



Office of Inspector General  
*U.S. Department of State*  
and the  
*Broadcasting Board of Governors*

# MONTHLY REPORT OF **ACTIVITIES**

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*audits, inspections, testimony, and special activities*

**July/August 2002**

This report describes testimony provided by the Inspector General or other OIG officials and lists OIG reports issued during the period indicated. This report includes unclassified summaries of classified reports; all text in this report is unclassified. Classified reports are not distributed publicly. On occasion, OIG distributes an unclassified version of a classified report; in such a case, this listing also indicates the issued date of the original report. In addition, all major reports, together with OIG investigative activities, are summarized in the Inspector General's semiannual reports to the Congress, which are publicly available every June and December.

## Special OIG Report

### *A Review of U.S. Policy Toward Venezuela, November 2001 – April 2002 (02-OIG-003)*

In response to a request from Senator Christopher J. Dodd, Chairman of the United States Senate Subcommittee on Western Hemisphere, Peace Corps, and Narcotics Affairs of the Senate Relations Committee, the Inspector General issued an unclassified report along with a classified annex on U.S. policy and actions during the weekend of April 12-14, 2002, when Venezuelan President Hugo Chávez was briefly ousted from power, and the six-month period preceding that weekend. OIG found nothing to indicate that the Department or Embassy Caracas planned, participated in, aided, or encouraged the overthrow. The record shows that the Department and the embassy consistently discouraged the use of undemocratic and unconstitutional means to remove the democratically elected Chávez government. Similarly, OIG found that U.S. assistance programs in Venezuela, including those of National Endowment for Democracy (NED), were consistent with U.S. laws. While it is clear that NED's, the Pentagon, and other U.S. assistance programs provided training, institution building, and other support to organizations and individuals understood to be actively involved in the events of April 11-14, we found no evidence that his support directly contributed, or was intended to contribute, to President Hugo Chávez' brief ouster.

## Office of Audits

### **Department of State's Foreign Service "Up-or-Out" Promotion System (AUD/PR-02-27)**

At the request of the Chairman of the Subcommittee on National Security, Veterans Affairs, and International Relations, House Committee on Government Reform, the Office of Inspector General (OIG) reviewed the Department of State's (Department) Foreign Service "Up-or-Out" Promotion System. The Subcommittee was particularly interested in the system's effectiveness, citing the retention and recruiting issues it understands the Department is facing.

The purpose of the Department's up-or-out system is to ensure a predictable and orderly flow through the ranks and to provide promotion opportunities for the best officers at all levels. In competitions for promotion opportunities, the Department takes skills and experience into account in the annual reviews of documented performance, accomplishments, and potential. The current class system, mandated by the Foreign Service Act of 1980, established a maximum number of years officers may remain at a given class level before they are required to separate from the Department. The Secretary of State has authority to change the time limits for the so-called "time-in-class" rules.

OIG found that the up-or-out system separated between 1.0 and 1.6 percent of all Foreign Service generalist officers and 0.4 percent of Foreign Service specialist officers during fiscal years 1999 through 2001. Based on the information reviewed, OIG believes the system accomplishes its intended purpose. For example, about 87 percent of Foreign Service officers separated during the period owing to the up-or-out system were senior- or executive-level officers. The majority of vacant Foreign Service positions or assignment gaps, however, occurred below the senior level. OIG also found that at least one-quarter of the officers retired under the up-or-out system during fiscal years 1999 and 2000 returned to the Department to work on a temporary or limited appointment within one year.

### **Audit of Billings for Embassy Ottawa's Surveillance Detection Program (AUD/PPA-02-33)**

In response to a request from Embassy Ottawa, OIG conducted an audit of contractor billings for the embassy's surveillance detection program. An in-house review by the embassy for a six-month period of billings disclosed consistent errors and estimated contractor

overbillings in the amount of Can\$71,569 (approximately US\$47,397). The embassy requested OIG's assistance in reviewing the entire surveillance detection portion of the contract.

OIG found the embassy's estimate of overbillings for the six months it reviewed to be materially accurate. For the entire contract period examined, OIG found Can\$128,509 (US\$85,106) in additional questioned costs for billed labor hours that were not worked, unallowable labor hours, labor hours billed at an inappropriate rate, and questionable vehicle costs. Embassy Ottawa properly exercised the contract provisions allowing it to impose US\$45,334 in deductions on the contractor for unworked labor hours. The embassy's deductions covered only three months of the contract, however. OIG found that US\$241,301 in additional deductions could be imposed on the contractor for labor hours that were not provided.

This report recommended that Embassy Ottawa seek recovery of all questioned costs and use its discretion to impose deductions on the contractor for labor hours that were not provided. Because of the contractor's performance deficiencies, this report also recommended that the embassy make these failings a matter of record for past performance information on the contractor. Finally, this report discussed shortcomings in the embassy's oversight of the contract that allowed the deficiencies in the contractor's performance to go undetected.

## Office of Inspections

### **Compliance Follow-up Review of the Inspection of Dakar, Senegal (ISP-C-02-28)**

OIG found that Embassy Dakar largely complied with recommendations made during the 2000 inspection. Notwithstanding significant staff turnover, 44 of the original 54 formal recommendations had been closed since the inspection in the ongoing compliance procedure. The embassy and OIG closed nine additional recommendations during the on-site review process. One recommendation was revised and reissued. That involved the need for the Department to translate centrally diplomatic notes and other documents for use at U.S. embassies throughout French-speaking Africa. OIG made no additional formal recommendations. Many of the original recommendations involved issues in human resource management, procurement activity, management controls, and revising and better targeting the embassy's Mission Performance Plan. Embassy Dakar and the Department successfully resolved these issues. Embassy Dakar supports several other embassies in the region and memoranda of understanding governing these relationships have been concluded. The embassy identified and documented activity used in its surrogate role for the former embassy in Guinea-Bissau.

### **Inspection of Embassy Baku, Azerbaijan (ISP-I-02-34)**

Embassy Baku is doing a good job of articulating U.S. policy to the government of Azerbaijan, supporting peaceful resolution of the Nagorno-Karabakh conflict and fostering regional economic development. The President's recent waiver of Section 907 of the Freedom Support Act means that U.S. programs in Azerbaijan will increase. Inevitable pressure for the embassy to take on more personnel as programs expand must be balanced against space limitations and the embassy's ability to provide security and administrative support.

The Ambassador's ability to direct and manage the increase in U.S. program activity will be enhanced if all U.S. agencies located in Baku give their resident representatives full authority to make decisions, in conjunction with the Ambassador, on all local programs.

The Department of State's inability to provide officers with the requisite experience to fill jobs at Embassy Baku is the biggest single management problem the embassy faces.

Overly restrictive requirements for employees to receive the service needs differential have created the potential for unnecessary personnel turnover. Modifications made by the Department in April are not sufficient to resolve the potential problems.

Management controls are in place and functioning well, with some exceptions. There is a serious vulnerability in the financial management of grants awarded by the public affairs section. Obligations for small grants issued under the Freedom Support Act were mistakenly recorded, and the grants were not executed until the subsequent fiscal year, constituting a possible administrative violation of the Anti-Deficiency Act. In addition, the practice of making most payments in cash requires that a large amount of cash be kept at the embassy, thus creating a serious vulnerability. Introduction of payments by electronic funds transfers wherever possible would reduce the vulnerability.

With the addition of a Marine security guard detachment, the purchase of adjoining property, and the construction of a perimeter wall with compound access control facilities, the physical security at Embassy Baku has improved significantly. A major security concern requiring attention is the need for additional staff in the regional security office.

#### **Inspection of Consulate General Hamilton, Bermuda (ISP-I-02-39)**

Operations at Consulate General Hamilton are focused on supporting airport preclearance procedures that facilitate American tourist travel, providing services to American citizens, resolving environmental issues that were left after the closing of the U.S. military and National Aeronautics and Space Administration bases, and encouraging the government of Bermuda to control money laundering. The consulate general is doing a good job of looking after these interests.

Relations between the United States and the self-governing United Kingdom Overseas Territory of Bermuda are good. The narrowly based Bermudian economy is heavily dependent on American tourism and offshore business operations that either represent U.S. companies or target U.S. markets.

Support and responsibility for Consulate General Hamilton are not centralized within the Department. Since Bermuda is an overseas territory of the United Kingdom, it is reasonable that the consulate general fall under the auspices of Embassy London. The \$2 million security construction project now underway requires more oversight by the Bureau of Overseas Buildings Operations to ensure that the work is done properly and in conformity with the contract.

**Inspection of Embassy Luanda, Angola (ISP-I-02-41)**

Relations between the United States and Angola suffer from lingering antagonism. As the United States searches for energy alternatives, Angola's resources cannot be overlooked. Embassy Luanda's reports enjoy an interested readership among a variety of offices within the Department and other U.S. agencies. Consumers applaud the increased credibility of reporting under the present leadership. However, until the Ambassador succeeds in building team spirit, the embassy will continue to operate less than optimally. The Department bears considerable responsibility for the demoralizing conditions, particularly with regard to the physical plant. Both the chancery and the annex have deteriorated steadily since Embassy Luanda was established, using trailers, mobile homes, and prefabricated buildings, in 1991. The combined chancery/new construction site is dangerous. The decision to retain the embassy's Casa Inglesa annex, that will remain unsafe, excessively expensive, and inefficient at a cost of \$1,007,000 annually, suggests that the Department has not yet addressed the problems fully.

There is considerable dissatisfaction with administrative services attributable to communications and computer systems disruptions and power interruptions. General services have improved, but there is still no effective procurement function. Attention to the untrained, underpaid, and disrespected Foreign Service nationals is also critical. Retention is a problem, especially because competitors are eager to hire disaffected staff. The U.S. government has not provided retirement benefits for long-time employees.

The systems administrator is responsible for unclassified operations at the Miramar compound and Casa Inglesa. This workload is enormous, supporting about 50 workstations. Currently, there is no dedicated computer systems support for Casa Inglesa; consequently, long gaps in communications and breakdowns in systems operations occur frequently.

**Inspection of Embassy Niamey, Niger (ISP-I-02-42)**

U.S. relations with Niger have improved rapidly since the current government was elected democratically in 1999. Both the embassy and the Bureau of African Affairs regard Niger as an island of stability and progress in a volatile region. Nevertheless, Embassy Niamey's desire to take an activist role that supports and reflects this outlook is limited by the scarcity of resources available to the embassy and the lack of a USAID presence.

An effective and energetic Ambassador, her skilled DCM, and a strong team of junior colleagues maintain good personal relations with their counterparts at all levels of the host government.

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Political and economic reports are well written and well focused. Reporting is further improved by the Ambassador's practice of including key Foreign Service nationals in a weekly meeting with reporting officers. Since these employees are well connected, these meetings contribute significantly to the embassy's understanding of local developments.

The embassy's public diplomacy program is in close touch with Niger's media and has close relations with regional cultural entities and performers, an important achievement in a country where strong ethnic and regional differences can be politically worrisome. Public diplomacy also presents vibrant programs in Niamey and other towns that present the United States very well in a nation where American culture, ideals, and policies are largely unknown. The embassy works closely and cooperatively with the Peace Corps, whose more than 100 volunteers work on food security and health/nutrition programs and routinely address HIV-AIDS issues.

In 1998 USAID closed its mission in Niamey, transferring its responsibilities for Niger to its regional office in Bamako, Mali. To fill this gap, the Ambassador has used mission funds to create a development assistance office to oversee embassy and USAID projects in Niger. The development assistance coordinator also aggressively pursues new sources of funding for worthy projects, especially those related to HIV/AIDS.

The embassy has asked that USAID help support the development assistance office, either by assigning a direct-hire American USAID employee to Niger or funding the current development assistance office. In the absence of a formal response to these requests, the Bureau of African Affairs needs to raise this matter formally with USAID.

Although the embassy's administrative section is highly effective, Niamey's 1997 inspection report recommended that Embassy Niamey's general services offices and warehouse be relocated to the embassy compound. This has not been done. The current warehouse is still several miles away from the chancery, and there is space on the compound for it. Savings each year of approximately \$17,000 in leasing costs and \$10,000 in guard costs, along with reduced wear and tear on vehicles and reduced personnel travel time would quickly pay for the cost of an on-compound warehouse. Therefore Embassy Niamey should submit its plans for moving the warehouse to the chancery compound as soon as possible.

### **Inspection of Embassy Tbilisi, Georgia (ISP-I-02-45)**

Embassy Tbilisi maintains an active bilateral dialogue with senior Georgian leaders, up to and including the president. The embassy is the focal point for a wide array of U.S. programs that promote Georgian national security as well as political and economic development. The cumulative value of those programs since Georgia's independence is over \$1 billion.

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Increased assistance to Georgia has caused the embassy to triple in size since 1998 and relocate many of its personnel to an annex a considerable distance from the chancery. Rapid growth has generated a number of management challenges and strained the embassy's ability to provide administrative support.

The extended gap in the appointment of an ambassador and a succession of weak administrative personnel in the past has contributed to management's inability to provide cohesive leadership and coordination among the many sections of the embassy, resulting in low morale. The recently arrived administrative officer, with considerable assistance from the Regional Support Center in Frankfurt, is increasing the quality and quantity of services to the mission.

The Department has purchased land for a new embassy complex. However, the embassy has raised security related problems associated with the site. The Department has promised to resolve the problems but has not specified when resolution will take place.

Overly restrictive and requirements for employees to receive the service needs differential have created the potential for unnecessary personnel turnover. Modifications made by the Department of State in April are not sufficient to solve potential problems.

#### **Inspection of Embassy Windhoek, Namibia (ISP-I-02-47)**

Modern, democratic, and prosperous, Namibia faces national elections in 2004 that could determine whether the country stays this course or follows the regressive pattern of its neighbor, Zimbabwe. Embassy Windhoek's Mission Performance Plan is too wide-ranging, and the embassy needs to refocus its policy aims on a small number of key objectives relevant to the coming elections.

Embassy management is experienced, people-oriented, and popular, but the rhythm of work is upset by the chancery's partial evacuation for renovation. Despite the debilitating disruptions of temporary workspace and growing crime, morale is good, as are interagency relations. In a country with continuing racial tensions, the embassy works hard to make itself a model of tolerance and opportunity. The security program has embassy management's full support and embassy-wide backing, but the local guard force is underpaid and unhappy.

The facilities maintenance manger is fully occupied by reconstruction of the chancery and other serious problems in the embassy plant. He should be relieved of regional responsibilities. Similarly the proposal that added a regional information specialist to meet Embassy Windhoek's extra needs has not worked. The position should be made a full-time, Windhoek-based one.

## **Office of Security and Intelligence Oversight**

During this reporting period, OIG limited-scope security reports of inspections were published for the following embassies: Bangui, Central African Republic; Yerevan, Armenia; Abuja, Nigeria, and Consulate General Lagos; and Luanda, Angola.

A security compliance follow-up review of Embassy The Hague, The Netherlands, was also published.