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Office of Inspector General

U.S. Department of State • Broadcasting Board of Governors

ISP-I-18-03 Office of Inspections October 2017

Inspection of Embassy Nicosia, Cyprus

BUREAU OF EUROPEAN AND EURASIAN AFFAIRS

ISP-I-18-03

October 2017
OFFICE OF INSPECTIONS
Bureau of European and Eurasian Affairs

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What OIG Inspected

OIG inspected U.S. Embassy Nicosia from April 19 to May 4, 2017.

What OIG Recommended

This report includes 12 recommendations. OIG made 11 recommendations to Embassy Nicosia to improve internal controls, grants management, and consular, general services, financial, facility management, and information management operations. OIG also made one recommendation to the Bureau of Overseas Buildings Operations regarding seismic evaluations of embassy housing.

In its comments on the draft report, the Department concurred with all 12 recommendations. OIG considers the recommendations resolved. The Department's response to each recommendation, and OIG's reply, can be found in the Recommendations Section of this report. The Department's formal written responses are reprinted in their entirety in Appendix B.

What OIG Found

- The Ambassador navigated a challenging environment in difficult negotiations that sought to reunify Cyprus and pursued bilateral relations with Cyprus to advance U.S. foreign policy goals and business interests.
- Section leaders across the embassy generally managed their sections well and used resources to pursue Integrated Country Strategy goals.
- Embassy Nicosia's annual statement of assurance of compliance with management controls did not include the Political-Economic and Public Affairs Sections.
- The embassy lacked standardized procedures to properly monitor and document federal assistance grants.
- Although there was no evidence of waste or misuse of supplies or equipment, internal controls over facility maintenance expendable supplies did not appropriately mitigate such risks.
- Embassy Nicosia was not in compliance with the Prompt Payment Act for vendor payments.
- Although Cyprus is in a high-risk seismic zone, the embassy had not conducted proper seismic evaluations of U.S. Government-leased properties.
- The embassy had not tested its information technology contingency plan.
- Embassy Nicosia's North Office had no central fire alarm system or means to properly restrict access to consular work space.
- Spotlight on Success: Monthly crisis management tabletop exercises prepared the embassy to perform well in actual emergencies.

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CONTEXT

The Republic of Cyprus is an island nation in the eastern Mediterranean Sea, strategically located off the coast of Turkey, Syria, and Lebanon. The island has a population of approximately 1.2 million, consisting mainly of ethnic Greek Cypriots and Turkish Cypriots. Cyprus gained its independence from the United Kingdom in 1960, with the United Kingdom retaining two Sovereign Base Areas. Ethnic tensions led to the de facto division of the island in 1974 when a Greece-sponsored coup prompted Turkey's military to intervene on behalf of Turkish Cypriots. In 1983, Turkish Cypriots declared their own "Turkish Republic of Northern Cyprus"—an entity comprising the northern third of the island that only Turkey recognizes. Efforts to keep the peace and reunify the island—including a UN peacekeeping force and UN-facilitated talks—have been ongoing for decades. The Republic of Cyprus, which entered the European Union in 2004 and uses the euro, has a market economy dominated by the services sector, which accounts for more than four-fifths of Gross Domestic Product. Tourism, financial services and real estate traditionally have been the most important components of this sector. Energy development, with investments from American and other nations' major energy firms, is of growing importance to the economy.

Embassy Nicosia's primary mission is to promote U.S. foreign policy goals by supporting the continued development of Cyprus as a secure, prosperous, diverse, and democratic society. The embassy's activities are defined largely through the prism of support for reunification of the divided island and are aimed at building linkages between the Greek Cypriot and Turkish Cypriot communities. The island's physical and political division complicates the ability of Greek Cypriot and Turkish Cypriot authorities to effectively address other global challenges of concern to the United States, including drug smuggling, proliferation of weapons of mass destruction, trafficking in persons, and money laundering. Nevertheless, the Republic of Cyprus continues to cultivate its relations with the United States, a positive development that is a departure from its history of non-alignment.

Embassy Nicosia identified the following four mission goals in its February 2016 Integrated Country Strategy (ICS):

- Advance Cyprus' regional stability and improve regional relationships.
- Engage Cyprus on global challenges.
- Increase U.S. business opportunities on Cyprus,
- Improve Cypriot public opinion of the United States and its policies.

In addition, the ICS includes management objectives to reduce the embassy's environmental footprint, improve embassy staff competency and quality of life, and ensure mission facilities are adequate, efficient, and safe.

Embassy Nicosia is a medium-sized mission, with 64 direct hire and 188 local hire staff members. In addition to the main embassy compound and associated annexes, the embassy leases an

office in north Nicosia, north of the Green Line,[1] from which it provides limited consular, public diplomacy, and administrative services and conduct representational activities. The embassy's FY 2016 total estimated operational expenditure was $16,924,003. In FY 2016, Embassy Nicosia was tracking approximately $2.5 million in foreign assistance projects in Cyprus. The embassy's staff grew nearly 10 percent between 2013 and the time of this inspection.

OIG evaluated the embassy's policy implementation, resource management, and management controls consistent with Section 209 of the Foreign Service Act.[2] OIG also assessed security, which is covered in a separate classified report. The classified report contains a discussion of the conduct of the security program and issues affecting the safety of mission personnel and facilities.

EXECUTIVE DIRECTION

OIG assessed leadership on the basis of on-site interviews that included comments on the performance of the Ambassador and the Deputy Chief of Mission (DCM); 185 staff questionnaires; and OIG's review of documents and observations of embassy meetings and activities during the course of the on-site inspection.

Tone at the Top and Standards of Conduct

The Ambassador exhibited the leadership principles contained in 3 Foreign Affairs Manual (FAM) 1214 and Federal standards for internal controls.[3] Embassy staff told OIG that the Ambassador modeled good ethical behavior. They cited several examples, including working with the Management Officer to find a more economical plan for international roaming charges for her government mobile phone and implementing policies to avoid nepotism in hiring decisions, despite pressure from locally employed (LE) staff to hire relatives. In addition, consistent with Department of State (Department) guidance,[4] both section and agency representatives noted examples in which the embassy confronted promptly staff accused of legal or ethical misconduct.

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[1] The Green Line is the UN-patrolled cease fire line that begins in roughly the center of Cyprus' northwestern coastline and meanders eastward across the island. This buffer zone, established in 1974, divides the area administered by the Turkish Cypriots in the north from the Greek Cypriot controlled south. Since 1974, the southern part of Cyprus has been under the control of the government of the Republic of Cyprus, while the northern part, administered by Turkish Cypriots, proclaimed itself the "Turkish Republic of Northern Cyprus" ("TRNC") in 1983. The United States does not recognize the "TRNC," nor does any country other than Turkey. A substantial number of Turkish troops remain on the island. The Green Line, patrolled by the UN Peacekeeping Force in Cyprus, separates the two sides.

[2] See Appendix A.

[3] Government Accountability Office, *Standards for Internal Controls in the Federal Government* (GAO-14-704G, September 2014). These standards require that management demonstrate a commitment to integrity and ethical values.

[4] Cable 2015 State 125440, "Managing Employee Misconduct and Deficient Performance," November 3, 2015.

American staff told OIG they had good access to the Ambassador and the DCM across their range of routine responsibilities and requirements. Embassy employees had additional opportunities to interact with the Ambassador through weekly expanded press briefings open to all American staff, biweekly meetings with LE staff on political and economic issues, periodic town halls, and social events. Agency representatives said they felt welcome to approach the Ambassador and the DCM immediately if they had an urgent requirement needing Front Office attention.

The embassy's Equal Employment Opportunity program met Department requirements. The embassy appointed, trained and advertised contact information for counselors and liaisons for both U.S. direct-hire and LE staff, in accordance with 3 FAM 1514.2. There were no open or pending cases at the time of the inspection. Embassy staff told OIG that the Ambassador and the DCM promoted an environment in which discrimination and harassment were not tolerated. In OIG's survey of embassy staff, fewer than 3 percent said they had ever witnessed discrimination or harassment in the work environment.

Execution of Foreign Policy Goals and Objectives

Consistent with ICS goals, the Ambassador and the embassy navigated a challenging environment to promote reunification of the island. OIG interviews and a review of the Ambassador's calendar from May 2016 through April 2017 showed that she met several times with both Greek Cypriot and Turkish Cypriot top leadership, secondary leadership, parliamentarians, negotiators, and related stakeholders. These stakeholders include multilateral parties, including the UN envoy and other diplomatic missions on the island. The Ambassador also communicated with the U.S. Vice President, and hosted visits from the Secretary of State and the Assistant Secretary and Deputy Assistant Secretary of the Bureau of European and Eurasian Affairs related to reunification negotiations.

OIG interviews and an analysis of the Ambassador's schedule showed she had frequent interaction with key players on all sides of the Cyprus dispute, allowing the United States to play the role of an honest broker in negotiations. OIG found that the Political-Economic and Public Affairs Sections also played a positive role, as discussed later in this report. The Ambassador and the embassy cultivated an extensive network of informal contacts in northern Cyprus through which they creatively worked to engage and influence Turkish Cypriots, despite the fact that the United States does not officially recognize the "Turkish Republic of Northern Cyprus."

The embassy and the Ambassador also actively pursued the ICS goals for bilateral relations. The Ambassador had several meetings with U.S. companies and other economic stakeholders to facilitate U.S.-Cyprus business investments and commercial activities. For example, the Ambassador met several times with a large U.S.-based company regarding Cyprus' political and economic landscape. The company later participated in a successful bid with the Republic of Cyprus Government for offshore hydrocarbon exploration and extraction. Due to its membership in the European Union and status as a relatively wealthy country, the Republic of Cyprus "graduated" from U.S. assistance programs, which limited U.S. support for capacity-building programs in the country. With help from the Ambassador and cooperation from the Republic of

Cyprus, other agencies were able to use the island as a regional hub for training and operations. In addition, the United States and Cyprus worked together on law enforcement and security, maritime search and rescue, emergency management, and the Republic of Cyprus' use as a base for evacuating Americans from other countries in the region. The government also welcomed many transits, stopovers, and ship visits by U.S. military personnel, aircraft, and naval vessels.

Interagency Planning and Coordination

OIG determined that the Ambassador ensured joint planning and coordination among the Department's interagency partners at the embassy and worked to develop a consensus on the agencies' goals and objectives. For example, she led the ICS development through an interagency process that was consistent with 3 FAM 1214.b (2) and (7) requirements to plan strategically and to collaborate across agencies. The Ambassador hosted interagency off-site meetings to develop the ICS and to otherwise coordinate across the embassy sections and agencies. Agency representatives involved in developing the ICS told OIG the process was collaborative and fair. For routine coordination, the Ambassador leads weekly country team meetings and monthly "expanded" country team meetings, which are open to more junior staff of all agencies. OIG's review of the Ambassador's calendar showed regular meetings with agency heads. In the OIG survey and discussions, agency representatives gave the Ambassador the highest ratings in terms of collaboration, telling OIG that interagency coordination was excellent and that the Ambassador and the DCM fully and actively supported their programs at post.

Adherence to Internal Controls

The Ambassador and the DCM took steps to maintain and improve internal controls at the embassy. For the three years prior to this inspection, the DCM circulated OIG functional questionnaires to section heads as a tool to identify weaknesses and otherwise improve internal controls. The Ambassador also circulated a summary cable from another post[5] that highlighted LE staff fraud schemes and asked the Management Section to review its procedures to prevent such activities. Further, the Ambassador and the DCM met with the Management Officer and other section heads on a regular basis to discuss management issues. The DCM also performed the required reviews of nonimmigrant visa adjudications, as required by 9 FAM 403.9-2(D) and 9 FAM 403.10-3(D). The OIG survey of embassy staff found that fewer than 3 percent reported any knowledge of possible waste or fraud. Nevertheless, OIG found some deficiencies in management controls, which are discussed below and in the Resource Management section of this report.

Statement of Assurance Did Not Include All Embassy Sections

In preparing the FY 2016 Chief of Mission Annual Management Control Statement of Assurance, the embassy did not include the Political-Economic and Public Affairs Sections, where OIG found management deficiencies. The Ambassador and embassy are required to prepare this statement in accordance with the Department's annual guidance, 2 FAM 022.7(5), 2 FAM 024, and

[5] Cable 2016 Tbilisi 632, "Trust but Verify – Unfortunately We Didn't," April 22, 2016.

Standards for Internal Controls in the Federal Government.[6] The Department's guidance for FY 2016 included a requirement to include all organizational units and to focus on grants management.[7] The guidance included checklists for Political, Economic, and Public Affairs sections as well as for grants management generally. The Ambassador and the DCM told OIG they reviewed the requirements and asked questions of embassy sections as appropriate but focused on the Management Section. Thus, the Statement of Assurance process did not reflect a complete examination of management controls, and the embassy did not discover these sections' deficiencies in grant management. These deficiencies increase the risk that control and performance objectives may not be met, as discussed later in this report.

Recommendation 1: Embassy Nicosia should prepare its Chief of Mission Annual Management Control Statement of Assurance in accordance with Department guidance. (Action: Embassy Nicosia)

Security and Emergency Planning

OIG found that the embassy maintained an appropriate security posture and generally complied with Department requirements, except as noted in the related classified report. The Ambassador and the DCM were fully supportive of the embassy security program, consistent with 2 FAM 113.1c(5) and the President's Letter of Instruction for Bilateral Chiefs of Mission. The Ambassador and the DCM both participated in security drills and meetings to evaluate their effectiveness. At the Ambassador's suggestion, embassy staff children are included in the monthly residential radio drills, which the RSO characterized as a helpful enhancement. The Ambassador also nurtured a strong relationship between the embassy and the Cyprus National Police, who play a key role in protecting the Ambassador and the embassy.

OIG found several physical security deficiencies at the embassy compound and other facilities. The embassy was aware of these issues. The Bureau of Overseas Buildings Operations (OBO) plans a 2 year, $35.5 million security upgrade, slated to begin in late 2017. OIG reviewed the project's scope of work and verified that it addresses the identified vulnerabilities.

Embassy Nicosia had a strong emergency action and crisis planning program, in accordance with Department guidance in 12 Foreign Affairs Handbook (FAH) -1 H-031a. The Emergency

[6] GAO-14-704G, September 2014. These standards state that management is responsible for an effective internal control system and should establish and operate activities to monitor the internal control system and evaluate the results. In addition, management should remediate identified internal control deficiencies on a timely basis.

[7] OIG's broader work on the Department's Statement of Assurance process found this omission to be a problem in many embassies, and OIG recommended that the Department take corrective measures (OIG, *Review of the Statements of Assurance Process,* ISP-I-15-37, September 2015). In response, in July 2015, the Comptroller sent a memorandum to regional bureaus citing the OIG report and stating that the Statement of Assurance applies to all organizational units. The memorandum also stated that grants management should be an area for increased focus. In December 2015, the Secretary sent a cable to all diplomatic and consular posts, which also noted that the Statement of Assurance applies to all organizational units reporting to the ambassador. In April 2016, the Bureau of the Comptroller and Global Financial Services provided a Management Controls Checklist for 2016 to guide preparation of the Statement of Assurance.

Action Committee met five times between January 2016 and April 2017. The Emergency Action Plan, which was current, included an annex on earthquakes, which the embassy deemed the most likely disaster scenario because Nicosia is in a high-risk seismic zone. Embassy staff appeared well versed in emergency response. In OIG's survey of embassy staff, 100 percent reported that they knew what to do in an emergency, and 99 percent reported they knew the location of their safe area or place of assembly and refuge. In addition, the Foreign Service Institute scheduled a crisis management exercise at the embassy in June 2017.

Spotlight on Success: Monthly Tabletop Crisis Planning Exercises

Embassy Nicosia held a half-hour crisis planning exercise once a month following Country Team meetings. The RSO circulated a brief scenario—often based on recent world events such as an active shooter at a hotel or a grounded cruise ship—to country team members in advance. During the meeting, which was chaired by the DCM, section heads report how their staff would respond to the scenario. The regular exercises develop the embassy's "muscle memory" for crisis planning, and promote a whole-of-mission approach to emergency preparedness. Staff told OIG they found the exercises useful for sharing information on interagency responsibilities and capabilities and that they contributed to the embassy's coordinated response to the hijacking of an Egyptair flight to Cyprus in March 2016.

Developing and Mentoring Future Foreign Service Leaders

The embassy had a variety of efforts to develop and mentor both mid-level and First- and Second-Tour (FAST) Foreign Service officers and specialists. The Ambassador met informally with groups of section heads and FAST staff members to discuss such topics as career development, bidding, and writing evaluations. The Ambassador also rotated the duties of the Acting DCM among all section heads. The section heads told OIG that they appreciated this career development opportunity and that it helped develop collegiality among the staff.

Consistent with 3 FAM 2242.4, the DCM used monthly meetings and other activities to foster the professional development of the embassy's FAST employees. The DCM also held monthly leadership meetings with section heads. Both the Ambassador and the DCM provided FAST employees with additional responsibilities to expose them to other embassy sections. FAST employees told OIG they had mixed views on their participation in the program. Some appreciated that they had responsibilities beyond those experienced by peers at large embassies, while others said that completing the additional duties was a challenge, since the workload in their sections seemed overwhelming.

POLICY AND PROGRAM IMPLEMENTATION

Political-Economic Section

OIG reviewed the Political-Economic Section's leadership and management, policy implementation, reporting and advocacy, commercial promotion, program implementation and

grants, Leahy vetting,[8] end-use monitoring, and foreign assistance functions and found them to be in compliance with Department standards, with the exception described in the federal assistance and grants section below.

Political-Economic Section Met Integrated Country Strategy Responsibilities

OIG found that Embassy Nicosia fulfilled its advocacy and reporting responsibilities in accordance with ICS goals. Embassy staff maintained contacts in the government, political parties, nongovernmental organizations, and business community in both parts of Cyprus. This engagement enabled the embassy to produce informed reporting that reflected a variety of points of view on political and economic issues in Cyprus. Washington offices consistently praised embassy reporting, including the record email daily and weekly reports, for its credible sourcing and the quantity produced relative to the embassy's staffing. OIG reviewed 7 months of reporting cables and found them to be appropriately sourced, timely, and relevant to ICS goals.

Leahy Vetting Conducted in Accordance with Department Guidance

In 2016, the embassy's Leahy unit vetted 118 individuals and security units for potential gross human rights abuses in accordance with applicable laws and Department requirements. The unit vetted an additional 42 individuals and security units from January through May 6, 2017. During the inspection, the Bureau of Democracy, Human Rights and Labor cleared the embassy's updated Leahy Standard Operating Procedures, which the embassy published on its SharePoint site.

Countering Violent Extremism

The embassy pursued its ICS goal to help Cyprus counter international terrorism through programming that included practical training for law enforcement, regional information-sharing to detect terrorist financing and address the foreign terrorist fighter threat, and legal training to combat terrorist groups. The embassy also funded English language training to assist the integration of Middle Eastern refugees. In 2015, the embassy agreed to host a regional office of the Export Control and Related Border Security program (EXBS),[9] run by the Bureau of International Security and Non-Proliferation. This provided a platform for EXBS to conduct programs in countries where it does not have a permanent presence. EXBS funding within Cyprus is limited to regional conferences and training.

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[8] The Leahy Amendment to the Foreign Assistance Act of 1961 prohibits the Department of State from furnishing assistance to foreign security forces if the Department receives credible information that such forces have committed gross violations of human rights. See 22 USC 2378d.

[9] Export Control and Related Border Security programs assist other nations in adopting effective laws and measures to prevent non-state actors from developing or acquiring weapons of mass destruction.

Public Diplomacy

OIG reviewed the Public Affairs Section's activities at two American Corners[10] in Nicosia and Limossol. In particular, OIG reviewed strategic planning, section leadership, resource and knowledge management, federal assistance awards, media engagement, and operations. OIG found the section worked to implement the mission's ICS goals under the active leadership of the Public Affairs Officer, particularly in the areas of improving intercommunal relations and encouraging entrepreneurship, with a focus on alumni and youth.

Public Affairs Section Assumed Key USAID and Fulbright Commission Activities

After the departure of U.S. Agency for International Development (USAID), the Public Affairs Section assumed management of USAID Economic Support Funds that support dialogue between Greek Cypriots and Turkish Cypriots. The section also took over administration of Fulbright academic exchanges and educational advising after the Cyprus Fulbright Commission closed in 2014. In coordination with the Bureau of Education and Cultural Affairs, the section manages $746,449 in residual Fulbright Commission funds to continue these activities. With the exception of grants management described below, OIG found the section complied with applicable Department standards.

Federal Assistance and Grants

OIG's review of embassy-administered Federal assistance found oversight and record-keeping deficiencies in Political-Economic and Public Affairs Section-managed grants. The Political-Economic Section was responsible for one $183,000 grant issued in FY 2015 and funded by the Department's Office of Global Women's Issues. The section did not use the Federal Assistance File Form (DS-4012), as required by Federal Assistance Policy Directive (FAPD) sections 1.08 and 1.10-B. This led to gaps in meeting documentary requirements. Files also lacked documentation showing the appointment of a grants officer representative, as required by FAPD section 1.05-C. The lack of formal documentation led to confusion about who assumed grants officer duties after the original FAST Grants Officer departed. During the inspection, the section designated a more senior officer as Grants Officer, who obtained a grants warrant, designated a grants officer representative, and began to address the deficiencies.

Embassy Lacks Standard Operating Procedures for Grants Management

OIG reviewed the Public Affairs Section's grant management practices and found that this section did not have standard operating procedures to ensure that all required steps in the grants cycle took place. The Public Affairs Section issued 30 grants in FY 2016 for a total of $192,678. OIG reviewed 10 of these grants, totaling $167,315, including all those over $10,000. OIG also reviewed a $500,000, 2-year grant the section awarded in FY 2015 to facilitate dialogue between Greek Cypriots and Turkish Cypriots. Although files contained documentation of grants monitoring, OIG found no evidence that the embassy had conducted risk assessments or created monitoring plans prior to awarding grants. The only exception was the $500,000 grant

[10] American Corners are open-access facilities used to engage foreign audiences overseas.

which had the required risk assessment and monitoring plan. FAPD sections 2.03-A and 3.01-A requires that embassies conduct a risk assessment and create monitoring plans for all grants. Files also lacked required evidence of Notices of Funding Opportunities and proper close-out procedures. The section entered only 2 of the 30 FY 2016 grants (7 percent) into the Grants Database Management System within 5 days, as required by FAPD section 1.09-B. Furthermore, 8 of the 30 FY 2016 grants (27 percent) had been entered after more than 30 days.

The lack of standard operating procedures for soliciting, evaluating, monitoring, and recording grant awards risks diverting funds to projects that do not match mission priorities or to recipients who lack the capacity to implement grant objectives. Failure to document grant management activities creates vulnerabilities to required controls, especially during the transfer of grant responsibility between grants officers or grants officer representatives.

> **Recommendation 2:** Embassy Nicosia should implement standard operating procedures and maintain required records for all grant awards in accordance with Department guidance. (Action: Embassy Nicosia)

Consular Affairs

OIG reviewed consular operations, including American citizen services; crisis preparedness; immigrant and nonimmigrant visas; and management controls and anti-fraud programs. The review included consular operations at the embassy and at its North Office. With the exception of the issues mentioned below, the Consular Section performed its responsibilities within applicable laws and Department guidance.

Responding to Telephone Visa Inquiries Duplicated Contractor-Provided Services

Embassy Nicosia scheduled 1.5 hours daily for staff to answer general public telephone inquiries, primarily about visa issues. In December 2012, the embassy began using a contractor-operated call center funded by the Bureau of Consular Affairs to provide visa applicants with appointment and information services, but the embassy continued to respond to visa inquiries by telephone. Guidance in cable 2015 State 87970[11] states that embassy staff "need not and should not duplicate services provided by the vendor in response to those questions." The embassy estimated consular staff spent more than 500 hours per year responding to routine visa questions, duplicating services and expending resources that could be put to better use.

> **Recommendation 3:** Embassy Nicosia should require visa applicants to direct general visa inquiries to the contractor-provided call center retained to provide this service. (Action: Embassy Nicosia)

[11] Cable 2015 State 87970, "Global Support Strategy Information Services, Part I: Getting the Most From Your GSS Information Services," July 24, 2015.

Access to North Office Consular Work Space Not Properly Restricted

The North Office consular facility, co-located on the same floor with other embassy offices, did not have a way to limit access to those employees whose authority or responsibilities require it, as specified in 7 FAH-1 H-644.1. The consular facility also had a single, unenclosed teller window for all consular functions, including cashiering and visa interviews. Access to the cashier work area, cash and other collections, equipment, and records was not limited, as required by 7 FAH-1 H-742a. Finally, OIG observed that embassy employees and official visitors had unrestricted access to the consular work space. Given the section's layout and limited space, OIG suggested that installing a lockable door to the facility entrance would address both deficiencies. Failure to control access to consular work space increases the risk that consular equipment and supplies, financial receipts and records, and personally identifiable information could be improperly accessed or compromised.

Recommendation 4: Embassy Nicosia should restrict access to the North Office consular work space to employees having official reasons for access. (Action: Embassy Nicosia)

RESOURCE MANAGEMENT

OIG's review of the General Services, Financial Management, Human Resources, and Facility Management Offices found that, overall, these operations performed in accordance with Department standards and policies, internal controls were adequate to mitigate risks, and oversight and supervision were appropriate. However, OIG found deficiencies in the areas described below.

General Services Operations

OIG reviewed the housing, property management, purchasing and motor pool operations, and found that processes and procedures were in place or being developed, Department systems were properly used, and internal controls met Department requirements, except as noted below.

Residential Housing Lease Files Incomplete

OIG found that Embassy Nicosia's hard copy residential lease files were incomplete. The files lacked Post Occupational Safety and Health program checklists and verification that hazards had been effectively controlled or eliminated, as required by 15 FAM 252.5 a. In addition, OIG found that the files did not include verification by final Regional Security Office that recommended security upgrade work was complete prior to occupancy. OIG determined that the embassy lacked standardized operating procedures to ensure lease files contained all required documentation, such as these verifications. The embassy acknowledged that, prior to the inspection, the Regional Security Office gave only verbal verification to the General Services Office after conducting the final security inspection. The failure to properly document required residential safety and security reviews prior to occupancy creates potential life and safety vulnerabilities in the residential security program. During the inspection, the Regional

Security Office began providing memoranda verifying the completion of required security improvements in leased residences.

Inadequate Internal Controls over Facility Expendable Supplies

The embassy lacked adequate internal controls over the management of facility expendable supplies (maintenance stock, materials, and spare parts) as required by 14 FAM 414(1). The facility staff used supplies as and when needed and did not document what was being taken and used. The embassy did not control access to the expendable supplies, nor did the supply clerk manage them as required by 14 FAM 424. In addition, the embassy lacked safeguards and controls to ensure supplies were issued only for official use, as required by 14 FAM 414.4, and adequate internal requisitioning processes, as required by 14 FAM 414.5. The embassy began addressing these deficiencies in 2016 but had yet to fully address them at the time of the inspection. Failure to properly account for and safeguard expendable supplies left the embassy vulnerable to waste and theft.

> **Recommendation 5:** Embassy Nicosia should establish internal controls for the administration and disbursement of facility expendable supplies in accordance with Department standards. (Action: Embassy Nicosia)

The embassy had not performed an annual physical inventory of the facility expendable supplies as required by 14 FAM 416.1a and therefore had no record of these items in the Integrated Logistics Management System expendable supplies management application. The embassy had not asked the General Services Office to conduct an inventory and had not created an inventory list of facility expendable supplies. The lack of these property accountability and inventory controls increases the risk of waste, fraud, and mismanagement.

> **Recommendation 6:** Embassy Nicosia should conduct an annual inventory of its facility expendable supplies and enter it into the Integrated Logistics Management System. (Action: Embassy Nicosia)

Embassy Drivers Lacked Safe Driver Training and Medical Certifications

Not all embassy chauffeurs and incidental drivers received Smith Safety Driver Training or obtained medical certifications before driving official U.S. Government vehicles, as required by 14 FAM 432.4(c) 4. The embassy enforced these standards for Department drivers but not for other agencies' drivers. Cable 2011 State 8636[12] and 15 FAM 911 require posts that operate a motor pool to ensure that all government agencies under chief of mission authority implement this program. Failure to enforce these standards increases risks to drivers, passengers and the public and damage to U.S. Government property.

[12] Cable 2011 State 8636, "Status Report on the Overseas Motor Vehicle Safety Management Emphasis Program," January 29, 2011.

Recommendation 7: Embassy Nicosia should require that all chauffeurs and incidental drivers under chief of mission authority receive required safe driver training and have required medical clearances. (Action: Embassy Nicosia)

Financial Management

OIG found that, overall, the embassy performed accounting, vouchering, and cashiering operations in accordance with Department standards, with two exceptions noted below. In addition, OIG found that while the embassy had conducted periodic reviews of LE staff certifying activity, it had not documented them, as required by 4 FAH-3 H-065.2-2d. During the inspection, the embassy rectified this issue by conducting and appropriately documenting a review, which officials told OIG would be performed quarterly. During the 2013 Cypriot financial crisis, Embassy Nicosia held a cashier advance of $2 million—one of the highest in the world. The embassy reduced this advance to $200,000 in 2017, prior to the inspection.

Embassy Directly Paid Official Residence Expense Staff Salaries

The embassy directly paid official residence expenses staff via cash advance from the Class B cashier. This practice violated 3 FAM 3257(a), which requires the principal representative or the household manager to pay the official residence staff. OIG issued a Management Assistance Report in April 2014[13] that addressed this improper practice and recommended that the Department issue a directive that prohibits an embassy's direct payment to the official residence expenses staff. However, because the Department did not implement the recommendation in OIG's 2014 report, OIG recently conducted a compliance follow-up review that made two new recommendations to the Department to address payment of official residence expenses staff.[14] In response to OIG's new recommendations, the Department reported that direct payments to official residence expenses staff—via post cashier, electronic funds transfers, and/or in cash directly from a post cashier—will be discontinued and the Department will update its policy guidance accordingly. As a result, OIG did not make a recommendation in this report.

Invoice Payments to Vendors Consistently Overdue

The embassy did not pay vendor invoices within 30 days, as required by the Prompt Payment Act and 4 FAH-3 H-311.5. The embassy used an invoice payment tracker to track receipts and payments but updated the data inconsistently. OIG found 59 of 154 invoices from January 2017, 86 of 183 from February 2017, and 26 of 183 from March 2017 were paid more than 30 days late. The embassy told OIG the departure of two LE staff from the Financial Management Office and inconsistent record-keeping hindered its ability to process payments on time. Notwithstanding these staffing concerns, failing to pay invoices promptly could subject the embassy to interest payments and additional fees.

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[13] OIG, *Management Assistance Report – Direct Payment of Official Residence Expenses Staff Salaries* (ISP-I-14-08, April 2014).

[14] OIG, C*ompliance Follow-up Review – Department of State Has Not Implemented Recommendations Pertaining to Official Residence Expense Staff Salaries* (ISP-C-17-32, August 2017).

Recommendation 8: Embassy Nicosia should pay its invoices in compliance with the Prompt Payment Act and Department guidelines. (Action: Embassy Nicosia)

Human Resources

OIG found that, overall, the embassy performed its human resources functions in accordance with Department standards. The embassy successfully introduced Merit Based Compensation[15] in February 2017, employee evaluations were timely, and the LE staff committee was active and engaged with the Ambassador and DCM. OIG found three outdated policies and procedures, as noted below.

Locally Employed Staff Policies and Procedures Outdated

The LE staff handbook, local compensation plan and LE staff grievance policy were significantly out of date. The embassy last updated the LE staff handbook in 2004 and the local compensation plan in 2012. The last management notice related to LE staff grievance procedures was issued in 2007. According to 3 FAH-2 H-132.3, the local compensation plan must be kept up to date and revised annually. OIG found that there were, in fact, important issues as to which the documents did not have current information. In particular, the local compensation plan lacked important updates to LE staff benefits, including medical insurance and retirement and life insurance plans. During the inspection the embassy prepared draft updates to these LE policies and procedures for Department review.

Facility Management

The Facility Management Office historically has not used its building maintenance expense funds to perform sufficient preventative maintenance on the chancery's key building systems and equipment, as required by 15 FAM 623(b). During the inspection, the recently arrived facility manager started the process to renew preventive maintenance contracts for generators and water sewage pipes, began working with OBO on the global fire suppression maintenance program, and began assessing contracts and training to provide preventive maintenance for the chancery's uninterrupted power supply equipment and switchgear. In addition, the Post Occupational Safety and Health Officer began to document the required annual inspection of all office work areas and semi-annual inspections of "increased-risk" work areas and operations,[16] as required by 15 FAM 962(c). OIG found three deficiencies in the section, as noted below.

[15] Merit Based Compensation is a performance management approach seeks to link LE staff performance and pay more effectively with mission goals. Where implemented, Merit Based Compensation replaces within-grade increases in overseas posts' local compensation plans with a variable reward that is directly linked to an employee's level of performance.

[16] A high-risk work area is one with a high potential for mishaps or occupational illnesses. Such activities include machinery, electrical or electronic functions, chemicals or chemical applications, materials storage and handling, and construction.

Seismic Evaluations of Government Properties Not Performed to Department Standards

The embassy had not performed valid seismic safety assessments of its residential property and leased office spaces in accordance with Department standards. Guidance in 15 FAM 252.6(d) requires that an OBO-approved structural engineer perform seismic assessments at posts located in high-risk seismic areas, such as Nicosia. Notwithstanding these requirements, the embassy's assistant Post Occupational Safety and Health Officer, who is not a certified structural engineer, had been performing the assessments. OIG also notes that visiting OBO team in 2016 evaluated 14 out of 27 residences as "poor" on the Seismic Hazard Rating scale, including five that post had rated as "good" or "acceptable." In the event of an earthquake, major damage, both structural and non-structural, could especially affect buildings rated as "poor." Accordingly, it is important to designate rental properties appropriately, as leasing properties without properly approved seismic safety assessments poses significant life safety risk to occupants.

OIG noted that the long-term goal of both the embassy and OBO is to replace all seismically unacceptable buildings in the housing pool with more seismically resistant housing. OIG recognized that because of low availability of seismically acceptable housing in Nicosia, mitigating the seismic risk by seeking out the "seismically best available" housing whenever possible was a more realistic goal but might take some time to achieve.

> **Recommendation 9:** The Bureau of Overseas Buildings Operations, in coordination with Embassy Nicosia, should perform seismic evaluations of the embassy's residential properties in accordance with Department standards. (Action: OBO, in coordination with Embassy Nicosia)

Embassy's North Office Lacked a Fire Alarm System

Embassy Nicosia's North Office building did not have a central fire alarm system. The October 2015 OBO fire inspection report recommended that a central fire alarm system be installed in the North Office building to protect human life and adhere to National Fire Protection Association standards. The embassy told OIG that the landlord refused to install an alarm, although there was no documentation of this exchange. The embassy installed smoke detectors in its leased space, but there were no smoke detectors in the remainder of the building. Such detectors are vital, as properly designed, installed, and maintained fire detection and alarm system can provide early warning for occupants and help limit fire loss. By not fully mitigating safety and fire concerns, embassy staff, consular customers, and guests remain vulnerable to injury or death from fire.

> **Recommendation 10:** Embassy Nicosia should install a fire alarm system in its North Office to meet Department fire safety standards. (Embassy Nicosia, in coordination with OBO)

Derelict U.S. Government Properties in Northern Cyprus

In addition to the North Office, the U.S. Government owns five abandoned properties in or north of the Green Line buffer zone. Four properties contain derelict buildings that are beyond repair,

and the fifth is located in an inaccessible area of the buffer zone. These properties have remained unused since the island's division in 1974. The embassy and OBO are unable to dispose of the properties due to the political situation. The U.S. Government cannot undertake any action, such as selling or transferring the property, which could be construed as conferring recognition of the authorities in northern Cyprus. The previous OIG inspection report of Embassy Nicosia[17] also discussed this issue. The situation has not changed since then.

OIG visited all four of the abandoned properties north of the Green Line and once again raised the issue of potential liability, especially given that the. U.S. Government has only informal contact with the local authorities in northern Cyprus. The embassy received OBO's concurrence that it should delay action on the properties until after the conclusion of the Cyprus settlement talks. Given the uncertain prospects for Cyprus reunification, OIG made no recommendation in this report.

Information Management

OIG reviewed the physical, environmental, and technical security of the embassy's classified and unclassified computer networks and dedicated internet networks, as well as its radio and telephone systems, communications security, records management, equipment inventories, and emergency operations. OIG found that most information management (IM) programs and services met customer needs and complied with Department requirements outlined in 5 FAM 120. OIG suggested solutions to optimize the embassy's network infrastructure, emergency communications, inventory controls, helpdesk management, and network security.

OIG identified deficiencies in the physical protection of unclassified servers and information technology contingency plan testing, as described below. OIG also identified an information security issue, which is discussed in the related classified report. The embassy corrected several deficiencies identified during the on-site inspection, including reassigning information systems security officer duties, replacing the high-frequency radio antenna at the alternate command center, and securing the mission's network switch cabinets.

Unsecure Unclassified Server Room

Embassy Nicosia's unclassified servers are housed in an enclosure with a clear glass sliding door located inside the information system center office. The enclosure does not meet the Department's requirement for floor-to-ceiling walls to physically protect server access. According to 12 FAH-10 H-272.17.1, however, servers must be securely located in a room with such floor-to-ceiling perimeter walls to prevent unauthorized physical access to the equipment. During the inspection, OIG suggested different configurations that would meet this requirement and increase available staff work space. Storing servers in the current configuration leaves the equipment vulnerable to unauthorized access.

[17] OIG, *Inspection of Embassy Nicosia, Cyprus* (ISP-I-10-56A, July 2010).

Recommendation 11: Embassy Nicosia, in coordination with the Bureau of Overseas Buildings Operations, should configure the unclassified server room to meet Department standards. (Action: Embassy Nicosia, in coordination with OBO)

Untested Information Technology Contingency Plans

The embassy did not test its 2017 Information Technology Contingency Plan for the unclassified and classified computer networks, due to competing priorities. According to 5 FAM 851a, however, each information system must have a documented contingency plan that is tested annually. An untested plan increases the risk of ineffective responses to or loss of critical information during an emergency or crisis. Two Bureau of Diplomatic Security Cyber Security Assessments, dated January 2015 and March 2017, also identified this deficiency. OIG issued a Management Assistance Report[18] in July 2017 that recommended overseas posts comply with Cyber Security Assessment Report recommendations.

Recommendation 12: Embassy Nicosia should conduct annual information technology contingency plan testing of the unclassified and classified networks in accordance with Department standards. (Action: Embassy Nicosia)

Information Management Position Not Programmed To ICASS

Embassy Nicosia failed to convert one IM position to the International Cooperative Administrative Support Services[19] (ICASS) system despite being advised to do so by the Department. The IM section includes three Department-funded positions costing, on average, $268,419 per position per year. These U.S. direct-hire specialists also provide some IM support services to other agencies at the mission.

To ensure the cost of IM services are equitably shared, the Office of Management Policy, Rightsizing, and Innovation in June 2010 advised certain embassies, including Embassy Nicosia, to convert one U.S. direct-hire IM position to ICASS as soon as budgetary provisions could be made. At the time of the inspection, the embassy had yet to do so. OIG did not make a recommendation on this subject, though, because, in April 2017, OIG issued a Management Assistance Report[20] that recommended converting one U.S. direct-hire IM position to ICASS in many embassies, including Embassy Nicosia.

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[18] OIG, *Management Assistance Report: Deficiencies Reported in Cyber Security Assessment Reports Remain Uncorrected* (ISP-17-39, July 2017).

[19] ICASS, established in 1997, is the principal means by which U.S. Government agencies share the cost of common administrative support services at more than 250 diplomatic and consular posts overseas. Through ICASS, which operates a working capital fund, service providers recover the cost of delivering administrative support services to other agencies at overseas missions, in accordance with 6 FAM 911 and 6 FAH-5 H-013.2.

[20] OIG, *Management Assistance Report: Cost of Information Management Staff at Embassies Should Be Distributed to Users of Their Services* (ISP-17-23 April 27, 2017).

RECOMMENDATIONS

OIG provided a draft of this report to Department stakeholders for their review and comment on the findings and recommendations. OIG issued the following recommendations to the Bureau of Overseas Buildings Operations and Embassy Nicosia. The Department's complete responses can be found in Appendix B.

Recommendation 1: Embassy Nicosia should prepare its Chief of Mission Annual Management Control Statement of Assurance in accordance with Department guidance. (Action: Embassy Nicosia)

Management Response: In its October 3, 2017, response, Embassy Nicosia concurred with this recommendation. The embassy noted it included reviews for both the Political-Economic and Public Affairs Sections in its 2017 Annual Management Control Statement of Assurance and will continue to do so in the future.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation of the 2017 Annual Management Control Statement of Assurance that complies with Department guidance.

Recommendation 2: Embassy Nicosia should implement standard operating procedures and maintain required records for all grant awards in accordance with Department guidance. (Action: Embassy Nicosia)

Management Response: In its October 3, 2017, response, Embassy Nicosia concurred with this recommendation. The embassy noted it launched the State Assistance Management System in July 2017 to improve grants management and associated record-keeping. The embassy was also drafting its own standard operating procedure to ensure proper procedures are followed.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation of grants management standard operating procedures and record keeping in accordance with Department guidance.

Recommendation 3: Embassy Nicosia should require visa applicants to direct general visa inquiries to the contractor-provided call center retained to provide this service. (Action: Embassy Nicosia)

Management Response: In its October 3, 2017, response, Embassy Nicosia concurred with this recommendation. The embassy noted that the Consular Chief provided training to the section's staff on directing calls that fall within the purview of the call center's contract to the call center.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that general visa inquiry calls are directed to the contractor-provided call center.

Recommendation 4: Embassy Nicosia should restrict access to the North Office consular work space to employees having official reasons for access. (Action: Embassy Nicosia)

Management Response: In its October 3, 2017, response, Embassy Nicosia concurred with this recommendation. The embassy noted that the Management Section would work with the owner of the building to modify the configuration of the office space, including a lockable door between the consular area and the rest of the office.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that access to the consular work space at the North Office is restricted.

Recommendation 5: Embassy Nicosia should establish internal controls for the administration and disbursement of facility expendable supplies in accordance with Department standards. (Action: Embassy Nicosia)

Management Response: In its October 3, 2017, response, Embassy Nicosia concurred with this recommendation. The embassy noted that it had created a locked storage area for expendable supplies and would complete a full cataloguing of inventory and establish internal controls for future inventory by the end of 2017.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation of the internal controls for facility expendable supplies.

Recommendation 6: Embassy Nicosia should conduct an annual inventory of its facility expendable supplies and enter it into the Integrated Logistics Management System. (Action: Embassy Nicosia)

Management Response: In its October 3, 2017, response, Embassy Nicosia concurred with this recommendation. The embassy noted that full control of the inventory is expected by the end of 2017.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation showing that the embassy has completed an annual inventory of its facility expendable supplies and entered it into the Integrated Logistics Management System.

Recommendation 7: Embassy Nicosia should require that all chauffeurs and incidental drivers under chief of mission authority receive required safe driver training and have required medical clearances. (Action: Embassy Nicosia)

Management Response: In its October 3, 2017, response, Embassy Nicosia concurred with this recommendation. The embassy noted that it is updating its motor vehicle policy to describe requirements for incidental drivers and that the medical clearance process will be coordinated by the embassy nurse. The embassy anticipates completion of incidental driver training and implementation of the medical clearance process by the end of March 2018.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that all chauffeurs and incidental drivers under chief of mission authority receive the required training and medical clearance.

Recommendation 8: Embassy Nicosia should pay its invoices in compliance with the Prompt Payment Act and Department guidelines. (Action: Embassy Nicosia)

Management Response: In its October 3, 2017, response, Embassy Nicosia concurred with this recommendation. The embassy noted that the Financial Management Section was current on payments of all unpaid invoices and would remain so in the future.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the embassy pays its invoices in compliance with Department guidelines.

Recommendation 9: The Bureau of Overseas Buildings Operations, in coordination with Embassy Nicosia, should perform seismic evaluations of the embassy's residential properties in accordance with Department standards. (Action: OBO, in coordination with Embassy Nicosia)

Management Response: In its October 2, 2017, response the Bureau of Overseas Buildings Operations concurred with this recommendation. The bureau noted that it submitted the Nicosia Final Residential Seismic Survey Report to post on April 14, 2017. The bureau also noted that it will work with Embassy Nicosia to engage a local structural engineer to continue seismic evaluations of their building inventory in FY 2018.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation of the seismic evaluations of Embassy Nicosia's residential properties.

Recommendation 10: Embassy Nicosia should install a fire alarm system in its North Office to meet Department fire safety standards. (Embassy Nicosia, in coordination with OBO)

Management Response: In its October 3, 2017, response, Embassy Nicosia concurred with this recommendation. The embassy noted that it was working with the building owner and the Bureau of Overseas Buildings Operations to find a way forward.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation of a fire alarm system, which meets Department standards, in the North Office.

Recommendation 11: Embassy Nicosia, in coordination with the Bureau of Overseas Buildings Operations, should configure the unclassified server room to meet Department standards. (Action: Embassy Nicosia, in coordination with OBO)

Management Response: In its October 3, 2017, response, Embassy Nicosia concurred with this recommendation. The embassy noted that it would work with the Bureau of Overseas Buildings Operations to reconfigure the server room as necessary.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the embassy server room is configured to meet Department standards.

Recommendation 12: Embassy Nicosia should conduct annual information technology contingency plan testing of the unclassified and classified networks in accordance with Department standards. (Action: Embassy Nicosia)

Management Response: In its October 3, 2017, response, Embassy Nicosia concurred with this recommendation. The embassy noted that the Information Management Officer would schedule contingency plan testing for both the unclassified and the classified networks by the end of 2017 and annually thereafter.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation of annual information technology contingency plan testing of both the unclassified and classified networks.

PRINCIPAL OFFICIALS

Title	Name	Arrival Date
Chief of Mission:		
Ambassador	Kathleen Doherty	9/2015
Deputy Chief of Mission	Pamela Tremont	8/2014
Chiefs of Sections:		
Management	Robert Collins	8/2016
Consular	Christine Jackson	9/2015
Political/Economic	Patrick Connell	7/2015
Public Affairs	Glen Davis	8/2016
Regional Security	Timothy Leeds	8/2014
Other Agencies:		
Department of Defense	Colonel Kenneth Dobbertin	1/2014
Drug Enforcement Administration	Joseph Hathaway	7/2015

Source: Embassy Nicosia

APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY

This inspection was conducted in accordance with the Quality Standards for Inspection and Evaluation, as issued in 2012 by the Council of the Inspectors General on Integrity and Efficiency, and the Inspector's Handbook, as issued by OIG for the Department and the Broadcasting Board of Governors.

Objectives and Scope

The Office of Inspections provides the Secretary of State, the Chairman of the Broadcasting Board of Governors, and Congress with systematic and independent evaluations of the operations of the Department and the Broadcasting Board of Governors. Inspections cover three broad areas, consistent with Section 209 of the Foreign Service Act of 1980:

- **Policy Implementation:** whether policy goals and objectives are being effectively achieved; whether U.S. interests are being accurately and effectively represented; and whether all elements of an office or mission are being adequately coordinated.
- **Resource Management:** whether resources are being used and managed with maximum efficiency, effectiveness, and economy and whether financial transactions and accounts are properly conducted, maintained, and reported.
- **Management Controls:** whether the administration of activities and operations meets the requirements of applicable laws and regulations; whether instance of fraud, waste, or abuse exist; and whether adequate steps for detection, correction, and prevention have been taken.

Methodology

In conducting inspections, OIG uses a risk-based approach to prepare for each inspection; reviews pertinent records; as appropriate, circulates, reviews, and compiles the results of survey instruments; conducts onsite interviews; and reviews the substance of the report and its findings and recommendations with offices, individuals, organizations, and activities affected by the review.

For this inspection, OIG conducted approximately 137 interviews (some people were interviewed more than once). OIG also reviewed 185 personal questionnaires.

APPENDIX B: MANAGEMENT RESPONSES

United States Department of State
Washington, D.C. 20520

UNCLASSIFIED
MEMORANDUM

OCT - 2 2017

TO: OIG/ISP – Ms. Sandy Lewis, Assistant Inspector General for Inspections

FROM: OBO/RM – Jürg E. Hochuli

SUBJECT: Response to Draft OIG Report – Inspection of Embassy Nicosia

OBO has reviewed the draft OIG Inspection report. We provide the following comments in response to the recommendation provided by OIG:

OIG Recommendation 9: The Bureau of Overseas Buildings Operations, in coordination with Embassy Nicosia, should perform seismic evaluations of the embassy's residential properties in accordance with Department standards. (Action: OBO, in coordination with Embassy Nicosia).

OBO Response: OBO accepts this recommendation. Nicosia was included among the embassies addressed in the OBO issued State Cable 16 STATE 137600 on December 30, 2016 (attached). The cable explained that OBO's Natural Hazards Program (NHP) is conducting seismic evaluations of buildings and residences at over 70 Posts in high seismic risk areas. The preparation and review of these reports is time-consuming; and OBO appreciates the patience of each post as we conduct these evaluations. OBO forwarded the Nicosia Final Residential Seismic Survey Report to post on April, 14, 2017. The report provides guidance to post real estate personnel for identifying obvious seismic deficiencies to be avoided in new leases. It also identifies a local structural engineer deemed qualified to assist post with future seismic evaluations. OBO's NHP will work with post to engage this engineer to continue seismic evaluations of their building inventory in FY18.

OBO recommends OIG close this recommendation.

October 3, 2017

UNCLASSIFIED

THRU: EUR – Conrad Tribble, Senior Bureau Official

TO: OIG – Sandra Lewis, Assistant Inspector General for Inspections

FROM: Embassy Nicosia – Ambassador Kathleen Doherty

SUBJECT: Response to Draft OIG Report – Inspection of Embassy Nicosia, Cyprus

Embassy Nicosia has reviewed the draft OIG Inspection report. We provide the following comments in response to the recommendations provided by OIG:

OIG Recommendation 1: Embassy Nicosia should prepare its Chief of Mission Annual Management Control Statement of Assurance in accordance with Department guidance. (Action: Embassy Nicosia)

Management Response: Embassy Nicosia agrees with this recommendation. Embassy Nicosia included reviews of management controls for both the Political/Economic and Public Affairs sections in the 2017 Annual Management Control Statement of Assurance (17 Nicosia 450) and will continued to do so in the future.

OIG Recommendation 2: Embassy Nicosia should implement standard operating procedures and maintain required records for all grant awards in accordance with Department guidance. (Action: Embassy Nicosia)

Management Response: Embassy Nicosia agrees with the recommendation. The State Assistance Management System (SAMS) was launched at post in July 2017 to improve grants management and record-keeping at post. The Embassy is drafting its own local standard operating procedure to ensure that all required steps are taken, and Public Affairs will post an annual Notice of Funding Opportunity beginning in FY18 to guarantee that all grants serve the strategic goals of the mission.

OIG Recommendation 3: Embassy Nicosia should require visa applicants to direct general visa inquiries to the contractor-provided call center retained to provide this service. (Action: Embassy Nicosia)

Management Response: Embassy Nicosia agrees with this recommendation. The Consular Chief provided additional training to the section's staff to ensure all calls falling within the purview of the call center's contract are, in fact, directed to the call center.

OIG Recommendation 4: Embassy Nicosia should restrict access to the North Office consular work space to employees having official reasons for access. (Action: Embassy Nicosia)

Management Response: Embassy Nicosia agrees with this recommendation. Post's Management Section will work with the owner of the building to modify the current configuration of the office space to include a lockable door between the consular area and the rest of the North Office.

OIG Recommendation 5: Embassy Nicosia should establish internal controls for the administration and disbursement of facility expendable supplies in accordance with Department standards. (Action: Embassy Nicosia)

Management Response: Embassy Nicosia agrees with this recommendation. The Embassy has disposed of excess stock, created a locked storage area and consolidated remaining stock there. Full cataloguing of inventory and establishment of internal controls for receipt, issuance and future inventory-taking is expected to be possible by the end of CY 2017.

OIG Recommendation 6: Embassy Nicosia should conduct an annual inventory of its facility expendable supplies and enter it into the Integrated Logistics Management System. (Action: Embassy Nicosia)

Management Response: Embassy Nicosia agrees with this recommendation. Inventory-taking is underway. Full control of inventory is expected to be possible by the end of CY 2017.

OIG Recommendation 7: Embassy Nicosia should require that all chauffeurs and incidental drivers under Chief of Mission authority receive required safe driver training and have required medical clearances. (Action: Embassy Nicosia)

Management Response: Embassy Nicosia agrees with this recommendation. All chauffeurs and personnel with driving duties receive regular safe driver training and assessments. Post is updating its motor vehicle safety policy to describe requirements for incidental drivers. Post anticipates completion of safe driver training for all incidental drivers by the end of March 2018. Medical clearances are being coordinated with the newly-hired Embassy nurse. The result will be a BPA or BPAs with medical service providers for initial and follow-up examinations as required. This arrangement is expected to be in place by the end of March 2018.

OIG Recommendation 8: Embassy Nicosia should pay its invoices in compliance with the Prompt Payment Act and Department guidelines. (Action: Embassy Nicosia)

Management Response: Embassy Nicosia agrees with this recommendation. The Financial Management section is current on payments of all unpaid invoices, and will continue to remain so in the future.

OIG Recommendation 9: The Bureau of Overseas Buildings Operations, in coordination with Embassy Nicosia, should perform seismic evaluations of the embassy's residential properties in accordance with Department standards. (Action: OBO, in coordination with Embassy Nicosia).

OIG Recommendation 10: Embassy Nicosia should install a fire alarm system in its North Office to meet Department fire safety standards. (Embassy Nicosia, in coordination with OBO)

Management Response: Embassy Nicosia agrees with this recommendation. Post has begun discussions with OBO and the North Office landlord to find a way forward.

OIG Recommendation 11: Embassy Nicosia, in coordination with the Bureau of Overseas Buildings Operations, should configure the unclassified server room to meet Department standards. (Action: Embassy Nicosia, in coordination with OBO)

Management Response: Embassy Nicosia agrees with this recommendation. Post will coordinate with OBO to reconfigure the server room as necessary.

OIG Recommendation 12: Embassy Nicosia should conduct annual information technology contingency plan testing of the unclassified and classified networks in accordance with Department standards. (Action: Embassy Nicosia)

Management Response: Embassy Nicosia agrees with this recommendation. Post's newly arrived Information Management Officer will schedule contingency plan testing for both the unclassified and classified networks by the end of CY 2017 and annually thereafter.

The point of contact for this memorandum is Robert Collins, Management Counselor.

APPENDIX C: FY 2016 STAFFING AND FUNDING BY AGENCY

Agency	U.S. Direct-hire Staff	U.S. Locally Employed Staff	Foreign National Staff	Total Staff[a]	Funding ($)
Department of State					
Diplomatic & Consular Programs	29	1	23	53	1,754,200
Consular	3	2	5	10	548,594
ICASS	3	13	119	135	7,605,200
Public Diplomacy	2	2	3	7	680,440
Diplomatic Security	2	1	10	13	692,828
Marine Security	9	0	4	13	255,428
Representation	0	0	0	0	46,500
Overseas Buildings Operations	3	0	0	3	1,081,371
INL	1	0	0	1	31,845
EXBS	3	1	0	4	208,000
Subtotal	**55**	**20**	**164**	**239**	**12,904,406**
Department of Defense					
Defense Attaché Office	3	0	1	4	196,580
Force Protection	1	1	0	2	226,000
Subtotal	**4**	**1**	**1**	**6**	**422,580**
Department of Justice					
Drug Enforcement Administration	5	1	1	7	234,017
Total	64	22	166	252	13,561,003

Source: Generated by OIG from data provided by the Department.

[a] Authorized positions

ABBREVIATIONS

DCM	Deputy Chief of Mission
EXBS	Export Control and Related Border Security
FAH	Foreign Affairs Handbook
FAM	Foreign Affairs Manual
FAPD	Federal Assistance Policy Directive
FAST	First- and Second-Tour
ICASS	International Cooperative Administrative Support Services
ICS	Integrated Country Strategy
IM	Information Management
LE	Locally Employed
OBO	Bureau of Overseas Buildings Operations
USAID	U.S. Agency for International Development

OIG INSPECTION TEAM MEMBERS

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Scott D. Boswell, Deputy Team Leader
Brent Byers
Calvin Carlsen
Eric Chavera
Marc Desjardins
Mark Jeleniewicz
Richard Sypher
Joseph Talsma
Colwell Whitney

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WPEAOmbuds@stateoig.gov