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Office of Inspector General
United States Department of State

ISP-I-20-22

Office of Inspections

May 2020

Inspection of Embassy Kathmandu, Nepal

BUREAU OF SOUTH AND CENTRAL ASIAN AFFAIRS

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HIGHLIGHTS

Office of Inspector General
United States Department of State

ISP-I-20-22

What OIG Inspected

OIG inspected the executive direction, program and policy implementation, and resource and information management operations of Embassy Kathmandu.

What OIG Recommends

OIG made 18 recommendations to Embassy Kathmandu.

In its comments on the draft report, Embassy Kathmandu concurred with all 18 recommendations. OIG considers all 18 recommendations resolved. The embassy's response to each recommendation, and OIG's reply, can be found in the Recommendations section of this report. The embassy's formal written response is reprinted in its entirety in Appendix B.

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What OIG Found

- The Ambassador and the Deputy Chief of Mission led Embassy Kathmandu in a professional and collaborative manner. Staff praised both leaders for establishing a collegial work environment.
- The Front Office was effective in advancing U.S. foreign policy issues in Nepal as outlined in the embassy's Integrated Country Strategy.
- Consular managers did not handle conduct issues adequately.
- The embassy provided home-to-work transportation for approximately 160 locally employed staff without proper Department of State authorization.
- The retirement fund for locally employed staff, valued at \$9.6 million, was at risk because the embassy did not manage it appropriately.
- Spotlight on Success: An embassy social media campaign generated positive local reactions amid indications the messages were helping improve bilateral relations.

CONTENTS

CONTEXT	1
EXECUTIVE DIRECTION	2
Tone at the Top and Standards of Conduct	2
Execution of Foreign Policy Goals and Objectives	3
Adherence to Internal Controls.....	4
Security and Emergency Planning.....	4
Equal Employment Opportunity Program	5
Developing and Mentoring Foreign Service Professionals	5
POLICY AND PROGRAM IMPLEMENTATION	6
Political-Economic Section and Regional Environmental Office.....	6
Public Diplomacy.....	7
Consular Affairs	9
RESOURCE MANAGEMENT	10
General Services Operations.....	10
Financial Management.....	13
Human Resources.....	14
INFORMATION MANAGEMENT	15
RECOMMENDATIONS	18
PRINCIPAL OFFICIALS	23
APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY.....	24
APPENDIX B: MANAGEMENT RESPONSE	25
ABBREVIATIONS	29
OIG INSPECTION TEAM MEMBERS	30

CONTEXT

The Federal Democratic Republic of Nepal is a landlocked country located between India and China. Its topography ranges from low-lying plains in the Ganges River basin in the south extending through a region of hills and valleys in the central hill region to the Himalaya Mountains in the north. Eight of the world's highest peaks (including Mt. Everest, the world's highest mountain) are in Nepal.

An absolute monarchy ruled Nepal through most of the 20th century. A Maoist rebellion in 1996 started a 10-year civil war. In 2008, Nepal established a parliamentary democracy and abolished the monarchy. At the time of the inspection, the Nepal Communist Party was the ruling party in Parliament. In 2015, Nepal suffered an earthquake that killed an estimated 9,000 people.

In 2020, Nepal's estimated population of 30.3 million consisted of 125 ethnic groups who spoke 123 languages. The major religions were Hinduism, with 81.3 percent of the population; Buddhism, with 9 percent; and Islam, with 4.4 percent. Nepal's per capita income was estimated to be \$2,700 in 2017, with approximately one-fourth of the population living below the poverty line. Almost two-thirds of the population work in agriculture, and 30 percent of the gross domestic product was from Nepalis who work abroad. In FY 2018, the United States provided \$124.6 million in foreign assistance to Nepal.



Figure 1: Map of Nepal (Source: CIA World Factbook)

Embassy Kathmandu's 2018 Integrated Country Strategy (ICS) has three major goals:

- Promote a stable, secure, democratic, and sovereign Nepal.
- Develop Nepal as a reliable economic partner.
- Transform Nepal into a more self-reliant, independent, and resilient partner for the United States.

At the time of the inspection, Embassy Kathmandu had 113 authorized U.S. direct-hire employees, of whom 56 worked for the Department of State (Department) and 57 worked for other U.S. Government agencies, including the U.S. Agency for International Development (USAID), the Department of Defense, the Millennium Challenge Corporation,¹ and the Peace Corps. The embassy also had 608 locally employed (LE) staff and 13 eligible family members.

¹ The Millennium Challenge Corporation is a U.S. foreign assistance agency that forms partnerships with developing countries that are committed to good governance, economic freedom, and investing in their citizens.

OIG evaluated Embassy Kathmandu's policy implementation, resource management, and management controls consistent with Section 209 of the Foreign Service Act of 1980.² A companion classified report discusses the embassy's security program and issues affecting the safety of mission personnel and facilities.

EXECUTIVE DIRECTION

OIG assessed embassy leadership on the basis of interviews, 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, a career member of the Senior Foreign Service, arrived in Kathmandu in October 2018 after an assignment as Deputy Assistant Secretary of State for South and Central Asia in the Bureau of Democracy, Human Rights, and Labor. Prior to that, he was the Department's first Special Envoy for the Human Rights of LGBTI Persons.³ The Ambassador previously served as Embassy Kathmandu's Deputy Chief of Mission (DCM). The DCM, also a career member of the Senior Foreign Service, arrived in August 2019. He previously served as DCM at Embassy Ulaanbaatar, Mongolia, and as Deputy Director of the Office of India Affairs in the Bureau of South and Central Asian Affairs.

Front Office Established Collegial Work Environment

In the short time they had worked together, the Ambassador and the DCM demonstrated the traits embodied in the Department leadership principles in 3 Foreign Affairs Manual (FAM) 1214(4), (7), and (8). They established a collegial working relationship, both with each other and with their staff. American and LE staff consistently described the Ambassador as accessible and down to earth; they also stated that he cared about the mission and Nepal. OIG found the DCM had made a good impression on the embassy since arriving in August 2019, and, overall, staff had high confidence in Front Office leadership and mentorship. The Ambassador told OIG he chose a DCM who would complement his public diplomacy and outreach skills with economic expertise and who would not hesitate to communicate dissent if necessary.

The Ambassador and the DCM demonstrated their commitment to the leadership principles of communication and valuing people, in part, by providing business cards in English and Nepali to newcomers and visitors that announced the core values of respect, resilience, responsibility, results, and relationships printed on one side and the ICS goals on the other side. In addition, the Front Office placed a priority on addressing poor air quality, an issue that affected the morale of employees and family members. The embassy used several strategies to counter this problem, including closely monitoring air quality, providing detailed and timely information for the community, and taking practical steps (such as changing air filters in residences on a regular

² See Appendix A.

³ LGBTI is defined as lesbian, gay, bisexual, transgender, and intersex persons.

basis and arranging play dates in the chancery so embassy children could play in a clean air environment).

OIG reviewed Front Office reports on gifts, representational expenses, and travel vouchers and found the files to be in order. The newly arrived DCM had begun to review the nonimmigrant visa (NIV) adjudications of the Consular Section chief, as required by 9 FAM 403.12-1a.⁴

Execution of Foreign Policy Goals and Objectives

The Ambassador led a collaborative effort that integrated input from all agencies to develop a strategic plan that articulated U.S. Government priorities in Nepal, as directed by 18 FAM 301.2-1b. The embassy created interagency working groups for each of the ICS goals as well as for the Indo-Pacific Strategy.⁵ The 2018 ICS incorporated Indo-Pacific Strategy priorities and key objectives from USAID's Country Development Cooperation Strategy. Embassy staff told OIG the Ambassador clearly communicated the ICS priorities at Country Team meetings and other embassy events.

Embassy Successfully Engaged the Government of Nepal on Foreign Policy Issues

The embassy successfully engaged the Government of Nepal on foreign policy issues. The United States has diverse interests in Nepal. Both the United States and China exert influence in the country. At the time of the inspection, this influence was evident in the press, with news addressing both the effect of Chinese President Xi's October 2019 visit and U.S. programs such as a \$500 million Millennium Challenge Corporation grant for energy and infrastructure. OIG found the embassy was successful in two notable areas. First, it worked with the Government of Nepal to secure Nepal's adherence to United Nations sanctions on North Korea, and the government began expelling North Korean workers in order to comply with those sanctions. Second, the embassy discussed with Nepali leaders the implications of signing an extradition treaty with China during President Xi's visit. Such a treaty could put Tibetan refugees at risk of extradition to China and undermine Nepal's sovereignty. Nepal withstood China's pressure to sign the treaty during the visit, although the Nepali Government made statements that were generally understood to suggest that such a deal might be concluded in the future.

Ambassador Effective in Public Outreach

The positive image of the United States stemmed in part from the Ambassador's effective public diplomacy campaigns and outreach, which OIG observed in two events. The Ambassador hosted an Art in Embassy program at the Chief of Mission Residence with the visiting Governor of Colorado. The Ambassador used the occasion to bring together artists, Nepali Government officials, and visiting American health care professionals. The Ambassador was also the keynote speaker at a ribbon-cutting ceremony for a Tibet refugee orphanage. He used the occasion to discuss the importance of education and to recognize the American sponsors of the event,

⁴ 9 FAM 403.12-1a, "NIV Adjudication Review Process."

⁵ The Indo-Pacific Strategy is a top administration priority that seeks to implement a whole-of-government strategy to promote a shared vision of prosperity, sovereignty, and peace with all countries in the Indo-Pacific region.

showing the depth of U.S.-Nepali ties. A review of the Ambassador's calendar showed he had attended events involving Nepali ministers, small businesses, the Nepali military, investors, the media, efforts at sports diplomacy, charities, and the Peace Corps.

Adherence to Internal Controls

The newly arrived Management Officer, with guidance from the Ambassador and the DCM, led the preparation of the FY 2019 Annual Chief of Mission Management Control Statement of Assurance in accordance with 2 FAM 022.7(1), which requires chiefs of mission to develop and maintain appropriate systems of management control for their organizations. The effort included all applicable members of the embassy, who reviewed every aspect of their processes related to management controls. The Ambassador reviewed and signed the statement on August 19, 2019. The statement did not identify any deficiencies. During the inspection, OIG found internal control concerns in general services, financial management, human resources, and information management. These are detailed in the Resource Management and Information Management sections of this report.

Security and Emergency Planning

The Ambassador's leadership of the embassy's security program was consistent with the President's Letter of Instruction to Bilateral Chiefs of Mission, and Embassy Kathmandu's security program generally operated in accordance with Department standards. However, OIG identified some issues in physical security, residential security, emergency preparedness, and the Marine Security Guard program that are discussed in the companion classified report. Employees told OIG they felt safe in Nepal and that the embassy's security forces provided a reassuring presence at the chancery and their residences.

Embassy staff told OIG the Ambassador and the DCM fully supported the security program. Both led by example by participating in drills and checks of the emergency and evacuation radio network and in meeting regularly with security personnel. The Front Office underscored the importance of embassy security in town halls, Country Team meetings, and embassy notices. The DCM chaired the embassy's Emergency Action Committee as needed to review potential risks that could affect the health, safety, and security of embassy employees and resident American citizens. On May 5, 2019, the embassy submitted to the Department the annual review of the security memorandum of agreement between the Chief of Mission and the Department of Defense geographic combatant commander, as required by 2 Foreign Affairs Handbook (FAH)-2 H-116.4b.⁶

⁶ In December 1997, the Secretaries of Defense and State signed an agreement to address the security of Department of Defense personnel located overseas, in which the Secretary of State agreed, per 22 U.S.C. 4805(a), to delegate operational control of security functions for certain Department of Defense personnel to the Secretary of Defense. This agreement is implemented through country-level memoranda of agreement between the chief of mission and relevant geographic combatant commander. See 2 FAH-2 H-116.4a, "COM Security Responsibility and the Department of Defense."

Crisis Preparedness Coordinator Position Eliminated

In October 2018, the embassy was required to eliminate an eligible family member position responsible for coordinating crisis preparedness planning after the Department eliminated previously used funding for the position following the incumbent's departure from post. Instead, the embassy assigned many of those responsibilities to a new Regional Security Office position, but that position was at a lower grade, had more clerical duties, and did not include planning for future crises. The Ambassador told OIG that, because of the earthquake danger in Nepal, he believed the embassy needed to restore the eligible family member position to provide policy input to the embassy community on crisis preparedness. He also told OIG that because almost all embassy Americans had arrived after the 2015 earthquake, the embassy no longer had the institutional memory to respond adequately. He believed the mission would benefit from having a position focused on preparing for future natural disasters. At OIG's suggestion, during the inspection, the Ambassador began working with the embassy's International Cooperative Administrative Support Services Council to request an eligible family member position to further bolster crisis preparedness.⁷

Equal Employment Opportunity Program

The embassy's Equal Employment Opportunity program generally met Department requirements in 3 FAM 1514. The embassy had three American counselors and six LE staff liaisons, who completed the required Office of Civil Rights training. Female officers and LE staff told OIG that the Ambassador was a mentor for the embassy's Federal Women's Program, which hosted speakers and sessions on specific issues.

Developing and Mentoring Foreign Service Professionals

The Ambassador and the DCM oversaw the embassy's First-and Second-Tour (FAST) program to provide professional development, training, and opportunities for 23 employees, in accordance with 3 FAM 2242.4 and 3 FAM 1214b(8). The Front Office provided FAST employees with opportunities to lead committees for an LE staff recognition event and to attend mentoring sessions with visiting Department officials. However, OIG found that employees did not take full advantage of many FAST opportunities and were slow to volunteer for many positions. FAST employees provided a number of reasons for the low participation, including other work and outside options; that volunteer assignments were not seen as leadership opportunities; and concerns that the FAST program was Department-centric and not as useful to employees of other agencies. The Ambassador and the DCM told OIG that they were aware of these concerns and were working to address them.

⁷ The International Cooperative Administrative Support Services, or 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. An embassy's ICASS council is responsible for reviewing and approving all new ICASS positions at post. See 6 FAH-5 H-222.3.

POLICY AND PROGRAM IMPLEMENTATION

OIG assessed Embassy Kathmandu's policy and program implementation through a review of the Political-Economic Section's advocacy and analysis work, the Regional Environmental Office's activities, the work of the Public Diplomacy Section, and the Consular Section's provision of American citizen and visa services. OIG found the embassy generally met Department requirements for policy and program implementation, except as noted below.

Political-Economic Section and Regional Environmental Office

OIG reviewed the Political-Economic Section's and Regional Environmental Office's leadership and management, policy implementation, reporting and advocacy, commercial promotion, program implementation and grants, and Leahy vetting.⁸ OIG found all programs complied with Department standards and regulations, except as noted below.

Political-Economic Section Generally Did Not Report Actions on Demarches

The Political-Economic Section generally did not report its engagement with the Government of Nepal in response to demarche requests from Washington, as required by Department standards. Of the 70 demarche request cables Embassy Kathmandu received between May and November 2019, 34 specifically required a cable response, but the embassy only sent cable responses to eight of these requests. According to 5 FAH-1 H-613.3, embassies should deliver all demarches and report delivery and responses via cable. Political-Economic Section leadership told OIG it was embassy practice only to send cable responses when there was a substantive response from the Nepali Government. The section maintained a tracking system to ensure the embassy delivered all demarches but did not maintain a record of the results or actions taken. Section leaders agreed to send cables reporting all actions on demarches and to maintain a record of such actions. Failure to follow Department guidance creates risks that the embassy and Department will not have official records on actions taken on demarches.

Recommendation 1: Embassy Kathmandu should comply with Department standards on reporting actions on demarche requests. (Action: Embassy Kathmandu)

Federal Assistance Grants Lacked Monitoring and Evaluation Documentation

Although the Political-Economic Section managed its Federal assistance grants in accordance with Department requirements, OIG found the Regional Environmental Office grants lacked evidence of program evaluation. OIG's review of all nine grants (total value: \$381,489) managed by the two sections from FY 2016 to FY 2019 found the three Political-Economic Section grant files were complete. However, the files for the six grants managed by the Regional Environmental Office did not include grants officer or grants officer representative assessments of grantee reports or final assessments of completed programs. The Department's

⁸ The Leahy Amendment to the Foreign Assistance Act of 1961 prohibits the Department 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 U.S.C. § 2378d.

Federal Assistance Directive⁹ requires the grants officer or grants officer representative to evaluate grantee reports and provide an overall assessment of completed programs. Regional Environmental Office staff told OIG they were unaware of this requirement. During the inspection, the Regional Environmental Office completed the required reviews and established procedures for conducting reviews on active grants. As a result, OIG did not make a recommendation to address this issue.

Public Diplomacy

OIG reviewed the Public Diplomacy Section's strategic planning and reporting, grants administration, media engagement, exchange programs, and American Spaces operations.¹⁰ These activities promoted U.S. foreign policy interests identified in the ICS, including security, rule of law, economic development, and educational opportunity. The section expanded its outreach to areas outside Kathmandu and to underserved audiences through social media, the U.S. Embassy Youth Council, and American Spaces; this outreach included two mobile program platforms.¹¹ OIG found the section managed grants in accordance with Department standards and supported activities—including high-profile cultural preservation projects—that built relationships and advanced mission goals. OIG found the embassy's public diplomacy operations generally met Department standards and guidelines, with the exceptions described below.

Strategic Planning Did Not Meet Department Guidance

The section submitted its FY 2019 Public Diplomacy Implementation Plan in May 2019, five months after the December 2018 deadline specified by the Under Secretary for Public Affairs and Public Diplomacy.¹² In addition, the section could not conduct the required midterm review, as the implementation plan was submitted after the date recommended for such a review.¹³ Section leadership attributed the delay to instructions from the previous DCM to integrate results of a parallel ICS review, which the embassy never completed. Eventually, the section hastily compiled a plan, but the process did not use the best practices for prioritizing, brainstorming, articulating measures of success, reviewing progress, and identifying possible adjustments articulated in the Under Secretary's guidance.¹⁴ Section employees told OIG the process did not provide adequate opportunities to share and discuss ideas as a group. Because

⁹ Office of the Procurement Executive, *Federal Assistance Directive*, Chapters 4 and 5 (May 2017 and newer revisions).

¹⁰ American Spaces are Department-operated or -supported public diplomacy facilities that host programs and use digital tools to engage foreign audiences in support of U.S. foreign policy objectives. Embassy Kathmandu American Spaces are located in Kathmandu, Bhairahawa, Biratnagar, Dhangadhi, Ilam, Pokhara, and Surkhet.

¹¹ The section awarded grants for operating a "Book Bus" that traveled throughout the country and a "Book Tuk" (motor cart) that visited neighborhoods in the Kathmandu area.

¹² Cable 18 STATE 96848, "Call for FY 2019 Public Diplomacy Implementation Plans," September 21, 2018.

¹³ Cable 19 STATE 41176, "PD Strategic Planning: PDIP Kudos, Mid-Year Check-Ups, PDCCs, and More," April 23, 2019.

¹⁴ Cable 18 STATE 96848, and Office of the Under Secretary for Public Diplomacy and Public Affairs, "Strategic Planning Best Practices for Public Diplomacy," August 2018.

there had not been timely completion of the implementation plan and articulation of section goals, staff believed they did not share a common understanding of the section's strategic direction.

Recommendation 2: Embassy Kathmandu should conduct public diplomacy strategic planning in accordance with instructions for the FY 2020 Public Diplomacy Implementation Plan and other Department guidance. (Action: Embassy Kathmandu)

Public Diplomacy Section Lacked an Annual Training Plan

The Public Diplomacy Section did not have a plan to meet the training needs of its staff. As specified in 13 FAM 101.2-2(E), managers have the responsibility to advance professional development and continue to improve staff performance. Although the section required staff to update training records tracked on a spreadsheet, and supervisors included training recommendations in employee evaluations, OIG found section managers did not use this information to develop a needs-based strategy for future training. The resulting ad hoc process fueled perceptions among LE staff that American supervisors granted training opportunities as a reward rather than for professional development. The lack of a training plan also deprived the section of a tool to improve staff capabilities and prepare for future needs.

Recommendation 3: Embassy Kathmandu should implement an annual training plan for public diplomacy staff in accordance with Department standards. (Action: Embassy Kathmandu)

Fulbright Commission Management Transition Was Incomplete

At the time of the inspection, the U.S.-Nepal Education Foundation, the official bilateral organization charged with administering Fulbright scholarly exchanges, was implementing reforms recommended by an independent consultant in December 2018. The foundation board adopted the recommendations in February 2019, but implementation had yet to be completed. The binational board, including the Public Affairs Officer in his role as chairman, worked with the interim executive director to downsize the staff and to undertake more reorganization once a new executive director was hired. In addition, the board empowered the interim executive director to manage difficulties associated with the move of the foundation offices to a new location. Because the U.S.-Nepal Education Foundation and the Public Diplomacy Section agreed to complete the implementation in coordination with the Bureau of Educational and Cultural Affairs, OIG did not make a recommendation to address this issue.

Spotlight on Success: Social Media Communications Drove Public Discussion on Bilateral Ties

In April 2019, the embassy launched a social media campaign—organized around the hashtag “#CloseWhereItCounts”—with a video of the Ambassador in which he emphasized the United States’ commitment to Nepal. Among other current and historical U.S. contributions to Nepal, he cited agricultural development assistance, post-earthquake reconstruction, and maternal and child health programs. Weekly reports by the Department consistently showed high engagement scores for the embassy’s social media since the launch, with Nepal ranking

as high as Pakistan and Bangladesh (with 7.5 and 5.5 times the population, respectively). The campaign increased public engagement with the embassy, especially as users shared unexpected or unknown stories about the history of U.S.-Nepal cooperation. The embassy reported that the campaign became a topic of conversation with its policy-related interlocutors and that its themes of U.S.-Nepal closeness resonated at a time of public discussion about Nepal's partnerships with the United States, China, and other countries. The embassy cited several factors for the campaign's success: (1) drawing on the whole range of U.S. engagement with Nepal, including development assistance, Peace Corps presence, educational exchanges, and cultural preservation projects; (2) coordinating story development and the timing of postings; (3) conveying a tone of respect for the Nepali people and culture; and (4) using other communications, such as public remarks, press interviews, and placement of articles in Nepali media, to raise awareness.

Consular Affairs

OIG reviewed consular operations, including leadership, management controls, American citizen services, visa services and processing, cashiering, internal controls, outreach, crisis preparedness, and fraud prevention programs. A Consular Section Chief and two additional consular managers led the Consular Section. OIG determined consular managers generally demonstrated leadership in developing standard operating procedures and preparing for the most likely crisis in Nepal, which is an earthquake. The Regional Consular Officer also regularly visited the embassy and reviewed operations to determine that they were being managed appropriately.

OIG concluded all programs generally complied with guidance in 7 FAM, 9 FAM, 7 FAH, applicable statutes, and other Department policies. During the on-site portion of the inspection, consular managers corrected an issue identified by OIG related to line-of-sight supervision in the section. OIG also advised consular managers, and they agreed, to formalize coordination with the Regional Security Office on "no double standard"¹⁵ issues, formalize information-sharing with U.S. law enforcement agencies at the embassy, and establish management oversight of congressional correspondence. Additionally, as discussed below, OIG found consular managers did not hold employees accountable for conduct problems and took actions that negatively affected the section's relationship with embassy LE staff.

Consular Managers Did Not Address Conduct Issues Adequately

OIG found that Consular Section managers' failure to address adequately improper conduct by two officers had a negative effect on LE staff morale. Several months before the inspection, LE staff complained to consular managers about the officers' conduct, which involved use of abrasive language and tone with visa applicants and frequent pressure on LE staff to translate the rude comments. Although consular managers attempted to address the officers' conduct and had kept the previous DCM fully informed, the officers' conduct continued to be a problem

¹⁵ The Department's "no double standard policy" in 7 FAM 052.1 states that if the Department shares information with the official U.S. community, it should also make the same or similar information available to the nonofficial U.S. community if the underlying security-related concerns apply to both official and nonofficial U.S. citizens.

even during the inspection. After OIG questioned their handling of the situation, consular managers worked with the Front Office and the Human Resources Officer to take further action. As a result, OIG did not make a recommendation to address this issue.

Locally Employed Staff Morale Affected by Embassy Leaders' Handling of Visa Issue

The Consular Section Chief, with the approval of the previous DCM, sent a letter to all LE staff in May 2019 addressing visa abuse by an LE staff member. The letter said that the visa abuse raised a “question of trust” and that, “after incidents such as these, we will look a bit more critically at Embassy staff visa applicants.” After that, the Consular Section Chief began restricting visas issued to spouses of LE staff members. Although the Consular Section Chief met with representatives of the LE staff on this issue, LE staff told OIG that what they described as the tone of the letter created morale issues. OIG advised the Front Office to address this issue, and it agreed to do so.

RESOURCE MANAGEMENT

OIG reviewed internal control systems in the general services, facility management, financial management, and human resources operations at Embassy Kathmandu. OIG found the embassy’s Management Section generally implemented required processes and procedures in accordance with applicable laws and Department guidance, with the exceptions below. In addition, the embassy corrected two management control issues during the inspection. Specifically:

- The Contracting Officer reviewed the embassy’s blanket purchase agreements,¹⁶ in accordance with Department of State Acquisition Regulation, Section 613.303-6a.
- The Post Occupational Safety and Health Officer reviewed the embassy’s list of confined spaces and established entry permit requirements, as required by the Department’s Confined Space Program Procedures.¹⁷

General Services Operations

Embassy Did Not Comply With Department’s Overseas Motor Vehicle Safety Standards

Embassy Kathmandu did not comply with elements of the Department’s overseas motor vehicle safety standards. Specifically, OIG found 3 chauffeurs and 16 incidental (self-drive) drivers did not receive driver safety retraining, as required in 14 FAM 433.5a-b. In addition, seven chauffeurs and two incidental drivers held expired medical certifications, and one incidental driver did not have a medical certification, as called for in 14 FAM 433.4. Finally, OIG reviewed 10 weeks of time and attendance records for 13 of the 40 chauffeurs and found 33 instances when chauffeurs for the Ambassador and the DCM exceeded the 10-hour per day limit on

¹⁶ A blanket purchase agreement is a simplified method of filling anticipated repetitive needs for supplies or services by establishing “charge accounts” with qualified sources of supply.

¹⁷ Office of Safety, Health, and Environmental Management, *Confined Space Program Procedures*, 2002.

driving shifts. In one case, a chauffeur worked a 19-hour shift. Guidance in 14 FAM 433.8a limits the number of hours a driver is permitted to work. These internal control issues occurred because of a lack of management oversight. Failure to enforce these motor vehicle safety standards increases the risk of injury to drivers, passengers, and the public, and damage to U.S. Government property.

Recommendation 4: Embassy Kathmandu should comply with all Department overseas motor vehicle safety standards for chauffeurs and incidental drivers under chief of mission authority. (Action: Embassy Kathmandu)

Embassy Did Not Update Its Motor Vehicle Policy

The embassy last updated its motor vehicle policy in March 2018, and, as a result, it did not reflect Department guidance issued in April 2019. This guidance in 14 FAM 435.1a requires the embassy to review and, if necessary, update the written motor vehicle policy annually to incorporate any updates to the FAM or embassy procedures. Embassy staff told OIG they did not update the motor vehicle policy because of competing priorities. Without a policy that reflects current Department guidance, the embassy risks providing unauthorized services.

Recommendation 5: Embassy Kathmandu should update its motor vehicle policy in accordance with Department guidelines. (Action: Embassy Kathmandu)

Embassy Provided Free Home-to-Work Motor Pool Shuttles for Locally Employed Staff

The embassy provided free home-to-work motor pool transportation for up to 160 LE staff on a daily basis. According to 14 FAM 432.4a(1), an embassy can provide home-to-work transportation if public or alternate transportation is unsafe or unavailable, but, in these cases, the Regional Security Officer must submit a recommendation to the Emergency Action Committee for a decision, which then must be approved by the Chief of Mission. Although the Bureau of Administration told OIG that home-to-work shuttles for LE staff could possibly be allowed for security reasons, the embassy could not provide OIG with documentation supporting such use. Without a clear determination on this issue, the embassy risks providing a benefit that is not authorized by the Department.

Recommendation 6: Embassy Kathmandu should comply with Department guidance in determining whether home-to-work motor pool transportation for locally employed staff is allowable. (Action: Embassy Kathmandu)

Embassy Did Not Manage Property in Accordance With Department Standards

OIG found Embassy Kathmandu did not manage its expendable and nonexpendable property in accordance with Department standards. Specifically, the embassy:

- Did not document all nonexpendable property transfers. For example, the embassy did not document nearly 23 percent of its FY 2019 property transfers to embassy residences (14 FAM 416.3a and 14 FAM 414.5).

- Did not track all expendable supplies, such as staff uniforms, in the Integrated Logistics Management System¹⁸ (14 FAM 414.2-1a(2)).
- Did not consistently use the Integrated Logistics Management System final receipt module to receive property and generate receiving reports. For example, in FY 2019, 26 percent of the embassy's procured property was received without using the final receipt module (14 FAH-1 H-312.4-3b(10)).
- Disposed of nonexpendable property before it reached the end of its assigned expected life. For example, in FY 2019, 837 of 1,923 disposal actions were early disposals (14 FAH-1 H-213).
- Disposed of assets by abandonment, the Department's least preferred method of disposal. For example, the embassy abandoned appliances in residences it returned to the landlord six times in FY 2018 and five times in FY 2019 (14 FAM 417.2b(8)).
- Used as many as 24 shipping containers for permanent storage of nonexpendable property, a practice the Department does not support (Cable 18 STATE 98976).¹⁹

Embassy staff told OIG these issues occurred because of a lack of management oversight. Failure to follow Department guidance and adhere to internal controls related to property management increases the risk of waste and theft.

Recommendation 7: Embassy Kathmandu should bring its property management procedures into compliance with Department standards. (Action: Embassy Kathmandu)

Embassy Paid for Laundry Services for Locally Employed Staff Uniforms

OIG found that, contrary to Department standards, the embassy paid for LE staff uniforms to be cleaned. Specifically, in March 2019, the embassy approved a 5-year contract, at an estimated cost of more than \$95,000, to provide laundry services for staff in the General Services and Facility Management Offices who were issued staff uniforms. According to 14 FAM 446.3a, however, employees who are issued uniforms must assure that the uniforms are clean. Furthermore, 14 FAM 446.3b states the cost of cleaning uniforms is a personal expense of the employee. Embassy staff told OIG this situation occurred because the Management Section wanted to help employees with the costs of keeping uniforms clean. However, providing services that are an employee's responsibility is an unauthorized expenditure of funds.

Recommendation 8: Embassy Kathmandu should cease paying for cleaning locally employed staff uniforms. (Action: Embassy Kathmandu)

¹⁸ The Integrated Logistics Management System is an integrated web-based system that encompasses all Department supply chain functions in one system. It is designed to upgrade Department supply chain management by improving operations in purchasing, procurement, warehousing, transportation, property management, personal effects, and diplomatic pouch and mail.

¹⁹ Cable 18 STATE 98976, "Shipping Containers and Portable Structure Use and Occupancy Requirements," September 27, 2018.

Embassy Did Not Close Procurement Files Within Required Time Frame

The embassy did not close out procurement files within the required time frame. Specifically, OIG found the embassy did not close 41 procurement files from FY 2015; 88 files from FY 2016; 55 from FY 2017; 283 from FY 2018; and 99 files from FY 2019. Additionally, the embassy had a backlog of 5,834 procurement files from FY 2015 to FY 2019 that required additional action by procurement and financial management staff to complete closeout. According to 14 FAH-2 H-573.2b and Federal Acquisition Regulation 4.804-1, contracts conducted under simplified acquisition procedures should be closed out immediately after the contracting officer receives evidence of receipt of property and final payment. Embassy staff told OIG the backlog occurred because of competing priorities. Failure to close out procurement files within the regulatory time frame increases the risk of inaccuracies in the Department's administrative procurement records.

Recommendation 9: Embassy Kathmandu should close out procurement files in accordance with Department standards. (Action: Embassy Kathmandu)

Financial Management

Unauthorized Use of Suspense Deposit Abroad Account

The embassy incorrectly used a suspense deposit abroad account.²⁰ OIG found the embassy used the account to collect payment for fuel purchases for the embassy-sponsored Lincoln School and the American Mission Association. According to 4 FAH-3 H-326.2-6, however, fuel purchases are not an authorized use for the suspense deposit abroad account. Staff told OIG the embassy used this account because the school and association were unable to purchase fuel independently due to restrictions by the government-regulated fuel company. However, the embassy did not request an exception to the FAM guidance from the Office of Financial Policy. Using a suspense deposit abroad account for unapproved purposes reduces the embassy's control and oversight of funds.

Recommendation 10: Embassy Kathmandu should comply with Department standards for use of suspense deposit abroad accounts. (Action: Embassy Kathmandu)

Alternate Cashiers Did Not Regularly Assume Principal Cashier Duties

The embassy did not establish a schedule that allowed alternate cashiers to regularly work as the principal cashier, as required by Department standards. The Department's Cashier User Guide, Chapter 3.3.5, states the American supervisor should establish a schedule that allows the alternate cashier to work as the acting principal cashier two to three times per quarter to ensure that the alternate cashier maintains the necessary skills. Embassy staff told OIG competing staffing and training priorities affected alternate cashier scheduling. Failure to have

²⁰ According to 4 FAH-3 H-322d, the suspense deposit abroad account is a restricted-use deposit account for collection from third parties in certain circumstances. Collections to the suspense deposit abroad account are governed by special rules contained in 4 FAH-3 H-326.2.

alternate cashiers routinely perform the duties of the principal cashier increases the risk of errors or theft.

Recommendation 11: Embassy Kathmandu should bring its cashier operations into compliance with Department standards. (Action: Embassy Kathmandu)

Human Resources

Local Compensation Plan Did Not Comply With Nepali Labor Laws

Embassy Kathmandu's local compensation plan for LE staff did not comply with Nepali labor laws or reflect prevailing practice, as required by 3 FAM 7224.2-1a. Specifically, the embassy did not update its local compensation plan to reflect the requirement introduced by the Government of Nepal in 2017 that all employers contribute an additional 8.33 percent gratuity, or contribution, toward their employees' retirement.²¹ Embassy staff told OIG they did not implement the contribution because of confusion about the requirement. Without an accurate local compensation plan, LE staff members may not receive all the benefits to which they are entitled.

Recommendation 12: Embassy Kathmandu, in coordination with the Bureau of Global Talent Management, should bring its local compensation plan into compliance with Nepali labor laws. (Action: Embassy Kathmandu, in coordination with GTM)

Embassy Did Not Manage Retirement Fund for Locally Employed Staff as Required

The embassy did not manage the \$9.6 million retirement plan for LE staff—the Provident Fund—in accordance with the Bureau of Global Talent Management's (formerly the Bureau of Human Resources) Office of Overseas Employment authorization. The Provident Fund's external auditor noted a lack of management oversight regarding internal controls each year from 2015 to 2019. Similarly, OIG found a lack of internal controls related to issuance of loans against the fund and monitoring bank account balances. Although the Department's authorization memorandum dated December 12, 1985,²² and the Provident Fund Trust Deed²³ stated the fund was to be managed by a board of trustees, one LE staff accountant managed its day-to-day operations. In addition, by-laws adopted in 1986 authorized only the Board of Trustees to carry out management functions for the fund. At the time of inspection, however, the board consisted of one direct-hire employee from both the Department and USAID and two LE staff members. Embassy staff told OIG that, over time, a lack of oversight led the LE staff accountant to manage the Provident Fund's day-to-day operations. Without proper management oversight of the Provident Fund, the retirement accounts of LE staff are at greater risk of loss or misappropriation.

²¹ Government of Nepal, The Labor Act 2074, 2017.

²² Department of State Memorandum, "Provident Fund for FSN Employees, Nepal," December 12, 1985.

²³ "The Mission of the United States of America Foreign Service National Staff Provident Fund Trust Deed," July 18, 1986.

Recommendation 13: Embassy Kathmandu should require the Provident Fund Board of Trustees to manage the fund's operations in accordance with the fund's authorization requirements. (Action: Embassy Kathmandu)

Embassy Kathmandu Did Not Use Appropriate Accounting Methodology for Provident Fund

OIG found the embassy did not use the appropriate accounting methodology for the Provident Fund. Specifically, the embassy used cash basis, rather than accrual basis, accounting²⁴ to annually calculate the fund's income and expenses and allocate funds to individual employee ledgers at the end of the fiscal year. This is inconsistent with guidance in 4 FAM 231, which states that accrual accounting requirements are applicable to all organizational units and programs administered by the Department. Additionally, the external auditor, in his 2019 report on the fund's financial statement, reported the embassy's method of accounting was contrary to Nepal's standards. According to embassy staff, they used an alternative accounting methodology because they did not have an accounting software that could perform the more complex accrual accounting methodology. Use of the cash basis of accounting could result in inaccurate reporting of the fund's income and expenses.

Recommendation 14: Embassy Kathmandu should comply with the Department's accounting standards for the local employee retirement Provident Fund. (Action: Embassy Kathmandu)

INFORMATION MANAGEMENT

OIG reviewed the embassy's Information Management (IM) operations, including classified, unclassified, and dedicated internet network computer operations; physical protection of information technology assets; emergency communication preparedness; radio and telephone programs; mail and pouch services; and records management. Long-term staffing gaps in two of the office's four U.S. direct-hire positions affected management continuity, especially in the documentation and oversight functions. Section management told OIG that at the time of the inspection, the Information Systems Officer position had been vacant since March 2006, and the Information Programs Officer position had been vacant since November 2018. As a result, the Information Management Officer also handled Information Systems Security Officer (ISSO) duties, and the Information Management Specialist served as acting Information Programs Officer.

OIG found IM staff provided the resources and tools necessary to expand data availability and accessibility, increase collaboration, and improve service delivery by establishing the Department's new Wi-Fi program, in accordance with Department standards and as called for in the embassy's 2018 ICS. OIG found the IM Office implemented most required information

²⁴ Under cash basis accounting, revenue and expenses are recorded when cash is actually paid or received. Under accrual basis accounting, revenue is recorded when it is earned, and expenses are reported when they are incurred.

management and security controls in accordance with Department policies and applicable laws, with the exceptions discussed below and in the companion classified report.

OIG identified three internal control issues the embassy corrected during the inspection. OIG therefore did not make recommendations to address these issues. Specifically, the embassy:

- Initiated service level agreements for dedicated internet networks used by the Public Diplomacy Section, Surveillance Detection Unit, Pacific Command Augmentation Team, and USAID (Cable 2009 STATE 110378).
- Renamed overseas privileged account names on the unclassified and classified networks (5 FAH-12 H-116.5).
- Reconfigured the Windows 7 workstations to Windows 10 (5 FAM 861.1d).

Embassy Did Not Record Information Systems Audits or Perform Reviews

Embassy Kathmandu's ISSO did not record information systems audits or complete account reviews included in the Department's ISSO checklist. Guidance in 12 FAM 632.5a requires the ISSO to maintain information systems audit records, including reviews of system maintenance logs and operation logs. In addition, 12 FAH-10 H-122.5-2 requires the ISSO to conduct at least monthly reviews of selected accounts to ensure users are not processing information above the authorized classification level for the computer system or otherwise engaging in security-related anomalies or suspicious activities. OIG issued a management assistance report in May 2017²⁵ that identified the need to enforce the performance of ISSO duties by overseas IM staff in accordance with Department standards. In a subsequent cable,²⁶ the Department directed embassy management to work with ISSOs to ensure performance of their duties by prioritizing resources to make sure that cybersecurity needs were met and documented. Notwithstanding this guidance, IM staff told OIG they did not prioritize cybersecurity needs, including the ISSO duties, due to staff vacancies. Without regularly scheduled ISSO reviews and documented records, Department networks are vulnerable to potential unauthorized access and malicious activity.

Recommendation 15: Embassy Kathmandu should require that the Information Systems Security Officer perform information systems security duties in accordance with Department standards. (Action: Embassy Kathmandu)

Records Management Program Did Not Comply With Department Standards

The embassy's records management program did not comply with Department standards for records oversight and retirement. During the inspection, OIG found paper files dating back to 2006 that had yet to be reviewed for appropriate disposition. Guidance in 5 FAM 414.5 requires the embassy to implement and administer Department records policies, standards, systems,

²⁵ OIG, *Management Assistance Report: Non-Performance of Information Systems Security Officer Duties by Overseas Personnel* (ISP-17-24, May 2017).

²⁶ Cable 17 STATE 104970, "Documenting Information Systems Security Officer (ISSO) Duties," October 18, 2017.

and procedures. In addition, guidance in 5 FAM 414.8(1-2) requires embassy employees to preserve or dispose of documentary materials in accordance with the Federal Records Act. Weaknesses in these areas occurred because of a lack of management oversight. Without an effective records management program, the embassy may not archive important data for research and historical insights into policy analysis and decision-making.

Recommendation 16: Embassy Kathmandu should implement a records management program that complies with Department standards. (Action: Embassy Kathmandu)

Information Technology Contingency Planning Did Not Meet Department Standards

The embassy did not complete and annually test its unclassified and classified IT contingency plans, as required by 12 FAH-10 H-232.3-1b(1-3). IM managers told OIG they were unable to complete or test the plans due to competing priorities. Inadequate IT contingency planning and testing, however, prevents the embassy from mitigating the risk of system and service disruptions.

Recommendation 17: Embassy Kathmandu should complete information technology contingency plans for the unclassified and classified networks and tests the plans in accordance with Department standards. (Action: Embassy Kathmandu)

Embassy Did Not Conduct Information Technology Contingency Plan Training

The embassy did not conduct initial and annual refresher IT contingency training for employees with those responsibilities. According to 12 FAH-10 H-232.2-1, embassies must ensure that employees receive such refresher training based on their roles and responsibilities. Section managers told OIG they were unable to complete this task due to staff vacancies. Failure to conduct initial and annual refresher IT contingency plan training impedes the embassy's ability to effectively respond to unplanned systems outages or disruptions.

Recommendation 18: Embassy Kathmandu should conduct initial and annual refresher information technology contingency training for employees with information technology contingency planning responsibilities in accordance with Department standards. (Action: Embassy Kathmandu)

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 Embassy Kathmandu. The embassy's complete response can be found in Appendix B.¹ The embassy also provided technical comments that were incorporated into this report, as appropriate.

Recommendation 1: Embassy Kathmandu should comply with Department standards on reporting actions on demarche requests. (Action: Embassy Kathmandu)

Management Response: In its May 16, 2020, response, Embassy Kathmandu concurred with this recommendation.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that Embassy Kathmandu complies with Department standards on reporting actions on demarche requests.

Recommendation 2: Embassy Kathmandu should conduct public diplomacy strategic planning in accordance with instructions for the FY 2020 Public Diplomacy Implementation Plan and other Department guidance. (Action: Embassy Kathmandu)

Management Response: In its May 16, 2020, response, Embassy Kathmandu concurred with this recommendation.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that Embassy Kathmandu conducted public diplomacy strategic planning in accordance with instructions for the FY 2020 Public Diplomacy Implementation Plan and other Department guidance.

Recommendation 3: Embassy Kathmandu should implement an annual training plan for public diplomacy staff in accordance with Department standards. (Action: Embassy Kathmandu)

Management Response: In its May 16, 2020, response, Embassy Kathmandu concurred with this recommendation.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that Embassy Kathmandu implemented an annual training plan for public diplomacy staff.

¹ OIG faced delays in completing this work because of the COVID-19 pandemic and resulting operational challenges. These challenges included the inability to conduct most in-person meetings, limitations on our presence at the workplace, difficulty accessing certain information, prohibitions on travel, and related difficulties within the agencies we oversee, which also affected their ability to respond to our requests.

Recommendation 4: Embassy Kathmandu should comply with all Department Overseas Motor Vehicle Safety standards for chauffeurs and incidental drivers under chief of mission authority. (Action: Embassy Kathmandu)

Management Response: In its May 16, 2020, response, Embassy Kathmandu concurred with this recommendation.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that Embassy Kathmandu complies with all Department Overseas Motor Vehicle Safety standards for chauffeurs and incidental drivers under chief of mission authority.

Recommendation 5: Embassy Kathmandu should update its motor vehicle policy in accordance with Department guidelines. (Action: Embassy Kathmandu)

Management Response: In its May 16, 2020, response, Embassy Kathmandu concurred with this recommendation. The embassy noted an expected completion date of June 1, 2020.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation of Embassy Kathmandu's updated motor vehicle policy.

Recommendation 6: Embassy Kathmandu should comply with Department guidance in determining whether home-to-work motor pool transportation for locally employed staff is allowable. (Action: Embassy Kathmandu)

Management Response: In its May 16, 2020, response, Embassy Kathmandu concurred with this recommendation.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that Embassy Kathmandu complied with Department guidance in determining whether home-to-work motor pool transportation for locally employed staff is allowable.

Recommendation 7: Embassy Kathmandu should bring its property management procedures into compliance with Department standards. (Action: Embassy Kathmandu)

Management Response: In its May 16, 2020, response, Embassy Kathmandu concurred with this recommendation.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that Embassy Kathmandu's property management procedures comply with Department standards.

Recommendation 8: Embassy Kathmandu should cease paying for cleaning locally employed staff uniforms. (Action: Embassy Kathmandu)

Management Response: In its May 16, 2020, response, Embassy Kathmandu concurred with this recommendation.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that Embassy Kathmandu ceased paying for cleaning locally employed staff uniforms.

Recommendation 9: Embassy Kathmandu should close out procurement files in accordance with Department standards. (Action: Embassy Kathmandu)

Management Response: In its May 16, 2020, response, Embassy Kathmandu concurred with this recommendation.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that Embassy Kathmandu closed out procurement files in accordance with Department standards.

Recommendation 10: Embassy Kathmandu should comply with Department standards for use of suspense deposit abroad accounts. (Action: Embassy Kathmandu)

Management Response: In its May 16, 2020, response, Embassy Kathmandu concurred with this recommendation.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that Embassy Kathmandu's use of suspense deposit abroad accounts comply with Department standards.

Recommendation 11: Embassy Kathmandu should bring its cashier operations into compliance with Department standards. (Action: Embassy Kathmandu)

Management Response: In its May 16, 2020, response, Embassy Kathmandu concurred with this recommendation.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that Embassy Kathmandu's cashier operations comply with Department standards.

Recommendation 12: Embassy Kathmandu, in coordination with the Bureau of Global Talent Management, should bring its local compensation plan into compliance with Nepali labor laws. (Action: Embassy Kathmandu, in coordination with GTM)

Management Response: In its May 16, 2020, response, Embassy Kathmandu concurred with this recommendation.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that Embassy Kathmandu's local compensation plan complies with Nepali labor laws.

Recommendation 13: Embassy Kathmandu should require the Provident Fund Board of Trustees to manage the fund's operations in accordance with the fund's authorization requirements. (Action: Embassy Kathmandu)

Management Response: In its May 16, 2020, response, Embassy Kathmandu concurred with this recommendation.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that Embassy Kathmandu required the Provident Fund Board of Trustees to manage the fund's operations in accordance with the fund's authorization requirements.

Recommendation 14: Embassy Kathmandu should comply with the Department's accounting standards for the local employee retirement Provident Fund. (Action: Embassy Kathmandu)

Management Response: In its May 16, 2020, response, Embassy Kathmandu concurred with this recommendation.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that Embassy Kathmandu complied with the Department's accounting standards for the local employee retirement Provident Fund.

Recommendation 15: Embassy Kathmandu should require that the Information Systems Security Officer perform information systems security duties in accordance with Department standards. (Action: Embassy Kathmandu)

Management Response: In its May 16, 2020, response, Embassy Kathmandu concurred with this recommendation.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that Embassy Kathmandu's Information Systems Security Officer performed information systems security duties in accordance with Department standards.

Recommendation 16: Embassy Kathmandu should implement a records management program that complies with Department standards. (Action: Embassy Kathmandu)

Management Response: In its May 16, 2020, response, Embassy Kathmandu concurred with this recommendation.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation of a records management program that complies with Department standards.

Recommendation 17: Embassy Kathmandu should complete information technology contingency plans for the unclassified and classified networks and tests the plans in accordance with Department standards. (Action: Embassy Kathmandu)

Management Response: In its May 16, 2020, response, Embassy Kathmandu concurred with this recommendation.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that Embassy Kathmandu completed information technology contingency plans for the unclassified and classified networks and tested the plans in accordance with Department standards.

Recommendation 18: Embassy Kathmandu should conduct initial and annual refresher information technology contingency training for employees with information technology contingency planning responsibilities in accordance with Department standards. (Action: Embassy Kathmandu)

Management Response: In its May 16, 2020, response, Embassy Kathmandu concurred with this recommendation.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that Embassy Kathmandu conducted initial and annual refresher information technology contingency training for appropriate employees.

PRINCIPAL OFFICIALS

Title	Name	Arrival Date
Chiefs of Mission:		
Ambassador	Randy Berry	10/2018
Deputy Chief of Mission	Manuel Micaller	08/2019
Chiefs of Sections:		
Management	Jeramee Rice	08/2019
Consular	Michael Mussi	07/2018
Political/Economic	Clinton "Tad" Brown	07/2018
Public Affairs	Paul Thomas	07/2018
Regional Security	Timothy Corso	08/2019
Other Agencies:		
Defense Attaché Office	Col. Jonathan "Matt" Sova	07/2018
U.S. Agency for International Development	Adrianna Hayes, Acting	07/2018

Source: Generated by OIG from data provided by Embassy Kathmandu.

APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY

This inspection was conducted from November 1, 2019, to February 21, 2020, 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 the Office of Inspector General (OIG) for the Department and the U.S. Agency for Global Media (USAGM).

Objectives and Scope

The Office of Inspections provides the Secretary of State, the Chief Executive Officer of USAGM, and Congress with systematic and independent evaluations of the operations of the Department and USAGM. 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 and U.S. interests are 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 internal management controls have been instituted to ensure quality of performance and reduce the likelihood of mismanagement; and whether instances 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; circulates surveys and compiles the results, as appropriate; conducts interviews with Department and on-site personnel; observes daily operations; and reviews the substance of the report and its findings and recommendations with offices, individuals, and organizations affected by the review. OIG uses professional judgment, along with physical, documentary, testimonial, and analytical evidence collected or generated, to develop findings, conclusions, and actionable recommendations.

APPENDIX B: MANAGEMENT RESPONSE

UNCLASSIFIED

THRU: Bureau of South and Central Asian Affairs – Alice Wells, Senior Bureau Official

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

FROM: Embassy Kathmandu, Nepal – Ambassador Randy W. Berry

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

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

OIG Recommendation 1: Embassy Kathmandu should comply with Department standards on reporting actions on demarche requests. (Action: Embassy Kathmandu)

Management Response: Embassy Kathmandu concurs with the recommendation. The Political and Economic Section revised Embassy practice while the OIG inspection was on the ground and now responds to all demarche instructions via front channel cable.

Recommendation 2: Embassy Kathmandu should conduct public diplomacy strategic planning in accordance with instructions for the FY 2020 Public Diplomacy Implementation Plan and other Department guidance. (Action: Embassy Kathmandu)

Management Response: Embassy Kathmandu concurs with the recommendation. The FY2020 Public Diplomacy Implementation Plan was submitted to SCA/PPD and R/PPR in early December 2019, in accordance with the established deadline. OIG inspectors were also notified of this submission.

OIG Recommendation 3: Embassy Kathmandu should implement an annual training plan for public diplomacy staff in accordance with Department standards. (Action: Embassy Kathmandu)

Management Response: Embassy Kathmandu concurs with the recommendation. A training plan was developed and shared with both American and LE staff in the section in early 2020. The plan was also shared with OIG inspectors at that time.

OIG Recommendation 4: Embassy Kathmandu should comply with all Department Overseas Motor Vehicle Safety standards for chauffeurs and incidental drivers under chief of mission authority. (Action: Embassy Kathmandu)

Management Response: Embassy Kathmandu concurs with the recommendation. GSO implemented the recommendation in November 2019 by creating a Motor Pool (MP) driver tracking report that lists all the training and medical requirements for MP drivers. The report flags due dates with color codes based on prioritized timelines to ensure all drivers remain current, in accordance with 14 FAM 433.5a-b. In addition, to avoid exceeding the 10-hour per day limit on driving shifts, MP supervisors have become more proactive in scrutinizing scheduling in advance to identify potential situations where back-up drivers may be required.

OIG Recommendation 5: Embassy Kathmandu should update its motor vehicle policy in accordance with Department guidelines. (Action: Embassy Kathmandu)

Management Response: Embassy Kathmandu concurs with the recommendation and will finalize the motor vehicle policy and publish it by June 1, 2020.

OIG Recommendation 6: Embassy Kathmandu should comply with Department guidance in determining whether home-to-work motor pool transportation for locally employed staff is allowable. (Action: Embassy Kathmandu)

Management Response: Embassy Kathmandu concurs with this recommendation and will coordinate with GSO, Financial Management and the Regional Security Office (RSO) to comply with guidance.

OIG Recommendation 7: Embassy Kathmandu should bring its property management procedures into compliance with Department standards. (Action: Embassy Kathmandu)

Management Response: Embassy Kathmandu concurs with this recommendation. GSO is revising and updating the Property/Inventory SOP to reflect Department standards clearly.

OIG Recommendation 8: Embassy Kathmandu should cease paying for cleaning locally employed staff uniforms. (Action: Embassy Kathmandu)

Management Response: Embassy Kathmandu concurs with the recommendation and has ceased paying for the cleaning of LE Staff uniforms as of November 2019. The Embassy cancelled all existing procurement instruments that used Post funds to provide these services as of November 2019.

OIG Recommendation 9: Embassy Kathmandu should close out procurement files in accordance with Department standards. (Action: Embassy Kathmandu)

Management Response: Embassy Kathmandu concurs with the recommendation. During the inspection, the Procurement Section was reduced to 50% staffing due to three vacancies. The Procurement Team is now fully staffed and will address the backlog and ensure timely close out of future procurements.

OIG Recommendation 10: Embassy Kathmandu should comply with Department standards for use of suspense deposit abroad accounts. (Action: Embassy Kathmandu)

Management Response: Embassy Kathmandu concurs with the recommendation and has corrected the practice.

OIG Recommendation 11: Embassy Kathmandu should bring its cashier operations into compliance with Department standards. (Action: Embassy Kathmandu)

Management Response: Embassy Kathmandu concurs with the recommendation and has corrected the practice. Alternate cashiers have been fully trained and are rostered two to three times quarterly to work as the principal cashier.

OIG Recommendation 12: Embassy Kathmandu, in coordination with the Bureau of Global Talent Management, should bring its local compensation plan into compliance with Nepali labor laws. (Action: Embassy Kathmandu, in coordination with GTM)

Management Response: Embassy Kathmandu concurs with the recommendation. Embassy Kathmandu's Human Resources Office (HRO) has been actively pursuing updates to the local compensation plan (LCP) since the announcement of changes in local labor law in coordination with the Compensation Manager in GTM's Office of Overseas Employment (GTM/OE).

Recommendation 13: Embassy Kathmandu should require the Provident Fund Board of Trustees to manage the fund's operations in accordance with the fund's authorization requirements. (Action: Embassy Kathmandu)

Management Response: Embassy Kathmandu concurs with this recommendation. The Management Section is pursuing alternatives to the Provident Fund (PF). Until such time that a replacement has been implemented, the Board of Trustees will manage the fund's operations.

Recommendation 14: Embassy Kathmandu should comply with the Department's accounting standards for the local employee retirement Provident Fund. (Action: Embassy Kathmandu)

Management Response: Embassy Kathmandu concurs with this recommendation. FMO will explore the purchase of accounting software to manage the fund.

Recommendation 15: Embassy Kathmandu should require that the Information Systems Security Officer perform information systems security duties in accordance with Department standards. (Action: Embassy Kathmandu)

Management Response: Embassy Kathmandu concurs with this recommendation. The ISSO instituted designated times each week to perform ISSO duties. The Department's ISSO form "Official ISSO Checklist 4.4_v2.xlsx" is used to review and record required ISSO functions.

Recommendation 16: Embassy Kathmandu should implement a records management program that complies with Department standards. (Action: Embassy Kathmandu)

Management Response: Embassy Kathmandu concurs with this recommendation. In April 2020, an Information Resources Management (IRM) Notice was sent out to all staff for the record management and disposition of files. IMO plans to implement records management training and oversight.

Recommendation 17: Embassy Kathmandu should complete information technology contingency plans for the unclassified and classified networks and test the plans in accordance with Department standards. (Action: Embassy Kathmandu)

Management Response: Embassy Kathmandu concurs with this recommendation. The IMO updated the IT Contingency Plan and it has been signed by the Deputy Chief of Mission. Testing of contingency plans was completed in March 2020 with a total shutdown of the network.

Recommendation 18: Embassy Kathmandu should conduct initial and annual refresher information technology contingency training for employees with information technology contingency planning responsibilities in accordance with Department standards. (Action: Embassy Kathmandu)

Management Response: Embassy Kathmandu concurs with this recommendation. Contingency training for employees will be included in staff training schedules.

ABBREVIATIONS

DCM	Deputy Chief of Mission
FAH	Foreign Affairs Handbook
FAM	Foreign Affairs Manual
FAST	First- and Second-Tour
ICS	Integrated Country Strategy
IM	Information Management
ISSO	Information Systems Security Officer
LE	Locally Employed
NIV	Nonimmigrant Visa
USAID	U.S. Agency for International Development

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