



HIGHLIGHTS

Office of Inspector General
United States Department of State

AUD-MERO-22-23

What OIG Audited

Each year, residential properties in the Department of State's (Department) housing pool are reassigned as employees rotate in and out of overseas assignments. The process of preparing these properties for occupancy is called make-ready. In 2020, U.S. Embassy Cairo, Egypt, officials identified concerns with make-ready activities such as the high cost of materials and the frequent use of overtime. Officials stated that they implemented internal controls to address some identified deficiencies but requested that OIG conduct an audit to assess resource management, management controls, and procurement practices involving the make-ready process.

Accordingly, OIG conducted this audit to determine whether implemented internal controls involving the make-ready process at Embassy Cairo were sufficient to safeguard expenditures and whether embassy officials had managed the process of accounting for make-ready costs in accordance with Department requirements. To conduct the audit, OIG reviewed 25 make-ready projects executed at Embassy Cairo in FYs 2019–2021.

What OIG Recommends

OIG made 24 recommendations to Embassy Cairo to improve internal controls and the management of the make-ready process. On the basis of Embassy Cairo's response to a draft of this report, OIG considers all 24 recommendations resolved, pending further action. A synopsis of Embassy Cairo's comments and OIG's reply follow each recommendation in the Results section of this report. Embassy Cairo's response to a draft of this report is reprinted in its entirety in Appendix C.

March 2022

OFFICE OF AUDITS

MIDDLE EAST REGION OPERATIONS

Audit of the Process To Prepare Residences for New Tenants at U.S. Embassy Cairo, Egypt

What OIG Found

OIG confirmed that Embassy Cairo officials took steps to address some known internal control deficiencies impacting the make-ready process; however, OIG found that the controls implemented had not been fully effective in safeguarding expenditures. For example, in OIG's review of 25 make-ready projects executed in FYs 2019–2021, OIG found that embassy officials approved several questionable expenditures including the purchase of 25 outdoor lighting fixtures for \$2,045 in one residence. In another make-ready project, sixteen staff members recorded 501 labor hours and ordered supplies costing \$1,046 without recording any details on the type of work performed. In addition, embassy officials have not determined whether the frequent use of overtime supporting the make-ready process is necessary. For example, OIG found that all 154 staff in one embassy section with make-ready responsibilities claimed overtime in FY 2021. OIG concluded that the primary cause of the deficiencies noted is insufficient internal control measures and that enhanced or additional management controls are needed to promote accountability and improve monitoring practices over the make-ready process. Until such measures are established, Embassy Cairo will have limited assurance that it is appropriately safeguarding expenditures from waste and mismanagement.

Additionally, OIG found that Embassy Cairo officials are not accounting for make-ready costs in accordance with Department requirements. For example, officials incorrectly attributed time for locally employed staff such as welders, truck drivers, and carpenters to post's total make-ready costs even though their work does not directly relate to make-ready efforts. In addition, Embassy Cairo did not record the supplies, tools, and equipment used for make-ready projects as part of post's total make-ready costs. As a result, the reported costs for the embassy are not representative of its actual make-ready costs. Inaccurate budget information will make it challenging for Embassy Cairo officials to meet their daily operational needs because they do not have an accurate picture of the embassy's spending patterns.