably baseball. A growing number of Venezuelans, many from humble beginnings in the barrios, now star in major league baseball in the United States. Their presence, and the mutual American-Venezuelan love of the game, has provided a potent public diplomacy opportunity.

The embassy has designed clever apolitical and highly cost-effective initiatives, such as donations of sporting equipment in the barrios or the Ambassador doing live color commentary on the radio for a Venezuelan major league game, to create a link with the Venezuelan public. Other outreach has included distribution of a slick baseball calendar featuring Venezuelan stars in major league baseball, mentioned earlier in this report, and a visit by New York Yankees star Bernie Williams. Baseball diplomacy has garnered generous and favorable coverage in the print media and on television. PAS has also leveraged media coverage of other donations made possible by USAID/OTI funding, getting big bangs for mini-bucks.

Recommendation 9: Embassy Caracas, in coordination with the Under Secretary for Public Diplomacy and Public Affairs, and the Director of U.S. Foreign Assistance, should seek continued funding for special projects that leverage favorable media coverage in support of the strategic goal of mutual understanding. (Action: Embassy Caracas, in coordination with R and F)

The OIG team's review of the Information Resources Center (IRC) program confirmed its continued inability to reach the poorer classes. This reflects the poor's minimal access to the Internet, their lack of education, and their infrequent contact with universities and other institutions that are IRC's traditional points of contact. The extended vacancy in the IRC director position, along with other staffing gaps, has prevented a retargeted outreach to the poorer classes.

Recommendation 10: Embassy Caracas should formulate a revised strategy, with concrete supporting tactics, to reach out to the poorer classes in Venezuela through the activities of the Information Resource Center. (Action: Embassy Caracas)

Media Freedoms and Strategy to Preserve Access to the People

Government-controlled newspapers, radio, and television stations have not monopolized the media, but the Venezuelan government has increasingly sought to muzzle the independent competition. The most glaring recent example is RCTV, a private media outlet that, at the time of the inspection, the Chavez government vilified and threatened to refuse to renew its license. Although not a Voice of America (VOA) affiliate, both RCTV as well as Globovision, another private television company, have on occasion carried VOA-TV material. Fearing loss of licenses or other punitive sanctions, some formerly opposition-leaning media outlets now self-censor, a trend that bodes ill for the future of independent media in Venezuela.

Although the Venezuelan National Assembly has not as yet passed legislation to restrict foreign programming or foreign source news, this could well be in the cards. PAS has prudently hedged its bets and received Department approval and resources to set up its own radio and television studio. This would allow the embassy to produce outreach products for distribution to local journalists and media outlets for their subsequent use. With television the primary source of information for Venezuelans, Embassy Caracas has appropriately positioned itself so as not to be shut out of that medium.

English Language Programs

Venezuelans of all political persuasions are open to English language programs, which are perceived as apolitical. PAS has used the English Language Fellows Program to reach out to universities and support English instruction at three binational centers. However, the high operational cost of these programs threatens their continuation. The Peru-based regional English language officer visits twice a year to support English language activities and advise the public affairs officer in launching cost-effective, basic, English instruction.

Voice of America

In early 2007, one of the governors of the Broadcasting Board of Governors visited Venezuela to consult with Embassy Caracas about possible future programming possibilities for Venezuela and to renew ties with VOA affiliates. There are currently 14 VOA radio affiliates in Venezuela, some with national networks guaran-

teeing broad coverage. One possible new initiative that emerged was a VOA television video journalist program whereby VOA would contract with three local journalists to cover events for local playback and regional placement.

Information Resource Center and Internet Outreach

Besides staffing shortages at the IRC and the absence of a director since November of 2005, PAS operations have been limited by the rolling renovation of PAS office space in the chancery. The sole IRC employee maintained the embassy web site, supported four American Corners and three binational centers, and set up a virtual presence post last year. During the inspection, a second IRC employee started working, and a qualified candidate accepted an employment offer for the IRC director position.

Tense relations with the Venezuelan government limited the pool of qualified individuals willing to sign on as IRC director. Because of security clearance processing, PAS only recently extended an offer to a candidate who had been the coordinator for one of the American Corners. During the course of the inspection, a new PAS webmaster began work, and IRC hopes as well to improve outreach to government officials who at present shun the embassy's information services.

Because of constrained space and security concerns, PAS does not encourage public use of IRC; in 2006, only three researchers used its public workstations. The IRC has, however, made its facilities available to international visitors and Fulbright program candidates to research their programs. The small reference library maintained in the IRC is primarily for internal use. Presently, pending PAS renovations, most IRC materials are in storage in the temporary facility used by the IO staff.

Daughter and Partner Institutions

In FY 2005, PAS received supplemental funding to set up four American Corners in Barquisimeto, Lecheria, Maturín, and La Asunción. The prevailing hostile environment made it difficult to find willing hosts for the corners, and thus three of the four are hosted by libraries of local bar associations that disapprove of the Venezuelan government's attacks on human rights and civil institutions. PAS also supports three binational centers that provide student counseling and offer English language programs. These are located in Caracas, Maracaibo, and Merida. The Caracas center is the flagship American-Venezuelan Center, and the Baruta municipality in Caracas is home to the independent American-Venezuelan Friendship Association, a local educational advising organization supported by PAS.

Nearly 100 alumni constitute the Venezuelan Fulbright Alumni Association. This activist group meets monthly and cooperates with PAS in organizing seminars, digital videoconferences, the selection of Fulbright candidates, and other activities.

Public Diplomacy Grants Management

PAS manages over 100 grants with an annual value of \$200,000. These support English language fellows, English language programs, cultural events, and speakers. There are also direct grants to local NGOs in support of MSP priority areas such as press freedom, democracy, human rights, and antidrug initiatives. Three PAS officers have warrants for \$10,000. The OIG team found the files complete and orderly for the most part, both in paper and electronic form. A sampling of PAS grant records from FY 2004 to FY 2007 revealed that mandated close-out reports on expenditures are not always on file. The files did, however, contain letters to delinquent grantees demonstrating that PAS conscientiously attempted to obtain close-out reports; consequently, the OIG team makes no recommendation on this point.

CONSULAR AFFAIRS

Overview

The consular staff successfully undertakes a high volume of daily work despite cramped quarters. It includes six separate subunits: the consul general's office, the nonimmigrant visa (NIV) unit, the immigrant visa (IV) unit, the American citizens services (ACS) unit, the fraud prevention unit, and the cashier. The section is staffed by 15 Foreign Service officers, one assistant RSO/investigator (ARSO/I), 28 LE staff, and four EFM consular assistants. The section management team consists of the FS-01 consul general, the FS-02 visa chief and deputy consul general, the FS-03 deputy visa chief, and the FS-02 ACS chief. In addition to supervising the embassy consular section, the consul general oversees the consular agency in Maracaibo and serves on the school board.

The consular section's location on the ground floor of the chancery facilitates smooth interaction with other embassy elements, and consular officers can readily access classified cables as well as attend meetings in other sections. Section management has sought to amplify these efficiencies. The November 2006 renovation of

the visa unit included a redesign of the work area and installation of new office furniture. While this renovation improved the layout of the visa processing work area, there is no additional space available to further expand actual workspace. Cipher-lock doors sufficiently limit access to the consular section.

Consular Management

The consul general is an energetic, experienced manager who has seized opportunities to cross train staff and to integrate the section fully into the embassy. The section's officers are engaged and understand the vital role they play within the mission. Accordingly, section morale is high despite concerns over poor housing, crime, and personal safety. The upbeat consul general gets full credit for buoying the staff. The section strives to advance U.S. national policy interests through active participation in public diplomacy outreach, a strategic goal in the FY 2008 MPP. Consular officers have participated in programs targeting the resident American community and have met with Venezuelan students and business groups at American Corners and other sites to clarify visa application procedures.

Thanks to rotations between the IV, NIV, and ACS sections, a generous cross-section of consular officers is capable of handling special portfolios such as fraud prevention. Other consular officers have rotated into the political and economic sections. Besides a comprehensive orientation program for every new officer, consular managers assign a sponsor to each officer to ease entry into the section. The section maintains up-to-date NIV and ACS training manuals as well as written standard operating procedures for the IV function, accountable officer duties, and guidelines for dealing with travel agencies. Position descriptions for consular officers are accurate. Employee efficiency reports for both U.S. direct-hire and LE staff employees are current.

The Ambassador fully backs the embassy's clearly defined referral system. Embassy officers can submit "A" referrals only for applicants known personally by the submitting officer. The consul general also reviews class B referrals to ensure that these too comply with governing guidelines before passing the referrals to the visa chief for interview and adjudication. Consular management reissues the referral guidelines in written form on a regular basis.

Nonimmigrant Visas

The NIV unit is the largest consular subunit; it processes over 600 visa applicants per day. Despite the large volume of interviews, there is presently more than a two-month backlog of NIV applicants awaiting interviews. In part, this reflects delays

in NIV processing caused by renovation of the consular work space. The mechanics of the NIV section are efficient. NIV applicants enter the embassy through a controlled gate where consular employees complete data entry and take biometrics. The applicants then follow a covered walkway to the small NIV waiting area where a Q-matic system manages the flow of applicants from the waiting area to the interview windows.

The NIV unit processes approximately 100 travel agency cases a day. These applicants must also enter the controlled gate for biometrics even though they do not require an interview. The three outside windows at the controlled gate, which face out to the parking lot, could be used to process the travel agency applicants more efficiently. Were these windows used to take biometrics, travel agency applicants would no longer need to pass through the security checkpoint and enter the embassy compound. Because the windows are fully exposed to the elements including direct sunlight, which disrupts biometric processing, these windows are currently used for data entry. With a modest redesign, they could also be used for collecting biometrics.

Recommendation 11: Embassy Caracas should install an awning to shield the three outside windows at the controlled gate from direct sunlight and use these windows to process the biometrics of travel agency applicants. (Action: Embassy Caracas)

Immigrant Visas

The workload of the IV unit has increased significantly because of the deteriorating political atmosphere and the upsurge in violent crime throughout Venezuela. In addition to the normal IV workload, the sole IV officer and three LE staff (one of the positions is currently vacant) handle fiancé (K) visas, Cuban doctor parole cases, and asylum cases where families follow to join principle aliens already in the United States on conditional asylum. The IV officer position rotates every nine months to a new officer from the NIV unit. During the inspection, one of the LE staff employees was on leave, resulting in a single LE staff member handling IV document intake. To compensate, the IV officer had to do both intake and interviews in order to stay ahead of the appointment load. IV appointment processing lagged perceptibly in the absence of one of the LE staff. Cross-training staff would enable the immigrant visa unit to efficiently process a normal case load whenever one of the two current locally employed staff is on leave.

Recommendation 12: Embassy Caracas should cross-train two employees to handle immigrant visa intake processing. (Action: Embassy Caracas)

The embassy's consular call center in Buenos Aires falls under of the Bureau of Consular Affairs umbrella contract. It provides NIV and IV information and coordinates with a local bank that collects the machine-readable-visa fees and schedules NIV and IV appointments. The call center also schedules appointments for non-U.S. citizens requesting ACS notarial services. Applicants who seek expedited visa appointments must first schedule a regular appointment through the call center. Thereafter, they can request an expedited appointment via an e-mail to the pertinent visa unit. The consular section subsequently sends a code to applicants with approved requests to use in scheduling expedited appointments with the call center.

The consular section visa correspondence unit receives approximately 2,500 written inquiries a month, mostly via e-mail. A visa assistant and a back-up handle these written requests. On average, the correspondence unit also handles 20 congressional inquiries per month. A consular officer reviews all congressional replies before sending these out, normally within two to four working days.

American Citizens Services

More than 3,600 U.S. citizens, about 30 percent of whom are dual-nationals, have registered with the ACS unit. In FY 2006, the ACS unit adjudicated over 1,900 citizenship /passport cases and processed some 4,775 federal benefits' services. The unit also provides passport, nationality, and special consular services to the approximately 6,000 U.S. businessmen, students, and tourists who visit Venezuela each year. An FS-02 officer currently fills the FS-03 ACS unit chief position and is assisted by a first-tour officer, a cashier, and five LE staff.

Venezuela's polarized politics and spiraling crime rate have prompted many Venezuelans to revive dormant claims to U.S. citizenship, including many elderly who claim U.S. citizenship through Puerto Rican parentage. Some dual-nationals who have lived in Venezuela for years are also seeking to secure citizenship for second and third generation descendants. All of these delayed claims require verification of identity followed by a thorough review of transmission requirements, a task complicated by the ready availability of fraudulent Venezuelan documents. Several U.S. citizens who renounced their U.S. citizenship to avoid military service during the Vietnam War have recently sought to reacquire legal status. To better manage the increasing citizenship/passport workload, the ACS unit has instituted an online appointment system for processing citizenship claims and consular reports of birth.

Venezuela's inefficient judicial system, official corruption, and the flight of experienced professionals from government ministries have complicated ACS work. There is no social safety net to provide assistance to destitute Americans unable to obtain an overseas citizens services trust – shelters are nonexistent, and hospitals require payment prior to services. In FY 2006, the ACS unit handled over 50 medical evacuation or welfare and whereabouts cases. There have been some delays in consular notification of the arrests of American citizens by Venezuelan authorities, but in most cases ACS officers have visited U.S. citizens in Venezuelan prisons without difficulty. Post has been active on the transfer of U.S. prisoners under the Inter-American Convention on Serving Criminal Sentences Abroad. To accelerate transfer processing, the ACS unit prepares required paperwork and submits it directly to Venezuelan authorities for their signature. At the time of this inspection, only seven U.S.-citizen prisoners awaited transfer to the United States.

The consular section conference room also serves as the consular emergency task force center and would, in the event of a natural disaster or major civil unrest, coordinate assistance to U.S. citizens. To this end, the room has computers, a television, wall maps, a whiteboard, and enough phones jacks to handle a high volume of calls. The ACS unit also stocks go-packs — backpacks containing water, flashlights, pens, maps with hospital locations, victim worksheet forms and welfare/whereabouts checklists, and a limited number of cell phones. Although the emergency task force center is well-equipped, consular officers might find it impossible to reach the embassy because of earthquake damage to the two access roads.

Recommendation 13: Embassy Caracas should designate a secondary location for the consular emergency task force center in case the embassy site can not be accessed or used in the event of an emergency. (Action: Embassy Caracas)

Fraud Prevention Unit

The consular fraud prevention unit actively supports the NIV, IV, ACS, and the Maracaibo consular agency. An FS-04 officer oversees the activities of two LE staff investigators. The ARSO/I supports several fraud prevention unit training projects that provide information to consular officers on Venezuelan passports and other travel documents as well as local trends in illegal immigration. The ARSO/I also investigates fraudulent visa applications, especially the burgeoning number of work-based visa petitions submitted by marginal or even nonexistent companies.

The ARSO/I and fraud prevention unit chief have provided training to local airline employees on travel documentation and have also facilitated DHS training of local airline employees. During the inspection, the first of two DHS officers arrived in Caracas to staff a new DHS visa security unit within the consular section.

Consular Agency Maracaibo

The consular agency in Maracaibo occupies the second floor of a two-story building in a residential neighborhood. A contract guard controls entry to the consular agency's secure premises, and every person entering the agent's office suite must provide some form of photo identification to the guard and the agency receptionist prior to admittance.

In place since 1996, the consular agent also runs an insurance business and belongs to the Venezuelan-American Chamber of Commerce. He is well known in the community and receives excellent cooperation from local officials. Besides providing emergency services to American citizens, the consular agency accepts passport applications and consular reports of birth that he forwards to the Caracas Embassy for final processing. The agent is also authorized to provide notarial services and administer sworn oaths. Agency clients pay all fees for services rendered with certified checks drawn on a branch of the same local commercial bank used by the embassy consular section. Clients receive written receipts for all payments. Each week the agency sends the certified checks to the embassy for deposit, accompanied by worksheets listing service payments and copies of fee receipts. At the time of the inspection, no American citizens were imprisoned in the agency's district.

The Department plans to open an American presence post in Maracaibo in 2007 staffed by two officers. This facility would be officially classified as a consulate for the purposes of privileges and immunities provided under the Vienna Convention on Consular Relations, but for practical purposes it would not provide the complete range of consular services. The embassy is presently seeking approval from the Venezuelan government to establish this post.

RESOURCE MANAGEMENT

Agency	U.S. Direct-Hire Staff	U.S. Local-Hire Staff	LE Staff	Total Staff	Total Funding FY 2007
State Department Program	60	1	29	90	2,836,200
ICASS	7	15	106	128	5,760,000
Representation					37,800
NAS	3	1	3	7	321,500
Public Diplomacy	6	1	18	25	1,261,410
Diplomatic Security	0	1	1	2	1,072,948
Marine Security	8	0	4	12	219,216
OBO	1	0	0	1	3,456,383
Machine-readable Visas	0	5	5	10	321,500
Foreign Commercial Service	2	0	9	11	1,734,135
Defense Attaché Office	12	1	3	16	450,000
Office of Defense Cooperation	5	0	4	9	339,122
DOD/TAT	2	0	0	2	6,000
Foreign Agricultural Service	1	0	6	7	453,530
Animal Plant and Health Inspection Service	0	0	1	1	74,443
Drug Enforcement Administration	13	0	3	16	Not Available
Federal Bureau of Investigation	4	0	0	4	490,000
Department of Homeland Security	5	0	0	5	155,082
USAID	2	0	1	3	156,200
Totals	131	25	193	349	19,145,469

OVERVIEW

Embassy Caracas' real property, financial management, and human resources are adequate to underpin the mission's combined MPP goals. Budgets, however, are tight. Embassy Caracas employs 131 U.S. direct-hire, 25 U.S. local-hire, and 193 LE staff. The embassy has an additional 85 local contract guards and approximately 30 other contractors who work on the grounds. Nine U.S. government agencies are resident at post. Embassy Caracas also has a consular agent in Maracaibo. The combined FY 2007 budgets of all U.S. government agencies at the mission exceed \$19 million.

The morale of the mission's U.S. staff is fair. The climate in Caracas is ideal, and the schools are excellent, a magnet for families with children. The public hostility of the Venezuelan government, migration of housing away from the chancery, increased criminal violence, and traffic congestion have conspired to drive down formerly high morale. The U.S. direct-hire staff currently receives a 15 percent post hardship differential and a 20 percent cost of living allowance. The mission has sought to increase both allowances. The tour of duty at Embassy Caracas is three years. (b) (2)
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MANAGEMENT OPERATIONS

Last year the human resources officer and a string of temporary duty visitors covered a seven month gap in the management counselor slot: this may explain the relatively low scores on the OIG workplace and quality of life questionnaire (WQLQ) for overall management and customer service. The newly arrived management counselor, who replaced an information officer serving out of cone, has been at the mission less than two months. The OIG team counseled him to draw fully on the expertise of his staff and to keep them abreast of his interactions with the front office.

His major challenges will be to redress identified operational deficiencies, to manage the U.S. staff's housing expectations, and to manage the wage and retirement demands of LE staff. The FY 2008 MPP did not address these issues, but the FY 2009 MSP, the MPP successor planning document, should do so. An informal recommendation addresses this issue. A bundle of reciprocity issues are also mov-

faction with the quality of services. There is, however, marked dissatisfaction with the level of customer service provided by the general services office, especially with respect to housing. Embassy Caracas is also committed to job-specific and professional employee training, and training opportunities for LE staff abound.

FINANCIAL MANAGEMENT OFFICE

The financial management office scored very high on the WQLQ, and it provides top-quality services to the mission. A staff of 15 LE staff backstops the well-qualified financial management officer. Budgeting, funds management, payroll operations, vouchering, and cashiering all are well managed and follow prescribed Department procedures. A local bank provides, at no charge, accommodation exchange and automatic teller machine services at the chancery.

Embassy Caracas conducts all official transactions at the rate of exchange set by the Venezuelan government, currently 2,150 bolivars to the U.S. dollar. Mission management also requires all U.S. employees to exchange dollars at this rate. The parallel exchange rate, which is nearly double, poses a temptation. As detailed earlier in this report, Embassy Caracas is actively exploring the possibility of using an exemption under Venezuela's Foreign Exchange Law whereby businesses, embassies, and the Venezuelan government itself can exchange at the parallel market rate. The mission has already received a favorable legal opinion. This confirmed that such parallel market mechanisms are a legal and accepted practice under prevailing law.

Embassy Caracas accordingly plans to circulate a decision paper requesting Department authorization for use of the parallel market. While the OIG team learned that there is resistance to this practice at the working level of the Charleston Global Financial Services Center, the legality of this cost-effective measure for the U.S. government appears clear. A number of embassies and major multinational firms in Caracas, including those that are U.S.-based and/or U.S.-registered, are already accessing legally the parallel-market rate. The OIG team finds the bottom line clear: use of the parallel market by the mission and/or mission employees would nearly halve official expenditures. Combined with possible reduction in the cost of living allowance, this would represent a seven-figure savings to the U.S. government. A formal recommendation addresses the need for Embassy Caracas to seek authorization.

In FY 2006, Embassy Caracas returned \$75,000 in program funds, an unlikely scenario for FY 2007 given the expected decrease in the FY 2007 budget. The ICASS budget may also be reduced, but Embassy Caracas has a substantial cushion in an \$820,000 carry-over from FY 2006. All agencies have agreed to a significant

salary increase for LE staff, and WHA/EX is working out the details. The increase will compensate for some but not all purchasing power lost to inflation. For its part, the mission will be able to fund the bulk of the salary increase from funds freed up via the elimination of various ICASS positions. The bureau will contribute only about 1.5 percent of the salary increase for ICASS and program positions. The Bureau of Diplomatic Security has been tardy in providing funding for the local guard program; as a result, on several occasions payment to the local guard contractor has been late.

The Venezuelan Ministry of External Relations currently takes six to eight months to process requests for the refund of value-added tax (VAT), which hurts both the mission and its staff – VAT runs 11 percent. VAT refunds for both program and public affairs requests returned after the close of the fiscal year are lost to the post. In FY 2006, the mission lost \$23,409 in program funds and \$11,264 in public affairs funds that went to the Department of the Treasury. The mission can retain ICASS VAT refunds even if these are returned after the close of the fiscal year. The mission presently has an unprocessed pipeline of requests for VAT refunds totaling \$404,855 to program and ICASS, and \$66,625 for embassy staff. The mission has repeatedly pressed the Ministry of External Relations for quicker responses or, ideally, issuance of point-of-sale tax exemption cards for the employees of Embassy Caracas. Venezuelan diplomats in the United States presently use point-of-sale tax exemption cards.

HUMAN RESOURCES OFFICE

The OIG team found that the human resources office is providing excellent services to both American and LE staff employees: the high marks the mission community gave this office on the WQLQ bear out this judgment. The human resources office manages robust training and awards programs as well as orientation and language programs for American and LE staff employees. The 2004 computer-assisted job evaluations exercise went well. The mission has one exception rate range position in the health unit. Embassy Caracas has a vibrant EFM employment program: there are currently 23 EFMs employed within the mission.

A review of files confirmed that LE staff personnel files include up-to-date security clearances, current personal services agreements and position descriptions, complete performance evaluations, timely in-grade salary increases, and accurate position classifications. Work requirement statements and performance evaluations for U.S. direct-hire employees are prepared on time.

A very capable, four-person LE staff contingent assists the equally capable human resources officer, and a job description for the fifth authorized senior LE staff position, now vacant, is in draft. The expertise of the human resources officer is beyond question, but his rapport with employees seeking clarifications could at times be better. The same is true of his staff. Given the major human resource challenges faced by the mission, greater sensitivity in addressing employee concerns would be beneficial. This is not to imply that the news must always be good. The support of senior mission management will be crucial on those occasions when the response to groups of employees must be negative.

The mission's post differential and cost of living reports are up to date, but mission management is confident that conditions have changed significantly enough to warrant a review. An updated post differential report is now in draft, but revision of the cost of living allowance report has not yet begun. The draft differential report cites the spiraling crime rate, housing issues, and isolation as pertinent factors. A large number of employees echoed these concerns in their conversations with the OIG team. The cost of living report will cite a shrinking supply of consumer goods and ever-escalating prices as justification for an increase.

The LE staff handbook and compensation plan for Embassy Caracas are current. WHA's executive office is reviewing the results of the latest salary survey and the concomitant recommendation of the ICASS council. A wage increase is forthcoming.

LE staff benefits are generous. The human resources officer told the OIG team that in 1998 the mission proactively instituted three LE staff compensation benefits: a meal allowance, a miscellaneous benefits allowance, and a savings fund. These benefits remain vested rights of the employees. The Bureau of Human Resources, Office of Overseas Employment is aware of this.

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While the Department may find a need to increase some retirement benefits, it is doubtful that the Department could approve participation in the defined contributions retirement plan. It is standard U.S. government policy to participate in local so-

cial security systems absent a compelling financial justification for nonparticipation. Because Venezuela's social security system is financially viable, this case cannot be made at this time. The U.S. government contributes 10.7 percent and employees 4.5 percent, through payroll deductions, of gross LE staff monthly salary to the Venezuelan social security system. Women begin collecting social security at age 55 and men at 60. Under Venezuelan law, there is no mandatory retirement age.

GENERAL SERVICES

Embassy personnel rated the services of the general services section low in OIG's WQLQ and faulted the section for an alleged lack of customer service orientation. However, in reviewing operations, the OIG team found that the general services office provides adequate services and usually meets or exceeds ICASS standards. A supervisory general services officer (GSO) heads the section, supported by an energetic assistant GSO and 49 LE staff. The section uses the Department's Web Post Administrative Software Suite for procurement, housing, motor pool, facilities, nonexpendable property, and expendable supplies.

The shipping and customs unit functions well despite the Venezuelan Ministry of External Relations' lack of zeal in clearing embassy personnel's household effects shipments and formally registering privately owned vehicles. A commercial contractor provides travel services under the General Services Administration contract. Motor pool operations are adequate although on occasion official vehicles are not available upon request. The embassy warehouse is fully stocked, spacious, and well-organized.

The OIG team identified management controls weaknesses in the area of both expendable and nonexpendable property. The procurement and facilities maintenance sections have made several unauthorized commitments that were promptly ratified. The OIG team made several informal recommendations to address other minor weaknesses in the GSO section.

Housing Program

The housing board meets monthly and occasionally votes on housing assignments by e-mail. An OIG review revealed that the leased apartments are, for the most part, in good condition and well furnished notwithstanding complaints by several embassy personnel in both the WQLQ and the personal questionnaires. DAO

and MILGP provide their officer, but not enlisted personnel, with living quarters allowance and do not participate in the mission housing pool; MILGP complained that on at least one occasion the general services office had outbid MILGP for a vacant apartment.

Preparation of lease waivers has added significantly to the administrative workload in the section. The housing staff is required to complete and submit a lease waiver request each year for every annual rental agreement that exceeds the OBO ceiling of \$25,000. In the case of Embassy Caracas, all short-term leases are above the ceiling. OBO has granted variances to the established ceiling of \$25,000 to several posts, including London, Paris, and Rome. The inspection team made an informal recommendation that the embassy should request a variance to the annual rental cost ceiling threshold in accordance with policy set forth in other high rental-cost posts.

Real Property

The U.S. government-owned chancery, constructed in 1995 for \$58.5 million, is a modern structure located on a 25-acre property just outside of Caracas' business center. Other U.S. government-owned properties include the current chief of mission residence (CMR), the newly acquired CMR, the DCM residence, and seven apartments. These properties are in good shape – they have been properly maintained. OBO has authorized the sale of the current CMR and four apartments that do not meet seismic standards.

At the time of the inspection, the newly acquired CMR was still under renovation. OBO authorized \$206,000 for a perimeter security wall and an additional \$94,000 for any additional make-ready costs, but after a review the embassy determined that further upgrades are needed. Accordingly, the embassy requested additional funding to complete the renovations. There is an ongoing discussion amongst the embassy, OBO, and WHA about this issue.

Facilities Maintenance Unit

An experienced facilities manager leads this well-performing unit. It does well on all counts: preventive maintenance, work order response, and management of special projects including the CMR renovation. However, the section has entered into two unauthorized commitments since FY 2006. During the course of the inspection, the embassy was seeking full information on a potential violation of the

Antideficiency Act by the facilities maintenance unit. The post ratified the unauthorized commitments, which were under \$1,000. Both unauthorized commitments reflect insufficient management oversight of the construction projects.

In addition, the section has not fully complied with recommendations embodied in the July 2006 safety, health, and environmental management report and the February 2005 fire and life safety report. The Ambassador reported noncompliance with the fire and life safety report in preparing his chief of mission annual management control certification in July 2006. The targeted date for completion of final corrective action is June 2007. Although the renovation at the new CMR has taken precedence, it is essential that the post address and comply with all safety, health, and environmental management and fire safety recommendations by the deadline. The OIG team made an informal recommendation to this effect.

Motor Pool

The motor pool unit provides adequate services, and there are sufficient drivers to meet the embassy's needs. Vehicles are well maintained, and drivers' overtime is kept to a minimum. The embassy provides home-to-office transportation free of charge for five days to those employees whose privately owned vehicles are shipped to post. According to 14 FAM 418.2-4, the embassy must charge for home-to-office transportation. Also, the OIG team identified a PAS employee who uses official vehicles for PAS distribution deliveries who is not included in the list of individuals authorized to operate an official vehicle. The OIG team made informal recommendations addressing these issues.

Procurement

The procurement staff executed about 1,000 procurement actions in FY 2006, totaling about \$3.6 million. The section functions well, although procurement agents did initiate two unauthorized commitments by failing to verify funds availability in the blanket purchase agreements. The unauthorized commitments were promptly corrected. During the course of the inspection, Embassy Caracas addressed this weakness by adding revised procurement controls to its standard operating procedures.

Bulk funding for blanket purchase agreements and purchase card transactions are designed to maximize efficiency within post's ICASS operations, but Embassy Caracas individually funds each transaction rather than using bulk funding for purchase cards and blanket purchase agreements. Embassy Caracas would benefit from bulk-

funded blanket purchase agreements and purchase card transactions. The GSO and the financial management section should, however, establish the necessary controls prior to moving to bulk-funded blanket purchase agreements and purchase cards. The OIG team made an informal recommendation to this effect.

INFORMATION MANAGEMENT

Embassy Caracas' information management (IM) section runs well. Every aspect of their operation meets embassy needs effectively, and in several cases the IM staff has devised innovative ways to further improve service. IM services received excellent feedback from customers, both in OIG's WQLQ and in the ICASS survey. However, the section will have to deal with several future challenges to maintain this exemplary record. Most importantly, it will need to realign staffing to meet mission requirements once more stringent security restrictions go into effect with respect to OpenNet system administration. The classified security annex to this report discusses this issue. A second area of concern is the embassy switchboard, which has at times been overwhelmed by consular applicants seeking information related to their cases. Finally, the collapse of the bridge on the route leading from Caracas to the international airport has complicated pouch operations.

The information management center (IMC), managed by the information systems officer, maintains the OpenNet network and provides excellent customer service. The section has documented systems' configurations as well as contingency and security plans. In addition, IMC has captured the section's work processes as part of the International Organization for Standardization 9000 certification process. The IMC has taken innovative steps to make the embassy's Intranet page a portal for conducting business through the use of databases that link to users' active directory accounts.

Comprised of an information programs officer and three IM specialists, the information programs center (IPC) effectively maintains the following operations: classified local area network operations, telephones, radio, and pouch service. Network circuits are well maintained, and the embassy has more than adequate bandwidth. The IPC found a creative way to save money on telephone service by installing instruments that convert land-line calls to cellular calls to take advantage of cheaper cell-to-cell calling rates. The IM officer, the newest member of the IM section, has set out to improve the chancery's cabling infrastructure and to ensure that embassy IM operations comply with the Federal Information Security Management Act.

Realigning Staffing to Meet Needs

The biggest challenge facing the IM section has been and will continue to be realigning of staffing and workloads to meet mission requirements in light of restrictions imposed last year that eliminate LE staff administrator rights to the OpenNet network. Absent such rights, the LE staff are practically unable to do their jobs, which revert to American staff to complete. Due to their routine exposure, LE staff have the longest institutional memory about a network's development as well as the most experience in troubleshooting specialized user applications. The American staff generally lack such extensive experience. The IM section is currently in the process of developing a proposal to realign staffing to meet future needs. Most likely, this will involve letting go of one or more LE staff as well as transferring an IPC staff member to the IMC to assist with OpenNet administration and user support. One LE staff administrator has already been transferred to PAS as a web developer.

A request for additional American staff is central to the IM proposal, and OIG supports the addition of one IM specialist position to the IM section. This would relieve the burden on the information systems officer, whose personal involvement in closing user trouble tickets has skyrocketed – he currently closes nearly 60 percent of trouble tickets whereas previously the LE staff closed nearly all of them. This task has pulled the information systems officer from other chores more central to management of the IMC. It has also constrained his attention to security duties as the information systems security officer. Restricting LE staff from their traditional work will require additional American staff time to assume these responsibilities. Embassy Caracas will soon feel the pinch of this transition as many of the current team – who work extremely well together – begin to rotate out. Four of the six American direct-hire staff will leave Embassy Caracas within six months. EFMs could be a viable option for augmenting American staffing in the IM section, but it is uncertain that sufficient technical expertise can be found among the eligible pool of EFMs.

Recommendation 14: Embassy Caracas should request, and the Bureau of Human Resources should provide, one additional information management specialist position. (Action: Embassy Caracas, in coordination with DGHR)

Telephone Operations

Post telephone services run smoothly via a Nortel Meridian 61C private branch exchange (PBX) system installed 18-months ago. The PBX is well maintained and has all the necessary features installed. The telephone systems at the CMR, the DCM residence, and the Marine security guard quarters use Nortel Business Communication Manager units serviced by the LE staff telephone technician. Because of restrictions on LE staff access to the telephone frame room, maintenance of the main PBX devolves solely to IPC personnel, one of whom has become the specialist of sorts. The IM section believes a full-time telephone technician (IM technical specialist) position is necessary at post to maintain the PBX. However, OIG does not believe such a position is necessary at this point – or even possible – given the Department's dearth of funding for technician positions.

Embassy Switchboard

Working conditions for the switchboard operators have been strained of late. Over the last three years, staffing has been cut from six positions to three -- based mostly on the presumption that the new PBX would have more automated features, thus allowing callers to direct-dial phone extensions from a menu. This has proven not to be the case, however, because most callers simply dial the operator anyway. The three remaining operators now each handle twice the volume of calls and must scramble to provide adequate coverage whenever one is ill or on leave.

A second issue recently affecting telephone operations is the glut of calls related to consular operations that have overwhelmed the switchboard. In December, a confluence of events occurred – including a consular upgrade, difficulties with the consular call center, and a sudden spike in consular applicants – that caused many consular applicants and American citizens to call the main embassy switchboard instead. As operators were not permitted to forward the calls to the consular section, they had to handle the callers themselves or involve American IM staff. The calls have abated somewhat since the call center added additional agents, but consular calls still exceed the capacity of call center lines and account for a sizeable percentage of daily calls to the switchboard. In many cases, upset callers insist on arguing their case with the embassy operators rather than paying the fee for speaking with the customer service center. The call center recently submitted an order for additional trunk capacity to add more voice channels; this, however, will take considerable time.

Mail and Pouch

A full-time EFM assisted by an LE staff mail clerk run effective mail and pouch services. The LE staff clerk also doubles as a radio and telephone technician. Overall, the mailroom pays scrupulous attention to customer service and adheres strictly to postal and Department regulations. Pouch escort duty is shared at post, with the duty officer accompanying the EFM on biweekly pouch runs to the airport. The collapse of the main bridge between Caracas and its international airport has made the pouch run a 12-hour affair. The new bridge is scheduled to open in summer 2007.

QUALITY OF LIFE

Housing

Embassy housing is a complex issue that significantly affects morale. First, the May 2003 OBO seismic survey report concluded that most of the embassy-leased apartments and some U.S. government-owned units were seismically vulnerable. OBO has sold or is in the process of selling U.S. government-owned apartments that do not meet seismic standards, and, as personnel transfer from post, the embassy has moved their successors from newer apartments that do not meet seismic guidelines to older but more seismically sound buildings. This migration, which addresses safety concerns, has limited the number of buildings available to satisfy the embassy's housing needs and has had the effect of moving some embassy staff away from the chancery. Given Caracas' traffic gridlock, this is a significant hardship.

A second obstacle is the increasingly competitive Caracas renters' market. Many deep-pocketed oil company executives and oil-wealthy Venezuelans rent in the city. In addition, the political situation has prompted several of the embassy's former landlords to sell their rental apartments in hopes of investing the proceeds offshore. These factors have exacerbated the housing issue and significantly driven up the cost of leases. Under trying circumstances, the embassy has done its best to provide safe and suitable housing. The embassy currently administers 91 short-term lease apartments.

Employees also complained about the embassy's make-ready process as well as the repairs and maintenance provided by the landlords. For instance, even with sufficient lead time between occupants, some leased units are not ready for occupancy prior to the arrival of incoming staff. The inspection team informally recommended that the embassy establish a working group to correct the make-ready process before the arrival of new officers in the summer of 2007.

Community Liaison Office

Two part-time community liaison office (CLO) coordinators and one newsletter assistant staff the CLO operation. Embassy personnel praised CLO activities, especially the sponsorship program, which received high marks on the WQLQ. The CLO coordinators provide comprehensive and accurate information and advocate

well for U.S. staff members and their family members. The CLO orientation for newcomers includes social activities, liaison with the mission and community, security liaison, event planning, educational issues, and family member employment. The two CLO coordinators are active in the mission emergency action committee.

Health Unit

The health unit provides quality services to mission personnel and is well regarded by all. A part-time nurse works 32 hours per week, and the post medical advisor is available for eight hours each week. The part-time EFM nurse position was not filled at the time of the inspection. The unit is spotless, records are up-to-date, confidential medical files are secured, and medicines are properly stored in a secure room.

Support from the regional medical officer has been inconsistent. The regional medical officer from Bogota visits two to three times a year, but Embassy Caracas would prefer quarterly visits. The regional psychiatrist posted in Lima visits Caracas twice a year, but the embassy believes, and the OIG team concurs, that the high stress created by a hostile government, atrocious traffic, and rampant crime merits more attention from the regional psychiatrist. The OIG team informally recommended that the embassy prepare a memorandum of understanding with the regional medical officer from Bogota and the regional psychiatrist from Lima to establish a schedule for recurrent visits that meets the embassy's needs.

American Employee Association of Venezuela

The American Employee Association of Venezuela (AEEAV) is a modest but profitable institution that provides a variety of services. It charges no membership fee because the bulk of its earnings come from licenses to concessionaires who pay monthly fees and a percentage of their profits from two cafeterias, a snack bar, a kiosk, and a visa photo machine that operate on mission facilities. The kiosk, open to both LE and American staff, stocks no duty-free merchandise. Paid membership in the embassy's on-site gym generates a second AEEAV revenue stream. The charter of AEEAV highlights charitable outreach as one of the organization's principal goals — the association's financial statement lists funds generated for charitable causes as a separate cost center.

AEEAV has a board of elected directors, but the only salaried AEEAV employee is a part-time manager who works 15 to 20 hours a week. There is talk of creating a second position for a part-time manager of the gym, and some mission employees would like AEEAV to establish a duty-free commissary to replace a similar facility

that closed several years ago after suffering substantial loss. AEEAV pays nothing to the mission, notwithstanding a licensing agreement that stipulates payment. The OIG team informally recommended that the mission bill the association in accordance with the licensing agreement.

The Bureau of Administration's Office of Commissary and Recreation Staff has expressed concerns about AEEAV's financial records, a concern echoed by the audit firm contracted by AEEAV to perform the 2005 audit. AEEAV's treasurer is working with an accounting firm to bring AEEAV's financial statements and practices into conformance with 6 FAM 531.

Schools

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(b)(2)(b)(6) The school facilities are old but well maintained. Classroom space is more than adequate. The classes are small, typically with about 15 students. The campus has playing fields, gyms, and a swimming pool. The school is financially sound and holds an ample cash reserve. Tuition ranges from \$13,916 to \$18,784, and there is a one-time per-student capital improvement fee of \$6,803. Tuition and other school charges apply equally to all students.

Since 2001, the Department has provided \$342,293 in grant assistance to }
In FY 2006, the Department provided a security grant of \$50,400 for closed-circuit television, a public address system, and metal detectors. (b)(2)(b)(6)
(b)(2)(b)(6)(b)(2)(b)(6)(b)(2)(b)(6)(b)(2)(b)(6) The OIG team reviewed invoices, which were in order. In FY 2006, the Department provided

an additional grant of \$60,000 for salaries, educational materials, and staff development. These invoices were also in order. The Department has budgeted for a grant of \$48,500 in FY 2007.

MANAGEMENT CONTROLS

The management controls for expendable and nonexpendable property continue to be weak, as also found in the 2001 OIG report. During the current inspection, the embassy was in the process of strengthening relevant management controls. As noted earlier in this report, the embassy entered into several unauthorized commitments that have since been corrected at the post and in the Department. During the inspection, the management section was seeking additional information on two other potential administrative violations of the Antideficiency Act.

The embassy completed a Bureau of Resource Management risk assessment questionnaire in December 2006, and all functional scores topped 85 percent, with one function scoring 100 percent. Given that weaknesses were identified to the OIG team in the general services section, the post may wish to resubmit the risk assessment questionnaire.

PROPERTY MANAGEMENT

Poor management of the embassy's expendable and nonexpendable property has been a longstanding problem. The last OIG inspection report stated that, "Management controls over personal property are weak or nonexistent." It also stated that "controls over nonexpendable property have been deficient since at least 1988, and that it was not until 1994 that post employees discovered that many expendable supply records had not been updated since 1963."

In preparation for the OIG inspection, the GSO section identified various problems with embassy nonexpendables. It became clear that data in the nonexpendable property application (NEPA) system was inaccurate and supporting documentation, such as the comprehensive and visual reconciliation reports, was not on file. (b) (6) (b) (6)(b) (6)(b) (6)(b) (6)(b) (6)(b) (6)(b) (6) (b) (6)(b) (6)(b) (6)(b) (6)(b) (6)(b) (6)(b) (6) (b) (6) There was no evidence of theft. GSO section managers should have monitored the property documentation periodically but did not. The GSO promptly requested a team from the Florida regional center to assist the post with the inventory reconciliation process and to train a new property supervisor. The OIG team commends the section for this assertive approach.

The embassy took action to establish tighter management controls over property during the course of the inspection, but additional work is needed. In the absence of a NEPA clerk – the newly hired NEPA clerk has not yet begun work – no one has entered receiving reports into the NEPA system. GSO has not updated the expendable supplies records since December 2006. GSO has completed an inventory in secure offices but has not taken an inventory in the secure storage area. Preliminary inventory figures for the nonexpendable property show that the embassy is over the one-percent acceptable loss level. The embassy has requested a Department extension for submission of its FY 2006 property management certification to ensure an accurate baseline for the inventory and reconciliation of both expendable and nonexpendable property.

Recommendation 15: Embassy Caracas should establish and implement proper accountability and management controls over expendable and nonexpendable property. (Action: Embassy Caracas)

The annual Chief of Mission Management Control Certification signed on July 11, 2006, noted two reportable conditions. Post has taken satisfactory corrective actions to resolve these deficiencies. However, the lack of controls over property constitutes a major reportable material weakness existing during the period which the certification covered – post should have reported this to the Department in accordance with 2 FAM 023.2

Recommendation 16: Embassy Caracas should prepare and submit a corrected certification of management controls in the format stipulated in the Foreign Affairs Manual. (Action: Embassy Caracas)

UNAUTHORIZED COMMITMENTS AND FUNDS CONTROL

The embassy facilities maintenance office and the procurement office have entered into several unauthorized commitments since FY 2006. These unauthorized commitments were under \$1,000, and they were promptly ratified at post. The Bureau of Administration's Office of the Procurement Executive ratified one unauthorized commitment for \$2,551.

During the course of the inspection, the RSO and the facilities maintenance office were compiling an information file on two possible administrative violations of the Anti-Deficiency Act, as defined by 4 FAM 088.1-4(a). The embassy has already issued administrative notices about the importance of not entering into unauthorized commitments: the OIG inspection team informally recommended that in addition to this, the embassy should provide training to all section heads on unauthorized commitments and the Antideficiency Act.

FORMAL RECOMMENDATIONS

Recommendation 1: Embassy Caracas, in coordination with the Bureau of Western Hemisphere Affairs, should seek approval from the Bureau of Resource Management to use legally authorized parallel exchange mechanisms to acquire local currency for all official expenses and cashiering. (Action: Embassy Caracas, in coordination with RM and WHA)

Recommendation 2: Embassy Caracas, in coordination with the Bureau of Western Hemisphere Affairs and the Bureau of Human Resources, should create and fill an additional political officer position in Caracas. (Action: Embassy Caracas, in coordination with DGHR and WHA)

Recommendation 3: Embassy Caracas, in coordination with the Bureau of Western Hemisphere Affairs, the Bureau of International Narcotics and Law Enforcement Affairs, and the Bureau of Human Resources, should create and fill a new political position to cover counternarcotics assistance initiatives and regional reporting. (Action: Embassy Caracas, in coordination with WHA, INL, and DGHR)

Recommendation 4: Embassy Caracas, in coordination with the Office of Right-sizing, should seek National Security Decision Directive 38 approval to formally eliminate the two U.S. Customs and Border Protection positions in the narcotics affairs section. (Action: Embassy Caracas, in coordination with M/R, INL, and WHA)

Recommendation 5: Embassy Caracas, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, should close the narcotics affairs section and transfer remaining narcotics affairs section activities and select personnel into the political section unless the Venezuelan government has signed required bilateral agreements by July 1, 2007, that is, before assignment of a new narcotics affairs section chief occurs. (Action: Embassy Caracas, in coordination with INL)

Recommendation 6: Embassy Caracas should review and rewrite the position description for the narcotics affairs section's purchasing agent and subsequently advertise and fill the job. (Action: Embassy Caracas)

Recommendation 7: The Bureau of Human Resources, in coordination with the Bureau of Western Hemisphere Affairs, the Bureau of Economic, Energy, and Business Affairs, and the Foreign Service Institute, should identify future candidates for the petroleum officer position at Embassy Caracas who have the requisite expertise or, in the event that such expertise is unavailable, provide adequate training to the new petroleum officers prior to their arrival at post. (Action: DGHR, in coordination with WHA, EEB, and FSI)

Recommendation 8: Embassy Caracas, in coordination with the Bureau of Western Hemisphere Affairs, should request approval and funding for an increase in locally employed support staff, and the Bureau of Resource Management should review budgetary support to the Embassy Caracas public affairs section in light of this request. (Action: Embassy Caracas, in coordination with WHA and RM)

Recommendation 9: Embassy Caracas, in coordination with the Under Secretary for Public Diplomacy and Public Affairs, and the Director of U.S. Foreign Assistance, should seek continued funding for special projects that leverage favorable media coverage in support of the strategic goal of mutual understanding. (Action: Embassy Caracas, in coordination with R and F)

Recommendation 10: Embassy Caracas should formulate a revised strategy, with concrete supporting tactics, to reach out to the poorer classes in Venezuela through the activities of the Information Resource Center. (Action: Embassy Caracas)

Recommendation 11: Embassy Caracas should install an awning to shield the three outside windows at the controlled gate from direct sunlight and use these windows to process the biometrics of travel agency applicants. (Action: Embassy Caracas)

Recommendation 12: Embassy Caracas should cross-train two employees to handle immigrant visa intake processing. (Action: Embassy Caracas)

Recommendation 13: Embassy Caracas should designate a secondary location for the consular emergency task force center in case the embassy site can not be accessed or used in the event of an emergency. (Action: Embassy Caracas)

Recommendation 14: Embassy Caracas should request, and the Bureau of Human Resources should provide, one additional information management specialist position. (Action: Embassy Caracas, in coordination with DGHR)

Recommendation 15: Embassy Caracas should establish and implement proper accountability and management controls over expendable and nonexpendable property. (Action: Embassy Caracas)

Recommendation 16: Embassy Caracas should prepare and submit a corrected certification of management controls in the format stipulated in the Foreign Affairs Manual. (Action: Embassy Caracas)

INFORMAL RECOMMENDATIONS

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

The political section of Embassy Caracas has no representation plan and no travel plan on file, and the section has done only limited regional reporting outside of Caracas in the past year.

Informal Recommendation 1: Embassy Caracas should develop a written representation plan and a travel plan to ensure that political officers embark on reporting trips outside of Caracas at least once quarterly.

The consular waiting room and other public areas of the embassy make only limited use of the opportunity to educate and inform visitors.

Informal Recommendation 2: Embassy Caracas should make broader use of U.S. travelogue material, U.S. university promotional videos, and other like materials over television monitors in the consular waiting room and other public waiting areas of the embassy.

The NAS has a government purchase card with an unnecessarily high \$1 million purchase limit, and the section's grants officer has an unnecessarily large warrant of \$100,000.

Informal Recommendation 3: Embassy Caracas should lower the purchase limit of the travel card of the narcotics affairs section and reduce the grants officer's warrant to \$10,000.

The FY 2008 MPP does not address several of the mission's most pressing issues including employee housing expectations and the demands of the locally employed staff.

Informal Recommendation 4: Embassy Caracas should address management issues, including housing and locally employed staff demands, in its FY 2009 Mission Strategic Plan.

The mission's efforts to inform interested bidders about current mission housing in Caracas do not work. Neither the post report nor the prearrival cable (TM 2) provides complete and accurate descriptions of the current housing profile. The differential report does provide a more accurate description.

Informal Recommendation 5: Embassy Caracas should more fully and accurately describe mission housing in the post report and the prearrival cable (TM 2).

The preparation of lease waivers has added significantly to the administrative workload in the general services section because all short-term leases in the embassy inventory are above the \$25,000 ceiling.

Informal Recommendation 6: Embassy Caracas should request a variance to the annual rental cost ceiling threshold in accordance with policy set forth in other high-leased cost posts.

Embassy Caracas has not complied with most of the February 2005 fire and life safety report and the July 2006 safety, health and environmental management report.

Informal Recommendation 7: Embassy Caracas should implement and report to the Department corrective actions for the remaining open recommendations contained in the February 2005 fire and life safety report and the July 2006 safety, health, and environmental management report.

Embassy Caracas' motor pool policy offers home-to-office transportation for five days free of charge to those employees who are waiting for their privately owned vehicles to be shipped to post. This is against 14 FAM 418.2-4

Informal Recommendation 8: Embassy Caracas should charge for all home-to-office services as required by Department regulations.

A public affairs clerical employee uses official vehicles for PAS distribution deliveries. According to the embassy's official vehicle use policy, the employee is not included in the list of individuals authorized to operate an official vehicle.

Informal Recommendation 9: Embassy Caracas should correct its official vehicle-use policy if it is necessary for the public affairs employee to continue to self-drive in order to deliver public affairs publications and invitations.

Blanket purchase agreements and purchase cards transactions are not bulk-funded.

Informal Recommendation 10: Embassy Caracas should bulk-fund blanket purchase agreements and purchase cards transactions and establish the necessary controls prior to moving to bulk-funded blanket purchase agreements and purchase card transactions.

The embassy web site does not have general information about customs and shipping procedures, although such a link would be valuable for new arrivals. The embassy relies primarily on the cable sent to newcomers by the human resources section that contains general information about household effects and privately owned vehicles.

Informal Recommendation 11: Embassy Caracas should place on its web site a link with general information for newcomers about customs and shipping procedures.

Embassy Caracas has conducted an unannounced spot check in FY 2007 on its non-expendable property and expendable supplies.

Informal Recommendation 12: Embassy Caracas should perform periodic spot checks of inventories to verify the accuracy of the recorded information.

Embassy Caracas does not have inventory overage documentation.

Informal Recommendation 13: Embassy Caracas should prepare an inventory overage document and keep it with the annual property management report.

There is no written replacement cycle program for residential properties such as furniture and appliances. There are no established written minimum and maximum stock levels.

Informal Recommendation 14: Embassy Caracas should develop a plan for the management of all nonexpendable items to include an acquisition plan, a replacement cycle program for furniture and appliances, and a justification for the quantities of items to be stored in the warehouse.

Even with sufficient lead time between occupants, Embassy Caracas leased apartments are often not ready or appropriately clean.

Informal Recommendation 15: Embassy Caracas should establish a working group to correct the make-ready process before the arrival of new officers in the summer of 2007.

Regional support from the regional medical officer and the regional psychiatrist has not been consistent. Their visits have been infrequent.

Informal Recommendation 16: Embassy Caracas should prepare a memorandum of understanding with the regional medical officer from Bogota and the regional psychiatrist from Lima to schedule set visits.

The licensing agreement between the mission and the American Employee Association of Venezuela requires the association to pay the mission a monthly fee for space and utilities. The mission has not billed the association, and the association has not paid the required fees.

Informal Recommendation 17: Embassy Caracas should begin billing the American Employee Association of Venezuela, as stated in their licensing agreement.

Embassy Caracas has entered into several unauthorized commitments since FY 2006. The post is still compiling a file on two potential violations of the Antideficiency Act.

Informal Recommendation 18: Embassy Caracas should provide training to all section heads at post on unauthorized commitments and the Antideficiency Act.

PRINCIPAL OFFICIALS

	Name	Arrival Date
Ambassador	William R. Brownfield	09/04
Deputy Chief of Mission	Kevin Whitaker	09/05
Chiefs of Sections:		
Administrative	Victor A. White	01/07
Consular	Peggy A. Gennatiempo	09/06
Political	Robert R. Downes	08/05
Economic	Andrew Bowen	08/05
Public Affairs	Benjamin Ziff	08/06
Regional Security	Timothy Dumas	08/06
Other Agencies:		
Foreign Agricultural Service	Bernadette Borris	10/04
Department of Defense	Col. Lee Bauer	09/03
Military Group	Edwin Passmore	11/05
Foreign Commercial Service	Sean Kelley	03/03
U.S. Agency for International Development	Miguel Reabold	10/03
Tactical Analysis Team	David Verdina	06/05
Legal Attaché, Federal Bureau of Investigation	Kevin Currier	08/05
Department of Homeland Security	Mario De La Rosa	06/03
Drug Enforcement Agency	Thomas Adler	11/06

ABBREVIATIONS

ACS	American citizens services
AEEAV	American Employee Association of Venezuela
ARSO/I	Assistant regional security officer investigator
CLO	Community liaison office
CMR	Chief of mission residence
DAO	Defense attaché office
DCM	Deputy chief of mission
DEA	Drug Enforcement Administration
Department	Department of State
DHS	Department of Homeland Security
DISIP	Directorate for the Services of Intelligence and Prevention
DOD	Department of Defense
ECA	Escuela Campo Alegre
EFM	Eligible family member
ELO	Entry-level officer
GSO	General services officer
ICASS	International Cooperative Administrative Support Services
IM	Information management
IMC	Information management center
INL	Bureau of International Narcotics and Law Enforcement Affairs
IO	Information officer
IPC	Information programs center
IRC	Information Resources Center
IV	Immigrant visa

LEGATT	Legal attaché
LE	Locally employed
LEWG	Law enforcement working group
MILGP	Military group
MPP	Mission Performance Plan
MSP	Mission Strategic Plan
NAS	Narcotics affairs section
NEPA	Nonexpendable property application
NGO	Nongovernmental organization
NIV	Nonimmigrant visa
OBO	Bureau of Overseas Buildings Operations
OIG	Office of Inspector General
OTI	Office of Transition Initiatives
PAS	Public affairs section
PBX	Private branch exchange
RSO	Regional security officer
TAT	Tactical Analysis Team
USAID	U.S. Agency for International Development
VAT	Value-added tax
VOA	Voice of America
WHA	Bureau of Western Hemisphere Affairs
WQLQ	Workplace and quality of life questionnaire

FRAUD, WASTE, ABUSE, OR MISMANAGEMENT
of Federal programs
and resources hurts everyone.

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