United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

Semiannual Report to the Congress

October 1, 2005 to March 31, 2006
Summary of OIG Accomplishments

Financial Results:

Questioned costs
Issued during the reporting period $ 471,000
Management decision during the reporting period $ 3,611,000

Recommendations for funds to be put to better use
Issued during the reporting period $ 7,716,000
Management decision during the reporting period $ 253,000

Investigative recoveries $ 3,888,413

Investigative Results:

Cases opened 21
Cases closed 29
Judicial actions 26
Administrative actions 16
Hotline and complaint activity 196

Reports Issued: 55

Picture on the front cover: Embassy Kabul, Afganistan
Picture provided by Office of Overseas Buildings Operations

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Office of Inspector General
U.S. Department of State
OIG/ADM, Room 810
1700 North Moore Street
Arlington, VA 22209
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EXECUTIVE SUMMARY

The auditors, inspectors, investigators, and other professionals in the Office of Inspector General (OIG) promote effective management, accountability, and positive change in the Department of State (Department), the Broadcasting Board of Governors (BBG), and the foreign affairs community. They provide leadership to:

- promote integrity, efficiency, effectiveness, and economy;
- prevent and detect waste, fraud, abuse, and mismanagement;
- identify vulnerabilities and recommend constructive solutions;
- offer expert assistance to improve Department and BBG operations;
- communicate timely, useful information that facilitates decision-making and achieves measurable gains; and
- keep the Department, BBG, and the Congress fully and currently informed.

During this semiannual period, OIG focused on key areas, including programs and operations in Iraq and Afghanistan, the Middle East, the Western Hemisphere, Security, Intelligence, Counterterrorism, and Financial Management to name just a few. Supplemental funding of $1.7 million enabled OIG to provide oversight in Iraq and Afghanistan. On the other hand, budget constraints restricted inspections of foreign posts to nine as compared to 20 foreign posts in the previous semiannual period. In lieu of the overseas inspections, OIG conducted inspections of six domestic bureaus and offices. Highlights of OIG’s accomplishments during this semiannual period include the following.

Iraq Afghanistan Oversight

OIG conducted an inspection of the numerous rule-of-law programs in Iraq, excluding the Iraq Police Training Program which was assessed last reporting period, and as to which the Inspector General followed up in his visits during this reporting period to the Jordan International Police Training Center and to Baghdad Police College. The estimated $400 million invested at the time of our inspection in rule-of-law activities under the Ambassador’s authority involved the Departments of State, Justice, and Defense as well as several contractors and
nongovernmental grantee organizations. OIG found most of that money appeared to have been well spent. However, OIG stressed the need for a fully integrated approach to justice-sector reform in Iraq and recommended that Embassy Baghdad design and implement a strategic plan that includes outcomes, benchmarks, and measures that would serve as the basis for the rule-of-law section in the Mission Performance Plan. In addition, interagency coordination presented a major challenge, and OIG recommended the embassy designate a full-time, senior rule-of-law coordinator. OIG noted that basic to the success of all hopes for democracy and good governance in Iraq is an effective anticorruption regime, and OIG urged support for Iraqi efforts to design a regime, including a training facility for anticorruption personnel from, and with the support of, Iraq’s Commission on Public Integrity, Board of Supreme Audit, and corps of Inspectors General.

In October 2005, the House Committee on Government Reform’s Subcommittee on National Security, Emerging Threats, and International Relations held a hearing on Iraq reconstruction, governance, and security. The Inspector General’s testimony provided an overview of several OIG Iraq-related projects, including OIG audits and inspections as well as OIG’s approach to oversight in Iraq. The majority of his testimony focused on OIG’s review of Iraqi rule-of-law programs and the interagency assessment of Iraqi police training done during the last semiannual period with the Department of Defense OIG.

At Embassy Kabul, Afghanistan, in a dangerous and stressful operating environment, OIG found an energetic staff engaged in counterterrorism, counternarcotics, and counterinsurgency, as well as the broad task of nation-building in a post-conflict environment. OIG commended the Embassy for its steps to wean the Afghan Government from over-dependence on the U.S. Government for policy guidance and decisions. However, OIG also found a lack of institutional memory to be an impediment to good executive direction and challenges in attracting and maintaining qualified staff to the post. OIG also commented on Provincial Reconstruction Teams and the Afghanistan Reconstruction Group.
The Middle East

OIG conducted a number of overseas inspections falling within the regional Bureau of Near Eastern Affairs (NEA). At Embassy Riyadh, Saudi Arabia, and its constituent posts, OIG determined that the bilateral foreign policy issues were well managed. However, adequate staffing within the mission was difficult because of the recently implemented one-year, unaccompanied tours. OIG recommended the assignment of a full-time regional security officer (RSO) to Consulate General Jeddah as temporary, short-term staffing did not provide sufficient continuity or productive liaison with the host country agencies. The Department readily responded by filling the position.

At Embassy Sanaa, Yemen, OIG found all embassy sections, including the U.S. Agency for International Development (USAID), the Middle East Partnership Initiative (MEPI), the legal attaché, and the military detachments, were fully involved in achieving the embassy’s counterterrorism goal. However, the embassy needed an additional American position to manage its more than 500 locally employed staff, including 277 guards. OIG found that Embassy Sanaa had an excellent fraud prevention operation that could serve as a model at consular posts worldwide.

OIG examined the coordination and implementation of MEPI and identified persistent communications problems between the Office of Middle East Partnership Initiative within NEA and embassies having MEPI programs. OIG agreed that MEPI is an example of transformational diplomacy at work and overall it is a useful diplomatic tool.

Security, Intelligence, and Counterterrorism

OIG reviewed the Anti-Terrorism Assistance Program within the Bureau of Diplomatic Security (DS/ATA). During this reporting period, OIG conducted the latter phase of a two-part review and determined that the ATA Program has been successful in meeting the substantial needs for anti-terrorism training since September 11, 2001, but that improvements should be made to ensure that program objectives continue to be achieved. OIG recommended a more suitable mechanism for obtaining training services and several improvements to the course curriculum process.
With a budget of $950 million, DS’s Directorate for International Programs (DS/IP) ensures the security of U.S. overseas personnel and facilities. OIG found that DS/IP remained effective and maintained the performance of its highest priority programs, in spite of transitioning to new leadership, vacancies in key positions, budget uncertainties, and increasing security threats. A key area for improvement highlighted by OIG was the financial management of the bureau’s budget to better align it to program costs. OIG also recommended that DS clarify its relationship with the Force Protection Detachment personnel assigned to embassies.

OIG inspected the Bureau of Intelligence and Research (INR) and determined that as the intelligence community continues to transform, INR will need to reevaluate how it will support its intelligence clients. INR is distinguished especially for its ability to produce high-quality intelligence assessments using relatively modest resources.

OIG’s review of the Office of the Coordinator for Counterterrorism (S/CT) found that S/CT had too often been viewed as marginal to the global war on terror because of a lack of leadership, insufficient resources, and the difficulty of helping to coordinate the wide scope of counternarcotics efforts. This had eclipsed the hard work of dedicated employees and caused low morale and difficulty in recruiting and retaining employees. The new coordinator has recruited an experienced management team that has begun to reinvigorate S/CT and raise morale.

Financial Management

As mandated by the Chief Financial Officers (CFO) Act, as amended, OIG’s external auditor, Leonard G. Birnbaum and Company, LLP (LGB) audited the Department’s principal financial statements to determine whether they were presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States. LGB found two material weaknesses in the Department’s internal controls related to personal property and the information system network; three reportable conditions related to internal controls over the financial and accounting system, management of undelivered orders, and managerial cost accounting; instances of noncompliance with provisions of
applicable laws and regulations involving the financial management system; and that the Department was not in substantial compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996.

LGB issued an unqualified opinion on BBG’s principal financial statements; however, LGB identified some inadequacies in BBG’s financial and accounting system. LGB also issued an unqualified opinion on the International Cooperative Administrative Support Services’ (ICASS) 2004 and 2003 financial statements. LGB identified internal control weaknesses related to information systems security and the financial and accounting system as well as instances of noncompliance with applicable laws and regulations relating to the Department’s financial management systems.

OIG conducted a series of agreed-upon procedure engagements relating to the Department’s contracts, grants, and financial reporting requirements. These engagements resulted in several recommendations to reimburse the Department, strengthen procurement and grant administration, and improve internal controls and reporting procedures.

OIG reviewed the internal control procedures used by the Office of Multi-Media Services for government purchase cards, particularly for compact discs (CD). The review identified over $100,000 in discrepancies, amounting to 54 percent of the office’s total purchase for CDs, and recommended improvements, which the office is implementing.

OIG audited the FY 2005 detailed annual accounting submission by the Bureau of International Narcotics and Law Enforcement Affairs (INL) to the Director of National Drug Control Policy (ONDCP). OIG found no matters of concern within the scope of the review.

**Western Hemisphere Affairs**

*Inspection of Embassy Bogotá, Colombia*

OIG conducted an inspection of Embassy Bogotá, Colombia, which is one of the largest U.S. missions in the world. In its inspection of the mission, OIG found the success of Embassy Bogotá and its multifaceted support to the government of Colombia’s “Plan Colombia” can be attributed to highly effective interagency cooperation. OIG noted, however, that security and administrative operations
cannot support continued growth in staffing, which has doubled in ten years. OIG recommended that the mission conduct a top-to-bottom, interagency, rightsizing review as a first step in the process of reducing personnel, streamlining operations, and consolidating services. OIG identified as a best practice Embassy Bogotá’s highly efficient method for procuring fuel to support counternarcotics programs at a substantial cost-savings.

**Inspection of Embassy Lima, Peru**

Embassy Lima public affairs section plays a lead role in informing Peruvian publics of the impact of narcotrafficking on Peru’s civic and private institutions. The section is also conducting highly successful democracy-building mutual understanding programs. The narcotics affairs section is focused on ending Peru’s status as the second largest producer of cocaine in the world, but its effectiveness is constrained by the limitations of the Peruvian government and the lack of political support for aerial eradication of drug crops. The consular operation in Lima is efficient and well managed, but its poor physical layout limits its ability to address a growing immigrant visa workload and to prepare for a return to higher levels of nonimmigrant visa processing. The embassy needs to address shortcomings of the consular agency in Cusco and make its operations more professional.

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**Law Enforcement**

OIG was involved in the investigation that led to the arrest of an individual in North Carolina who fraudulently obtained a U.S. passport. The joint investigation, conducted under the Passport Sentinel Initiative, was in conjunction with the Social Security Administration’s OIG and other law enforcement entities. The individual was ultimately sentenced to prison with fines.

Another OIG joint investigation, involving the Department of Labor’s OIG, the Internal Revenue Service (IRS), Federal Bureau of Investigation (FBI), and Department of Homeland Security (DHS), led to the discovery of at least 1,400 fraudulent visa applications. Seven individuals were indicted or agreed to plead guilty on charges of conspiracy to commit immigration fraud, conspiracy to encourage an alien to unlawfully enter the United States, money-laundering, and misprision of a felony. All seven individuals charged were sentenced to imprisonment or probation, with fines. The subjects also were required to forfeit over $3.2 million that was determined to be proceeds from the scheme.
Rightsizing

OIG reexamined the Department’s efforts toward rightsizing and issued a progress report. Overall, the review determined that the Department was moving in a positive direction and had prioritized its steps based on issues of importance to Congress and the Administration. Several of the rightsizing initiatives were too new to assess, but OIG made key observations pertaining to the 14-year construction cycle for building new embassy compounds, the National Security Decision Directive-38 (NSDD-38) mechanism for interagency staffing, and the ICASS system.

Global Affairs

OIG conducted two reviews under the purview of the Under Secretary for Democracy and Global Affairs (G): Office to Monitor and Combat Trafficking in Persons (G/TIP) and Office of the Senior Coordinator for International Women’s Issues (G/IWI). OIG found that G/TIP has successfully brought the issue of trafficking to the forefront of foreign policy issues. Given the breadth of issues involving child labor, bonded labor, and involuntary servitude, OIG recommended that G/TIP prioritize its activities and strengthen its grants management process.

OIG’s review of G/IWI found it to be successful in promoting women’s rights and issues as a U.S. foreign policy objective. OIG’s work should help G/IWI clarify its mandate as well as reduce tensions and uncertainties within G/IWI.

Inspector General Activities and Outreach

Included in the Inspector General’s activities during this period were visits to Afghanistan where he participated in the inspection of Embassy Kabul and conducted a review of a major U.S. funded project; to Iraq where he participated in various activities in Baghdad and Al-Hilla, visited the Baghdad Police College as
a followup to previous OIG work, and met with the Inspector General of the Iraq Ministry of Foreign Affairs; to Pakistan where he met with the leaders of all U.S. agencies present; to Jordan where he was present during the Amman hotel bombings, visited the Jordan International Police Training Center as a followup to previous OIG work, and met with the Inspector General of Jordan's Ministry of Foreign Affairs; to Colombia where he participated in the inspection of Embassy Bogotá and the audit work relating to inventory and parts maintained by the Air Wing; to Panama where he participated in the inspection of Embassy Panama and met with the Comptroller General of Panama; and to Charleston where he participated in the inspection of the Global Financial Service Center. In his role as Chairman of the Board of External Auditors of the Organization of American States, the IG conducted the Board’s review which led to the issuance of the OAS 2005 audited financial statements and the Board’s report which he presented to the Secretary General.
MEMORANDUM

TO: The Secretary

FROM: OIG – Howard J. Krongard

SUBJECT: Semiannual Report to Congress, October 1, 2005 to March 31, 2006

I am pleased to transmit to you the Office of Inspector General’s (OIG) Semiannual Report to the Congress for the period ending March 31, 2006. This report is required by the Inspector General Act of 1978, as amended, and covers the work of this office during the period indicated. The Act requires that you transmit the report to the appropriate committees of the Congress by May 31, together with any comments you may wish to make.

During this period, OIG focused on key areas, including programs and operations in Iraq and Afghanistan, the Middle East, the Western Hemisphere, Security, Intelligence, Counterterrorism, and Financial Management. These and other achievements are summarized in this report, along with the required statistical data.
In response to a request from the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), OIG performed certain agreed-upon procedures to determine whether DECO’s loaded hourly rates on task order no. SALMEC-04-F-0996 duplicated what OBO paid as direct travel reimbursement for the period August 2, 2004, to May 31, 2005, and whether DECO’s policies for including costs in the hourly rate complied with the Federal Acquisitions Regulation (FAR), part 31. Total costs claimed under this task order were $71,350. OIG found that DECO’s loaded hourly rates did not duplicate what OBO paid as direct travel reimbursement. OIG found, however, that DECO’s policies for including costs in the hourly rate did not always comply with FAR, part 31.

For example, the contractor billed the fully loaded rate for all hours worked on the task order, even though the employee was paid a lower base hourly rate for time spent in training or travel status. This was unallowable per FAR 31.201-2(a)(1). In addition, DECO (1) based its general and administrative rate on the FY 2002 actual rate rather than the rate for the most recently completed fiscal year, 2003; (2) could not support the calculation of its material handling rate; and (3) billed costs for two employees who did not work on this task order. As a result, OIG questioned costs totaling $13,458. Of that amount, OIG classified $12,808 as unallowable and $650 as unsupported because of either inadequate or a lack of documentation. OIG recommended that A/LM/AQM require DECO to reimburse the Department for unallowable costs and provide additional documentation for the unsupported costs.
Attestation Review of Annual Accounting of Drug Control Funds by the Department of State (AUD/CG-06-22)

OIG reviewed INL’s FY 2005 detailed accounting submission to the ONDCP Director. INL’s Resource Management Office prepared the submission in compliance with the ONDCP circular, Annual Accounting of Drug Control Funds, dated April 18, 2003. OIG conducted its review in accordance with attestation standards established by the American Institute of Certified Public Accountants as specified in section 6 of the ONDCP circular. The scope of a review is substantially less than an examination, which expresses an opinion on the submission. Accordingly, OIG does not express such an opinion. No matters came to OIG’s attention that caused OIG to believe that the assertions do not, in all material aspects, reliably represent the FY 2005 obligation data presented in the accounting submission.

Quality Control Review of PricewaterhouseCoopers, LLP (AUD/CG-06-21)

The Department is the cognizant federal funding agency for the Institute of International Education, Inc., and Affiliate (IIE). OIG performed a quality control review of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, audits of IIE performed by PricewaterhouseCoopers, LLP (PwC), for the fiscal years ending September 30, 2002, September 30, 2003, and September 30, 2004. The objectives of the quality control review were to determine whether PwC conducted audits in accordance with applicable standards and met the single audit requirements; identify any follow-up work needed; and identify issues that may require management attention.

OIG determined that IIE’s A-133 audit reports for FYs 2002, 2003, and 2004 and PwC’s working papers associated with the reports met the applicable auditing guidance and regulatory requirements specified in OMB Circular A-133, its related compliance supplement, government auditing standards, and generally accepted auditing standards. The review disclosed two issues in the FY 2003 audit that
warranted further discussion with PwC. OIG noted that one PwC audit team member’s continuing professional education requirements were not in compliance with PwC’s standards before the start of audit work. OIG also found that PwC auditors had not reviewed working papers before issuing the IIE internal control report.

In reviewing the FY 2004 A-133 audit report, OIG did not find deficiencies similar to the two issues noted in its review of the FY 2003 audit or any other issues warranting follow-up work. On December 1, 2005, OIG discussed the completed quality control reviews with PwC management, which agreed with the results.

Independent Accountant’s Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by Scholastic, Inc. (AUD/CG/06-20)

In response to a request from A/LM/AQM, OIG contracted with L.F. Harris & Associates, an independent public accounting firm, to perform certain agreed-upon procedures on Scholastic, Inc.’s, indirect cost rates for its fiscal years ended May 31, 2005 and 2004, to determine whether the rates and cost principles were in compliance with OMB Circular A-122, Cost Principles for Non-Profit Organizations. Harris reported that Scholastic’s general ledger system did not capture direct and indirect expenses in a manner that effectively identified appropriate indirect cost pools as required by OMB Circular A-122. However, Scholastic maintained comprehensive and detailed support for its program expenses. As a result, Scholastic provided adequate documentation to enable the independent accountant to compute the corporation’s indirect cost rates for its fiscal years ended May 31, 2005 and 2004.
**Analytical Review of the Multinational Force and Observers’ FY 2004 Financial Statements and FY 2006 Budget (AUD/CG/06-05)**

As requested by NEA, OIG conducted an analytical review of the audited financial statements of the Multinational Force and Observers (MFO) for the fiscal year ended September 30, 2004. The purpose of the review was to determine any trends or significant changes that occurred between actual expenditures from FY 2003 to FY 2004. OIG reviewed the external auditor’s report on the audit of the FY 2004 financial statements to determine whether it indicated any areas of concern. In addition, OIG reviewed MFO’s $59 million budget plan for FY 2006 to determine whether it was reasonable when compared with FY 2004 actual expenses.

In general, OIG did not find anything that would require further examination; however, OIG did find that several accounts increased by a significant amount – more than 20 percent – from FY 2003 to FY 2004. MFO provided information to support the increased expenses; however, verifying this was outside the scope of this review. OIG also found that the external auditor did not highlight any areas of concern. Finally, OIG found that MFO’s budget for FY 2006 increased by $8 million from the prior year. Determining whether the budget increase was reasonable was outside the scope of this review; however, nothing came to OIG’s attention that would require further examination of the FY 2006 budget.

**Application of Agreed-Upon Procedures to George Mason University Awards (AUD/CG/06-02)**

At the request of the Bureau of Educational and Cultural Affairs (ECA), OIG applied agreed-upon procedures to FY 2000 through FY 2004 awards to George Mason University (GMU), with total program costs of $999,652. The primary purpose of OIG’s procedures was to determine whether travel, salaries, and cost share amounts claimed totaling $601,401 were adequately supported and complied with the terms and conditions of the award agreements.
OIG found that GMU did not maintain adequate documentation to support travel, salaries, and cost share amounts charged to the grants, nor did it establish a system for accumulating and tracking cost share amounts or submit timely financial and program reports to ECA. As a result of the deficiencies noted, OIG questioned costs totaling $456,851. Of that amount, OIG classified $5,606 as unallowable and $451,245 as unsupported because of inadequate or a lack of documentation. OIG recommended that ECA require GMU to reimburse the Department for unallowable costs and provide additional documentation for the unsupported costs.

**FINANCIAL MANAGEMENT**

**Vienna Regional Printing Center Costs**

(AUD/FM-06-19)

In response to a request from the Office of the Under Secretary for Management, OIG compiled financial data relating to the costs of operating the Regional Printing Center in Vienna, Austria, from information provided by various Department sources. The information obtained by OIG indicates that the total cost of operating the Center for FY 2005 was $1,948,134.


The CFO Act, as amended, requires that the Department’s Principal Financial Statements be audited to report on whether they present fairly the Department’s financial position and results of financial operations in accordance with accounting principles generally accepted in the United States of America; to determine whether the Department had an internal control structure that provided reasonable assurance of achieving internal control objectives; and to determine whether the Department complied with applicable laws and regulations.
In FY 2005, the Department, OIG, and the external auditor, LGB became aware that certain financial information in the FY 2004 financial statements, primarily related to personal property, may have been misstated. The Department could not complete its work on personal property by the mandated deadline for issuing the audited FY 2005 financial statements, and LGB was not able to examine evidence regarding personal property. (See AUD/FM-06-12.) The Department subsequently completed its work, and on the basis of its examination of the additional information, LGB reissued its opinion on the Department’s 2005 and 2004 principal financial statements without qualification. LGB satisfied itself that the financial statements were presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

LGB found two material weaknesses in the Department’s internal controls related to personal property and the information system network; three reportable conditions related to internal controls over the financial and accounting system, management of undelivered orders, and managerial cost accounting; instances of noncompliance with provisions of applicable laws and regulations involving the financial management system; and that the Department was not in substantial compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996.

Independent Auditor’s Report on the Department’s 2005 and 2004 Principal Financial Statements (AUD/FM-06-12)

In its report on the Department’s 2005 and 2004 statements, LGB stated that during FY 2005, the Department became aware of potentially material amounts of property in the hands of contractors that had not been properly reported in its financial statements. Although the Department performed significant work to resolve these issues, that work was not sufficiently completed to enable LGB to satisfy itself as to the accuracy of the amounts reported as personal property by the November 15, 2005, deadline. Therefore, the external auditor found that, except for the effects, if any, as might have been determined to be necessary had it been able to examine evidence regarding personal property, the Department’s 2005 and 2004 principal financial statements were presented fairly in all material respects, in conformity with accounting principles generally accepted in the United States of America. LGB also found material weaknesses, instances of noncompliance with
selected provisions of applicable laws and regulations, and that the Department was not in substantial compliance with the FFMIA. (See AUD/FM-06-12A above).


Under generally accepted auditing standards, auditors performing financial statement audits are encouraged to report, in a separate management letter, internal control weaknesses that do not rise to the level necessary to be reported in the financial statement opinion. During the audit of the Department’s 2005 and 2004 Principal Financial Statements, LGB identified internal control weaknesses relating to the Department’s compliance with the Prompt Payment Act, payroll documentation, deferred maintenance, heritage property, accounts receivable and payable, fund balance with Treasury, payroll accrual, time and attendance controls at Embassy Berlin, compliance with the Anti-Deficiency Act, and the Department’s response to the management letter related to the audit of the Department’s 2004 and 2003 Principal Financial Statements. LGB recommended that the Department take appropriate action to address these weaknesses.

Independent Auditor’s Report on the Department’s Special-Purpose Financial Statements (AUD/FM-06-10)

All agencies must provide the Department of the Treasury (Treasury) with fiscal data that are used to prepare the Financial Report of the United States. Agencies must reclassify the amounts in their audited Department-level financial statements to a generic financial statement format and submit the reclassified statements as part of a year-end closing package. The Inspector General of each agency must opine upon the closing package data as to their consistency with the audited Department-level financial statements. At OIG’s direction, an independent external auditor audited the Department’s reclassified balance sheet as of September 30, 2005, and the related reclassified statements of net cost and changes in net position for the year then ended.
During FY 2005, the Department became aware of potentially material amounts of property in the hands of contractors that had not been properly reported in its financial statements. Although the Department performed significant work to resolve the property issue, the work was not sufficiently completed to enable the external auditor to satisfy itself as to the accuracy of the amounts reported as personal property in time to meet the November 15, 2005, deadline for issuing its report. (See AUD/FM-06-12A above.) Therefore, LGB found that except for the unavailability of evidence on some personal property, the special-purpose financial statements presented fairly, in all material respects, the financial position of the Department as of September 30, 2005, and its net costs and changes in net position for the year then ended in conformity with the accounting principles generally accepted in the United States and the presentation requirements prescribed in the Treasury Financial Manual.

Independent Auditor’s Report on the Agreed-Upon Procedures for Federal Intragovernmental Activity and Balances (AUD/FM-06-09)

Treasury annually prepares and submits to the President and Congress an audited financial statement covering all executive agencies. Each agency furnishes certain financial and operational information to Treasury, including information on intragovernmental activity and balances. Under OIG’s direction, LGB performed required procedures solely to assist Treasury in the preparation of, and the Government Accountability Office in the audit of, the consolidated financial statements of the U.S. government as of and for the year ended September 30, 2005.

LGB compared the Department’s trading partner data for intra-governmental activity and balances in the Government-wide Financial Report System to the Department’s general ledger and information in its audited financial statements; compared data in the audited financial statements to the Department’s Intragovernmental Closing Package and CFO representations to Treasury; and traced any differences between the Department and its trading partners from Treasury reports to explanations in the Department’s supporting documentation. The auditor did not note any discrepancies.

Under OIG’s direction, LGB audited ICASS’ financial statements as of September 30, 2004 and 2003, in order to report on whether the financial statements presented fairly ICASS’ financial position and results of financial operations in accordance with generally accepted accounting principles; to determine whether ICASS had an internal control structure that provided reasonable assurance of achieving internal control objectives; and to determine whether ICASS complied with applicable laws and regulations.

LGB issued an unqualified opinion on ICASS’ financial statements as of September 30, 2004. Although LGB issued an unqualified opinion, its report brings to management’s attention concerns about information systems security and the inadequacy of the Department’s financial and accounting system, which is both an internal control weakness and an issue of noncompliance with several laws and regulations.


During an audit of the ICASS 2004 and 2003 financial statements, LGB identified internal control weaknesses relating to ICASS timeliness of financial reporting, computer security, and personal property. LGB recommended that ICASS take appropriate action to address these weaknesses. LGB also identified general internal weaknesses in the Department’s financial management systems, which are used by ICASS for processing and recording transactions and have an impact on ICASS. The general internal control weaknesses related to payroll documentation, the timeliness of Federal Employee’s Compensation Act deposits, accounts receivable, accounts payable, and Foreign Service Retirement and Disability Fund benefit payments and actuarial liability.
Independent Auditor's Report on Agreed-Upon Procedures Relating to Recreational and Convenience Services (AUD/FM-06-01)

In response to a request from the CFO, OIG contacted representatives of 14 cabinet-level agencies to identify and report on the methods they used to provide and fund recreational and other convenience services to their employees. OIG found that all 14 agencies provided fitness facilities for their employees. Although three agencies operated their own fitness facilities, the majority of the agencies had agreements with employee recreation associations or contracts with external contractors to operate the facilities. Most agencies provided space, and some of those also provided utilities and cleaning services. Three agencies provided fitness facility equipment. In most cases, the facility operator provided the equipment as well as managed day-to-day operations and provided staff. Two agencies funded their facilities with appropriated funds, while the remaining agencies funded their facilities with user fees or a combination of appropriated funds and user fees. All agencies reported that the method they used to operate the facility had been effective.

OIG also found that 12 agencies provided other services, such as concessions, barber shops and hair salons, and dry cleaning to their employees. As with fitness facilities, most agencies used employee/recreational associations or external contractors to operate these services. Only one agency used minimal appropriated funds for its concessions.
The Department purchases vehicles of all types to support its operations worldwide. In some instances, the vehicles require special armoring and other protective features. To coordinate the acquisition planning, procurement, and assignment of vehicles to posts, the Department established an Armored Vehicles Program. OIG engaged Regis & Associates, PC, to perform agreed-upon procedures of the procurement process for armoring services, specialized armored vehicles, and ballistic glass, focusing on the Department’s operations in Iraq.

The agreed-upon procedures were to determine whether acquisition plans were prepared and whether the procurements, which totaled about $43.4 million, were adequately competed and performed in accordance with the provisions of FAR and the Department of State Acquisition Regulations (DOSAR). For two of the three procurement actions reviewed, armoring services and ballistic glass, no acquisition plans were found in the solicitation records. DOSAR requires that any domestic procurement exceeding $5 million be supported by a formal, written acquisition plan. Two of the solicitations reviewed exceeded $5 million, and therefore, OIG recommended that the Department require written advanced acquisition plans.

With regard to the vehicle armoring services, the Department executed the justifications for less than full and open competition in accordance with the provisions of FAR and DOSAR. With regard to the procurements for ballistic glass, the Department identified adequate competition. Although the current armoring

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<tr>
<th>Purpose</th>
<th>Amount (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armoring</td>
<td>$30.2</td>
</tr>
<tr>
<td>Specialized vehicles</td>
<td>3.1</td>
</tr>
<tr>
<td>Ballistic glass</td>
<td>10.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$43.4</strong></td>
</tr>
</tbody>
</table>

Source: Department contract and requisition documents.
contracts are almost two years beyond their expiration date, the Department’s efforts to sponsor prospective bidders that require facility security clearances have justified the delays. This proactive approach should increase competition. Except as noted, the Department performed each acquisition review in accordance with the provisions of FAR and DOSAR.

OIG recommended that A/LM/AQM review existing contracts to identify any requirements expected to lengthen the procurement process and begin the new solicitation process earlier to accommodate those requirements. A/LM/AQM agreed and is to conduct a random sampling of acquisition plans for procurements exceeding $5 million to assess their impact.

Office of Multi-Media Services Compliance With Government Purchase Card Internal Controls (AUD/PP-06-14)

At the request of the Bureau of Administration, Office of Records and Publishing Services (A/RPS), OIG reviewed the Office of Multi-Media Services’ (A/RPS/MMS) purchase card ordering and supply process for possible waste and mismanagement of federal funds. Specifically, OIG analyzed and identified discrepancies in the purchase of CDs through the use of the government purchase card and evaluated the implementation of new internal controls designed to strengthen A/RPS/MMS’s ordering and supply management processes, including compliance with existing Department purchase card requirements. OIG’s review of records for FYs 2003-04 confirmed A/RPS/MMS’s internal review that poor recordkeeping and inadequate management supervision led to possible waste and abuse of government property, resulting in about 130,400 unaccounted for CDs valued at approximately $117,400. The unaccounted for CDs were about 54 percent of a total estimated purchase of 240,960, valued at $289,152.

A/RPS/MMS later asked OIG to validate updated purchase card procedures, including additional internal controls designed to strengthen ordering and supply management. OIG found that A/RPS/MMS management had taken significant steps to improve its purchase card procedures and oversight, but had not fully implemented all ordering, purchasing, and management control procedures as proposed. OIG concluded that if A/RPS/MMS followed its updated procedures, it would adequately strengthen the ordering and inventorvng of supplies.

At the request of the Bureau of Information Resource Management (IRM), OIG contracted with LGB to perform agreed-upon procedures on GSA FEDSIM Millenia Contract Task Order GS-T0004AJM049 to address IRM’s concerns about contract management. LGB found that management of this contract totaling $123.75 million was not working effectively to benefit the Department’s IT needs. Specifically, the use of the FEDSIM Millenia contract as a procurement vehicle has led to the Department’s relinquishing its contracting officer and contracting officer’s representative functions to the General Services Administration (GSA). In government procurement, those two roles provide internal control.

The GSA FEDSIM staff assigned the role of contracting officer for procurement by another agency could have a conflict of interest in that his or her job depends on funds generated by the customer agencies rather than by the conscientious application of federal procurement standards and principles. To eliminate this conflict and to maintain internal control, OIG recommended that IRM, in coordination with A/LM/AQM, independently procure the Enterprise Network Management effort through an indefinite-delivery, indefinite-quantity contract. Further, OIG recommended that A/LM/AQM make all commodity purchases rather than use the FEDSIM Millenia task order and identify other IT commodity purchases made outside the Department and review them for similar cost-savings.

A/LM/AQM agreed to provide contract administration for Enterprise Network Management requirements. As a result, the Department should realize over $7.7 million in savings by avoiding unnecessary administrative costs. In addition, the Department will not be subject to the approximately $186,000 average annual administrative fees paid to GSA for contract administration.
SECURITY AND INTELLIGENCE

Program Management Review (Phase II) of the Anti-Terrorism Assistance Program (SIO/A-06-01)

The DS/ATA Program assists the U.S. government’s war against international terrorism by enhancing the anti-terrorism skills of friendly nations, strengthening bilateral ties, and increasing respect for human rights. OIG undertook a two-part review to evaluate the management of the ATA Program because it has grown tremendously since its inception in 1983. During this phase II review, OIG found that DS/ATA should determine a more suitable mechanism to obtain training services because the cooperative agreement that it has with the training provider is not effective. Additionally, OIG found that although DS/ATA's procedures for developing and maintaining high-quality anti-terrorism courses were effectively designed to yield high-quality training, procedural improvements were necessary, and OIG made corresponding recommendations.

DS/ATA Course Evaluations

DS/ATA's quality assurance process includes an independent evaluation of a course every three years once it is presented worldwide. To perform the evaluations, DS/ATA obtains qualified experts. The evaluations focus on course quality; that is, course goals, objectives, materials, equipment, training facilities, language interpreters, and instructor qualifications, and compliance with applicable security and adult learning standards. The in-depth course evaluation takes from one to six weeks to complete. The following table provides an overview of completed evaluations.

<table>
<thead>
<tr>
<th>Courses</th>
<th>Status of Review</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>9</td>
<td>53</td>
<td></td>
</tr>
<tr>
<td>Overdue</td>
<td>7</td>
<td>41</td>
<td></td>
</tr>
<tr>
<td>Plans to Review</td>
<td>1</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Eligible Courses*</td>
<td>17</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: DS/ATA.

* OIG did not include courses listed in DS/ATA's current course catalog that were developed after 2001, were under development, or were offered through DS/ATA’s Consultations Branch or International Law Enforcement Academy.
Other Audit Related Activities

During this reporting period, in addition to the work done relating to Department and BBG operations, the Office of Audits provided support to the Inspector General (IG) in his capacity as the Chairman of the Board of External Auditors for the Organization of American States (OAS). In March, Audit staff assisted the IG and the two other Board members—the Chief Financial Officer of the Ministry of Foreign Affairs of Mexico and the Auditor General of St. Kitts and Nevis—at the fifty-first annual meeting of the Board which included a week of discussions with numerous officials and a presentation to the Secretary General and resulted in the issuance of the OAS 2005 financial statement audits.
SECURITY

During this semiannual reporting period, OIG issued ten security annexes in conjunction with inspections of overseas posts and domestic bureaus and a report on new embassy construction in Beijing, China. Seven annexes reported on security management at embassies and their constituent posts in Bogotá, Colombia; Kabul, Afghanistan; Riyadh, Saudi Arabia; Sanaa, Yemen; Dakar, Senegal; Manama, Bahrain; and Lima, Peru. Three other annexes reported on counternarcotics and counterterrorism coordination at Embassy Bogotá; RSO resources at Consulate General Jeddah, Saudi Arabia; and security issues in the Office of the Coordinator for Counterterrorism. A summary of these reports is included in the classified annex to this semiannual report.

IRAQ PROGRAM REVIEW

**Inspection of Rule-of-Law Programs, Embassy Baghdad (ISP-IQO-06-01)**

At the time of the inspection, the U.S. government had spent about $400 million on rule-of-law programs in Iraq other than police training. These resources were dedicated to strengthening Iraq’s police, courts, and prisons and to promoting the constitutional and legislative process, public education, access to legal services, commercial law, and anticorruption mechanisms. The

*Inspector General Howard J. Krongard pictured in front of the Regional Embassy Office in Al-Hillah*
money appears to have been well spent. In its review of rule-of-law activities under the Ambassador's authority, OIG found a number of well-conceived initiatives being undertaken in an unstable security environment. Assisting the Iraqi government’s ability to sustain these activities by adopting a coherent managed approach to the rule of law is essential. Therefore, OIG recommended that the embassy develop a plan informed by strategic plans developed by Iraqi government ministries to guide the longer-term approach as it works with other members of the Coalition towards transferring primary responsibility for rule-of-law initiatives to the Iraqi authorities. The Ambassador directs a rule-of-law task force but interagency coordination remains a challenge.

OIG recommended that Embassy Baghdad designate the rule-of-law coordinator to work exclusively in that capacity; that it design and implement a strategic plan to serve as the basis for the rule-of-law section of the Mission Performance Plan; and include the senior Department of Justice representative in Iraq in the executive structure of the rule-of-law task force.

OIG noted that basic to the success of all hopes for democracy and good governance in Iraq is an effective anticorruption regime, and OIG urged support for Iraqi efforts to design a regime, including a training facility for anticorruption personnel from, and with the support of, Iraq’s Commission on Public Integrity, Board of Supreme Audit, and corps of Inspectors General.

DOMESTIC BUREAUS

Inspection of the Bureau of Diplomatic Security Directorate for International Programs (ISP-I-06-03)

The Directorate for International Programs (DS/IP) is responsible for a budget of approximately $950 million, which is two-thirds of the Bureau of Diplomatic Security’s total budget. DS/IP provides management oversight, operational guidance, and funding necessary to enhance the security of U.S. overseas personnel and facilities. At the time of the inspection, DS/IP was transitioning to new leadership and had vacancies in several key positions, but was nevertheless well
managed and productive. In addition, it was able to maintain the performance of its highest priority programs during a time of budget uncertainties and increasing security threats. Improvements are needed in financial management of key DS/IP programs to better align the bureau’s budget to actual program costs. OIG recommended that DS clarify the relationship between the Force Protection Detachment personnel assigned to an embassy and the embassy’s regional security officer (RSO) to ensure the separation of security responsibilities between the chief of mission and the area combatant commander. In addition, OIG recommended reviewing the Worldwide Personal Protection Services contract, totaling approximately $400 million annually, to protect against billing errors and overcharges and to see that there is adequate staff to integrate previous task orders into the contract.

**Inspection of the Office to Monitor and Combat Trafficking in Persons (ISP-I-06-04)**

With strong backing from the Congress and the Administration, the Office to Monitor and Combat Trafficking in Persons (G/TIP) has successfully made monitoring and combatting trafficking an important foreign policy goal. Furthermore, G/TIP’s annual assessment and ranking of foreign nations’ anti-trafficking performance, and the threat of sanctions for countries that fail to meet minimal standards, is a useful vehicle to prod delinquent governments.

G/TIP and the regional bureaus are beginning to improve their working relations, and procedures are in place to resolve most major policy differences. Although the fight against trafficking for sexual purposes has dominated its agenda, G/TIP has also given appropriate attention to the trafficking involved in such areas as child labor, bonded labor, and involuntary servitude. OIG recommended that G/TIP use the Bureau Performance Plan to prioritize the many useful activities it could do and strengthen grants management, which was expected to total $17 million in FY 2005.
Inspection of the Office of the Senior Coordinator for International Women’s Issues (ISP-I-06-05)

The Office of the Senior Coordinator for International Women’s Issues in the Office of the Under Secretary for Global Affairs (G/IWI) does a creditable job of publicizing U.S.-sponsored programs that promote the rights and interests of women and is a strong advocate for keeping women’s issues at the forefront of U.S. policy toward Afghanistan. G/IWI also effectively manages $10 million in grants for the Iraqi Women’s Democracy Initiative, directing the money to training, communication, voter education, and other successful projects.

G/IWI operates as a separate Department unit but lacks a clear mandate, which leads to tension and uncertainty between the Office of the Under Secretary for Global Affairs and G/IWI. OIG recommended that the Department define G/IWI’s organizational structure and purpose in relation to the Office of the Under Secretary.

Inspection of the Bureau of Intelligence and Research (ISP-I-06-10)

The Bureau of Intelligence and Research (INR) has a reputation for producing high-quality, accurate, and objective intelligence assessments; its executive direction is solid, and its leadership fosters and supports independent thought and dissent. Although morale was high, many staff expressed a need for greater direction and focus from senior leadership.

The transformation of the intelligence community has placed new demands on INR, as has the global war on terrorism. OIG determined that INR needs to develop a process for continually assessing the value of its written products and to explore ways to provide greater support to chiefs of mission and Department leaders in this new demanding environment.
OIG also determined that INR’s staffing is both a strength and a challenge. Although fewer in number, INR analysts have spent more time and have greater experience than their counterparts in other intelligence agencies. OIG recommended additional travel and training opportunities to maintain the staff’s analytical strength.

**Inspection of the Office of the Coordinator for Counterterrorism (ISP-I-06-25A)**

The Office of the Coordinator for Counterterrorism (S/CT) has too often been viewed as marginal to the global war on terrorism because of a lack of leadership, insufficient resources, and the difficulty of helping to coordinate the wide scope of counternarcotics efforts.

This has eclipsed the hard work of dedicated employees, and caused low morale and difficulty in recruiting and retaining employees. The new coordinator has recruited an experienced management team that has begun to reinvigorate S/CT and raise morale.

S/CT is seeking ideas and support from missions in attacking three of terrorism’s strategic elements: leadership, sanctuaries, and roots. To realize this vision, the coordinator has requested 36 new domestic positions and a budget increase from $134 million in FY 2005 to more than $351 million in FY 2007.

The coordinator has energetically and effectively engaged Congress and domestic and international publics. S/CT has usefully established an Office of Homeland Security Affairs to coordinate with the National Security Council, the President’s Homeland Security Advisory Council, the Department of Homeland Security, and other executive branch agencies on homeland security issues. S/CT needs to strengthen its contract administration and funds management and clearly define and strengthen its oversight role in the Antiterrorism Assistance Program.
OVERSEAS MISSIONS

Inspection of Embassy Bamako, Mali  (ISP-I-06-12)

Embassy Bamako has managed its limited resources well to meet U.S. goals in Mali, whose government has assisted in counterterrorism initiatives in the region. The embassy has promoted democracy and successfully balanced humanitarian and civic action programs along potential terrorist transit routes in the north, and education, economic, and agricultural development projects under way in the south promote stability and growth. Thanks to a few key officers, mission morale is generally good, and interagency coordination and cooperation are exemplary.

A challenge for the embassy will be continuing its reporting and analysis while managing a large summer staff turnover and preparing to move to a new embassy compound in summer 2006. OIG recommended that the embassy establish a plan to support the sophisticated new systems in the new compound and that the Department convert the Diplomatic Readiness Initiative positions in the economic section and front office to permanent positions.

Inspection of Embassy Kabul, Afghanistan  (ISP-I-06-13A)

Embassy Kabul is a dangerous and stressful operating environment. Sringent security requirments constrain work schedules, consume resources, restrict mobility, and affect post morale. OIG found an energetic staff engaged in counterterrorism, counternarcotics, and counterinsurgency, as well as the broad task of nation-building in a post-conflict environment, which will require significant human and financial resources.

OIG commended the embassy for its steps to wean the Afghan Government from over-dependence on the U.S. Government for policy guidance and decisions. However, OIG also found a lack of institutional memory to be an impediment to good executive direction and challenges in attracting and maintaining qualified staff to the post.
Afghanistan was the source of almost 90 percent of the global production of raw opium in 2004. Inevitably, counternarcotics issues will vie with counterterrorism and counterinsurgency on the U.S. government’s policy agenda. Meshing these critical objectives is neither easy nor automatic. In addition, the 23 Provincial Reconstruction Teams scattered around Afghanistan need a more defined strategy, closer coordination and supervision, and evaluation of the cost-benefit ratio of their projects.

**Embassy Riyadh, Saudi Arabia, and Constituent Posts (ISP-I-06-14A)**

Key U.S. objectives in the U.S.-Saudi relationship are rooting out terrorist cells in Saudi Arabia, controlling the flow of money to extremist groups abroad, and supporting political, economic, and social reforms. The Ambassador and deputy are effectively managing these issues and their staff in an environment shaped by continuing

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**Visa Processing at Dhahran Center**

Embassy Riyadh was proposing to start nonimmigrant visa processing at Consulate General Dhahran, but it had no hard data about the demand for visas in Saudi Arabia’s Eastern Province. OIG suggested that the Bureau of Consular Affairs (CA) could produce accurate statistics on applicant numbers for FY 2005 from its combined consular database. In consultation with the Riyadh consular section, OIG designed a set of parameters to identify Saudi visa applicants from the Dhahran consular district. In a series of e-mail exchanges, CA replied positively to OIG’s request to search the database. Less than one week after the initial request, CA informed OIG in Riyadh of its results. With verifiable statistics available, the Department could accurately estimate the physical and personnel resources needed to appropriately support a visa operation in Dhahran.
security concerns. Those concerns led the Department to order nonemergency employees and family members to leave the country in April 2004. However, the Department’s assigning staff to one-year, unaccompanied tours of duty imperils good management. There are long staffing gaps in key positions, inexperienced officers in middle-grade positions, and only a handful of seasoned officers available to supervise and coordinate.

Employees in the consular sections and DHS operations in Riyadh and Jeddah coordinate well to fulfill the mandated visa issuance requirements. However, they are unable to respond on a timely basis to the rising Saudi interest in travel to the United States for business and study. OIG endorses the mission’s plans to reinstitute the issuance of nonimmigrant visas in Dhahran once a permanent staff is in place and the new construction is completed. The United States is losing an estimated $5 billion a year in sales because many U.S. companies have followed the Department’s travel advisory and moved their representatives from Saudi Arabia.

The mission needs to clarify its public diplomacy strategy. Embassy Riyadh and the two consulates general need to coordinate and discuss regularly their goals for media contact and public diplomacy. Although key reporting areas were left uncovered, Embassy Riyadh and the consulates general have produced a large amount of informative and influential reporting.

**Consulate General Jeddah Regional Security Officer (ISP-S-06-15A)**

Following its inspection of Embassy Riyadh, OIG issued a report to the Director General recommending that a full-time regional security officer (RSO) be assigned to Consulate General Jeddah within 30 days. OIG noted that temporary duty personnel had filled the position since shortly after the terrorist attack in December 2004. The assignment of short-term, temporary duty RSOs did not provide sufficient continuity or productive liaison with host nation agencies at this post. The Department responded quickly, and a new RSO arrived in January 2006.
Inspection of Embassy Bogotá, Colombia (ISP-I-06-16A)

The U.S. mission in Colombia is one of the largest in the world, with 25 agencies represented at Embassy Bogotá. The success of Embassy Bogotá and its multifaceted support to the government of Colombia’s “Plan Colombia,” can be attributed to the highly effective interagency cooperation created by the Ambassador and the day-to-day coordination of the deputy chief of mission. The Department had a secure chancery built in 1995 at a cost of $65 million, and funding was approved in 2005 for a $30.6 million annex. The mission’s security and administrative operations, however, cannot support continued growth in staffing, which has doubled in ten years. The mission should conduct a top-to-bottom, interagency, rightsizing review as a first step in the process of reducing personnel, streamlining operations, and consolidating services.

Embassy Bogotá’s narcotics affairs section is the largest U.S. operational counternarcotics assistance program in the world, with FY 2005 funding of $463 million and an authorized staff of 574. The narcotics affairs section is working toward its long-term goal of transferring its programs entirely to the Colombian government. The section promotes rule of law through programs that extend beyond traditional training of police, prosecutors, and judges to integrated, coordinated, institutional democracy-building throughout Colombia.

In one of the largest consular sections worldwide, four of the five American supervisors are in positions higher than their rank, and a sixth position remains vacant. Nonetheless, the section provides good service while paying considerable attention to detecting applicants who are narcotics traffickers or terrorists.

Embassy Sanaa, Yemen (ISP-I-06-19A)

Embassy Sanaa is collegial and well-run, and all embassy sections, including the U.S. Agency for International Development (USAID), the Middle East Partnership Initiative (MEPI), the legal attaché, and the military detachments, are fully involved in achieving its counterterrorism goal. Many of the embassy’s unacceptable human resource practices are a direct result of not having a fully trained direct hire, American human resources officer at post. The embassy needs
an additional American position to manage its more than 500 locally employed staff, including the 277 guards at the chancery and residences and the language institute’s teachers.

Poor communication between MEPI and the embassy needs strengthening, as it limits embassy involvement in program planning and execution of MEPI grants and, therefore, threatens MEPI’s effectiveness. The Yemeni American Language Institute is an important embassy outreach tool. Although the institute is a success story for the public diplomacy effort, OIG believes the embassy should privatize it.

OIG stated in its March 2000 inspection report that the United States had no diplomatic or consular presence in Aden and should dispose of the U.S. government-owned office building there. The U.S. government has not occupied the building since June 1969, and there remains no reason to keep it. The embassy must either determine the viability of a land swap or donate the property to the Yemeni government.

**Fraud Prevention Efforts at Embassy Sanaa, Yemen**

OIG found Embassy Sanaa has an excellent fraud prevention operation. The OIG review confirmed that widespread corruption and weak procedures for obtaining local civil documents often require DNA testing and other documentation from visa applicants. Virtually any non-Yemeni has little difficulty in obtaining a Yemeni passport; thus, the embassy was promoting several projects with the Yemeni government, such as the introduction of a national identity card, which should greatly improve document reliability. OIG lauded the embassy’s efforts and recommended that these projects be formally included in the FY 2008 Mission Performance Plan. OIG believes these improvements could be a model for combating document fraud at consular posts worldwide.

**Inspection of Embassy Dakar, Senegal (ISP-I-06-20A)**

Embassy Dakar is well managed, and morale is high. All of its sections cooperate toward agreed-upon goals and receive strong administrative support. However, the embassy averages over 100 visitors on temporary duty per month, and it cannot house additional staff or agencies in its present facility. In addition, the embassy’s International Cooperative Administrative Support Services (ICASS) Council is paying costs associated with regional positions located in Dakar, and these costs should be distributed to the posts receiving the services.
The embassy’s reporting and public diplomacy activities properly focus on Senegal’s Muslim population and on the issues of democracy, transparency, and governance. The economic section’s workload is increasing, but the current high quality of reporting, visitor support, and program management cannot be sustained with the present level of staff.

Embassy Dakar’s oversight responsibility, reporting, and engagement in Guinea-Bissau is increasing, but this is happening without overall guidance or coordination. The Department has not provided a secure location in Guinea-Bissau or policy guidance regarding the level of risk acceptable for temporary duty personnel to work there. In addition, the administrative support is insufficient.

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**Inspection of Embassy Manama, Bahrain (ISP-I-06-21A)**

Embassy Manama’s policy advocacy is tightly keyed to U.S. strategic goals in the Middle East, and its resource management is efficient and economical. Although security and counterterrorism are post management’s top concerns, regional stability, democratic reform, and trade and investment lead the strategic goals.

The embassy’s policy instruments include a grant-based military assistance program and the MEPI. In the latter case, however, uncoordinated proposals in a variety of channels limit the embassy’s ability to supervise local projects and thereby threaten the initiative’s overall effectiveness and efficiency. The embassy’s grants management needs to meet standard criteria through better documentation and communication.

The management office is effective and has creatively distributed responsibilities to ensure that the minimum number of employees are able to provide excellent service. The information management program is comprehensive and highly rated, but information systems security could be improved, and the locally employed staff need training in consular systems.
Inspection of Embassy Conakry, Guinea (ISP-I-06-22)

Embassy Conakry is properly focused on strengthening Guinea’s civil society and existing institutions to maximize the chances for a peaceful political transition when the long reign of Guinea’s current president ends. The embassy is rightsized for its goals, and its reporting on political and economic developments is excellent.

Interagency coordination is exceptional. Although the ICASS council and the housing committee are working well, OIG informally recommended that Embassy Conakry and USAID combine housing pools in accordance with Department regulations. Many mission personnel fault management section leadership for inattention to customer concerns.

Inspection of Embassy Lima, Peru (ISP-I-06-24A)

The Ambassador and his newly arrived deputy chief of mission are effectively leading the mission forward on an array of difficult U.S. foreign policy challenges.

The embassy’s public affairs section plays a lead role in informing Peruvian publics of the impact of narcotrafficking on Peru’s civic and private institutions. The section is also conducting highly successful democracy-building mutual understanding programs.

The narcotics affairs section is focused on ending Peru’s status as the second largest producer of cocaine in the world, but its effectiveness is constrained by the limitations of the Peruvian government and the lack of political support for aerial eradication of drug crops.

The consular operation in Lima is efficient and well managed, but its poor physical layout limits its ability to address a growing immigrant visa workload and to prepare for a return to higher levels of nonimmigrant visa processing. A professional space planner is needed to reconfigure existing space. In addition, the consular agency in Cusco does not provide a full range of services, nor does it maintain regular office hours or professional recordkeeping for its emergency services to American citizens in the area. The embassy needs to address the consular agency in Cusco shortcomings and make its operations more professional.
THEMATIC REVIEWS

Review of the Department of State's Country Reports on Terrorism (ISP-S-06-07)

OIG received a congressional request to review the preparation of the Department’s 2004 Country Reports on Terrorism. The request also asked that OIG follow up on recommendations made in its review of the Department’s 2003 report.

In April 2005, less than one month before it was to issue its 2004 mandated annual reports on terrorism, the Department of State decided to cease publishing the report, Patterns of Global Terrorism. Instead, it released Country Reports on Terrorism, which did not include the statistical data on significant international terrorist incidents found in the Patterns report. At the same time, the National Counterterrorism Center issued a separate report, A Chronology of Significant International Terrorism, 2004.

The Office of Inspector General examined the process of producing the Department’s 2004 report on terrorism and found that the process was slightly different from that of prior years, but that the report’s format did not initially differ from that of the 2003 report. The National Counterterrorism Center's report, meanwhile, contained most of the statistical data that previously had been included in the Patterns reports.

Even with the content revisions, the Department’s Country Reports on Terrorism complied with the relevant law. However, OIG noted that the Department’s decision to no longer include statistical data had been made very late in the process, after it was widely known that the data indicated a significant increase in the number of incidents. Additionally, Members of Congress had not been advised of the Department’s decision until several days before the report was issued.

The Department has taken limited but positive steps to address rightsizing issues of importance to the Congress and the Administration. OIG found that the Department is implementing a significant number of new rightsizing initiatives, most of which are still too new to assess.

The Department is also moving forward on an ambitious 14-year construction cycle that will build 150 new embassy compounds, at an estimated cost of $17.5 billion. Newly developed procedures to forecast future embassy occupancy levels may ultimately prove more effective than the previous space requirements planning but they have not yet been validated independently. Rightsizing is likely to remain at the top of the Department’s management agenda in the coming years because of high construction and operating costs overseas, security vulnerabilities, and continuing problems in assigning U.S. government personnel in a disciplined, well-planned manner.

OIG inspections highlighted several common issues at overseas missions affected by rightsizing imbalances. First, management of interagency staffing levels through the National Security Decision Directive-38 (NSDD-38) mechanism is often problematic, with poor coordination between mission and Washington-level decisions on staffing and resources. Second, duplication of administrative support services between the Department and other agencies remains an obstacle to reducing costs and realigning overall mission staffing levels. Third, growth in staffing at posts in some cases does not bear a clear relationship to national interests or to limitations of secure office space and operational funding. Fourth, despite recent improvements, staffing shortfalls at missions of critical importance to U.S. national security highlight continuing difficulties in assigning personnel to where they are most needed.

Absent a commitment to fundamentally revise NSDD-38 or the ICASS system, OIG believes that further consolidation of services at regional centers (regionalization) offers the best opportunity to reduce costs and security vulnerabilities at overseas missions. OIG found that the Department’s major regional centers generally deliver services in a cost-effective, efficient manner. At the same time, consolidation of administrative support at regional centers has proceeded without a clear, Department-wide plan, standardized service expectations, and dedicated interagency funding. Informal regional service centers have emerged but with little evident long-term planning to ensure that they have
appropriate facilities, budget resources, and management structures commensurate with their responsibilities. The Department should develop a more encompassing strategy to maximize the potential cost and security benefits of the regional services concept.

**Implementation of Computer Aided Job Evaluation at Selected Overseas Posts (ISP-I-06-17)**

OIG reviewed the implementation and effectiveness of the Computer Aided Job Evaluation System (CAJE), which is the new method of job evaluation to determine the grade levels and pay of locally employed staff. Of the 25 overseas missions inspected in FY 2005, 13 had implemented CAJE, and all human resources (HR) officers and local-hire HR specialists had received CAJE training and certification. However, very few management officers had been trained or certified in CAJE. This created problems, especially at the smaller posts that did not have an HR officer and had to rely on regional HR officers for support with CAJE implementation. Most HR officers and specialists said CAJE reduced the time to evaluate positions; however, the workload to implement CAJE was tremendous. Executive management at a few posts was not committed to implementation of CAJE.

**Review of Middle East Partnership Initiative Coordination and Implementation (ISP-I-06-18)**

There have been persistent communications problems in the Middle East Partnership Initiative (MEPI) between the Office of Middle East Partnership Initiative in the Bureau of Near Eastern Affairs (NEA/PI) and embassies having MEPI programs. NEA/PI is aware of areas in the MEPI program needing improvement and is diligently working to make those improvements.

MEPI is an example of transformational diplomacy at work, and there is general agreement that, at the macro level, MEPI works and is a useful tool for diplomats. MEPI’s programs support overarching, strategic U.S. policy objectives, such as the Administration’s freedom strategy of promoting reform and democracy in the Middle East and North Africa and the objective of addressing Islamic extremism.
BEST PRACTICES

Bogotá, Colombia

Best Practice: Consolidation of Countrywide Fuel Procurements

**Issue:** Embassy Bogotá expends approximately $25 million a year in fuel procurements to support counternarcotics programs. Fuel is procured under labor-intensive blanket purchase agreements and contracts – 31 separate documents in all. The contracts are difficult to manage efficiently and have widely varying levels of management controls.

**Response:** Embassy Bogotá entered into discussions with the Defense Logistics Agency to secure countrywide fuel agreements, under which the latter organization provides fuel at centralized locations and offers computerized recordkeeping.

**Result:** The U.S. government may dramatically streamline contract processes, save hundreds of thousands of dollars in direct fuel costs, and improve management controls over fuel.

Dakar, Senegal

Best Practice: A Cashless System for Property Sales

**Issue:** U.S. embassy property sales receive large sums of cash, often in different currencies. Large sales require two or more Foreign Service national cashiers and an American supervisor.

**Response:** Embassy Dakar set up a temporary account at a local bank. All bidders are required to place a deposit in the account. No money changes hands, and the bidder has ten days to deposit the entire cash payment in the temporary account.

**Result:** The need for management control of large, often unwieldy sums of cash is eliminated.
Protecting critical information and information systems continues to receive significant congressional and executive management attention. With the passing of the E-Government Act in the aftermath of September 11, 2001, Congress formally recognizes the importance that it plays in protecting national security and the economic interests of the United States. More specifically, Title III, the Federal Information Security Management Act (FISMA 2002), requires federal agencies to develop, document, and implement a comprehensive plan to protect the confidentiality, integrity, and availability of mission-critical information and systems. FISMA provides a framework for ensuring the “effectiveness of security controls over information resources and systems that support Federal operations and assets.”

Likewise, the Department realizes that an effectively implemented information security program is vital to the organization, as it relies heavily upon the confidentiality, integrity, and availability of mission-critical data. Department officials are focusing more intently on information technology (IT) as a facilitator in their efforts to promote transformational diplomacy and streamline existing information management support operations throughout the Department. As part of that initiative, they are reviewing IT business processes and information security initiatives to ensure a more robust and efficient program.

During this semiannual reporting period, the OIG Office of Information Technology (OIG/IT) worked with the OIG Office of Inspections as part of a larger multidisciplinary OIG team inspecting posts in the Bureaus of African Affairs, Near Eastern Affairs, and Western Hemisphere Affairs, as well as several domestic bureaus. Overseas posts inspected included U.S. Embassies in Bamako, Kabul, Riyadh, Bogotá, Sanaa, Dakar, Manama, Conakry, and Lima. Additionally, OIG/IT inspected the Bureau of Diplomatic Security Directorate for International Programs, the Office to Monitor and Combat Trafficking in Persons, and the Office of the Senior Coordinator for International Women’s Issues.

Information management and information security operations were evaluated to assess their effectiveness. As a result, a number of issues requiring attention and action by the Department were identified, resulting in recommendations being issued. These included, but were not limited to, documentation related to mission-wide security program planning and management, system and policy access.
controls, inadequate separation of key IT duties, change control management for hardware and software deployment, and IT service continuity planning documentation.

The team reviewed system security plans, mission-critical risk assessments, and certification and accreditation packages. These efforts identified missing or inadequate systems documentation, including standard operating procedures, security plans, and contingency plans. Further, they identified inconsistent IT training, inadequate resources, and lack of centralized operations for end-user support.

OIG recommendations have prompted the Department to respond with several actions for correcting deficiencies noted in the evaluation and inspection reports. These involved initiatives for implementing stricter policies regarding system security controls, IT training, and discussions regarding standardization and regionalization of IT support services. Further, OIG recommendations have initiated improvements in the certification and accreditation, patch management, and information systems security officer programs; these recommendations will be reviewed during the upcoming FISMA review for compliance.
EMBEZZLEMENT

In a joint investigation with USAID, OIG determined that a Foreign Service national (FSN) cashier serving at a U.S. embassy in Africa embezzled more than $200,000 from USAID and the Department. The investigation revealed that the cashier embezzled approximately $120,000 from the USAID mission during a ten-year period ending in 2003. Subsequently, the subject was employed by the embassy and embezzled approximately another $93,000 before the thefts were uncovered in early 2005. When interviewed by agents of both agencies, the subject confessed to both embezzlements and was subsequently indicted by a federal grand jury in Charleston. On December 29, 2005, the former cashier pleaded guilty to embezzling $200,000 from the embassy and the USAID mission. As of the date of this report, sentencing is pending. (05-044)

OIG joined an ongoing investigation by the GSA OIG, into allegations that a Department visa courier used his GSA-issued gasoline purchase credit card for his own personal use. Over a two-and-a-half year period, the visa courier improperly charged $5,259.58 on the card. On October 18, 2005, agents of both investigative agencies arrested the subject. On October 24, 2005, the subject resigned from the Department. (06-003)

OIG conducted an investigation of two Department timekeepers who conspired to fraudulently claim overtime by forging their supervisors’ signatures on time and attendance certifications and by entering false information into the Department’s computerized time and attendance system. Over several years, the two timekeepers submitted approximately $100,000 in fraudulent overtime claims. On January 4, 2006, the Bureau of Human Resources (HR) proposed that one of the timekeepers be terminated from employment. The other timekeeper resigned from employment shortly afterward. After their cases were referred to the U.S. Attorney’s Office, Eastern District of Virginia, one of the timekeepers pleaded guilty to the scheme. Her sentencing is pending, while the other timekeeper has elected to go to trial. Trial is pending. (05-012)
OIG conducted an investigation into allegations that a Department contractor committed fraud by engaging in double-billing for services rendered. The investigation did not determine any intentional wrongdoing, but did uncover $20,800 in unintentional double-billing. On January 27, 2006, the contractor reimbursed $20,800 to the Department. (03-028)

THEFT OF GOVERNMENT PROPERTY

OIG conducted an investigation of a Department employee who stole six flat screen computer monitors from a Department office. The employee obtained the monitors from a Department office that had placed them on an excess property list by claiming he was taking them for official purposes. The employee then gave the monitors to friends and family members. OIG was able to retrieve five of the six monitors, which were valued at approximately $200 apiece. On November 22, 2005, HR notified the employee that it was proposing that he be terminated from employment. (05-036)

FALSE CLAIMS

OIG initiated an investigation into allegations that a Department employee submitted several false claims for reimbursement for local travel in which she forged the signature of the authorizing official. The investigation determined that the employee filed a total of seven false claims for reimbursement totaling $488. On December 23, 2005, HR notified the employee that it was proposing that she be terminated from employment. (05-059)

CONTRACTING IRRGULARITIES

OIG initiated an investigation into allegations that a former Department contracting officer’s representative failed to recuse himself from involvement in recommending a Department contractor for a $3.1 million contract despite the fact
that he had already agreed to post-retirement employment with the contractor. On February 24, 2006, the contractor signed a settlement agreement with the Department of Justice, agreeing to pay $500,000. Civil conflict of interest prosecution of the former Department employee is ongoing. (04-009)

PASSPORT FRAUD

As part of its ongoing Passport Sentinel initiative, OIG opened an investigation of a private citizen in North Carolina who fraudulently obtained a U.S. passport. In a joint investigation with the Social Security Administration (SSA), OIG determined that the subject obtained the passport using a false identity established under the name and social security number of a deceased infant. The subject was arrested, and on July 6, 2005, pleaded guilty to two counts of making false statements on a passport application. On November 28, 2005, the subject was sentenced to three years probation, fined $2,000, and ordered to pay a $200 special assessment fee. (05-032)

EMPLOYEE MISCONDUCT

OIG initiated an investigation into allegations that several Department employees violated U.S. customs regulations and misused the diplomatic pouch by shipping sets of counterfeit golf clubs purchased during official travel to the People’s Republic of China. When interviewed, the employees confirmed that they had purchased the golf clubs and shipped them via the diplomatic pouch, but claimed they were unaware that doing so was against regulations. During the investigation, several of the employees involved resigned or retired from the Department. On December 20, 2005, HR notified the remaining employee that it was proposing he be suspended for three days. (04-051)

OIG initiated an investigation into allegations that a U.S. ambassador serving overseas misused embassy vehicles and improperly solicited and accepted gifts. The investigation determined that the ambassador allowed his wife to drive an
embassy vehicle on personal business when he was not present, solicited gifts from a prohibited source, and failed to report gifts he received as required. On March 24, 2006, HR proposed a 45-day suspension for the ambassador. (04-018)

FOLLOW-UP ACTIONS

VISA FRAUD

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

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

A total of seven individuals were indicted or agreed to plead guilty in U.S. District Court, Eastern District of Virginia, on charges of conspiracy to commit immigration fraud, conspiracy to encourage an alien to unlawfully enter the United States, money-laundering and misprision of a felony.

On May 20, 2005, one defendant was sentenced to two years imprisonment, and two years supervised release and fined $1,500. On August 12, 2005, another defendant was sentenced to two years’ imprisonment and two years probation and fined $750.

On October 21, 2005, a third defendant was sentenced to 70 months imprisonment. On November 18, 2005, a fourth defendant was sentenced to four months imprisonment, six months community confinement, and three years supervised release and was fined $7,000.
On December 2, 2005, the remaining three defendants were sentenced. One received 44 months imprisonment and three years supervised release. Another received 18 months imprisonment and three years supervised release. The third received 15 months imprisonment and two years supervised release. The subjects also were required to forfeit over $3.2 million that was determined to be proceeds from the scheme. (See OIG, Semiannual Report, April 1, 2005, to September 30, 2005, pp. 60-61.) (05-019)

**FALSE CLAIMS**

OIG conducted an investigation of a senior Foreign Service officer who applied for and received Separate Maintenance Allowance payments for her spouse and child despite the fact that her dependents were residing in the city to which she was assigned. On September 8, 2004, HR proposed a five-day suspension for the officer. On November 7, 2005, the subject agreed to a civil settlement with the Department amounting to $10,800 in reimbursement. (See OIG, Semiannual Report, April 1, 2004, to September 30, 2004, p.80.) (02-003)

**Types of Cases**

* = May not equal 100% because of rounding.
Hotline

Held for action within OIG       27
Referral to other offices for action   118
No action necessary               51
Total allegations received        196
**Criminal Investigative Activities**

- Indictments/Information 2
- Convictions 2
- Sentencings 7
  - Imprisonment 147 Months
  - Probation 204 Months
- Referrals for Prosecution 4
- Referrals for Prosecution Declined 1
- Criminal Judgments/Restitutions $3,342,245.00

**Civil Investigative Activities**

- Civil Referrals 4
- Civil Declinations 2
- Civil Recoveries $510,800.00

**Administrative Investigative Activities**

- Administrative Referrals 4
- Personnel Actions
  - Removals 4
  - Suspensions 1
  - Reprimands/Admonishments 0
  - Reimbursements 7
- Administrative Recoveries $35,368.31
- Total Investigative Recoveries (Judicial and Administrative) $3,888,413.31

**Investigative Workload**

- Cases Pending (9/30/05) 67
- New Cases Opened 17
- Cases Closed 28
- Cases Pending (3/31/06) 56
- Preliminary Inquiries Pending (9/30/05) 28
- Preliminary Inquiries Opened 11
- Preliminary Inquiries Closed 32
- Preliminary Inquiries Converted to Cases 5
- Preliminary Inquiries Pending (3/31/06) 2
APPENDIX 2: REPORTS ISSUED

AUDITS

AUD/IQO-06-17 Independent Auditors’s Report on the Application of Agreed-Upon Procedures Relating to DECO, Inc., Task Order No. SALMEC-04-F-0996 02/06

AUD/CG-06-22 Attestation Review of Annual Accounting of Drug Control Funds by the Department of State 01/06

AUD/CG-06-21 Quality Control Review of PricewaterhouseCoopers, LLP 03/06

AUD/CG-06-20 Independent Accountants’ Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by Scholastic, Inc. 03/06


AUD/CG-06-02 Application of Agreed-Upon Procedures to George Mason University Awards 01/06

AUD/FM-06-19 Vienna Printing Center Costs 01/06

AUD/FM-06-12A Independent Auditor’s Revised Report on the Department’s 2005 and 2004 Principal Financial Statements 12/05

AUD/FM-06-12 Independent Auditor’s Report on the Department’s 2005 and 2004 Principal Financial Statements 11/05

AUD/FM-06-11 Management Letter Related to the Audit of the U.S. Department of State’s FY2005 and 2004 Principal Financial Statements 03/06

AUD/FM-06-10 Independent Auditor’s Report on the Department’s Special-Purpose Financial Statements 11/05

AUD/FM-06-09 Independent Auditor’s Report on the Agreed-Upon Procedures for Federal Intragovernmental Activity and Balances 12/05
<table>
<thead>
<tr>
<th>Reference</th>
<th>Description</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUD/FM-06-01</td>
<td>Independent Auditor’s Report on Agreed-Upon Procedures Relating to Recreational and Convenience Services</td>
<td>11/05</td>
</tr>
<tr>
<td>AUD/PP-06-14</td>
<td>Office of Multi-Media Services Compliance with Government Purchase Card Internal Controls</td>
<td>03/06</td>
</tr>
<tr>
<td>AUD/IQO-06-16</td>
<td>Application of Agreed-Upon Procedures of Department of State Procurement Competitions To Support Armored Vehicles in Iraq</td>
<td>02/06</td>
</tr>
<tr>
<td>SIO-A-06-01</td>
<td>Program Management Review (Phase II) of the Anti-Terrorism Assistance Program</td>
<td>03/06</td>
</tr>
</tbody>
</table>

**INSPECTIONS**

<table>
<thead>
<tr>
<th>Reference</th>
<th>Description</th>
<th>Date</th>
</tr>
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<tbody>
<tr>
<td>ISP-I-06-16A</td>
<td>Inspection of Emb. Bogotá, Colombia</td>
<td>03/06</td>
</tr>
<tr>
<td>ISP-I-06-18</td>
<td>Review of Middle East Partnership Initiative Coordination &amp; Implementation (MEPI)</td>
<td>03/06</td>
</tr>
<tr>
<td>ISP-I-06-25A</td>
<td>Inspection of the Office of Coordinator for Counterterrorism (S/CT)</td>
<td>03/06</td>
</tr>
<tr>
<td>ISP-I-06-24A</td>
<td>Inspection of Embassy Lima, Peru</td>
<td>03/06</td>
</tr>
<tr>
<td>ISP-I-06-19A</td>
<td>Inspection of Emb. Sanaa, Yemen</td>
<td>02/06</td>
</tr>
<tr>
<td>ISP-I-06-14A</td>
<td>Emb. Riyadh Saudi Arabia, &amp; Constituent Posts</td>
<td>02/06</td>
</tr>
<tr>
<td>ISP-I-06-22</td>
<td>Inspection of Emb. Conakry, Guinea</td>
<td>02/06</td>
</tr>
<tr>
<td>Inspection Code</td>
<td>Description</td>
<td>Date</td>
</tr>
<tr>
<td>-----------------</td>
<td>------------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>ISP-I-06-20A</td>
<td>Inspection of Emb. Dakar, Senegal</td>
<td>02/06</td>
</tr>
<tr>
<td>ISP-I-06-21A</td>
<td>Inspection of Embassy Manama, Bahrain</td>
<td>02/06</td>
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<tr>
<td>ISP-I-06-12</td>
<td>Embassy Bamako, Mali</td>
<td>02/06</td>
</tr>
<tr>
<td>ISP-I-06-13A</td>
<td>Embassy Kabul, Afghanistan</td>
<td>02/06</td>
</tr>
<tr>
<td>ISP-I-06-17</td>
<td>Implementation of Computer Aided Job Evaluation</td>
<td>01/06</td>
</tr>
<tr>
<td>ISP-I-06-11</td>
<td>Rightsizing the U.S. Government Presence Overseas: A Progress Report</td>
<td>12/05</td>
</tr>
<tr>
<td>ISP-I-06-10</td>
<td>Inspection of the Bureau of Intelligence &amp; Research (INR)</td>
<td>12/05</td>
</tr>
<tr>
<td>ISP-I-06-03</td>
<td>Inspection of Bureau of Diplomatic Security, Directorate for International Programs</td>
<td>12/05</td>
</tr>
<tr>
<td>ISP-I-06-05</td>
<td>Inspection of the Office of the Senior Coordinator for International Women’s Issues</td>
<td>11/05</td>
</tr>
<tr>
<td>ISP-I-06-04</td>
<td>Office to Monitor &amp; Combat Trafficking in Persons</td>
<td>11/05</td>
</tr>
<tr>
<td>ISP/IQO-06-01</td>
<td>Inspection of Rule-of-Law Programs, Embassy Baghdad</td>
<td>10/05</td>
</tr>
</tbody>
</table>

**SECURITY INSPECTIONS**

<table>
<thead>
<tr>
<th>Inspection Code</th>
<th>Description</th>
<th>Date</th>
</tr>
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<tbody>
<tr>
<td>ISP-J-06-16A</td>
<td>Coordination of Department of Defense, Counternarcotics, &amp; Counterterrorism Issues at Emb. Bogotá, Colombia</td>
<td>03/06</td>
</tr>
<tr>
<td>ISP-S-06-16A</td>
<td>Security Management Inspection of Embassy Bogotá, Colombia</td>
<td>03/06</td>
</tr>
<tr>
<td>ISP-S-06-25A</td>
<td>Security Inspection of the Office of Coordinator for Counterterrorism</td>
<td>03/06</td>
</tr>
<tr>
<td>ISP-S-06-27</td>
<td>Second Onsite Review of New Embassy Construction – Beijing</td>
<td>03/06</td>
</tr>
<tr>
<td>ISP-S-06-24A</td>
<td>Security Management Inspection of Embassy Lima, Peru</td>
<td>03/06</td>
</tr>
<tr>
<td>Report Number</td>
<td>Description</td>
<td>Date</td>
</tr>
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<td>----------------</td>
<td>------------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>ISP-S-06-19A</td>
<td>Security Management Review of Emb. Sanaa, Yemen</td>
<td>02/06</td>
</tr>
<tr>
<td>ISP-S-06-14A</td>
<td>Security Management Inspection of Emb. Riyadh, Saudi Arabia, &amp; Constituent Posts</td>
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<td>ISP-S-06-21A</td>
<td>Security Management Inspection of Emb. Manama, Bahrain</td>
<td>02/06</td>
</tr>
<tr>
<td>ISP-S-06-13A</td>
<td>Security Management Inspection Embassy Kabul, Afghanistan</td>
<td>01/06</td>
</tr>
<tr>
<td>ISP-S-06-07</td>
<td>Review of the Department of State’s Country Reports on Terrorism - 2005 (a.k.a. Patterns II)</td>
<td>12/05</td>
</tr>
</tbody>
</table>
### Table 1
Inspector General Issued Audit Reports With Questioned Costs

<table>
<thead>
<tr>
<th>Number of Reports</th>
<th>Questioned Costs</th>
<th>Unsupported Costs (Dollars in Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. For which no management decision has been made by the commencement of the reporting period</td>
<td>22</td>
<td>$27,831</td>
</tr>
<tr>
<td>B. Which were issued during the reporting period</td>
<td>2</td>
<td>471</td>
</tr>
<tr>
<td>C. For which a management decision was made during the report period - based on formal administrative or judicial appeal</td>
<td>4</td>
<td>1,805</td>
</tr>
<tr>
<td>(i) dollar value of cost disallowed</td>
<td></td>
<td>314</td>
</tr>
<tr>
<td>(ii) dollar value of costs not disallowed</td>
<td></td>
<td>1,492</td>
</tr>
<tr>
<td>D. For which no management decision has been made by the end of reporting period</td>
<td>24</td>
<td>26,497</td>
</tr>
<tr>
<td>Reports for which no management decision was made within 6 months of issuance</td>
<td>18</td>
<td>26,026</td>
</tr>
</tbody>
</table>

### Table 2
Inspector General Issued Audit Reports with Recommendations That Funds Be Put To Better Use

<table>
<thead>
<tr>
<th>Number</th>
<th>Dollar Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. For which no management decision has been made by the commencement of the reporting period.</td>
<td>4</td>
</tr>
<tr>
<td>B. Which were issued during the reporting period.</td>
<td>1</td>
</tr>
<tr>
<td>Subtotals (A+B)</td>
<td>5</td>
</tr>
<tr>
<td>C. For which a management decision was made during the reporting period.</td>
<td>2</td>
</tr>
<tr>
<td>(i) dollar value of recommendations that were agreed to by management - based on proposed management action</td>
<td>1</td>
</tr>
<tr>
<td>- based on proposed legislative action</td>
<td></td>
</tr>
<tr>
<td>(ii) dollar value of recommendations that were not agreed to by management</td>
<td>1</td>
</tr>
<tr>
<td>D. For which no management decision has been made by the end of the reporting period.</td>
<td>3</td>
</tr>
<tr>
<td>Reports for which no management decision was made within 6 months of issuance</td>
<td>2</td>
</tr>
</tbody>
</table>
## Significant Recommendations Pending Final Action

<table>
<thead>
<tr>
<th>Report Number</th>
<th>Recommendation Number</th>
<th>Report Title/Recommendation Summary</th>
<th>Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUD/CG-02-44</td>
<td>1</td>
<td><em>Awards to the Iraqi National Congress</em></td>
<td>10/31/2002</td>
</tr>
<tr>
<td></td>
<td></td>
<td>We recommend that the Office of Acquisitions grants officer, in coordination with the Bureau of Near Eastern Affairs, should withhold, or at least restrict, future funding to the Iraqi National Congress Support Foundation until the Foundation has implemented adequate and transparent financial controls.</td>
<td></td>
</tr>
<tr>
<td>AUD/CG-04-39</td>
<td>3</td>
<td><em>National Endowment for Democracy</em></td>
<td>08/30/2004</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The Office of Inspector General recommends that the Office of the Under Secretary for Global Affairs act as the focal point and coordinate with any Department entity deemed appropriate to formulate and execute a new statement of responsibilities for the financial oversight of the annual appropriation. This statement of responsibilities should include the assignment of responsibility to a specific bureau or office for the financial oversight of the annual appropriation. A grant officer representative should also be designated to facilitate the administration and oversight of the annual award.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>The Bureau of Information Resource Management should revise the security test and evaluation of the certification and accreditation process to include a complete vulnerability scan of the systems being assessed.</td>
<td></td>
</tr>
</tbody>
</table>
Significant problems, abuses, and deficiencies

ISP-I-06-18 Summary Report: Review of Middle East Partnership Initiative - Coordination and Implementation

This review found a significant deficiency in that in the early period of MEPI, grants officer representatives (GORs) were not regularly designated and tended not to have had GOR training or training in grants management. The Bureau of Near Eastern Affairs has remedied that in part, beginning in January 2006, by implementing a policy of designating GORs for each project. Embassies now designate GORs for small projects. However, there remains a need to provide training to GORs and to officers at post involved in assisting the grants officer or GOR, both of whom are usually located in Washington.
MEMORANDUM

TO: Mr. Kenneth Y. Tomlinson, Chairman
Broadcasting Board of Governors

FROM: OIG – Howard J. Krongard
Inspector General

SUBJECT: Semiannual Report to Congress,
October 1, 2005 to March 31, 2006

I am pleased to transmit to you the Office of Inspector General’s (OIG) Semiannual Report to the Congress for the period ending March 31, 2006. This report is required by the Inspector General Act of 1978, as amended, and covers the work of this office during the period indicated. The Act requires that you transmit the report to the appropriate committees of the Congress by May 31, together with any comments you may wish to make.

During the reporting period, OIG inspected the BBG’s operations in and Broadcasting to Afghanistan and found that Afghanistan receives attention at the highest level of BBG and receives a share of agency resources that reflect its priority status. OIG also reported on the BBG’s 2005 Principal Financial Statements and 2004 Balance Sheet.

These and other achievements are summarized in this report, along with the required statistical data.
Management Letter Related to the Audit of the Broadcasting Board of Governors’ 2005 Principal Financial Statements and 2004 Balance Sheet (AUD/FM-06-06)

Under generally accepted auditing standards, auditors performing financial statement audits are encouraged to report, in a separate management letter, internal control weaknesses that do not rise to the level necessary to be reported in the financial statement opinion. During an audit of BBG’s 2005 Principal Financial Statements and 2004 Balance Sheet, an independent external auditor identified internal control weaknesses relating to BBG’s payroll documentation, accounts receivable balance, accounts payable records, property records, lease records, undelivered orders, and statement of net cost. The auditor recommended that BBG take appropriate action to address these weaknesses.

Audit of the Broadcasting Board of Governors’ 2005 Principal Financial Statements and 2004 Balance Sheet (AUD/FM-06-07)

The CFO Act, as amended, requires that BBG Principal Financial Statements be audited. The objectives of the audit are to report on whether the financial statements fairly present BBG’s financial position and results of financial operations in accordance with accounting principles generally accepted in the United States, to determine whether BBG had an internal control structure that provided reasonable assurance of achieving internal control objectives, and to determine whether BBG complied with applicable laws and regulations.

The independent external auditor issued an unqualified opinion on BBG’s Principal Financial Statements as of and for the year ended, September 30, 2005, and an unqualified opinion on BBG’s Balance Sheet, as of September 30, 2004. Although an unqualified opinion was issued, the report brings to management’s attention concerns regarding the inadequacy of BBG’s financial and accounting system, which is both an internal control weakness and an issue of noncompliance with several laws and regulations.
The Broadcasting Board of Governors’ Operations in and Broadcasting to Afghanistan (ISP-IB-06-02)

OIG found that BBG’s operations in and broadcasting to Afghanistan are driven by the agency’s strategic plan and Administration policy. They are well-conceived, well-managed, and carried out in a challenging environment. BBG’s solid objectives for the most part mesh with interagency objectives. The agency has succeeded in meeting some goals and objectives but still needs to work on others, including performance measures of success and impact. BBG also needs to move from a short-term reactive vision to a strategic vision of its future work in Afghanistan.

Afghanistan receives attention at the highest level of BBG and receives a share of agency resources that reflects its priority status. Coordination within the agency and with other agencies is good but could be improved. BBG has successfully built the needed infrastructure and stringer networks that have increased its audience share credibility. OIG recommended that BBG provide data that better measures the impact of its broadcasting to Afghanistan and look into alternative measurement instruments to determine whether and how they can measure agency performance.
FOLLOW-UP ACTIONS

FALSE CLAIMS

OIG opened an investigation based upon a referral from BBG management that an International Broadcasting Bureau (IBB) employee was receiving unemployment benefits from the Washington, DC, Department of Employment Services. The investigation determined that the employee received a total of 14 unemployment checks in the amount of $6,994 from August 2004 through January 2005 while employed by IBB. On July 19, 2005, OIG agents arrested the subject at her workplace. On August 8, 2005, the subject pleaded guilty in D.C. Superior Court to one count of first-degree fraud. On October 4, 2005, the subject was sentenced to 120 days in jail (suspended), two years’ probation, restitution in the amount of $6,994 and $50 in court costs. (See OIG, Semiannual Report, April 1, 2005, to Sept. 30, 2005, p. 85) (05-058)
**APPENDIX 1: Broadcasting Board of Governors Investigative Activities**

<table>
<thead>
<tr>
<th>Workload</th>
<th>Number</th>
</tr>
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<tbody>
<tr>
<td>Cases pending 9/30/05</td>
<td>2</td>
</tr>
<tr>
<td>New cases opened</td>
<td>4</td>
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<tr>
<td>Cases closed</td>
<td>1</td>
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<tr>
<td>Cases pending 3/31/06</td>
<td>5</td>
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<tr>
<td>Preliminary inquiries pending 9/30/05</td>
<td>0</td>
</tr>
<tr>
<td>Preliminary inquiries opened</td>
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</tr>
<tr>
<td>Preliminary closed</td>
<td>0</td>
</tr>
<tr>
<td>Preliminary inquiries converted to cases</td>
<td>0</td>
</tr>
<tr>
<td>Preliminary inquiries pending 3/31/06</td>
<td>1</td>
</tr>
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</table>

**Total Judicial Actions** 4

- Referral for Prosecution 1
  - Prosecution Declination 0
- Criminal Indictment/Arrest 1
- Criminal Conviction 1
- Criminal Sentencing 1
- Time Sentenced 4 Months
- Time Probation 24 Months
- Court Ordered Fine $50
- Court Ordered Restitution $6,994

**Total Investigative Recoveries** $6,994
### APPENDIX 2: Reports Issued

<table>
<thead>
<tr>
<th>Report Code</th>
<th>Description</th>
<th>Date</th>
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</thead>
<tbody>
<tr>
<td>AUD/FM-06-06</td>
<td>Management Letter Related to the Audit of the Broadcasting Board of Governors’ 2005 Principal Financial Statements and 2004 Balance Sheet</td>
<td>01/06</td>
</tr>
<tr>
<td>AUD/FM-06-07</td>
<td>Audit of the Broadcasting Board of Governors’ 2005 Principal Financial Statements and 2004 Balance Sheet</td>
<td>11/05</td>
</tr>
<tr>
<td>ISP-IB-06-02</td>
<td>The Broadcasting Board of Governors’ Operations in and Broadcasting to Afghanistan</td>
<td>02/06</td>
</tr>
</tbody>
</table>
### Table 1
Inspector General Issued Audit Reports

<table>
<thead>
<tr>
<th>Number of Reports</th>
<th>Questioned Costs</th>
<th>Unsupported Costs</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>(Dollars in Thousands)</td>
</tr>
<tr>
<td>A.</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>B.</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>C.</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>D.</td>
<td>0</td>
<td>0</td>
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</tbody>
</table>

### Table 2
Inspector General Issued Audit Reports with Recommendations That Funds Be Put To Better Use

<table>
<thead>
<tr>
<th>Numbers</th>
<th>Dollar Value (in thousands)</th>
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<tbody>
<tr>
<td>A.</td>
<td>0</td>
</tr>
<tr>
<td>B.</td>
<td>0</td>
</tr>
<tr>
<td>C.</td>
<td>0</td>
</tr>
<tr>
<td>D.</td>
<td>0</td>
</tr>
</tbody>
</table>

### APPENDIX 3: Savings & More Effective Use of Resources
Significant management success in resolving and implementing recommendations

BBG has shown significant management success in implementing recommendations from ISP-IB-05-67, * Inspection of the Broadcasting Board of Governors’ Operations in and Broadcasting to Pakistan* (Sept. 2005). In particular, the Chairman of BBG has obtained funding for an AM transmitter and additional FM transmitters in Eastern Afghanistan that would cover under-reached tribal areas of Pakistan where Pashto, rather than Urdu, is spoken. New programming in Pashto is being prepared. Funding is also being sought for an AM transmitter in Oman that would reach the southern portion of Pakistan, including Karachi. These efforts represent important supporting initiatives in the Global War on Terror. Likewise, the Voice of America moved quickly to put its Islamabad News Bureau on a stronger footing to enable it to carry out its expanded role in television news and special features.
Testimony

On October 18, 2005, the Inspector General testified before the House Committee on Government Reform’s Subcommittee on National Security, Emerging Threats, and International Relations during its hearing on Iraq reconstruction, governance, and security. His testimony discussed the OIG’s approach to oversight in Iraq and focused specifically on OIG’s review of Iraqi rule-of-law programs (ISP-IQO-06-01, Oct. 2005) and an interagency assessment with the DOD/OIG of Iraqi Police Training (ISP-IQO-05-72, July 2005).

Congressional Mandates and Requests

In response to legislative mandates and requests from Congress, OIG conducted the following reviews during this semiannual period:

• In response to a joint request by five Members of the U.S. House of Representatives, OIG conducted a review of the Department’s *Country Reports on Terrorism* published in 2004 and followed up on OIG’s recommendations from the previous year’s report on the Department’s 2003 *Patterns of Global Terrorism* report.

• As mandated by the CFO Act, as amended, OIG directed and monitored the following financial statement audits and other work conducted by an independent public accountant:
  
  • *Management Letter Related to the Audit of ICASS’ 2004 and 2003 Financial Statements* (AUD/FM-06-03)
  
  • *Audit of ICASS’ 2004 and 2003 Financial Statements* (AUD/FM-06-04)
  
  • *Management Letter Related to the Audit of BBG’s 2005 Principal Financial Statements and 2004 Balance Sheet* (AUD/FM-06-06)
• Audit of BBG’s 2005 Principal Financial Statements and 2004 Balance Sheet (AUD/FM-06-07)

• Independent Auditor’s Report on Agreed-Upon Procedures for Federal Intragovernmental Activity and Balances (AUD/FM-06-09)

• Audit of Department’s Special-Purpose Financial Statements (AUD/FM-06-10)

• Management Letter Related to the Audit of the Department of State’s 2005 and 2004 Principal Financial Statements (AUD/FM-06-11)

• Audit of the U.S. Department of State’s 2005 and 2004 Principal Financial Statements (AUD/FM-06-12 and 12A)

• In response to a request from the Chairman and Ranking Democratic Member of the House Committee on International Relations, the Inspector General personally conducted a review in Washington and Kabul of a major U.S. funded project in Afghanistan.

The Inspector General and/or OIG staff met with congressional staff to review and comment on a variety of issues concerning OIG’s work. Committees with whom OIG conducted meetings included the Senate Appropriations Subcommittee on State, Foreign Operations, and Related Programs; the Senate Committee on Foreign Relations; the Senate Select Committee on Intelligence; and the House International Relations Committee.

**Outreach/Media Assistance**

During this reporting period, OIG participated in two Foreign Service officer orientations as well as other courses offered by the Foreign Service Institute (FSI) to inform Department employees about the role, mission, and services provided by OIG.

As a part of OIG’s anticorruption outreach, OIG met with representatives from the Belgian government to discuss the role of government oversight. OIG also met with representatives from the Canadian government to discuss human resource (HR) management issues.
Members of the media inquired about several OIG reviews, including Passport Sentinel, Department of State staffing at hardship posts, overseas visa operations, and OIG work related to the President’s Emergency Plan for AIDS Relief (PEPFAR), the Global AIDS coordinator, OIG’s oversight role in Iraq, and Middle East issues.

**Legislation Monitored**

Some of the bills reviewed and monitored by OIG legislative staff include the following:

- Pub. L. No. 109-108: A bill making appropriations for science and related agencies, and for the Departments of Commerce, Justice, and State, and related agencies for the fiscal year ending September 30, 2006, and for other purposes
- Pub. L. No. 109-163: A bill to authorize appropriations for fiscal year 2006 for military activities of the Department of Defense, to prescribe military personnel strengths for fiscal year 2006, and for other purposes
- S 2285: A bill to amend the Inspector General Act by setting a 7 year term limit for Inspectors General and allow Inspectors General to submit their budget requests directly to Congress
- S 1803 and HR 2475: Fiscal Year 2006 Intelligence Authorization Act
- H. Res. 4436: A bill to provide certain authorities for the Department of State, and for other purposes
- H. Res. 4939: A bill to make emergency supplemental appropriations for the fiscal year ending September 30, 2006, and for other purposes
- H. Res. 4603: A bill to amend the Public Health Service Act with respect to pandemic influenza, and for other purposes
Implementation of the Government Performance and Results Act and the President’s Management Agenda

OIG’s report, The Broadcasting Board of Governors’ Operations in and Broadcasting to Afghanistan (ISP-IB-06-02) discusses performance measurement, the issue at the heart of the Results Act, at great length. In particular, recommendation 4 called on BBG to examine alternative measurements that would measure the impact of broadcasts while controlling for external factors or intervening variables that have made measuring results difficult to accomplish. In addition, recommendation 3 called on BBG to modify or add questions to audience research surveys administered by contract research firms to elicit data that better measure impact.
**LIST OF ABBREVIATIONS**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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</table>
| A/LM/AQM     | Bureau of Administration  
Office of Logistics Management  
Office of Acquisitions Management |
| A/RPS        | Bureau of Administration  
Office of Records and Publishing Services |
| A/RPS/MMS    | Bureau of Administration  
Office of Multi-Media Services |
| BBG          | Broadcasting Board of Governors |
| CA           | Bureau of Consular Affairs |
| CAJE         | Computer Aided Job Evaluation System |
| CD           | Compact Disc |
| CFO          | Chief Financial Officer |
| DHS          | Department of Homeland Security |
| DS/ATA       | Bureau of Diplomatic Security,  
Anti-Terrorism Assistance Program |
| DS/IP        | Bureau of Diplomatic Security,  
International Programs |
| ECA          | Bureau of Educational and Cultural Affairs |
| FBI          | Federal Bureau of Investigation |
| FFMIA        | Federal Financial Management Improvement Act |
| FISMA        | Federal Information Security Management Act |
| FSI          | Foreign Service Institute |
| GAO          | Government Accountability Office |
| HR           | Bureau of Human Resources |
| IBB          | International Broadcasting Bureau |
| ICASS        | International Cooperative Administrative Support Services |
| INL          | International Narcotics and Law Enforcement |
INR  Bureau of Intelligence and Research
IRS  Internal Revenue Service
IT   Information Technology
MEPI Middle East Partnership Initiative
MFO  Multinational Force and Observers
NEA  Bureau of Near Eastern Affairs
OIG  Office of Inspector General
OMB  Office of Management and Budget
ONDACP Office of National Drug Control Policy
PEPFAR President's Emergency Plan for AIDS Relief
RSO  Regional Security Officer
S/CT Office of the Coordinator for Counterterrorism
SSA  Social Security Administration
# Index of Reporting Requirements

**Inspector General Act of 1978, as amended**

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<td>Information or assistance refused</td>
<td>none</td>
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<tr>
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<td>55-58, 75</td>
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<td>Prior audit reports unresolved</td>
<td>57, 77</td>
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<td>Section 5(a)(11)</td>
<td>Significant revised management decisions</td>
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<tr>
<td>Section 5(a)(12)</td>
<td>Significant management decisions with which OIG disagreed</td>
<td>none</td>
</tr>
</tbody>
</table>
FRAUD, WASTE, ABUSE, OR MISMANAGEMENT
of Federal programs and resources
hurts everyone.

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