



Office of Inspector General

United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

Semiannual Report to the Congress

April 1, 2009, to September 30, 2009



Summary of OIG Accomplishments

Financial Results:

Questioned costs

Issued during the reporting period	\$ 56,039,000
Management decision during the reporting period	\$55,162,000

Recommendations for funds to be put to better use

Issued during the reporting period	\$8,100,000
Management decision during the reporting period	\$0

<u>Investigative monetary recoveries</u>	\$1,358,294
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Investigative Results:

Cases opened	60
Cases closed	54
Criminal actions	156
Civil actions	7
Administrative actions.....	38
Hotline and complaint activity	487

Reports Issued: 60

Picture on the front cover: Embassy Zagreb, Croatia

Picture provided by Office of Overseas Buildings Operations

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

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Acting Inspector General,
Harold W. Geisel

I am pleased to present the Office of Inspector General (OIG) Semiannual Report to the Congress for the Department of State (Department) and the Broadcasting Board of Governors (BBG). This report covers the period ending September 30, 2009, as required by the Inspector General Act of 1978, as amended.

This is the third semiannual report I have issued since arriving as Acting Inspector General in June 2008, and I am happy to report that after more than a decade of declining resources, OIG is well on the road to recovery and greater productivity.

Our “get well, stay well” plan is on track. Financial resources from base and supplemental appropriations in FY 2009 were nearly double that of our FY 2007 appropriation. Staffing has grown more than 20 percent during the same period. Beginning with a single overseas office in Amman in January 2008, our Middle East Regional Office (MERO) now has boots on the ground in Cairo, Baghdad, and Kabul, with a fifth office scheduled to open in Islamabad during the first half of FY 2010. In September, MERO held its first regional conference in Cairo, which was attended by 30 OIG staff and several speakers from the oversight and diplomatic communities who spoke about topics such as intergovernmental relationships, enhancing democracy and quality of life programs, and lessons learned. Furthermore, our Middle East Investigative Branch has enhanced OIG’s operations with the ability to respond rapidly to allegations of suspected criminal activity in one of the Department’s most challenging environments in the world.

This successful growth has effected a substantial demand for OIG products, as evidenced by Congressional designation of funding for OIG oversight of programs and activities related to the Middle East, West Bank and Gaza refugees, the President’s Emergency Program for AIDS Relief, and the American Recovery and Re-stabilization Act. The Department and Congress have presented OIG with a growing number of requests, including the Review of Voice of America’s Deewa Radio Journalistic Controls, Limited-Scope Audit of Management/Internal Controls over the J. William Fulbright Scholarship Fund, Pakistan, and Management Review of the Office of the Historian, Bureau of Public Affairs. Our report recommendations are

having a significant impact as well, with nearly \$65 million in potential cost efficiencies and savings identified during this reporting period, and \$1.3 million in investigative recoveries.

OIG continues to prove that if it is given the resources to do the job, it will deliver the results that matter to the Administration, the Congress, and the American people. With the Administration's decision to eliminate future supplemental funding for work in the Middle East, OIG is looking for ways to maintain its high performance standards while making its operations more efficient and effective, and deliver a better return on investments. With help from the Department, the Office of Management and Budget, and Congressional appropriators, we hope to secure a level of funding that will allow OIG to continue the restoration of capabilities that have made these results possible.

A handwritten signature in dark ink, appearing to read 'H. W. Geisel', with a large, stylized loop at the end.

Harold W. Geisel
Acting Inspector General

EXECUTIVE SUMMARY

The auditors, inspectors, investigators, and other professionals within OIG promote effective management, accountability, and positive change in the Department, the BBG, and the foreign affairs community. During this reporting period, OIG identified nearly \$66 million in potential cost efficiencies—including funds to be put to better use, fines, and recoveries—and issued 60 reports with recommendations to improve the Department and BBG programs and operations. A full list of reports issued during this period can be found in Appendix 2 of each agency section of this report.

The following Semiannual Report to the Congress (SAR) summarizes work carried out by OIG during the period of April 1, 2009, through September 30, 2009.

Middle East Regional Office

In this SAR period, OIG's Middle East Regional Office (MERO) issued reports on four performance audits of worldwide personal protective services, two reviews related to Regional Embassy Offices (REO) in Iraq, a performance audit of transition planning for a reduced U.S. military presence in Iraq, and a limited-scope audit of the J. William Fulbright Scholarship fund in Pakistan.

In its performance audit of Triple Canopy's personal protective services in southeastern Iraq, OIG concluded that Triple Canopy effectively ensured the safety of chief of mission personnel. However, several issues were identified regarding staffing, training, maintaining contractor files, and the selection, maintenance, and use of armored protection vehicles. OIG echoed previous recommendations to resolve both staffing issues and inadequate contract monitoring, and also recommended that the Bureau of Diplomatic Security (DS) implement a geographically suitable armored vehicle package and provide standard road vehicles for administrative transportation.

Recognition for Excellence within the OIG Community

The Council of Inspectors General on Integrity and Efficiency (CIGIE) approved two awards for the Department's OIG. The Office of Audits Passport Information Electronic Records System (PIERS) Review Team earned an Award for Excellence in Evaluations. The six-person group's timely and efficient review of the controls over access to records in PIERS identified many improvements needed by the Department to safeguard personally identifiable information. The Office of Investigations' Operations Division merited an Award for Excellence in Administrative Support. The 11-person team's accomplishments include assisting in the rebuilding of the office from 16 to 44 full-time employees, establishing a computer forensic operation, and providing logistical support in opening three OIG field offices in the Middle East.

OIG determined in Jerusalem that Triple Canopy offered effective personal protection by qualified personnel and properly secured government-furnished equipment. However, regional security officers at Consulate General Jerusalem did not review personnel rosters to verify their accuracy or completeness, and contracting officer's representative (COR) responsibilities were not fully executed on-site, including review of invoices. Maintenance issues with armored vehicles were also noted. OIG recommended DS ensure that regional security officers review and verify the accuracy of personnel rosters, better define COR duties, offer COR training, and ensure adequate contract management, including invoice review.

In Iraq, OIG's performance audit of DynCorp's personal protective services revealed that DS special agents did not review or sign personnel rosters. The distance from the maintenance facility created challenges in maintaining armored vehicles. OIG recommended DS make certain DynCorp provide personnel in required labor categories and ensure its special agents reviewed and verified DynCorp personnel rosters. At Embassy Baghdad, OIG highlighted a solution used in Kirkuk to improve long-range radio communication and recommended acquiring more field communication expertise.

OIG conducted a performance audit of the U.S. Training Center's (USTC) contract for personal protective services in Afghanistan and found DS generally managed USTC well. However, OIG found USTC security specialists lacked a specific type of security training, as well as cultural awareness training for Afghanistan. OIG also found weaknesses in USTC's training of explosive detection canines and storage of explosives, as well as problems with the aluminum rims on armored vehicles. OIG recommended DS assign a dedicated COR to Embassy Kabul, review and verify personnel rosters, ensure appropriate training, make certain canines are properly tested, ensure explosives are correctly stored, implement a tailored armored vehicle tire package, and analyze protection needs in Afghanistan.

OIG reviewed REO Hillah in Babil Province, Iraq and noted the Department spent more than \$75 million annually for the REO to support one Provincial Reconstruction Team (PRT). OIG recommended accelerating the closure of REO Hillah, stopping or curtailing all capital improvement projects, relocating PRT and U.S. Government employees to a nearby army base, curtailing or transferring security and support staff, and decommissioning and returning the Hillah hotel property to the Iraqi Government.

At the time of MERO's performance audit of REOs in Iraq, only REO Hillah remained active. In May 2009, REO Basra was folded into PRT Basra, which had inadequate housing, office space, and other life support services. In February 2009, REO Kirkuk was closed, and most of its operations transferred to Regional Reconstruction Team (RRT) Erbil. Office space and lodging at the RRT compound were less than adequate, but the Department was reluctant to approve relocation or extensive repairs until an Administration decision on U.S. Government presence in northern Iraq. Recommendations regarding REO Hillah were included in an earlier report. In this report, OIG concluded that the facilities at current and former REO locations were inadequate

for consular operations. Therefore, OIG recommended that, upon receiving policy direction from the Administration, Embassy Baghdad develop a detailed plan to establish consulates in Iraq.

OIG concluded in its transition report that planning for the U.S. military drawdown in Iraq is essential. However, at the time of OIG's work, the Embassy had no overall transition plan or senior level coordinator. Key issues identified included: meeting security needs; developing plans to manage and complete infrastructure projects; alternatives to housing, food services, and other life support services currently provided by the Logistics Civil Augmentation Program; air transport for U.S. Government officials; and replacing U.S. military personnel working on PRTs, as well as continued PRT support. OIG recommended the Embassy develop a transition plan, assign an overall coordinator, ensure effective contract management and oversight of infrastructure projects, and determine required logistical and program support and associated resource needs with requests for additional funds as necessary.

At the request of the U.S. Ambassador to Pakistan, OIG performed a limited-scope review of the management and internal controls over the J. William Fulbright Scholarship Fund in Pakistan. OIG made recommendations to the Bureau of Educational and Cultural Affairs (ECA) to improve weaknesses in financial reporting and accounting, as well as the grantee selection process, which are carried out by a Pakistani foundation. In particular, this review resulted in the identification of \$8.1 million that could be put to better use if ECA ensured that grant estimates were reviewed and revised by individual grantee.

Office of Audits

OIG contracted with external auditors to audit the financial statements of the Department. The independent external auditor identified internal control weaknesses and recommended the Department take appropriate action to address weaknesses, related to the following areas:

- fund balance with the Treasury,
- accounts receivable and payable,
- payroll issues,
- payroll documentation,
- personal property and real property,
- information security, and
- bilateral agreements.

OIG and the Special Inspector General for Iraq Reconstruction performed a joint audit of the Department's contracts and task orders with Blackwater Security Consulting for Iraq. The total estimated costs for these contracts and task orders were over \$1 billion. The contracts were funded primarily with Department Diplomatic

and Consular Programs funds, and about \$76 million of Iraq Relief and Reconstruction Funds. OIG found the Department needed to make improvements in administering one of the contracts and provide more stringent oversight of Blackwater's cost and performance in Iraq. OIG recommended the Department designate a full-time COR on-site in Iraq to verify labor charging data entered there and to monitor Blackwater's control and accounting for government-furnished property; determine whether deductions to the contract price for inadequate staffing are needed and, if so, the amount of these deductions; and recover the remaining excess travel costs of \$70,907 billed by Blackwater.

During the audit of Embassy Jakarta's contract and procurement process for selected projects, OIG found the Embassy did not fully comply with applicable contract and procurement laws, regulations, and Department policies. Specifically, the Embassy did not always obtain appropriate approvals for construction projects, and it used incorrect appropriations amounting to approximately \$397,000 to fund certain projects. In addition, the Embassy did not maintain adequate documentation for OIG to determine whether the costs charged to a tenant agency for alterations to office space were supported and necessary. Further, embassy personnel did not prepare adequate independent government estimates, approved changes to contract specifications without obtaining contract modifications, and did not always document the reasons for the changes or for their monitoring and inspections of contractor performance. Finally, embassy personnel did not always comply with regulations and policies relating to blanket purchase agreements. OIG recommended the Embassy improve its management oversight of the procurement process and that it work with Overseas Buildings Operation (OBO) to inspect the construction projects, correct funding for projects for which incorrect funds were used, and determine whether the alterations associated with the tenant agency were supported and appropriate.

In its audit of the Department's timeliness of payments subject to the Prompt Payment Act (PPA), OIG found the Department's interest penalties increased dramatically in FY 2008 to \$5.4 million, from \$405,000 paid in FY 2006. Through its random sample, OIG found that 56 percent of the Department's domestic FY 2008 payments subject to PPA were not timely. Almost 80 percent of the interest penalties were assessed against four of the Department's bureaus, and 10 vendors received over half of the interest penalties paid. Interest penalties increased primarily because of delays in processing invoices caused by the change to a new accounting system. The Department resolved some of the problems that occurred during implementation of the system, but it has not addressed the delays resulting from the more detailed review and approval process established at the time of implementation.

In its report *Audit of Property Accountability, Inventory Controls, and Encryption of Laptop Computers at Selected Department of State Bureaus in the Washington, DC, Metropolitan Area*, OIG found the Department did not have an accurate accounting for, and had not encrypted all of, its laptop computers for the four bureaus included in the

audit. Three of the four bureaus were not able to fully account for some of the laptop computers in the sample OIG selected. Contrary to the Department's official inventory records, OIG was unable to inspect 119 laptop computers in its revised sample size of 334 because they were missing (27); were not physically located in the Washington, DC area, or were otherwise unable to be physically inspected (35); or had been disposed of (57). Of the 215 that were physically inspected, 172 were not encrypted and 43 were encrypted. For the 27 missing laptop computers, Department officials could not determine the disposition of 23 of them. By the end of OIG's fieldwork, the bureaus had taken actions to locate and some had encrypted their laptop computers. However, additional measures were needed to address inventory controls, encryption policies and procedures, and security awareness training tracking, and OIG made recommendations to address these deficiencies.

OIG contracted with a certified public accounting firm to perform agreed-upon procedures on indirect cost rates under the provisions of applicable Office of Management and Budget circulars. The independent accountants determined the accounting system of the National Committee on United States-China Relations, Inc., was adequate for accumulating and reporting its indirect costs under applicable provisions of the circulars. However, the accountants identified errors and inconsistencies in the rate calculations. The accountants made appropriate adjustments and recommended that ECA accept and finalize the recomputed indirect cost rates for FYs 2007, 2006, 2004, and 2003.

Office of Inspections

During this semiannual reporting period, OIG inspected the *Bureau of Consular Affairs Passport Services*; *Executive Office of the Bureau of Diplomatic Security*; *Office of the Historian*, *Bureau of African Affairs*; *Office of the U.S. Special Envoy for Sudan*; and conducted an *Interagency Evaluation of the Section 1206 Global Train and Equip Program*. OIG also conducted full inspections of 14 overseas missions, including Embassies London, Baghdad, and Mexico City. During the course of its inspections, OIG identified best practices as well as potential cost efficiencies and other improvements. OIG also provided security inspections for all 14 overseas missions, which are summarized in the classified annex of this report.

A series of crises in the Bureau of Consular Affairs (CA) Passport Services (CA/PPT) in recent years shifted CA's focus from systems development, fraud prevention, and overseas consular operations to its large domestic operation. CA/PPT had responded to surges in workload, unauthorized intrusions into passport records, and unfavorable publicity about antifraud weaknesses. Dramatic changes in passport demand and workload in the past 3 years had challenged CA/PPT to adjust staffing levels to meet current and future demand. Despite several attempts at reorganizing

staff and realigning responsibilities in recent years, CA/PPT was still not appropriately organized or staffed to maximize its support of a growing number of field offices and its many complex policy issues. Centralization of passport processing and production had been successful and cost efficient, enabling agencies to focus more on adjudication and customer service.

Reflecting the enhanced threats facing the United States, DS was in a period of unprecedented expansion, directly impacting the Bureau's Executive Directorate (DS/EX). The overall DS budget, which DS/EX manages, had grown from \$350 million in FY 1995 to \$2.6 billion in FY 2009. In FY 2009, DS/EX will process 426 new personnel and is scheduled to absorb an additional 484 in FY 2010. DS/EX was bearing the brunt of this expansion and was coping despite staff shortfalls, resource constraints, and its outdated organizational structure. DS/EX was providing an adequate level of support overall; however, it will need significant increases in support staff and resources to keep up with the demands facing DS in the next few years.

The Under Secretary for Management asked OIG to conduct a follow-up inspection of a report by a special review panel, which noted concerns within the Office of the Historian (HO). HO is responsible by law for the publication of the Foreign Relations of the United States (FRUS) series, an account of major U.S. foreign policy decisions within 30 years of the events recorded. The 30-year deadline has rarely been met, and the mismanagement of the human resources made available for the FRUS could threaten further delay. HO has a large number of contractors—12 of its 49 positions. This means increased costs: OIG estimates each contractor costs the U.S. Government about \$12,000 more per year than a direct-hire employee. The proportions also mean increased instability in an office requiring a high degree of education, training, and experience to carry out its responsibilities. HO needs an administrative officer as well as additional direct-hire positions for historians.

The Bureau of African Affairs (AF) was performing well in light of having to manage constant crises. However, the undercurrent of dissatisfaction with the uneven quality of leadership affected recruitment to key positions in some cases and retention in others. Staffing in overseas posts remained problematic, and locally employed staff compensation has fallen behind cost of living and comparators' salaries. OIG recommended AF hire enough direct-hire contract specialists to provide oversight of its security program contracts. If the Bureau cannot provide the proper oversight of the peace support operations and security programs it runs, then the day-to-day implementation of peace support operations, capacity building, programs, events, and activities should become the responsibility of the U.S. Africa Command in keeping with what is already the norm in other geographic bureaus.

The Offices of Inspectors General for State and Defense conducted a joint evaluation of the Section 1206 Global Train and Equip Program, an initiative first authorized by Section 1206 of the National Defense Authorization Act for Fiscal Year 2006. The team found, in the countries the team visited, the program had succeeded

in building the capacities of foreign militaries to combat terrorism or to participate with the United States in operations in which the United States is a participant. The program was thus succeeding in fulfilling the purposes of Section 1206. The program's structure included processes to ensure that the program would be conducted in compliance with all applicable laws. However, the team found opportunities for management to improve the effectiveness and efficiency of the processes for project selection, program execution, and project implementation. The team's overseas visits disclosed a series of execution problems. Because the program was designed to respond to "emergent threats and opportunities," these problems slowed the achievement of the program's goals. During the course of the review, the Departments of Defense and State began management actions to develop and refine the Section 1206 program further.

With strong leadership and a dedicated staff, Embassy Baghdad had advanced the interests of the United States by helping the Iraqis improve security, promote reconciliation, and take steps toward the creation of a stable, representative government. The Embassy must make a transition from a large, sprawling wartime entity where people and resources have been mobilized to implement hundreds of projects and programs to a more normal diplomatic mission in which it will have constraints on personnel and funding. Embassy Baghdad was overstaffed for its evolving mission. The OIG team recommended the Embassy and the Department conduct a rightsizing review to help strike a better balance between personnel and mission requirements and synchronize with the Department's assignment process. The Embassy did not have a sufficiently rigorous, high-level review process to ensure that all proposed new hires and extensions of current employees were fully warranted, and should proceed with its plans to implement such a process. In the interest of rightsizing and the most effective use of declining resources, Embassy Baghdad and the Department needed to conduct a reassessment of U.S. assistance programs in Iraq.

At the time of the inspection of Embassy London, consular sections in the United Kingdom were handling the most diverse caseload in the world, and demand was the highest in Europe. Antifraud cooperation among sections and agencies was critical to ensuring quality adjudication of visa and passport applications. After recent terrorist attacks in the United Kingdom, the political section formed an interagency working group to study radicalization among disaffected young Muslims and to cooperate with the U.K. Government on ways to counter this trend. Officers throughout the Embassy, including the political and economic sections, were spending up to 50 percent of their time supporting the 18,000 official visitors who travel to London annually. The Embassy was looking at ways to reduce the visitor load without impairing U.S.-U.K. relations.

Office of Investigations

OIG launched an investigation in March 2008 after the media reported that three different Department contract employees, on three different occasions, improperly accessed the passport files of three presidential candidates through the Passport Information Electronic Imaging System (PIERS). OIG subsequently received additional information that improper accessing of PIERS records was widespread, and involved many Department employees and contractors. During this reporting period, the investigation yielded six separate criminal prosecutions, 25 written admonishments, and numerous referrals for disciplinary action of both Department and contract employees.

Other investigations this reporting period included allegations of conflict of interest, embezzlement, and employee misconduct. This investigative work resulted in 11 referrals for prosecution; 129 months total of imprisonment and probation sentences; 3 indictments; 6 convictions; 24 administrative referrals; and more than \$1.3 million in recoveries. OIG also gave 22 fraud awareness presentations to approximately 900 Department and BBG employees.

International Broadcasting

During the audit of BBG's 2008 and 2007 financial statements, OIG's independent external auditor identified internal control weaknesses or instances of noncompliance with selected provisions of applicable laws and regulations relating to property, plant, and equipment; undelivered orders; government purchase cards; grants management; information security; payroll; and non-personnel expenses. The external auditor recommended that BBG take appropriate action to address these weaknesses.

OIG also reviewed the journalistic controls of Voice of America (VOA)'s Deewa Radio. Its target audience is the Pashtun population on the Pakistan side of the country's troubled border region with Afghanistan. Deewa Radio provides the United States with a vital communications link to a region of major significance to U.S. foreign policy and national security. OIG found an effective review system was in place at Deewa Radio and the South Asia division of VOA that ensures the broadcasted material meets VOA standards for accuracy and balance. If Deewa Radio continues to grow, VOA will have to take into account its staff size and training requirements to maintain continued effectiveness and quality.

OIG conducted an investigation of a BBG employee who received Metrocheck benefits even though she was driving to work almost daily. OIG interviewed the employee, who admitted to her activities and immediately repaid BBG \$3,780 for the cost of the Metrochecks. The Department of Justice declined the case for criminal prosecution; however, BBG proposed termination for the employee.

MERO Hosts First Conference in Cairo

At a time when communication and coordination among inspector general teams are most critical, the Middle East Regional Office hosted its first conference in Cairo, Egypt, to help the OIG community interact more effectively in the region. The 3-day conference, held at MERO's newly opened office in Cairo, September 15-17, 2009, brought the entire MERO staff together for the first time. Joining the team were the



Ambassador Margaret Scobey (far right) discusses Department of State programs in Egypt with (left to right) MERO Assistant Inspector General Nick Arnston, Department of State Acting Inspector General Harold Geisel, and MERO Deputy Assistant Inspector General Pat Dickriede.

Department's Acting Inspector General Harold Geisel, representatives from the Office of the Executive Director and Office of General Counsel, and members of



Conference participants listen as U.S. Ambassador to Egypt Margaret Scobey (seated at the head of the table) gives her keynote address.

the inspector general community from the GAO, the Department of Defense (DoD), and USAID.

The program, which addressed the challenges of working in the region, featured experts in program management and oversight. U.S. Ambassador to Egypt, Margaret Scobey, discussed Egypt's role in the Middle East and the Department's relation-

ship with the Egyptian Government. Mickey McDermott, DoD's Deputy Inspector General for Southwest Asia and Joe Christoff, GAO Director of the International

Affairs and Trade Team for Iraq, shared how lessons learned in Iraq can be applied to Pakistan and Afghanistan. The Cairo USAID Mission Director discussed the impact of USAID programs in Egypt and the effect such programs can have on other countries' development. Acting Inspector General Harold Geisel explained how interaction with people in the region

enhances coordination efforts and enables analysts and auditors to find out what is really happening, so that issues can be properly addressed.



Bambi Arellano, Cairo USAID Mission Director, points to a graphic that illustrates the success of USAID programs in Egypt.

One of the conference goals was to give members of the OIG community a better perspective on how to approach their work. Participants discussed common issues they face and how to be more proactive in recommending ways to strengthen program management and contract oversight.

MERO opened its regional office, the first permanent Department of State OIG office outside the United States, on January 23, 2008, in Amman, Jordan. Eighteen months later, in June 2009, MERO opened a permanent satellite office in Cairo. Two temporary (5-year) satellite offices are located in Baghdad, Iraq and Kabul, Afghanistan. Plans are underway to open an additional temporary satellite office in Islamabad, Pakistan.

MERO's forward regional presence has significantly enhanced OIG's ability of to identify potential savings and cost efficiencies. The office plans, coordinates, and executes OIG activities in 33 countries in Northern Africa, the traditional Middle East, and South/Central Asia. It provides real-time information on matters affecting high-cost, high-risk programs in critical crisis and post-conflict areas such as Iraq, Afghanistan, Pakistan, the Palestinian Territories, and other countries throughout the region.



Jacqueline Bell, USAID Regional Inspector General (center) discusses USAID oversight with conference participants. Seated on the left is Miguel Sapp, OIG/MERO and on the right, Dianna Wolridge OIG/EX

CONGRESSIONAL ACTIVITIES AND OUTREACH

Testimony

During this reporting period, Acting Inspector General Harold W. Geisel testified on September 9, 2009, before the House Oversight and Government Reform's Subcommittee on National Security and Foreign Affairs on current and planned oversight, as well as oversight coordination for Pakistan and Afghanistan. He testified with the Inspectors General from the Department of Defense, U.S. Agency for International Development (USAID), Government Accountability Office, and the Special Inspector General for Afghanistan Reconstruction. Beyond the current inspections and reviews, the subcommittee wanted the Inspectors General's views on how they would oversee the proposed additional \$3 billion a year for 5 years that pending legislation would provide in new foreign assistance to Pakistan.

Congressional Mandates

In response to legislative mandates and requests from Congress, OIG issued the reports below.

As mandated in P.L. 110-181, Section 842, and P.L. 111-32, the following report which met requirements in these statutes, was issued:

- *Performance Audit of Embassy Baghdad's Transition Planning for a Reduced United States Military Presence in Iraq (issued August 2009).* (MERO-A-09-10)

OIG is an original member of the Southwest Asia Joint Planning Group and, prior to enactment of P.L. 110-181 and P.L. 111-32, OIG had planned and initiated the following reviews and audits, which met requirements in these statutes:

- *Status of the Secretary of State's Panel on Personal Protective Services in Iraq Report Recommendations (issued December 2008).* (MERO-IQO-09-01)
- *Review of Diplomatic Security's Management of Personal Protective Services in Iraq (issued January 2009).* (MERO-IQO-09-02)
- *Performance Audit of the Triple Canopy Contract for Personal Protective Services in Iraq (issued April 2009).* (MERO-IQO-09-03)
- *Joint Audit of Blackwater Contract and Task Orders for Worldwide Personal Protective Services in Iraq (issued June 2009).* (AUD/IQO-09-16)

- *Performance Audit of the DynCorp Contract for Personal Protective Services in Iraq (issued June 2009).* (MERO-IQO-09-06)

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

- *Management Letter Related to the Audit of the U.S. Department of State 2008 and 2007 Financial Statements* (AUD/FM-09-11)
- *Independent Auditor's Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2008 and 2007 Financial Statements* (AUD/FM-09-17)
- *Management Letter Related to the Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2008 and 2007 Financial Statements* (AUD/FM-09-18)
- *Independent Auditor's Report on the Foreign Service Retirement and Disability Fund, 2008, 2007, and 2006 Financial Statements* (AUD/FM-09-19)
- *Management Letter Related to the Audit of the Foreign Service Retirement and Disability Fund, 2008, 2007, and 2006 Financial Statements* (AUD/FM-09-20)

Congressional Requests

In response to a request from Representative Steven Kirk, a member of the House Appropriations' Subcommittee on Foreign Operations, OIG issued "*Review of Voice of America's Deewa Radio Journalistic Controls*." The review examined the processes and procedures in place at Deewa Radio and Voice of America that are used to ensure the accuracy and balance of Deewa Radio's broadcasts. (ISP-IB-09-67) <http://oig.state.gov/documents/organization/126646.pdf>

In response to a request from nine members of the House Appropriations' Subcommittee on Foreign Operations, the OIG initiated a review of U.S. funding for the UN Relief and Works Agency for Palestine Refugees in the Near East (UNRWA).

Legislation Monitored

OIG reviewed and monitored a number of legislative proposals including the following legislation during this semiannual report period:

- H.R. 2346, the *2009 Supplemental Appropriations Act*, P.L. 111-32, signed into law on June 24, 2009, which provides OIG with \$10.9 million in supplemental funding for oversight activities in the Middle East and South Asia.
- S. 2001, *Duncan Hunter National Defense Authorization Act for Fiscal Year 2009*. P.L. 110-417, as it pertains to oversight issues.
- H.R. 5501 (formerly S. 2731) *Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act of 2008*, which became P.L. 110-293 on July 30, 2008. This requires the Inspectors General of the Department of State, USAID, and the U.S. Department of Health and Human Services jointly develop five coordinated annual plans for oversight activity (financial audits and performance reviews) for fiscal years 2009 through 2013 for programs authorized under this Act and Section 104A of the Foreign Assistance Act.
- H.R. 3081 and S. 1434, *Department of State Foreign Operations and Related Programs Appropriations*. Not enacted.
- S. 962, *Enhanced Partnership with Pakistan Act of 2009* and H.R. 1886, *Pakistan Enduring Assistance and Cooperation Enhancement Act of 2009*. Not enacted.
- H.R. 2410, *Foreign Relations Authorization Act, Fiscal Years 2010 and 2011*. Not enacted.
- Tranche 3, *Foreign Relations Authorization Act*. Not enacted.
- H.R. 2740, the *Military Extraterritorial Jurisdiction Act (MEJA) Expansion and Reinforcement Act of 2007*, which would require Inspectors General working in any military theater of operations to coordinate their work with a newly created theater investigative unit within the Federal Bureau of Investigation. Not enacted.
- H.R. 2420, *International Climate Cooperation Re-Engagement Act of 2007*, which would assign oversight responsibility for the newly created International Clean Energy Foundation to OIG. Not enacted.
- H.R. 1469 and S. 991, the *Senator Paul Simon Study Abroad Foundation Act of 2007*, as introduced in the House and Senate. Both bills assign oversight responsibilities for the newly created foundation to OIG. Not enacted.

Media Assistance and Outreach

During this semiannual period, OIG made its reports available to the media both directly and online through regular postings on its Web site. Media expressed interest in a broad range of OIG activities and initiatives resulting in 22 direct responses to 14 different issues.

Listed in order of interest, the issues that drew the greatest number of media inquiries were the following:

- Investigation into the drug-overdose death of a DynCorp contractor in Afghanistan (4)
- Middle East Regional Office review of Triple Canopy (Iraq and Jerusalem) and DynCorp (Iraq) personal protective services contracts (3), as well as inquiries specifically related to Blackwater Worldwide/U.S. Training Center transition of duties and departure from Iraq (1)
- Background on the Africa Bureau inspection and compliance procedures (3)
- Background on Representative Kirk's request and status of the Radio Deewa inspection (2)
- Updates on the locally-employed staff compensation inspection (2)
- Definition of terms used in the laptop audit report, as well as compliance procedures (2)

Additional inquiries included: general questions regarding the Persian News Network inspection; compliance with recommendations in MERO's interim report on the Regional Embassy Office in Hillah, Iraq; follow-up questions regarding the Office of Historian inspection; status of the Departments of State and Defense joint audit of DynCorp's police training in Afghanistan; status of an investigation into allegations of DynCorp off-duty misconduct; background on MERO's report on the Department's transition planning for a reduced U.S. military presence in Iraq; general questions about past OIG inspections in Afghanistan; and general questions regarding the annual Department financial audit.

Acting Inspector General Harold Geisel was interviewed by several media outlets, including:

- C-SPAN's "Washington Journal" and appeared on the program's July 27 broadcast, responding to questions from the host as well as a nationwide call-in audience regarding the OIG Embassy Baghdad inspection report.
- A reporter from Foreign Policy magazine regarding key findings in OIG's Africa Bureau inspection report, resulting in a feature article on August 13.

American Recovery and Restabilization Act

The American Recovery and Restabilization Act (ARRA), passed on February 17, 2009, included more than \$250 million for oversight by the Inspectors General of the 23 Federal agencies responsible for disseminating \$787 billion in ARRA funding. OIG received \$2 million to ensure that the \$600 million appropriated to the Department will meet the high standards of accountability, transparency, and effectiveness envisioned in the Recovery Act.

OIG has been an active participant in the Recovery and Transparency Board (RATB) Working Group and its coordinated efforts with the IG community to ensure transparency and accountability in the use of Recovery Act funds. ARRA activities during this reporting period included participation in an RATB-initiated survey of whether qualified acquisition and grant personnel are overseeing Recovery Act funds. OIG incorporated objectives into scheduled inspections and compliance followup reviews to evaluate controls and systems in Bureau of Administration offices responsible for activities related to ARRA-funded projects. OIG also initiated a contract audit of the U.S. Section of the International Boundary and Water Commission's controls for tracking and reporting ARRA Funds. Reports on these activities are expected to be released during the next semiannual reporting period.

U.S. DEPARTMENT OF STATE

MIDDLE EAST REGIONAL OFFICE

Performance Audit of the U.S. Training Center Contract for Personal Protective Services in Afghanistan (MERO-A-09-08)

The Department's contract for personal protective services with the U.S. Training Center (USTC) in Afghanistan is generally well-managed by the Bureau of Diplomatic Security (DS), but could improve in two areas, both of which have been mentioned in previous OIG reports: inadequate contract oversight and a failure to review or verify USTC personnel rosters. OIG found USTC personal security specialists were properly trained, except for a specific type of security training unique to operating in Afghanistan as well as cultural awareness training focused on Iraq rather than Afghanistan. OIG pointed out these insufficiencies, and DS began correcting both issues. OIG also found weaknesses in: USTC's training of explosive detection canines, as well as storage of explosives, both of which may impact testing effectiveness; and problems with the aluminum rims on fully armored protection vehicles. USTC's plans for additional staff members would result in a disproportionate number of leaders to team members. USTC was also suggesting a level of personnel at two proposed U.S. Consulates that may not be required. Finally, OIG learned the Department is considering integrating Afghan nationals into its protective services.

OIG recommended that DS: assign a dedicated contracting officer's representative to Embassy Kabul; review and verify the accuracy of personnel rosters; ensure personal security specialists receive appropriate training for Afghanistan; make certain USTC properly tests its canines and correctly stores explosive testing materials; implement a fully armored vehicle tire package tailored to the Afghan terrain; and perform a detailed analysis of protection needs in Afghanistan.

Performance Audit of Embassy Baghdad's Transition Planning for a Reduced United States Military Presence in Iraq (MERO-A-09-10)

U.S. Government officials in Iraq depend on the U.S. military's support to help carry out many aspects of their mission. Thus, the U.S. military drawdown will have a profound effect, and planning by Embassy Baghdad for this transition is essential. At the time of OIG's review, although there was some operational level planning at the Embassy, there was no overall transition plan or senior level coordinator. However, Embassy Baghdad had formed, and was participating in, several groups addressing the changing military environment.

The departure of the U.S. military raises some key issues requiring resolution including: meeting security needs; developing plans to manage and complete infrastructure projects; alternatives to and potentially higher costs of housing, food services, and other life support services now provided by the Logistics Civil Augmentation Program; air transport for U.S. Government officials currently using military aircraft for travel in and out of the country; and replacing U.S. military personnel working on Provincial Reconstruction Teams (PRT), as well as continued support of the PRTs. OIG made several recommendations to the Embassy for transition planning. These recommendations included developing a transition plan, assigning an overall coordinator, ensuring effective contract management and oversight of infrastructure projects, determining required logistical and program support, and verifying associated resource needs with requests for additional funds as necessary.

Some of OIG's recommendations were already being implemented. By mid-July 2009, the Embassy had developed a draft transition plan and established a central planning cell. Department and Embassy officials were in the process of identifying costs associated with the U.S. military drawdown. These officials were working to lessen dependence on the military and examining joint use of assets and structures.

Memorandum Report on the Preliminary Review of the Second Worldwide Personal Protective Services (WPPS II) Contract Task Orders (MERO-A-09-12)

DS contracts with Triple Canopy, the U.S. Training Center (formerly Blackwater), and DynCorp for personal protective services around the world, including in Jerusalem, Iraq, and Afghanistan. OIG intended to conduct audits of four task orders under

these contracts and carried out a preliminary review to determine whether there were sufficient documents to perform the announced audits. Per Federal Acquisition Regulation (FAR) 4.805, contract files listed in FAR 4.803 must be retained for a minimum of 6 years and 3 months after the disbursement of the final payment on the contract. OIG requested a total of 136 contract and procurement documents from the Office of Acquisition Management and received 28 for review. Based on insufficient documentation during its preliminary review, OIG cancelled the audits. OIG concluded it would continue to conduct either follow-up compliance reviews of previous inspections, or schedule new audits or inspections to verify that contracting records are being properly maintained by the Office of Acquisition Management as required by FAR.

Memorandum Report on the Limited-Scope Review of Management and Internal Controls over the J. William Fulbright Scholarship Fund in Pakistan (MERO-I-09-07)

At the request of the U.S. Ambassador to Pakistan, OIG performed a limited-scope review of the management and internal controls over the J. William Fulbright Scholarship Fund in Pakistan. The United States Educational Foundation in Pakistan (USEFP) supervises the Fulbright Scholarship Fund, and between October 1, 2004, and September 30, 2008, received approximately \$83.5 million from the Department's Bureau of Educational and Cultural Affairs (ECA), USAID, and the Higher Education Commission Pakistan. Since FY 2005, USEFP has successfully handled a substantial increase in grantee students, ensured student diversity, and made the Fulbright Program accessible to more potential students. However, OIG found weaknesses in USEFP's budgeting and financial reporting, ECA's oversight of USEFP's financial processes, and in USEFP's accounting and grantee selection processes.

OIG recommended that ECA, in coordination with Embassy Islamabad, improve USEFP's management and internal controls, institute an accounting system capable of grant accounting, submit timely financial reports, employ a controller, and review and revise grant estimates by individual grantee. OIG further recommended on-site reviews and OIG audits. Finally, OIG recommended instituting consistent grantee selection practices and procedures.

Review of the Roles, Staffing, and Effectiveness of Regional Embassy Offices in Iraq (MERO-I-09-09)

Regional Embassy Offices (REO) projected an active U.S. Government presence in Iraq's outlying provinces. When OIG announced this audit in December 2008, there were three REOs operating, but only REO Hillah remained active at the time of the review. Operating and supporting a forward-deployed U.S. Government civilian presence is challenging and expensive. REOs depended on private contractors for life support and personal protective services, and at the time of this audit, there were nearly four such contractors for every U.S. Government staff member at REO Basra, Regional Reconstruction Team (RRT) Erbil, and REO Hillah. Embassy Baghdad reported that the Department spent more than \$75 million annually to secure, operate, and maintain REO Hillah; before its closure, REO Kirkuk had a \$40 million annual operation expense.

In May 2009, REO Basra was folded into Provincial Reconstruction Team (PRT) Basra, and the REO was "mothballed" indefinitely, pending a decision by the Administration regarding opening a U.S. Consulate in the city of Basra. At the time of OIG's fieldwork, PRT Basra had inadequate housing, office space, and other life support services. However, Embassy Baghdad later noted it was addressing these shortfalls. In February 2009, REO Kirkuk was closed, and most of its operations were transferred to RRT Erbil in northern Iraq. The leased office space and lodging at the RRT compound were less than adequate, but the Department was reluctant to approve relocation or extensive repairs until an Administration decision on U.S. Government presence in northern Iraq. REO Hillah had been a base for five PRTs, but by early 2008, supported only PRT Babil. OIG had earlier determined that the costs and number of personnel employed were OIG had earlier recommended relocating PRT Babil and closing REO Hillah. In September 2009, the Embassy reported that relocation of the PRT and closure of the REO were proceeding.

Under an October 2004 agreement, the Iraqi Interim Government transferred to the U.S. Government the title to a site for the new embassy compound in Baghdad and future consulate sites in Basra and Mosul, but as of June 2009, no steps had been taken to plan or budget for future consulates. Consulate security is key and will require significant investment. Furthermore, the facilities at current and former REO locations are inadequate for consular operations. Therefore, OIG recommended that, upon receiving policy direction from the Administration, Embassy Baghdad develop a detailed plan to establish consulates in Iraq. The plan should contain an analysis of the security situation, life support, and other logistical requirements, including associated costs and future funding requirements.

Performance Audit of the Triple Canopy Contract for Personal Protective Services in Iraq (MERO-IQO-09-03)

Triple Canopy provided personal protective services to officials at REO Basra and to PRT members in southeastern Iraq. Triple Canopy's personal protection operation effectively ensured the safety of chief of mission personnel and was commendably restrained in the use of deadly force. However, there were recurring difficulties maintaining required staffing in several critical labor categories. DS special agents did not review or sign personnel rosters to ensure complete and accurate staffing data or proper labor costs. There were significant problems in the selection of models, fielding, and maintenance of armored protection vehicles which were ill-suited for the terrain. Triple Canopy personnel also used armored protection vehicles for administrative tasks and errands causing unnecessary wear and tear. OIG also found DS special agents at Embassy Baghdad had significant problems managing and monitoring Triple Canopy performance.

OIG recommended DS implement an armored protection vehicle package to meet the needs of protection missions in geographically challenging terrain, and that DS provide a sufficient number of standard road vehicles suitable for required administrative, non-protection transportation. Recommendations in a previous report to resolve similar issues related to staff maintenance and turnover, gaps in staff coverage, personnel roster review, and inadequate contract monitoring, (*Review of Diplomatic Security's Management of Personal Protective Services in Iraq*, MERO-IQO-09-02, January 2009) were not duplicated in this report in order to build on OIG's past work and reduce DS's workload.

Interim Report on Role, Staffing, and Effectiveness of the Regional Embassy Office in Hillah, Iraq (MERO-IQO-09-04)

OIG's Middle East Regional Office issued an interim report on REO Hillah, Babil Province. REO Hillah mainly served as the headquarters and logistical platform for five PRTs operating in Iraq. However, in early 2008, the REO only supported PRT Babil. Embassy Baghdad calculated an annual security cost of \$55 million and annual life support costs of \$20 million. OIG noted that spending more than \$75 million annually was an expensive way to support a single PRT. Further, OIG recommended the Department consider stopping or curtailing all capital improvement projects at REO

Hillah, relocate PRT Babil and other U.S. Government employees to the nearby U.S. Army Patrol Base Hillah, curtail or transfer security and support staff to other locations within Iraq, and decommission and return the Hillah compound property to the Iraqi Government.

Performance Audit of the Triple Canopy Contract for Personal Protective Services in Jerusalem (MERO-IQO-09-05)

Triple Canopy provides personal protection to officials under chief of mission authority in Jerusalem and Tel Aviv. OIG determined that Triple Canopy effectively ensured the safety of chief of mission personnel in Jerusalem, recruited an experienced pool of security specialists, and conducted satisfactory continuing professional education. The contractor had reliable inventory controls and adequate physical security for government-furnished equipment. However, during its fieldwork, OIG found that the regional security officers (RSO) at Consulate General Jerusalem did not review personnel rosters and could not verify their accuracy or completeness. The duties of the COR, which were performed by the RSOs, were not fully executed. Further, contractor invoices (for labor and equipment) were not reviewed by U.S. Government personnel on-site. Consulate General Jerusalem had some maintenance issues with 50 armored vehicles used by Triple Canopy for protection missions, largely due to a lack of mechanics and repair facilities, and exacerbated by the use of old, high-mileage armored protection vehicles on rough terrain. The consulate general was taking steps to improve this situation.

OIG recommended DS ensure RSOs at Consulate General Jerusalem review and verify the accuracy of personnel rosters before submission to Triple Canopy program management and DS in the United States. OIG also recommended that DS better define COR duties, ensure on-site reviews of contract management and invoices, and provide additional COR training opportunities. Recommendations to resolve similar issues were included in the *Review of Diplomatic Security's Management of Personal Protective Services in Iraq* (MERO-IQO-09-02, January 2009).

Performance Audit of the DynCorp Contract for Personal Protective Services in Iraq (MERO-IQO-09-06)

DynCorp's personal protective services for officials under chief of mission authority in northern Iraq were effective in ensuring the safety of chief of mission personnel

from PRT Erbil, REO and PRT Kirkuk, and later, a RRT in Erbil. DynCorp provided skilled, experienced personal security specialists and conducted required in-country training, but had difficulty maintaining certain types of staff members. However, as OIG recommended in an earlier report, DS resumed assessing appropriate deductions for personnel shortages. OIG found DS special agents did not review or sign personnel rosters to determine whether the information was accurate and DynCorp labor costs were proper. In Kirkuk, DynCorp successfully used hand-held radios for long-range communication by adjusting radio frequencies, and the OIG team highlighted this solution to Embassy Baghdad and DS representatives. The team also recommended acquiring field communication expertise, and DS proceeded to hire two radio experts. The 60-mile distance between the armored vehicle maintenance facility and RRT Erbil created maintenance challenges.

OIG recommended that DS make certain DynCorp provide personnel in the labor categories required by its contract, and ensure that its special agents review and verify the accuracy of DynCorp personnel rosters. OIG also recommended that Embassy Baghdad ensure appropriate maintenance support in Erbil for armored protection vehicles.

AUDITS

Financial Management

Management Letter Related to the Audit of the U.S. Department of State 2008 and 2007 Financial Statements (AUD/FM-09-11)

The independent external auditor issued an unqualified opinion on the Department's 2008 and 2007 financial statements. During the audit, the independent external auditor identified internal control weaknesses relating to the fund balance with Treasury, accounts receivable and payable, payroll accruals, payroll documentation, heritage assets, deferred maintenance, non-personnel expenses, prompt payments, controls over cash and cash receipts at posts, personal property, managerial cost accounting, real property, grants, revenue, information security, eliminations, journal vouchers, agency financial report, bilateral agreements, the supplemental Foreign Service National pension plan for Hong Kong, and the Foreign Service Retirement and Disability Fund's actuarial liability and benefit payments. The auditor recommended that the Department take appropriate action to address these weaknesses.

Independent Auditor's Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2008 and 2007 Financial Statements (AUD/FM-09-17)

The independent external auditor issued an unqualified opinion on the International Boundary and Water Commission, United States and Mexico, U.S. Section's financial statements as of September 30, 2008 and 2007, and did not identify any material weaknesses related to internal control or material instances of noncompliance.

Management Letter Related to the Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2008 and 2007 Financial Statements (AUD/FM-09-18)

The independent external auditor issued an unqualified opinion on the International Boundary and Water Commission's 2008 and 2007 financial statements. During the audit, the independent external auditor identified concerns relating to property, plant, and equipment; the internal audit function; accounts payable; other liabilities; the Management's Discussion and Analysis section of the financial statements; and deferred maintenance. The auditor recommended that the Commission take appropriate action to address these weaknesses.

Independent Auditor's Report on the Foreign Service Retirement and Disability Fund, 2008, 2007, and 2006 Financial Statements (AUD/FM-09-19)

The independent external auditor issued an unqualified opinion on the Foreign Service Retirement and Disability Fund's financial statements as of September 30, 2008, 2007, and 2006, and did not identify any material weaknesses related to internal control or reportable instances of noncompliance.

Management Letter Related to the Audit of the Foreign Service Retirement and Disability Fund, 2008, 2007, and 2006 Financial Statements (AUD/FM-09-20)

During the audit of the Foreign Service Retirement and Disability Fund's financial statements, the independent external auditor identified concerns relating to overpayments to annuitants, missing documentation within annuitant files, and the actuarial report. The auditor recommended that the Department take appropriate action to address these weaknesses.

Property and Procurement

Joint Audit of Blackwater Contract and Task Orders for Worldwide Personal Protective Services in Iraq (AUD/IQO-09-16)

The Department's OIG and the Special Inspector General for Iraq Reconstruction performed a joint audit of the Department's contracts and task orders with Blackwater Security Consulting for Iraq. The total estimated costs for these contracts and task orders were over \$1 billion. The contracts were funded primarily with Department Diplomatic and Consular Programs funds and about \$76 million of Iraq Relief and Reconstruction Funds.

OIG found that the contract and two of the three task orders were awarded to Blackwater through standard competitive processes and that the third task order, which had been awarded noncompetitively, was justified. However, improvements were needed by the Department in administering the contract and providing more stringent oversight of Blackwater's cost and performance in Iraq as follows:

- Department officials in Iraq did not establish or perform measures to confirm the accuracy of labor costs used as the basis for contract billing. Monthly invoices from the contractor were paid without adequate review of support documentation.
- Although full manning of protective details is important to the safety of the principal being protected, as well as for the members of the protective detail, the Department did not assess penalties for noncompliance with contract staffing requirements. OIG estimated deductions totaling \$55 million applicable to manpower shortages during 2006 and 2007.
- Although the Department was doing a commendable job in providing oversight of weapons and vehicles provided to Blackwater, its oversight of all other government-furnished property was inadequate, and contractor lists were incomplete, inaccurate, and therefore unreliable. In some instances, Blackwater property was erroneously identified as government property.
- Blackwater's travel costs were not adequately reviewed. Ineligible travel costs of \$127,364 were paid for airfare in excess of coach fare. During the audit, the contracting officer recovered \$56,457 of the total amount ineligible under the contract.
- Contract oversight files required by the COR were not easily accessible and may not be complete in Iraq and at headquarters.

OIG recommended the Department designate a full-time COR on-site in Iraq to verify labor charging data entered there and to monitor Blackwater's control and accounting for government-furnished property; determine whether deductions to the contract price for inadequate staffing are needed and, if so, the amount of these deductions; and recover the remaining excess travel costs of \$70,907 billed by Blackwater.

Audit of Contract and Procurement Process for Selected Projects at U.S. Embassy Jakarta (AUD/IP-09-22)

Embassy Jakarta did not fully comply with applicable contract and procurement laws, regulations, and Department policies. Specifically, the Embassy did not always obtain appropriate approvals for construction projects, and it used incorrect appropriations amounting to approximately \$397,000 to fund certain projects. In addition, the Embassy did not maintain adequate documentation for OIG to determine whether the costs charged to a tenant agency for alterations to office space were supported and necessary. Further, Embassy personnel did not prepare adequate independent government estimates, approved changes to contract specifications without obtaining contract modifications, and did not always document the reasons for the changes or for their monitoring and inspections of contractor performance. Finally, Embassy personnel did not always comply with regulations and policies relating to blanket purchase agreements.

As a result, projects constructed at the Embassy without OBO's prior approvals may not meet life and safety requirements and be safe for the occupants. In addition, OBO's funding may have been augmented, and the Department's records may be inaccurate. Furthermore, the Embassy's actions toward the tenant agency may adversely affect their relationship in the future, and there is no assurance that the Embassy received what it contracted for at a reasonable cost.

OIG recommended the Embassy improve its management oversight of the procurement process and that it work with OBO to inspect the construction projects, correct funding for projects for which incorrect funds were used, and determine whether the alterations associated with the tenant agency were supported and appropriate.

Audit of the Timeliness of Department Payments Subject to the Prompt Payment Act (AUD/IP-09-24)

In assessing the Department's compliance with the Prompt Payment Act (PPA), OIG found the Department's interest penalties increased dramatically in FY 2008 to \$5.4 million, from \$405,000 paid in FY 2006, because of increasingly late payments paid to its vendors. Through its random sample, OIG found that 56 percent of the Department's domestic FY 2008 payments subject to PPA were not made timely. The interest penalties of \$5.4 million paid in FY 2008 as a result of the untimely payments could have been used for other Department programs. Almost 80 percent of the interest penalties were assessed against four of the Department's bureaus, and 10 vendors received over half of the interest penalties paid.

Interest penalties increased primarily because of delays in processing invoices caused by the change to a new accounting system in May 2007. The Department resolved some of the problems that occurred during implementation of the system, but it has not addressed the delays resulting from the more detailed review and approval process established at the time of implementation. OIG recommended that the Bureau of Resource Management resolve outstanding problems with the new accounting system, implement a process or system to track all invoices from receipt to payment, make the late payments reports more timely, and add performance metrics to the reports.

Best Practice

Audit of the Timeliness of Department Payments Subject to the Prompt Payment Act (AUD/IP-09-24)

Best Practice: Improved Oversight of the Payment Process by the Bureau of Consular Affairs

Issue: The Department's interest penalties increased dramatically in FY 2008 to \$5.4 million, from \$405,000 paid in FY 2006, because of increasingly late payments paid to its vendors. The Bureau of Consular Affairs incurred a large portion of those penalties—\$1.1 million in the first 10 months of FY 2008.

Response: The Bureau of Consular Affairs made significant improvements in the timeliness of payments by providing greater oversight of the payment process. These improvements include:

- Establishing an email inbox for CORs and vendors to send their questions and assigning two employees to monitor the email inbox and respond to questions within 48 hours.
- Establishing an email notification system to email individuals who are late in completing tasks needed to review and approve an invoice. Subsequent emails (second and third) include more individuals at higher levels in the bureau. The fourth email is directed to the executive director.
- Attaching the Award Status Report to each invoice sent to CORs. This report provides information that is needed by CORs to process payments without their having to take time to obtain this information from the Global Financial Management System.
- Encouraging CORs to make partial payments when there were problems with selected line items on the invoices, thus reducing late payment charges.

Result: These improvements led to a dramatic reduction in interest penalties to \$13,000 in the first 4 months of FY 2009 compared to \$1.1 million in the first 10 months of FY 2008.

Information Technology

Audit of Property Accountability, Inventory Controls, and Encryption of Laptop Computers at Selected Department of State Bureaus in the Washington, DC, Metropolitan Area (AUD/SI-09-15)

The Department did not have an accurate accounting for and had not encrypted all of its classified and unclassified laptop computers in the Washington, DC, area for the four bureaus included in OIG's audit. Three of the four bureaus were not able to fully account for some of the laptop computers in the sample. Contrary to the Department's official inventory records, OIG was unable to inspect 119 laptop computers in its revised sample size of 334 because they were missing (27); were not physically located in the Washington, DC, area or were otherwise unable to be physically inspected (35); or had been disposed of (57). Of the 215 that were physically inspected, 172 were not encrypted and 43 were encrypted.

For the 27 missing laptop computers, Department officials could not determine the disposition of 23 of them. Officials said that three of the remaining four laptop computers had been returned to the vendor and that one had been destroyed in a fire, but they could not provide proper asset tracking documentation to support these events. As a result, OIG could not verify the locations of those four items, and none had been properly removed from the official inventory system.

By the end of OIG's fieldwork, the bureaus had taken actions to locate and some had encrypted their laptop computers. However, additional measures were needed to address inventory controls, encryption policies and procedures, and security awareness training tracking, and OIG made recommendations to address these deficiencies.

Contracts and Grants

Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by the National Committee on United States-China Relations, Inc. (AUD/CG-09-23)

L.F. Harris & Associates, CPA, P.A., performed agreed-upon procedures on indirect cost rates under the provisions of applicable Office of Management and Budget circulars. The independent accountants determined that the accounting system of the National Committee on United States-China Relations, Inc. (NCUSCR) was adequate for accumulating and reporting NCUSCR's indirect costs under applicable provisions of the circulars. However, the accountants identified errors and inconsistencies in the rate calculations for the fiscal years ended December 31, 2007; September 30, 2006; September 30, 2004; and September 30, 2003. The accountants made appropriate adjustments and recommended that the Bureau of Educational and Cultural Affairs accept and finalize the recomputed indirect cost rates for FYs 2007, 2006, 2004, and 2003.

INSPECTIONS

Domestic Operations

Inspection of the Executive Office of the Bureau of Diplomatic Security (ISP-I-09-16)

Reflecting the enhanced threats facing the United States, the Bureau of Diplomatic Security was in a period of unprecedented expansion, directly impacting the bureau's Executive Directorate (DS/EX). The overall DS budget, which DS/EX manages, had grown from \$350 million in FY 1995 to \$2.6 billion in FY 2009. In FY 2009, DS/EX will process 426 new personnel and is scheduled to absorb an additional 484 in FY 2010.

DS/EX was bearing the brunt of this expansion and was coping despite staff shortfalls, resource constraints, and its outdated organizational structure. DS/EX was providing an adequate level of support overall; however, it will need significant increases in support staff and resources to keep up with the demands facing DS in the next few years.

DS/EX needed to revamp its organizational structure to better reflect new, expanded demands on the directorate, particularly in human resources, strengthening institutional support for the executive director, and realigning the Policy and Planning Division to better conform to DS/EX priorities.

The Office of the Chief Financial Officer (DS/EX/CFO) was managing well appropriations totaling \$2.6 billion and was adequately supporting the Bureau and its external customers despite understaffing. DS/EX needed to strengthen the policy-budget interaction.

DS/EX/CFO had challenges in poor inventory management and insufficient software licenses. The systems development process lacked sufficient control gates to document and approve all stages. DS/EX/CFO also had major challenges with the information technology consolidation effort with the Bureau of Information Resource Management, with significant unresolved questions to be addressed.

The Bureau's management and oversight of \$200 million of nonexpendable property inventory needed strengthening to correct a serious deficiency. Poor record keeping resulted in writing off a shortage of \$1.7 million of administrative property. In addition, outdated and ineffective inventory systems had resulted in the bureau writing

off shortages of program property in excess of \$1 million, without any research on possible causes for the loss.

The DS Records Management program, which handles highly sensitive Department records, needed improvement. The program needed a full-time records management coordinator, a trained network of bureau contacts, and clarification of records management requirements.

Inspection of Bureau of Consular Affairs, Passport Services (ISP-I-09-34)

The Bureau of Consular Affairs (CA) traditionally gave priority in systems development, fraud prevention, and management oversight to its overseas consular operation, but a series of crises in Passport Services (CA/PPT) in recent years intensified CA's focus on its large domestic operation. CA/PPT put strategic planning on the back burner while it responded to surges in its workload, unauthorized intrusions into passport records, adverse publicity about antifraud weaknesses, and its own sequential internal reorganizations. The lack of long-term planning had repercussions for the development of budget and staffing needs, the setting of priorities for technological development, and the cohesiveness of its overall operations.

Dramatic changes in passport demand and workload in the past 3 years challenged CA/PPT to adjust staffing levels to meet current and future demand. CA/PPT demonstrated flexibility in adjusting staff to an increased workload during a period of record growth in 2007, but it was slow to reduce staff with the 2008-09 decrease in workload.

The new deputy assistant secretary had a vision for CA/PPT, but execution of her plans was slow. Despite several attempts at reorganizing staff and realigning responsibilities in recent years, CA/PPT was still not appropriately organized or staffed to maximize its support of a growing number of field offices and its many complex policy issues.

CA/PPT was rightly concerned about the vulnerabilities to fraud inherent in the passport application acceptance program at acceptance facilities countrywide and the quality of the source documentation submitted in support of passport applications. In response, it was setting up processes to increase oversight of the acceptance facility program and to make more state and vital records databases available to passport adjudicators.

Communication within CA/PPT needed to be institutionalized: headquarters needed to solicit broad input from the field offices before implementing new procedures; field offices needed a reliable mechanism to share best practices with each other and

with headquarters; and headquarters needed to provide better feedback on pending technology and facilities upgrades and human resources issues to the field.

While CA/PPT management insisted that passport integrity and fraud prevention were coequal in importance with production goals, many employees in the field believed fraud prevention was secondary. Established work rules and policies supported this impression. CA/PPT needed to strike and maintain a consistent balance between the quality of its product and the production quotas, and provide adequate staff and facilities to do both. Fraud prevention efforts in the passport system were uneven in quality and application. CA/PPT needed to improve access to fraud tools such as databases and training.

Centralization of passport processing and production had been successful and cost efficient, enabling agencies to focus more on adjudication and customer service. The trend was to expand the agency network and improve their storefront operations, antifraud efforts, outreach, and oversight of acceptance facilities. A realignment of regional responsibilities would facilitate these efforts.

Although there had been vastly increased opportunities for training since the 2007-08 hiring of hundreds of new passport adjudicators, training had not been institutionalized system-wide, and there was a dearth of much-needed training targeting supervisory personnel or staff recruited from outside the passport system.

CA/PPT had traditionally promoted its top adjudicators into management positions in the field without evaluating their management skills or providing appropriate management training. As a result, leadership at the passport agencies and centers was uneven, with morale, motivation, and work quality affected in kind.

Although CA's Office of the Executive Director generally provided satisfactory services to CA/PPT, the human resources division failed to provide reliable, timely, and appropriate guidance to the field offices on vital issues including hiring, discipline, and termination, which affected productivity and morale.

BEST PRACTICES

Inspection of Bureau of Consular Affairs, Passport Services (ISP-I-09-34)

Best Practice: Oversight of new acceptance facilities' passport application acceptance.

Issue: Eighty-five percent of all passport applications are made at an acceptance facility. Acceptance agents at each facility are required to perform specific steps prior to adjudication by passport specialists in order to ensure passport applications contain accurate, legitimate information. Acceptance agents are neither Department employees nor are they experts in passport law or the identification of fraudulent documents. Training for new acceptance agents is minimal, and once certified as acceptance agents, oversight of their individual activity is negligible.

Response: Customer service managers in Los Angeles and Philadelphia require new acceptance facilities to send passport applications directly to them instead of to the lockbox for processing during a probationary period. This allows the supervisory agency to review the work of the acceptance facility's agents to ensure that they are performing according to established guidelines. Once the supervisory passport agency is satisfied that the acceptance facility is comfortable with the process, the customer service manager directs the facility to begin routinely forwarding the applications to the lockbox.

Result: New acceptance agents can get quick, personalized feedback on their performance and establish a working relationship with their supervisory passport agency immediately upon beginning to perform the acceptance function. Any questions or problems can be addressed early on in the process, and incorrect work habits can be addressed. Even an established acceptance facility can be required to follow this procedure if it changes personnel or its agents experience quality issues and need closer attention.

Best Practice: Standard Operating Procedures and Rotation Schedules in Fraud Prevention Units

Issue: Passport adjudicators rotate into the fraud units for a period of between 1 and 6 months. Each agency and center has at least one contract employee in the fraud unit. The value of the rotation to the adjudicator and the value of the work performed by both adjudicators and contractors depend at least in part on the degree of organization in the fraud prevention unit.

Response: In the two centers, the fraud prevention managers have developed detailed standard operation procedures for both the rotating adjudicators and the contractors describing the tasks to be performed and how they should be accomplished. For the adjudicators, the schedules detail the skills to be learned and the tasks they should perform at each stage of the rotation.

Result: Rotational adjudicators benefit from knowing what they are supposed to do, when and how they are to accomplish each task and at what stage of the rotation. Their supervisors can evaluate their progress. The contractor role is also more effective when well defined.

Best Practice: Moving Applications and Supporting Documents Securely

Issue: Many applications have volumes of supporting documents attached to them, including old passport books, secondary identity documents, and even family and school photos to document residence in derivative citizenship cases. Agencies use a variety of methods to keep documents together and ensure their eventual return to the applicants, but inevitably there is risk of loss during processing.

Response: The Boston passport agency puts all the applications and supporting documents submitted by the walk-in public into a thin, transparent document protector. The cases move through the data entry, adjudication, and printing processes in their document protectors and are organized for return at the will call window with the data page of the passport open. When the applicant picks up the passport, it is easy for both the passport employee and the applicant to review the passport data page for accuracy without opening the traditional blue legal-size envelope currently used at will call. The entire packet including the document protector is returned to the applicant.

Result: Stapling and staple removal, both time-consuming processes, are minimal. Document loss and damage are reduced. Review of the finished document is quick and easy.

Best Practice: Annotation of Citizenship Law and Supporting Documentation

Issue: A percentage of applications are associated with complex claims to U.S. citizenship. It is not possible to annotate such claims in the limited space provided on the passport application because they are often supported by several pieces of evidentiary documentation. Agencies use a variety of methods to record the documents. Both the legibility and quality of case development are important.

Response: One agency documents the law and section associated with the citizenship claim in the section of the application reserved for evidence. Each piece of documentary evidence submitted is recorded on a second sheet of paper along with its disposition. The adjudicator date stamps and signs the paper, which becomes part of the application file.

Result: Audits of these cases are easy to conduct because the case development is well documented. If and when the applicant applies again, it will be easy for a passport employee to review the previous application for accuracy.

Best Practice: Enhanced Productivity

Issue: Productivity can vary depending on workload distribution, backlogs in certain categories, and increased demands for urgent passport issuance.

Response: During periods of high demand or reduced staffing, the San Francisco passport agency has taken a unique approach to ensure their productivity level does not slip. Each evening, the assistant regional director determines what type of application is developing the largest backlog and sends a shotgun email to the adjudicators so that everyone knows the case type that will be given priority the following morning before the counter opens for interviews. The first hour of the workday all adjudicators, and often even supervisors, process applications from that category (i.e., expedites, routine lockbox, suspense cases) before the normal workday with its interruptions and distractions begins.

Result: The agency has consistently high productivity and keeps its backlogs minimal. The staff is universally proud of the exercise and refers to it as the “blitz hour.”

Management Review of the Office of the Historian Bureau of Public Affairs (ISP-I-09-43)

The Office of the Historian (HO) is responsible by law for the publication of a thorough, accurate, and reliable account of major U.S. foreign policy decisions within 30 years of the events recorded. This is the Foreign Relations of the United States (FRUS) series. The 30-year deadline has rarely been met. HO's influential advisory body, the Historical Advisory Committee, feared that mismanagement of the human resources made available for the FRUS and the effect of this on morale within HO—also historically poor—threatened further delay, possibly damaging the thoroughness and accuracy that give the FRUS its unparalleled prestige. OIG found these fears to be justified.

There was a built-in tension between HO's FRUS-related statutory obligations and the resources made available to meet them, just as there was between the timeliness and the quality of the FRUS itself. Even with an increase in staff and in budget, HO was no closer to meeting these obligations than in the past. The foreign affairs world and the players in it were continuing to grow in number and complexity, outpacing efforts to have FRUS keep up. There was a need for more structured thinking about how FRUS could meet its obligations and expectations within realistic funding levels. This strategic thinking and planning should be conducted jointly with HO's advisory body, the Historical Advisory Committee.

Oversight of HO by the Bureau of Public Affairs had not been regular or helpful. OIG believed that HO should remain in the Bureau of Public Affairs, but that the Bureau should provide a more structured mechanism for closer supervision of HO. HO had a large number of contractors—12 of its 49 positions. This meant increased costs: OIG estimated that each contractor cost the U.S. Government about \$12,000 more per year than would a direct hire employee. It also meant increased instability in an office requiring a high degree of education, training, and experience to carry out its responsibilities. HO needed an administrative officer as well as additional direct-hire positions for historians. These would help the FRUS by allowing more time to be spent on research and compilation and by providing a more stable workforce.

Review of Locally Employed Staff Compensation Issues (ISP-I-09-44)

Based on a survey put out by OIG, the United States has fallen behind in providing a competitive compensation package for locally employed (LE) staff that is commensurate with their experience, technical skills, and responsibilities. Discrepancies occurred when the Compensation Division in the Office of Overseas Employment

determined annual LE staff salary increases on the basis of labor market data, while the Bureau of Resource Management determined the level of funding for salary increases using inflation data.

The Department used the same data to set pay scales for the complete range of LE positions, from unskilled blue collar workers to highly skilled and trained professional positions. There are a number of arguments that separate data and separate scales should be established for certain types of employees. The Department did not have central records of the total LE staff compensation costs for each post and whether the post was ahead of or behind prevailing practice. While LE staff attrition had been a concern, the inability of overseas missions to recruit new, qualified staff may be a greater problem.

Inspection of the Bureau of African Affairs (ISP-I-09-63)

The Bureau of African Affairs (AF) was performing well in light of having to manage the constant, exhausting crises that characterize much of its work. The welcome management style of the acting Assistant Secretary and his willingness to encourage discussion, indeed dissent, helped temper the pressures of work and transition. The Executive Office's service orientation got high marks from bureau staff. Some country directorates were exceptionally well managed, while others suffered from poor communication and staff development. The three regional functional directorates should be restructured to reflect bureau priorities. Bureau morale was on the upswing.

Although the continent's promises and challenges were still attracting dedicated talent, the luster of service in the Bureau had faded over the past decade. The undercurrent of dissatisfaction with the uneven quality of leadership had affected recruitment to key positions in some cases and retention in others. Staffing in overseas posts was problematic and locally employed staff compensation was falling behind cost of living and comparators' salaries, leading to attrition and additional cost to replace well-trained and competent senior staff.

OIG recommended AF hire enough direct-hire contract specialists to provide oversight of its security program contracts. If the Bureau cannot provide the proper oversight of the peace support operations and security programs it runs, then the day-to-day implementation of peace support operations, capacity building, programs, events, and activities should become the responsibility of the U.S. Africa Command (AFRICOM), in keeping with what is already the norm in other geographic bureaus.

Notwithstanding the 10 years since the U.S. Information Agency was merged into the Department and its area office functions folded into the regional bureaus, the Bureau of African Affairs public diplomacy and public affairs office was neither integrated into the Bureau nor performing satisfactorily.

Interagency Evaluation of the Section 1206 Global Train and Equip Program (ISP-I-09-69)

Responding to a request from the Director of the Joint Staff and the Principal Under Secretary of Defense (Policy), the Offices of Inspectors General for State and Defense conducted a joint evaluation of the Section 1206 Global Train and Equip Program, an initiative first authorized by Section 1206 of the National Defense Authorization Act for Fiscal Year 2006.

The team found that the program, in the countries the team visited, had succeeded in building the capacities of foreign militaries to combat terrorism or to participate with the United States in operations in which the United States is a participant. The program was thus succeeding in fulfilling the purposes of Section 1206. The program's structure included processes to ensure that the program would be conducted in compliance with all applicable laws.

However, the team found opportunities for management to improve the effectiveness and efficiency of the processes for project selection, program execution, and project implementation. The team's overseas visits disclosed the following types of execution problems: obligation of funds; the Defense Security Cooperation Agency's procurement and shipping processes; delays in providing the approved training and equipment; project status and tracking issues; and other inefficiencies. Because the program was designed to respond to "emergent threats and opportunities," these problems slowed the achievement of the program's goals.

The report made nine recommendations that affect the following areas: the proposal submission template; Department of Defense directives for program policies and instructions; shipment priorities; management review processes; military-to-military training objectives; security assistance officer training; munitions safety training; and performance measures. During the course of the review, the Departments of Defense and State began management actions to develop and refine the Section 1206 program further.

Overseas Missions

Bureau of African Affairs

Inspection of Embassy Brazzaville, Republic of the Congo (ISP-I-09-32A)

Embassy Brazzaville had successfully completed the major part of its move into a functional and attractive new embassy compound, although it was still addressing several uncompleted elements. Information systems were not functioning adequately in the new location and required significant attention to adequately serve the needs of all embassy elements. The Embassy had not yet made the Information Resource Center in the new location fully functional nor brought Information Resource Center activities currently carried out elsewhere into the new purpose-built Information Resource Center.

The Embassy was completing a several-year process of returning to normal staffing and physical facilities following the disruption of the civil war and the destruction of the previous chancery. The Embassy's consular section, which began operation in January 2009, was off to a good start. Its enthusiastic but inexperienced staff was taking good advantage of expansive training opportunities. Strong regional support and comfortable work space further contributed to its positive energy, developing and strengthening consular performance.

The Embassy was using the U.S.-owned facility at Villa Washington in an important role of outreach to the country's youth. Villa Washington could also become an excellent recreation facility for the Embassy community. The two potential uses could be compatible. The Embassy needed to decide on the future use of this property and bring it into conformity with security standards for such use.

Despite short-staffing and a dearth of reporting officers, Embassy Brazzaville succeeded in providing high-quality analytical reporting on all issues of significance.

Inspection of Embassy Kinshasa, Democratic Republic of the Congo (ISP-I-09-36A)

Embassy Kinshasa had provided strong policy leadership and effective mobilization and coordination of multidimensional U.S. efforts to bring peace, stability, and humanitarian assistance to the eastern regions of the Democratic Republic of the

Congo and the broader Great Lakes region of Africa. Through the U.S. presence in the city of Goma in the conflictive eastern Congo, Embassy Kinshasa was successfully advancing U.S. foreign policy interests through political and humanitarian representation, reporting, and delivery of humanitarian assistance.

The Embassy had carried out an impressive effort to establish and provide administrative and security support for the U.S. presence in Goma, a presence that is likely to be necessary for the next 3 to 5 years. There was an important need to regularize the status of the Goma location as a small, medium-term presence in order to assure the security and proper functioning of the U.S. personnel there.

The Embassy was working and functioning in a very difficult security and operational environment in an obsolete and inadequate physical facility. The planned new embassy compound (NEC) project was postponed from FY 2008 to FY 2014, largely because negotiations to purchase suitable property were unsuccessful. To avoid further postponements, it was imperative that a NEC site be acquired as soon as possible. When the NEC was scheduled for FY 2008, existing plans for chancery repair and renovation projects were suspended. With the NEC project postponed, it was essential to reinstate those projects to enhance safety and improve operational conditions in the aging chancery.

International Cooperative Administrative Support Services (ICASS) customers were not satisfied with the quality of many services, and planned increases in program staff will bring further demands for administrative support. Additional ICASS resources may be required to meet this increased demand. As U.S. engagement with the Democratic Republic of the Congo grew and U.S. development assistance resumed, the size of the U.S. Embassy in Kinshasa increased greatly and was scheduled for further growth in the next several years. Future growth of embassy program staff needed to be adjusted to the Embassy's ability to provide security and administrative services.

Nonimmigrant visa interviews scheduled off-site appeared to exceed the number of machine-readable visa fees collected off-site by about 10 percent over the past 9 months. The discrepancy needed to be investigated and procedures changed to prevent recurrence of the problem.

Inspection of Embassy Praia, Cape Verde (ISP-I-09-41A)

Embassy Praia was working out of an inadequate office building with no room for staff expansion. Notwithstanding its limitations, the Embassy was functioning very well by focusing on a narrow set of goals and by closely integrating its small Ameri-

can staff and competent LE staff into its work. The Embassy was making progress in its first goal to increase cooperation with the Cape Verdean Government to reduce illegal trafficking of narcotics and people. The Embassy successfully accomplished its overriding goal of safeguarding American citizens, as well as providing other consular services to large American-Cape Verdean communities both in Cape Verde and the United States.

The Embassy's Ambassador and deputy chief of mission were providing strong, focused, and caring leadership to the mission. The Embassy needed to weigh carefully any proposals to increase staff against its limitations in space, funding, and management capacity. Some staff were stretched too thin, particularly the combined deputy chief of mission/management officer position. The OIG team recommended the Embassy make a strong argument for the addition of a management officer position.

Inspection of the Office of the U.S. Special Envoy for Sudan (S/USSES) (ISP-I-09-65)

In the United States Special Envoy to Sudan's first 60 days, there was little doubt that he was engaged in a single-minded pursuit of international action to heal the consequences of what then Secretary of State Powell characterized in 2004 as genocide in Darfur, to help implement the agreement that ended the North-South War, and to move Sudan in the direction of stability and respect for basic human rights. At the time of the inspection, the Special Envoy had already logged thousands of miles from China to Libya, and from Nairobi to Khartoum. It was far too early to say whether energetic diplomacy could sway the Sudanese Government.

In previous years, notwithstanding the enormous efforts the United States made to help in Sudan, there was questionable cooperation between special envoys and AF assistant secretaries. The new Special Envoy was well-briefed on the pitfalls of his predecessors and determined to coordinate carefully with the new Assistant Secretary for Africa. Each considered the other a friend, and the Office of the United States Special Envoy for Sudan (S/USSES) staff described the relationship as comfortable. Irrespective of whatever differences may have cropped up between the Bureau and envoys in the past, personnel in both offices stressed that working level relationships have always been strong.

In a departure from previous organizational responsibilities, the Sudan desk function was under the Special Envoy. He had assumed responsibility for backstopping the U.S. mission in Sudan, be it Embassy Khartoum, Consulate General Juba, or temporary duty assignments to outposts such as Al Fashir in Darfur. U.S. field personnel

were conducting on-the-ground, day-to-day diplomacy with all levels of the Sudanese Government. They served in incredibly difficult, dangerous places, playing a critical, unsung role in the search for peace in Sudan.

The Executive Office of the Bureau of African Affairs will continue providing management services for S/USSES. This is a sensible arrangement and will help preserve linkages between the Special Envoy's office and the regional bureau. S/USSES and Embassy Khartoum personnel spoke gratefully of the management services the Bureau provided.

Bureau of European and Eurasian Affairs

Inspection of Embassy Bern, Switzerland (ISP-I-09-31A)

Reporting by the lean political-economic section had been good, especially on the Swiss reaction to the global financial crisis, but the section could have done more reporting and contact work. The political-economic section devoted a large amount of its limited time and resources to the support of U.S. participation in the World Economic Forum.

Support for the U.S. Administration and Congressional officials who attended the World Economic Forum, a large private sector gathering of global leaders from government, business, media and nongovernmental organizations each January, could have been provided more efficiently by the United States Mission to United Nations and International Organizations in Geneva.

The small public affairs section had worked hard and achieved measures of success in cultural and media outreach and in the support of the Fulbright exchange program. It could improve the Embassy's Internet presence and the perception of its responsiveness to other sections and agencies.

Consular operations in Bern featured a busy American citizen services workload and visa waiting times well within CA guidelines. The renovated facility it occupied had serious flaws, many of which were inherent in the design. The new section chief was making good strides in complying with CA internal controls policies, but needed assistance from the management section to complete them.

Embassy Bern's management team, despite its small size, provided a consistently high level of customer service by focusing on continual improvement, seeking innovative ways to reduce costs, improving quality, and increasing effective service delivery. However, additional attention to management controls was needed.

Inspection of Embassy London, United Kingdom (ISP-I-09-37A)

At the time of the inspection, consular sections in the United Kingdom were handling the most diverse caseload in the world, and demand was the highest in Europe. Antifraud cooperation among sections and agencies was critical to ensuring quality adjudication of visa and passport applications. Balancing workload demand with the development activities of entry-level officers will continue to challenge post management. Political and economic reporting was uniformly excellent. After recent terrorist attacks in the United Kingdom, the political section formed an interagency working group to study radicalization among disaffected young Muslims and to cooperate with the U.K. Government on ways to counter this trend. The economic section's expanded reporting on the burgeoning global financial crisis kept Washington consumers well briefed on London's key role as a major international financial center in helping control the situation.

Officers throughout the Embassy, including the political and economic sections, were spending up to 50 percent of their time supporting the 18,000 official visitors who travel to London annually. The Embassy was looking at ways to reduce the visitor load without impairing U.S.-U.K. relations. The United States has a strong interest in political and economic stability in Northern Ireland, and the Belfast Consulate General was playing an important role in fostering successful peace efforts through the promotion of private enterprise, trade, and investment.

London is an important media center for Europe, the Middle East, and Asia. The U.S. Government gets tremendous value from public affairs and media outreach center operations. Without additional resources, however, public diplomacy will not be able to take advantage of opportunities to improve America's profile in the United Kingdom and with Muslim audiences abroad.

Embassy London's management team was providing a reasonable level of customer service while contending with a staffing growth rate that surpassed its ability to meet demands. Without concomitant growth in ICASS staff, the management section would not be able to continue to provide minimum service levels.

BEST PRACTICES

Inspection of Embassy London, United Kingdom (ISP-I-09-37A)

Best Practice: Voice Over Internet Protocol (VOIP) - Plus

Issue: Reducing local telephone usage charges.

Response: Reconfiguring the Embassy's telephone switch to work with a commercial VOIP Internet service provider to connect calls through the Internet.

Result: Using the Internet provider's connectivity, the Embassy saves about \$3,000 monthly.

Best Practice: Network Assisted Notification Yeoman

Issue: How a U.S. direct-hire employee ensures all departure tasks are accomplished.

Response: Automating a notification system that sends messages regarding departure tasks.

Result: Departure is efficient and trouble-free.

Inspection of Embassy Zagreb, Croatia (ISP-I-09-54A)

Embassy Zagreb effectively carried out U.S. priorities in Croatia as reflected in the Mission Strategic Plan. The Ambassador had productive relations with Croatia's leadership, and for the last 3 years, mounted a successful campaign to help prepare Croatia to attain membership in the North Atlantic Treaty Organization, which occurred in April 2009. This was the United States' highest priority in its relations with Croatia.

The Ambassador and deputy chief of mission (DCM) led an unusually cohesive, productive, and effective team. The deputy chief of mission led a model program to mentor and develop the skills of the entry-level officers.

The political/economic section was a well-staffed and internally cohesive unit. Management and mentoring in the section was effective, and morale was high. Supported by a strong team of locally employed staff, the section's reporting and analysis were generally held in high regard by Washington end-users. Outreach to contacts in the Croatian Government, nongovernmental organizations, and international organizations, was exceptionally broad.

Embassy Zagreb's public affairs section carried out a highly innovative and effective public diplomacy program, compensating for the lack of proximity to its audiences through wide-ranging outreach programs, American Corners, exchanges, and grants. The public affairs section and the political/economic section collaborated on a polished, professional daily media briefing open to the entire embassy. The briefing informed embassy staff about Croatian developments and built esprit de corps.

The consular section provided efficient, courteous customer service and was appropriately staffed for the current workload. The management section was well-led, adequately resourced, and an active participant in Bureau and Department programs, such as the Collaborative Management Initiative and the Rental Benchmark Initiative. Officers in the section had excellent development opportunities.

BEST PRACTICES

Inspection of Embassy Zagreb, Croatia (ISP-I-09-54A)

Best Practice: Entry-Level Officer Mentoring and Development Program

Issue: Entry-level officers need to build skills suitable to their futures as Foreign Service professionals but typically lack adequate training, experience in their chosen specialties, or contact with senior officers.

Response: Under the leadership of the DCM, Embassy Zagreb developed a comprehensive program that provides generalist and specialist entry-level officers with substantive work experiences, public speaking opportunities, field trips and reporting tasks, in depth acquaintance with the host country, regular mentoring and training, exposure to representational events, and rotational duties.

Result: The entry-level officers at Embassy Zagreb are well prepared for future challenges and leadership positions.

Best Practice: Security Coordination and the Google User Group

Issue: In February 2009, Embassy Zagreb and the International Criminal Investigative Training and Assistance Program, together with the United Nations Development Program and the British Embassy, initiated a donor coordination group for law enforcement programs. The group was necessary because there was little coordination among the European Union donors, many of whom did not know each other. The objective was to provide a forum to discuss how the United States and other donor programs could help Croatia meet its goals for European Union accession.

Response: The security coordination group convenes representatives from donor countries, the International Office on Migration, the United Nations Development Program, the European Commission, the Croatian Ministries of Justice and Internal Affairs, the National Office for Suppression of Organized Crime and Corruption, the State Intellectual Property Office, and the Croatian police.

Result: The security coordination group provides donor members with an online forum to collaborate and exchange ideas on the types of assistance that are most useful to Croatia. Members learn whether there are any pressing needs and priorities from the Croatians and discuss how to avoid duplication of programs. To supplement security coordination group meetings, an Embassy Zagreb political officer has proposed starting a restricted Google user group to include an unclassified database with up-to-date information on donor initiatives and spreadsheets of donor programs. The online user group would allow members to share information about the availability of visiting experts who, while in Croatia, might make presentations to additional audiences. Croatian Government users could input data on project progress or proposed legislation in the fight against organized crime, money laundering, trafficking in persons, intellectual property rights, and other issues.

Best Practice: Embassy-Wide Media Briefing

Issue: Embassy Zagreb needs to provide a daily media briefing for the Ambassador, DCM, and other senior staff to inform them about Croatian developments and attitudes towards issues of importance to the United States.

Response: The public affairs section and political/economic section collaborate in a daily, early- morning media briefing open to all members of the embassy staff, LE staff as well as Americans. The public affairs section's information specialist and a political/economic LE staff member report and analyze Croatian dailies, weeklies, and television in a highly professional briefing, which is similar in format and style to a morning news program.

Result: The Ambassador, DCM, and embassy staff who attend receive a focused, comprehensive media briefing that helps them to determine priorities for the day, understand Croatian public opinion trends, and target public diplomacy activities. The briefing also provides an opportunity for American and LE staff from different sections to interact with the Ambassador and with each other, contributing to good morale and building esprit de corps.

Global Positioning System Solution (ISP-I-09-70)

Best Practice: Use of existing global positioning system (GPS) technology

Issue: During a recent post security program review, conducted by the Bureau of Diplomatic Security, the Embassy Zagreb regional security office was cited for not having individual route maps to all embassy residences.

Response: To fulfill the route map requirement, the security office used existing GPS technology. They loaded the coordinates for every embassy residence into available GPS units mounted in mobile patrol and security office vehicles. To ensure good operational security, residences were entered into the GPSs with sequential numbers (not associated with the address) instead of referencing the name or affiliation of the occupant. When a home alarm system is activated, Post One contacts the mobile patrol and provides only the number of the residence affected.

Result: This practice takes advantage of existing GSP technology, is cost effective, and could potentially save lives.

Inspection of Embassy Sarajevo, Bosnia and Herzegovina (ISP-I-09-55A)

Embassy Sarajevo ably advanced U.S. policy toward Bosnia and Herzegovina despite accelerating local trends toward interethnic segregation and conflict. The Ambassador's forceful advocacy and access to top leaders in all three of the country's communities was the United States' best asset on the ground.

Bosnia and Herzegovina is one of a handful of countries in which the United States is actively engaged in nation-building. Various sections of the Embassy did an excellent job supporting the Ambassador and the DCM in intensive reporting, advocacy, and outreach.

Embassy Sarajevo's front office procedures for decision-making and information-processing were cumbersome and labor-intensive. Embassy leadership needed to eliminate the staff aide position, delegate more decision-making authority, and modernize the flow of information to and from the front office.

The political section's large staffing was justified by the nature of the work, but moving a position from Sarajevo to the branch office in Banja Luka would allow the Embassy to better conduct reporting on and advocacy in Republika Srpska, one of the two entities that comprise Bosnia and Herzegovina.

The management section provided high levels of service to its customers. The locally employed staff was exceptionally knowledgeable, displaying a cohesiveness partly forged in their shared wartime experiences from 1992 to 1995. This harmony was especially impressive given the animosities that persisted in the society at large.

The Embassy needed to engage in a new round of rightsizing as it approached the move into its new embassy compound in 2010 and consolidated six buildings in Sarajevo to one. The size of the local guard force and other management operations also needed to be reduced.

The OIG inspection team recommended other changes in staffing, including eliminating a consular officer position and adding a fourth officer in the public affairs section.

Balkan Language Issues Memorandum Report
(ISP-I-09-72)

During the OIG inspection of embassies in Bosnia and Herzegovina, Croatia, Montenegro, and Serbia, the inspection team heard concerns from Foreign Service officers and embassy managers regarding the Department's practice of treating Bosnian, Croatian, and Serbian as three separate languages for both training and assignments purposes, although they are essentially dialects of one language. This practice costs the Department money for training and testing, and keeps employees—who are needed in the field—in training that may not be necessary. In addition, this practice does not facilitate creating a cadre of language-qualified employees who can fill positions throughout the region. OIG recommends the Department treat the three regional variants of Serbo-Croatian as one language for both training and assignments purposes.

Bureau of Near Eastern Affairs

Inspection of Embassy Baghdad, Iraq (ISP-I-09-30A)

With strong leadership and a dedicated staff, Embassy Baghdad had advanced the interests of the United States by helping the Iraqis improve security, promote reconciliation, and take steps toward the creation of a stable, representative government. Cooperation between the Embassy and the U.S. military was exemplary, and embassy leaders earned the respect of their military colleagues. The Embassy must make a transition from a large, sprawling wartime entity where people and resources have been mobilized to implement hundreds of projects and programs to a more normal diplomatic mission in which it will have constraints on personnel and funding.

Embassy Baghdad was overstaffed for its evolving mission. The OIG team recommended that the Embassy and the Department conduct a rightsizing review before the beginning of the summer 2009 assignment cycle. This would help strike a better balance between personnel and mission requirements, and synchronize with the Department's assignment process. The Embassy did not have a sufficiently rigor-

ous, high-level review process to ensure that all proposed new hires and extensions of current employees were fully warranted, and should proceed with its plans to implement such a process. In the interest of rightsizing and the most effective use of declining resources, Embassy Baghdad and the Department needed to conduct a reassessment of U.S. assistance programs in Iraq.

The U.S. military was maintaining an active relationship with Iraqi civilian officials. The OIG team recommended that the new Ambassador and his military counterparts manage the transition to full responsibility by the Embassy for relations with Iraqi civilian ministries. The drawdown of the U.S. military will cause gaps in essential services that it was providing to the Embassy, which therefore needed to accelerate planning for alternatives.

Despite security constraints, the quality of political reporting was high. This could be done with fewer officers, however, if the Embassy could hire more Iraqi staff. Reporting from the PRTs was much appreciated in Washington, but it varied in quality. Some PRT reporting officers could benefit from additional training. The Office of Provincial Affairs was managing the phase-down of PRTs and their assistance programs. It was important during the transition period that PRTs focus on programs that could earn Iraqi buy-in, serve longer-term development goals, and be sustainable.

Management controls in key areas such as overtime and property accountability were weak, leaving Embassy Baghdad vulnerable to waste, fraud, and mismanagement. Travel into and out of Baghdad was onerous for the traveler and consumed a considerable amount of the management section's time and energy. This situation posed a significant morale issue among embassy personnel. The Embassy, led by the chargé, was developing alternatives, but these could require additional funding.

The work-life balance at the Embassy was out of kilter, causing stress and tension among employees. Improving this situation was not easy since people were living and working on the same compound. But a day and a half per week, at least, should be freed up for people to use as they wish. The Department could assist in this effort through reviewing the number and timing of its taskings and other demands on the Embassy. Embassy leadership had already made commendable efforts in this direction.

The incentive package and tour of duty length offered to Foreign Service and Civil Service employees in Iraq may have been outdated in the context of service need, impact on the work force, and continuity. Reassessment and any modification had some urgency due to the upcoming summer 2009 assignment cycle.

The consular section was successful in providing public services in what was still a war zone. Nevertheless, expansion of nonimmigrant visa services to all categories of visa applicants was impractical until the consular section made vital operational improvements, such as on-line appointment systems. At the same time, overall num-

bers will remain limited until the Embassy's security procedures and facilities permit a greater number of applicants.

Months-long processing delays caused by mandatory Security Advisory Opinion requirements that did not reflect current conditions and were not implemented in a timely manner undermined important U.S. interests and impaired efforts to normalize relations.

Embassy Baghdad did not have a strategic and operational plan for public diplomacy outreach to build on lessons learned and memorialize successes so that successors would have institutional knowledge and a base from which programs could expand.

Bureau of Western Hemisphere Affairs

Inspection of Embassy Mexico City, Mexico (ISP-I-09-21A)

The mission was well-run with strong leadership from the Ambassador and the DCM. Interagency coordination was exceptionally good. Mission Mexico had been successful in representing and advancing the political, economic, and security interests of the United States in this key country, but the mission was understaffed and underfunded. The resource issue, if not corrected, will hinder the mission's ability to meet its goals.

Management operations were already under stress; the mission will need more management staff to support increases in consular workload and the Merida Initiative. The OIG team estimated that the mission needed 14 additional American and LE staff management employees, but the mission needed to do a detailed rightsizing analysis to determine correct staffing needs.

A major challenge for mission leadership was to improve communication between the Embassy and its constituent posts, especially on reporting and management issues. While economic reporting was strong, political reporting had become too focused on immediate security developments. Washington consumers needed more analytical reporting on political dynamics and important trends. A transfer of reporting positions to the consulates general had not increased reporting on border issues as envisioned in a 2006 OIG inspection. The Embassy had not yet provided sufficient guidance, oversight, and resources to this function.

Embassy Mexico City had not empowered the consulates general with financial management responsibilities and accountability. The consulates general perceived financial management as overly centralized and inflexible.

The dramatically increasing violence, especially in the border cities, highlighted the need for the Department to create a policy package that would give Foreign Service employees at the border posts the option of living on the U.S. side of the border.

The immigrant visa workload in Consulate General Ciudad Juarez was increasing dramatically and more consular officer and LE staff positions needed to be added there. The OIG team recommended that the Department reinstate the Civil Service visa adjudicator program as part of the personnel mix in the immigrant visa unit in Ciudad Juarez.

Inspection of Embassy Bridgetown, Barbados (ISP-I-09-33A)

A chargé d'affaires with extensive regional and management experience was leading Embassy Bridgetown with evident skill. Programmatic activities were first rate and the mission functioned as a cohesive, collegial team.

Given the seven countries and numerous possessions it covered, travel and logistical difficulties, large numbers of temporary duty personnel not captured in support cost estimates, and the need to support a new chancery, the Embassy was underfunded and understaffed. Travel and representation funds were grossly inadequate for effective representation.

The OIG team recommended that the Department downgrade the tiny embassy in St. George's, Grenada, which was under Embassy Bridgetown authority, to a consular agency, and increase staffing at the consular agency in Antigua to preclude gaps in coverage. The team also recommended that the Department create a consular agency in Saint Lucia.

The Embassy's sizeable counternarcotics component was addressing its major strategic goal of combating illegal drugs, and a qualified person was temporarily filling the Department's key counternarcotics position. This short-term arrangement, however, was no substitute for a permanent officer assigned by the Bureau of International Narcotics and Law Enforcement Affairs with an adequate program budget.

Inspection of Embassy Kingston, Jamaica (ISP-I-09-35A)

Embassy Kingston's chargé d'affaires had cultivated the necessary range of Jamaican contacts to effectively further U.S. programs in a bilateral environment where indi-

vidual relationships were hard to achieve and yet essential for getting things done.

The Embassy benefitted from excellent interagency relationships, above all in the key law enforcement area where nine agencies/sections almost invariably resolved operational issues on the spot rather than taking disputes to Washington.

The narcotics affairs section had intelligently refocused its modest budget to support the reform of critical Jamaican institutions, without which meaningful counternarcotics progress could not happen.

Embassy supervisors were more effective in managing programs than people. An atmosphere of fear and mistrust, dating back some years, existed throughout the Embassy, above all in the general services office. Embassy management had failed to rein in insensitive supervisors as well as failed to address the concerns of, or even meet regularly with, local employees either as a whole or with their designated representatives.

The Embassy's large consular section had experienced difficulties for several years. Too few experienced officers and too little leadership left entry-level officers struggling to control a complex, high-profile, high-demand operation.

A lack of effective management controls resulted in unauthorized commitments that have to be ratified as well as possible violations of the Antideficiency Act.

The new embassy compound, while aesthetically pleasing, was hampered by correctable design and construction flaws, and the mission had a continuous need for corrective improvements.

Inspection of Embassy Paramaribo, Suriname (ISP-I-09-38A)

The Ambassador and DCM were strong and focused leaders who used an open and collaborative management style to successfully meet U.S. strategic objectives in Suriname. The Ambassador was carefully overseeing the interagency team to maximize the impact of limited foreign assistance funds.

Despite an aging chancery with safety and security vulnerabilities, poor quality health service and less-experienced staff, the Ambassador ensured high staff morale through mentoring, listening to staff, and visiting all sections of the Embassy regularly. The new embassy compound replacement has been postponed from 2013 to 2018 or later. Maintaining a safe, secure, functional chancery compound in the interim will require commitment from OBO.

Embassy Paramaribo, despite aging facilities stretched to capacity, carried out a secu-

rity program that met the challenges of its environment in Suriname. The Ambassador and DCM strongly supported the security program and exercised good oversight.

Embassy Paramaribo carried out an active public diplomacy agenda despite limited resources. However, American officers carrying out this agenda were trained primarily in political and economic reporting, rather than in public diplomacy. The political-economic section was submitting well-written required annual reports (e.g., Human Rights, Investment Climate Statement, Trafficking in Persons, Counterterrorism, Counternarcotics, and Child Labor reports), but other reporting was sparse.

The medical insurance coverage of the LE staff was not in line with that of the mission's comparators. Most comparators provided medical insurance to retirees. The viability of the pension plan provider of the LE staff was in doubt. The local standard of health care was a major concern of American direct-hire employees.

Inspection of Embassy Port of Spain, Trinidad and Tobago (ISP-I-09-40A)

Executive direction at Embassy Port of Spain was grappling with a host of challenges: an inadequate physical plant; decades of personnel curtailments in key sections; and eroded post morale stand out. While the chargé d'affaires was actively addressing these issues, much greater Washington support was required.

The Embassy's physical facilities were largely shabby and inefficient, wasting staff time and presenting a poor public face for the United States. Neglect goes back decades. Funds for a new embassy were unlikely, even in the mid-term. Embassy management needed to develop an organized plan of routine maintenance and repair for aging facilities. The Department needed to give priority to funding such repairs.

With the scheduled consolidation of the economic and political sections in summer 2009 as well as the loss of the key economic section chief position, the Embassy needed to plan carefully to meet its primary strategic goals.

While counternarcotics was deemed a high mission priority, the financial and staffing resources Washington provided were not commensurate with the task.

The public affairs section found creative ways to enhance the U.S. image on a shoe-string budget, including a student advising program, which served as a model for the Caribbean region.

The consular section had instituted multiple, long-overdue reforms. In doing so, frictions arose between the section and other mission elements, and the public. The chief of mission and consular section chief needed to alleviate those frictions.

Embassy Port of Spain was suffering from a host of management ills. General services, in particular, was mismanaged and disorganized. Files were incomplete or nonexistent in several management sections, in keeping with the general lack of oversight and management controls.

Inspection of Embassy Quito, Ecuador (ISP-I-09-42A)

The Ambassador and DCM exerted strong leadership over a complex and growing mission in a challenging, unpredictable, bilateral environment to meet strategic goals and support U.S. foreign policy. The United States and Ecuador cooperated to promote democracy, fight narcotics trafficking and crime, boost regional security, promote economic development, and support job creation. Relations were strained after Ecuador's president expelled two embassy officers for allegedly violating Ecuador's sovereignty.

Embassy Quito successfully moved onto a 13-acre new embassy compound that colocated the Department, 13 other agencies, and a Marine security guard detachment. The Ambassador and the DCM promoted staff morale and directed positive interagency cooperation.

Embassy Quito was providing excellent reporting on a broad spectrum of political, economic, and counternarcotics issues. Mission Ecuador's counternarcotics program was well-coordinated by the narcotics affairs section and drew on the expertise and capabilities of all involved agencies to deliver effective programs and activities.

Five months after its move to the new embassy compound, Embassy Quito's management operations were generally well-run and effectively supported the mission. The assignment of a human resources officer would further enhance management operations.

Consulate General Guayaquil had high staff morale despite cramped quarters. The consul general's active interest and innovative programs contributed to this phenomenon and to the reversal of an unfavorable public image that prevailed during a 2003 inspection.

The new consulate building planned for Guayaquil will be too small to accommodate anticipated growth of the Drug Enforcement Administration and the Department of Homeland Security in Guayaquil. Mission Ecuador used the newly hired officers under the Diplomatic Readiness Initiative to support public diplomacy outreach programs.

BEST PRACTICE

Inspection of Embassy Quito, Ecuador (ISP-I-09-42A)

Best Practice: Multimedia Media Summary

Issue: Mission Ecuador officers need a full understanding of U.S. issues as discussed in Ecuador's media formats.

Response: The Quito public affairs section produces a daily media summary sent to subscribed users via email, which provides a daily TV clip of the most important TV report and a menu to choose other TV clips. It has a similar choice of radio clips and press clips. Users can also send clips to other users for discussion, etc.

Result: This media summary keeps mission officers very well apprised of the media. In addition, access to TV video clips provides officers with texts of public statements from Ecuadorian officials that are more accurate than any found in the written media.

Note: Missions should review 5 FAM 494 and local laws to ensure use of materials follows "fair use" principles.

INVESTIGATIONS

Operations Division Receives Award for Excellence

The Office of Investigations' Operations Division merited an Award for Excellence in Administrative (Investigative) Support. The Operations Division has many areas of responsibility, including drafting and revising the investigative manual; preparing for and conducting investigative peer reviews; providing computer forensics, forensic auditing and investigative analyst support; running the OIG Hotline and Name Check programs; maintaining the official case files and case management system; managing the investigations budget and coordinating training; managing all collateral duties including firearms, defensive tactics and physical fitness training; and managing the official vehicle fleet. The past year and a half has been a time of extraordinary growth for the Office, and the Operations Division provided the foundational support to make this growth possible without suffering a loss in the quality of the Office's work products.

Embezzlement

OIG conducted an investigation of a consular clerk who embezzled funds by generating false documentation to conceal the theft and making false statements regarding refunds to visa recipients in a scheme that lasted from 2003 until December 2008. When interviewed, the subject admitted to the embezzlement and stated that she had spent the money on both of her ex-husbands, her daughter, her parents and her designer wardrobe. The consular clerk was prosecuted in country and was terminated from her position with the Embassy. On August 19, 2009, the subject was sentenced to 6 years in prison and full restitution in the amount of \$488,954. (09-042)

OIG conducted an investigation of a Department employee who diverted payroll funds to his own personal bank account. The investigation determined that the employee embezzled approximately \$5,000 in this manner. On May 13, 2009, the employee was indicted in U.S. District Court, District of South Carolina, on one count of theft and embezzlement. On June 5, 2009, the employee resigned from the Department. As of the end of the reporting period, the employee was being considered for a pre trial diversion on the embezzlement charge. (08-123)

Visa Fraud

OIG conducted a joint investigation with the Department of Labor-OIG concerning two resident aliens who, while acting as immigration representatives, filed about 140 fraudulent permanent labor certification applications for West African immigrants. Through the assistance of a cooperating witness, the investigation determined that the subjects exaggerated or provided false information on the labor certification regarding clients' job qualifications, the ability of the employer to pay stated salary and the availability of the position by the employer in order to qualify the immigrants for labor certifications. The subjects charged the immigrants approximately \$2,500-\$5,000 apiece for preparing the fraudulent paperwork. The investigation further determined that one of the American employers listed on the fraudulent paperwork was paid by the subjects in order to allow his business name to be used as part of the scam.

On May 20, 2009, one of the subjects pleaded guilty in the U.S. District Court, District of Maryland, to one count of visa fraud and agreed to testify against the other subject. Prosecution of the other subject was pending a possible trial at the end of the reporting period. On September 14, 2009, the employer who accepted money from the subjects pleaded guilty to one count of visa fraud. Sentencing of the employer is pending. (08-018)

On May 29, 2009, OIG Special Agents Lisa Foster and Rob Kirts received a Law Enforcement Public Service award given by the United States Attorney's Office for the Northern District of Virginia in Alexandria. The award was presented by Assistant United States Attorney Beth Gibson to Special Agents Foster and Kirts for their work as part of a joint agency team that conducted a major visa fraud investigation that resulted in the arrests of 15 defendants and the execution of 11 search warrants. The arrests and searches occurred in Illinois, Georgia, Maryland, and Virginia.

Employee Misconduct

OIG conducted an investigation of a senior Department manager and a female subordinate who, while engaging in an extramarital affair, engaged in various unauthorized activities including improper personnel practices; improper acceptance of gratuities from contractors to include free tickets to an NFL game and a Broadway show; and contracting irregularities. The case was declined for criminal prosecution.

On May 21, 2009, the Bureau of Human Resources issued a proposal to terminate both employees, but later mitigated the action for the subordinate employee to a 14-day suspension. (05-027)

Follow-Up Actions

Passport Information Electronic Imaging System (PIERS) Inquiry

On March 20, 2008, Undersecretary of State for Management Patrick F. Kennedy requested that OIG conduct an investigation after news media reports indicated that the passport files of three presidential candidates had been improperly accessed by three different Department contract employees on three different occasions through the Passport Information Electronic Imaging System (PIERS). OIG subsequently received additional information that improper accessing of PIERS records was widespread, and involved many Department employees and contractors. The following are actions that have resulted to date from OIG investigations involving this issue during this semiannual reporting period, including six separate criminal prosecutions:

OIG conducted an investigation of a Department contract employee who improperly accessed PIERS by looking up the passport files of two former Presidents as well as other individuals for non-official purposes. The investigation determined that the contract employee electronically accessed through PIERS 44 different passport applications without authorization. The contract employee was terminated from his contract assignment with the Department. He pleaded guilty in U.S. District Court for the District of Columbia to one count of Unauthorized Computer Access, and on July 8, 2009, was sentenced to 12 months probation and a \$5,000 fine. (08-037)

OIG conducted an investigation of a former Department employee who improperly accessed PIERS by looking up the passport files of prominent celebrities. The investigation determined that the former employee electronically accessed through PIERS over 32 different passport applications without authorization while she was employed by the Department. The employee was prosecuted in Municipal Court for the city of Boston. On May 15, 2009, the former employee pleaded guilty and was sentenced to 6 months' probation. (08-107)

OIG conducted an investigation of a Department employee who was improperly accessing PIERS to view the records of a former President as well as and other prominent individuals. The investigation determined that the contract employee electronically accessed passport applications through PIERS without authorization. On August 17, 2009, the employee pleaded guilty in U.S. District Court for the District of Columbia to one count of Unauthorized Computer Access. He will be sentenced on December 9, 2009. (08-044)

OIG conducted an investigation of a former Department employee who improperly accessed PIERS by looking up the passport files of prominent celebrities. The investigation determined the former employee electronically accessed 150 different passport applications through PIERS without authorization while she was employed by the Department. On August 26, 2009, the employee pleaded guilty in U.S. District Court for the District of Columbia to one count of Unauthorized Computer Access. She will be sentenced December 15, 2009. (08-080)

OIG conducted an investigation of a supervisory Department employee who improperly accessed PIERS by looking up the passport files of prominent celebrities. The investigation determined that the former employee electronically accessed 710 different passport applications through PIERS without authorization while she was employed by the Department. On August 19, 2009, the employee pleaded guilty in U.S. District Court for the District of New Hampshire. Sentencing is currently pending. (08-105)

OIG conducted an investigation of a contract employee who improperly accessed PIERS by looking up the passport files of a former President as well as other prominent celebrities. The investigation determined that the former employee electronically accessed through PIERS approximately 112 different passport applications without authorization while he was employed by the Department. On July 10, 2009, the employee pleaded guilty in U.S. District Court for the District of Columbia to one count of Unauthorized Computer Access. He will be sentenced October 23, 2009. (08-085)

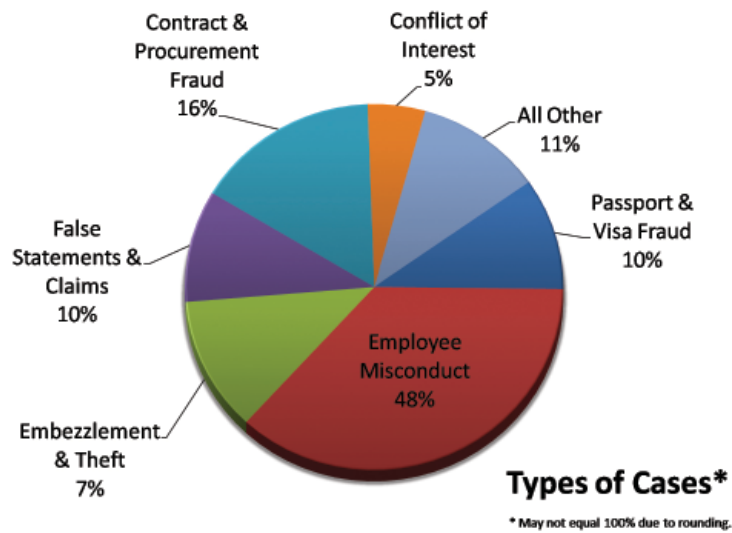
OIG referred for disciplinary action numerous other instances of Department employees and contract employees improperly accessing PIERS that were less egregious than those prosecuted. During this semiannual reporting period, a total of 25 written admonishments were issued to employees for PIERS violations.

OIG's pursuit of PIERS related investigations is ongoing. Because of the systemic weaknesses identified by OIG during the overall PIERS inquiry, the Department has enacted greater safeguards to protect the privacy of electronically stored Passport-related information. (See *OIG Semiannual Report, October 1, 2008, to March 31, 2009, pp 49-50*)

Embezzlement

OIG conducted an investigation of an individual who worked for a vendor that supplies repair services to the Department. The subject stole the credit card number from a Department credit card that was used to pay for the vendor services and then used the number to make approximately \$14,000 in unauthorized purchases. On January 13, 2009, OIG agents arrested the subject. On March 10, 2009, the subject pleaded guilty in U.S. Superior Court for the District of Columbia to one count of fraud. In his plea agreement, the subject agreed to reimburse the government \$14,049. On May 15, 2009, the subject was sentenced to 100 days in a Halfway House, 18 months probation, 200 hours of community service and directed to pay \$14,049 in restitution. (See *OIG Semiannual Report, October 1, 2008, to March 31, 2009, pp 51*) (08-087)

OIG conducted an investigation of a foreign national employee serving at a U.S. Embassy overseas who embezzled approximately \$850,000 while working as an embassy cashier. The employee stole the money through two separate fraud schemes; the first involved submitting phony expense vouchers for monetary payment and the second involved obtaining cash advances from the Embassy's cash advance accounts at two local banks. The cashier was terminated from employment and brought to the United States for prosecution. On January 21, 2009, the employee pleaded guilty in U.S. District Court for the District of Columbia to one count of theft and embezzlement. On June 8, 2009, the subject was sentenced 18 months imprisonment directed to pay \$850,266 in restitution. (See *OIG Semiannual Report, October 1, 2008, to March 31, 2009, pp 51*) (08-088)



Hotline

Referral to Other Offices for Action 242

Held for Action Within OIG 87

No Action Necessary 158

Total Complaints Received 487

APPENDIX 1: DEPARTMENT OF STATE INVESTIGATIVE ACTIVITIES

Preliminary Inquiries

Opened	36
Closed	34

Investigations

Opened	60
Closed	53
Pending (9/30/09)	104

Criminal Actions

Referrals for Prosecution	11
Indictments/Informations	3
Convictions	6
Sentencings (Months Imprisonment)	93
Sentencings (Months Probation)	36
Declinations	7

Civil Actions

Civil Referrals	7
Civil Judgments	0

Administrative Referrals

Referrals for Personnel Action	13
Suitability Referrals to DS	11

Administrative Actions

Removals	4
Suspensions	2
Reprimands/Admonishments	31
Debarment Actions	0

Monetary Recoveries

Criminal Fines/Recoveries	\$1,358,294
Civil Recoveries	\$0
Administrative Recoveries	\$0
Total Investigative Recoveries	\$1,358,294

APPENDIX 2: REPORTS ISSUED

Report Number	Report Title
AUD/CG-09-23	Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by the National Committee on United States-China Relations, Inc.
AUD/FM-09-11	Management Letter Related to the Audit of the U.S. Department of State 2008 and 2007 Financial Statements
AUD/FM-09-17	Independent Auditor's Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2008 and 2007 Financial Statements
AUD/FM-09-18	Management Letter Related to the Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2008 and 2007 Financial Statements
AUD/FM-09-19	Independent Auditor's Report on the Foreign Service Retirement and Disability Fund, 2008, 2007, and 2006 Financial Statements
AUD/FM-09-20	Management Letter Related to the Audit of the Foreign Service Retirement and Disability Fund, 2008, 2007, and 2006 Financial Statements
AUD/IP-09-22	Audit of the Contract and Procurement Process for Selected Projects at U.S. Embassy Jakarta
AUD/IP-09-24	Audit of the Timeliness of Department Payments Subject to the Prompt Payment Act
AUD/IQO-09-16	Joint Audit of Blackwater Contract and Task Orders for Worldwide Personal Protective Services in Iraq
AUD/SI-09-15	Audit of Property Accountability, Inventory Controls, and Encryption of Laptop Computers at Selected Department of State Bureaus in the Washington, DC, Metropolitan Area
ISP-I-09-16	Inspection of the Executive Office of the Bureau of Diplomatic Security
ISP-I-09-21A	Inspection of Embassy Mexico City, Mexico
ISP-I-09-30A	Inspection of Embassy Baghdad, Iraq
ISP-I-09-31A	Inspection of Embassy Bern, Switzerland
ISP-I-09-32A	Inspection of Embassy Brazzaville, Republic of the Congo
ISP-I-09-33A	Inspection of Embassy Bridgetown, Barbados
ISP-I-09-34	Inspection of Bureau of Consular Affairs, Passport Services
ISP-I-09-35A	Inspection of Embassy Kingston, Jamaica

ISP-I-09-36A	Inspection of Embassy Kinshasa, Democratic Republic of the Congo
ISP-I-09-37A	Inspection of Embassy London, United Kingdom
ISP-I-09-38A	Inspection of Embassy Paramaribo, Suriname
ISP-I-09-40A	Inspection of Embassy Port of Spain, Trinidad and Tobago
ISP-I-09-41A	Inspection of Embassy Praia, Cape Verde
ISP-I-09-42A	Inspection of Embassy Quito, Ecuador
ISP-I-09-43	Management Review of the Office of the Historian Bureau of Public Affairs
ISP-I-09-44	Review of Locally Employed Staff Compensation Issues
ISP-I-09-54A	Inspection of Embassy Zagreb, Croatia
ISP-I-09-55A	Inspection of Embassy Sarajevo, Bosnia and Herzegovina
ISP-I-09-63	Inspection of the Bureau of African Affairs (AF)
ISP-I-09-65	Inspection of the Office of the U.S. Special Envoy for Sudan (S/USSES)
ISP-I-09-69	Interagency Evaluation of the Section 1206 Global Train and Equip Program
ISP-I-09-70	Global Positioning System Solution
ISP-I-09-72	Balkan Language Issues Memorandum Report
MERO-A-09-08	Performance Audit of the U.S. Training Center Contract for Personal Protective Services in Afghanistan
MERO-A-09-10	Performance Audit of Embassy Baghdad's Transition Planning for a Reduced United States Military Presence in Iraq
MERO-A-09-12	Memorandum Report on the Preliminary Review of the Second Worldwide Personal Protective Services (WPPS II) Contract Task Orders
MERO-I-09-07	Limited-Scope Audit of Management/Internal Controls over the J. William Fulbright Scholarship Fund, Pakistan
MERO-I-09-09	Review of the Roles, Staffing, and Effectiveness of the Regional Embassy Offices in Iraq
MERO-IQO-09-03	Review of Triple Canopy WPPS Performance
MERO-IQO-09-04	Interim Report on Role, Staffing, and Effectiveness of the Regional Embassy Office in Hillah, Iraq
MERO-IQO-09-05	Review of Triple Canopy WPPS II Personal Protective Services in Jerusalem
MERO-IQO-09-06	Performance Audit of the DynCorp Contract for Personal Protective Services in Iraq

CLASSIFIED REPORTS ISSUED

(summarized in the Classified Annex)

Report Number	Report Title
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AUD/IT-09-21	Review of the Information Security Program for Sensitive Compartmented Information Systems at the Department of State (FISMA)
ISP-S-09-21A	Classified Annex to the Inspection of Embassy Mexico City, Mexico
ISP-S-09-30A	Classified Annex to the Inspection of Embassy Baghdad, Iraq
ISP-S-09-31A	Classified Annex to the Inspection of Embassy Bern, Switzerland
ISP-S-09-32A	Classified Annex to the Inspection of Embassy Brazzaville, Republic of the Congo
ISP-S-09-33A	Classified Annex to the Inspection of Embassy Bridgetown, Barbados
ISP-S-09-35A	Classified Annex to the Inspection of Embassy Kingston, Jamaica
ISP-S-09-36A	Classified Annex to the Inspection of Embassy Kinshasa, Democratic Republic of the Congo
ISP-S-09-37A	Classified Annex to the Inspection of Embassy London, United Kingdom
ISP-S-09-38A	Classified Annex to the Inspection of Embassy Paramaribo, Suriname
ISP-S-09-40A	Classified Annex to the Inspection of Embassy Port of Spain, Trinidad and Tobago
ISP-S-09-41A	Classified Annex to the Inspection of Embassy Praia, Cape Verde
ISP-S-09-42A	Classified Annex to the Inspection of Embassy Quito, Ecuador
ISP-S-09-54A	Classified Annex to the Inspection of Embassy Zagreb, Croatia
ISP-S-09-55A	Classified Annex to the Inspection of Embassy Sarajevo, Bosnia and Herzegovina

APPENDIX 3: SAVINGS AND MORE EFFECTIVE USE OF RESOURCES

Table 1
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH QUESTIONED COSTS

Type of Report		Number of Reports	Questioned Costs (Dollars in Thousands)	Unsupported Costs (Dollars in Thousands)
A.	For which no management decision has been made by the commencement of the reporting period *	7	\$30,487	\$26,106
B.	Which were issued during the reporting period	2	\$56,039	\$55,326
	Subtotals (A + B)	9	\$86,526	\$81,432
C.	For which a management decision was made during the reporting period		\$55,162	\$55,000
	(i) dollar value of disallowed costs	1	\$20	\$0
	(ii) dollar value of costs not disallowed	2	\$55,142	\$55,000
D.	For which no management decision has been made by the end of the reporting period	8	\$31,364	\$26,432
	Reports for which no management decision was made within six months of issuance	6	\$30,324	\$26,105

*Final amounts in previous SAR were adjusted due to reporting and other errors, based on an extensive analysis of open recommendations.

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

Type of Report	Number of Reports	Dollar Value (in Thousands)
A. For which no management decision has been made by the commencement of the reporting period	0	\$0
B. Which were issued during the reporting period	1	\$8,100
Subtotals (A + B)	1	\$8,100
C. For which a management decision was made during the reporting period		\$0
(i) dollar value of recommendations that were agreed to by management	0	\$0
*based on proposed management action	0	\$0
*based on proposed legislative action	0	\$0
(ii) dollar value of recommendations that were not agreed to by management	0	\$0
D. For which no management decision has been made by the end of the reporting period	1	\$8,100
Reports for which no management decision was made within six months of issuance	0	\$0

APPENDIX 4: RESOLUTION OF REPORTS AND RECOMMENDATIONS

Previously Reported Significant Audit Recommendations Pending Final Action

Report Number	Rec. No.	Report Title	First Reported
Recommendation Summary			
AUD/CG-05-26	3	<p><i>Review of Selected Grants Awarded to Institute for the Study & Development of Legal Systems</i></p> <p>OIG recommended the Bureau of Educational and Cultural Affairs grants officer disallow all unsupported expenses charged to Grant PSPS-G6190048 – India and Grant S-ECAPE-02-GR -046 (CS) – Turkey.</p>	10/05
AUD/CG-06-02	4	<p><i>Application of Agreed-Upon Procedures to George Mason University Awards</i></p> <p>OIG recommended the Bureau of Educational and Cultural Affairs grants officer:</p> <ul style="list-style-type: none"> • Ensure that George Mason University follows through with proposed guidelines related to cost share; • Require the University to provide supporting documentation for claimed cost share amounts totaling \$354,248 for Grants ASMA-0324 and S-ECAAS-02-GR-251); and • Reduce the grants accordingly and require the University to reimburse applicable unmet cost share amounts. 	2/06
AUD/IQO-07-20	2	<p><i>Review of DynCorp International, LLC, Contract Number S-LMAQM-04-C-0030, Task Order 0338, for the Iraqi Police Training Program Support (Joint audit with the Special Inspector General for Iraq Reconstruction</i></p> <p>OIG recommended the Office of Acquisitions Management seek reimbursement from DynCorp for the improperly authorized payment of \$4.2 million that represents contractually unauthorized work directed by the Iraqi Ministry of Interior. This work included the relocation of the residential camp, the manufacture of additional VIP trailers, and the construction of an Olympic-size swimming pool.</p>	1/07

Report Number	Rec. No.	Report Title	First Reported
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AUD/IQO-07-48		Recommendation Summary <i>Accounting for Government-Owned Personal Property Held by Selected Contractors in Afghanistan</i>	09/07
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| 1 | OIG recommended the Department develop and implement policies and procedures to achieve compliance with Federal Acquisition Regulation requirements for reviewing a contractor's property control system. |
| 2 | OIG recommended the Department take actions to address the \$2.9 million in unallowable costs identified in this report, including reconciling contract requirements to the property acquired and invoiced by the contractors for which they were reimbursed and determine whether property in excess of amounts specified in the contract or task order was required to accomplish contract objectives; documenting the reconciliation and determination, use them as the basis for approving the costs of any excess property deemed allowable, and issue a modification to the task order indicating the approval; and resolving any unallowable costs associated with property that was determined to be unnecessary to the accomplishment of contract objectives. |
| 3 | OIG recommended the Department take the following steps to address the \$25.5 million in unsupported costs identified in this report: reconcile the property acquired and invoiced by the contractors for which they were reimbursed to the contractor's property lists by obtaining and reviewing contractor documentation detailing the types and quantities of property acquired; determine whether the property was needed and consistent with contract requirements; and resolve any unsupported allowable costs associated with property that could not be supported with adequate documentation or was determined to be unnecessary to the accomplishment of contract objectives. |

Report Number	Rec. No.	Report Title	First Reported
Recommendation Summary			
AUD/SI-07-27	5	OIG recommended the Department evaluate its current structure for monitoring government property held by contractors, assess the benefits of creating a property administrator function, and use this evaluation to clearly define the authority and responsibility for property oversight for each member of its contract administration team.	3/07
	2	<i>Audit of Emergency Preparedness at the Washington Metropolitan Facilities of the Department of State</i> OIG recommended the Bureau of Administration ensure the Office of Emergency Management's Planning and Preparedness Division has sufficient staffing to finalize 6 FAM 400, Office of Emergency Management Program, and the proposed 6 FAH-1 H-100, Domestic Emergency Handbook, and ensure the emergency preparedness policies and procedures contained in these manuals are implemented and enforced in a timely manner.	
AUD/CG-07-25		<i>Review of the Institute of International Education's Indirect Cost Rates for Fiscal Years 2002-05</i>	4/07
	1	OIG recommended the Bureau of Educational and Cultural Affairs grants officer require the Institute of International Education to consistently account for severance pay for FYs 2002-05 as indirect or direct costs, identify overpayments of severance and other benefits related to the severance pay, reimburse the Department for unallowable severance pay and benefits, reduce the fringe benefits pool by the overpayments, and recompute the fringe benefits pool for allocation to the other cost pools	
	2	OIG recommended the Bureau of Educational and Cultural Affairs grants officer require the Institute of International Education to reimburse the Department for bond and loan interest, personal living, and other indirect costs classified as unallowable; reduce the indirect cost pools by the unallowable costs; and recompute the indirect cost rates in the appropriate pools.	

Report Number	Rec. No.	Report Title	First Reported
Recommendation Summary			
AUD/CG-07-29		<i>Independent Accountants' Report on the Application of Agreed-Upon Procedures on Costs Claimed by Atlantic Corridor U.S.A., Inc., Under Department of State Grants</i>	6/07
	1	OIG recommended the Bureau of Educational and Cultural Affairs require Atlantic Corridor to refund the Department the \$226,705 in excess drawdowns related to Department grants and prohibit any future drawdowns until the funds are repaid and the grantee has established controls limiting any future requests of grant funds to the minimum amount necessary to cover allowable costs.	
	2	OIG recommended the Bureau of Educational and Cultural Affairs require Atlantic Corridor to refund the Department for \$45,361 of unallowable costs related to the grants and to provide information so that the Department can make an appropriate determination on the unsupported costs of \$97,388.	
AUD/CG-07-37		<i>Independent Accountants' Report on the Application of Agreed-Upon Procedures on Costs Claimed by Meridian International Center Under Department of State Cooperative Agreements</i>	9/07
	1	OIG recommended the Bureau of Educational and Cultural Affairs (1) determine whether the Center's use of the forgone opportunity costs concerning the Center's conference facilities constitutes an appropriate cost-share amount under the cooperative agreement, and (2) following this determination, as appropriate, require the Center to provide supporting documentation for the claimed cost-share amounts or an alternative cost-sharing proposal.	
AUD/CG-08-02		<i>Independent Accountants' Report on the Application of Agreed-Upon Procedures on Costs Claimed by Young Men's Christian Association of Greater New York Under Department of State Grants</i>	1/08
	4	OIG recommended that the Bureau of Educational and Cultural Affairs require the Association to substantiate the unsupported payroll costs or reimburse the Department for these costs.	

Report Number	Rec. No.	Report Title	First Reported
Recommendation Summary			
AUD/CG-08-10		<i>Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by NAFSA: Association of International Educators</i>	1/08
	1	OIG recommended that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, International Programs Division, accept and finalize the indirect cost rates for 2005 and 2004 as recommended in this report.	
AUD/IP-08-19		<i>Safeguarding Domestic Passport Applications During Transit</i>	3/08
	1	OIG recommended that the Bureau of Consular Affairs direct the Office of Passport Services to modify the Passport Agent's Reference Guide to define the minimum standards for a secure area, such as placing the applications in a locked container until all the applications are transported, and issue a notice to all acceptance agents regarding this change.	
	2	OIG recommended that the Bureau of Consular Affairs direct the Office of Passport Services to include provisions in its acceptance agent oversight program for monitoring the effectiveness of acceptance agents in securing passport applications.	
	3	OIG recommended that the Bureau of Consular Affairs direct the Office of Passport Services to require non-USPS acceptance agents to send passport applications in a traceable manner, such as with deliver confirmation, and to retain the receipts for a year.	
	4	OIG recommended that the Bureau of Consular Affairs direct the Office of Passport Services to work with officials from the Department of the Treasury to review the process used to transport passport applications from the lockbox facilities to passport agencies and to develop a workload distribution analysis that reduces the use of routes with numerous transfers.	

Report Number	Rec. No.	Report Title	First Reported
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Recommendation Summary

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| 5 | OIG recommended that the Bureau of Consular Affairs direct the Office of Passport Services to require that anyone without a need to access applications (such as contracted cleaning, repair, and maintenance personnel) be escorted by Office of Passport Services personnel and kept in direct visual sight. |
| 6 | OIG recommended that the Bureau of Consular Affairs direct the Office of Passport Services to (a) secure passport applications in locked cabinets, containers, or rooms when not actively being processed and (b) amend the internal controls program accordingly. |
| 7 | OIG recommended that the Bureau of Consular Affairs direct the Office of Passport Services to issue an advisory notice within 14 days of the issuance of this audit report to all acceptance agents informing them of the Inspector General's authority to review passport records as specified in the Inspector General Act. |
| 8 | OIG recommended that the Bureau of Consular Affairs direct the Office of Passport Services to modify the Passport Agent's Reference Guide to require agents to make their passport records available for monitoring, audit, or investigation. |
| 9 | OIG recommended that the Bureau of Consular Affairs direct the Office of Passport Services to modify the provisions in the designation letter to make passport records available for monitoring, audit, or investigation and reissue the designation letter for all acceptance agents. |

AUD/CG-08-23

Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by the Council on International Educational Exchange, Inc.

5/08

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| 1 | OIG recommended that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, International Programs Division, accept and finalize the indirect cost rates for fiscal years 2005, 2004, and 2003 as recommended in this report. |
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Report Number	Rec. No.	Report Title	First Reported
Recommendation Summary			
AUD/CG-08-32		<i>Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by Nacel Open Door, Inc.</i>	8/08
	3	OIG recommended that the Department's Bureau of Educational and Cultural Affairs (ECA) require Nacel Open Door, Inc., to (a) establish appropriate policies and procedures to ensure that costs under the grants are adequately documented and accounted for in accordance with applicable Office of Management and Budget circulars and (b) provide information so that ECA can make an appropriate determination on the unsupported costs of \$94,524.	

Previously Reported Significant Inspections Recommendations Pending Final Action

Report Number	Rec. No.	Report Title	First Reported
Recommendation Summary			
ISP-C-07-04		<i>Compliance Follow-up Review of the Inspection of the USIBWC</i>	10/06
	1	OIG recommended the Bureau of Western Hemisphere Affairs, in coordination with the Bureau of Legislative Affairs, the Office of the Legal Adviser, and the Bureau of Human Resources, seek legislation making the U.S. Section of the International Boundary and Water Commission an entity of the Department of State.	
ISP-I-07-16		<i>Inspection of the Bureau of Human Resources (Phase I)</i>	5/07
	33	The Bureau of Human Resources should, in coordination with the Bureau of Resource Management, establish a global savings mechanism to supplement the locally employed staff's retirement plan. (Action: HR, in coordination with RM)	

Report Number	Rec. No.	Report Title	First Reported
Recommendation Summary			
ISP-I-07-21		<i>Inspection of the Bureau of Administration, Office of Logistics Operations and Office of Program Management and Policy</i>	5/07
	10	OIG recommended the Bureau of Resource Management, in coordination with the Bureau of Administration, establish procedures in the Foreign Affairs Manual to require that all bureau and office heads, and chiefs of mission assure in their management controls certifications that an inventory was conducted and reconciled with property records and that the results were submitted.	
	13	OIG recommended the Bureau of Administration revise regulations to eliminate the criteria allowing the authorization of adjustments when shortages total less than 1 percent of the stated inventory value and, when a shortage exists, instead require all domestic and overseas entities to submit either the applicable Property Survey Report or Property Disposal Authorization and Survey Report with the inventory certification.	
	22	OIG recommended the Bureau of Resource Management, in coordination with the Bureau of Administration, establish and implement a system to pay the U.S. Postal Service and bill and collect reimbursement from other agencies for postal service provided to posts being converted to Department-managed postal operations.	
	27	OIG recommended the Bureau of Human Resources, in coordination with the Bureau of Administration, establish a logistics management function skill code and a logistics certification program for logistics professionals worldwide.	
ISP-I-09-12		<i>Currency Exchange Rates Differing from Local Legally Available Rates</i>	11/08
	1	OIG recommended that the Office of the Legal Adviser, in coordination with the Bureaus of Human Resources and Resource Management, add a provision in the Foreign Affairs Manual that would require Chiefs of Mission to seek approval from the Department for authorizing foreign currency transaction at other than local legally approved rates.	

Report Number	Rec. No.	Report Title	First Reported
ISP-I-09-26A	2	Recommendation Summary <i>Inspection of Embassy Suva, Fiji</i> OIG recommended that Embassy Suva, in coordination with the Bureaus of Democracy, Human Rights and Labor; East Asian and Pacific Affairs; International Information Programs; and Educational and Cultural Affairs, should develop and implement a program to train journalist in the region and promote investigate journalism.	03/09

Revised Management Decisions

None to report.

Significant Management Success in Resolving and Implementing Recommendations

Independent Accountants' Report on the Application of Agreed-Upon Procedures on Final Buyout Claim by Enviro-Management & Research, Inc., Under Contract No. S-FBOAD-98-DOO10 (AUD/CG-08-28)

OIG recommended the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, decline to pay Enviro-Management & Research, Inc., its buyout claim under the contract and require the company to reimburse the Department for overpayments totaling about \$16,000. Upon implementation of this recommendation, the Department ultimately recovered almost \$20,000 from the company.

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

Report Number: AUD/CG-05-26

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

Date Issued: October 18, 2005

Reason for not being resolved: OIG sent the Bureau of Educational and Cultural Affairs a memorandum in August 2009 emphasizing the delinquency and importance of resolving and implementing the recommendations. In September 2009, ECA sent an email to OIG stating that ECA had received a response from the grantee. ECA also requested assistance from OIG or from an independent public accountant under contract with OIG to analyze the documentation received from the Institute.

Projected date of resolution: March 2010.

Report Number: AUD/CG-06-02

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

Date Issued: February 24, 2006

Reason for not being resolved: OIG sent the Bureau of Educational and Cultural Affairs a memorandum in August 2009 emphasizing the delinquency and importance of resolving and implementing the recommendations. In September 2009, ECA sent an e-mail to OIG stating that ECA had received a response from the grantee. ECA also requested assistance from OIG or from an independent public accountant under contract with OIG to analyze the documentation received from George Mason University.

Projected date of resolution: March 2010.

Report Number: AUD/FM-07-28

Subject: Internal Procurement Practices at Embassy Berlin

Date Issued: July 12, 2007

Reason for not being resolved: Embassy Berlin responded to OIG's recommendations in a January 2008 cable. OIG determined that the actions taken by the Embassy would satisfy the intent of all but one of the report's five recommendations. Embassy Berlin did not address the substance of the recommendation pertaining to the development and implementation of a plan to review its procurement processes. OIG sent Embassy Berlin a cable in September 2009 emphasizing the delinquency

and importance of resolving and implementing the recommendation. As of September 2009, the Embassy had not responded.

Projected date of resolution: March 2010.

Report Number: AUD/CG-08-02

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

Date Issued: December 19, 2007

Reason for not being resolved: As of March 2009, the Bureau of Educational and Cultural Affairs had not responded to OIG's March 4 or June 10, 2008, requests for a response to the report's recommendations. OIG sent ECA a memorandum in August 2009 emphasizing the delinquency and importance of resolving and implementing the recommendations. As of September 2009, ECA had not responded.

Projected date of resolution: March 2010.

Report Number: AUD/CG-08-10

Subject: Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by NAFSA: Association of International Educators

Date Issued: January 31, 2008

Reason for not being resolved: As of March 2009, the Bureau of Administration (A Bureau), Office of Logistics Management, Office of Acquisitions Management, International Programs Division, had not responded to the report's recommendation. OIG sent the A Bureau a memorandum in August 2009 emphasizing the delinquency and importance of resolving and implementing the recommendation. As of September 2009, the A Bureau had not responded.

Projected date of resolution: March 2010.

APPENDIX 5: AUDITS PERFORMED BY CONTRACTORS

AUD/FM-09-11	Management Letter Related to the Audit of the U.S. Department of State 2008 and 2007 Financial Statements Leonard G. Birnbaum and Company, LLP Financial Audit
AUD/FM-09-17	Independent Auditor's Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2008 and 2007 Financial Statements Leonard G. Birnbaum and Company, LLP Financial Audit
AUD/FM-09-18	Management Letter Related to the Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2008 and 2007 Financial Statements Leonard G. Birnbaum and Company, LLP Financial Audit
AUD/FM-09-19	Independent Auditor's Report on the Foreign Service Retirement and Disability Fund, 2008, 2007, and 2006 Financial Statements Leonard G. Birnbaum and Company, LLP Financial Audit
AUD/FM-09-20	Management Letter Related to the Audit of the Foreign Service Retirement and Disability Fund, 2008, 2007, and 2006 Financial Statements Leonard G. Birnbaum and Company, LLP Financial Audit

AUD/CG-09-23 Independent Accountants' Report on the Application of
Agreed-Upon Procedures on Indirect Cost Rates Proposed
by the National Committee on United States-China Relations,
Inc.
L.F. Harris and Associates, CPA, P.A.
Indirect Cost Rate Review

BROADCASTING BOARD OF GOVERNORS

Management Letter Related to the Audit of the Broadcasting Board of Governors 2008 and 2007 Financial Statements (AUD/IB-09-12)

During the audit of BBG's 2008 and 2007 financial statements, the independent external auditor identified internal control weaknesses or instances of noncompliance with selected provisions of applicable laws and regulations relating to property, plant, and equipment; undelivered orders; government purchase cards; grants management; information security; payroll; and non-personnel expenses. The external auditor recommended that BBG take appropriate action to address these weaknesses.

Inspection of Voice of America News Bureau, London (ISP-IB-09-46)

The Voice of America (VOA) London News Bureau was doing an excellent job with a reduced staff. Its modern studio and motivated staff had the capability to expand their efforts, without additional personnel, to make full use of the platform provided by the bureau to other interested VOA language services. Some of the London News Bureau's operational procedures and standards could be improved.

Review of Voice of America's Deewa Radio Journalistic Controls (ISP-IB-09-67)

The Broadcasting Board of Governors created Deewa Radio at Voice of America in 2006. Its target audience is the Pashtun population on the Pakistan side of the country's troubled border region with Afghanistan. Deewa Radio provides the United States with a vital communications link to a region of major significance to U.S. foreign policy and national security.

An effective system of review was in place in Deewa Radio and the South Asia division of VOA to ensure that the broadcasted material met VOA standards for accuracy and balance. If Deewa Radio continues to grow, VOA will have to take into account its staff size and training requirements to maintain continued effectiveness and quality.

Follow Up-Actions

OIG conducted an investigation of a BBG employee who received Metrocheck benefits even though she was driving in to work nearly every day. A surveillance conducted on the employee was able to demonstrate that the employee was not using her Metrochecks for commuting expenses. On November 20, 2008, the employee was interviewed by OIG and admitted to her activities and immediately repaid BBG \$3,780 for the cost of the Metrochecks. The case was declined for criminal prosecution by the Department of Justice. On July 29, BBG proposed termination for the employee. (See *OIG Semi-Annual Report, October 1, 2008 to March 31, 2009, pp 83*) (07-031)

APPENDIX 1: BROADCASTING BOARD OF GOVERNORS INVESTIGATIVE ACTIVITIES

Preliminary Inquiries

Opened	0
Closed	0

Investigations

Opened	0
Closed	1
Pending (9/30/09)	0

Criminal Actions

Referrals for Prosecution	0
Indictments/Informations	0
Convictions	0
Sentencings (Months Imprisonment)	0
Sentencings (Months Probation)	0
Declinations	0

Civil Actions

Civil Referrals	0
Civil Judgments	0
Civil Declinations	2

Administrative Referrals

Referrals for Personnel Action	0
Suitability Referrals to DS	0

Administrative Actions

Removals	1
Suspensions	0
Reprimand/Admonishments	0
Debarment Actions	0

Monetary Recoveries

Criminal Fines/Recoveries	\$0
Civil Recoveries	\$0
Administrative Recoveries	\$0
Total Investigative Recoveries	\$0

APPENDIX 2: REPORTS ISSUED

Report Number	Report Title
AUD/IB-09-12	Management Letter Related to the Audit of BBG's 2008 and 2007 Financial Statements
ISP-IB-09-46	Inspection of Voice of America News Bureau, London
ISP-IB-09-67	Review of Voice of America's Deewa Radio Journalistic Controls

APPENDIX 3: SAVINGS AND MORE EFFECTIVE USE OF RESOURCES

Table 1
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH QUESTIONED COSTS

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

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

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

APPENDIX 4: AUDITS PERFORMED BY CONTRACTORS

AUD/IB-09-12	Management Letter Related to the Audit of the Broadcasting Board of Governors 2008 and 2007 Financial Statements Leonard G. Birnbaum and Company, LLP Financial Audit
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ABBREVIATIONS

A/LM/AQM	Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management
AF	Bureau of African Affairs
BBG	Broadcasting Board of Governors
CA	Bureau of Consular Affairs
CA/PPT	Passport Services, CA
CIGIE	Council of Inspectors General on Integrity and Efficiency
COR	Contracting officer's representative
DCM	Deputy chief of mission
Department	U.S. Department of State
DS	Bureau of Diplomatic Security
DS/EX	Executive Directorate, DS
DS/EX/CFO	Office of the Chief Financial Officer, DS/EX
ECA	Bureau of Educational and Cultural Affairs
FAR	Federal Acquisition Regulation
FISMA	Federal Information Security Management Act
FRUS	Foreign Relations of the United States
HO	Office of the Historian
HR	Bureau of Human Resources
ICASS	International Cooperative Administrative Support Services
LE	Locally employed
MERO	Middle East Regional Office
NEC	New embassy compound
NSDD-38	National Security Decision Direction-38

OBO	Bureau of Overseas Buildings Operations
OIG	Office of Inspector General
PIERS	Passport Information Electronic Records System
PPA	Prompt Payment Act
PRT	Provincial Reconstruction Teams
REO	Regional Embassy Office
RRT	Regional Reconstruction Team
RSO	Regional Security Officer
SAR	Semiannual Report to the Congress
USAID	U.S. Agency for International Development
USTC	U.S. Training Center
USIBWC	International Boundary and Water Commission, United States and Mexico, U.S. Section
VOA	Voice of America

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

<i>REQUIREMENT</i>	<i>SUBJECT</i>	<i>PAGE NUMBERS</i>
Section 4(a)(2)	Review of legislation and regulations	15
Section 5(a)(1)	Summary of Significant problems, abuses, and deficiencies	3-10
Section 5(a)(2)	Significant recommendations for corrective action	86-87
Section 5(a)(3)	Prior significant recommendations unimplemented	77-85
Section 5(a)(4)	Matters referred to prosecutive authorities	63-67, 97
Section 5(a)(5)	Information or assistance refused	none
Section 5(a)(6)	List of reports issued	71-72, 101
Section 5(a)(7)	Summaries of significant reports	29-62, 93-95
Section 5(a)(8)	Audit reports—questioned costs	75, 103
Section 5(a)(9)	Audit reports—funds to be put to better use	76, 104
Section 5(a)(10)	Prior audit reports unresolved	86-87
Section 5(a)(11)	Significant revised management decisions	none
Section 5(a)(12)	Significant management decisions with which OIG disagreed	none

