Inspection of Embassy Budapest, Hungary

BUREAU OF EUROPEAN AND EURASIAN AFFAIRS
What OIG Inspected
OIG inspected the executive direction, program and policy implementation, resource management, and information management operations of Embassy Budapest.

What OIG Recommends
OIG made 10 recommendations: 8 to Embassy Budapest, 1 to the Bureau of Information Resource Management, and 1 to the Bureau of Administration.

In its comments on the draft report, the Department concurred with 9 recommendations and neither agreed nor disagreed with 1 recommendation. OIG considers all 10 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.

1 The Bureau of Information Resource Management did not provide formal written comments on this report. OIG’s guidance to the bureau, when it was sent the draft report for review and comment, stated that if formal written comments are not submitted, OIG will conclude that the bureau concurs with the recommendation.
## CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONTEXT</td>
<td>1</td>
</tr>
<tr>
<td>EXECUTIVE DIRECTION</td>
<td>2</td>
</tr>
<tr>
<td>Tone at the Top and Standards of Conduct</td>
<td>2</td>
</tr>
<tr>
<td>Execution of Foreign Policy Goals and Objectives</td>
<td>3</td>
</tr>
<tr>
<td>Impact of COVID-19 Pandemic</td>
<td>4</td>
</tr>
<tr>
<td>Adherence to Internal Controls</td>
<td>5</td>
</tr>
<tr>
<td>Security and Emergency Planning</td>
<td>5</td>
</tr>
<tr>
<td>Developing and Mentoring Foreign Service Professionals</td>
<td>5</td>
</tr>
<tr>
<td>POLICY AND PROGRAM IMPLEMENTATION</td>
<td>6</td>
</tr>
<tr>
<td>Political-Economic Section &amp; Regional Environment, Science, Technology,</td>
<td>6</td>
</tr>
<tr>
<td>and Health Office</td>
<td></td>
</tr>
<tr>
<td>Public Diplomacy</td>
<td>7</td>
</tr>
<tr>
<td>Grants Management</td>
<td>9</td>
</tr>
<tr>
<td>Consular Operations</td>
<td>10</td>
</tr>
<tr>
<td>RESOURCE MANAGEMENT</td>
<td>10</td>
</tr>
<tr>
<td>General Services</td>
<td>11</td>
</tr>
<tr>
<td>Facility Management</td>
<td>13</td>
</tr>
<tr>
<td>INFORMATION MANAGEMENT</td>
<td>15</td>
</tr>
<tr>
<td>RECOMMENDATIONS</td>
<td>18</td>
</tr>
<tr>
<td>PRINCIPAL OFFICIALS</td>
<td>22</td>
</tr>
<tr>
<td>APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY</td>
<td>23</td>
</tr>
<tr>
<td>APPENDIX B: MANAGEMENT RESPONSES</td>
<td>25</td>
</tr>
<tr>
<td>ABBREVIATIONS</td>
<td>30</td>
</tr>
<tr>
<td>OIG INSPECTION TEAM MEMBERS</td>
<td>31</td>
</tr>
</tbody>
</table>
CONTEXT

Hungary was part of the Austro-Hungarian Empire, until the empire collapsed during World War I. The country fell under communist rule following World War II and became a member of the Warsaw Pact military alliance led by the Soviet Union, which invaded the country in 1956 to crush a popular uprising. In 1968, Hungary began liberalizing its economy, introducing so-called “Goulash Communism.” With the collapse of Soviet influence, Hungary held its first multiparty elections in 1990 and instituted a market economy. It joined the North Atlantic Treaty Organization (NATO) in 1999 and the European Union (EU) 5 years later. Hungary is also a member of the Organization for Security and Co-operation in Europe. Hungary has a population of approximately 9.7 million and is located in Central Europe, northwest of Romania.

The Department of State’s (Department) 2020 human rights report for Hungary raised concerns about judicial independence, academic freedom, media independence, asylum policies, and corruption. The U.S. Government-supported Radio Free Europe/Radio Liberty resumed Hungarian service in 2020 after a hiatus of 27 years. Hungary has supported U.S. and NATO missions in the Balkans, Afghanistan, and Iraq, but it also maintains strong relations with Russia and China.

The United States is among the leading foreign investors in Hungary with U.S. investment supporting more than 100,000 jobs in Hungary. Although the EU accounts for 89 percent of all foreign direct investment, the United States is the largest non-EU investor. After Hungary joined the EU in 2004, the United States phased out bilateral development assistance. The United States provides security assistance to Hungary through the International Military Education and Training fund and other capacity-building funds such as the Peacekeeping Operations-funded Global Defense Reform Program, which advises the Hungarian Defense Forces on joint and operational planning. In FY 2020, bilateral foreign assistance for Embassy Budapest totaled $872,649, which included funding from the Bureaus of Political-Military Affairs, International Narcotics and Law Enforcement Affairs, and Population, Refugees, and Migration. The United States and Hungary signed a defense cooperation agreement in 2019 to help modernize security cooperation between the two countries.

Embassy Budapest’s September 2018 Integrated Country Strategy (ICS) focuses on three goals:

- Hungary contributing with increasing significance to U.S. security and policy priorities.
- Hungary adopting and maintaining economic policies that strengthen transatlantic trade, investment, and security relationships.
• Hungary preserving western principles by upholding rule of law, reaffirming its commitment to democratic governance, and respecting the liberty of individuals and communities.

At the time of the inspection, Embassy Budapest had 94 authorized U.S. direct-hire positions and 6 eligible family member positions. The embassy also had 203 locally employed (LE) staff. In addition to the Department, the following agencies were represented at the embassy: the U.S. Agency for International Development, and the Departments of Defense, Justice, Homeland Security, and Commerce.

OIG evaluated the embassy’s policy implementation, resource management, and management controls consistent with Section 209 of the Foreign Service Act of 1980. Because of the COVID-19 pandemic, OIG conducted most of the inspection remotely, sending a limited number of inspectors to the embassy. A related classified inspection report discusses the embassy’s security program and issues affecting the safety of mission personnel and facilities and certain policy implementation issues.

EXECUTIVE DIRECTION

OIG assessed Embassy Budapest’s leadership on the basis of video and in-person interviews, staff questionnaires, a review of documents, and limited observations of embassy meetings.

Tone at the Top and Standards of Conduct

The Chargé d’Affaires, ad interim (Chargé), a career member of the Senior Foreign Service, arrived in Budapest in August 2019 as the Deputy Chief of Mission. He became Chargé in October 2020 upon the departure of the former Ambassador. The Chargé previously served as an office director in the Bureau of Economic and Business Affairs.

OIG found the Chargé led the embassy in a professional and collaborative manner consistent with the Department’s leadership principles in 3 Foreign Affairs Manual (FAM) 1214. Embassy section chiefs and other staff told OIG that the Chargé was collegial and approachable, and that they had ready access to the Front Office. Staff also told OIG that they appreciated the Charge’s concern for the welfare of the embassy community during the COVID-19 pandemic, as demonstrated by holding 72 town hall sessions for embassy staff and their families in the first nine months of 2021.

Representatives of other agencies told OIG of their productive relationships with the Front Office. They told OIG that the Chargé provided effective support for their programs and facilitated collaboration among members of the Country Team. During the inspection, OIG observed the Chargé encouraging participation and collaboration in Country Team and other

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1 See Appendix A.
interagency meetings. He also included the heads of the other agencies represented at the embassy in policy discussions with Washington interlocutors.

OIG found that the Chargé promoted high ethical standards consistent with the President’s Letter of Instruction to Chiefs of Mission. The Chargé included ethics in his talking points to new arrivals at the embassy, and the embassy issued management notices on ethics for all staff. Additionally, prior to a visit by the former Ambassador to Hungary, who departed in 2020, the Chargé consulted with the Department’s ethics lawyers on proper handling of the visit and followed their advice during the former Ambassador’s visit, including reminding the former ambassador of his “cooling-off period” under ethics guidelines. The embassy also maintained its gift registry in accordance with Department standards.

OIG determined that the embassy’s Equal Employment Opportunity (EEO) program was consistent with Department standards in 3 FAM 1514 and the Department’s leadership principles in 3 FAM 1214b(6). The embassy posted EEO information on chancery bulletin boards and on its SharePoint site. The embassy also issued a notice to employees on maintaining an inclusive workplace environment. Prior to the inspection, the EEO counselor and the Federal Women’s Program coordinator began briefing the Country Team quarterly on women’s programs. Finally, the embassy incorporated diversity goals into its spring 2021 ICS review, which laid the groundwork for rewriting the ICS in 2022.

**Execution of Foreign Policy Goals and Objectives**

OIG found that the Chargé effectively led the Country Team, in accordance with guidance in 2 FAM 113.1c(1) and (4) to represent the interests of the United States and to manage all Executive Branch resources. Several members of the Country Team told OIG that the Chargé helped them make important Hungarian Government contacts, strengthening those relationships and advancing mission goals, which was evidence of the Chargé’s effective relations with the host government. Department interlocutors commented favorably on the embassy’s responsiveness, and while in Budapest, OIG observed the Chargé engage effectively with Washington agencies.

OIG also determined that the Country Team achieved several priority foreign policy objectives in 2020 and 2021, consistent with Department guidance in 2 FAM 113.1c(1) and (7) to expand U.S. export markets, counter international crime, and secure support for U.S. policies. At the Chargé’s recommendation, the United States successfully engaged the Government of Hungary at high levels to reverse Hungary’s opposition to the U.S. position on a global agreement establishing a minimum tax rate on large corporations. Hungary had been one of the last holdouts among developed countries in achieving consensus on this issue. Embassy staff told OIG the Chargé also had been effective in supporting U.S. business in a successful effort to sell U.S. air defense systems to Hungary. Likewise, the Chargé led the Country Team in a successful public diplomacy initiative to install a statue honoring former President George H.W. Bush in

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2 Cable 19 STATE 27839 notes that chiefs of mission should “discharge [their] responsibilities with professional excellence and in full conformance with the law and the highest standards of ethical conduct.”
the public square outside the chancery. The embassy also completed the first two implementing agreements under the 2019 United States-Hungary Defense Cooperation Agreement, which advanced the embassy’s security goal in its ICS by facilitating bilateral cooperation on utilizing Hungarian air bases.

Prior to the inspection, the embassy held a virtual review of its ICS beginning in January 2021, consistent with Department guidance in 18 FAM 301.2-4(D)c to monitor and review the ICS. During the inspection, the embassy conducted an interagency off-site review of the ICS to prepare for an expected revision later in the year. Participants told OIG that their input had been welcomed and that the review had helped members of the Country Team, many of whom were new or had been working mostly remotely during the COVID-19 pandemic, to work together. The embassy also used the ICS reviews in preparing its Mission Resource Request, which was consistent with Department guidance to use the ICS to set mission goals and monitor progress toward them.

Impact of COVID-19 Pandemic

OIG found that the COVID-19 pandemic disrupted some internal controls, such as spot checks, as Management Section staff coped with COVID-19 quarantines and COVID-19 cases, including one fatality due to COVID-19. COVID-19 related restrictions also forced reductions in regional programs, such as the embassy’s Regional Environment, Science, Technology, and Health Office (REO), which turned its focus away from regional REO initiatives to focus on COVID-19 in Hungary. The restrictions also hampered the embassy’s ability to receive essential regional support from other overseas posts for information technology and telephone technical support, resulting in frequent outages of the embassy’s telephone network.

OIG found that the Chargé fostered open communication and resilience during the COVID-19 pandemic, consistent with Department guidance in 3 FAM 1214b(4) and (10). As noted earlier in this report, the Chargé had led 72 embassy town halls during the pandemic, each of which had two sessions—one in English and one with translation into Hungarian—and were open to all employees and family members. The town halls allowed participants to submit questions by name or anonymously, which the Foreign Service Institute cited as a best practice. Embassy staff told OIG they appreciated the communication from the town halls, some of which included participation by the regional Environmental, Science, Technology, and Health officer. The embassy also formed a COVID-19 Working Group, chaired by the Environmental, Science, Technology, and Health officer, to advise the Emergency Action Committee (EAC) on mitigation measures during the pandemic. Participants in the working group told OIG they found the forum useful in resolving differences among the embassy community and forging consensus to make recommendations to the EAC. During the inspection, OIG observed the EAC addressing

pandemic-related issues. For example, the committee decided to cancel the annual Marine Corps Ball and discussed whether to require COVID-19 vaccination for LE staff in accordance with Department guidance.

Adherence to Internal Controls

OIG found that the embassy completed the Chief of Mission Annual Management Control Statement of Assurance process in accordance with Department guidance in 2 FAM 022.7(5) and 2 FAM 024d, and that it used the Department’s management controls checklists developed by the Bureau of the Comptroller and Global Financial Services to identify vulnerabilities. In the statement, the embassy did not identify any material weaknesses or significant deficiencies. The Chargé reinforced the importance of internal controls by issuing management notices, having embassy section heads use OIG’s functional questionnaires to evaluate their internal controls, and including internal controls on the list of topics he covered in initial meetings with newly assigned personnel. Additionally, the embassy’s acting Deputy Chiefs of Mission reviewed the Consular Section chief’s nonimmigrant visa adjudications as required by 9 FAM 403.12. Internal control issues, including weaknesses identified and addressed during the inspection, are discussed later in this report.

Security and Emergency Planning

OIG interviews and reviews of documentation found that the Chargé fully supported the embassy’s security program, consistent with Department guidance in 3 FAM 1214b(3) and (7) to take responsibility and to collaborate, and with 2 FAM 113.1c(5) to develop policies and programs to protect U.S. officials abroad and their dependents. The Chargé included physical and information security in his initial meetings with newly assigned personnel and reminded personnel of the importance of security preparedness. When the COVID-19 pandemic forced reductions in staff working in the chancery, the embassy conducted virtual security drills and meetings of the Overseas Security Advisory Committee. The embassy resumed normal drills during the inspection as the pandemic eased and in-office staffing returned to near-normal levels.

Developing and Mentoring Foreign Service Professionals

OIG found that the embassy had an active mentoring and professional development program in accordance with Department guidance in 3 FAM 1214b(8) and 3 FAM 2242.4a and b. The Chargé led the mentoring program for First and Second Tour (FAST) and mid-level staff, retaining the role from his time as Deputy Chief of Mission. The program is described more fully below in the Spotlight on Success. The embassy’s professional development initiatives extended beyond the FAST and mid-level mentorship program. OIG found that in 2021 the embassy used training funds unspent due to COVID-19 travel restrictions for online managerial training for 30 U.S. direct-hire, LE staff, and eligible family member supervisors. Additionally, when the

4 The Overseas Security Advisory Committee is a partnership between the Department and private-sector security community that supports the safe operations of U.S. organizations overseas through threat alerts, analysis, and peer networking groups.
Department halted training of LE staff EEO liaisons, the embassy, through its professional development program, provided training for its LE staff EEO liaisons to be certified as professional mediators.

**Spotlight on Success: Comprehensive Mentoring Program Advanced Professional Development of Participants**

Embassy Budapest had a comprehensive mentorship program for FAST and mid-level staff that began even before participants arrived at the embassy. The Chargé generally contacted participants while they were in Foreign Service Institute Hungarian language classes. The Chargé sent short articles and videos to all program participants on topics of professional development or management techniques. The mentorship program included monthly meetings, which focused on topics suggested by the Chargé or by participants. Additionally, the Chargé gave participants opportunities to shadow his schedule to gain insight into how the Front Office functioned and the issues that took up his time. Participants said the program went beyond “checking the box” because it was relevant and interesting. They also reported that the Chargé’s follow through on mentoring was much preferred over more sporadic mentoring they had received in other assignments. Finally, several participants commended how the Chargé provided feedback to them on their professional development, which they said was always done in one-on-one meetings.

**POLICY AND PROGRAM IMPLEMENTATION**

OIG assessed Embassy Budapest’s policy and program implementation through a review of the work of the Political-Economic Section and REO; the work of the Public Diplomacy Section; the embassy’s management of grants; and consular operations. OIG found the embassy generally met Department requirements for policy and program implementation, with the exceptions discussed below.

**Political-Economic Section and Regional Environment, Science, Technology, and Health Office**

OIG reviewed the Political-Economic Section’s and REO’s leadership and management, policy implementation, reporting and advocacy, commercial promotion, Leahy vetting, and export control functions, and found that the section and office generally met Department standards. OIG’s specific observations on the REO are discussed below. Additionally, the companion

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5 Based in Embassy Budapest, the REO is responsible for supporting U.S. environmental, science, technology, and health issues in 21 countries in the region. The REO supports the strategic goals of the Department’s Bureau of Oceans and International Environmental and Scientific Affairs as well as the those of the embassy.

6 The Leahy Amendment to the Foreign Assistance Act of 1961 prohibits the United States from furnishing certain assistance to a unit of a foreign security force if the Department has credible information that the unit has committed a gross violation of human rights. See 22 U.S.C. § 2378d and 9 FAM 303.8-5(B). Leahy vetting is the process of determining if the Department has credible information that units or individuals proposed to benefit from certain assistance have committed a gross violation of human rights. The Department helps implement a similar law applicable to “amounts made available to the Department of Defense” for assistance to foreign security forces. See 10 U.S.C. § 362.
The report discusses the Political-Economic Section’s work in support of the embassy’s strategic goals.

**The Regional Environment, Science, Technology, and Health Office Reoriented Its Work in Response to the COVID-19 Pandemic**

OIG found that the REO shifted its priorities in response to COVID-19, which caused the office to suspend most regional activities. The office canceled all travel in March 2020 and had not resumed it at the time of the inspection. OIG determined that responding to issues created by the pandemic consumed most of staff’s time. The office’s sole U.S. direct-hire employee, the Environmental, Science, Technology, and Health officer, led the embassy’s COVID-19 Working Group, which maintained information on host country caseload and policies, including travel restrictions, and on the embassy’s status. The working group also made recommendations to the embassy’s EAC. At times, the working group met as often as daily. Although the pandemic hindered the REO’s work on relevant strategic goals, the office managed three grants funded by the Bureau of Oceans and International Environmental and Scientific Affairs, supported two virtual Embassy Science Fellows, and took steps to support collaboration on climate issues among Balkan countries. Washington stakeholders expressed to OIG positive views of the office’s support for their interests, citing, for example, REO support for virtual programs on illegal logging and air quality in the region.

**Embassy Discovered and Reported a Leahy Vetting Omission**

In conducting a routine, Department-mandated review of security assistance, the embassy determined that Hungarian attendees at a 2019 defense planning seminar were not properly vetted because the embassy was not aware that a Department regional program funded the event. In December 2020, the embassy reported the oversight as required by the Department’s Leahy Vetting Guide. Except for this instance, OIG found the embassy met Leahy vetting requirements.

The embassy vetted 136 cases in the 12-month period from September 15, 2020, to September 15, 2021.

**Public Diplomacy**

OIG reviewed the Public Diplomacy Section’s leadership, strategic planning, reporting, resource and knowledge management, Federal assistance awards, educational and cultural programs, and media engagement. The Public Diplomacy Section faced staffing challenges caused by staff turnover, vacancies, and section reorganization as a result of the Public Diplomacy Staffing Initiative. The result was that remaining staff members had to cover the duties of the vacant positions, which limited the section’s ability to complete some required tasks as described.

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below. OIG found the network of American Corners\(^9\) was successful in engaging with neighboring American Spaces and national and regional audiences. Overall, OIG found the section met Department standards and guidance, with the following exceptions and additional observations.

**Public Diplomacy Section Did Not Produce Required Analytical or Evaluative Reporting**

OIG found that the Public Diplomacy Section did not produce any analytical or evaluative cables from January to September 2021. Additionally, over this same time period, the section originated only limited, informal reporting on its activities, including policy evaluation. The Department requires public affairs officers to regularly report on the impact of their programs through official cables and other channels.\(^10\) Public Diplomacy staff told OIG that the section’s staffing shortages, as described above, curtailed reporting on section activities. The lack of reporting could limit the ability of Washington-based policymakers to develop a deeper understanding of issues in the U.S.-Hungarian relationship and the role of public diplomacy in support of policy priorities. OIG brought the issue to the attention of the newly arrived Public Affairs Officer, who created an analytical reporting plan and worked with staff to resume regular evaluative email reporting on programs. As a result of the embassy’s actions, OIG did not make a recommendation to address this issue.

**Public Diplomacy Section Training Plan Did Not Reflect Section Needs After Reorganization**

OIG found that the Public Diplomacy Section did not determine the specific training needs of LE staff following the Public Diplomacy Staffing Initiative\(^11\) reorganization in January 2021. Additionally, the section did not meet Department requirements as outlined in the Public Affairs Officer Handbook, which cites training as indispensable and a major responsibility of the public affairs officer.\(^12\) Employees told OIG the cancelation of training opportunities due to the pandemic, the lack of clear guidance from section leadership during and following the

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\(^9\) American Corners are Department-supported public diplomacy facilities co-managed by the embassy in partnership with local host institutions to engage foreign audiences in support of U.S. foreign policy objectives. Governed by a memorandum of understanding, the host-country partner generally provides the physical space and staff, while the embassy provides staff training, digital tools, and other material support.

\(^10\) According to the Public Affairs Officer Handbook, “[public affairs officers] should recognize that a number of areas for which [public diplomacy] has primary responsibility and expertise lend themselves to thorough and in-depth occasional reporting.” In addition, 18 STATE 17160 requires public diplomacy sections to report on the impact programs are having in support of U.S. policy goals, whether through front-channel cables, the Mission Activity Tracker, or emails to Washington. See Department of State, Public Affairs Officer Handbook: Working within the Embassy, March 2019; and cable 18 STATE 17160, “PD ISSUES, February 2018,” February 23, 2018.

\(^11\) The goal of the Public Diplomacy Staffing Initiative, as described by the Office of the Under Secretary of State for Public Diplomacy and Public Affairs in the 2020 Public Diplomacy Strategic Plan, was to enhance the ability of the approximately 2,600 public diplomacy LE staff at 185 missions worldwide to carry out more audience-focused, result-driven programs.

\(^12\) The Public Affairs Officer Handbook, March 2019, describes a successful public affairs officer as taking care to build a well-informed staff that understands the objectives of the mission, excels at teamwork, and feels well integrated into the embassy. The handbook also describes training for all staff as indispensable and requires public affairs officers to assure that all staff, at every level, have access to appropriate training. Public Affairs Handbook, at 16 and 18.
reorganization, and expanded work responsibilities to compensate for staffing shortages prevented training and development necessary to ensure effective job performance. Failing to emphasize training increases the risk that the section’s staff will not have the necessary skills to achieve effective job performance. During the inspection, the Public Diplomacy Section developed a training plan reflecting position-specific training needs for each employee and launched a series of off-site meetings to address intra-embassy communication, post-reorganization programmatic roles, and public diplomacy strategy and goals. As a result of the section’s efforts, OIG did not make a recommendation to address this issue.

**Grants Management**

**Grant Files Did Not Meet Department Standards for Documentation**

OIG found that Embassy Budapest’s grants, which are managed by the Public Diplomacy Section, the Political-Economic Section, and the REO, generally supported relevant strategic objectives. However, OIG also determined that the embassy’s grant files did not consistently meet Federal Assistance Directive standards for documentation. Specifically, the grant files had incomplete documentation in the Department’s State Assistance Management System. Among the missing documents were panel review decisions to approve grants, evidence of monitoring and assessment of progress, documentation of changes in grants officers, and award closeout documentation. These issues resulted from pandemic-related interruptions to staff’s computer network access, inability to conduct site visits, and staff uncertainty about grant documentation and processing requirements. During the inspection, the Public Diplomacy Section prepared standard operating procedures for administering public diplomacy grants. Staff managing both public diplomacy and foreign assistance grants also began to add required documentation to the files. The embassy provided sufficient information for OIG to conclude with reasonable confidence that the work called for in the grants’ terms and conditions was underway or completed, although in some cases delayed because of COVID-19. However, lack of required documentation across the full life cycle of the grant impairs the ability of grants

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13 OIG reviewed a selection of 29 out of 112 public diplomacy grants awarded in FY 2020 and FY 2021, with a total value of $1.83 million out of a universe of $2.37 million. The selection included all grants valued at more than $20,000. OIG also reviewed all three foreign assistance grants that were active during the inspection, with a total value of $60,780, as well as two grants that expired during FY 2021, with a total value of $21,869. The foreign assistance grants were funded by the Bureaus of Oceans and International Environmental and Scientific Affairs and Population, Refugees, and Migration.

14 The Department of State Federal Assistance Directive establishes internal guidance, policies, and procedures for all domestic and overseas grant-making bureaus, offices, and posts within the Department of State administering Federal financial assistance. See Federal Assistance Directive, Chapter 1, Section A (October 2020 and later revisions).

15 The State Assistance Management System (SAMS) is the Department’s online Federal financial assistance management system built to unify the Department’s Federal assistance processes and provide greater transparency, accountability, and reporting capabilities to assistance-awarding bureaus and posts. The use of SAMS is mandatory for all executed and obligated Federal awards.

16 Federal Assistance Directive Chapter 2, Sections H and P; Chapter 4, Sections D and G; and Chapter 5, Section A (October 2020 and later revision).
officers to identify and mitigate risk, monitor program implementation, evaluate program results, and ensure accountability for resources.

**Recommendation 1:** Embassy Budapest should comply with Department standards for grant file documentation. (Action: Embassy Budapest)

**Consular Operations**

OIG reviewed Embassy Budapest’s consular operations, including U.S. citizen services, fraud prevention programs, nonimmigrant and immigrant visa services, training, management controls, communication and outreach, anti-fraud programs, and consular crisis preparedness. During the inspection, the Consular Section corrected deficiencies related to the duty officer handbook, special immigrant visas, the consular crisis communication plan, and procedures for deleting duplicate nonimmigrant visa cases. With the exception noted below, OIG concluded that the embassy’s consular programs generally complied with guidance in 7 FAM, 9 FAM, 7 FAH, applicable statutes, and other Department policies.

**Consular Officers Did Not Adhere to Department Standards on Mandatory Case Notes for Nonimmigrant Visas**

OIG found that consular adjudicating officers did not add mandatory case notes in the nonimmigrant visa system stating that applicants for certain categories of nonimmigrant visas had received and understood a pamphlet informing them of their rights under the William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008, as required by 9 FAM 402.3-9(C)(2)a, b, and c. The primary consular adjudicator told OIG that he had forgotten about these requirements, but officers reviewing those adjudications also failed to note the omissions when conducting their reviews. During the inspection, the Consular Section reinforced the requirements in an email to staff. As a result, OIG did not make a recommendation to address this issue.

**RESOURCE MANAGEMENT**

OIG reviewed Embassy Budapest’s internal control systems and processes in human resources, general services, financial management, facility management, and the employee association. During the inspection, the embassy corrected six internal control issues identified by OIG. Specifically, the embassy:

- Updated subcashier designations and conducted quarterly verifications of subcashier funds (Cashier User Guide\(^\text{17}\) section 2.2.4.1, and 4 FAM 397.2-3a).
- Released an embassy overtime policy to ensure authorizing officials approve staff requests for overtime in advance and in writing (3 FAM 2332.4(5) and 3 FAM 2332.5(2)).
- Reviewed and reissued its annual motor vehicle policy (14 FAM 435.1a).

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• Submitted its per diem rates survey for all in-country locations, in accordance with the Department of State Standardized Regulations Sections 074.2.
• Approved the employee association’s annual budget for FY 2022 (6 FAM 531e).

Although the embassy’s Human Resources Office and Financial Management Office generally implemented required processes and procedures in accordance with applicable laws and Department guidance, OIG found deficiencies in general services and facility management operations, as described below.

During OIG’s review of documentation, it also identified two areas related to life and safety that it would ordinarily assess in an embassy inspection but was unable to do so due to COVID-19 travel restrictions that limited OIG’s on-site presence. These areas were: (1) an outstanding deficiency from the 2017 Bureau of Overseas Buildings Operations (OBO) fire inspection, which related to egress concerns in the chancery elevator lobbies; and (2) the poor condition of the north chancery and several U.S. Government-owned residences, which were in need of infrastructure repairs and upgrades.

General Services

Embassy Did Not Conduct Annual Housing Market Survey

OIG found that Embassy Budapest had not conducted an annual housing market survey since 2013. Department standards in 15 FAM 212.6 require embassies to conduct an annual survey to provide an objective assessment of market conditions and enable embassies to compare the housing market with rents for the current housing inventory. In accordance with 12 FAM 212.6b, embassies should use the survey to verify rental benchmarks, establish rental control ceilings, and document conditions related to the availability and cost of suitable housing. The market housing survey must be submitted to OBO by December 31 each year. Embassy staff told OIG they did not complete the survey because they overlooked the annual requirement. Without annual market surveys, the embassy risks overpaying for its residential leases.

Recommendation 2: Embassy Budapest should conduct and submit an annual housing market survey in accordance with Department requirements. (Action: Embassy Budapest)

Embassy Did Not Account for Uniforms and Personal Protective Equipment in the Integrated Logistics Management System

OIG found the embassy did not account for expendable property as required by Department standards. Specifically, Embassy Budapest did not account for all personal protective equipment, clothing, and uniforms in the Integrated Logistics Management System (ILMS). Department standards in 14 FAM 446.1a require that personal protective equipment, clothing,

18 See also cable 13 STATE 107704, “Annual Housing Market Survey,” July 24, 2013.
19 According to 14 FAM 414.2-1a(2), the ILMS expendable management system is the Department’s approved system for recording all operating materials and supplies in storage.
and uniforms be accounted for in either the ILMS expendables management system or the ILMS loanable property module. However, OIG determined that the local guard force uniforms, for example, were tracked by the Regional Security Office on an Excel spreadsheet and were not accounted for in the ILMS loanable property module. Embassy staff told OIG this issue occurred because they were unaware of these requirements. Failure to account for expendable property in the Department’s approved property record system increases the risk of mismanagement and theft of embassy property.

**Recommendation 3:** Embassy Budapest should use the Integrated Logistics Management System to account for all personal protective equipment, clothing, and uniforms in accordance with Department standards. (Action: Embassy Budapest)

**Embassy Did Not Fully Comply With Department Motor Vehicle Safety Standards**

Embassy Budapest did not adhere to the Department’s overseas motor vehicle safety standards. Specifically, OIG found that 41 of the embassy’s 83 professional drivers and incidental (self-drive) operators (49 percent) either did not receive or were not current with required driver safety training or refresher training in accordance with 14 FAM 433.5a-c. In addition, 28 of the 83 drivers (34 percent) had expired medical certifications or had never received medical certifications before driving official vehicles, as required by 14 FAM 433.4b-c. Furthermore, the Mission Vehicle Accountable Officer did not maintain medical certification or driver safety and armored vehicle training records using the Fleet Management Information System in accordance with 14 FAM 433.4e and 14 FAM 433.5d. Embassy staff told OIG these issues occurred because COVID-19 travel restrictions prevented a trained driving safety instructor from visiting the embassy to conduct the training and pandemic restrictions prevented drivers from scheduling medical appointments. Failure to enforce Department motor vehicle safety standards increases the risk of injury to drivers, passengers, and the public, as well as damage to U.S. Government property.

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

**Embassy Did Not Consistently Track Motor Vehicle Operational Costs in the Fleet Management Information System**

Embassy Budapest did not enter and review all required motor vehicle operational costs in the Department’s Fleet Management Information System. Specifically, OIG’s review found missing data on daily trips, fuel costs, and preventive maintenance for embassy motor vehicles. In accordance with 14 FAM 431.6-2b(7) and 14 FAM 431.6-4a(1) and (2), the embassy must use

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20 “[Overseas] posts shall establish a safe driver training program for all [Government] operators and ensure operators receive initial safe driver training, as well as refresher training every two years or within 90 days of a preventable mishap, whichever comes first.” Bureau of Overseas Buildings Operations, Safety, Health & Environmental Management Guidance, October 2007.
the Fleet Management Information System to track daily trip reports and record maintenance and fuel costs, while monitoring the accuracy and timeliness of the data. Additionally, as stated in 14 FAM 437.1a, motor vehicle data must be entered and routinely reviewed for effective fleet management and management controls. Embassy staff told OIG that the required data had not been entered into the Fleet Management Information System or reviewed as required because of a staffing gap in the motor pool supervisor position since January 2021. (The position was filled in August 2021.) Incomplete motor vehicle data prevents effective fleet management and oversight and increases the risk for potential fraud and mismanagement of U.S. Government resources.

**Recommendation 5:** Embassy Budapest should enter motor vehicle operational costs into the Fleet Management Information System and verify the integrity of data entered into the system in accordance with Department standards. (Action: Embassy Budapest)

**Facility Management**

*Embassy Facility Maintenance Program Needed Strengthening*

OIG found that the embassy’s routine and preventive maintenance programs for its facilities and building systems needed strengthening. In accordance with 15 FAM 613a and b, overseas posts must adequately and properly maintain facilities and establish and implement a comprehensive preventive and routine maintenance program covering all facilities and major support systems. Additionally, Department guidance in 15 FAH-1 H-113.8 states that periodic servicing of equipment lengthens equipment life and reduces breakdown. Periodic servicing of building systems includes the cleaning, repair, and restoration of plumbing systems, electrical and mechanical systems, heating and air-conditioning systems, and other major building systems, such as elevators and fire protection systems. OIG found that from April to October 2021, the Facility Management Section deferred or canceled 430 of its 1,519 scheduled preventive maintenance tasks in the Department’s work order system, and at the time of the inspection, none of the 430 tasks had been completed. Of the 430 deferred and canceled scheduled maintenance tasks, 36 percent (156 out of 430) were related to maintenance due on equipment categorized as “Criticality A,” equipment essential to ongoing operations.

Embassy staff told OIG that this problem was caused by two issues. First, the inefficient structure and organization of the facility maintenance staff hindered the effectiveness of the embassy’s preventive maintenance program. Specifically, there was no separation between staff who performed unscheduled work orders and those who performed preventive

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21 The Global Maintenance Management System is the Department’s work order system for planning, managing, and accomplishing facility management activities overseas. The system includes tasks associated with the preventive maintenance program.

22 “Criticality A” asset types are defined by OBO’s Office of Facility Management as equipment asset types essential to ongoing operations and include equipment such as air handlers, chillers, fire alarms, fire suppression systems, and elevators.
maintenance. As a result, the constant unscheduled work took away from staff’s ability to perform preventive maintenance. Second, the COVID-19 pandemic affected the section’s ability to complete maintenance tasks. Without improvements to the preventive and routine maintenance program and processes, the embassy is at risk of costly repairs, premature failures of buildings systems, and operational disruptions associated with inadequately maintained support systems.

**Recommendation 6:** Embassy Budapest should implement routine and preventive maintenance programs that comply with Department standards. (Action: Embassy Budapest)

**Embassy Did Not Manage Facility Management Expendable Supplies in Accordance With Department Standards**

OIG found that the embassy did not manage its facility management expendable supplies in accordance with Department standards. Specifically:

- The embassy did not track all its facility management expendable supplies (spare parts, building materials, and tools) in the ILMS Expendable Management System. According to 14 FAM 414.1, accountable property records must be maintained for expendable stock inventory. Embassy staff told OIG that the lack of a central storage location made it difficult for the storeroom to inventory and account for all facility management supplies in the system. For example, OIG determined that the clerk had not inventoried supplies or tools kept in temporary workshops in the chancery and in facility management work vehicles.

- The Facility Management Section unnecessarily used petty cash to purchase parts for repairs and maintenance. OIG found that from July 12 to September 30, 2021, the facility management sub-cashier disbursed approximately $4,500 in petty cash to facility management staff to purchase supplies and parts. The Cashier User Guide, section 3.2, requires that payments be made only by check or electronic funds transfer and not by the use of an imprest fund, when possible. In addition, the embassy maintained a stock of supplies and parts and also had four blanket purchase agreements with local vendors for the purchase of facility supplies, which should have made use of petty cash for the purchase of parts largely unnecessary. Facility management staff told OIG that employees preferred using petty cash because it was less time-consuming and burdensome than verifying that the parts they needed were in the embassy’s facility.

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23 The Cashier User Guide describes the responsibilities and detailed instructions for personnel involved in the implementation and use of a cash imprest fund.

24 The purpose of an imprest, or petty cash, fund is to make small payments when the processing of electronic funds transfers or checks is impractical and when the best interest of the U.S. Government is served by making the payment in cash.

25 Federal Acquisition Regulation 8.405-3 notes that blanket purchase agreements should be established to fill repetitive needs for supplies or services with contractors that can provide the supply or service that represents the best value.
management expendable inventory or using the embassy’s blanket purchase agreements.

Failure to properly account for, safeguard, and procure expendable supplies leaves the embassy vulnerable to waste, mismanagement, and theft.

**Recommendation 7:** Embassy Budapest should administer and procure facility management expendable supplies in accordance with Department standards. (Action: Embassy Budapest)

### INFORMATION MANAGEMENT

OIG reviewed information management (IM) operations in Embassy Budapest, including unclassified and dedicated internet network computer operations, emergency communications preparedness, telephone and radio programs, and mail and pouch service. Throughout the COVID-19 pandemic, IM staff managed to provide continuous IT support to embassy users, including support for laptops that were deployed to enable telework. During the inspection, embassy IM staff corrected issues related to dedicated internet network management and the Local IT Change Control Board. OIG found the embassy’s IM leadership and staff generally performed most required information management and security responsibilities in accordance with Department standards, with the exceptions noted below.

**Embassy’s Records Management Program Did Not Comply With Department Standards**

Embassy Budapest’s records management program did not comply with Department standards in 5 FAM 414.5a\(^{26}\) and the Department’s Records Handbook.\(^{27}\) Specifically, the embassy’s records management program lacked procedures for managing each section’s records management activities.\(^{28}\) During the inspection, OIG identified several records-related deficiencies due to the lack of records management procedures for each section. For example, the Consular Section did not maintain files and records in a systematic and organized manner so that information could be accurately and quickly retrieved, as required by 7 FAH-1 H-451. OIG found the section’s files, which were housed in electronic shared and network drives, included unprotected individual consular case files containing personally identifiable information. Embassy Budapest began correcting this deficiency during the inspection.

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\(^{26}\) According to 5 FAM 414.5a, the principal officer is responsible for implementing and administering the records policies, standards, systems, and procedures issued by the Department’s records officer, beginning with those set forth in 5 FAM 400 and 5 FAH-4.

\(^{27}\) Bureau of Administration, Office of Information Programs and Services, Records Handbook for All Overseas Personnel, February 2021.

\(^{28}\) The Records Handbook lists the records management responsibilities at overseas posts. It states that section chiefs are responsible for “[c]oordinating with the Information Management Officer to establish procedures for managing the [s]ection’s records management activities.” See Records Handbook for All Overseas Personnel, February 2021, at 6.
In addition, the Department’s Records Retirement Tracker Dashboard\textsuperscript{29} showed that for the past 5 years, the embassy had not retired the annual program records for the Public Diplomacy and Political-Economic Sections, as required by 5 FAM 433b.\textsuperscript{30} Without a records management program that meets Department standards, the embassy is vulnerable to the potential loss of important data for historical insight into policy analysis, decision-making, and archival research.

**Recommendation 8:** Embassy Budapest should implement a records management program in accordance with Department standards. (Action: Embassy Budapest)

**Telephone Network Outages Disrupted Operations**

Embassy Budapest’s telephone network experienced numerous outages, which disrupted the embassy’s day-to-day operations and limited the staff’s ability to make a phone call in the event of an emergency. Embassy IM staff told OIG that they did not have sufficient local expertise to support telephone network operations without regional support assistance. In July 2021, the embassy requested assistance from the Regional Information Management Center (RIMC) in Frankfurt. However, due to COVID-19 travel restrictions, RIMC was unable to conduct a technical support visit to fully assess the embassy’s telephone network issues. Department standards in 1 FAM 277(1) states that RIMCs provide technical and operational assistance on all information management programs to the overseas posts within their geographic region. Without the technical support required to resolve the telephone issue, the embassy’s communications network will continue to experience outages that are disruptive to operations.

**Recommendation 9:** The Bureau of Information Resource Management, in coordination with the Regional Information Management Center Frankfurt and Embassy Budapest, should maintain Embassy Budapest’s telephone network in accordance with Department standards. (Action: IRM, in coordination with RIMC Frankfurt and Embassy Budapest)

**Diplomatic Post Office Mail Misrouted**

Packages and other mail addressed to Embassy Budapest’s Diplomatic Post Office were repeatedly misrouted and then lost during transit. Embassy personnel were told that the misrouted mail issue was caused by processing errors and sorting challenges occurring at the United States Postal Service (USPS) central processing center in Chicago, Illinois. According to 1 FAM 215.2-4a(1), (2), and (4), the Bureau of Administration’s Diplomatic Pouch and Mail Division is the Department’s liaison for working with other Federal agencies, in this case USPS, for routing and accountability issues regarding the Department’s Diplomatic Post Office mail. The Diplomatic Pouch and Mail Division’s leadership was aware of this issue and told OIG they were planning to coordinate with USPS to identify a solution to the misrouted mail. However,

\textsuperscript{29} The Records Retirement Tracker Dashboard provides a compliance rating of overseas posts’ and domestic offices’ retirement of permanent records. The Bureau of Administration maintains this dashboard on OpenNet.

\textsuperscript{30} According to 5 FAM 433b, offices and overseas posts must retire records (except official personnel records) to the Records Service Center in accordance with the records disposition schedules issued by the Bureau of Administration and approved by the National Archives and Records Administration, pending ultimate transfer to the National Archives or a Federal Records Center.
they had not yet done so at the time of the inspection. Without a resolution to the problem, the embassy will continue to have packages lost or misrouted, incurring additional fees and expenses to the Department for mail to be rerouted to the correct destination.

**Recommendation 10:** The Bureau of Administration, in coordination with Embassy Budapest, should work with the United States Postal Service to resolve the problem of misrouted Diplomatic Post Office mail. (Action: A, in coordination with Embassy Budapest)
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 Budapest, the Bureau of Administration, and the Bureau of Information Resource Management. The Department’s complete responses can be found in Appendix B.¹ The Department also provided technical comments that were incorporated into the report, as appropriate.

**Recommendation 1:** Embassy Budapest should comply with Department standards for grant file documentation. (Action: Embassy Budapest)

**Management Response:** In its April 14, 2022, response, Embassy Budapest concurred with this recommendation. The embassy noted an estimated completion date of December 31, 2022.

**OIG Reply:** OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that Embassy Budapest complied with Department standards for grant file documentation.

**Recommendation 2:** Embassy Budapest should conduct and submit an annual housing market survey in accordance with Department requirements. (Action: Embassy Budapest)

**Management Response:** In its April 14, 2022, response, Embassy Budapest concurred with this recommendation.

**OIG Reply:** OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that Embassy Budapest conducted and submitted an annual housing market survey in accordance with Department requirements.

**Recommendation 3:** Embassy Budapest should use the Integrated Logistics Management System to account for all personal protective equipment, clothing, and uniforms in accordance with Department standards. (Action: Embassy Budapest)

**Management Response:** In its April 14, 2022, response, Embassy Budapest concurred with this recommendation. The embassy noted an expected completion date of September 30, 2022.

**OIG Reply:** OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that Embassy Budapest used the Integrated Logistics Management System to account for all personal protective equipment, clothing, and uniforms in accordance with Department standards.

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 Budapest should comply with Department overseas motor vehicle safety standards for professional and incidental drivers under chief of mission authority. (Action: Embassy Budapest)

Management Response: In its April 14, 2022, response, Embassy Budapest concurred with this recommendation. The embassy noted an expected completion date of September 30, 2022.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that Embassy Budapest complied with Department overseas motor vehicle safety standards for professional and incidental drivers under chief of mission authority.

Recommendation 5: Embassy Budapest should enter motor vehicle operational costs into the Fleet Management Information System and verify the integrity of data entered into the system in accordance with Department standards. (Action: Embassy Budapest)

Management Response: In its April 14, 2022, response, Embassy Budapest concurred with this recommendation. The embassy noted an expected completion date of April 1, 2023.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that Embassy Budapest entered motor vehicle operational costs into the Fleet Management Information System and verified the integrity of data entered into the system in accordance with Department standards.

Recommendation 6: Embassy Budapest should implement routine and preventive maintenance programs that comply with Department standards. (Action: Embassy Budapest)

Management Response: In its April 14, 2022, response, Embassy Budapest concurred with this recommendation. The embassy noted estimated completion by April 2024.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that Embassy Budapest implemented routine and preventive maintenance programs that comply with Department standards.

Recommendation 7: Embassy Budapest should administer and procure facility management expendable supplies in accordance with Department standards. (Action: Embassy Budapest)

Management Response: In its April 14, 2022, response, Embassy Budapest concurred with this recommendation. The embassy noted estimated completion by April 2024 in conjunction with recommendation 6.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that Embassy Budapest administered and procured facility management expendable supplies in accordance with Department standards.
**Recommendation 8:** Embassy Budapest should implement a records management program in accordance with Department standards. (Action: Embassy Budapest)

**Management Response:** In its April 14, 2022, response, Embassy Budapest disagreed with this recommendation as worded. The embassy noted it has a comprehensive records management program, detailed in Management Policy MP03, which aligns with Department guidance. The embassy suggested a revised recommendation focused on implementation and it named officials in relevant embassy sections that would follow through on implementation.

**OIG Reply:** OIG considers the recommendation resolved. OIG revised the report narrative to acknowledge the embassy’s records management program and to clarify the need for procedures to manage each embassy section’s records management activities. OIG also revised the recommendation to focus on implementation. The recommendation can be closed when OIG receives and accepts documentation that Embassy Budapest implemented a records management program in accordance with Department standards.

**Recommendation 9:** The Bureau of Information Resource Management, in coordination with the Regional Information Management Center Frankfurt and Embassy Budapest, should maintain Embassy Budapest’s telephone network in accordance with Department standards. (Action: IRM, in coordination with RIMC Frankfurt and Embassy Budapest)

**Management Response:** The Bureau of Information Resource Management concurred with this recommendation.

**OIG Reply:** OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the Bureau of Information Resource Management maintained Embassy Budapest’s telephone network in accordance with Department standards.

**Recommendation 10:** The Bureau of Administration, in coordination with Embassy Budapest, should work with the United States Postal Service to resolve the problem of misrouted Diplomatic Post Office mail. (Action: A, in coordination with Embassy Budapest)

**Management Response:** In its April 11, 2022, response, the Bureau of Administration neither agreed nor disagreed with this recommendation. The bureau noted that the issue raised by OIG is valid, longstanding, and not specific to Embassy Budapest. The Diplomatic Pouch and Mail Division of the Bureau of Administration has worked diligently over the years, in close cooperation with Department of Defense postal elements experiencing the same issues, to raise concerns with U.S. Postal Service management. These efforts have been both at the processing facility level in which Diplomatic Mail and Pouch Division personnel are embedded and at the leadership level in Washington, D.C. Department complaints have been conveyed to

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2 The Bureau of Information Resource Management did not provide formal written comments on this report. OIG’s guidance to the bureau, when it was sent the draft report for review and comment, stated that if formal written comments are not submitted, OIG will conclude that the bureau concurs with this recommendation.
three successive Postmasters General, but, to date, none have been successful in completely remedying the problem on misrouted Diplomatic Post Office mail. The bureau summarized recent efforts to engage with the U.S. Postal Service and noted it is focused on persuading the U.S. Postal Service to provide a separate, dedicated facility to process Diplomatic Post Office mail.

**OIG Reply:** OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the Bureau of Administration worked with the United States Postal Service to resolve the problem of misrouted Diplomatic Post Office mail.
# PRINCIPAL OFFICIALS

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<tr>
<th>Title</th>
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<td><strong>Chiefs of Mission:</strong></td>
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<td>Ambassador</td>
<td>Vacant</td>
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<tr>
<td>Deputy Chief of Mission</td>
<td>Marc Dillard(^a)</td>
<td>8/2019</td>
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<td><strong>Chiefs of Sections:</strong></td>
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<tr>
<td>Management</td>
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<td>Consular</td>
<td>Rebecca Dodds</td>
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<td>Political-Economic</td>
<td>Derek Westfall</td>
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<td>Public Affairs</td>
<td>Jonas Stewart</td>
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<td>Regional Security</td>
<td>Steven D’Angelo</td>
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<td>Environmental, Science, Technology and Health</td>
<td>Gina Kassem</td>
<td>7/2019</td>
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<td>Foreign Agricultural Service</td>
<td>Kim Sawatzki (Berlin)</td>
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<td>Department of Defense</td>
<td>Colonel David Wiseman</td>
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<td>U.S. Agency for International Development</td>
<td>Daniel Dieckhaus</td>
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\(^a\) Marc Dillard became Chargé d’Affaires on October 30, 2020.

**Source:** Generated by OIG from data provided by Embassy Budapest.
APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY

This inspection was conducted from August 30, 2021, to January 10, 2022, in accordance with the Quality Standards for Inspection and Evaluation, as issued in 2020 by the Council of the Inspectors General on Integrity and Efficiency, and the Inspections 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.

In addition to these three broad areas, OIG also determined whether:

- COVID-19 affected Embassy Budapest’s operations and internal controls, and if so, to what extent.
- COVID-19 related telework affected mission accomplishments, customer service to the public, and employee performance.

Methodology

OIG used a risk-based approach to prepare for this inspection. Due to the COVID-19 pandemic and taking into consideration relevant guidance, OIG conducted portions of the inspection remotely and relied on audio- and video-conferencing tools in addition to in-person interviews with Department and other personnel. Additionally, embassy staff conducted video walkthroughs so OIG could see embassy facilities relevant to the inspection. OIG also reviewed pertinent records; circulated surveys and compiled the results; and reviewed the substance of this report and its findings and recommendations with offices, individuals, and organizations affected by the review. OIG used professional judgment and analyzed physical, documentary, and testimonial evidence to develop its findings, conclusions, and actionable recommendations.
OIG inspected executive direction and the security program onsite at Embassy Budapest. Inspection of the other functional areas covered in this report—Political-Economic, Regional Environmental, Science, Technology, and Health Office, Public Diplomacy, Consular, Resource Management, and Information Management—was done remotely. Because these areas were inspected remotely, OIG was unable to fully assess motor pool operations and fleet management, consular cashiering functions, American Spaces operations and management, and controls over consular accountable items. OIG also did not conduct spot checks of expendable and non-expendable property, verify that residential housing complied with safety requirements, or conduct a full review of records management. Finally, OIG did not review the embassy’s classified computer and communications security operations, neither of which could be done remotely.
UNCLASSIFIED

APPENDIX B: MANAGEMENT RESPONSES

Embassy of the United States of America

Budapest, Hungary

April 14, 2022

UNCLASSIFIED

THRU: EUR – Karen Donfried, Assistant Secretary

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

FROM: Embassy Budapest – Margaret MacCallum, Chargé d’Affaires, a.i.

SUBJECT: Response to Draft OIG Report – Embassy Budapest, Hungary

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

**OIG Recommendation 1:** Embassy Budapest should comply with Department standards for grant file documentation. (Action: Embassy Budapest)

**Management Response:** Embassy Budapest concurs with the recommendation. Post updated its grants SOP to comply with Department standards in Fall 2021 and went through a successful Annual Program Statement and merit panel review in March 2022. Post has also closed 89 grants, with 76 remaining as of March 31, 2022. The estimated completion is December 31, 2022.

**OIG Recommendation 2:** Embassy Budapest should conduct and submit an annual housing market survey in accordance with Department requirements. (Action: Embassy Budapest)

**Management Response:** Embassy Budapest concurs with the recommendation. The 2021 Embassy Budapest housing market survey was completed and submitted to OBO/PRE/PRL/PM in December 2021.

**OIG Recommendation 3:** Embassy Budapest should use the Integrated Logistics Management System to account for all personal protective equipment, clothing, and uniforms in accordance with Department standards. (Action: Embassy Budapest)
Management Response: Embassy Budapest concurs with the recommendation. An updated Embassy Budapest Uniform and Protective Equipment Policy was issued. GSO will begin tracking its personal protective equipment, clothing and uniforms in ILMS with the purchase of the FY2021 items, using the ILMS uniform tracking system that is already in place in Facilities Management. The deadline to purchase uniforms is April 15; personal protective equipment is purchased on an as needed basis. The expected completion date is September 30, 2022.

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

Management Response: Embassy Budapest concurs with the recommendation. In February 2022, the Motor Pool Supervisor attended a Smith System Incidental Driver Train-the-Trainer Training. Once the training materials arrive from Washington, DC, the Motor Pool Supervisor will be able to conduct on-site training for Embassy Budapest. The Health Unit has prioritized medical certifications for current drivers and, in anticipation of the upcoming on-site Smith Safety Trainings, began medical exams for employees interested in becoming incidental drivers. The expected completion date is September 30, 2022.

OIG Recommendation 5: Embassy Budapest should enter motor vehicle operational costs into the Fleet Management Information System and verify the integrity of data entered into the system in accordance with Department standards. (Action: Embassy Budapest)

Management Response: Embassy Budapest concurs with the recommendation. The Motor Pool section has been operating with only half of their positions filled. The Work Order Clerk position responsible for FMIS data entry, which had been vacant since September 2021, was filled on April 11, 2022. If the newly hired employee is successful, the employee will undergo training to learn Embassy Budapest Motor Pool operations and learn ILMS and FMIS. Once trained, the employee will enter backlogged data and verify the integrity of the FMIS data. The expected completion date is April 1, 2023.

OIG Recommendation 6: Embassy Budapest should implement routine and preventive maintenance programs that comply with Department standards. (Action: Embassy Budapest)

Management Response: Embassy Budapest concurs with the recommendation. The embassy is currently reorganizing the Facilities section to better address unscheduled work orders and preventive maintenance. The reorganization will involve creating and classifying critical new positions, filling vacant positions, and training new staff. The Embassy anticipates completion by April 2024.

OIG Recommendation 7: Embassy Budapest should administer and procure facility management expendable supplies in accordance with Department standards. (Action: Embassy Budapest)
Management Response: Embassy Budapest concurs with the recommendation. The expendable supply clerk is currently reviewing frequently used materials with technicians to identify additional items needed in inventory. Facilities supervisors are working with GSO Procurement to review BPA contracts. After the reorganization of the facility section, new training modules will be implemented for supervisors and technicians to ensure roles and responsibilities are understood and procedures and standards are followed. The Embassy anticipates completion by April 2024 in conjunction with OIG recommendation 6.

OIG Recommendation 8: Embassy Budapest should establish a records management program in accordance with Department standards. (Action: Embassy Budapest)

Management Response:
Embassy Budapest does not concur with the recommendation as worded, as Post has a comprehensive Records Management Program, as detailed in Management Policy MP03 (originally issued Jan. 5, 2021), which aligns with 5 FAM 430 and A/GIS/IPS/RA policy and guidance. Post suggests a revised recommendation focused on implementation and has named officials in relevant sections to follow through on implementation.

OIG Recommendation 9: The Bureau of Information Resource Management, in coordination with the Regional Information Management Center Frankfurt and Embassy Budapest, should maintain Embassy Budapest’s telephone network in accordance with Department standards. (Action: IRM, in coordination with RIMC Frankfurt and Embassy Budapest)

Management Response:
Embassy Budapest concurs with the recommendation. IRM has primary action on this recommendation. However, with the Department’s travel restrictions lifted, the Information Management Officer will be proactive in coordinating with RIMC Frankfurt to have RIMC Telephone Technicians travel to post to conduct a thorough review of post’s telephone system and perform all necessary maintenance and/or upgrades.

OIG Recommendation 10: The Bureau of Administration, in coordination with Embassy Budapest, should work with the United States Postal Service to resolve the problem of misrouted Diplomatic Post Office mail. (Action: A, in coordination with Embassy Budapest)

Management Response:
Embassy Budapest concurs with the recommendation. Post personnel have been in contact with the A bureau as the primary action office, and will continue to coordinate with them to resolve the issue.

The point of contact for this memorandum is Acting DCM Jonas Stewart.
TO: OIG/ISP - Sandra J. Lewis
FROM: A/LM - John Diakelman

SUBJECT: (U) Response to OIG Report - Inspection of Embassy Budapest, Hungary ISP-I-22-12

(U) The Office of Logistics Management, Office of Program Management and Policy, (A/LM/PMP) has reviewed the OIG Report – Inspection of Embassy Budapest, Hungary. A/LM provides the following comments in response to the recommendation made by OIG.

(U) **OIG Recommendation 10:** The Bureau of Administration, in coordination with Embassy Budapest, should work with the U.S. Postal Service to resolve the problem of misrouted Diplomatic Post Office mail. (Action: A, in coordination with Embassy Budapest)

(U) **Management Response (4/11/22):** The issue raised by the OIG in this recommendation, i.e. misrouted Diplomatic Post Office (DPO) mail, is valid and longstanding. It is important to note, however, that it is not specific to Embassy Budapest. Indeed, it affects every DPO post worldwide. The problem is deeply rooted in the U.S. Postal Service’s (USPS) operational challenges and shortcomings. The Diplomatic Pouch and Mail (DPM) Division of A/LM has worked diligently over the years, in close cooperation with DoD postal elements experiencing the same issues, to raise concerns with USPS management. These efforts have been both at the processing facility level in which DPM personnel are embedded, and at the leadership level in Washington, DC. DOS/DoD complaints have been conveyed to three successive Postmasters General, two of whom personally visited the primary APO/DPO processing facility at the Chicago USPS International Service Center (ISC), to witness the problems firsthand. To date, none have been successful in completely remedying the problem on misrouted DPO mail. A summary account of recent efforts to engage USPS is provided below:

- In June 2020, the Managing Director of A/LM/PMP met with USPS Area VPs and agreed to begin meticulously tracking and reporting the volume of damaged and missent mail, and lack of IC/AIR support.
- In September 2020, PMP met with USPS Networks VP as a follow-up to the June 2020 meeting; no improvements reported. DOS, USPS HQ, and Chicago ISC began a weekly working group session from September to December 2020, which was abruptly cancelled by USPS with no explanation.
- In October 2020, DPM created an ILMS enhancement that produced a uniquely tailored automated report on missent mail. This information is transmitted daily to USPS HQ Operations staff and Chicago ISC Plant Management staff that outlines when mail was missent and where/how the problems occurred. Despite detailed reports that identify
those errors, USPS continues to fail to adjust or implement an effective training program, and/or to increase quality assurance practices to fix the longstanding systemic problems.

(U) DOS and DoD continue to engage USPS, both “on the ground” and at the leadership level. In recent weeks DoD’s General with oversight responsibilities for APO/FPO mail met with the USPS Executive Vice President to complain about lost, missent and damaged mail. Additionally, the DOS A/LM DAS is planning a trip to the Chicago ISC in the summer of 2022. In recent engagements, A/LM has focused on persuading USPS to provide a separate, dedicated facility for APO and DPO mail. The Chicago ISC is beset with serious operational and personnel challenges that extend much deeper than the APO/DPO mail stream. A dedicated processing facility would allow for improved equipment, better trained staff, focused quality assurance and a less chaotic operating environment.

(U) The point of contact for this memorandum is Jeffrey B. Meyer, Director of the Diplomatic Pouch and Mail Division (A/LM/PMP/DPM).
### ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>EAC</td>
<td>Emergency Action Committee</td>
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<tr>
<td>EEO</td>
<td>Equal Employment Opportunity</td>
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<td>EU</td>
<td>European Union</td>
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<tr>
<td>FAH</td>
<td>Foreign Affairs Handbook</td>
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<td>FAM</td>
<td>Foreign Affairs Manual</td>
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<td>FAST</td>
<td>First and Second Tour</td>
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<td>ICS</td>
<td>Integrated Country Strategy</td>
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<tr>
<td>ILMS</td>
<td>Integrated Logistics Management System</td>
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<tr>
<td>IM</td>
<td>Information Management</td>
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<tr>
<td>LE</td>
<td>Locally Employed</td>
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<tr>
<td>NATO</td>
<td>North Atlantic Treaty Organization</td>
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<tr>
<td>OBO</td>
<td>Bureau of Overseas Buildings Operations</td>
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<tr>
<td>REO</td>
<td>Regional Environment, Science, Technology, and Health Office</td>
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<td>RIMC</td>
<td>Regional Information Management Center</td>
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<td>USPS</td>
<td>United States Postal Service</td>
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OIG INSPECTION TEAM MEMBERS

Jonathan Farrar, Team Leader
Daniel Chen, Team Manager
William Duncan, Team Manager
Steve Begin
Richard Behrend
Wilma Bodden-Raffucci
Eric Chavera
Theodore Coley
Benjamin Ellis
Hanane Grini
Mark Jeleniewicz
Kathryn Schlieper

Other Contributors
Rebecca Sawyer
Patricia Stewart
HELP FIGHT
FRAUD, WASTE, AND ABUSE

1-800-409-9926
www.stateoig.gov/HOTLINE

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OIG Whistleblower Coordinator to learn more about your rights.
WPEAOmbuds@stateoig.gov