



United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

SEMIANNUAL REPORT TO THE CONGRESS

April 1 to September 30, 2010



Summary of OIG Accomplishments

| Financial Results: | |
|--|------------------|
| Questioned costs | |
| Issued during the reporting period | \$16,647,000 |
| Management decision during the reporting period | \$11,815,000 |
| Recommendations for funds to be put to better use | |
| Issued during the reporting period | \$1,679,000 |
| Management decision during the reporting period | \$0 |
| Investigative monetary recoveries | \$289,320 |
| | |
| Investigative Results: | |
| Cases opened | 68 |
| Cases closed | 86 |
| Criminal actions | 154 |
| Administrative actions | 44 |
| Hotline and complaint activity | 706 |
| | |
| Reports Issued: | 66 |

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MESSAGE FROM THE DEPUTY INSPECTOR GENERAL



Deputy 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, 2010, as required by the Inspector General Act of 1978, as amended.

Recently, I was asked why our office and other U.S. Government oversight organizations were focusing so much attention on the transition of responsibilities in Iraq from the Department of Defense (DOD) to the Department of State. The presumption seemed to be that our oversight activities could overlap or be duplicative, thereby causing extra work for those responding to our requests for information. I appreciated the opportunity to make clear where our priorities lie. We want to invest our resources where we can do the most good for our country and the agencies we oversee. At present, I can see no higher priority than helping our agencies “get it right” in Iraq, a place where the American people have spent so much blood and treasure.

The likelihood of overlap and duplication is small, given the extensive coordination that takes place among the elements of the oversight community. From the broad discussions within the Southwest Asia Joint Planning Group to individual consultations with the OIGs of DOD and the United States Agency for International Development, the Special Inspector General for Iraq Reconstruction (SIGIR), and the Government Accountability Office, we make every effort to coordinate and leverage the impact of our combined efforts.

Nor is there any shortage of work to go around. The magnitude of the challenge facing the U.S. Government, as its mission in Iraq transitions from a military operation to a traditional bilateral relationship of diplomacy and development, is staggering. With only 50,000 U.S. troops remaining in Iraq and the remainder scheduled to withdraw by the end of 2011, the Department faces what the Under Secretary for Management has described as “a critical need for logistical and life support of a magnitude and scale of complexity that is unprecedented in the history of the Department of State.” Given the demands of managing this explosion of logistical operations and contracts, the Department and other U.S. Government agencies will require the best efforts of the combined oversight community to meet the challenges ahead.

The work we have done is directed toward supporting and informing those efforts to the best of our ability. Projects just completed and still underway include inspections and audits of the management and operations of Embassy Baghdad—the largest and most complex in the world—our evaluation of the embassy’s Logistics Civil Augmentation Program, and extensive reviews of the Department’s second Worldwide Personal Protective Services (WPPS II) contracts and other security programs. We also conduct investigations of wrongdoing, such as the joint investigation with SIGIR this period. It is our intention to provide the information and insights that will inform the critical decisionmaking necessary to achieve a successful transition and strengthen the integrity of future U.S. operations in Iraq.



Harold W. Geisel
Deputy Inspector General

EXECUTIVE SUMMARY

The auditors, inspectors, investigators, and other professionals in the Office of Inspector General (OIG) promote effective management, accountability, and positive change in the Department of State (Department), the Broadcasting Board of Governors (BBG), and the foreign affairs community. During this reporting period, OIG issued 66 reports with recommendations to improve the Department and BBG programs and operations, and identified more than \$18 million in cost efficiencies—including questioned costs, fines, and recoveries. A full list of reports issued during this period can be found in Appendix 2 of each agency section of this report. This Semiannual Report to the Congress summarizes work carried out by OIG during the period April 1 through September 30, 2010.

MIDDLE EAST REGIONAL OFFICE

In its audit of property accountability at Embassy Baghdad, OIG noted the embassy had difficulty controlling and accurately accounting for its U.S. Government property, including vehicles, non-expendable items, and expendable supplies. OIG also noted issues with unliquidated obligations (unfilled or partially filled orders) and medical supplies; an excess of hand-held radios; and unassigned cell phones for which the embassy was being charged. OIG calculated the embassy could potentially save costs by transferring radios to other posts and taking steps to reduce cell phone charges. Recommendations focused on vehicle inventorying, proper recording of property data, development of inventory-related plans and procedures, transfer of excess radios, and reducing cell phone charges.

A limited-scope review of vetting procedures for Foreign Service nationals at Embassy Kabul determined that the vetting and hiring processes did not violate the Department's policy regarding nepotism. However, OIG found the regional security office did not always follow Department policy in checking local records of applicants, maintaining records of interim security certifications, or training Foreign Service national investigators (FSNI). OIG recommended that Embassy Kabul request training for FSNI, comply with or seek a waiver to guidance on records checks, and track temporary security certifications.

OIG issued a capping report on the Bureau of Diplomatic Security's (DS) management of the second Worldwide Personal Protective Services (WPPS II) contract, as well as WPPS II contractor performance. OIG's reviews began in the fall of 2008 with an examination of the status of recommendations made by the Secretary of

State's Panel on Personal Protective Services in Iraq, followed by evaluations of all three security contractors operating in Baghdad, Jerusalem, and Kabul. Although protective duties were generally satisfactory, OIG's evaluations revealed several trends that weakened contract management and oversight. OIG also found issues with contractor performance, including personal security specialist training, the ability to fill some contractor positions, and inventory and storage of U.S. Government-furnished property. DS responded quickly to OIG's recommendations, continued to improve the WPPS II program, and has incorporated updated policies into the new Worldwide Protective Services contract.

A limited-scope review of DS's oversight of explosives detection canine programs in Iraq and Afghanistan found systemic weaknesses in canine test procedures. The contractors, rather than DS, were responsible for implementing the program and ensuring that procedures were being followed. Contractors were not testing for all mandated scents, were using old explosive materials to train and test the canines, and were improperly storing testing materials. OIG made recommendations to improve the program.

An evaluation of the Kabul Embassy Security Force (KESF) determined that the KESF had ensured the safety of personnel at Embassy Kabul, but had not complied with several contract requirements. OIG also found that DS was not holding the contractor accountable for meeting these requirements. Recommendations were made to improve firearms training, guards' English language proficiency, and explosives detection canine testing; change camp access procedures; and recover funds for improper use of U.S. Government-furnished weapons and unaccounted for weaponry.

OIG evaluated the performance of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) in assisting Palestinian refugees in the West Bank and Gaza through its Emergency Appeal program. In its evaluation, OIG found that UNRWA's Emergency Appeal program meets critical refugee needs and strives to meet mission objectives while carefully expending donor contributions. In 2008 and 2009, UNRWA effectively managed and implemented Emergency Appeal services in the West Bank and Gaza, reached intended recipients, and achieved intended results. OIG found no evidence of political interference or misappropriation of Emergency Appeal assistance.

OFFICE OF AUDITS

In its audit of internal controls for overtime payments at Embassy Baghdad, OIG determined that American employees stationed or on temporary duty at the embassy submitted 777,888 hours of overtime, totaling about \$36 million, for 2008 and 2009. The embassy did not have adequate internal controls to support the overtime payments, which were claimed by approximately half of all American employees each

pay period. Supervisors did not authorize overtime in advance of overtime performed, did not certify timesheets after work was performed, did not certify overtime for payment in the proper period, and did not require time-and-attendance documentation to support overtime payments. Since OIG's audit in June 2010, the embassy has initiated a program to monitor the number of overtime hours worked and to send quarterly reports to supervisors for explanations of excessive overtime amounts.

In its audit of maintenance and improvements of overseas real property, OIG determined that posts' maintenance and improvement (M&I) needs for overseas property were not met, primarily because funding that the Department received was not sufficient to enable the Bureau of Overseas Buildings Operations (OBO) to fund all needed M&I. The Department had not accurately reported deferred routine maintenance and repair in its financial statements. Specifically, it did not include deferred routine M&R estimated at about \$46.4 million in the amount, and it had inappropriately included an estimated \$51 million in repairs and improvements, as well as approximately \$2.1 million in repair costs that were no longer valid. The Department had controls in place to ensure that M&I funds were spent for their intended purpose, but posts did not always comply with OBO's reporting requirements. OIG recommended OBO revise its Long Range Overseas Maintenance Plan to provide additional support for the Department's annual budget request and require posts to provide additional information to improve the reliability of OBO's process for prioritizing repair and improvement requests. OIG also recommended that the Bureau of Resource Management continue to work with the Office of Management and Budget to obtain additional funds for M&I.

An OIG audit of the Department's worldwide purchase card program determined that selected purchase cardholders were not following established internal controls for the purchase card program and that the guidance manual for purchase card program participants had not been updated to reflect changes in program requirements since November 2006. As a result, cardholders have split purchases, purchased unauthorized items, and disclosed purchase card account numbers to unauthorized individuals, and the Department was deprived of cost savings that would have occurred if transactions had been properly entered and completed in the mandated procurement system. Officials from the Bureau of Administration, Office of the Procurement Executive, stated that they did not have sufficient staff to monitor cardholders but relied on bureau program coordinators and approving officials to perform this function, resulting in a potential conflict of interest and inadequate separation of duties. OIG recommended the Bureau of Administration develop and implement a plan that includes adequate staffing to monitor purchase card participants' compliance with internal controls and that it issue an updated program manual.

At the request of OIG, an external contractor audited the Department's corrective action plans developed to address internal control deficiencies identified during the FY 2009 financial statement audit in the areas of financial reporting, real property, and personal property and equipment.

OFFICE OF INSPECTIONS

During this reporting period, OIG conducted full inspections and security reviews of 18 overseas missions, two domestic bureaus, and a compliance follow-up review to a prior inspection. The reviews identified potential cost efficiencies, made recommendations for operational and managerial improvements, and identified best practices.

The Office of Inspections also conducted two special reviews focusing on on Department of State management issues:

Review of Support for Employees Who Are Serving or Have Served in High Stress, High Threat, Unaccompanied Posts reported that Department employees are proud of their service in difficult places and appreciate the opportunity to make a meaningful contribution to an important part of U.S. foreign policy. However, 90 percent of respondents to OIG's survey reported an unusual amount of stress from these tours. OIG recommended that the Department issue a high-level message that encourages employees to seek consultations with mental health professionals. OIG also recommended that the Department be creative in offering additional counseling services, take steps to increase attendance at the High Stress Assignment Outbrief, and formally task and train leadership to mentor returnees.

Implementation of a Process to Assess and Improve Leadership and Management of Department of State Posts and Bureaus recommended that the Department conduct its own leadership assessments, especially at 1-year-tour posts. OIG offered several suggestions for identifying post and bureau leadership and management issues, and recommended that the Department devise and implement a feedback system to regularly assess managers and to address and correct any deficiencies.

OIG also issued two reports in response to requests from Members of Congress. In response to a request from Senator Frank R. Lautenberg and Representative Rush Holt, OIG issued a *Review of the Department of State Interagency Coordination and Public Communication Regarding U.S. Citizen Victims in the Earthquake-Destroyed Hotel Montana in Haiti*. The review of the response to the Haiti earthquake found the Department was effective in coordinating the Federal Government response and gave credit to the Bureau of Consular Affairs and the consular section of Embassy Haiti for responding to a disaster of enormous magnitude and duration. The report recommended establishing procedures to determine and communicate, including to Members of Congress and to the general public, who will be the senior Department official with responsibility for crisis response in the event of future extraordinary emergencies. The report also recommended that the consular crisis management software be upgraded, on the basis of lessons learned, to be more effective in the future.

In response to a request from Representatives Chris Smith, Ileana Ros-Lehtinen, and Darrell E. Issa, OIG published a *Review of Department of State Activities Concerning*

the Draft Kenya Constitution. The report focused on Department officials' activities and public statements concerning Kenya's draft constitution, which was the subject of a nationwide referendum vote on August 4, 2010. OIG did not find any evidence that U.S. Embassy officials made any private or public statements to Kenyan Government officials, nongovernmental organizations, or any other actors expressing either a positive or negative position on the abortion provision in the draft Kenyan Constitution. OIG also did not find any evidence that embassy officials attempted to influence any Kenyan's opinion, either positively or negatively, on the abortion provision.

OFFICE OF INVESTIGATIONS

OIG investigations within this reporting period included allegations of conflict of interest, embezzlement, and employee misconduct. Investigative work resulted in 9 referrals for prosecution, sentencings resulting in a total of 112 months of imprisonment and probation, 10 indictments, 3 convictions, 6 administrative referrals, and more than \$289,000 in recoveries. Additionally, during the reporting period, the Office of Investigations received and processed 706 Hotline complaints, an all time record high number and a substantial increase in the number of complaints over just a few years ago. For example, as reported in the Semiannual Report to Congress for the exact same time period in 2007, the Office of Investigations received and processed only 259 complaints. Not only has the number of OIG Hotline complaints received and processed more than doubled in just 3 years, but this is the sixth consecutive reporting period in which there has been an increase in the total number of complaints.

OIG conducted a joint investigation of a Department employee who embezzled approximately \$147,000 by selling U.S. Government property while serving in Iraq and keeping proceeds for himself. A separate investigation of a Jordanian National employee at Embassy Baghdad determined that the employee had embezzled more than \$243,000 by setting up an email account to control the transfer of money owed to a contract company and then using that the email account to transfer the money to his spouse's bank account. During a joint investigation with DS, OIG discovered that two overseas consular cashiers had processed suspicious refunds, resulting in a loss of more than \$319,000. While investigating a Bureau of Educational and Cultural Affairs (ECA) subcontractor in a false claims allegation, OIG found that an employee of the subcontractor had accepted grant money for a youth program but failed to provide provisions outlined in the grant. The employee was charged with mail fraud and ordered to pay \$2,900 in restitution.

Oversight Activities in Support of the American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (Recovery Act) was enacted to preserve and create jobs; to increase economic efficiency by investing in technological advances in science and health care; to invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits; and to stabilize State and local budgets. The Recovery Act's combined spending and tax provisions are expected to cost \$787 billion over 10 years, including more than \$580 billion in additional Federal spending. The Department of State received approximately \$600 million to carry out a variety of programs, including efforts to improve information technology security and to build and operate new consular facilities in the United States.

The Office of Inspector General received \$2 million to provide oversight of Department projects funded under the Recovery Act. During this semiannual reporting period, OIG initiated seven projects to assess the extent to which Department projects met the accountability objectives of the Recovery Act. OIG's Office of Audits issued two reports focused on Department compliance with new reporting requirements to promote transparency in the award and use of Recovery Act funds and made recommendations to improve accountability for the timely, prudent, and effective spending of Recovery Act dollars. OIG also made recommendations related to the reporting requirements, assessing the quality of the reported information, and using the collected information effectively to monitor and oversee Recovery Act programs and performance.

Copies of these reports and other Recovery Act-related oversight activities can be found on [OIG's Recovery Act homepage \(http://oig.state.gov/arra/index.htm\)](http://oig.state.gov/arra/index.htm).

INTERNATIONAL BROADCASTING

During this reporting period, OIG conducted an audit of BBG's overseas nonexpendable personal property, an inspection of Voice of America's (VOA) Chinese branch, and several limited-scope reviews of BBG overseas operations.

OIG conducted its *Audit of Broadcasting Board of Governors Overseas Nonexpendable Personal Property* at transmitting stations in the Northern Mariana Islands, the Philippines, Germany, and Sri Lanka to determine whether BBG could properly account for its nonexpendable personal property overseas. OIG found that capitalized assets included in the Property Inventory Processing System (PIPS)—BBG's automated property accounting system that accounts for all real and nonexpendable property, both capitalized and noncapitalized—were not always properly valued. Annual depreciation was overstated by as much as \$1 million, and net book value for property, plant, and equipment was understated by as much as \$19.7 million on BBG's FY 2009 financial statements—actions that warrant BBG's review of the impact on its financial statements for FY 2009 and prior years. In addition, PIPS data on property could not be verified and was incomplete, and OIG could not verify that personal nonexpendable property in PIPS existed.

During its *Inspection of Voice of America's Chinese Branch*, OIG discovered that the International Broadcasting Bureau has taken measures to deal with the Chinese Government's censoring of VOA's Chinese branch Web site and jamming of its radio frequencies. OIG recommended the Chinese branch develop a long-term strategy that includes all the key elements of an effective business plan to help it meet the challenges of reaching the Chinese target audience and decide on the most effective delivery systems in a world of rapidly developing communications technologies. To penetrate the Chinese market, the branch chief initiated negotiations with a major cell phone company to install VOA English language programs into phones intended for sale in the PRC, which give Chinese users the option to subscribe to the programs. . Indications showed that the program, which went into effect in 2008, was highly successful. The OIG team considered this initiative a best practice.

OIG conducted an investigation of a contractor who demanded kickbacks from vendors and subcontractors doing business with a news-gathering organization under contract to the Middle East Broadcasting Network (MBN), a wholly-funded grantee of the BBG. During the course of the investigation, OIG uncovered the fact that the contractor had also defrauded MBN by creating a separate company to double-bill for as much as \$250,000 in services already paid for under the primary contract.

CONGRESSIONAL, MEDIA, AND OTHER OUTREACH ACTIVITIES

TESTIMONY AND BRIEFINGS

On April 15, 2010, Assistant Inspector General for Audits Evelyn Klemstine testified before the Senate Committee on Homeland Security and Governmental Affairs Ad Hoc Subcommittee on Contracting Oversight regarding the joint audit issued by the Inspectors General of the Departments of State and Defense, entitled *DOD Obligations and Expenditures of Funds Provided to the Department of State for the Training and Mentoring of the Afghan National Police* (MERO-A-10-06 and D-2010-042).

On May 24, 2010, Deputy Inspector General Harold Geisel testified before the Commission on Wartime Contracting on *Updates, Trends, Issues Related to Contract Oversight/Contracting*. A key focus of the hearing was defining which U.S. Government functions should be considered inherently governmental.

During this reporting period, OIG briefed congressional staff on several topics, including:

- OIG resources and current operations. Staff from the House and Senate Appropriations' Subcommittees on State, Foreign Operations and Related Programs, attended in separate briefings on the same day. (April 28, 2010)
- Issues surrounding the referendum for a new constitution in Kenya. Staff from the House Foreign Affairs Committee and the offices of Representatives Ileana Ros-Lehtinen, Christopher Smith, and Darrell Issa attended. (May 27, 2010, and follow-up on July 14, 2010)
- Interagency coordination and public communications related to the Department of State's Haiti earthquake response. Staff from Senator Frank Lautenberg and Representatives Rush Holt and James McGovern attended. (Lautenberg and Holt, February 25, 2010, and April 20, 2010; McGovern, May 13, 2010; and all offices, June 29, 2010)

- OIG's investigation process and OIG's Middle East oversight staffing at post. Staff from the offices of Senators Charles Grassley and Tom Coburn attended. (July 29, 2010)
- Department and OIG plans and readiness for the transition of functions in Iraq from the Department of Defense to the Department of State. Staff from the House Committee on Oversight and Government Reform attended. (September 8, 2010)

CONGRESSIONAL MANDATES AND REQUESTS

During this period, OIG conducted reviews and issued several reports in response to Congressional mandates and requests, including directing and monitoring work conducted by independent external accountants for financial statement audits and related reviews mandated under the Chief Financial Officers Act of 1990 (P.L. 101-576, as amended) and in response to oversight and transparency requirements of the American Recovery and Reinvestment Act of 2009 (P.L. 111-5). A full listing of reports issued by OIG during this reporting period can be found in Appendix 2 at the end of each agency section of this report.

OIG issued two reports in response to Congressional requests: *Review of Department Of State Activities Concerning the Draft Kenya Constitution* (ISP-I-10-77) in response to a request from Representatives Darrell Issa, Ranking Member, House Oversight and Government Reform Committee; Ileana Ros-Lehtinen, Ranking Member of the House Foreign Affairs Committee; and Christopher Smith, Ranking Member of the Committee's Subcommittee on Africa and Global Health; and *Review of the Department of State Interagency Coordination and Public Communication Regarding U.S. Citizen Victims in the Earthquake-Destroyed Hotel Montana in Haiti* (ISP-I-10-72) in response to a request from Senator Frank Lautenberg and Representative Rush Holt.

LEGISLATION MONITORED

Legislation and bills reviewed and monitored by OIG during the period included the following:

- H.R. 2410, *Foreign Relations Authorization Act, Fiscal Years 2010 and 2011*;
- S.3676, *Department of State, Foreign Operations, And Related Programs Appropriations Bill, 2011*;

- P.L. 111-212 (H.R. 4899), *Supplemental Appropriations Act, 2010*, as it pertains to oversight funding in Pakistan, Afghanistan and Iraq;
- P.L. 111-117 (H.R. 3288), *Consolidated Appropriations Act, 2010*, as it pertains to oversight funding;
- P.L. 111-73 (S. 962, H.R. 3642), *Enhanced Partnership with Pakistan Act of 2009*, as it relates to authorization of foreign assistance to Pakistan and the associated oversight; and
- P.L. 111-5 (H.R. 1), *American Recovery and Reinvestment Act of 2009*, which provided OIG with \$2 million to provide oversight for \$600 million provided to the Department of State under the Act.

MEDIA ASSISTANCE AND OUTREACH

Media expressed interest in a broad range of OIG activities and initiatives, resulting in 25 direct inquiries covering 17 different issues. The reports drawing the greatest number of media inquiries included *Audit of Property Accountability at Embassy Baghdad* (MERO-A-10-07, April 2010); *The Bureau of International Narcotics and Law Enforcement Affairs Air Wing Program in Afghanistan and Pakistan Performance Audit* (MERO-A-10-03, March 2010); *Report of Inspection: Embassy Kabul, Afghanistan* (ISP-I-10-32A, February 2010); and *Report of Inspection: Embassy Riyadh and Constituent Posts, Saudi Arabia* (ISP-I-10-19A, March 2010). OIG senior leaders were interviewed by several media outlets, including the *Federal Times*, the *Huffington Post Investigative Fund*, *The Washington Post*, and the Center for Public Integrity.

OIG made its reports available to the media, both directly and online through regular postings on its Web site, which has been reorganized and reconfigured to facilitate access to recently published reports and make the site easier to navigate. During this reporting period, reports related to Department activities concerning the draft Kenya Constitution and training for Afghan National Police received the most attention.

OIG engaged in a variety of outreach activities, ranging from seminars and training activities to meetings with American ambassadors and foreign ministry representatives. The Deputy Inspector General and senior OIG staff briefed participants of the Ambassadorial Seminar, which is attended by ambassadors-designate and their spouses. The Deputy Inspector General and AIG for Inspections also met individually with 23 ambassadors or ambassadors-designate prior to their departing on assignment.

In June 2010, OIG senior staff briefed visiting Belgian foreign ministry staff on internal audit and inspection follow-up procedures, and auditors presented information to Multinational Force and Observers (MFO) staff, Egyptian and Israeli delegations, and the Bureau of Near Eastern Affairs on OIG's role in reviewing MFO financial activities. OIG senior staff made presentations to more than 1,000 incoming Foreign Service officers and specialists and Civil Service employees, and on internal controls and program risk assessment to Department domestic bureaus and Financial Management Officer courses at the Foreign Service Institute.

Within the oversight community, OIG assisted members of the Government Accountability Office in an audit of the Department's continuous security monitoring system, known as iPost; provided samples of its inspection surveys to Department of Homeland Security OIG staff to serve as a template for future inspections of disaster field offices; and provided lessons learned and best practices to help update the Federal Emergency Management Agency's Congressional Affairs Leadership Training Course.

**DEPARTMENT
OF STATE**

MIDDLE EAST REGIONAL OFFICE

Audit of Property Accountability at Embassy Baghdad (MERO-A-10-07)

Embassy Baghdad had difficulty controlling and accurately accounting for its U.S. Government property. Accountability for vehicles, non-expendable items, and expendable supplies was affected by a number of factors including relocation to the new embassy compound, the large size of the embassy and the number of U.S. Government agencies represented, and inaccurate property records.

Standard and armored vehicles at the embassy were difficult to properly inventory; some were unaccounted for and others did not appear in the Integrated Logistics Management System (ILMS). The embassy may also have had excess vehicles. OIG found missing non-expendable property; expendable property that was not properly documented, missing, or of unknown disposition; unliquidated obligations (unfilled or partially filled orders); and mismatches between the inventory and database of medical supplies and pharmaceuticals. The embassy had an excess of hand-held radios, and could potentially save nearly \$936,000 by transferring them to other posts. OIG found the embassy was being charged for unassigned cell phones and overseas calls, and that assigned phones were underused or not used at all. OIG calculated savings of more than \$740,000 in cell phone charges. The embassy planned to certify its FY 2010 U.S. Government property inventory, and OIG concluded it would meet the deadline.

OIG made six recommendations regarding inventorying of vehicles at Embassy Baghdad including entering all types of vehicles into ILMS, establishing written procedures, denying fuel and maintenance until vehicles are accounted for, appointing a property survey board, and determining the appropriate size of the armored vehicle fleet. OIG also recommended ensuring data on property, including medical supplies and pharmaceuticals, is entered into automated systems. The embassy should develop a disposal plan for excess property and a plan to transfer excess radios, establish procedures for issuance of expendable supplies, and reconcile unliquidated obligations. Finally, OIG recommended the embassy develop written policies for cell phone usage and take immediate steps to reduce cell phone costs.

The Second Worldwide Personal Protective Services Contract: Management by the Bureau of Diplomatic Security and Contractor Performance Capping Report (MERO-I-10-08)

In fall 2008, MERO began its reviews of WPPS II contract management and contractor performance by examining the status of recommendations made by the Secretary of State's Panel on Personal Protective Services in Iraq. This review was followed by performance evaluations of all three security contractors operating in Baghdad, Jerusalem, and Kabul. OIG identified several trends that weakened DS's management and oversight of the WPPS II contract and task orders including U.S. Government direct-hire staffing problems, as well as issues with accounting for contractor personnel. Although protection was generally satisfactory, OIG found issues with personal security specialist training, the ability to fill some contractor positions, inventorying and storage of U.S. Government property, armored vehicles, explosives detection canines, and radios. DS responded quickly to OIG's recommendations, and continues to improve the WPPS II program and to incorporate new policies and lessons learned into the new Worldwide Protective Services contract.

Several U.S. Government direct-hire staffing issues strained program management including shortages of regional security officers (RSO) acting as contracting officer's representatives (COR), high rates of annual turnover, rest and relaxation absences, and an excessive number of added responsibilities. Some RSO/CORs believed there was a lack of time and training, and inadequate guidance at post. OIG found some contract files were missing essential documents. A lack of written policies and procedures further hindered management. U.S. Government employees were not verifying the presence of contractor personnel by reviewing personnel rosters (muster sheets) before they were sent to contractor headquarters for invoicing and payment by DS. Lack of on-site validation meant contractor costs could not be certifiably determined or justified. DS responded to recommendations by hiring more staff members, offering specific information on security contracts in the COR course, developing a COR checklist, and improving contract files. DS also established practices to resolve problems with muster sheet review.

OIG also found some problems associated with personal security specialist training, staffing gaps, and management of U.S. Government-furnished property. DS's compliance with OIG's recommendations resolved these issues. DS also took steps to ensure the appropriate assignment and maintenance of armored vehicles, improve the explosives detection canine testing program, and enhance technical radio communication expertise.

Limited-Scope Review of Policies and Procedures for Vetting Foreign Service Nationals at Embassy Kabul in Afghanistan (MERO-I-10-10)

OIG determined that the vetting and hiring processes at Embassy Kabul did not violate the Department's policy regarding nepotism. Furthermore, the separation of duties and involvement of U.S. Government direct-hire employees in applicant selection and the granting of security certifications made it unlikely a systemic problem could develop. OIG's review of the application packages of all current Foreign Service nationals (FSN) revealed ethnic percentages consistent with the general population in the area and demonstrated a diverse Afghan workforce. OIG found the embassy human resources office complied with Department policy, and that recruitment procedures for the selection process had management controls to minimize the risk of nepotism or favoritism due to ethnicity.

OIG found the regional security office, which grants security certifications to FSNs, did not always follow Department policy in conducting local records checks of applicants, maintaining records of interim security certifications, or training Foreign Service national investigators (FSNI). First, the regional security office did not conduct checks of FSN neighborhoods or appropriate host government and police records. Second, the regional security office did not know how many temporary security certifications had been granted, and thus could not grant timely extensions. Finally, the regional security office was not complying with Department directives stating that newly appointed FSNI should take the FSNI basic training course within 1 year of entering duty.

OIG recommended Embassy Kabul request conduct of the FSNI basic training course. OIG also recommended the embassy comply with appropriate *Foreign Affairs Manual* guidance regarding records checks before appointing an FSN, or seek a waiver to this policy. Finally, Embassy Kabul should establish procedures for, and begin tracking, temporary security certifications.

Evaluation of the Logistics Civil Augmentation Program at Embassy Baghdad (MERO-A-10-12)

OIG found that Logistics Civil Augmentation Program (LOGCAP) cost expenditure data did not provide the Department with sufficient information to ensure costs were properly allocated and supported. Cost reports needed to be presented in shorter, more meaningful time increments, and cost data also needed to more directly reflect the actual service provided. Because of a lack of available data, OIG could not make definitive conclusions on food services, equipment and facilities maintenance, and fuel operations.

OIG found that Embassy Baghdad contributed to the lack of accurate information on food service operations. The embassy enforced policies for logging attendance at

snack areas that inaccurately inflated the amount of money spent on food. Dining facility personnel were not enforcing eligibility rules, leading to an undetermined number of unauthorized patrons eating in the facility. Although the contract requires the embassy to use an automated system for headcount data, manual headcount sheets comprised more than 80 percent of the total headcount, making it difficult to allocate costs.

OIG determined that KBR (contractor) employees and subcontractors accounted for more than 75 percent of the contract's costs; subcontractor and labor costs accounted for 98 percent of reported food service costs. According to embassy officials, however, over the last 3 years, no effort had been made to ascertain whether KBR's staffing levels were appropriate.

Once the U.S. military leaves Iraq, the embassy will be required to establish and manage its own services contracts. Success in procuring follow-on support contracts will be based on capturing accurate and pertinent cost information while the current LOGCAP contract still exists. This information will also help the Department reduce LOGCAP costs and could be the basis for increased cost control in follow-on support contracts.

OIG recommended Embassy Baghdad require KBR to prepare cost reports with more information and electronically provide all FY 2009 headcount documentation for the main dining facility. The embassy should discontinue the policy requiring patrons to scan their ID cards or sign-in each time they obtain a snack. KBR or appropriate personnel should enforce policies against unauthorized dining facility use. The embassy should maintain an up-to-date list of individuals authorized to receive LOGCAP support, create a bar code ID card for authorized dining facility patrons, and expand the use of the Joint Asset Movement Management System.

Limited-Scope Review of the Bureau of Diplomatic Security's Oversight of Explosives Detection Canine Programs (MERO-I-10-14)

Between February 2009 and April 2010, OIG conducted a limited-scope review of three explosives detection canine programs managed by DS, two in Afghanistan and one in Iraq. During its review of these programs, OIG found systemic weaknesses in canine test procedures that called into question the ability of the canines to effectively detect explosives. In all three cases, the contractors, rather than DS, were responsible for implementing the program and ensuring that procedures were being followed. The contractors were not testing for all mandated scents, were using old materials to train and test the canines, and were improperly storing testing materials, which may have led to cross-contamination.

OIG recommended DS employ an independent canine expert to verify annually the detection capabilities of the contractors' canines and determine whether contractors are complying with the U.S. Department of the Treasury's Odor Recognition Proficiency Standard for Explosives Detection Canines. DS should develop and publish procedures detailing how to import fresh explosive materials and properly store testing materials.

The Bureau of Diplomatic Security Kabul Embassy Security Force, Performance Evaluation (MERO-A-10-11)

The Kabul Embassy Security Force (KESF) provided by ArmorGroup of North America (AGNA) successfully ensured the safety of chief of mission personnel at Embassy Kabul. However, AGNA failed in several instances to comply with contract requirements, and DS did not hold the contractor accountable to these requirements.

AGNA was unable to maintain the number of guards or the quality level required by the contract. Nepalese guards without verifiable experience, training, or background investigations were hired and put on duty. AGNA's current control of U.S. Government-furnished property was generally satisfactory, but the contractor could not account for 101 missing U.S. Government-furnished weapons. Furthermore, AGNA used U.S. Government-furnished weapons to train guards rather than required contractor-furnished weapons. OIG calculated that AGNA's loss and misuse of these U.S. Government-furnished weapons cost the government \$431,000. AGNA did not adequately maintain training records, and existing records indicated guards who did not meet the minimum qualification score on the firing range were qualified by instructors. OIG also observed that firearms instruction was insufficient. Weaknesses in explosives detection canine testing procedures included failure to test for all required scents, use of expired and potentially contaminated testing materials, and storage methods that may have led to cross-contamination.

DS did not verify the contractually required qualifications of KESF guards and did not fully enforce required English language proficiency standards. OIG calculated that penalties totaling \$6 million could be imposed on AGNA for posting guards without required English language proficiency. DS allowed AGNA to end canine testing of an explosive commonly available in Afghanistan when the contractor could not obtain the explosive, potentially putting the embassy at risk. DS did not provide a sufficient number of U.S. Government-furnished weapons to the KESF, and some guards shared weapons, which affected firing accuracy. The embassy's regional security office did not vet individuals whom AGNA regularly allowed unescorted access to Camp Sullivan, a U.S. Government-owned property containing sensitive materials, such as weapons.

OIG recommended DS establish standard procedures to vet contract employees. The Department should attempt to recover \$433,000 from AGNA for improper use of U.S. Government-furnished weapons and unaccounted for weaponry, establish standard procedures for firearms training, and provide a sufficient number of U.S. Government-furnished weapons to the contractor. DS should direct AGNA to re-institute canine testing for the explosive previously removed from the contract. English language proficiency levels of all guards should be assessed and appropriate action taken, the contractor should provide independently-assessed English language proficiency test scores for all future AGNA employees, and the Department should attempt to recover \$6 million from AGNA for employing guards without the required proficiency. All unescorted visitors should be vetted prior to accessing Camp Sullivan, and the contractor should meet all health and safety standards at the camp.

The Emergency Appeal Program of the United Nations Relief and Works Agency for Palestine Refugees in the Near East, Performance Audit (MERO-A-10-09)

The United Nations Relief and Works Agency for Palestine Refugees in the Near East's (UNRWA) Emergency Appeal program met the critical needs of nearly 2 million Palestinian refugees in the West Bank and Gaza, and endeavored to meet mission objectives while carefully expending donor contributions. In 2008 and 2009, UNRWA effectively managed and implemented Emergency Appeal services in the West Bank and Gaza, reached intended recipients, and achieved intended results. Furthermore, OIG found no evidence of political interference or misappropriation of Emergency Appeal assistance.



UNRWA food distribution center



A Palestine family with a food package

Gauging and prioritizing the needs of Palestinian refugees has enabled UNRWA to plan programs, identify beneficiaries, and set timelines. UNRWA has also established program objectives and set performance measures to monitor and track accomplishments. The eligibility of applicants for services is adequately determined. Various

mechanisms are used to oversee and report on emergency programs and related projects, evaluate achievements, and monitor and adjust assistance as necessary.

UNRWA's Emergency Appeal program in the West Bank addresses unemployment, food insecurity, medical needs, environmental health problems, and protection of refugee rights. In Gaza, UNRWA reached as many intended beneficiaries as possible given import restrictions, border closures, and limited financial resources. UNRWA's 2010 Emergency Appeal program will face many of the same challenges it did in 2008 and 2009. The program will again be aimed at communities in the West Bank most affected by access restrictions and closures, and the entire population of Gaza, with the goal of introducing a more targeted approach for relief assistance.

Middle East Regional Office Annual Conference

From September 21-23, 2010, the Middle East Regional Office (MERO) held its second annual conference in Egypt, with presentations from the Deputy Inspector General Harold Geisel as well as representatives from other U.S. Government oversight agencies. The conference provided an opportunity for intensive discussions and gave MERO staff the chance to work as a team in one location, learn more about oversight in conflict and post-conflict areas, and sharpen their evaluation skills.

AUDITS

SECURITY MANAGEMENT

Audit of Allegations Pertaining to Contract With DynCorp International for the Security Sector Transformation Project in South Sudan, Africa (AUD/SI-10-23)

OIG audited DynCorp International's contract performance on the Security Sector Transformation Project in South Sudan, Africa, to determine whether allegations pertaining to timeliness of work completion, quality of construction (base camps), and accuracy in progress reporting regarding DynCorp's contract performance were valid and supported. OIG also was to determine how much, if any, of the \$52.8 million in contractor costs claimed (which exceeded the \$40 million authorized ceiling) the contractor was entitled to for reimbursement.

OIG found that Department personnel did not have adequate support for some of its allegations regarding contractor performance and that the evidence demonstrating that fraud or malfeasance had occurred was insufficient. However, OIG did find indications that DynCorp's performance was inadequate and that these conditions were caused to some extent by the lack of effective contractor oversight and monitoring by Department personnel from September 2005 through August 2007.

OIG concluded that DynCorp should not be reimbursed the total amount of the \$12.8 million of additional costs claimed. This amount exceeded the task order-funded amount of \$40 million that was established by the contracting officer because additional funding was never authorized for cost overruns. However, the contracting officer had stated in an email that an additional \$2.6 million had been incorporated into the contract. Although there had been no formal increase in the authorized Project's cost, OIG believes this email exchange demonstrates a commitment by the Department to increase the cost ceiling. Therefore, OIG believes the \$2.6 million (in addition to the \$40 million ceiling that was authorized and paid) is a reasonable reimbursement for the contractor.

OIG recommended the Department ensure that sufficient on-site technical support is provided, that contract monitors have the experience and training needed to monitor the contracts, and that DynCorp be offered the additional reimbursement of \$2.6 million.

HUMAN CAPITAL AND INFRASTRUCTURE

Embassy Baghdad Internal Controls for Overtime Pay (AUD/CG-10-25)

OIG reviewed overtime expenditures for 2008 and 2009 and determined that American employees at Embassy Baghdad submitted 777,888 hours of overtime, totaling about \$36 million, for those 2 years. During 2008, an average of 287 (50 percent) of 570 Americans claimed overtime during each pay period, with a total cost for that year of \$18,207,654. In 2009, an average of 352 (51 percent) of 695 Americans claimed overtime during each pay period, with a total cost for that year of \$17,745,039. Although the average number of claimants increased for 2009, the number of overtime hours actually decreased, from 400,875 to 377,013 hours. Since OIG's audit, the embassy has initiated a program to monitor the number of overtime hours worked and to send quarterly reports to supervisors for an explanation of excessive amounts of overtime. While the embassy's program assesses indications of potential abuse of overtime hours, it does not address compliance with supervisory authorization for overtime, supervisory approval of timesheets, or the provision of complete and accurate information to Charleston Global Financial Services Center (GFSC) for payment.

The embassy did not have adequate internal controls to support the overtime payments because supervisors did not authorize overtime in advance of overtime performed, did not certify timesheets after the work was performed, did not certify overtime for payment in the proper period, and did not require time and attendance documentation to support overtime payments.

Although staff at GFSC have made efforts to process embassy payrolls in a timely manner, GFSC needs to improve its quality controls for processing overtime pay and insist that American employees submit complete and accurate time and attendance data. At the time of OIG's audit, each American employee at the embassy provided his or her own timesheet and supporting documentation directly to GFSC for payroll processing and manual entry into the Department's payroll system. GFSC processed payments from time and attendance data that were incomplete, lacked supervisory and employee signatures, and did not have the required overtime authorization form.

OIG made recommendations for the embassy to improve supervisory controls for compliance with Department regulations and post policies and procedures for authorizing and approving time and attendance and overtime, discontinue the practice that allows employees to submit time and attendance information directly to GFSC, and review for automation the inefficient manual time and attendance system between the embassy and GFSC.

Audit of Department of State Purchase Card Domestic Use (AUD/SI-10-31)

OIG determined that selected purchase cardholders at the Department were not following established internal control procedures for the purchase card program. OIG made this determination during its audit of the program, in which it sampled 120 domestic transactions and tested up to 11 control activities for each transaction, which totaled 1,179 internal control activity tests. From this sample, OIG determined that 508 (43 percent) of 1,179 internal control activities tested were noncompliant and that none of the 120 purchase card transactions reviewed complied with all applicable internal control activities. In addition, the Bureau of Administration, Office of the Procurement Executive (A/OPE), had last updated the *Worldwide Purchase Card Program Manual* for purchase card program participants in November 2006, which did not address important updated program requirements, such as use of the mandated procurement system.

These conditions occurred because A/OPE officials, although aware of the need for monitoring cardholders, as required by Federal guidance, stated that they do not have sufficient numbers of personnel to monitor the cardholders but instead rely on bureau program coordinators and approving officials to monitor cardholders. However, monitoring by approving officials is a potential conflict of interest and an inadequate separation of duties, and monitoring has not ensured cardholder compliance with Department guidance. As a result, cardholders have split purchases, purchased unauthorized items, and disclosed purchase card account numbers to unauthorized individuals. In addition, the Department was deprived of cost savings that would have resulted from having transactions properly entered and completed in the mandated procurement system. Ultimately, the Department's potential for improper, unauthorized, and fraudulent use of purchase cards was increased.

OIG made recommendations for the Bureau of Administration to develop and implement a plan to monitor purchase card participants' compliance with internal controls that includes adequate staffing for monitoring the purchase card program and that it issue an updated *Worldwide Purchase Card Program Manual* with current rules for cardholders.

Audit of Maintenance and Improvements of Overseas Real Property (AUD/FM-10-30)

OIG found that overseas posts' FY 2009 maintenance and improvements (M&I) (including routine maintenance and repair [M&R] and repair and improvement [R&I]) needs were not met, primarily because the funding the Department received was not sufficient to enable the Bureau of Overseas Buildings Operations (OBO) to fund all needed M&I. Therefore, OBO established processes to use its limited funds

to address the most critical needs worldwide. These processes provided routine M&R funds to posts in a more equitable manner than had been done in past years and funding for the highest priority R&I requirements. However, inconsistencies in the priority scores assigned to some R&I requirements bring into question the reliability of the prioritization process.

Also, the Department had not accurately reported deferred maintenance in its financial statements. Specifically, it did not include deferred routine M&R estimated at about \$46.4 million in the amount, and it inappropriately included R&I improvements with estimated costs of about \$51 million, as well as R&I repair costs of about \$2.1 million that were no longer valid.

The Department did have internal controls in place to ensure M&I funds were spent for their intended purpose. Although M&I funds were spent for allowable purposes, posts did not always comply with OBO's reporting requirements.

The inconsistencies in the priority scores assigned to the R&I requirements may result from decisions made when R&I requests are processed or if posts do not provide all of the information necessary to score the requirements. As a result, some higher priority items may not be funded. In addition, the process OBO used to identify and report deferred maintenance did not capture routine M&R and did not ensure that all R&I requirements reported were maintenance related or were still valid. Inaccurate deferred maintenance reporting may affect the ability of OBO to justify its budget requests for M&R funding.

OIG recommended OBO revise its Long Range Overseas Maintenance Plan to provide additional support for the Department's annual budget request and that the Bureau of Resource Management continue to work with the Office of Management and Budget to obtain additional funds for M&I. OIG also recommended OBO require posts to provide additional information related to R&I requests to improve the reliability of OBO's prioritization process, and that it make improvements to the process for identifying and reporting deferred maintenance, R&I project reporting requirements, internal audits, and guidance related to the allocation of bulk purchases costs.

FINANCIAL MANAGEMENT

Independent Auditor's Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2009 and 2008 Financial Statements (AUD/FM-10-05)

OIG's independent external auditor issued an unqualified opinion on the International Boundary and Water Commission, United States and Mexico, U.S. Section's (USIBWC) annual financial statements as of and for the years ended September 30, 2009 and 2008. The independent external auditor did not identify any material weaknesses related to internal control or material instances of noncompliance.

Although the independent external auditor is the principal auditor of USIBWC's financial statements, OIG reviews the external auditor's work to ensure it is sufficient and acceptable. Sometimes OIG might disagree with the conclusions or judgments of the external auditor, and if the disagreement cannot be resolved, OIG must determine the most appropriate way to report the disagreement.

OIG did not agree with the conclusions reached by the independent external auditor on USIBWC's accounting treatment of estimated costs to comply with court orders to bring a wastewater treatment plant into compliance with environmental requirements. USIBWC has chosen to report this estimate as an environmental liability on its 2009 and 2008 consolidated balance sheets. Because of its choice to record this estimate as a liability, USIBWC has also posted a negative expense on its FY 2009 statement of net cost to reflect the amount it spent in FY 2009 on the project. Certain notes, which are an integral part of the statements, also reflect USIBWC's decision to record the amounts as an environmental liability. OIG concluded that USIBWC had materially departed from generally accepted accounting principles. Because of the dollar magnitude of the transaction, OIG believes that USIBWC's FY 2009 and 2008 financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and cost of operations. OIG also concluded that the independent external auditor should have included internal control deficiencies related to reporting environmental liabilities in its report on internal control.

Management Letter Related to the Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2009 and 2008 Financial Statements (AUD/FM-10-20)

During the audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section's (USIBWC) 2009 and 2008 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; payroll compliance; and earned revenue. The auditor recommended USIBWC take appropriate action to address these weaknesses.

Audit of Department of State Corrective Action Plan for Personal Property and Equipment (AUD/FM-10-26)

Audit of Department of State Corrective Action Plans for Financial Reporting (AUD/FM-10-27)

Audit of Department of State Corrective Action Plan for Real Property (AUD/FM-10-28)

At OIG's request, an external contractor audited the Department's corrective action plans (CAP) developed to address internal control deficiencies identified during the FY 2009 financial statement audit in the areas of personal property accounting, financial reporting, and real property accounting. The external auditor found the planned actions in the Department's personal property accounting CAP were focused on addressing the root causes that were identified in the analysis of internal control deficiencies.

In the area of financial reporting, the external auditor found that the CAPs were focused on critical functional areas but that they did not identify the root causes of the deficiencies or include specific planned actions or events for addressing root causes. The CAPs indicated that the Department planned to perform an additional analysis of critical functional areas essential to improving financial reporting within the Department. This additional assessment could serve as a basis for a formal root cause analysis and could lead to the subsequent development of specific actions to address the underlying causes of internal control deficiencies.

In reference to the real property CAP, the external auditor found the Department did not perform a formal root cause analysis to identify the underlying causes of the deficiencies. Instead, management relied on its existing knowledge about the causes of the real property internal control weaknesses and the FY 2009 financial statement audit report. As a result, the planned actions only partially addressed the root causes identified by the external auditor. However, the external auditor reported that the Department's planned actions would create compensating controls that, if put in place, would address several of the reported deficiencies.

The external auditor recommended the Department perform a formal root cause analysis for the financial reporting and real property accounting areas and identified

opportunities for the Department to improve the quality and effectiveness of the CAPs in the following areas:

- Perform a formal level-of-effort analysis to assign resource levels to planned actions.
- Assign accountability at a lower level and use the OMB Circular A-123, Appendix A, governance structure to monitor accountability for corrective actions.
- Include measurable milestones and critical tracking metrics in the CAPs.
- Leverage the OMB Circular A-123 assessment and testing process to validate the effectiveness of the outcomes of corrective actions.

CONTRACTS AND GRANTS

Independent Accountants' Report on the Application of Agreed-Upon Procedures on Financial Capability of AFS-USA, Inc. (AUD/CG-10-16)

The independent public accountants determined that the financial condition of AFS-USA, Inc., was acceptable for the organization to perform on government grants in the near term. However, AFS-USA is highly dependent on Department grants, without which the grantee's viability would be questionable. The independent accountants recommended AFS-USA be on a cost-reimbursement funding basis until its financial condition has improved.

Independent Accountants' Report on Audit of International Boundary and Water Commission: Contract Award and Management of Funds Provided by the American Recovery and Reinvestment Act (AUD/CG-10-21)

In evaluating the International Boundary and Water Commission's (IBWC) contract administration and management controls for contracts with funds provided by the Recovery Act, independent public accountants noted several challenges that IBWC must address to ensure that Recovery Act objectives are met, including strengthening data quality review policies and procedures. The accountants made recommendations for IBWC management to improve internal controls and to ensure that Recovery Act objectives are met.

Independent Accountants' Report on Audit of Department of State Compliance With Transparency and Reporting Requirements of the American Recovery and Reinvestment Act (AUD/CG-10-22)

In evaluating the Department's compliance with the transparency and accountability reporting requirements of the Recovery Act, independent accountants noted several challenges that the Department must address to ensure that Recovery Act objectives are met. These challenges included strengthening data quality review policies and procedures. OIG made recommendations for Department management to improve internal controls and to ensure that Recovery Act objectives are met.

INSPECTIONS

DOMESTIC INSPECTIONS

Inspection of Bureau of Administration, Operations of Office of Emergency Management (ISP-I-10-43)

The Office of Emergency Management in the Bureau of Administration (A/OEM) was performing well in carrying out its mission to manage and facilitate the Department's domestic emergency preparedness program despite, until recently, modest staffing and resources. The director, supported by a staff of 30, ably leads the office of experienced and dedicated staff. The office is well regarded in and outside of the Department.

In the past, A/OEM had suffered from a lack of funding and personnel while its workload had increased dramatically. Resource issues were being addressed; budget and staffing increases were expected in FY 2010 and were requested for FY 2011.

Many of A/OEM's most experienced employees, especially in the Diplomatic Continuity Programs Division, were eligible to retire. Collectively, these employees had hundreds of years of experience. A/OEM was planning for timely succession, particularly for those positions that require a high degree of specialized experience and technical skills.

Review of Support for Employees Who Are Serving or Have Served in High Stress, High Threat, Unaccompanied Posts (ISP-I-10-44)

Department employees generally are very proud of their service in difficult places. Nonetheless, 90 percent of survey respondents reported an unusual amount of stress due to danger, separation from families, workload, leadership, and management support, among other issues. Many also found their return to "normal" service difficult.

In reviewing the Department's support for these employees, OIG found considerable progress, especially due to the creation of a Deployment Stress Management Program in the Office of Medical Services, the Foreign Service Institute's High Stress Assignment Outbrief, and programs the Family Liaison Office offers. OIG also

found shortcomings, such as employees' continuing fear of seeking mental health support, lack of clarity about which forms of counseling employees need to report on their security clearance forms, wide variance in support from future supervisors, and low attendance at the Foreign Service Institute's course.

OIG recommended the Department issue a high-level message that encourages employees to seek consultations with mental health professionals and explains which types of consultations need to be reported to DS (see sidebar). At the same time, OIG recommended the Department offer additional counseling services and be creative in determining what kind of services to provide.

On September 7, 2010, the Secretary sent an email to all employees thanking them for their hard work and commitment to excellence in serving their country and noting that their service comes "with sacrifice and unique stress." The Secretary's message stated that the Department had made it a priority to provide access to social workers and mental health counselors, a mandatory high-stress outbrief program and training for anyone who seeks it that included training for those returning from or working with returnees from high-stress posts. The message also informed employees that seeking mental health counseling or treatment is not a threat to their security clearances, and, that the Bureau of Diplomatic Security advised that receiving recommended treatment for mental health concerns is a favorable factor in security clearance determinations.

Inspection of the Bureau of Administration's Office of Global Information Services, Office of Directives Management (ISP-I-10-67)

Overall, the Bureau of Administration's Global Information Services, Office of Directives Management (A/GIS/DIR) was performing exceedingly well, in part because the organizational structure was effective. Employee morale was high, and employees were committed to providing good customer service. Most of the staff had an appreciation of A/GIS/DIR's mission and how their individual efforts supported larger Department operations and goals.

Two contractors were performing inherently governmental functions, and others were performing critical control roles. OIG recommended converting these positions to full-time equivalent positions.

Implementation of a Process to Assess and Improve Leadership and Management of Department of State Posts and Bureaus (ISP-I-10-68)

OIG inspections over the past 4 years have shown that while a majority of posts and bureaus are well-run, leadership in a small but significant minority needs to be improved. OIG assesses post and bureau performance including leadership

approximately every 5 to 8 years. That interval is far too long to ensure that posts and bureaus are consistently managed effectively. OIG believes that it is the responsibility of the Department to conduct its own assessments, based in part on input from staff and to do so every year, especially at 1-year-tour posts. OIG recommended the Department devise and implement a feedback system to assess managers regularly and take appropriate measures to address and correct any deficiencies.

Inspection of Standards, Training, and Funding for Consular Country Coordinators (ISP-I-10-73)

In recent inspections, consular inspectors have noted several instances where inconsistent performance standards and a lack of training and resources for consular managers designated as country coordinators have negatively affected consular operations, perhaps attributed to the lack of experience consular managers have in coordinating with subordinates spread over large geographic areas. Conflicts in constituent posts between the consular chief's supervising principal officer and the consular country coordinator were also places of concern in the efforts to conform to mission-wide consular policies and procedures in coordination with Department regulations.

OIG made recommendations for the Department to create guidance on how often a consular coordinator should visit constituent posts and to emphasize to regional bureaus the importance of making funds available for these visits. OIG also recommended the Department develop a training program and training material for consular coordinators to alleviate the difficulties identified during recent OIG inspections.

Inspection of the Bureau of Near Eastern Affairs, Office of Middle Eastern Partnership Initiative (ISP-I-10-76)

The Bureau of Near Eastern Affairs, Office of Middle East Partnership Initiative (NEA/PI), had faced a series of major challenges in the past 2 years—strengthening the office structure institutionally, establishing continuity in senior leadership, and creating standardized grant administration procedures. Although problems remained, NEA/PI leadership had made impressive progress, putting in place a new flexible organizational structure and a coherent grants management regime. The Tunis and Abu Dhabi regional offices were performing well, playing an essential role in assisting posts with local grants and in regularizing and standardizing grants management procedures.

OIG recommended NEA/PI eliminate the nonfunctional Coordination and Evaluation Division, transferring responsibility for the evaluation function to the Strategic Planning and Resources Division. In addition, OIG recommended NEA/PI establish more effective internal controls to assure that program expenditures by

grantees are spent appropriately. More than \$640 million was awarded to grantees with limited Departmental review of actual supporting documentation for funds expended. NEA/PI was establishing its capacity to evaluate and monitor in the field the Washington-managed grant programs that make up approximately 90 percent of the MEPI funds expended.

OVERSEAS MISSIONS

BUREAU OF AFRICAN AFFAIRS

Inspection of Embassy Djibouti, Republic of Djibouti (ISP-I-10-50A)

Without the Ambassador's strong leadership, the sharply increased workload related to the U.S. military base and security/counterterrorism programs might have overwhelmed this small embassy. The public affairs officer was managing a busy operation that, while dwarfed by the military base's public diplomacy apparatus, had found a cost-effective niche in presenting the U.S. message. The constant influx of temporary duty personnel and ranking visitors as well as construction of a new embassy compound challenged the small management staff, including the information technology unit. The management section required continued high-level attention. The new embassy compound will consolidate management operations in one location and significantly improve day-to-day oversight of the entire management operation.

Inspection of Embassy Addis Ababa, Ethiopia (ISP-I-10-51A)

Executive direction at Embassy Addis Ababa was good for a front office in prolonged transition, with seven chiefs or acting chiefs of mission, five deputy chiefs of mission, and several office management specialists since July 2009. This situation reflected, in part, questionable personnel decisions by the previous leadership in the Bureau of African Affairs that also had impacted negatively on the political/economic section.

As Embassy Addis Ababa has transformed into a busy mission with a heavy workload, evident Washington interest, and a strong sense of task, morale had remained good, surprisingly so, given local conditions. Employees were working out of a dilapidated embassy in a construction zone. Salaries for locally employed staff were effectively declining because of local currency depreciation and high inflation. As a result, the mission had lost many valuable local employees.

Inspection of Embassy Mbabane, Swaziland (ISP-I-10-57A)

The President's Emergency Plan for AIDS Relief (PEPFAR) had rapidly expanded programs and staff in Swaziland, creating space constraints and straining Embassy Mbabane's support services. As the program continues to grow, greater front office involvement will be required. Relations among the PEPFAR coordinator, the U.S. Agency for International Development (USAID), and the Centers for Disease Control and Prevention were excellent. At the urging of the OIG team, the public affairs section began attending PEPFAR staff meetings, and the two offices were collaborating on a plan for increased communication, division of labor, and public diplomacy activities.

Communication between the chancery and the compound housing PEPFAR, the general services office, and the public affairs section were problematic. The compound needed to be electrically grounded, and computer connectivity speed needed to be increased to handle PEPFAR growth and Department-mandated, Web-based computer programs.

The chancery's location on the top floors of a Swazi Government building created a series of management and safety problems that will not be addressed satisfactorily until a new embassy is constructed.

Inspection of Embassy Lilongwe, Malawi (ISP-I-10-60A)

Embassy Lilongwe had done an excellent job managing a staggering increase in U.S. foreign assistance to Malawi. Interagency coordination was seamless, and sound management structures promoted effective cooperation across agencies. Similar inter-agency cooperation extended to programs to promote democracy.

The Department and USAID had worked in concert to successfully consolidate nine administrative support services. The remaining three areas were to be consolidated by the end of June 2010.

Inspection of Embassy Harare, Zimbabwe (ISP-I-10-61A)

Embassy Harare had been able to support a dramatic increase in humanitarian assistance and other programs despite space and logistical challenges, but the Ambassador needed to provide more direction for these crucial programs, notably the President's Emergency Plan for AIDS Relief and governance.

The deputy chief of mission needed to tighten oversight of administrative operations. The management counselor needed to devote greater attention to International Cooperative Administrative Support Services responsibilities and exercise stronger and more transparent oversight of the section. Office space was inadequate; embassy

staff members worked from five locations, including two commercial office buildings. The general services officer deserved recognition for his progress in restoring management controls and providing needed services in a devastated local economy.

The consular unit was so well-trained and managed that it was able to assist colleagues in the region. It paid strict attention to complex travel sanctions, directed primarily at Zimbabwean officials.

Inspection of U.S. Mission to the African Union (ISP-I-10-65)

After a troubled beginning, the U.S. Mission to the African Union had repaired relations with the bilateral embassy and was working more closely with African Union leadership. This reflected the Ambassador's strong leadership and the effective work by Department and Department of Defense officers. Mission strategic goals, however, were not entirely consistent with major U.S. Government objectives, and OIG recommended the Department initiate a policy review.

Mission staffing was outpacing the African Union's own efforts to empower and integrate itself as a multilateral institution. The Department and other agencies were not giving adequate scrutiny to staffing. The unrestrained growth was crowding the new embassy compound before it opened; OIG recommended a freeze on staff increases prior to a rightsizing review.

Compliance Follow-up Review of Embassy Banjul, The Gambia (ISP-C-10-52)

Embassy Banjul complied with most of the formal and informal recommendations contained in the report of the 2009 inspection. The record of compliance with recommendations in the security annex to that inspection was less successful. This compliance follow-up review (CFR) reissued recommendations and redirected action on many of the physical security issues.

Morale at Embassy Banjul was improving but fragile. Management at Embassy Banjul had been weak. Record keeping was in disarray with many documents missing or actions not carefully documented. American employees had departed Banjul without settling outstanding personal accounts. The response to the 2008 inspection's recommendation relative to the chief of mission's management control statement was pro forma, and the relevant recommendation was reissued by the CFR team.

The facilities on the chancery compound were unattractive and inefficient. Major flooding issues needed to be addressed. High priority should be given to identifying an alternative site for the embassy.

Inspection of Embassy Maseru, Lesotho (ISP-I-10-58A)

U.S. relations with Lesotho had prospered under the Ambassador's stewardship, but Embassy Maseru had a mixed record coordinating the dramatic increase in U.S. assistance programs in the country. To improve management of PEPFAR, OIG recommended the Ambassador have full responsibility for all management and policy issues related to the program and that the embassy work with USAID on a comprehensive review of staffing requirements, management structure, and the role of the program coordinator. OIG also recommended the embassy establish a mechanism for reviewing and resolving disputed claims about the use of PEPFAR funds.

The management section had been stretched to the breaking point supporting the large and growing assistance programs. However, the section had successfully renovated the embassy's warehouse into PEPFAR office space and did so under budget and ahead of schedule. On the other hand, office space for the consular section was deficient to the point of weakening operations. OIG recommended the Department design, fund, and implement a plan to resolve the problem.

Review of Department of State Activities Concerning the Draft Kenya Constitution (ISP-I-10-77)

OIG conducted a special review focused on Department officials' activities and public statements concerning Kenya's draft constitution, which was the subject of a nationwide referendum vote on August 4, 2010. The review was conducted in response to a request from Representatives Chris Smith, Ileana Ros-Lehtinen, and Darrell E. Issa to determine whether, in the course of promoting a reform agenda for the nation of Kenya, any Department appropriations were used to lobby for or against abortion, in violation of the Siljander Amendment.

The U.S. Ambassador to Kenya had made it clear that the U.S. Government supported the constitutional reform process and told the inspectors that he had not explicitly taken a position asking Kenyans to vote "yes" on this draft. The U.S. Ambassador to Kenya had, however, speaking on behalf of the Administration, been a vocal supporter of Kenya's comprehensive reform agenda (the central element of which was reforming the constitution).

OIG did not find any evidence that U.S. Embassy officials made any private or public statements to Kenyan Government officials, nongovernmental organizations, or any other actors expressing either a positive or negative position on the abortion provision in the draft Kenyan Constitution. OIG also did not find any evidence that embassy officials attempted to influence any Kenyan's opinion, either positively or negatively, on the abortion provision.

BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS

Inspection of Embassy Kuala Lumpur, Malaysia (ISP-I-10-74A)

Embassy Kuala Lumpur had taken advantage of an historic opportunity to advance U.S. strategic interests in counterproliferation and counterterrorism and to improve historically cool U.S.-Malaysian relations. The executive leadership had effectively led the embassy's growing engagement with Malaysia on a broad range of issues.

The embassy had managed well a significant growth in personnel and pace of activities. Funding for an FY 2014 major rehabilitation project to address property issues at the chancery compound was uncertain. Phasing in elements of the project could increase the likelihood of needed improvements being completed.

The Fulbright Commission in Malaysia, known as the Malaysian-American Commission on Educational Exchange, was operating under a bilateral agreement that expired in 2005. Since that date, the binational board of governors that oversees Fulbright operations had ceased, as had the Malaysian Federal Government financial contribution to the program. Mid-level negotiations had dragged on for 5 years with no success. OIG recommended that the embassy place a priority on concluding an agreement.

For the most part, the embassy's executive leadership had used the National Security Defense Directive 38 (NSDD-38) process effectively to plan and execute an orderly growth of embassy staff in areas where the United States can achieve the greatest benefit, while also using the process to deny growth where it is not justified. In one case, however, the embassy response did not adequately assess the need for the proposed services of an assistant regional security officer for investigations. OIG recommended the position be eliminated.

Inspection of Embassy Vientiane, Laos (ISP-I-10-75A)

Embassy Vientiane was continuing to provide excellent support to the long-standing U.S. interests of recovering the remains of Americans from the Vietnam conflict and in assuring the legal emigration of qualified Hmong and other Lao citizens. In addition, Embassy Vientiane had grown in the size and scope of its mission in response to new opportunities for positive engagement with the Laotian Government in the areas of military, health, and law enforcement.

The embassy had addressed a long-term U.S. interest in securing an appropriate diplomatic platform, by accepting a property swap with the Laotian Government to secure the real estate for a new embassy compound, the construction of which might start in 2011. This action responded to a recommendation made in the 2003 inspection of Embassy Vientiane.

An inconsistent arrangement for funding was weakening the U.S. Government's planning and execution of its largest, most successful humanitarian program in Laos—removing or destroying millions of unexploded ordinance left over from the U.S. bombing of Laos during the Vietnam conflict. OIG recommended more consistent and reliable annual funding for this program.

Inspection of Consulate General Hong Kong, China (ISP-I-10-78A)

Consulate General Hong Kong was effective and well-coordinated in pursuing its three main objectives: law enforcement cooperation; supporting democratic reform; and, supporting U.S. business, including in Macau where there is substantial U.S. investment in the gaming and convention sectors. The public affairs section was making excellent use of Hong Kong's open media environment to carry out well-focused information and exchange programs. Given the number of mainland Chinese in Hong Kong and the Hong Kong media's reach, the public affairs section's activities impacted the mainland as well as local audiences.

OIG identified a number of ways the consulate general could save money, including eliminating several positions and downgrading others. OIG recommended the consulate general review its office space needs when leases expire and assign housing based on current Department guidelines. OIG also recommended the consulate general and the Department review whether consulate employees ought to continue to receive rest and recuperation travel.

Inspection of Embassy Beijing, China, and Constituent Posts (ISP-I-10-79A)

Managing Mission China's dramatic growth is a fundamental challenge for the Department. The number of reporting officers and other agency staff in recent years has expanded beyond the ability of management to provide adequate support, particularly in information technology. The additional management position requests in the current Mission Strategic and Resource Plan should be funded.

Demand for nonimmigrant visas was swamping the mission's consular sections. Starting in March 2010, appointment wait times had lengthened, underlining the need for better management by the consular country coordinator and greater involvement by the Ambassador and deputy chief of mission. Consulates General Beijing, Shanghai, Chengdu, and Shenyang required new or reconfigured facilities, and a concerted effort should be made to lengthen visa validity on a reciprocal basis.

Mission China was carrying out creative and far-reaching public diplomacy programs despite vigorous Chinese Government efforts to block them. Use of electronic media, outreach programs, and virtual presence posts had been particularly successful.

Supporting a growing number of official visitors, notably to Beijing and Shanghai, consumed too much time in terms of both reporting and management staff, in a country with increasingly sophisticated travel services. Mission China could reduce employee overtime and stress by streamlining the services it provides visitors.

BEST PRACTICE: Electronic Outreach in China

Embassy Beijing's public affairs sections have developed and used new media programs—blogs, Web chats, and the Twitter social networking service—to reach out directly to almost 400 million Internet users in China, 78 percent of whom depend on the Internet for their news. Realizing that Web programming is most effective when it takes place outside the embassy's Web site, the public affairs section has been cooperating with local Chinese Web portals and news Web sites on a number of outreach programs. Through its development and use of new media tools and its cultivation of Chinese online contacts, the public affairs section has been able to significantly increase dissemination and placement of information, despite great obstacles.

BUREAU OF EUROPEAN AND EURASIAN AFFAIRS

Inspection of Embassy Ankara, Turkey (ISP-I-10-55A)

The substantive expertise of mission leaders and staff and their strong language capabilities ensured U.S. understanding of Turkey's motives and goals, unambiguous guidance to Washington agencies about how to deal with Turkey, and skilled interaction with the Turkish Government on the host of regional and global issues on which the United States engages with Turkey.

In 2004, OIG recommended the Department purchase land and build a new embassy. Six years later, this still had not happened and the need for a new embassy compound had grown more intense. OIG recommended the Department take immediate action to acquire a new site or build a new compound on the existing site.

Surveys revealed that customers were dissatisfied with the management section, and OIG found deficiencies in all three management sections. OIG made many recommendations to address shortcomings, including conducting an annual review of all position descriptions; improving the supply chain management system; regularly reviewing unliquidated obligations; and establishing better procedures to document the salaries of employees authorized official residence expenses.

BEST PRACTICE: Saving Energy by Going Green in Turkey

In cooperation with the Bureau of Overseas Buildings Operations, Consulate General Istanbul is working with a contractor and taking advantage of unused land on the compound to design a photo-voltaic farm that will provide renewable energy for the consulate. The consulate also is exploring the option of using wind as an alternative source of electricity and is replacing the current, 1,000-watt security lights that cover its 20-acre compound with fixtures that use more energy-efficient light emitting diodes. These changes will money, reduce the consulate's carbon footprint, and serve as a model for Department missions around the world.

Inspection of Embassy Nicosia, Cyprus (ISP-I-10-56A)

Embassy Nicosia was well disciplined in promoting the U.S. policy objective of supporting reunification of the divided island of Cyprus. The Ambassador and mission personnel acted and spoke prudently to avoid sparking resentments regarding the political division of the island. The positive interaction between the embassy's Greek Cypriot and Turkish Cypriot employees set an example that a fully integrated Cyprus could follow in the future.

The embassy was both forward thinking and reasonable in planning for the possibility of political progress in Cyprus. Should a breakthrough occur, more embassy reporting, analysis, and assistance would be needed. The embassy's strategic plan included the commensurate resource requirements. In the meantime, the U.S. Government owned dilapidated buildings in northern Cyprus. The inspectors recommended the embassy take steps to restrict access to these facilities to prevent accidental death or injury.

Embassy Nicosia had an effective structure to coordinate most law enforcement, counternarcotics, counterterrorism, and nonproliferation activities. There were weaknesses, however, in applying Leahy amendment provisions to candidates for training in these fields. The inspectors recommended centralizing the compliance process in the political section and providing annual training to all involved in the process.

Inspection of Embassy Rome, Italy, Its Constituent Posts, and the Republic of San Marino (ISP-I-10-59A)

The U.S. Mission to Italy is large and complex. In addition to Embassy Rome, Italy also hosts three U.S. consulates, three consular agencies, the U.S. Embassy to the Holy See, the U.S. Mission to UN Agencies in Rome, and a large U.S. military

presence. The embassy's public affairs section was doing an outstanding job coordinating public diplomacy with U.S. military elements in Italy. Each year, it sponsors a conference bringing public diplomacy officers and other officials from the embassy and consulates together with military public affairs officers. The conference builds a shared sense of mission and message.

Embassy Rome's paramount resource issue was obtaining funding for its aging and historic infrastructure at Embassy Rome and Consulate General Florence. This legacy responsibility will continue to require significant financial commitments.

The embassy's section chiefs and officers were managing their portfolios well. The inspectors recommended they engage more, however, with consulate personnel. Reporting was generally of high quality. Consular operations were well funded and staffed. The consular agencies in Venice, Genoa, and Palermo were providing exceptional service for a very small investment. OIG made recommendations for potential cost savings on furniture and to reduce duplication and inefficiency in nonexpendable supply and property management.

BUREAU OF NEAR EASTERN AFFAIRS

Program Review of Refugee Coordination in Jerusalem (ISP-I-10-29)

The Office of the Refugee Coordinator in Jerusalem carried out the full range of the position's mandated functions throughout its area of responsibility. The refugee coordinator was fully integrated into the political section of Consulate General Jerusalem, and the coordinator's input was important in key reporting from the consulate general. The refugee coordinator provided ample reporting to the Bureau of Population, Refugees, and Migration (PRM) and other U.S. government constituencies. PRM consulted closely with the refugee coordinator in developing U.S. positions to represent to the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA).

The two-person office was inherently limited in its capacity to monitor 58 refugee camps, hundreds of schools, and health clinics (many of them outside the camps), and 30,000 staff members serving 4.7 million people. This meant that the office depended on UNRWA for information that the office lacked the resources to verify independently. OIG recommended the refugee coordinator and PRM work with UNRWA to improve the timeliness and quality of information that UNRWA provides and that the refugee coordinator track the outcome of actions that bear on UNRWA's neutrality.

U.S. contributions directed to UNRWA's special projects (e.g., schools, health clinics, and community centers) had high visibility and demonstrate U.S. interest in improving the living conditions of Palestinian refugees.

Inspection of Humanitarian Mine Action Programs in Iraq (ISP-I-10-41)

The Department has spent more than \$120 million since 2003 to clear mines in areas controlled by the Iraqi Government. However, despite U.S. aid and Iraq's own pledge to be mine-free by 2018, little clearance of the estimated 20 million mines or other unexploded ordnance had occurred in central and southern Iraq—the areas controlled by the government in Baghdad. In contrast, more than \$20 million in mine action programs had been successfully implemented in areas under the control of the Kurdistan Regional Government.

Lack of action in areas the Iraqi Government controls was due to several reasons, including: instability and lack of security; a lack of commitment on the part of the Government of Iraq; corruption; bureaucratic obstacles; sectarianism; and an apparent lack of grassroots pressure for mine action. The Iraqi Ministry of Defense has also greatly hindered humanitarian mine action by foreign organizations. All humanitarian mine action by foreign organizations was at a halt during the inspection.

OIG recommended Embassy Baghdad raise the mine action program with the highest levels of the Iraqi Government to ascertain its level of commitment and cooperation. The inspectors also recommended the Bureau of Political-Military Affairs review Iraq's cooperation and consider reallocating mine action resources where they can be more effective, either within Iraq or elsewhere. The inspectors recommended the Bureau of Political-Military Affairs update its standard operating procedures to ensure that future programs that are set up without time to conduct the standard country planning process include an alternate method to measure program implementation. OIG also made a series of recommendations about publicizing the U.S. effort.

Inspection of Embassy Abu Dhabi and Consulate General Dubai, United Arab Emirates (ISP-I-10-62A)

Embassy Abu Dhabi was effectively managing a bilateral relationship that had grown dramatically in key areas such as U.S. exports and business opportunities, military ties, political cooperation, and official visitors. The embassy needed the Department's support in negotiating with DOD for a suitable arrangement to support administratively, under chief of mission authority, a multibillion dollar foreign military sales agreement that had enormous implications for the U.S. defense industry.

Consulate General Dubai was the principal field post for matters related to Iran. It also was managing a staggering number of U.S. Government visitors. In 2009, there were approximately 250 visits that required front office involvement. The mission leadership agreed that they want to transform the visitor workload into an asset. The embassy had an unparalleled opportunity to make U.S. Government policymakers aware of what could be accomplished through a healthy U.S.-U.A.E. partnership. The public diplomacy operation could harvest a rich yield of leading American speakers and expertise in almost any field. The Foreign Commercial Service, habitually understaffed, was annually turning away hundreds of American businesses seeking help to enter an export market that was buying more than a billion dollars a month in American goods. OIG made recommendations to improve the operations and management controls of the embassy and consulate general.

Inspection of Embassy Sanaa, Yemen (ISP-I-10-63A)

Embassy Sanaa had become the key forward operating base for the broad spectrum of counterterrorism efforts against al-Qaeda in the Arabian Peninsula. Under the leadership of an effective and respected Ambassador, embassy staff were fortifying and expanding bilateral relations. However, the U.S. Government needed to pay more attention to long-term planning and goal setting. The OIG team recommended Embassy Sanaa develop a unified, clearly articulated vision for U.S. policy in Yemen, to drive whole-of-government planning and goal setting over the next 5 years. The OIG team also recommended Embassy Sanaa establish a broad, interagency-supported strategic communication plan, to assess the Yemeni perceptions of U.S. policy and to develop ways to foster greater Yemeni understanding of U.S. actions and intentions.

The consular section was performing admirably but, given the terrorism threats in Yemen and pervasive fraud, staffing shortages and resulting backlogs were increasing the risk to U.S. homeland security. The inspection team made several recommendations, including that the embassy analyze and quantify the backlog as a first step toward identifying resources needed to eliminate it, fill vacancies among the locally employed staff as soon as possible, and designate a full-time fraud officer as soon as resources permit.

With the exception of Department elements, staffing at the embassy was growing rapidly. This growth was affecting performance in several ways. For example, there was the need for a common communication strategy among agencies for explaining American policy in its larger context to Yemeni leaders and public. There also were resource implications. The management section was providing commendable support to both permanent staff and the large number of temporary duty employees, but the latter were not reimbursing the embassy sufficiently. OIG recommended the embassy establish a written policy for charging temporary duty visitors for International Cooperative Administrative Support Services.

Inspection of Embassy Muscat, Oman (ISP-I-10-71A)

Embassy Muscat was doing an excellent job in advancing U.S. interests in Oman and strengthening this important bilateral relationship. The Ambassador and deputy chief of mission were accessible, provided clear strategic vision and sound substantive guidance, and promoted close interagency coordination.

The embassy's top goals of ensuring regional stability and cooperation were reflected in an extensive and growing program of military cooperation. Department of Defense entities constituted one-half of the personnel of the mission. Relations between them and the rest of the embassy were close and productive.

The embassy had achieved notable success with its outreach efforts, including programs funded through the Middle East Partnership Initiative, as well as a range of traditional educational and cultural exchange programs.

BUREAU OF SOUTH AND CENTRAL ASIAN AFFAIRS

Inspection of Embassy Islamabad and Constituent Posts, Pakistan (ISP-I-10-64A)

The staff of Embassy Islamabad and the three constituent posts were dedicated to the success of the President's strategy for Afghanistan and Pakistan, spending long hours and immense physical and intellectual effort to meet the demands of the recent rapid growth in staffing and programs generated by increases in funding. Violent extremist organizations, including al-Qaeda, operating in and from Pakistan were committed to destabilizing Pakistan's democratically elected Government and attack the United States and its interests. In almost every decision, embassy leaders balanced the imperative to pursue without reserve the President's strategy for Pakistan against the risk to life for mission staff. Risk management was a full-time job.

Life in Pakistan for mission staff was difficult and will remain so for some time. Special compensation and incentives for work in a high-danger environment, together with awareness that employees were contributing to one of the President's most important priorities, was a source of satisfaction for many.

The demands for new staff to support visitors, reporting, representation, engagement, and other priority tasks posed significant challenges for mission staff. Although the mission produced quality reporting, coverage of issues was uneven. Time spent on high-level visitor support had an adverse impact on the volume of reporting. The embassy needed to reinvigorate its political and economic reporting by consulting Washington agencies and developing achievable, countrywide political and economic reporting plans that reflect policy priorities and user needs.

The sophistication of consular fraud, official corruption, the potential for links between fraud and international terrorism, and the pull of the U.S. economy for economic migrants combined to make fraud prevention work in Pakistan challenging and demanding. The lack of personnel resources in the consulates also limited overall fraud detection and prevention efforts. OIG made recommendations to strengthen the fraud referral process and fraud prevention management.

Despite the embassy's best efforts, continuing obstacles from the Government of Pakistan, including land and property acquisition to address space and infrastructure challenges, could impair the embassy's ability to provide a management platform for the achievement of U.S. foreign policy goals. In Islamabad, the \$1 billion construction plan to replace nearly all facilities may be delayed by problems in land acquisition due to host national inaction; in Karachi, the consulate had outgrown the new compound before moving in; and in Peshawar, efforts to locate a suitable property had proven difficult although the host nation offered a new option that would soon be evaluated for feasibility. The consulate in Lahore could accommodate expected growth but needed physical upgrades.

After a hiatus of more than 13 years, the embassy was considering reestablishing nonimmigrant visa services in Lahore in response to interest by the Special Representative for Afghanistan and Pakistan. The OIG team believed the embassy should not reinstitute nonimmigrant visa services in Lahore. Further devolution of Pakistan's moderate but complex nonimmigrant visa workload was not in the interest of consistency, efficiency, or management oversight, and would increase security vulnerabilities.

The embassy managed foreign assistance coordination effectively. In the near term, the embassy needed to manage the substantial and growing funding pipeline and develop strategies to monitor performance in high-risk areas.

BEST PRACTICE: Auto Reply Frequently Asked Questions for Visa Inquiries via Email

Consular sections worldwide receive most of their inquiries about general visa practice and case status via email to a group mail box. Even with extensive use of templates designed to answer the most common questions, it is a time-consuming process to read each email, select the appropriate templates, and integrate them into a response. Embassy Islamabad analyzed its immigrant visa and nonimmigrant visa mailboxes to identify the most frequently asked questions and created an automated email response that includes the answers to those questions in a clear narrative tailored to the Pakistan clientele. At the end of the auto response page, inquirers whose questions are not addressed by the automated response are advised to forward their question to another email address, where it is given personalized attention. As a result of the automated response, the number of email inquiries requiring a personal reply has been reduced by 50 to 70 percent, and the public is served more promptly because the auto response operates 24 hours a day.

Inspection of Embassy Dhaka, Bangladesh (ISP-I-10-82A)

Managing mission growth was a challenge for all embassy sections and agencies. The high profile that Embassy Dhaka was experiencing within the U.S. Government, as well as in Bangladesh, had led to an increased focus on a number of development and democracy initiatives. Mission leadership was aware of the constraints to continued growth, but was also committed to taking advantage of a unique moment in the history of U.S.-Bangladesh relations. The time when the Ambassador should start denying requests for additional programs and staffing had not come, but was imminent.

Dhaka is scheduled for a new embassy annex in FY 2022, a date that was set before the recent dramatic increase in programs and activities. Twelve years is too long to wait to respond to these changed circumstances. To meet expanding work space requirements, the Bureau of Overseas Buildings Operations needs to review the changed situation in Dhaka and determine how best to provide a physical platform adequate to support U.S. policy.

The consular section had faced serious challenges in recent years, including a rapidly growing workload, serious staffing gaps, and one of the toughest visa fraud environments anywhere. The new section chief made progress in addressing major problems, including getting more resources for the section.

BUREAU OF WESTERN HEMISPHERE AFFAIRS

Review of the Department of State Interagency Coordination and Public Communication Regarding U.S. Citizen Victims in the Earthquake-Destroyed Hotel Montana in Haiti (ISP-I-10-72)

Following an unprecedented natural disaster, the Department was very effective in coordinating the Federal Government response, including the recovery of American citizen victims of the Haiti disaster. The Department's Under Secretary for Management deserves great credit for the successful interagency coordination. Although successful this time, a risk exists if there is no Department process to determine operational leadership in the event of massive and complex overseas crises. The Department agreed to establish procedures to determine and communicate, including to Members of Congress and to the general public, who will be the senior Department official with responsibility for crisis response in the event of future extraordinary emergencies.

The Bureau of Consular Affairs and the consular section of Embassy Haiti also deserve great credit for responding to a disaster of enormous magnitude and duration. The embassy staff in particular, victims themselves, served Americans and Haitians and provided critical assistance. However, consular crisis management software proved inadequate to meet the needs of the task force and embassy during a crisis of this size. It needs to be upgraded on the basis of lessons learned to be more effective in the future.

INVESTIGATIONS

EMBEZZLEMENT

OIG conducted a joint investigation with the Special Inspector General for Iraq Reconstruction, the Defense Criminal Investigative Service, and the Federal Bureau of Investigation (FBI), involving a former Department employee who embezzled approximately \$147,000 while serving in Iraq. The embezzlement involved a complex fraud scheme in which the employee sold U.S. Government property and kept the proceeds for himself. On July 22, 2010, the former employee was indicted in U.S. District Court for the Southern District of Texas on four counts of wire fraud and one count of conversion. If convicted, he faces 20 years in prison and a \$250,000 fine on each of the wire fraud counts. If convicted on the conversion charge, he faces a maximum of 10 years in prison and a \$250,000 fine. Prosecution is currently pending. (10-068)

OIG conducted an investigation of a Jordanian National employee of the U.S. Embassy in Baghdad who set up an email account to control the transfer of funds that were to be paid to a company providing contracting services to the embassy. He then used that email account to direct the deposit of the funds to his spouse's bank account. In total, \$243,416 was funneled to the bank account the subject's wife between September 2008 and June 2010. On August 16, 2010, OIG agents arrested the subject at Dulles airport as he was flying into the United States. Prosecution of the subject is pending. (10-037)

OIG conducted a joint investigation with DS after a review of monetary transactions indicated suspicious types of refunds processed by a consular cashier at an embassy overseas. A search warrant was conducted on January 24, 2010, and records and approximately \$14,000 in currency were seized. On May 4, 2010, the cashier was terminated by the embassy along with another cashier who was determined to be complicit with the scheme. On September 2, 2010, the cashier was indicted in U.S. District Court on 92 counts for the embezzlement scheme. At this time, total losses in the case are estimated to be \$319,285. Prosecution in this case is pending based upon the ability to facilitate the transfer of the cashier to U.S. custody. (09-079)

OIG conducted an investigation of a Department vendor who admitted to fraudulently charging the Department approximately \$35,000 for items which were never delivered. The charges in question were later reversed, so the case was declined for

criminal prosecution. On July 1, 2010, the Office of the Procurement Executive notified the vendor that he was being debarred from engaging in any contracting with the Federal Government for a period of 3 years. At the time the debarment was being considered, it was determined that the vendor had gained employment with a company that had been awarded a Department contract. When the information concerning the vendor's previous fraudulent activity was reported to the company's president, the company immediately terminated him from employment. (08-007)

PROCUREMENT FRAUD

OIG received information from a Special Inspector General for Afghanistan Reconstruction regarding an FBI complainant who reported allegations of contract bid-rigging, bribery, conflict of interest, and other illegal and unethical activities perpetrated by a Department of State personal services contractor (PSC) and the owner of a construction company that held a Department contract. During the course of the investigation, an additional Department contractor was implicated in allegations of illegal and unethical activities. As a result of the investigation, on May 11, 2010, the PSC had his contract terminated by the Department. On August 27, 2010, procurement suspension letters were finalized and forwarded to the PSC and to the owners of two construction companies with Department contracts. Additionally, the Office of the Procurement Executive added the PSC and the construction companies to the Excluded Parties List. The investigation is ongoing. (09-117)

FALSE CLAIMS

OIG conducted an investigation of a Department employee who applied for separate maintenance allowance (SMA) payments while serving overseas despite the fact that he was legally separated from his spouse. The amount of the SMA payments was determined to have been \$15,215. A copy of the employee's divorce decree obtained by OIG showed that the employee and his spouse were legally separated when the application for SMA payments was filed. The Department of Justice declined to criminally prosecute the employee for submitting false statements. The employee retired while the investigation was ongoing. On April 29, 2010, the Bureau of Resource Management (RM) sent the retired employee a letter notifying him that he was liable for the full amount of the SMA payments he received. (07-011)

OIG conducted an investigation based upon information uncovered during an OIG inspection indicating that a senior embassy official engaged in travel irregularities by submitting improper claims for travel reimbursement. When interviewed by OIG agents, the senior official admitted that some of the travel charges were improper.

On June 3, 2010, RM determined that the official was liable for \$9,419 in improper travel charges. The Bureau of Human Resources (HR) is currently evaluating this case for possible disciplinary action. (08-011)

EMPLOYEE MISCONDUCT

OIG conducted an investigation based upon information received from a Member of Congress stating he had been contacted by a constituent who alleged a Department employee threatened him via telephone and from a Department email account (requesting to meet with the constituent). The investigation determined that the employee left a threatening message on the constituent's voicemail and sent the constituent and email stating that a female friend asked him to contact the constituent regarding money allegedly owed to her from the constituent's company. On May 7, 2010, the employee was terminated from employment with the Department. (10-042)

OIG conducted an investigation of a Foreign Service tandem couple who violated regulations by shipping 7,200 pounds of hardwood from a foreign country as part of their household effects shipment. The Department of Agriculture intercepted the shipment, which was subsequently forfeited after a civil proceeding. The Department of Justice declined to prosecute the employees for illegal importation of the wood, and on July 20, 2010, HR proposed a 5-day suspension for each of them. (07-028)

OIG conducted an investigation of a Department employee who was in charge of issuing parking permits for Department-operated parking facilities after allegations were received that the employee was selling the permits to others for approximately \$125 each. When interviewed by OIG, the employee admitted to selling the passes. The case was declined for criminal prosecution, and on July 2, 2010, the employee was terminated from employment with the Department. (09-115)

OIG conducted an investigation of a Department employee who was improperly accessing The Passport Information Electronic Records System (PIERS) to view the records of prominent athletes and entertainers. The investigation determined that the employee conducted 17 searches, 22 previews of cropped images, and 12 passport records views of celebrities, athletes, and a family member using the PIERS database. The employee admitted to accessing the above described files without authorization or legitimate purpose. On August 11, 2010, HR proposed a 14-day suspension of the employee. It should be noted that this employee's improper PIERS accesses occurred

after the initial PIERS inquiry began in 2008 and notice had been sent to all Department employees with PIERS access regarding the consequences of improper use of the PIERS system. (09-100)

PASSPORT FRAUD

OIG received a request for investigative assistance from the Inspector General's Office for the State of South Carolina in the matter of an escaped convict who had obtained a fraudulent passport in a different identity and was residing in the state of New York. OIG's investigation confirmed that the escapee had fraudulently obtained a passport by lying about his identity. On March 31, 2010, the subject surrendered himself to OIG agents and was arrested. On May 11, 2010, the fugitive was indicted for providing a False Statement in Application and Use of a Passport. Prosecution of the subject is currently pending. (10-034)

FOLLOW-UP ACTIONS

EMBEZZLEMENT

OIG conducted an investigation of a supervisor and a subordinate employee of the International Boundary and Water Commission (IBWC), United States Section, who embezzled over \$100,000 from the Falcon Dam facility. The subjects used a government credit card to purchase a large number of items for personal use and used Falcon Dam employee's time for work on the supervisor's personal property. The supervisor immediately submitted his retirement paperwork when he learned of the investigation and the subordinate agreed to cooperate with OIG in the investigation. OIG agents conducted a search warrant on a ranch property owned by the supervisor and obtained photographic evidence of material purchased by the supervisor and installed on the property and other improvements made to the property using IBWC equipment and employees. On December 1, 2009, both subjects were indicted in U.S. District Court. They were arrested the next day and the subordinate was subsequently proposed for termination from his employment by IBWC. On June 7, 2010, both subjects agreed to plead guilty. Sentencing of the subjects is currently scheduled for December 9, 2010. (See OIG's *Semiannual Report to the Congress*, October 1, 2009, to March 31, 2010, pp 67) (09-104 & 09-114)

VISA FRAUD

OIG conducted a joint investigation with the Department of Labor 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 \$2500-\$5000 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. On August 3, 2010, the other subject pleaded guilty to one count of Visa Fraud one count of False Statements. On September 10, 2010, the second subject was sentenced to 16 months imprisonment. The first subject and the American employer were each sentenced to 24 months probation. (See OIG's *Semiannual Report to the Congress*, April 1, 2009, to September 30, 2009, pp 64) (08-018)

FALSE CLAIMS

OIG conducted an investigation of a subcontractor to a Bureau of Educational and Cultural Affairs grantee that received \$835,670 to conduct a project entitled "Youth Exchange and Study Program" for the 2008-2009 academic school year. An employee of the subcontractor was assigned to serve as the local coordinator for the students enrolled in the program and was responsible for finding host homes for the students in Scranton, PA. The employee accepted money from the grant and failed to provide the students with basic provisions as outlined in the grant. On February 12, 2010, the subcontractor employee pleaded guilty to one felony count of Mail Fraud and on May 27, 2010, she was sentenced in the U.S. District Court, Middle District of Pennsylvania, to 3 years supervised probation and 100 hours of community service, and ordered to pay restitution in the amount of \$2,900. (See OIG *Semiannual Report to the Congress*, October 1, 2009 to March 31, 2010, pp 68) (09-107)

PASSPORT INFORMATION ELECTRONIC RECORDS 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 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, which include two separate criminal prosecutions:

OIG conducted an investigation of a Department employee who was improperly accessing PIERS to view the records of prominent athletes and entertainers. The investigation determined that the contract employee electronically accessed through PIERS 99 different passport applications without authorization. On September 27, 2009, the employee pleaded guilty in U.S. District Court for the District of South Carolina to one count of Unauthorized Computer Access. On April 7, 2010, the subject was sentenced to 12 months probation. (09-010)

OIG conducted an investigation of a Department employee who was improperly accessing PIERS to view the records of prominent athletes and entertainers. The investigation determined that the contract employee electronically accessed through PIERS 150 different passport applications without authorization. On August 25, 2010, the subject was indicted on four Felony counts: one count "Exceeding Authorized Computer Access"; one count "Obstruction of Agency Proceeding"; and two counts of "False Statements" (made to our agents). Prosecution is pending. (08-078)

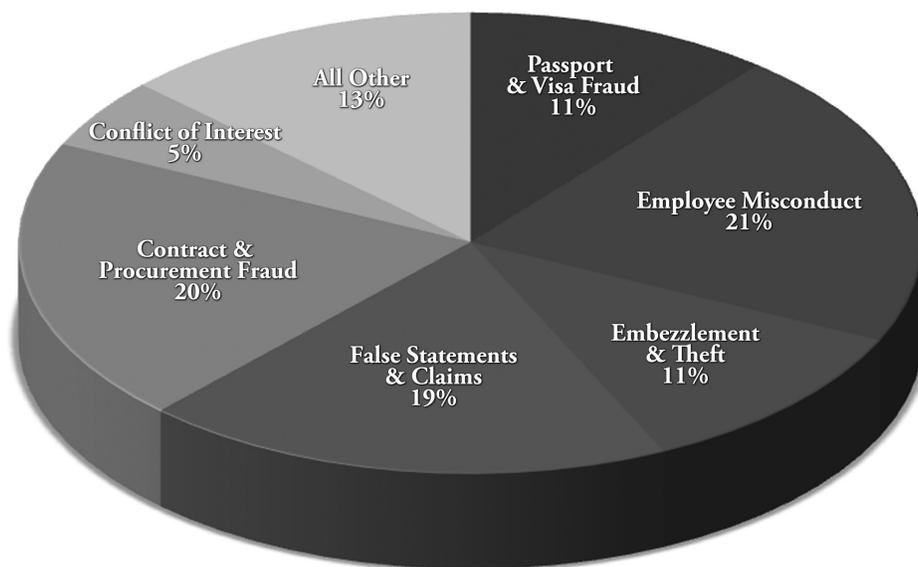
OIG's pursuit of PIERS related investigations is ongoing. Because of the systemic weaknesses identified by OIG during the overall PIERS inquiry, the Department has enacted greater safeguards to protect the privacy of electronically stored passport-related information. (See OIG's *Semiannual Report to the Congress*, October 1, 2009 to March 31, 2010, pp 70-71)

HOTLINE

| | |
|--------------------------------------|-------------|
| Referral To Other Offices for Action | 349 |
| Held for Action Within OIG | 87 |
| No Action Necessary | 270 |
| Total Complaints Received | 706* |

*These statistics represent both the Department and the BBG.

Types of Cases*



*May not equal to 100% due to rounding

APPENDIX 1: DEPARTMENT OF STATE INVESTIGATIVE ACTIVITIES

| | |
|---------------------------------------|---------------------|
| Preliminary Inquiries | |
| Opened | 25 |
| Closed | 27 |
| Investigations | |
| Opened | 43 |
| Closed | 56 |
| Pending (9/30/10) | 138 |
| Criminal Actions | |
| Referrals for Prosecution | 8 |
| Indictments/Informations | 10 |
| Convictions | 3 |
| Sentencings (Months Imprisonment) | 16 |
| Sentencings (Months Probation) | 96 |
| Declinations | 16 |
| Civil Actions | |
| Civil Referrals | 0 |
| Civil Judgments | 0 |
| Administrative Referrals | |
| Referrals for Personnel Action | 3 |
| Suitability Referrals to DS | 2 |
| Administrative Actions | |
| Removals | 12 |
| Suspensions | 6 |
| Reprimands/Admonishments | 25 |
| Debarment Actions | 1 |
| Monetary Recoveries | |
| Criminal Fines/Recoveries | \$2,900.00 |
| Civil Recoveries | \$0 |
| Administrative Recoveries | \$286,420.19 |
| Total Investigative Recoveries | \$289,320.19 |

APPENDIX 2: REPORTS ISSUED

| Report Number | Report Title |
|----------------------|---|
| AUD/CG-10-16 | <i>Independent Accountants' Report on the Application of Agreed-Upon Procedures on Financial Capability of AFS-USA, Inc.</i> |
| AUD/CG-10-21* | <i>Independent Accountants' Report on Audit of International Boundary and Water Commission: Contract Award and Management of Funds Provided by the American Recovery and Reinvestment Act</i> |
| AUD/CG-10-22* | <i>Independent Accountants' Report on Audit of Department of State Compliance With Transparency and Reporting Requirements of the American Recovery and Reinvestment Act</i> |
| AUD/CG-10-25 | <i>Embassy Baghdad Internal Controls for Overtime Pay</i> |
| AUD/FM-10-05** | <i>Independent Auditor's Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2009 and 2008 Financial Statements</i> |
| AUD/FM-10-20** | <i>Management Letter Related to the Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2009 and 2008 Financial Statements</i> |
| AUD/FM-10-26 | <i>Audit of Department of State Corrective Action Plan for Personal Property</i> |
| AUD/FM-10-27 | <i>Audit of Department of State Corrective Action Plans for Financial Reporting</i> |
| AUD/FM-10-28 | <i>Audit of Department of State Corrective Action Plan for Real Property</i> |
| AUD/FM-10-30 | <i>Audit of Maintenance and Improvements of Overseas Real Property</i> |
| AUD/SI-10-23 | <i>Audit of Allegations Pertaining to Contract With DynCorp International for the Security Sector Transformation Project in South Sudan, Africa</i> |
| AUD/SI-10-31 | <i>Audit of Department of State Purchase Card Domestic Use</i> |
| ISP-C-10-52 | <i>Compliance Follow-up Review of Embassy Banjul, The Gambia</i> |
| ISP-I-10-41 | <i>Inspection of Humanitarian Mine Action Programs in Iraq</i> |
| ISP-I-10-43 | <i>Inspection of Bureau of Administration, Operations of Office of Emergency Management</i> |
| ISP-I-10-44 | <i>Review of Support for Employees Who Are Serving or Have Served in High Stress, High Threat, Unaccompanied Posts</i> |
| ISP-I-10-50A | <i>Inspection of Embassy Djibouti, Republic of Djibouti</i> |
| ISP-I-10-51A | <i>Inspection of Embassy Addis Ababa, Ethiopia</i> |
| ISP-I-10-55A | <i>Inspection of Embassy Ankara, Turkey</i> |
| ISP-I-10-56A | <i>Inspection of Embassy Nicosia, Cyprus</i> |
| ISP-I-10-57A | <i>Inspection of Embassy Mbabane, Swaziland</i> |

* Mandated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).

** Mandated by the Chief Financial Officers Act of 1990 (P.L. 101-576, as amended).

| Report Number | Report Title |
|----------------------|--|
| ISP-I-10-58A | <i>Inspection of Embassy Maseru, Lesotho</i> |
| ISP-I-10-59A | <i>Inspection of Embassy Rome, Italy, Its Constituent Posts, and the Republic of San Marino</i> |
| ISP-I-10-60A | <i>Inspection of Embassy Lilongwe, Malawi</i> |
| ISP-I-10-61A | <i>Inspection of Embassy Harare, Zimbabwe</i> |
| ISP-I-10-62A | <i>Inspection of Embassy Abu Dhabi and Consulate General Dubai, United Arab Emirates</i> |
| ISP-I-10-63A | <i>Inspection of Embassy Sanaa, Yemen</i> |
| ISP-I-10-64A | <i>Inspection of Embassy Islamabad and Constituent Posts, Pakistan</i> |
| ISP-I-10-65 | <i>Inspection of U.S. Mission to the African Union</i> |
| ISP-I-10-67 | <i>Inspection of the Bureau of Administration's Office of Global Information Services, Office of Directives Management</i> |
| ISP-I-10-68 | <i>Implementation of a Process to Assess and Improve Leadership and Management of Department of State Posts and Bureaus</i> |
| ISP-I-10-71A | <i>Inspection of Embassy Muscat, Oman</i> |
| ISP-I-10-72 | <i>Review of the Department of State Interagency Coordination and Public Communication Regarding U.S. Citizen Victims in the Earthquake-Destroyed Hotel Montana in Haiti</i> |
| ISP-I-10-73 | <i>Inspection of Standards, Training, and Funding for Consular Country Coordinators</i> |
| ISP-I-10-74A | <i>Inspection of Embassy Kuala Lumpur, Malaysia</i> |
| ISP-I-10-75A | <i>Inspection of Embassy Vientiane, Laos</i> |
| ISP-I-10-76 | <i>Inspection of the Bureau of Near Eastern Affairs, Office of Middle Eastern Partnership Initiative</i> |
| ISP-I-10-77 | <i>Review of Department of State Activities Concerning Draft Kenya Constitution</i> |
| ISP-I-10-78A | <i>Inspection of Consulate General Hong Kong, China</i> |
| ISP-I-10-79A | <i>Inspection of Embassy Beijing, China, and Constituent Posts</i> |
| ISP-I-10-82A | <i>Inspection of Embassy Dhaka, Bangladesh</i> |
| MERO-A-10-07 | <i>Audit of Property Accountability at Embassy Baghdad</i> |
| MERO-A-10-11 | <i>The Bureau of Diplomatic Security Kabul Embassy Security Force, Performance Evaluation</i> |
| MERO-A-10-12 | <i>Evaluation of the Logistics Civil Augmentation Program at Embassy Baghdad</i> |
| MERO-I-10-08 | <i>The Second Worldwide Personal Protective Services Contract: Management by the Bureau of Diplomatic Security and Contractor Performance Capping Report</i> |
| MERO-I-10-10 | <i>Limited-Scope Review of Policies and Procedures for Vetting Foreign Service Nationals at Embassy Kabul in Afghanistan</i> |
| MERO-I-10-14 | <i>Limited-Scope Review of Bureau of Diplomatic Security's Oversight of Explosive Detection Canine Programs</i> |

CLASSIFIED REPORTS ISSUED

The following reports are summarized in the classified annex.

| Report Number | Report Title |
|----------------------|--|
| AUD/IT-10-29 | <i>FY 2010 Review of the Information Security Program for Sensitive Compartmented Information Systems at the Department of State</i> |
| ISP-S-10-50A | <i>Classified Annex to the Inspection of Embassy Djibouti, Republic of Djibouti</i> |
| ISP-S-10-51A | <i>Classified Annex to the Inspection of Embassy Addis Ababa, Ethiopia</i> |
| ISP-S-10-55A | <i>Classified Annex to the Inspection of Embassy Ankara, Turkey</i> |
| ISP-S-10-56A | <i>Classified Annex to the Inspection of Embassy Nicosia, Cyprus</i> |
| ISP-S-10-57A | <i>Classified Annex to the Inspection of Embassy Mbabane, Swaziland</i> |
| ISP-S-10-58A | <i>Classified Annex to the Inspection of Embassy Maseru, Lesotho</i> |
| ISP-S-10-59A | <i>Classified Annex to the Inspection of Embassy Rome, Italy, Its Constituent Posts, and the Republic of San Marino</i> |
| ISP-S-10-60A | <i>Classified Annex to the Inspection of Embassy Lilongwe, Malawi</i> |
| ISP-S-10-61A | <i>Classified Annex to the Inspection of Embassy Harare, Zimbabwe</i> |
| ISP-S-10-62A | <i>Classified Annex to the Inspection of Embassy Abu Dhabi and Consulate General Dubai, United Arab Emirates</i> |
| ISP-S-10-63A | <i>Classified Annex to the Inspection of Embassy Sanaa, Yemen</i> |
| ISP-S-10-64A | <i>Classified Annex to the Inspection of Embassy Islamabad and Constituent Posts, Pakistan</i> |
| ISP-S-10-71A | <i>Classified Annex to the Inspection of Embassy Muscat, Oman</i> |
| ISP-S-10-74A | <i>Classified Annex to the Inspection of Embassy Kuala Lumpur, Malaysia</i> |
| ISP-S-10-75A | <i>Classified Annex to the Inspection of Embassy Vientiane, Laos</i> |
| ISP-S-10-78A | <i>Classified Annex to the Inspection of Consulate General Hong Kong, China</i> |
| ISP-S-10-79A | <i>Classified Annex to the Inspection of Embassy Beijing, China, and Constituent Posts</i> |
| ISP-S-10-82A | <i>Classified Annex to the Inspection of Embassy Dhaka, Bangladesh</i> |

APPENDIX 3: SAVINGS AND MORE EFFECTIVE USE OF RESOURCES

Table 1: Inspector General Issued 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 | 9 | \$162,484 | \$64,740 |
| B. Which were issued during the reporting period: | | | |
| Audits | 1 | \$10,200 | \$10,200 |
| <i>Audit of Allegations Pertaining to Contract with DynCorp International for the Security Sector Transformation Project In South Sudan, Africa (AUD/SI-10-23)</i> | | | |
| Evaluations | 1 | \$6,447 | \$0 |
| <i>Performance Evaluation of Bureau of Diplomatic Security Kabul Embassy Security Force (MERO-A-10-11)</i> | | | |
| Total issued during this reporting period | 2 | \$16,647 | \$10,200 |
| Subtotals (A + B) | 11 | \$179,131 | \$74,940 |
| C. For which a management decision was made during the reporting period | | | |
| (i) dollar value of disallowed costs | 2 | \$250 | \$0 |
| (ii) dollar value of costs not disallowed | 2 | \$11,565 | \$326 |
| D. For which no management decision has been made by the end of the reporting period | 10 | \$167,317 | \$74,614 |
| Reports for which no management decision was made within 6 months of issuance | 8 | \$150,670 | \$64,414 |

Table 2: Inspector General Issued 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: | | |
| Audits | 1 | \$1,679 |
| <i>Audit of Property Accountability at Embassy Baghdad</i> (MERO-A-10-07) | | |
| Total issued during this reporting period | 1 | \$1,679 |
| Subtotals (A + B) | 1 | \$1,679 |
| C. For which a management decision was made during the reporting period | | |
| (i) dollar value of recommendations that were agreed to by management | 0 | \$0 |
| – based on proposed management action | | |
| – based on proposed legislative action | | |
| (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 | \$1,679 |
| Reports for which no management decision was made within 6 months of issuance | 0 | \$0 |

*Final amounts in the previous *Semiannual Report to the Congress* were adjusted based on updated information and an analysis of open recommendations.

APPENDIX 4: RESOLUTION OF REPORTS AND RECOMMENDATIONS

SIGNIFICANT AUDIT RECOMMENDATIONS PENDING FINAL ACTION

| Report Number | Rec. No. | Report Title Recommendation Summary | First Reported |
|---------------|----------|---|----------------|
| AUD/CG-06-02 | | <i>Application of Agreed-Upon Procedures to George Mason University Awards</i> | 2/06 |
| | 4 | OIG recommended the Bureau of Educational and Cultural Affairs grants officer: Ensure 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. | |
| AUD/IQO-07-20 | | <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> | 1/07 |
| | 2 | 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. | |
| AUD/IQO-07-48 | | <i>Accounting for Government-Owned Personal Property Held by Selected Contractors in Afghanistan</i> | 9/07 |
| | 1 | OIG recommended the Department develop and implement policies and procedures to achieve compliance with Federal Acquisition Regulation requirements for reviewing a contractor's property control system. | |

| Report Number | Rec. No. <i>Report Title</i> Recommendation Summary | First Reported |
|---------------|--|----------------|
| | <p>2. OIG recommended the Department take actions to address the \$2.9 million in unallowable costs identified in this report, including:</p> <p>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.</p> <p>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.</p> <p>Resolving any unallowable costs associated with property that was determined to be unnecessary to the accomplishment of contract objectives.</p> | |
| | <p>3. OIG recommended the Department take the following steps to address the \$25.5 million in unsupported costs identified in this report:</p> <p>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.</p> <p>Determine whether the property was needed and consistent with contract requirements.</p> <p>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.</p> | |
| | <p>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.</p> | |
| AUD/SI-07-27 | <i>Audit of Emergency Preparedness at the Washington Metropolitan Facilities of the Department of State</i> | 3/07 |
| | <p>2. OIG recommended the Bureau of Administration ensure the Office of Emergency Management's Planning and Preparedness Division has sufficient staffing to finalize 6 FAM 400, Office of Emergency Management Program, and the proposed 6 FAH-1 H-100, Domestic Emergency Handbook, and ensure the emergency preparedness policies and procedures contained in these manuals are implemented and enforced in a timely manner.</p> | |

| Report Number | Rec. No. | Report Title Recommendation Summary | First Reported |
|----------------------|-----------------|--|-----------------------|
| 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: 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. 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 the Bureau of Educational and Cultural Affairs require the Association to substantiate the unsupported payroll costs or reimburse the Department for these costs. | |
| 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 recommends that the Department's Bureau of Educational and Cultural Affairs 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 the 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. | |
| AUD/IQO-09-25 | | <i>Audit of the Design and Construction of the New Embassy Compound in Baghdad, Iraq</i> | 10/09 |
| | 1 | OIG recommends that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover \$4.6 million from First Kuwaiti Trading and Contracting for the infrastructure contract to make the necessary corrections to the safe areas in the New Embassy Compound. | |

| Report Number | Rec. No. <i>Report Title</i> Recommendation Summary | First Reported |
|---------------|--|----------------|
| | 2 OIG recommends that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover \$14 million for the housing, infrastructure, support facilities and the chancery contracts from First Kuwaiti Trading and Contracting to perform the necessary design and retrofit of seismic bracing in the New Embassy Compound. | |
| | 4 OIG recommends that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover \$1.7 million for contracts from First Kuwaiti Trading and Contracting for the housing, infrastructure, support facilities, and the chancery contracts so that the necessary repairs to the exterior walls and walkway and road surfaces can be made. | |
| | 6 OIG recommends that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover approximately \$500,000 from First Kuwaiti Trading and Contracting for the infrastructure contract to increase the penthouse size and air flow through the louvers of the Utility Building. | |
| | 7 OIG recommends that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover approximately \$11 million from First Kuwaiti Trading and Contracting for the infrastructure contract to compensate the Department of State for additional operating costs that will be incurred because the configuration of the Utility Building/Generator Plant was changed from the 10 2-megawatt configuration to 18 1-megawatt generators. | |
| | 8 OIG recommends that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover between \$4.2 million and \$4.4 million from First Kuwaiti Trading and Contracting for the infrastructure contract to correct all deficiencies to the electrical wiring, control, and distribution systems at the New Embassy Compound. | |
| | 9 OIG recommends that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover an estimated \$500,000 from First Kuwaiti Trading and Contracting for the infrastructure contract so that the necessary functions can be added to the building automation system at the New Embassy Compound. | |

| Report Number | Rec. No. <i>Report Title</i> Recommendation Summary | First Reported |
|---------------|--|----------------|
| | 10 OIG recommends that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover \$4.6 million from First Kuwaiti Trading and Contracting to correct fire system deficiencies for the staff diplomatic apartments (\$3.5 million for the housing contract) and repair the water main distribution system joints (\$1.1 million for the infrastructure contract). | |
| | 11 OIG recommends that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover approximately \$1.5 million from First Kuwaiti Trading and Contracting for the infrastructure and housing contracts to correct deficiencies in the plumbing traps at the New Embassy Compound. | |
| | 12 OIG recommends that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover approximately \$33 million that was paid to First Kuwaiti Trading and Contracting to perform and document the required design work for the NEC Baghdad contracts. | |
| | 14 OIG recommends that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover approximately \$3.8 million for the housing, infrastructure, site facilities, and chancery contracts that First Kuwaiti Trading and Contracting did not perform or that it performed incorrectly related to commissioning activities. | |
| AUD/SI-10-23 | <i>Audit of Allegations Pertaining to Contract With DynCorp International for the Security Sector Transformation Project in South Sudan, Africa</i> | 08/10 |
| | 3 OIG recommends that the Bureau of Administration, Office of Acquisitions Management, in coordination with the Bureau of African Affairs, offer DynCorp International additional reimbursement of \$2.6 million. | |

**SIGNIFICANT INSPECTIONS RECOMMENDATIONS
PENDING FINAL ACTION**

| Report Number | Rec. No. | Report Title Recommendation Summary | First Reported |
|----------------------|-----------------|---|-----------------------|
| ISP/I-10-16 | | <i>Management Review of Youth Programs, Bureau of Educational and Cultural Affairs</i> | 10/09 |
| | 1 | OIG recommended the Bureau of Educational and Cultural Affairs reconfigure and augment the Youth Division with personnel and budget to allow program officers and teams to focus on single programs and to do periodic unannounced site visits. | |
| | 4 | OIG recommended the Bureau of Educational and Cultural Affairs establish a standard requirement based on objective criteria to conduct national criminal history checks of host families to ensure uniformity and adequacy of information provided by third-party background check companies. | |
| ISP/I-09-43 | | <i>Management Review of the Office of Historian, Bureau of Public Affairs</i> | 05/09 |
| | 11 | OIG recommended the Bureau of Public Affairs should reaffirm in writing to the Historical Advisory Committee the primacy of the Foreign Relations of the United States series in the Office of Historian's priorities. | |
| | 13 | OIG recommended the Bureau of Public Affairs should establish and implement written guidance to the deputy assistant secretary and the director of the Office of the Historian that establishes lines of authority; frequent, periodic reviews; attendance of each at staff meetings held by the other; and other approaches to encourage a clear chain of command with direct communication between the two offices. | |
| | 19 | OIG recommended the Bureau of Human Resources, in coordination with the Bureau of Public Affairs, should increase the number of direct-hire working as historians in the Office of the Historian by an amount that will help the office to meet its obligations with respect to the publication of the Foreign Relations of the United States. | |
| | 22 | OIG recommended the Bureau of Public Affairs should design and implement an orientation program in the Office of the Historian for new employees and contractors covering such topics as Civil Service hiring procedures, rules, and regulations; and Department functions and activities. | |
| ISP/I-09-34 | | <i>Inspection of the Bureau of Consular Affairs, Passport Services</i> | 07/09 |
| | 18 | OIG recommended the Bureau of Consular Affairs close any acceptance facility where the acceptance agent also issues birth certificates as soon as a viable alternative location for submitting passports is identified. | |

| Report Number | Rec. No. | Report Title Recommendation Summary | First Reported |
|----------------------|-----------------|--|-----------------------|
| | 20 | OIG recommended the Bureau of Consular Affairs redraw the districts for acceptance facility oversight, include all processing centers and new agencies in the program, make the districts proportionate, and assign sufficient staff to fulfill customer service duties. | |
| | 22 | OIG recommended the Bureau of Consular Affairs certify all acceptance agents by assigning each agent individual identification numbers and require all acceptance facilities to recertify annually the names of the individuals trained and authorized to accept passport applications. | |
| | 24 | OIG recommended the Bureau of Consular Affairs create and maintain an integrated master database with the Travel Document Information System on all authorized acceptance facilities and agents. | |
| | 27 | OIG recommended the Bureau of Consular Affairs standardize the guidance for conducting adjudication audits, conduct a comprehensive error rate study, and create an action plan to reduce the overall error rate. | |
| | 45 | OIG recommended the Bureau of Consular Affairs develop a passport fraud tracking system and order its deployment before the end of FY 2009. | |
| ISP/I-09-16 | | <i>The Executive Office, Bureau of Diplomatic Security</i> | 04/09 |
| | 9 | OIG recommended the Bureau of Diplomatic Security, in coordination with the Bureau of Administration, abolish the Logistics Services Division, Space Management Branch, and should transfer the function and the full-time-equivalent positions to the Bureau of Administration, Office of Real Property Management. | |
| | 13 | OIG recommended the Bureau of Diplomatic Security, in coordination with the Bureau of Administration, review and amend all contract documentation to include a full and complete description of services and tasks to be performed for the Office of the Chief Technology Officer and should institute benchmarks for evaluating contractor performance. | |
| | 24 | The Bureau of Diplomatic Security, in coordination with the Bureau of Administration should eliminate Diplomatic Security-developed program asset systems and convert their asset data to the Integrated Logistics Management System. | |
| ISP/I-07-16 | | <i>Inspection of the Bureau of Human Resources (Phase I)</i> | 05/07 |
| | 33 | OIG recommended 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. | |

REVISED MANAGEMENT DECISIONS

None.

MANAGEMENT SUCCESS IN RESOLVING AND IMPLEMENTING RECOMMENDATIONS

Review of Support for Employees Who Are Serving or Have Served in High Stress, High Threat, Unaccompanied Posts (ISP-I-10-44)

OIG recommended the Department issue a high-level message encouraging employees to seek consultations with mental health professionals; assign more returnees to the High Stress Briefing in Washington before they proceed to their onward assignment; task leadership at overseas posts and the Department with responsibility for facilitating the adjustments of returnees; continue expanding counseling services to returning employees and schedule a 2011 survey of employees and health providers; and establish recognition programs to thank employees for serving in dangerous and stressful assignments. The Secretary issued an email on September 7, 2010, to all employees thanking them for their hard work and commitment to excellence in serving their country and noting that their service comes “with sacrifice and unique stress.” The Secretary’s message stated that the Department had made it a priority to provide access to social workers and mental health counselors, mandatory high-stress outbrief programs and training for anyone who seeks it that included training for those returning from or working with returnees from high-stress posts. The message also informed employees that seeking mental health counseling or treatment is not a threat to their security clearances, and the DS advised that receiving recommended treatment for mental health concerns is a favorable factor in security clearance determinations.

Review of the Department of State Plan to Provide Qualified Contracting Officers and Contracting Officer Representatives for Oversight of American Recovery and Reinvestment Act (ARRA) Projects (ISP-I-10-26)

In its review, OIG had found that some contracting officers overseeing ARRA-funded contract had not met OMB’s continuing education requirements. In response, the Department conducted eight training sessions on the Acquisition Career Management Information System, the official system to track contracting officer compliance with OMB’s continuing education requirements.

Report of Inspection of Embassy Canberra and Consulates General Sydney, Melbourne and Perth, Australia (ISP-I-10-07A)

OIG recommended the elimination of a FS-04 consular/political position in the consular section at Embassy Canberra. The Department abolished the political/consular position and established an entry level political officer position, allowing Machine Readable Visa funds in the amount of \$500,000 to be redirected to meet worldwide consular staffing priorities.

Inspection of the Bureau of Administration's Offices of Real Property Management and Facility Management Services (ISP-I-10-05)

OIG found that the Office of Facility Management Services paid monthly fees for 184 cellular phones and Blackberry devices, despite the fact that inventory records showed only 75 devices issued and the office had only had 62 authorized positions. As a result of OIG's recommendation, the bureau updated its policy and disconnected 96 unused devices, resulting in annual savings of about \$41,000.

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

OIG recommended the Department eliminate two political officer positions due to the decreased need for staff in Croatia to oversee assistance programs such as Support for East European Democracy. In response to OIG's recommendation, the embassy reported that it will eliminate one position in FY 2010 and another in FY 2011.

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

OIG found that modest workloads did not justify the costs of maintaining three consular agencies along the Texas border. In response to OIG's recommendation, the Department permanently closed the agency in Ciudad Acuna, resulting in annual savings of about \$34,000 in lease, salary, and utility costs.

Review of the Department Headquarters' Implementation of Cellular Telephone Policies (SIA-I-07-01)

In response to OIG's review, the Department updated its security policies for cellular telephones and PDAs, published the policies on Department Web sites, and updated user acknowledgment forms and security awareness briefings to reflect those security policies. The Department is in the process of revising applicable sections of the *Foreign Affairs Manual*.

SUMMARY OF AUDIT REPORTS WITHOUT MANAGEMENT DECISION FOR MORE THAN SIX MONTHS

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: The Bureau of Educational and Cultural Affairs was requested to respond to Recommendations 1, 3, and 4 by April 21, 2010. On September 10, 2010, the Acting Division Director for ECA Grants requested that OIG send him any information pertaining to the recommendations so that he could “respond appropriately...on the status of the [recommendations].” However, OIG had not received a response as of the end of this reporting period. Therefore, the three recommendations remain unresolved.

Projected date of resolution: March 2011

SUMMARY OF INSPECTION REPORTS WITHOUT MANAGEMENT DECISION FOR MORE THAN SIX MONTHS

Report Number: ISP/I-09-16

Subject: Report of Inspection of the Executive Office, Bureau of Diplomatic Security

Date Issued: April 5, 2009

Reason for not being resolved: OIG recommended that DS abolish its space management division and transfer it to the Office Real Property Management in the Bureau of Administration. DS did not concur with the recommendation and proposed an alternative solution; to coordinate and develop a memorandum of agreement (MOA) with the A Bureau relating to space management functions. The Bureau of Administration reported that DS rejected its terms for an initial draft MOA. Action is still pending.

Projected date of resolution: FY 2011

Report Number: ISP/I-10-39

Subject: Report of Inspection of the Bureau of Public Affairs

Date Issued: February 2010

Reason for not being resolved: OIG recommended that the Bureau of Public Affairs (PA) reassign the office director of the Office of Broadcast Services to a nonsupervisory position. PA concurred with the recommendation and initially reported that the office director was reassigned to a nonsupervisory position. Subsequently, OIG learned that the office director was informally detailed to nonsupervisory duties. Notification from PA of the formal personnel action processed in response to the recommendation is pending.

Projected date of resolution: November 2010

APPENDIX 5: AUDITS PERFORMED BY CONTRACTORS

| Report Number | Report Title |
|----------------------|---|
| AUD/CG-10-16 | <i>Independent Accountants' Report on the Application of Agreed-Upon Procedures on Financial Capability of AFS-USA, Inc.</i> L. F. Harris & Associates, CPA, P.A. Attestation Engagement |
| AUD/FM-10-05 | <i>Independent Auditor's Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2009 and 2008 Financial Statements</i> Leonard G. Birnbaum and Company, LLP Financial Audit |
| AUD/FM-10-20 | <i>Management Letter Related to the Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2009 and 2008 Financial Statements</i> Leonard G. Birnbaum and Company, LLP Financial Audit |
| AUD/CG-10-21 | <i>Independent Accountants' Report on Audit of International Boundary and Water Commission: Contract Award and Management of Funds Provided by the American Recovery and Reinvestment Act</i> Kearney & Company, P.C. Performance Audit |
| AUD/CG-10-22 | <i>Independent Accountants' Report on Audit of Department of State Compliance With Transparency and Reporting Requirements of the American Recovery and Reinvestment Act</i> Kearney & Company, P.C. Performance Audit |
| AUD/FM-10-26 | <i>Audit of Department of State Corrective Action Plan for Personal Property and Equipment</i> Kearney & Company, P.C. Performance Audit |
| AUD/FM-10-27 | <i>Audit of Department of State Corrective Action Plans for Financial Reporting</i> Kearney & Company, P.C. Performance Audit |
| AUD/FM-10-28 | <i>Audit of Department of State Corrective Action Plan for Real Property</i> Kearney & Company, P.C. Performance Audit |

**BROADCASTING
BOARD OF
GOVERNORS**

AUDITS

Audit of Broadcasting Board of Governors Overseas Nonexpendable Personal Property (AUD/HCI-10-24)

In FY 2007, BBG implemented the Property Inventory Processing System (PIPS) worldwide to address deficiencies in control over personal property that had been identified in previous OIG reports. As of July 8, 2009, PIPS included records of 13,381 items of nonexpendable personal property, with acquisition costs of more than \$350 million. More than 8,500 (64 percent) of these items, with acquisition costs totaling almost \$245 million (70 percent), were located overseas. Of the items located overseas, 668 (8 percent) were capitalized, with acquisition costs totaling almost \$226 million (92 percent) and a net book value after depreciation of more than \$84 million.

OIG conducted this audit to determine whether BBG could properly account for its nonexpendable personal property overseas—specifically, to verify whether capitalized assets included in PIPS were properly valued, personal nonexpendable property included in PIPS existed, and PIPS data was accurate and complete.

OIG found that PIPS was not the direct source for capitalized nonexpendable property on BBG's financial statements because BBG continued to use a spreadsheet that had been developed in 2005 to consolidate data from the property tracking systems in use at that time. Also, BBG did not always properly value its capitalized property. Specifically, some BBG personnel stated that they were not aware of requirements for reporting the salvage value of BBG's capitalized property. As a result, annual depreciation was overstated by as much as \$1 million, and net book value for property, plant, and equipment was understated by as much as \$19.7 million on BBG's FY 2009 financial statements. These actions warrant BBG's reviewing the impact on its financial statements for FY 2009 and prior years with its independent auditor. Further, PIPS data on property could not be verified and was incomplete because BBG's internal control environment did not ensure that physical inventories were conducted and certified, that PIPS records were updated, that personnel had adequate guidance and training, and that serial numbers or other unique identifiers were recorded in PIPS.

OIG made recommendations for BBG to improve the accuracy of annual and accumulated depreciation and the net book value of capitalized property as reported on the annual financial statements and also to improve internal controls relating to the valuation and annual verification of all personal nonexpendable property.

INSPECTIONS

Inspection of Voice of America's Chinese Branch (ISP-IB-10-53)

The management of Voice of America's (VOA) Chinese branch, which is composed of the Mandarin and Cantonese language services, provides sound leadership to an outstanding, dedicated staff under difficult conditions imposed by the antipathy of Chinese authorities to VOA Chinese programming. The Chinese Government censors VOA's Chinese branch Web site and jams its radio frequencies. The International Broadcasting Bureau (IBB) has taken measures to deal with such censorship. The OIG team recommended the Chinese branch develop a long-term strategy that includes all the key elements of an effective business plan to help it meet the innumerable challenges of reaching the Chinese target audience and deciding on the most effective delivery systems in a world of rapidly developing communications technologies.

China is the leading market in the world for new media, in terms of the actual number of new media users, and is rapidly outpacing the United States. In spite of censorship challenges, the Internet and new media offer a new and vibrant way for the Chinese branch to reach its target audience inside the People's Republic of China (PRC). Employees of the Chinese branch have enthusiastically embraced new ways to grow audiences through the Internet and are resourceful in using new media.

The Chinese Government welcomed (or tolerated) certain VOA programs and products, such as English language teaching, as long as they did not cross a line that involved hard news reporting. As a way to penetrate the Chinese market, the branch chief initiated negotiations with a major cell phone company to install VOA English language programs into phones intended for sale in the PRC. The program went into effect in 2008. Chinese cell phone users have the option to subscribe to the programs. Indications showed that the program was highly successful. The OIG team considered this initiative a best practice.

BEST PRACTICE: Programming Cell Phones with VOA Chinese Language Learning Programs

Because of the intense active interference by the Chinese authorities in VOA attempts to reach its Chinese target audience by Internet, the Chinese branch seeks innovative ways to reach into China and to make a connection with a Chinese audience. The VOA Chinese branch chief initiated long and difficult negotiations with a cell phone company and arranged to have VOA Chinese branch's English language learning programs embedded in its cell phones and give users the option to subscribe to any of the programs. As of 2008, this initiative has been very successful. According to year-end statistics, there were 357,502 downloads of VOA Mandarin service's English language material by 209,959 users of these phones. This innovation by the Chinese branch may well be copied by other language services attempting to reach target audiences through new media such as cell phones and personal digital assistants.

Memorandum Report, Broadcasting Board of Governors Operations in Islamabad, Pakistan (ISP-IB-10-66)

OIG conducted a limited-scope inspection of BBG operations in Islamabad, Pakistan, in conjunction with its inspection of Embassy Islamabad. OIG team discussions with BBG staff in Washington during the survey phase revealed no outstanding issues. Discussions with the staff at the office in Islamabad found a staff engaged and proud of their accomplishments: the Urdu staff is responsible for placements on Pakistani radio stations that reach an estimated 10 million listeners per week—in addition to the audience of the Voice of America's Urdu service. The OIG team found no issues that require recommendations.

Memorandum Report, Broadcasting Board of Governors, Beijing, China (ISP-IB-10-86)

OIG conducted a limited review of VOA operations in China. The OIG team noted that the VOA office did have a minimum level of security in a commercial building and that Embassy Beijing's regional security officer had made courtesy visits to the office. The OIG team also noted that the U.S. direct-hire staff was not registered in the warden system and discussed the merits of registering since this is a service accorded to all Americans in country. Listener polling continues to be difficult in China; therefore, VOA has no reliable statistics on its audiences. Nevertheless, the bureau receives an average of 20 to 30 calls a week, which substantiate the important role of listeners' use of proxy servers to get around Internet blocking.

Memorandum Report, Broadcasting Board of Governors, Hong Kong, China (ISP-IB-10-85)

OIG conducted a limited inspection of the Broadcasting Board of Governors operations in Hong Kong in conjunction with an inspection of Consulate General Hong Kong. The VOA Mandarin Service and Radio Free Asia both have correspondents in Hong Kong. The OIG team met with the senior correspondents of both VOA and Radio Free Asia at the consulate general, but did not visit their offices. Neither correspondent expressed concerns about security. The OIG team's findings from this limited inspection support those of OIG's inspection of VOA's Chinese Branch.

INVESTIGATIONS

OIG conducted an investigation of a contractor who demanded kickbacks from vendors and subcontractors doing business with a news-gathering organization under contract to the Middle East Broadcasting Network (MBN), a wholly-funded grantee of the BBG. During the course of the investigation, OIG uncovered the fact that the contractor had also defrauded MBN by creating a separate company to double-bill for services already paid for under the primary contract. OIG estimates that the contractor's scheme may have netted him up to \$20,000 per month and as much as \$250,000 in total. The investigation also identified two additional MBN contractors, working for the same news organization, as complicit in the double-billing scheme. On August 18, 2010, based on the results of the OIG investigation, MBN terminated the contracts of two of the contractors and the third resigned in lieu of termination. The investigation is ongoing. (10-089)

APPENDIX 1: BROADCASTING BOARD OF GOVERNORS INVESTIGATIVE ACTIVITIES

| | |
|-----------------------------------|---|
| Preliminary Inquiries | |
| Opened | 0 |
| Closed | 0 |
| Investigations | |
| Opened | 0 |
| Closed | 3 |
| Pending (9/23/10) | 2 |
| Criminal Actions | |
| Referrals for Prosecution | 1 |
| Indictments/Informations | 0 |
| Convictions | 0 |
| Sentencings (Months Imprisonment) | 0 |
| Sentencings (Months Probation) | 0 |
| Declinations | 1 |
| Civil Actions | |
| Civil Referrals | 0 |
| Civil Judgments | 0 |
| Civil Declinations | 0 |
| Administrative Referrals | |
| Referrals for Personnel Action | 1 |
| Suitability Referrals to DS | 0 |
| Administrative Actions | |
| Removals | 0 |
| 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 | <i>Report Title</i> |
|----------------------|---|
| AUD/HCI-10- 24 | <i>Audit of Broadcasting Board of Governors Overseas Nonexpendable Personal Property</i> |
| ISP-IB-10-53 | <i>Inspection of Voice of America's Chinese Branch</i> |
| ISP-IB-10-66 | <i>Memorandum Report, Broadcasting Board of Governors Operations in Islamabad, Pakistan</i> |
| ISP-IB-10-85 | <i>Memorandum Report, Broadcasting Board of Governors Hong Kong, China</i> |
| ISP-IB-10-86 | <i>Memorandum Report, Broadcasting Board of Governors Beijing, China</i> |

APPENDIX 3: SAVINGS AND MORE EFFECTIVE USE OF RESOURCES

Table 1: Inspector General Issued 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 based on formal administrative or judicial appeal | | | |
| (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 6 months of issuance | 0 | \$0 | \$0 |

Table 2: Inspector General Issued Reports With Recommendations That Funds Be Put To Better Use

| Type of Report | Number of Reports | Dollar Value (in Thousands) |
|---|-------------------|-----------------------------|
| A. For which no management decision has been made by the commencement of the reporting period | 0 | \$0 |
| B. Which were issued during the reporting period | 0 | \$0 |
| Subtotals (A + B) | 0 | \$0 |
| C. For which a management decision was made during the reporting period | | |
| (i) dollar value of recommendations that were agreed to by management | 0 | \$0 |
| – based on proposed management action | | |
| – based on proposed legislative action | | |
| (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: RESOLUTION OF REPORTS AND RECOMMENDATIONS

For this reporting period, there were no previously reported significant recommendations pending final action to report.

There were no reports without management decision for more than 6 months to report during this period.

APPENDIX 5: AUDITS PERFORMED BY CONTRACTORS

There were no audits performed by contractors during this period.

LIST OF ABBREVIATIONS

| Abbreviation | Full Name |
|---------------------|--|
| A/OEM | Bureau of Administration, Office of Emergency Management |
| A/GIS/DIR | Bureau of Administration, Global Information Services, Office of Directives Management |
| A/OPE | Bureau of Administration, Office of the Procurement Executive |
| AGNA | ArmorGroup North America |
| BBG | Broadcasting Board of Governors |
| CAP | corrective action plan |
| CFR | compliance follow-up review |
| COR | contracting officer's representative |
| Department | U.S. Department of State |
| DOD | U.S. Department of Defense |
| DS | Bureau of Diplomatic Security |
| ECA | Bureau of Educational and Cultural Affairs |
| FBI | Federal Bureau of Investigation |
| FSN | Foreign Service national |
| FSNI | Foreign Service national investigators |
| GFSC | Global Financial Services Center (Charleston) |
| HR | Bureau of Human Resources |
| IBB | International Broadcasting Bureau |
| IBWC | International Boundary and Water Commission |
| ILMS | Integrated Logistics Management System |
| IT | information technology |
| KESF | Kabul Embassy Security Force |
| LE | locally employed |
| LOGCAP | Logistics Civil Augmentation Program |
| M&I | maintenance and improvement |
| M&R | maintenance and repair |
| MBN | Middle East Broadcasting Networks, Inc. |
| MERO | Middle East Regional Office |
| MFO | Multinational Force and Observers |
| NEA | Bureau of Near Eastern Affairs |

| Abbreviation | Full Name |
|---------------------|---|
| NEA/PI | Bureau of Near Eastern Affairs, Office of Middle East Partnership Initiative |
| NEC | new embassy compound |
| OBO | Bureau of Overseas Buildings Operations |
| OIG | Office of Inspector General |
| OMB | Office of Management and Budget |
| PAO | public affairs officer |
| PAS | public affairs section |
| PEPFAR | President's Emergency Plan for AIDS Relief |
| PIERS | Passport Information Electronic Records System |
| PIPS | Property Inventory Processing System |
| PRC | People's Republic of China |
| PRM | Bureau of Population, Refugees and Migration |
| PSC | personal services contractor |
| R&I | repair and improvement |
| Recovery Act | American Recovery and Reinvestment Act of 2009 |
| RSO | regional security officer |
| RM | Bureau of Resource Management |
| SMA | separate maintenance allowance |
| UNRWA | United Nations Relief and Works Agency for Palestine Refugees in the Near East |
| USAID | U.S. Agency for International Development |
| USIBWC | International Boundary and Water Commission, United States and Mexico, U.S. Section |
| VOA | Voice of America |
| WPPS II | Second Worldwide Personal Protective Services |

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Index of Reporting Requirements

Inspector General Act of 1978, as amended

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| Section 5(a)(3) | Prior significant recommendations unimplemented | 67-73 |
| Section 5(a)(4) | Matters referred to prosecutive authorities | 51-56, 87 |
| Section 5(a)(5) | Information or assistance refused | none |
| Section 5(a)(6) | List of reports issued | 61-63, 91 |
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| Section 5(a)(11) | Significant revised management decisions | none |
| Section 5(a)(12) | Significant management decisions with which OIG disagreed | none |



United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

