



United States Department of State  
and the Broadcasting Board of Governors

*Office of Inspector General*

# SEMIANNUAL REPORT TO THE CONGRESS

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*October 1, 2011 to March 31, 2012*

# Summary of OIG Accomplishments

## Financial Results

### Questioned costs

Issued during the reporting period	\$2,232,615
Management decision during the reporting period	\$8,513,477

### Recommendations for funds to be put to better use

Issued during the reporting period	\$11,338,121
Management decision during the reporting period	\$7,794,298

**Investigative monetary recoveries** **\$212,520**

## Investigative Results

Cases opened	57
Cases closed	45
Judicial actions	9
Administrative actions	17
Hotline and complaint activity	1,055

**Reports Issued:** 53

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Department of State Publication 11462  
Office of Inspector General

*Cover photo: Red sand dune in the Wadi Rum desert, Jordan.*

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# MESSAGE FROM THE DEPUTY INSPECTOR GENERAL

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**Deputy Inspector General,  
Harold W. Geisel**

I am pleased to present to Congress the Office of Inspector General (OIG) Semiannual Report for the Department of State (Department) and the Broadcasting Board of Governors (BBG). This report covers the period ending March 31, 2012, as required by the Inspector General Act of 1978, as amended.

Our pledge to work with the highest regard for integrity and transparency is more important than ever as our country's economic health needs our ability to maximize the taxpayer's dollar. We are accountable for offering earnest service to the agencies we oversee and for being candid in our findings.

The nature of our job requires that we sometimes bring up issues that are not pleasant. During this reporting period, an inspection of the Department's Bureau of Educational and Cultural Affairs found major deficiencies in strategic planning and oversight that undermined its mission. OIG appreciates the Department's positive reaction to our findings.

We are sometimes required to examine issues that draw much attention. At the request of members of Congress, OIG conducted a special review of the Department's handling of the processes for the proposed 1,700-mile pipeline connecting Canadian oil supplies to the U.S. Gulf Coast. OIG found the Department's process for selecting a third-party contractor to have been performed in compliance with its responsibility to act as an unbiased agency. However, OIG also identified the Department's need for more specific experience and technical expertise.

During this reporting period, OIG has testified twice to present our views on strengthening enforcement of trafficking in persons (TIP) in government contracts. Our breadth of experience allowed us to provide insights on enforcing TIP compliance and prosecuting TIP violators, and on establishing requirements in future contracts to make contractors more accountable for TIP compliance.

Whether on paper or in person, OIG's oversight presence is measured by our impartiality and our determination to tell people what they sometimes may not want to hear. As the Department continues to face major security and management challenges, we take it upon ourselves to ask hard questions, and to provide

good answers. We appreciate the support Congress has shown in providing us the resources we need to be effective in fulfilling our demanding mission.

A handwritten signature in black ink, appearing to read "H. W. Geisel". The signature is fluid and cursive, with a large, stylized initial "H" and "W".

Harold W. Geisel  
Deputy Inspector General

# EXECUTIVE SUMMARY

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The auditors, inspectors, investigators, and other professionals in OIG promote effective management, accountability, and positive change in the Department, BBG, and the foreign affairs community. During this reporting period, OIG issued 53 reports with recommendations to improve Department and BBG programs and operations, and identified nearly \$14 million in cost efficiencies, including funds to be put to better use, 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 October 1, 2011, through March 31, 2012. OIG addresses classified issues in the *Classified Annex to the Semiannual Report*.

## AUDITS

In response to a request received from several members of Congress, OIG conducted a special review of the Department's handling of the Environmental Impact Statement (EIS) and National Interest Determination (NID) for TransCanada Corporation's proposed Keystone XL pipeline. OIG found no evidence that the permit applicant, TransCanada, improperly influenced the Department's selection of Cardno Entrix as the Keystone XL EIS third-party contractor. Also, the Department's final EIS for Keystone XL generally addressed and incorporated the views and concerns of Federal agencies that had expertise in this area, but the Department's limited technical resources, expertise, and experience had impacted implementation of the National Environmental Policy Act (NEPA) process. OIG also determined that the Department did not violate its role as an unbiased oversight agency and found no evidence that communications between Department officials, TransCanada, the Canadian Government, and proponents and opponents of Keystone XL had deviated from the Department's obligations under Federal law. OIG recommended that the Department redesign the process for selecting third-party contractors and fill at least one full-time Civil Service position with staff who have experience and expertise in handling NEPA issues and the EIS process.

In an audit of the Department's financial statements, OIG found that financial management continues to be a major challenge. OIG contracted with an independent external auditor to audit the financial statements of the Department. Although the Department took actions to address some internal control deficiencies noted during the audit of the Department's 2010 financial statements, the auditor reported material weaknesses related to financial reporting and Foreign Service national after-employment benefits, and significant deficiencies related to accounting for property

and equipment, accounts payable accruals, budgetary accounting, unliquidated obligations, and the information technology control structure.

In its audits of information security, OIG identified weaknesses that significantly impacted the information security program controls. These weaknesses could adversely affect the confidentiality, integrity, and availability of information and information systems. If these control weaknesses are exploited, the Department could be exposed to additional security breaches. As defined in Office of Management and Budget Memorandum M-11-33, *FY 2011 Reporting Instructions for the Federal Information Security Management Act and Agency Privacy Management*, dated September 14, 2011, these control weaknesses collectively represent a significant deficiency to enterprise-wide security, including the Department's financial system.

## INSPECTIONS

OIG's Office of Inspections issued reports on inspections of 2 domestic bureaus, 12 overseas missions with 7 classified annexes, 1 compliance followup review, and 5 special reviews. Recommendations in these reports could result in savings or funds put to better use of approximately \$10 million. The Office of Inspections also documented one innovative practice as a model for other embassies to use to promote efficiency and effectiveness.

In an inspection of the Department's Bureau of Educational and Cultural Affairs (ECA), OIG found that the bureau lacked a fully developed strategic planning mechanism for its programs, only exacerbated by a growing demand for exchange activities and inadequate monitoring and evaluation by grants officer representatives. OIG recommended that ECA limit, consolidate, or sunset exchange programs until proper oversight can be provided, and that the bureau eliminate or transfer programs without relevance to education or culture to the Department of Labor.

OIG conducted inspections on Department activities in Vienna and issued findings in four separate reports. The *Inspection of Embassy Vienna, Austria*, report noted a well-run embassy that had productive relations with the Austrian Government and used interagency working groups to achieve mission objectives. OIG recommended that Embassy Vienna eliminate four locally employed staff positions and not fill one direct-hire and one eligible family member position after the incumbents' departure. In the *Inspection of the Tri-Mission Vienna Joint Management Office*, OIG found that service quality and timeliness met established customer service standards. OIG identified shortcomings in space planning and staffing issues, and made recommendations to correct them. OIG noted a series of foreign policy successes and a cohesive and productive mission team in its *Inspection of the U.S. Mission to International Organizations in Vienna*. Inspectors reported a lack of sufficient representation and travel funding. In the *Inspection of the U.S. Mission to the*

*Organization for Security and Cooperation in Europe*, OIG reported that the mission had been operating in a decrepit facility, which impeded efficient operations, and recommended that the Department complete negotiations for its relocation at the earliest possible date.

OIG's inspection of Embassy Beirut found that it was performing its core policy and operational missions well. OIG also identified leadership shortcomings and an overcrowded and functionally obsolete compound, and made recommendations to address these problems.

As a result of the *Inspection of the American Institute in Taiwan*, OIG recommended the sale of valuable U.S. Government-owned properties in Taiwan and elimination of some positions. The American Institute in Taiwan was facing the possible loss of up to \$15 million per year in nonimmigrant visa processing fees, if Taiwan is accepted into the Visa Waiver Program.

OIG's review of the FY 2012 Diversity Visa Program found that the problems leading to the program's failure stemmed from the lack of adherence to sound project management and systems development principles. OIG recommended establishing internal controls, designating a directorate with primary responsibility for the Diversity Visa Program, and developing a plan detailing the program's operating procedures.

Many of the inspections OIG conducted revealed problems with leadership. These findings were published in reports on Embassy Beirut, Embassy Nassau, and on the Bureau of Administration's Global Publishing Solutions. Leadership issues included mismanagement of human and financial resources. Of the recommendations OIG provided, most have been acted upon, although the Department has not yet implemented its own leadership assessment tool to identify and address such deficiencies.

## INVESTIGATIONS

During this reporting period, OIG conducted numerous investigations spanning contract fraud, embezzlement, bribery and kickbacks, and nepotism. One investigation revealed a violation of Federal firearms laws, and two were conducted with the Special Inspector General for Iraq Reconstruction. The work of OIG's Office of Investigations resulted in 7 criminal convictions, \$212,520 in monetary recoveries, and 23 contractor suspension and debarment actions.

In an investigation conducted with several Federal law enforcement agencies of a major Department contractor, it was determined that a former Deputy Sheriff used official letterhead to purchase automatic weapons on behalf of the contractor. The Deputy Sheriff pleaded guilty in U.S. District Court on charges of making false statements related to records required of a licensed firearms dealer.

A joint investigation conducted by a contract employee with the Federal Bureau of Investigation (FBI) and the Special Inspector General for Iraq Reconstruction found that the employee conspired with others to steal a Department-owned truck and generator, and arranged for it to be sold on the black market. The subject was sentenced to 5 months' imprisonment and 3 years' supervised release, and was ordered to pay \$12,000 in restitution to the Department.

In another joint investigation with the Special Inspector General for Iraq Reconstruction and the Defense Criminal Investigative Service, a program manager in Iraq was found to be soliciting kickbacks and bribes from vendors in exchange for confidential bidding information and assistance in obtaining Department contracts. The subject was sentenced to serve 33 months' imprisonment, to pay restitution in the amount of \$106,820, and to also serve 2 years' supervised release.

The Inspector General is charged with fraud prevention as well as fraud detection. Toward this objective, the Office of Investigations has reinvigorated the Management Assistance Report Program. A Management Assistance Report is issued when an investigation identifies a systemic weakness that has an impact on Department or agency bureaus or offices. It is sent directly to the affected bureau or office with recommendations for corrective action. During this reporting period, two such reports have been issued recommending corrective action in the areas of ethics reporting and acquisition management.

## **INTERNATIONAL BROADCASTING**

OIG performed five audits and two inspections on the Broadcasting Board of Governors (BBG) operations during this reporting period. Three of the audits resulted in OIG recommendations for BBG to strengthen standardized processes and compliance.

In its survey of BBG's suspension and debarment process, OIG's findings prompted OIG to recommend that BBG strengthen its suspension and debarment policies and procedures and that it develop procedures to ensure all pertinent contractor performance information is appropriately recorded in databases.

OIG audited BBG's compliance with the Improper Payments Information Act and recommended that BBG either perform a risk assessment and implement recapture audit techniques or better document the determination that these processes are not beneficial.



**DEPARTMENT  
OF  
STATE**



# OFFICE OF AUDITS

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## SECURITY AND INTELLIGENCE

### *Special Review of the Keystone XL Pipeline Permit Process (AUD/SI-12-28)*

In response to a request received from several members of Congress, OIG conducted a special review of the Department's handling of the Environmental Impact Statement (EIS) and National Interest Determination (NID) for TransCanada Corporation's proposed Keystone XL pipeline.

OIG found that the Department followed the Federal Energy Regulatory Commission's third-party contracting process and that the final EIS for the pipeline generally addressed and incorporated the views and concerns of Federal agencies with expertise in relation to alternatives and mitigation, pipeline safety, and environmental risks from this project. However, the Department's limited technical resources, expertise, and experience were found to have impacted the implementation of the National Environmental Policy Act (NEPA) process. Regarding contractual and financial relationships between Cardno Entrix (third-party contractor) and TransCanada (applicant), OIG did not find a conflict present. Regarding a Pipeline Hazardous Materials and Safety Administration high-pressure permit, the Department did not violate its role as an unbiased oversight agency, as there was no evidence that the Department assured TransCanada it could obtain the permit at a later date through a less scrutinized and less transparent process. There was also no evidence that communications between Department officials, TransCanada, the Canadian Government, or proponents and opponents of Keystone XL deviated from the Department's obligations under Federal law. The Department was found to have complied with the general disclosure requirements applicable to the Presidential permit and EIS processes, and the Department's processing and fulfillment of Freedom of Information Act (FOIA) requests related to Keystone XL did not meet statutory deadlines but were as timely as, or faster than, its processing and fulfillment of other FOIA requests of similar complexity.

OIG made three recommendations pertaining to redesigning the process for selecting and using third-party contractors and to filling at least one full-time Civil Service position with staff who have experience in handling NEPA issues and the EIS process.

***Audit of the Department of State Process to Award the Worldwide Protective Services Contract and Kabul Embassy Security Force Task Order (AUD/SI-12-17)***

At the request of the Subcommittee on Contracting Oversight, U.S. Senate Committee on Homeland Security and Governmental Affairs, OIG conducted an audit of the Department's review of contractor past performance prior to the award of the Worldwide Protective Services contract and the Kabul Embassy Security Force task order. The audit also was to determine whether the Department reviewed information from the Department of Defense or the incidents discussed in a U.S. Senate Committee on Armed Services report.

OIG found that the Department's process to award the contract and the task order included required procedures to assess contractor responsibility, including evaluations of past performance and technical merit. Specifically, the Department developed and followed plans that were in accordance with applicable Federal and Department guidance and the contract solicitation. Also, the Department was not aware of the selected contractor's past performance, as reported by the Senate Armed Services Committee, until after the report was publicly released in October 2010, which was after the contract and the task order had been awarded. OIG also determined that the Department had used the proper systems to obtain the contractor's information regarding its past performance on Federal contracts and that the information did not include the negative performance issues identified in the Senate Armed Services Committee's report.

The report contained no recommendations.

## **INFORMATION TECHNOLOGY**

***Evaluation of the Department of State Information Security Program (AUD/IT-12-14)***

An independent public accountant reviewed the Department's Information Security Program to evaluate the Department's progress in addressing information management and information security program requirements related to the Federal Information Security Management Act of 2002 (FISMA).

The public accountant found that the Department, since the FY 2010 review, had (1) improved management controls by updating and verifying the FISMA systems inventory list to the Information Technology Asset Baseline to ensure that all information technology (IT) systems are accurately accounted for, (2) defined and identified personnel with significant security responsibilities in the Department's Information Assurance Training Plan, (3) ensured that personally identifiable information data incidents were reported to the U.S. Computer Emergency Response Team within the required 1-hour timeframe, and (4) updated its contracts to include Department of State Acquisition Regulations information security language.

The public accountant made recommendations for the Department to address control weaknesses in the risk management program, security configuration management, security awareness and role-based training, plans of action and milestones, account and identity management program, user provisioning process, continuous monitoring program, the continuity of operations plan, information security contingency planning, oversight of contractor systems, and capital planning.

***Evaluation of the United States Section, International Boundary and Water Commission, Information Security Program (AUD/IT-12-16)***

In response to FISMA, OIG conducted an evaluation of the United States Section, International Boundary and Water Commission's (IBWC) Information Security Program to evaluate IBWC's progress in addressing FISMA information management and information security program requirements.

Overall, IBWC continued its efforts to further develop its information security program. However, IBWC needed to improve and bring the program into compliance with applicable requirements.

OIG made recommendations for IBWC to address control weaknesses in the system inventory, risk management program, configuration management, security training, plan of action and milestones, remote access, continuous monitoring, contingency planning, oversight of contractor system, security capital planning, personnel security, and physical and environmental protection.

## **MIDDLE EAST OPERATIONS**

***Evaluation of Emergency Action Plans for Embassy Baghdad and Consulates General Basrah and Erbil (AUD/MERO/12-18)***

OIG conducted an audit to determine whether existing or definable resources at Embassy Baghdad and Consulates General Basrah and Erbil were available and adequate to respond to emergency situations such as bombs, fires, civil disorders, and evacuations.

OIG determined that the Embassy Baghdad emergency action plan (EAP) was prepared in compliance with regulations, that embassy officials had identified the resources required to implement the EAP, and that embassy staff were adequately trained in the EAP procedures.

## FINANCIAL MANAGEMENT

### ***Independent Accountant's Report on the Application of Agreed-Upon Procedures: Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management (AUD/FM-12-01)***

Under OIG's direction, an independent external auditor performed agreed-upon procedures as required by the Office of Management and Budget to assist the Office of Personnel Management (OPM) in assessing the reasonableness of employee benefits, withholdings and contributions, and semiannual headcount information submitted by the Department and to assist in identifying and correcting errors relating to processing and distributing Combined Federal Campaign payroll deductions.

The auditor identified a difference between the amounts of retirement withholdings reported to OPM and the Department's payroll information. Two instances were reported in which the life insurance elections in the payroll system did not agree with election forms in employees' official personnel files. Two instances were reported in which the amount of withholdings for optional life insurance calculated by the auditor did not match the amount withheld. Finally, differences were noted between the total headcount in the Semiannual Headcount Report and in the Department's payroll information.

The Department provided explanations for the headcount differences.

### ***Independent Auditor's Report on the U.S. Department of State 2011 and 2010 Special-Purpose Financial Statements (AUD/FM-12-04)***

An independent external auditor performed an audit of the Department's reclassified balance sheets as of September 30, 2011 and 2010, and the related reclassified statements of net cost and changes in net position for the years then ended (special-purpose financial statements).

The auditor identified potentially material amounts relating to after-employment benefits provided to locally employed overseas staff that had not been previously reported in the Department's special-purpose financial statements. The Department was unable to provide timely and complete evidential matter to enable the auditor to perform audit procedures to satisfy itself that actuarial liabilities and benefit plan assets relating to after-employment benefit programs, and their related effect on net position, were free of material misstatements. This impacted both FY 2011 and FY 2010 balances and activity. As a result of these limitations, the auditor's present opinion on the Department's FY 2010 special-purpose balance sheet and related statement of changes in net position is different from that expressed in its previous report, and the previous opinion should not be relied upon.

Except for the effects of such adjustments, if any, as might have been determined to be necessary had the auditor been able to examine evidence related to after-employment

benefits provided to locally employed overseas staff, the auditor found the special-purpose financial statements and accompanying notes present fairly, in all material respects, the financial position of the Department as of September 30, 2011 and 2010, and its net cost of operations and changes in net position for the years then ended, in conformity with accounting principles generally accepted in the United States of America and the presentation pursuant to Department of the Treasury requirements.

The auditor identified no material weaknesses in internal control over the financial reporting process for the special-purpose financial statements, and its tests of compliance with Treasury requirements disclosed no instances of noncompliance that were required to be reported.

***Independent Auditor's Report on the U.S. Department of State 2011 and 2010 Financial Statements (AUD/FM-12-05)***

An independent external auditor performed an audit of the Department's annual financial statements as of, and for the years ended, September 30, 2011 and 2010.

The auditor identified potentially material amounts relating to after-employment benefits provided to locally employed overseas staff that had not been reported in previous Department financial statements. The Department was unable to provide timely and complete evidential matter to enable the auditor to perform audit procedures to satisfy itself that actuarial liabilities and benefit plan assets relating to after-employment benefit programs, and their related effect on net position, were free of material misstatements. As a result of these limitations, the auditor's present opinion on the Department's FY 2010 consolidated balance sheet and related statement of changes in net position is different from that expressed in its previous report, and the previous opinion should not be relied upon.

Except for the effects of such adjustments, if any, as might have been determined to be necessary had the auditor been able to examine evidence related to after-employment benefits provided to locally employed overseas staff, the auditor found that the annual financial statements present fairly, in all material respects, the financial position of the Department as of September 30, 2011 and 2010, and its net cost of operations, changes in net position, and changes in budgetary resources for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The auditor found certain deficiencies in internal control that it considered to be significant—specifically, material weaknesses relating to financial reporting and Foreign Service national after-employment benefits and significant deficiencies in the internal control over property and equipment, budgetary accounting, unliquidated obligations, the accrual process, and information technology. The auditor also found instances of noncompliance with certain provisions of laws and regulations, including instances in which the Department's financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act.

***Management Letter Related to the Audit of the U.S. Department of State  
FY 2011 Financial Statements (AUD/FM-12-06)***

During the audit of the Department's FY 2011 financial statements, the independent external auditor identified matters involving internal controls that it brought to the Department's attention. These matters were related to documentation, funds with the Department of the Treasury, other assets, accounts payable, acquisition and vendor payment, payroll, property, revenue, accounts receivable, budgetary resources, financial reporting, and Foreign Service national after-employment benefits.

The external auditor recommended that the Department take appropriate action to address these weaknesses.

***Independent Review of the U.S. Department of State Accounting of FY 2011  
Drug Control Funds and Related Performance Report (AUD/FM-12-19)***

OIG independently reviewed the assertions made in the Department's accounting of FY 2011 drug control funds and related performance report, which was submitted to the Director of the Office of National Drug Control Policy (ONDCP) in compliance with ONDCP guidance. Based on OIG's review, nothing came to OIG's attention that caused it to believe that the management assertions included in the report were not fairly stated, in all material respects, based upon the guidance.

***Audit of Department of State Compliance With the Improper Payments  
Information Act (AUD/FM-12-31)***

In compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA), an external audit firm acting on OIG's behalf audited the Department's compliance with the Improper Payments Information Act of 2002 (IPIA), as amended by IPERA.

The auditor found that the Department had taken steps to comply with IPIA. However, the Department's improper payments risk assessment methodology was insufficient, recapture audit activities were not performed for all types of improper payments or all payments, and some required improper payments disclosures were omitted from the Department's Agency Financial Report (AFR) or were inaccurate.

OIG recommended that the Department develop policies and standardized procedures for performing improper payments risk assessments and recapture audit activities and for reporting information relating to improper payments in the Department's AFR.

## HUMAN CAPITAL AND INFRASTRUCTURE

### ***Audit of Department of State Drug-Free Workplace Program Plan (AUD/HCI-12-30)***

OIG conducted an audit to determine to what extent the Department's drug testing program met applicable Federal statutes, regulations, and guidance and to determine whether the Department was drug testing its employees in accordance with Drug-Free Workplace Program Plan requirements.

OIG found that the plan met Federal statutory and regulatory requirements for drug testing but that it did not include testing at overseas posts, even though 40 percent of the Department's employees in sensitive positions that are subject to drug testing are located overseas. Also, the Department was not conducting testing in accordance with its plan.

OIG made recommendations for the Department to strengthen its drug testing program.

## INTERNATIONAL PROGRAMS

### ***Audit of Bureau of East Asian and Pacific Affairs Compliance With Trafficking in Persons Requirements (AUD/IP-12-02)***

To fulfill its responsibilities under the William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008, OIG contracted with an independent public accountant to investigate a sample of contracts in the Asia-Pacific region with a heightened risk of trafficking in persons (TIP).

The public accountant found that Department employees in the Bureau of East Asian and Pacific Affairs and the Asia-Pacific region were not uniformly aware of what constitutes TIP activity, penalties for TIP violations, where to report allegations of violations, and that the TIP policy applies to Department contractors. Also, because contractors were not always aware of their obligations, they did not always comply with their contractual obligations.

The public accountant made recommendations for the Department to implement a separate policy on TIP in Departmental regulations, expand the Department's code of conduct to prohibit TIP activities, establish an office responsible for employees to report instances of TIP, and expand TIP training to all Department employees.

### ***Improved Contract Documentation and Monitoring by the Regional Procurement Support Office Are Needed for Construction Projects Associated With the President's Emergency Plan for AIDS Relief (PEPFAR) (AUD/IP-12-03)***

OIG conducted this review to determine whether the Regional Procurement Support Office (RPSO) in Frankfurt, Germany, appropriately awarded and monitored construction contracts associated with PEPFAR.

OIG determined that RPSO did not comply with Department requirements or Federal acquisition requirements for maintaining contract files to demonstrate performance of required actions in awarding and monitoring PEPFAR construction contracts. RPSO also inappropriately included contingency costs in these contracts and task orders totaling \$2,126,148. In addition, at two of the three posts visited, contract monitoring files did not always contain adequate documentation showing required monitoring actions, thereby preventing the Department from being assured that these actions were always performed, that buildings were properly constructed, and that payments made to contractors were for work actually completed.

OIG made five recommendations for RPSO to monitor construction, review files, eliminate new contingency fees, and reclaim appropriate past contingency fees.

## CONTRACTS AND GRANTS

### ***Audit of International Boundary and Water Commission Construction Contract With Inuit Services, Incorporated, Using Funds Provided by the American Recovery and Reinvestment Act (AUD/CG-12-10)***

An independent public accountant audited the International Boundary and Water Commission's contract with Inuit Services, Incorporated, using funding provided by the American Recovery and Reinvestment Act (Recovery Act).

The public accountant found that Inuit did not comply with all relevant Federal laws and regulations, including regulations of the Recovery Act; did not obtain required certifications from its subcontractors; did not have effective controls in place to ensure that its subcontractors were paid in a timely manner; did not comply with requirements for ensuring construction materials were in accordance with the Buy American Act; and did not submit correct and complete reports for its subcontractor onto the applicable Web site.

The public accountant made recommendations for Inuit to establish procedures to comply with applicable laws, regulations, and reporting requirements.

### ***Audit of International Boundary and Water Commission Construction Contract With Sun Belt Builders, Inc., Using Funds Provided by the American Recovery and Reinvestment Act (AUD/CG-12-11)***

In its audit of the International Boundary and Water Commission's contract with Sun Belt Builders, Inc., using funding provided by the Recovery Act, the independent public accountant found that Sun Belt did not comply with all relevant Federal laws and regulations, including those of the Recovery Act; did not obtain required certifications from its subcontractors; did not have effective controls in place to ensure that its subcontractors were paid in a timely manner; did not comply with requirements for ensuring construction materials were in accordance with the Buy

American Act; and did not submit correct and complete reports for its subcontractor onto the applicable Web site.

The independent public accountant made recommendations for Sun Belt to establish procedures to comply with applicable laws, regulations, and reporting requirements.

***Audit of Funding Provided by the American Recovery and Reinvestment Act for the Foreign Affairs Security Training Center (AUD/CG-12-13)***

In its audit of funding provided by the Recovery Act for the Foreign Affairs Security Training Center (FASTC), the independent public accountant found that the Department generally managed Recovery Act funds effectively to meet program goals and requirements for FASTC.

However, the Bureau of Administration (A Bureau) did not ensure that pre-award and post-award contract notices were posted as required, that documentation to support evaluation and selection efforts for contract actions funded by the Recovery Act were maintained, that all subcontractors were approved before they worked on the FASTC project task order, and that \$23,127 paid for unallowable costs under the contract was reimbursed to the Department.

The public accountant made recommendations for the A Bureau to enhance its contract oversight efforts to prevent recurrences of these conditions and to obtain reimbursement for the \$23,127 of unallowable costs.

***Audit of Norwegian People's Aid Under Department of State and U.S. Agency for International Development Multiple Agreements for Year Ended December 31, 2009 (AUD/CG-12-20)***

The audit was carried out by an independent public accountant at the request of the U.S. Agency for International Development (USAID) and included the audit of eight Department grants, totaling \$5,206,780. The grants were awarded by the Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement (PM/WRA), to the Norwegian People's Aid for land mine removal; development of programs that allow free movement and settlement of populations; and improvement of physical infrastructure and access to roads, bridges, and schools.

Based on information provided by the public accountant, OIG questioned costs of \$77,819 and identified internal control weaknesses and other noncompliance with the terms of the grant agreements and applicable laws and regulations that require the grantee's corrective action.

OIG recommended that PM/WRA issue a final determination on the allowability of the questioned costs.

***Audit of Contracting Officers Exceeding Delegated Procurement Authority (AUD/CG-12-26)***

An independent public accountant conducted an audit to quantify and determine the extent to which domestic-based contracting officers (CO) were exceeding their delegated procurement authority. The public accountant also identified the amount of obligations related to Department contract actions (excluding grants and cooperative agreements) that exceeded the delegated procurement authorities of the COs and therefore represented unauthorized non-binding agreements.

The public accountant found that the impact of unauthorized commitments generated by domestic COs exceeding their warrant authority was minor but that 21 domestic contract actions were not properly ratified and certain controls related to the prevention and monitoring of unauthorized commitments and warranted authority needed to be strengthened. The public accountant also identified a need to strengthen controls to clearly identify Global Financial Management System user roles and privileges for contract specialists.

The public accountant made recommendation for offices within the Bureau of Administration to improve internal controls within the current control system and improve processes related to domestic contract actions.

***Review of Best-Value Contracting for the Department of State Local Guard Program and the Utility of Expanding the Policy Beyond High-Threat Posts in Iraq, Afghanistan, and Pakistan (AUD/CG-12-27)***

As requested by the Senate Committee on Foreign Relations, OIG examined the best-value contract award method and its possible application to local guard contracts worldwide.

OIG determined that best-value contracting for local guard services would generally be more expensive than lowest-price contracting. However, Department headquarters officials noted that the Department's programmatic oversight costs for best-value awards could be lower than costs for lowest-price awards because competition would likely increase and awards would be made to better qualified vendors. OIG also found that at some overseas posts where local guard contracts had been awarded under the current lowest-price award method, the posts experienced contract performance problems and an increased need for Department oversight. Finally, OIG found that the legally required 10 percent price preference given to U.S. companies for local guard contracts has not been a factor in recent local guard contract competitions and may no longer be needed.

OIG offered two matters for the Senate Committee on Foreign Relations to consider regarding contracting for local guard services.

# OFFICE OF INSPECTIONS

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## DOMESTIC INSPECTIONS

### *Inspection of the Bureau of Educational and Cultural Affairs (ISP-I-12-15)*

OIG conducted an inspection of the Department's Bureau of Educational and Cultural Affairs (ECA), which manages exchange programs to enhance mutual understanding and facilitate the advancement of foreign policy priorities.

As a result of its inspection, OIG found that long-standing institutional weaknesses have undermined ECA's effectiveness. Significant increases in annual exchange visitor visa issuance have left ECA struggling to oversee the more than 1,200 sponsor organizations responsible for ensuring positive cultural exchange experiences for participants, many of whom are youth. Public criticism of the Summer Work Travel Program is the most recent negative consequence of unfettered growth and weak regulation of privately funded exchanges. Additionally, grants officer representatives did not perform their monitoring and evaluation responsibilities adequately, creating vulnerabilities in program implementation and oversight of funds. ECA had more than 100 outstanding grants awaiting closeout; once that step has been completed, the bureau will be able to deobligate an estimated \$4 million. ECA was also found to lack fully developed strategic planning mechanisms for its programs.

The OIG team recommended that ECA strictly limit the Summer Work Travel Program until it can provide proper oversight. OIG also recommended that ECA determine the viability of ending or transferring to the Department of Labor its current responsibilities for the work programs having little to do with either education or culture.

### *Inspection of the Bureau of Administration, Global Information Services, Global Publishing Solutions (ISP-I-12-07)*

The Bureau of Administration, Global Information Services, Global Publishing Solutions (A/GIS/GPS) office provides the Department with fee-for-service printing, publishing, and domestic copier management services, which are financed using the Department's working capital fund.

The OIG inspection revealed significant managerial issues in A/GIS/GPS. The Bureau of Administration officials cited Office of Management and Budget Circular A-76 controls, which were established by a letter of obligation (the equivalent of a contract between the Department and the A/GIS/GPS) as the source of the office's managerial

issues and main obstacle to improving operations. However, the letter of obligation was terminated in March 2011, releasing A/GIS/GPS from those controls. At the time of the inspection, A/GIS/GPS still had not resolved its management issues and continued to use pricing that was not designed to cover all or more of its operating costs.

The OIG team recommended that the Bureau of Administration prepare a strategic plan for A/GIS/GPS to identify and prioritize short- and long-term fixes as well as align human and financial resources to address its managerial issues. The OIG team also recommended that A/GIS/GPS implement an aggressive strategy to reduce its financial losses that are being absorbed by other profitable working capital fund cost centers.

## OVERSEAS MISSIONS

### Bureau of Near Eastern Affairs

#### *Inspection of Embassy Beirut, Lebanon (ISP-I-12-10A)*

OIG conducted an inspection of Embassy Beirut and found that the embassy was performing its core policy and operational missions well, was providing a wide Washington readership with timely and insightful analysis, and was successful in recalibrating U.S. foreign assistance programs to strengthen Lebanese civil society and institutions. However, its substantive strengths were being undercut by front office leadership shortcomings. Furthermore, nearly 3 decades after the bombing of the U.S. Embassy in 1983, the embassy was still occupying an overcrowded and functionally obsolete compound that did not meet security standards.

The OIG team recommended that the Department send a team to Beirut to evaluate progress on leadership issues and that the embassy establish a formal mentoring and professional development program for entry-level officers and specialists.

#### *Inspection of Embassy Algiers, Algeria (ISP-I-12-06A)*

OIG conducted an inspection of Embassy Algiers and found deficiencies in the areas of management and operations. The management section was providing inadequate services to its customers, with lax management procedures, opaque processes, perceptions of undue influence and preferential treatment in hiring, and poor communication contributing to customer dissatisfaction in this area. Management controls were also weak due to lack of standard operating procedures and insufficient collaboration among units, particularly in supply chain management. The new Ambassador and deputy chief of mission were vigorously addressing these shortcomings.

The OIG team made recommendations to improve services and strengthen management controls. However, the Department's inability to fill key mid-level

positions with appropriately trained and experienced personnel contributed to the diminished operational effectiveness noted in most sections.

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### **INNOVATIVE PRACTICE: New Resident Orientation**

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**Issue:** Many recipients of immigrant visas, particularly diversity visas, have never traveled outside Algeria and do not know what to expect when they arrive in the United States for the first time.

**Response:** The consular section in Algiers offers immigrant visa and diversity visa recipients the opportunity to pick up their visa packets in person on one of two orientation days each month. The sessions are strictly voluntary; those who choose not to attend receive their packets by courier. The sessions use a PowerPoint presentation based on the U.S. Citizenship and Immigration Services pamphlet, *Welcome to the United States*, to cover details such as what to expect at the airport, resources available in the United States, and cultural norms.

**Result:** The program has been well received by the local population. Approximately 20 to 30 people attend each session.

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## **Bureau of East Asian and Pacific Affairs**

### ***Inspection of Embassy Hanoi and Consulate General Ho Chi Minh City, Vietnam (ISP-I-12-11A)***

OIG conducted an inspection of Embassy Hanoi, which had undergone a major turnover in personnel shortly before the inspection. The team found that the new Ambassador demonstrated leadership and interpersonal engagement; operations ran smoothly; and morale was high, despite the inadequate, insecure, and ramshackle condition of the chancery due to prolonged U.S.-Vietnam discussions about a new embassy compound. The inspection team also noted a need for improvement in communication between the embassy and its sole constituent post, the large and influential Consulate General Ho Chi Minh City (formerly Saigon); deficiencies in management controls at both posts; and weak enforcement of the worldwide referral policy for nonimmigrant visas at Consulate General Ho Chi Minh City.

The OIG team recommended that Embassy Hanoi make securing a long-term title to property in Hanoi for a new embassy compound a top mission goal; increase and formalize regular staff interaction and communication with Consulate General Ho Chi Minh City; review management control procedures at both Embassy Hanoi and Consulate General Ho Chi Minh City; and implement more strict enforcement of the worldwide referral policy for nonimmigrant visas at Consulate General Ho Chi Minh City.

### ***Inspection of the American Institute in Taiwan (ISP-I-12-12A)***

OIG conducted an inspection of the American Institute in Taiwan, which is unique in the Department. A private, nonprofit organization, the American Institute in Taiwan is supported by appropriated Department funds, nonimmigrant visa processing fees, and funds from other agencies, allowing it to operate with more freedom and fewer financial restrictions than embassies have. However, this situation also complicates its coordination with Washington, as the lines of authority and communication are often unclear.

As a result of the inspection, OIG found that the American Institute in Taiwan was functioning well overall but that individual sections often worked in isolation and in some cases were overstaffed. The American Institute in Taiwan also faced potential loss of as much as \$15 million per year in visa processing fee funds, and a commensurate reduction in consular staff, should Taiwan be accepted into the Visa Waiver Program. This prospect was affecting the morale of those employees whose jobs could be in jeopardy.

The OIG team recommended the elimination of some positions as well as the sale of several valuable U.S. Government-owned properties in Taiwan, including the Taipei Economic and Cultural Relations Office property, valued at between \$2.8 million and \$16 million; the Japanese Guesthouse, with a local appraised value of \$2.6 million; and the Summer House, locally appraised at \$1 million.

## **Bureau of Western Hemisphere Affairs**

### ***Inspection of Embassy Caracas, Venezuela (ISP-I-12-09A)***

OIG conducted an inspection of Embassy Caracas and found deficiencies in the areas of management support and leadership, morale, bandwidth capabilities, diplomatic mail operations, and consular leadership.

Lengthy staffing gaps in the front office had undermined mission oversight and contributed to management deficiencies and poor morale. Prolonged staffing shortages in key management positions, weak section leadership, and lack of a customer service focus combined to produce significant deficiencies in support. The consular section was also emerging from a lengthy period of ineffective leadership, which had public diplomacy, security, commercial, and management ramifications. The arrival of a new consul general and deputy visa chief provided an opportunity to end past mismanagement.

The OIG team made recommendations to address these shortcomings.

### ***Inspection of Embassy Nassau, The Bahamas (ISP-I-12-08A)***

OIG conducted an inspection of Embassy Nassau and found a mission recovering from an extended period of dysfunctional leadership and management that had

adversely affected missionwide operations and morale. The Ambassador's authorized absences from post contributed to poor mission management. The embassy and the Bureau of Western Hemisphere Affairs did not follow Department procedures for vetting these absences.

Following counseling from the OIG team, the Ambassador and new deputy chief of mission were united in addressing the lingering effects of poor morale, especially among employees at post for more than 1 year. In addition, the deputy chief of mission and management officer were working to improve internal coordination among management sections and provide better services to employees, including those stationed at Freeport, Grand Bahama Island. The OIG team also recommended that the Bureau of Human Resources update the *Foreign Affairs Manual* and the *Foreign Affairs Handbook* to clarify the process for approving chief of mission absences from post. Following the inspection, the Ambassador resigned her position and departed post on November 21, 2011.

### **Leadership Shortcomings**

OIG continued to find problems with leadership at missions and during domestic inspections. In its inspection of Embassy Beirut, OIG found front office leadership shortcomings that inhibited efficient operations. At Embassy Nassau, leadership and mismanagement problems were caused, in part, by the Ambassador's preference to work from her residence and her extensive travel out of country, which exceeded Department standards and was improperly vetted domestically. During its inspection of the Bureau of Administration's Global Publishing Solutions, OIG found the director was not able to resolve longstanding management issues that, in part, have resulted in net operating losses of about \$2 million a year, with a projected loss of \$1.2 million in FY 2012. Most of OIG's mission-specific leadership recommendations have been acted upon; however, the Department has not yet implemented its own leadership assessment tool to identify and address leadership deficiencies.

## **Bureau of European and Eurasian Affairs**

### ***Inspection of Embassy Vienna, Austria (ISP-I-12-16A)***

OIG conducted an inspection of Embassy Vienna, which had productive relations with the Austrian Government and significantly advanced the U.S. policy agenda.

The OIG team found that political and economic reporting and analysis were meeting the needs and serving the interests of U.S. officials in formulating policy decisions. The inspection team also found that interagency working groups were linked to Mission Strategic and Resource Plan objectives, and interagency cooperation was strong in commercial promotion, political-military issues, and, most notably, law

enforcement. The inspection team noted that most of the embassy sections were well run but many were overstaffed and a few were understaffed.

The OIG team made recommendations to correct the embassy's staffing issues.

### ***Inspection of the Tri-Mission Vienna Joint Management Office (ISP-I-12-19A)***

OIG conducted an inspection of the Tri-Mission Vienna Joint Management Office (JMO), which provides management services to Embassy Vienna, the U.S. Mission to International Organizations in Vienna, and the U.S. Mission to the Organization for Security and Cooperation in Europe (USOSCE).

Although service quality and timeliness met established customer service standards, the OIG team found that customers were dissatisfied with JMO and perceived inequitable service provision. The OIG team found shortcomings in JMO's space planning; for example, JMO allocated 1,200 square feet for USOSCE's communications center in a new building based on the space allotted in its current location, which is largely unused. The OIG team identified several staffing issues and found that the American employees' association does not use an appropriate accounting system, has virtually no internal controls, and is in dire financial condition.

The OIG inspectors made recommendations to address JMO management and operations, reevaluate spacing needs, and correct deficiencies associated with the American employees' association. The inspectors also made recommendations to correct staffing issues.

### ***Compliance Follow-up Review of Embassy Copenhagen, Denmark (ISP-C-12-20)***

After the 2010 inspection of Embassy Copenhagen, the Ambassador requested that OIG conduct a compliance follow-up review (CFR) of the embassy, given the turnover in embassy staff just before the inspection.

The CFR revealed that the mission had complied with many of the formal and informal recommendations from the 2011 inspection report, which included recommendations intended to strengthen mission management and leadership. However, the CFR team found that the Ambassador continued with the same flat approach to management that created accountability and communication issues within the sections. The CFR team also found gaps in the mission's strategic planning, specifically its strategy for defining U.S. interests and engagement in Greenland and maximizing the Ambassador's media presence. The CFR team identified questionable practices and possible vulnerabilities associated with the embassy restaurant's unique after-hours programs.

The CFR team recommended that the embassy implement a system to counteract the accountability and communication issues and address gaps in its strategic planning. The team also recommended that the embassy seek guidance from the Department

to address the security, legal, and management ramifications of embassy restaurant commercial activities.

## INTERNATIONAL ORGANIZATIONS

### ***Inspection of the U.S. Mission to International Organizations in Vienna (ISP-I-12-17A)***

OIG conducted an inspection of the U.S. Mission to International Organizations in Vienna (UNVIE), which merits commendation for a series of foreign policy successes that advanced high-priority objectives, ranging from nuclear nonproliferation and promoting safe uses of nuclear energy to arms control and countering corruption.

The OIG team found that the Ambassador and deputy chief of mission had built a cohesive, productive, high-morale team, drawn from many agencies, but that the career development program for first- and second-tour officers and specialists needed attention. The inspection team also noted that the mission's representation and travel funding was insufficient to advance U.S. objectives effectively in the eight international organizations in Vienna at which the mission represents the United States.

The OIG team recommended that UNVIE develop a more defined career development program for first- and second-tour officers and specialists and informally recommended that UNVIE provide justification to the Department for increased representation and travel funds.

### ***Inspection of the U.S. Mission to the Organization for Security and Cooperation in Europe (ISP-I-12-18A)***

OIG conducted an inspection of the U.S. Mission to the Organization for Security and Cooperation in Europe (USOSCE), which was advancing U.S. objectives in an increasingly challenging climate where there is a growing divergence between Europe and Eurasia's democratic West and an increasingly authoritarian East. USOSCE was also excelling in its planning and tactics to promote U.S. interests in, and facilitation of the work of, the Organization for Security and Cooperation in Europe (OSCE). The OIG team found that the mission led the OSCE's efforts to maximize the participation of civil society and nongovernmental organizations in meetings and conferences. Including these entities advances U.S. interests in holding participating states accountable for their actions, reflects modern international realities, and enhances the relevance of the OSCE.

The OIG team found that USOSCE had operated for decades in a decrepit facility that impedes efficient operations. The OIG team recommended that the Department complete negotiations for the mission to relocate at the earliest possible date.

## PROGRAM REVIEWS AND SPECIAL REPORTS

### ***Review of the FY 2012 Diversity Visa Program Selection Process (ISP-I-12-01)***

Errors in the participant selection and notification process of the FY 2012 Diversity Visa (DV) Program led the Bureau of Consular Affairs to conclude that the program had not been conducted in compliance with the laws and regulations that govern the program. As a result, the bureau nullified the visa lottery results and reran the lottery. This decision sparked anger among participants selected in the first lottery and resulted in a lawsuit against the Department, which the U.S. District Court for the District of Columbia dismissed on July 14, 2011. In response to these events, OIG conducted a limited-scope review of the FY 2012 DV program.

The OIG team identified three primary factors that led to the FY 2012 program failure, all of which stemmed from lack of adherence to sound project management and systems development principles.

The OIG team's recommendations to address these deficiencies focused on the establishment of internal controls for the development and implementation of DV computer programs, the designation of a directorate with primary responsibility for the DV program, and the development of a plan for implementing the FY 2013 DV program that details the procedure and those responsible for each function, from the opening of the application period through visa issuance.

### ***Improvements Needed in Information Technology Contingency Planning (ISP-I-12-04)***

OIG conducted a review of 50 inspected posts' and bureaus' IT contingency planning to determine whether they could operate effectively after a catastrophic event.

The OIG team discovered that a majority of the inspected bureaus and posts had not developed, tested, or updated IT contingency plans. The OIG team also identified inconsistencies in the posts' and bureaus' compliance with Department contingency planning guidance.

The OIG team recommended that the Bureau of Information Resource Management track bureau and post compliance with IT contingency planning requirements, incorporate contingency planning into Department-wide IT risk scoring methodology, and include adherence to contingency planning requirements in performance appraisals of responsible personnel.

# OFFICE OF INVESTIGATIONS

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## CONTRACT FRAUD

OIG conducted an investigation with several Federal law enforcement agencies—including the Bureau of Alcohol, Tobacco, and Firearms—of a major Department of State security contractor for weapons and contract violations. The investigation determined that a former Deputy Sheriff used the official letterhead of his office to purchase automatic weapons on behalf of the contractor in violation of Federal firearms laws. On November 15, 2011, the former Deputy Sheriff pleaded guilty in U.S. District Court on charges of making false statements related to records required of a licensed firearms dealer. Sentencing of the subject was pending at the end of the reporting period. (C2007-018)

## EMBEZZLEMENT

OIG conducted a joint investigation with the FBI and the Special Inspector General for Iraq Reconstruction of a contract employee for conspiring to steal Department equipment related to his work in Baghdad, Iraq. The investigation determined that the contract employee agreed with other co-conspirators to steal a truck and a generator and arranged for them to be sold in the black market. When interviewed, the subject admitted to participating in this scheme to defraud the government. On November 10, 2011, the subject pleaded guilty to a criminal information charging him with conspiracy to commit theft of government property. On February 21, 2012, the subject was sentenced to five months' imprisonment and three years' supervised release. In addition, the subject was ordered to pay \$12,000 in restitution to the Department. (C2009-097)

## BRIBERY AND KICKBACKS

OIG conducted a joint investigation with the Special Inspector General for Iraq Reconstruction and the Defense Criminal Investigative Service of a Provincial Program Manager in Iraq who solicited kickbacks and bribes from vendors in exchange for providing confidential bidding information and assisting Iraqi contractors in obtaining Department contracts. On January 20, 2011, the subject was indicted on one count of conspiracy to commit wire fraud and one count of wire fraud. On January 19, 2012, the subject was sentenced on both counts and sentenced to serve 33 months imprisonment, pay restitution in the amount of \$106,820, and also serve two years' supervised release. (C2009-063)

OIG conducted an investigation based upon a referral from the FBI alleging that a Locally Employed Staff member working at Embassy Kabul as a Procurement Supervisor solicited a kickback. The investigation uncovered a large number of irregularities in the procurement process related to the Procurement Supervisor. On November 17, 2011, the Department's Office of the Procurement Executive issued contractor suspensions to 17 firms that had suspicious interactions with the Procurement Supervisor. (C2011-023)

## **NEPOTISM**

OIG conducted an investigation into allegations that a Foreign Service officer stationed overseas drafted a performance award for his spouse and submitted it to a subordinate to sign as the nominator. The investigation confirmed the validity of the allegations and also determined that another Foreign Service officer who served as the chairman of the post awards committee approved the award despite being aware of the nepotism, and also failed to comply with the anti-nepotism provisions of the *Foreign Affairs Handbook* in allowing the spouse to be supervised by an employee who reported directly to her husband. On November 9, 2011, the Bureau of Human Resources issued a proposed 25-day suspension for the first subject and a 10-day suspension for the second subject. (C2010-024)

## **FOLLOW-UP ACTIONS**

### **Visa Fraud**

OIG conducted an investigation based upon information provided by the U.S. Immigration and Customs Enforcement (ICE), Document and Benefit Fraud Task Force, that was worked jointly with ICE and the Bureau of Diplomatic Security. ICE determined that two individuals purchased their naturalization certificates from a corrupt Department of Homeland Security government employee. One individual was a Department contractor who conducted training for the Department, while the other was a related party. On August 19, 2011, both subjects pleaded guilty in the Eastern District of Virginia on charges of Naturalization Fraud and False Statements. On December 2, 2011, one subject was sentenced to 2 years' probation and a \$20,000 fine, while the other subject was sentenced to 2 years' probation and a \$3,000 fine. In a related case, a third subject involved in the brokering of the visas was sentenced on the same date to 2 years' probation and a \$70,000 fine. (See *OIG Semiannual Report, April 1, 2011 to September 30, 2011, p. 54*) (C2011-052 & C2011-055)

### **Wire Fraud, Loan Fraud, and False Statements**

OIG conducted an investigation based upon a request for assistance from the Department of Housing and Urban Development, Office of Inspector General, which

determined that a Department of State employee had submitted false statements in order to qualify for a Federal Housing Administration mortgage loan. On April 25, 2011, the subject was indicted in the District of Maryland on one charge each of False Statements, Wire Fraud, and Loan Fraud. On November 17, 2011, the subject pleaded guilty to the charges. On January 4, 2012, the employee resigned in lieu of termination. Sentencing of the subject was pending at the end of the reporting period. (See *OIG Semiannual Report, April 1, 2011 to September 30, 2011, p. 55*) (C2011-005)

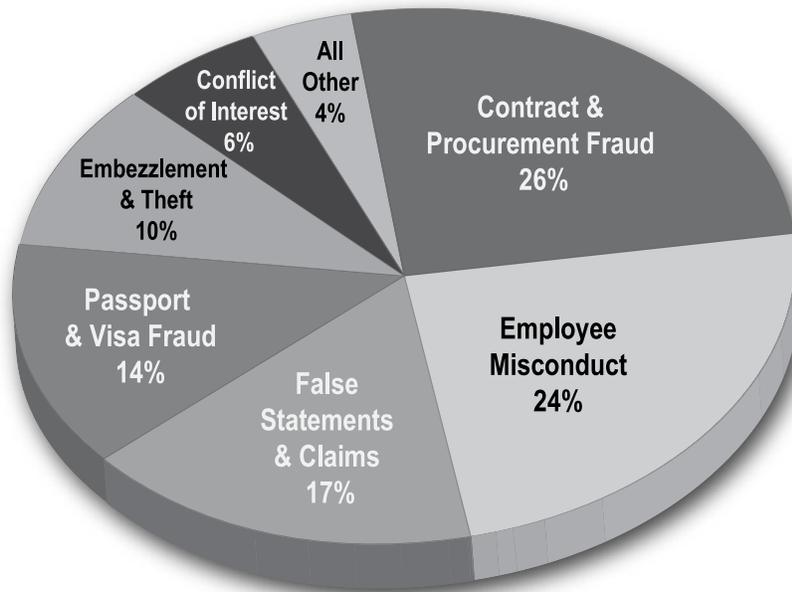
## DATA AND INVESTIGATIVE ACTIVITIES

### OIG Hotline

The Office of Inspector General Hotline is a confidential channel for receiving allegations of fraud, waste, abuse, mismanagement, or misconduct involving Department of State and Broadcasting Board of Governors programs, operations, and assets.

<b>Total Complaints Received</b>	<b>1055</b>
<b>Referral To Other Offices for Action</b>	<b>687</b>
<b>Held for Action Within OIG</b>	<b>61</b>
<b>No Action Necessary</b>	<b>307</b>

### Types of Cases



Note: May not equal 100% due to rounding.

## OFFICE OF INVESTIGATIONS RECEIVES TWO ANNUAL COUNCIL OF INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY (CIGIE) AWARDS FOR EXCELLENCE

Employees from OIG Office of Investigations received CIGIE Awards in 2011 for Excellence in Investigation and Excellence in Information Technology. For the Excellence in Investigation award, six Department OIG recipients and seven other agency recipients comprised the Baghdad Foreign Service National Investigative and Prosecutorial Team, and were recognized for exceptional performance in conducting a major embezzlement investigation resulting in a criminal conviction after a jury trial wherein new case law was created regarding expanded jurisdiction. Receiving the award for Excellence in Information Technology were five employees of the Computer Forensics Branch Team, who were recognized for exceptional performance in establishing the Department of State Office of Inspector General, Office of Investigations Computer Forensic Branch, and developing a new computer forensic methodology resulting in more effective investigations.



Left to right: OIG Assistant Special Agent in Charge Gene Driggers; OIG Computer Forensics Analyst Dave Campo; OIG Special Agent in Charge Karin Pacheco; OIG Special Agent Lloyd Rawls; Federal Bureau of Investigation Special Agent John Longmire; retired Assistant United States Attorney, Eastern District of Virginia Thomas McQuillan; and former Special Inspector General for Afghanistan Reconstruction, Special Assistant United States Attorney, Criminal Division, Department of Justice David Laufman (Lead Prosecutor).

# APPENDIX 1: DEPARTMENT OF STATE INVESTIGATIVE ACTIVITIES

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<b>Preliminary Inquiries</b>	
Opened	57
Closed	55
<b>Investigations</b>	
Opened	55
Closed	45
Pending (3/31/12)	166
<b>Criminal Actions</b>	
Referrals for Prosecution	23
Indictments/Informations	2
Convictions	7
Sentencings (Months Imprisonment)	38
Sentencings (Months Probation)	132
Declinations	17
<b>Civil Actions</b>	
Civil Referrals	1
Civil Judgments	0
Civil Declinations	1
<b>Administrative Referrals</b>	
Referrals for Personnel Action	11
Suitability Referrals to DS	5
Contractor Suspensions/Debarment Referrals	25
Management Assistance Reports	2
<b>Administrative Actions</b>	
Removals	9
Suspensions	3
Reprimands/Admonishments	5
Contractor Suspensions/Debarment Actions	23
<b>Monetary Recoveries</b>	
Criminal Fines/Recoveries	\$212,520.00
Civil Recoveries	\$0
Administrative Recoveries	\$0
<b>Total Investigative Recoveries</b>	<b>\$212,520.00</b>



## APPENDIX 2: REPORTS ISSUED

<b>Report Number</b>	<b>Report Title</b>
AUD/CG-12-10	<i>Audit of International Boundary and Water Commission Construction Contract with Inuit Services, Incorporated, Using Funds Provided by the American Recovery and Reinvestment Act</i>
AUD/CG-12-11	<i>Audit of International Boundary and Water Commission Construction Contract with Sun Belt Builders, Inc., Using Funds Provided by the American Recovery and Reinvestment Act</i>
AUD/CG-12-13	<i>Audit of Funding Provided by the American Recovery and Reinvestment Act for the Foreign Affairs Security Training Center</i>
AUD/CG-12-20	<i>Audit of Norwegian People's Aid Under Department of State and U.S. Agency for International Development Multiple Agreements for Year Ended December 31, 2009</i>
AUD/CG-12-25	<i>Audit of Funding Provided by the American Recovery and Reinvestment Act for the Bureau of Consular Affairs Passport Facilities Project</i>
AUD/CG-12-26	<i>Audit of Contracting Officers Exceeding Delegated Procurement Authority</i>
AUD/CG-12-27	<i>Review of Best-Value Contracting for the Department of State Local Guard Program and the Utility of Expanding the Policy Beyond High-Threat Posts in Iraq, Afghanistan, and Pakistan</i>
AUD/FM-12-01	<i>Independent Accountant's Report on the Application of Agreed-Upon Procedures: Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management</i>
AUD/FM-12-04	<i>Independent Auditor's Report on the U.S. Department of State 2011 and 2010 Special-Purpose Financial Statements</i>
AUD/FM-12-05	<i>Independent Auditor's Report on the U.S. Department of State 2011 and 2010 Financial Statements</i>
AUD/FM-12-06	<i>Management Letter Related to the Audit of the U.S. Department of State 2011 Financial Statements</i>
AUD/FM-12-19	<i>Independent Review of the U.S. Department of State Accounting of FY 2011 Drug Control Funds and Related Performance Report</i>
AUD/FM-12-31	<i>Audit of Department of State Compliance With Improper Payments Information Act</i>
AUD/HCI-12-30	<i>Audit of Department of State Drug-Free Workplace Program Plan</i>
AUD/IP-12-02	<i>Audit of Bureau of East Asian and Pacific Affairs Compliance With Trafficking in Persons Requirements</i>

<b>Report Number</b>	<b>Report Title</b>
AUD/IP-12-03	<i>Improved Contract Documentation and Monitoring by the Regional Procurement Support Office Are Needed for Construction Projects Associated with the President's Emergency Plan for AIDS Relief (PEPFAR)</i>
AUD/IT-12-14	<i>Evaluation of the Department of State Information Security Program</i>
AUD/IT-12-16	<i>Evaluation of the International Boundary and Water Commission Information Security Program</i>
AUD/MERO-12-18	<i>Evaluation of Emergency Action Plans for Embassy Baghdad and Consulates General Basrah and Erbil</i>
AUD/SI-12-17	<i>Audit of Department of State Process To Award the Worldwide Protective Services Contract and Kabul Embassy Security Force Task Order</i>
AUD/SI-12-28	<i>Special Review of the Keystone XL Pipeline Permit Process</i>
ISP-I-12-01	<i>Memorandum Report – Review of the FY2012 Diversity Visa Program Selection Process</i>
ISP-I-12-04	<i>Memorandum Report – Improvements Needed in Information Technology Contingency Planning</i>
ISP-I-12-05	<i>Special Review of Management of Security Operations at Embassy Stockholm, Sweden</i>
ISP-I-12-06A	<i>Inspection of Embassy Algiers, Algeria</i>
ISP-I-12-07	<i>Inspection of the Bureau of Administration, Global Information Services, Global Publishing Solutions</i>
ISP-I-12-08A	<i>Inspection of Embassy Nassau, The Bahamas</i>
ISP-I-12-09A	<i>Inspection of Embassy Caracas, Venezuela</i>
ISP-I-12-10A	<i>Inspection of Embassy Beirut, Lebanon</i>
ISP-I-12-11A	<i>Inspection of Embassy Hanoi and Consulate General Ho Chi Minh City, Vietnam</i>
ISP-I-12-12A	<i>Inspection of the American Institute in Taiwan</i>
ISP-I-12-15	<i>Inspection of the Bureau of Educational and Cultural Affairs</i>
ISP-I-12-16A	<i>Inspection of Embassy Vienna, Austria</i>
ISP-I-12-17A	<i>Inspection of the U.S. Mission to International Organizations in Vienna</i>
ISP-I-12-18A	<i>Inspection of the U.S. Mission to the Organization for Security and Cooperation in Europe</i>
ISP-I-12-19A	<i>Inspection of Tri-Mission Vienna Joint Management Office</i>
ISP-C-12-20	<i>Compliance Follow-up Review of Embassy Copenhagen, Denmark</i>

## CLASSIFIED REPORTS ISSUED

<b>Report Number</b>	<b>Report Title</b>
ISP-S-12-02A	<i>Detainee Transfers, Assurances, and Monitoring: Annual Report for 2010-2011 and Compliance Follow-up Review</i>
ISP-S-12-03A	<i>Second On-Site Review of the New Consulate Compound Construction Site – Guangzhou, China</i>
ISP-S-12-06A	<i>Classified Annex to the Inspection of Embassy Algiers, Algeria</i>
ISP-S-12-08A	<i>Classified Annex to the Inspection of Embassy Nassau, The Bahamas</i>
ISP-S-12-09A	<i>Classified Annex to the Inspection of Embassy Caracas, Venezuela</i>
ISP-S-12-10A	<i>Classified Annex to the Inspection of Embassy Beirut, Lebanon</i>
ISP-S-12-11A	<i>Classified Annex to the Inspection of Embassy Hanoi and Consulate General Ho Chi Minh City, Vietnam</i>
ISP-S-12-12A	<i>Classified Annex to the Inspection of the American Institute in Taiwan</i>
ISP-S-12-16A	<i>Classified Annex to the Inspection of Embassy Vienna, Austria, and the U.S. Mission to the Organization for Security and Cooperation in Europe, and the U.S. Mission to International Organizations in Vienna</i>



# APPENDIX 3: SAVINGS AND MORE EFFECTIVE USE OF RESOURCES

**TABLE 1: INSPECTOR GENERAL ISSUED REPORTS WITH QUESTIONED COSTS**

<b>Type of Report</b>	<b>Number of Reports</b>	<b>Questioned Costs (Dollars in Thousands)</b>	<b>Unsupported Costs (Dollars in Thousands)</b>
A. For which no management decision had been made by the commencement of the reporting period	12	\$169,879*	\$73,827*
B. Which were issued during the reporting period			
<b>Audits</b>			
<i>Norwegian People's Aid Under DOS &amp; USAID Multiple Agreements Year Ended 12/31/08 (AUD/CG-12-09)</i>	1	\$6	\$6
<i>Funding Provided by ARRA for Foreign Affairs Security Training Center (AUD/CG-12-13)</i>	1	\$23	\$0
<i>Norwegian People's Aid Under DOS &amp; USAID Multiple Agreements Year Ending 12/31/09 (AUD/CG-12-20)</i>	1	\$78	\$64
<i>Improved Contract Documentation &amp; Monitoring by the Regional Procurement Support Office - PEPFAR (AUD/IP-12-03)</i>	1	\$2,126	\$0
<b>Evaluations</b>	0	\$0	\$0
<b>Total issued during the reporting period</b>	<b>4</b>	<b>\$2,233</b>	<b>\$69</b>
<b>Subtotals (A+B)</b>	<b>16</b>	<b>\$172,111</b>	<b>\$73,896</b>
C. For which a management decision was made during the reporting period			
(i) dollar value of disallowed costs	5	\$7,919	\$11
(ii) dollar value of costs not disallowed	5	\$594	\$541
D. For which no management decision has been made by the end of the reporting period	10	\$163,598	\$73,344
Reports for which no management decision was made within six months of issuance	8	\$161,394	\$73,280

\* Final amounts in the previous SAR were adjusted based on updated information and an analysis of open recommendations.

**TABLE 2: INSPECTOR GENERAL ISSUED REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE**

<b>Type of Report</b>	<b>Number of Reports</b>	<b>Dollars (in Thousands)</b>
A. For which no management decision had been made by the commencement of the reporting period	17*	\$237,153*
B. Which were issued during the reporting period		
<b>Audits</b>		
<i>Funding Provided by ARRA for CA Bureau Passport Facilities Project (AUD/CG-12-25)</i>	1	\$1,386
<b>Inspections</b>		
<i>Inspection of Embassy Nassau, Bahamas (ISP-I-12-08A)</i>	1	\$492
<i>Inspection of Embassy Beirut, Lebanon (ISP-I-12-10A)</i>	1	\$25
<i>Inspection of Embassy Hanoi, Vietnam (ISP-I-12-11A)</i>	1	\$200
<i>Inspection of American Institute in Taiwan (ISP-I-12-12A)</i>	1	\$7,475
<i>Inspection of Embassy Vienna, Austria (ISP-I-12-16A)</i>	1	\$711
<i>Inspection of Tri-Mission Vienna JMO (ISP-I-12-19A)</i>	1	\$1,050
<b>Total issued during the reporting period</b>	<b>7</b>	<b>\$11,338</b>
<b>Subtotals (A+B)</b>	<b>24</b>	<b>\$248,491</b>
C. For which a management decision was made during the reporting period		\$7,794
(i) dollar value of recommendations that were agreed to by management	9	\$6,969
– based on proposed management action		
– based on proposed legislative action		
(ii) dollar value of recommendations that were not agreed to by management	2	\$825
D. For which no management decision has been made by the end of the reporting period	19	\$240,697
Reports for which no management decision was made within six months of issuance	12	\$229,359

\* Final amounts in the previous SAR were adjusted based on updated information and an analysis of open recommendations.

# APPENDIX 4: RESOLUTION OF REPORTS AND RECOMMENDATIONS

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## SIGNIFICANT OFFICE OF AUDITS RECOMMENDATIONS PENDING FINAL ACTION

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
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.	
	2	OIG recommended the Department take actions to address the \$2.9 million in unallowable costs identified in this report, including the following: <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• Resolving any unallowable costs associated with property that was determined to be unnecessary to the accomplishment of contract objectives.</li> </ul>	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
AUD/IQO-09-25	3	<p>OIG recommended the Department take the following steps to address the \$25.5 million in unsupported costs indentified in this report:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Determine whether the property was needed and consistent with contract requirements.</li> <li>• 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.</li> </ul>	10/09
	5	<p>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>	
	1	<p>OIG recommended 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.</p>	
	2	<p>OIG recommended 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.</p>	
	4	<p>OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover \$1.7 million 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.</p>	
	6	<p>OIG recommended 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.</p>	

<b>Report Number</b>	<b>Rec. No.</b>	<b>Report Title Recommendation Summary</b>	<b>First Reported</b>
	7	OIG recommended 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 recommended 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 recommended 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.	
	10	OIG recommended 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 recommended 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 recommended 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 New Embassy Compound Baghdad contracts.	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
	13	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover approximately \$38 million for the housing, infrastructure, support facilities, chancery, and pre-engineered buildings to compensate the U.S. Government for the higher future maintenance costs and negotiate a settlement with First Kuwaiti Trading and Contracting to fund the additional long-term maintenance costs.	
	14	OIG recommended 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.	
MERO-I-11-02		<i>Performance Evaluation of PAE Operations and Maintenance Support for the Bureau of International Narcotics and Law Enforcement Affairs' Counternarcotics Compounds in Afghanistan</i>	2/11
	2	OIG recommended that the Bureau of International Narcotics and Law Enforcement Affairs implement a quality assurance surveillance plan to evaluate and measure overall contractor performance and the performance of subcontractors in operations and maintenance support against the contract and task order to determine if the contractor and subcontractors are providing the required services.	
	3	OIG recommended that the Bureau of International Narcotics and Law Enforcement Affairs ensure that a sufficient number of dedicated contracting officer's representatives are physically present in Afghanistan to provide proper oversight of the contracts for operation and maintenance support at the counternarcotics compounds.	
	6	OIG recommended that the Bureau of International Narcotics and Law Enforcement Affairs, in coordination with Embassy Kabul and in consultation with the Drug Enforcement Administration, evaluate the physical security requirements at the Kabul counternarcotics compound.	
	7	The Office of Acquisitions Management should require PAE to incorporate engineering data into the maintenance and operations support plan for the counternarcotics compound in Kunduz, resolve construction deficiencies in the laundry facility and kitchen, and assess the electric power needs of the compound before purchasing new diesel generators.	

<b>Report Number</b>	<b>Rec. No.</b>	<b>Report Title Recommendation Summary</b>	<b>First Reported</b>
MERO-I-11-05	9	OIG recommended that the Bureau of International Narcotics and Law Enforcement Affairs ensure all guards at the counternarcotics compound in Kunduz are familiar with standard operating procedures for security and that guards are getting sufficient rest and days off.	
		<i>Performance Evaluation of PAE Operations and Maintenance Support at Embassy Kabul, Afghanistan</i>	1/11
	2	The Bureau of Administration should seek reimbursement of \$193,600 from PAE for award fees paid for all four quarters of the base year of the contract (September 2005-September 2006), since performance criteria had not yet been established or authorized for that year.	
	3	The Bureau of Administration should seek reimbursement of \$41,730 from PAE for award fees granted based on points earned for training in option years 1-3 (September 2006-September 2009), since all training-related work was completed at the end of the base year (September 2005-September 2006).	
	12	The Bureau of Administration should seek reimbursement of \$248,820 from PAE for escort services invoiced and paid for, but not rendered, from March 2009 through June 2010.	
	16	The Bureau of Administration should modify the PAE contract to include Federal Acquisition Regulation clause 52.222-50 (Combating Trafficking in Persons).	

## SUMMARY OF OFFICE OF AUDITS REPORTS WITHOUT MANAGEMENT DECISION FOR MORE THAN SIX MONTHS

**Report Number:** AUD/FM-10-28

**Subject:** Audit of Corrective Action Plan for Real Property

**Date Issued:** August 25, 2010

**Reason for not being resolved:** In January 2011, the Bureau of Overseas Buildings Operations requested an extension from OIG to respond to the recommendation (No. 3) that called for a corrective action plan to improve and formalize the accountability process for task owners and that will monitor and track the completion of corrective action plan milestones. The extension was granted by OIG until April 2011; however, OIG had not received a response as of the end of this reporting period. Therefore, Recommendation 3 remains unresolved.

**Projected date of resolution:** September 2012

**Report Number:** MERO-I-11-04

**Subject:** Design and Construction of Embassy Dushanbe's Recreation Center

**Date Issued:** March 30, 2011

**Reason for not being resolved:** OIG recommended that the Department require the contracting officer for a post-managed construction project to obtain an internal audit before awarding a contract that varies by more than 20 percent from the Independent Government Cost Estimate and establish minimum technical qualifications for contracting officer's representatives overseeing post-managed construction projects to ensure construction meets quality standards. The Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, and the Bureau of Overseas Buildings Operations were requested to respond to Recommendations 2 and 5, respectively, by February 29, 2012. However, OIG did not receive responses as of the end of this reporting period. Therefore, Recommendations 2 and 5 remain unresolved.

**Projected date of resolution:** May 2012

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**Report Number:** MERO-I-11-05

**Subject:** PAE Maintenance and Operations at Embassy Kabul

**Date Issued:** January 4, 2011

**Reason for not being resolved:** Embassy Kabul was requested to respond to the report's nine recommendations that pertained to it by February 3, 2011. However, Embassy Kabul did not respond to Recommendations 4, 5, 6, 7, 9, 10, 13, 14, and 15 by the end of this reporting period. OIG plans to perform a followup review on these recommendations in April 2012. Therefore, these nine recommendations remain unresolved.

**Projected date of resolution:** May 2012

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**Report Number:** AUD/FM-11-29

**Subject:** Expenditures From the Department of State Emergencies in the Diplomatic and Consular Service Appropriation

**Date Issued:** August 8, 2011

**Reason for not being resolved:** OIG recommended that the Bureau of Resource Management (RM) obtain an opinion from the Office of the Legal Adviser as to whether the Emergencies in the Diplomatic and Consular Service appropriation should have been used to upgrade the kitchen that services the Diplomatic Reception

Rooms and on the specific circumstances under which additional representation funds can be provided to overseas posts. In communications with OIG during March 2012, Department officials stated that they would not provide a legal opinion on past events but would provide an informal memorandum. OIG received a draft memorandum at the end of this reporting period, however, it has not been finalized. Therefore, two recommendations (Nos. 3 and 4) remain unresolved.

**Projected date of resolution:** June 2012

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**Report Number:** AUD/CG-11-30

**Subject:** Department of Defense Funds Provided to Department of State for the Afghan National Police

**Date Issued:** July 11, 2011

**Reason for not being resolved:** OIG recommended that the Department return funds to the Department of Defense that were determined to be outside the scope of reimbursable agreements; perform a joint investigation with the Defense Security Cooperation Agency of potential Antideficiency Act violations of funds obligated outside the scope of the reimbursable agreements; require all contracting officers, supporting staff, and personnel involved in obligating or disbursing funds to take appropriation law training classes; and increase the scope of the pre-payment invoice review for task order 5375 invoices to identify unauthorized costs and develop procedures to validate specific costs. The Bureau of International Narcotics and Law Enforcement Affairs, the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, and the Bureau of Resource Management and Chief Financial Officer were requested to respond to recommendations by January 9, 2012, January 20, 2012, and February 5, 2012, respectively. However, OIG had not received responses as of the end of the reporting period. Therefore, 15 recommendations (Nos. A.1.b; A.5.a and A.5.f; A.6; A.8.a, A.8.b, A.8.c, A.8.d, A.8.e, and A.8.f; and B.1.a, B.1.b, B.1.c, B.1.d, and B.1.e) remain unresolved.

**Projected date of resolution:** July 2012

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**Report Number:** AUD/CG-11-44

**Subject:** Afghan National Police Training – Better Compliance With the Economy Act and Reimbursable Agreements

**Date Issued:** August 25, 2011

**Reason for not being resolved:** OIG recommended that the Department of State identify and return funds to the Department of Defense that were improperly obligated; develop and implement policies and procedures to ensure that any appropriation

limitations on funds transferred to other U.S. Government agencies were taken into account before obligating funds for personal services contracts; and develop policies and procedures to ensure that that before obligating funds under an Economy Act order, the Department validated that the ordering agency had the necessary authority to obligate funds for those purposes. The Bureau of International Narcotics and Law Enforcement Affairs was requested to respond to the recommendation by January 9, 2012. However, OIG had not received a response as of the end of this reporting period. Therefore, three recommendations (Nos. 1.a, 1.d, and 1.e) remain unresolved.

**Projected date of resolution:** August 2012

## REVISED MANAGEMENT DECISIONS

None.

## MANAGEMENT SUCCESS IN RESOLVING AND IMPLEMENTING RECOMMENDATIONS

### *Performance Evaluation of the Bureau of Diplomatic Security Kabul Embassy Security Force (MERO-A-10-11)*

OIG recommended that the Department attempt to recover funds from contractors for false claims and misuse of U.S. Government-furnished weaponry. The contractors returned \$7.9 million to the U.S. Government.

## SIGNIFICANT INSPECTIONS RECOMMENDATIONS PENDING FINAL ACTION

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
ISP-I-11-11		<i>Inspection of the Department's Required and Congressionally Mandated Reports: Assessment of Resource Implications</i>	10/10
	2	The Bureau of Legislative Affairs, in coordination with the Office of the Legal Adviser and the Executive Secretariat, should consult Congress about submitting congressionally mandated reports for some specific countries in less detail, and identifying those reports to the appropriate congressional committees.	

<b>Report Number</b>	<b>Rec. No.</b>	<b>Report Title Recommendation Summary</b>	<b>First Reported</b>
	3	The Office of Management Policy, Rightsizing and Innovation, in coordination with the Bureau of Resource Management, should direct all missions to document the approximate costs (to reflect time and pay scales of personnel involved) that are devoted to the preparation of congressionally mandated and Department reports, and include this data in annual budget requests.	
ISP-I-11-37		<i>Review of the Oversight of Rest &amp; Recuperation Travel Documentation and Certification</i>	04/11
	1	OIG recommended that the Under Secretary for Management should transfer the responsibility for approval and certification for rest and recuperation travel benefits from the regional bureaus to the Offices of Allowances in the Bureau of Administration to facilitate the timely submissions of justifications for continued eligibility of benefits by rest and recuperation posts.	
	2	OIG recommended that the Bureau of Administration should obtain updated biennial documentation from overseas posts currently receiving rest and recuperation benefits and reassess justifications for continued eligibility.	
ISP-I-11-54A		<i>Inspection of the U.S. Mission to the United Nations, New York</i>	07/11
	2	OIG recommended that the Bureau of International Organization Affairs, in coordination with the U.S. Mission to the United Nations, the Bureau of Diplomatic Security, and the Office of the Under Secretary for Management, should develop standing guidance for support staffing in New York and Washington, and budgeting for permanent representatives with and without Cabinet rank.	
ISP-I-11-57		<i>Inspection of the Office of the Director of U.S. Foreign Assistance</i>	08/11
	1	OIG recommended that the Office of the Director of U.S. Foreign Assistance should request that the Deputy Secretary of State for Management and Resources issue a statement emphasizing the Office of the Director of U.S. Foreign Assistance's central role in foreign assistance planning and budgeting, and requiring that Department bureaus consult with the office whenever the use of foreign assistance resources is contemplated.	

<b>Report Number</b>	<b>Rec. No.</b>	<b>Report Title Recommendation Summary</b>	<b>First Reported</b>
	2	OIG recommended that the Office of the Director of U.S. Foreign Assistance should conclude and disseminate a written understanding on the budget process with the U.S. Agency for International Development, including respective roles of the Department's Office of the Director of U.S. Foreign Assistance and the U.S. Agency for International Development's Office of Budget and Resource Management and participating bureaus in both organizations, for the preparation of the FY 2014 foreign assistance budget.	
	6	OIG recommended that the Office of the Director of U.S. Foreign Assistance, in coordination with the Bureau of Resource Management, should prepare a study to determine whether there are cost-effective solutions for collecting timely data on budget execution, and make the data accessible to the Office of the Director of U.S. Foreign Assistance, its operating units, and stakeholders.	

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

**Report Number:** ISP-I-11-60

**Subject:** Report of Inspection of the Bureau of Consular Affairs, Overseas Citizens Services, Office of American Citizens Services and Crisis Management

**Date Issued:** August 15, 2011

**Reason for Not Being Resolved:** OIG recommended that The Bureau of Consular Affairs (CA) eliminate two positions in the Office of American Citizens Services and placed a hold on both positions to preclude the positions being encumbered. CA disagreed with the recommendations. OIG and CA are in the process of reaching an acceptable solution for both recommendations.

**Projected Date of Resolution:** June 2012

**Report Number:** ISP-I-11-11

**Subject:** Report of Inspection of Department Required and Congressionally Mandated Reports: Assessment of Resource Implications

**Date Issued:** October 25, 2010

**Reason for Not Being Resolved:** OIG recommended that the Office of Management Policy, Rightsizing and Innovation (M/PRI), direct all missions to document the approximate costs that are devoted to preparation of congressionally mandated and Department-required reports, and to include this data in annual budget requests. M/PRI delayed responding to the recommendation but reported that it would provide an update to the recommendation after the release of the Quadrennial Diplomacy and Development Review (QDDR) progress report to the Secretary. M/PRI and OIG are working to resolve this recommendation in the near future.

**Projected Date of Resolution:** May 2012

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**Report Number:** ISP-I-11-47

**Subject:** Report of Inspection of the Bureau of South and Central Asian Affairs

**Date issued:** June 22, 2011

**Reason for Not Being Resolved:** OIG recommended that the Bureau of South Central Asian Affairs (SCA) should publish a single policy on requests for extension of 3161 employment that describes the process by which extension requests will be reviewed, approved, or denied. OIG also recommended that SCA develop a written rating system for employees hired temporarily under 3161 authority, and assigned outside Iraq, to make possible a vetting system for reemployment. SCA reported that it has no authority over 3161 employment issues, and OIG transferred action to the Special Representative for Afghanistan and Pakistan (S/SRAP). A response is pending.

**Projected Date of Resolution:** March 31, 2012

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**Report Number:** ISP-I-11-55A

**Subject:** Report of Inspection of Embassy Seoul, Korea

**Date issued:** August 1, 2010

**Reason for Not Being Resolved:** OIG recommended that Embassy Seoul develop and implement a plan to transfer a portion of the embassy's voucher workload to the Post Support Unit. Embassy Seoul disagreed with the recommendation. OIG also made several recommendations to the Bureau of Overseas Buildings Operations (OBO) to: identify and evaluate the costs associated with the United States Forces Korea's departure in 2016; conduct a design survey for new embassy compound; and send a team to conduct a survey of housing options to assess the cost of converting infrastructure in the current housing compound. OBO disagrees with the recommendations. OIG is working with the action offices to seek consensus and resolution of the recommendations.

**Projected Date of Resolution:** April 2012

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**Report Number:** ISP-I-11-49

**Subject:** Report of Inspection of the Bureau of Near Eastern Affairs

**Date issued:** May 2011

**Reason for Not Being Resolved:** OIG recommended that the Bureau of Near Eastern Affairs (NEA) submit to the Bureau of Human Resources a list identifying both delinquent performance evaluation raters and Civil Service employees whose appraisal reports were late or not prepared. In addition, OIG recommended that NEA institute a policy with sanctions that would require supervisors to complete employee appraisal reports prior to leaving their positions with the bureau. NEA disagreed with the recommendations. OIG is consulting with NEA and the Bureau of Human Resources to resolve the recommendation.

**Projected Date of Resolution:** June 15, 2012

## REVISED MANAGEMENT DECISIONS

None.

## MANAGEMENT SUCCESS IN RESOLVING AND IMPLEMENTING RECOMMENDATIONS

### *Inspection of Embassy Valletta, Malta (ISP-I-11-16A)*

OIG recommended, and the Bureau of European and Eurasian Affairs agreed, to discontinue rest and recuperation benefits for Embassy Valletta at an annually-recurring value of approximately \$40,000 in funds put to better use.

### *Inspection of Embassy Pretoria, South Africa (ISP-I-11-42A)*

OIG recommended that Embassy Pretoria significantly downsize or close Consulate General Durban. Embassy Pretoria eliminated one U.S. direct-hire position, one eligible family member position and three locally employed staff positions at an annually-recurring value of approximately \$690,000 in funds put to better use..

### *Inspection of Embassy Warsaw, Poland (ISP-I-11-64A)*

In the report of inspection of Embassy Warsaw, OIG issued 14 cost-saving recommendations. During this SAR reporting period, Embassy Warsaw implemented six recommendations totaling more than \$1.4 million in funds put to better use. The implemented recommendations include: Eliminating two U.S. direct-hire positions

(replacing one with an eligible family member); eliminating two part-time and four full-time locally employed staff; and implementing procedures to factor value-added tax reimbursement into Embassy Warsaw's cost of living allowance calculations.

## INVESTIGATIVE MANAGEMENT ASSISTANCE REPORT RECOMMENDATIONS PENDING FINAL ACTION

<b>Report Number</b>	<b>Rec. No.</b>	<b>Report Title Recommendation Summary</b>	<b>First Reported</b>
INV/P2012-014		<i>Management Assistance Report P2012-014</i>	02/12
	1	OIG recommended the Under Secretary for Management, in coordination with the Office of the Legal Advisor, ensure DOS employees occupying positions whose duties and responsibilities require them to participate personally and substantially in activities that so affect a non-Federal entity be required to submit a confidential financial disclosure report (OGE-450).	
INV/C2010-031		<i>Management Assistance Report C2010-031</i>	02/12
	1	OIG recommended the Office of Acquisitions Management in coordination with the Office of the Procurement Executive, require all contractors to submit a list of all principals as defined in the representations and certifications to the Department as part of the contract bidding package.	
	2	OIG recommended the Office of the Procurement Executive issue guidance requiring all contracting officers, in addition to searching the EPL for company names, to include a search of the names of all principal officers listed to determine if any party has been suspended or debarred from government contracting.	



# APPENDIX 5: AUDITS PERFORMED BY CONTRACTORS

<b>Report Number</b>	<b>Report Title</b>	<b>Contractor</b>	<b>Type of Engagement</b>
AUD/CG-12-10	<i>Audit of International Boundary and Water Commission Construction Contract With Inuit Services, Inc., Using Funds Provided by the American Recovery and Reinvestment Act</i>	Cotton & Company, LLP	Performance Audit
AUD/CG-12-11	<i>Audit of International Boundary and Water Commission Construction Contract With Sun Belt Builders, Inc., Using Funds Provided by the American Recovery and Reinvestment Act</i>	Cotton & Company, LLP	Performance Audit
AUD/CG-12-13	<i>Audit of Funding Provided by the American Recovery and Reinvestment Act for the Foreign Affairs Security Training Center</i>	Cotton & Company, LLP	Performance Audit
AUD/CG-12-20	<i>Audit of Norwegian People's Aid Under Department of State and U.S. Agency for International Development Multiple Agreements for Year Ended December 31, 2009</i>	Gelman, Rosenberg & Freedman CPAs	Performance Audit
AUD/CG-12-25	<i>Audit of Funding Provided by the American Recovery and Reinvestment Act for the Bureau of Consular Affairs Passport Facilities Project</i>	Cotton & Company, LLP	Performance Audit
AUD/CG-12-26	<i>Audit of Contracting Officers Exceeding Delegated Procurement Authority</i>	Kearney & Company, P.C.	Performance Audit
AUD/FM-12-01	<i>Independent Accountant's Report on the Application of Agreed-Upon Procedures: Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management</i>	Kearney & Company, P.C.	Financial Statement
AUD/FM-12-04	<i>Independent Auditor's Report on the U.S. Department of State 2011 and 2010 Special-Purpose Financial Statements</i>	Kearney & Company, P.C.	Financial Statement
AUD/FM-12-05	<i>Independent Auditor's Report on the U.S. Department of State 2011 and 2010 Financial Statements</i>	Kearney & Company, P.C.	Financial Statement
AUD/FM-12-06	<i>Management Letter Related to the Audit of the U.S. Department of State 2011 Financial Statements</i>	Kearney & Company, P.C.	Financial Statement
AUD/FM-12-31	<i>Audit of Department of State Compliance With the Improper Payments Information Act</i>	Kearney & Company, P.C.	Performance Audit
AUD/IP-12-02	<i>Audit of Bureau of East Asian and Pacific Affairs Compliance With Trafficking in Persons Requirements</i>	RM Advisory Services, LLC	Performance Audit
AUD/IT-12-14	<i>Evaluation of Department of State Information Security Program</i>	Williams Adley & Company, LLP	Independent Evaluation



# APPENDIX 6: PEER REVIEWS CONDUCTED BY OTHER OFFICES OF INSPECTOR GENERAL

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Peer reviews are conducted of an OIG audit organization's system of quality control on a 3-year cycle in accordance with the *CIGIE [Council of the Inspectors General on Integrity and Efficiency] Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*, based on requirements in the *Government Auditing Standards*. Federal audit organizations can receive a rating of pass, pass with deficiencies, or fail.

The Office of Audits did not undergo a Peer Review during this reporting period. The last Office of Audits Peer Review was conducted by the National Aeronautics and Space Administration (NASA), with a report issued on October 12, 2009. That report contained five recommendations to the Middle East Region Operations (MERO) and two recommendations to AUD designed to further strengthen the system of quality control in both organizations. (MERO subsequently merged with AUD.) NASA's OIG agreed with the actions taken and planned for the recommendations and considered the recommendations closed.

OIG's Office of Investigations was the subject of a Quality Assessment (Peer) Review conducted in September 2011 by the Railroad Retirement Board, Office of Inspector General (RRB-OIG). RRB-OIG issued its final Peer Review report on November 10, 2011. RRB-OIG found the Office of Investigations to be in compliance with the internal safeguards and management procedures standards set by the Council of Inspectors General on Integrity and Efficiency, and did not make any formal recommendations in its report.





**BROADCASTING  
BOARD OF  
GOVERNORS**



# OFFICE OF AUDITS

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## ***Independent Auditor's Report on the Broadcasting Board of Governors 2011 and 2010 Financial Statements (AUD/IB-12-07)***

In an audit of BBG's 2011 and 2010 financial statements, an independent external auditor determined that the financial statements present fairly, in all material respects, BBG's financial position as of September 30, 2011 and 2010, and its net cost of operations, changes in net position, and changes in budgetary resources for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The auditor found significant deficiencies in internal control related to property, unliquidated obligations, and the liability for Foreign Service national after-employment benefits.

## ***Management Letter Related to the Audit of the Broadcasting Board of Governors 2011 and 2010 Financial Statements (AUD/IB-12-08)***

During the audit of BBG's 2011 and 2010 financial statements, an independent external auditor identified internal control weaknesses or instances of noncompliance with selected provisions of applicable laws and regulations relating to information security, Fund Balance with Treasury, accounts receivable, nonpersonnel expenses and accounts payable accrual, and accounts payable.

The external auditor made recommendations for BBG to address these weaknesses.

## ***Survey of Broadcasting Board of Governors Suspension and Debarment Process (AUD/CG-12-24)***

OIG conducted a survey of BBG's suspension and debarment process to determine the efficacy of BBG's suspension and debarment policies and procedures to ensure that BBG (1) did not solicit offers from, and award contracts to, contractors whose names are in the Excluded Parties List System (EPLS); (2) promptly reported, investigated, and referred to the debarring official (the individual authorized by the agency head to impose debarment) matters appropriate for that official's consideration; and (3) made practical suspension and debarment decisions consistent with the principles of fundamental fairness as defined in Federal regulations.

OIG determined that BBG did not have sufficiently detailed suspension and debarment policies and procedures and did not record certain contractor performance information in Federal automated procurement databases. However, OIG could not determine the extent of BBG's actions regarding contractors whose names were on EPLS.

OIG made recommendations for BBG to strengthen its suspension and debarment policies and procedures and for it to develop procedures to ensure all pertinent contractor performance information is recorded in the databases.

***Audit of Broadcasting Board of Governors Compliance With the Improper Payments Information Act (AUD/IB-12-32)***

In compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA), OIG audited BBG's compliance with the Improper Payments Information Act of 2002, as amended by IPERA.

OIG found that BBG had not performed an assessment of the risk of improper payments and had not implemented a payment recapture audit program. Also, BBG had not included all required information in its Performance and Accountability Report (PAR).

OIG recommended that BBG either perform a risk assessment and implement recapture audit techniques or better document the determination that these processes are not beneficial. OIG also recommended that BBG develop a standardized process to ensure all required information is included in the PAR.

***Evaluation of the Broadcasting Board of Governors Information Security Program (AUD/IT/IB-12-15)***

In response to the Federal Information Security Management Act of 2002 (FISMA), OIG had an independent public accountant review BBG's Information Security Program to evaluate BBG's progress in addressing FISMA information management and information security program requirements.

The public accountant found that BBG, since the FY 2010 review, had improved management controls, completed security tests and evaluations and developed risk assessments and system security plans for its major systems, implemented a more robust security incident response tracking process, and developed password management policies and procedures to reduce the risk of unauthorized access.

Overall, BBG had continued its efforts to further develop its information security program. However, the public accountant made recommendations for BBG to improve and bring the program into compliance with applicable requirements.

# OFFICE OF INSPECTIONS

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## ***Limited Inspection of Broadcasting Board of Governors Operations in Vietnam (ISP-IB-12-13)***

OIG conducted a limited scope inspection of a computer and dedicated Internet network (DIN) maintained by the Voice of America (VOA) on the grounds of Consulate General Ho Chi Minh City, Vietnam.

The inspection team found that the VOA DIN does not place a burden on the consulate's operations and that all equipment is located in an appropriately secured building, receives annual maintenance from VOA's Hong Kong personnel, and is in good working order.

The OIG team made no recommendations.

## ***Limited Inspection of Broadcasting Board of Governors Operations in Taiwan (ISP-IB-12-14)***

OIG conducted a limited inspection of BBG operations in Taiwan. Radio Free Asia (RFA) Taipei is staffed by contract employees and works in four formats: written, audio, video, and online.

The inspection showed that RFA Taipei communicates daily with RFA headquarters, which handles all of its financial management. The American Institute in Taiwan does not provide management services to RFA Taipei, which has little or no contact with the American Institute in Taiwan, and is not regularly notified of American Institute in Taiwan press conferences or public events.

The OIG team reminded the American Institute in Taiwan public diplomacy section that it should treat RFA like any other commercial media correspondent, including it in media announcements and press releases. There were no formal recommendations.



# APPENDIX 1: BROADCASTING BOARD OF GOVERNORS INVESTIGATIVE ACTIVITIES

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<b>Preliminary Inquiries</b>	
Opened	2
Closed	1
<b>Investigations</b>	
Opened	2
Closed	0
Pending (3/31/12)	2
<b>Criminal Actions</b>	
Referrals for Prosecution	0
Indictments/Informations	0
Convictions	0
Sentencings (Months Imprisonment)	0
Sentencings (Months Probation)	0
Declinations	0
<b>Civil Actions</b>	
Civil Referrals	0
Civil Judgments	0
Civil Declinations	0
<b>Administrative Referrals</b>	
Referrals for Personnel Action	0
Suitability Referrals to DS	0
Contractor Suspension/Debarment Referrals	0
<b>Administrative Actions</b>	
Removals	0
Suspensions	0
Reprimand/Admonishments	0
Contractor Suspension/Debarments/High Risks	0
<b>Monetary Recoveries</b>	
Criminal Fines/Recoveries	\$0
Civil Recoveries	\$0
Administrative Recoveries	\$0
<b>Total Investigative Recoveries</b>	<b>\$0</b>



## APPENDIX 2: BROADCASTING BOARD OF GOVERNORS REPORTS ISSUED

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<b>Report Number</b>	<b><i>Report Title</i></b>
AUD/CG-12-24	<i>Survey of Broadcasting Board of Governors Suspension and Debarment Process</i>
AUD/IB-12-07	<i>Independent Auditor's Report on the Broadcasting Board of Governors 2011 and 2010 Financial Statements</i>
AUD/IB-12-08	<i>Management Letter Related to the Audit of the Broadcasting Board of Governors 2011 and 2010 Financial Statements</i>
AUD/IB-12-32	<i>Audit of Broadcasting Board of Governors Compliance With the Improper Payments Act</i>
AUD/IT/IB-12-15	<i>Evaluation of the Broadcasting Board of Governors Information Security Program</i>
ISP-IB-12-13	<i>Memorandum Report: Limited Inspection of Broadcasting Board of Governors Operations in Vietnam</i>
ISP-IB-12-14	<i>Memorandum Report: Limited Inspection of Broadcasting Board of Governors Operations in Taiwan</i>



# APPENDIX 3: SAVINGS AND MORE EFFECTIVE USE OF RESOURCES

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**TABLE 1: INSPECTOR GENERAL ISSUED REPORTS WITH QUESTIONED COSTS**

<b>Type of Report</b>	<b>Number of Reports</b>	<b>Questioned Costs (Dollars in Thousands)</b>	<b>Unsupported Costs (Dollars in Thousands)</b>
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
<b>Subtotals (A + B)</b>	<b>0</b>	<b>\$0</b>	<b>\$0</b>
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**

<b>Type of Report</b>	<b>Number of Reports</b>	<b>Dollars (in Thousands)</b>
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
<b>Subtotals (A + B)</b>	<b>0</b>	<b>\$0</b>
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 6 months of issuance	0	\$0

# APPENDIX 4: RESOLUTION OF REPORTS AND RECOMMENDATIONS

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## SIGNIFICANT AUDIT RECOMMENDATIONS PENDING FINAL ACTION

None.

## SUMMARY OF OFFICE OF AUDITS REPORTS WITHOUT MANAGEMENT DECISION FOR MORE THAN SIX MONTHS

None.

## REVISED MANAGEMENT DECISIONS

None.

## MANAGEMENT SUCCESS IN RESOLVING AND IMPLEMENTING RECOMMENDATIONS

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

OIG recommended that BBG improve the accuracy of annual and accumulated depreciation and the net book value of capitalized property as reported on the annual financial statements, and to improve internal controls relating to the valuation and annual verification of all personal nonexpendable property. As a result of OIG's recommendations, BBG provided guidance and training on the conduct of physical inventories of nonexpendable personal property; conducted and certified physical inventories of nonexpendable personal property at all overseas transmitting stations, with all applicable property accounted for; and updated property inventory records as appropriate. In addition, BBG assigned salvage values to applicable capitalized nonexpendable personal property, and modified and used its property accountability system as the source of capitalized nonexpendable personal property values and depreciation on BBG's annual financial statements.



# APPENDIX 5: AUDITS PERFORMED BY CONTRACTORS

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<b>Report Number</b>	<b>Report Title</b>	<b>Contractor</b>	<b>Type of Engagement</b>
AUD/IB-12-07	<i>Independent Auditor's Report on the Broadcasting Board of Governors 2011 and 2010 Financial Statements</i>	Clarke Leiper, PLLC	Financial Statement
AUD/IB-12-08	<i>Management Letter Related to the Audit of the Broadcasting Board of Governors 2011 and 2010 Financial Statements</i>	Clarke Leiper, PLLC	Financial Statement
AUD/IT/IB-12-15	<i>Evaluation of the Broadcasting Board of Governors Information Security Program</i>	Williams Adley & Company, LLP	Independent Evaluation



# CONGRESSIONAL AND PUBLIC AFFAIRS ACTIVITIES

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## TESTIMONY AND BRIEFINGS

- On November 2, 2011, Assistant Inspector General for Audits (AIGA) Evelyn R. Klemstine testified before the House Oversight and Government Reform Subcommittee on Technology, Information Policy, Intergovernmental Relations, and Procurement Reform on “Government Contractors Exploiting Workers Overseas: Examining Enforcement of the Trafficking Victims Protection Act.” The focus was on enforcement of the Trafficking Victims Protection Act of 2000 (Public Law 106-386), as amended. She testified with representatives of the Department of Defense (DOD) and the DOD Inspector General. The subcommittee requested that the Department, DOD, and USAID, as well as their respective IG offices, submit, by February 1, a summary of better approaches to trafficking-in-persons (TIP) oversight and enforcement.
- On December 7, 2011, Deputy Inspector General Harold W. Geisel testified before the House Oversight and Government Reform Subcommittee on National Security, Homeland Security, and Foreign Operations on “Oversight of Iraq and Afghanistan: Challenges and Solutions.” The focus of the subcommittee’s interest pertained to two OIG reports on Embassy Baghdad’s 2011 planning and transition to civilian control.
- On March 27, 2012, in a followup hearing on TIP enforcement, AIGA Klemstine, along with other Department and DOD representatives, discussed OIG’s views on strengthening enforcement of TIP in Government contracts, including strengthening the legal framework for enforcing TIP compliance and prosecuting TIP violators, establishing requirements in future contracts to make contractors more accountable for TIP compliance, and holding contracting officers and contracting officer’s representatives responsible for TIP oversight. The AIGA stated that OIG “will continue to vigorously perform its oversight role to ensure that the Department is properly discharging its programmatic responsibilities.”

During this reporting period, OIG’s briefings to congressional staff included the following:

- Two OIG current operations briefings: one for the Senate and one for the House Appropriations Subcommittees on Foreign Operations. These March 2012 briefings outlined the past year’s work, current activities, and planned oversight in FY 2013 and included a discussion of OIG resources.

- Briefings for the Senate Judiciary Committee staff and for the Senate Foreign Relations Committee staff were held during December 2011 and March 2012. The briefings focused on recently issued OIG audit and inspection reports and ongoing inspections and planned audits.
- OIG senior staff, along with DoD Inspector General and USAID OIG staff, briefed three committees in January 2012 on draft legislation on trafficking in persons (TIP) and OIG TIP enforcement assessments. Senior staff from the Senate Judiciary, Senate Foreign Relations, and House Oversight and Government Reform Committees attended.
- OIG Audits staff briefed congressional staff on the report *Department of State Process to Award the Worldwide Protective Services Contract and Kabul Embassy Security Force Task Order*, AUD/SI-12-15, December 2011.

## CONGRESSIONAL MANDATES AND REQUESTS

In March 2012, OIG concluded fieldwork on a review at the request of Senators Rand Paul and Charles Schumer regarding the immigration of two Iraqi nationals to Kentucky during 2009. OIG is one of six Inspectors General that received requests from the senators to review the matter. Three additional reviews were conducted at congressional request, including a best value-low cost assessment of local guard contracting (Senate Foreign Relations Committee); a logistics program evaluation for Embassy Baghdad (Senate Appropriations Committee) and special review of the Keystone XL Pipeline Permit Process (bicameral/14 Members).

As mandated by the Chief Financial Officers Act of 1990 (Public Law 101-576, as amended), OIG directed and monitored the following financial statement audits:

- *Independent Auditor's Report on the U.S. Department of State 2011 and 2010 Financial Statements*, AUD/FM-12-05, November 2011
- *Independent Auditor's Report on the Broadcasting Board of Governors 2011 and 2010 Financial Statements*, AUD/IB-12-07, November 2011

As mandated by the Federal Information Security Management Act of 2002 (FISMA) (44 U.S.C. § 3545), OIG issued the following reports:

- *Evaluation of Department of State Information Security Program*, AUD/IT-12-14, November 2011
- *Evaluation of the United States Section, International Boundary and Water Commission, Information Security Program*, AUD/IT-12-16, November 2011
- *Evaluation of the Broadcasting Board of Governors Information Security Program*, AUD/IT-12-15 November 2011

In accordance with the American Recovery and Reinvestment Act (Public Law 111-5), OIG issued the following reports:

- *Audit of Funding Provided by the American Recovery and Reinvestment Act for the Foreign Affairs Security Training Center*, AUD/CG-12-13, December 2011
- *Audit of International Boundary and Water Commission Construction Contract With Inuit Services, Inc., Using Funds Provided by the American Recovery and Reinvestment Act*, AUD/CG-12-10, November 2011
- *Audit of International Boundary And Water Commission Construction Contract With Sun Belt Builders, Inc., Using Funds Provided by the American Recovery and Reinvestment Act*, AUD/CG-12-11, December 2011

In compliance with the Improper Payments Elimination and Recovery Act of 2010, OIG issued the following reports:

- *Audit of Broadcasting Board of Governors Compliance With the Improper Payments Information Act*, AUD/IB-12-32, March 2012
- *Audit of Department of State Compliance With the Improper Payments Information Act*, AUD/FM-12-31, March 2012

To fulfill its responsibilities under the *William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008* (Public Law 110-457), OIG issued the following report:

- *Audit of Bureau of East Asian and Pacific Affairs Compliance With Trafficking in Persons Requirements*, AUD/IP-12-02, October 2011

## LEGISLATION MONITORED

OIG monitored the following legislation during the reporting period:

- *Continuing Appropriations Act, FY 2012* – Public Law 112-36.
- *Senate Foreign Relations Authorization Act for Fiscal Years 2012-13* (pending).
- *Foreign Relations Authorization Act, Fiscal Year 2012, Section 201*, H.R. 2583 (pending).

## MEDIA RELATIONS AND OUTREACH

During this semiannual period, OIG made its reports available to the media and other interested parties both directly and online through regular postings on its public Web site. OIG also sent out more than 60 announcements through its Twitter

account, “tweeting” to a base of nearly 1,000 “followers” when new reports or jobs were posted or when OIG participated in a congressional hearing.

OIG continues to improve its Web sites with the goal of enhancing their relevance and usefulness. In response to user feedback, OIG further refined the organization and formatting of its sites to increase ease of use and accessibility to information. These enhancements included reorganizing navigation panels, incorporating links and cross-links to library subpages, and adding the specific date on which a report was posted to the site. Additionally, the search function on the public site was optimized to help users find reports more quickly and easily.

Internal SharePoint site enhancements included creating a comprehensive *Inspections Resources* section and “month” and “year” views for the document libraries, as well as creating several new *Innovative Practice* case studies and new *OIG Activities* photo slide shows.

Media expressed interest in a broad range of OIG activities and initiatives, resulting in 52 direct responses to eight different issues.

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

- *Special Review of the Keystone XL Pipeline Permit Process* (AUD/SI-12-28) – Requests for information about this report accounted for 38 of the 52 total inquiries.
- *Inspection of the Bureau of Educational and Cultural Affairs* (ISP-I-12-15).
- Multiple inquiries about post reports that provided information on the performance of political appointees, including *Embassy Luxembourg, Luxembourg* (ISP-I-11-17A) January 2011; *Embassy Valletta, Malta* (ISP-I-11-16A) February 2011; and *Inspection of Embassy Nassau, The Bahamas* (ISP-I-12-08A).
- *Memorandum Report - Review of the FY 2012 Diversity Visa Program Selection Process*, ISP-I-12-01.

Additional inquiries included various reports on Department contracts for worldwide protective services; *Inspection of Embassy Beirut, Lebanon* (ISP-I-12-10A); *Department of State Planning for the Transition to a Civilian-Led Mission in Iraq, Performance Evaluation* (MERO-I-11-08) May 2011; and several inquiries about the ongoing Inspector General vacancy at the Department and possible OIG investigations.

**Foreign Delegations:** OIG regularly meets with officials from around the world to discuss a range of issues related to government oversight. During the latest SAR period, OIG met with representatives from Belgium, Hungary, South Sudan, Turkey, the Czech Republic, and Norway.

# ABBREVIATIONS

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<b>Abbreviation</b>	<b>Full Name</b>
A/GIS/GPS	The Bureau of Administration, Global Information Services, Global Publishing Solutions
A Bureau	Bureau of Administration
AFR	Agency Financial Report
AIGA	Assistant Inspector General for Audits
AUD	OIG Office of Audits
BBG	Broadcasting Board of Governors
CA	Bureau of Consular Affairs
CFR	compliance follow-up review
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CO	contracting officer
Department	U.S. Department of State
DOD	Department of Defense
DCM	Deputy Chief of Mission
DIN	dedicated Internet network
DS	Bureau of Diplomatic Security
DV	Diversity Visa Program
EAP	emergency action plan
ECA	Bureau of Educational and Cultural Affairs
EPLS	Excluded Parties List System
EIS	Environmental Impact Statement
EAP	emergency action plan
FASTC	Foreign Affairs Security Training Center
FBI	Federal Bureau of Investigation
FISMA	Federal Information Security Management Act of 2002
FOIA	Freedom of Information Act
FSI	Foreign Service Institute
IBB	International Broadcasting Bureau
IBWC	International Boundary and Water Commission
ICE	U.S. Immigration and Customs Enforcement
INV	OIG Office of Investigations
IPERA	Improper Payments Elimination and Recovery Act of 2010

<b>Abbreviation</b>	<b>Full Name</b>
IPIA	Improper Payments Information Act of 2002
IT	information technology
JMO	Tri-Mission Vienna Joint Management Office
M/PRI	Office of Management Policy, Rightsizing and Innovation
MERO	Middle East Region Operations
NEA	Bureau of Near Eastern Affairs
NEPA	National Environmental Policy Act
NID	National Interest Determination
OBO	Bureau of Overseas Buildings Operations
OIG	Office of Inspector General
ONDCP	Office of National Drug Control Policy
OPM	Office of Personnel Management
OSCE	Organization for Security and Cooperation in Europe
PAR	Performance and Accountability Report
PEPFAR	President's Emergency Plan for AIDS Relief
PIERS	Passport Information Electronic Records System
PM/WRA	Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement
QDDR	Quadrennial Diplomacy and Development Review
R&R	rest and recuperation
Recovery Act	American Recovery and Reinvestment Act
RFA	Radio Free Asia
RM	Bureau of Resource Management
RPSO	Regional Procurement Support Office
RRB-OIG	Railroad Retirement Board, Office of Inspector General
SAR	<i>Semiannual Report to the Congress</i>
S/SRAP	Special Representative for Afghanistan and Pakistan
SCA	Bureau of South Central Asian Affairs
TIP	trafficking in persons
TVPA	Trafficking Victims Protection Act of 2000
UNVIE	U.S. Mission to International Organizations in Vienna
USOSCE	U.S. Mission to the Organization for Security and Cooperation in Europe
USAID	U.S. Agency for International Development
VOA	Voice of America

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United States Department of State  
and the Broadcasting Board of Governors

*Office of Inspector General*