



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 2003**

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.

## Office of Audits

### **Information Technology Vulnerability Assessment of the HYPERION Financial Management Application (AUD/FM-03-37)**

The Government Management Reform Act requires that the Department's principal financial statements be audited annually. Audits of the principal financial statements require, among other things, understanding and assessing the adequacy of the internal control process for recording, accumulating, and reporting financial data. This, in turn, requires an assessment of the security over the automated systems that process financial data. At OIG's direction, independent external computer specialists performed a vulnerability assessment of the HYPERION Financial Management Application.

The independent specialists found that the specific security features associated with the HYPERION application appeared to function correctly and were well managed. In addition, security responsibilities were properly assigned and executed. A reasonable set of security policies and procedures existed and were being implemented. However, they were largely undocumented. A technical examination of the information technology infrastructure that supported the HYPERION application revealed only a limited number of relatively minor vulnerabilities.

# Office of Inspections

## **Inspection of the Office of Foreign Missions (ISP-I-03-13)**

The Office of Foreign Missions (OFM) performs many of its functions with distinction, but it cannot be described as a well-run operation. Organizational anomalies are a root cause of its problems.

The Assistant Secretary for Diplomatic Security is dual-hatted as the Director of OFM. The focus of OFM is primarily domestic. As a result, oversight and accountability suffer in OFM, and the impression is conveyed to foreign diplomats that their presence in the United States requires scrutiny of the Department's "security" bureau. Moreover, two of OFM's critical issues are Office of the Under Secretary for Management (M) priorities: reducing overseas taxation of U.S. government entities and securing privileges for technical and administrative staff at U.S. missions abroad.

The Department should move OFM from the Bureau of Diplomatic Security and place it within the "M" family of organizations. The deputy director who actually runs OFM should be empowered to do so.

Foreign officials in Washington and other cities are dissatisfied with the cumbersome accreditation and documentation processes. Reorganization and stronger management are required, starting with consolidation of the Office of Protocol adjudication process and OFM documentation process.

OFM needs to reorganize its Diplomatic Motor Vehicles Division to ensure timely data entry and production. Related to this, OFM's computer program requires major improvements.

Most of OFM's other responsibilities, including reciprocity, taxation, travel controls, and the property program, are in good hands. Administrative services are satisfactory. OFM's regional offices bring credit to the Department; greater devolution of OFM's work to these offices will ease the workload in Washington and improve the services offered in the field.

**Inspection of Embassy Helsinki, Finland (ISP-I-03-14)**

Finland supports a strong transatlantic relationship with the United States and a valuable partner to help advance political and economic development in the Baltic region. Nevertheless, Finland's European Union membership may present both a challenge and an opportunity for strengthening the bilateral relationship with the United States over the next decade. The embassy is working to bolster the bilateral relationship through initiatives with a regional focus and a strong network of people-to-people programs.

The Ambassador has tapped her extensive private sector experience to develop new directions for Embassy Helsinki. She was the driving force behind the Helsinki Women's Business Leaders Summit—an initiative that contributed to strengthened bilateral relations with Finland and U.S. Regional interests. The embassy is planning another initiative, a joint conference with Sweden and Finland, which promises similar success.

The Ambassador's focus has been to extend public outreach and raise the U.S. profile in Finland and the region. This achievement advances the Mission Performance Plan and Northern European Initiative goals. It is a testament to her ability to rally foreign governments and groups to her vision. In contrast, however, the Ambassador has had some difficulty in achieving as full a sense of teamwork and enthusiasm among her embassy staff.

The Ambassador and deputy chief of mission (DCM) recognize that some staff have concerns about lines of control and responsibility with regard to some front office initiatives. The Office of Inspector General (OIG) administrative services questionnaires revealed low scores on overall embassy morale and front office attention to morale. The Ambassador and DCM must take care to ensure that staff is brought together as a team.

Embassy Helsinki worked closely with the Department, Office of the Legal Adviser (L), on fundraising for the women's summit but must fully document telephone or other informal communications with L, keeping written records on the full range of issues discussed with L.

Consular operations are well managed. Visa adjudication is judicious, with high standards for out-of-district applicants. Embassy Helsinki's skilled handling of 11 private medical evacuations this past year demonstrated the professional quality of American citizens' services. Embassy Helsinki is appropriately staffed for a midsize European mission. It has benefited from the low turnover of local-hire employees and has been fortunate to engage skilled local-hire Americans, some with top secret clearances. The embassy's talented and experienced staff could be used better in meeting the needs imposed by special initiatives.

Embassy management and operations are hampered by physical workplace concerns - poor allocation of workspace in several buildings - and questions about the future of the Malmi warehouse. The Bureau of Overseas Buildings Operations has scheduled a major rehabilitation project for 2005 that should address physical layout. The Department should address the issue of the warehouse in the near term to ensure proper planning and potential savings.

**Inspection of the Office of the Chief of Protocol (ISP-I-03-18)**

A small office with direct responsibility to both the President and the Secretary, the Office of the Chief of Protocol (Protocol) enjoys a widespread and well-deserved reputation for excellence. During the time that the present senior management has been in office, it has handled two and a half times the number of high-level visitors handled by their predecessors while, at the same time, maintaining the same level of staffing, instituting tighter management, and improving internal procedures. Management has been strong, but office morale needs attention.

The Visits Division's assistant chief and his staff excel in planning and arranging programs for foreign dignitaries that the President invites to the United States. The assistant chief is highly regarded, but demands for his services often cause him to be away from the office. When he is absent, it is not clear who is in charge. The Visits Division should be reorganized to establish a hierarchy with clear lines of authority.

The rigorous measures installed at the nation's airports following the 2001 terrorist attacks have caused several unfortunate incidents involving high-ranking foreign officials entering or leaving the United States. The Assistant Secretary for every regional bureau recounted incidents when a foreign dignitary suffered embarrassment at security checkpoints. Some foreign governments have indicated that they intend to respond in kind to treatment they consider unwarranted, and at least one has done so.

The Office of Homeland Security reporting to the Deputy Secretary is expected to become the Department's interface with transportation security authorities to deal with this vexing and embarrassing issue. — Liaison services to the very large and growing population of foreign government officials in the United States are rendered with dedication and sensitivity to the national interest. Still, Protocol needs to modernize the lengthy and cumbersome accreditation and adjudication process for foreign officials by adopting electronic procedures for submitting and transmitting registration data. There appears to be an overlap. A recommendation in the OIG report on the inspection of the Office of Foreign Missions addresses the inefficient overlap between Protocol and OFM duties and authorities regarding accreditations.

Blair House is a hospitable and gracious official residence for foreign guests of the President of the United States. The manager and his staff performed exceptionally well during the months following the 2001 terrorist attacks when an unprecedented number of foreign leaders visited Washington and stayed in Blair House. Several Department offices and the private Blair House Restoration Fund provide superior services that maintain, protect, and beautify the President's guesthouse.

The Administration Division provides high quality support to Protocol in performing its mission. Management has placed heavy emphasis on strengthening internal controls and implementing cost savings. Although there were no major problems in administrative operations, some improvements are needed in human resources and the office needs a functioning gifts database.

**Inspection of Embassy Stockholm, Sweden (ISP-I-03-21)**

Embassy Stockholm's Ambassador and DCM form a strong management team, promoting positive leadership, effective allocation of resources, and clear priorities. Morale of almost all staff is high. The embassy's administrative section is well managed and service oriented.

Although there are areas of common interest, Sweden's traditional neutrality makes it a "hard target" and can put it at odds with U.S. priorities. Overcoming profound Swedish differences with U.S. policy and ensuring that Sweden finds common ground with the United States is the foremost challenge for this Ambassador and this embassy.

The Ambassador has frequent interaction with a broad cross-section of Swedish government, industry, and society. He is also working with other U.S. embassies in the region to develop approaches that will tap into common Scandinavian views and initiatives. The Ambassador exploits public diplomacy opportunities, and plans are in place to have other officers do the same throughout Sweden.

Embassy Stockholm's visa adjudication process was tightened up with the arrival of the current section chief and now works smoothly, with clear procedures for adjudication and review. The consular section maintains a tough line with respect to out-of-district applicants and also understands the need to give particular scrutiny to applications from recently naturalized Swedish citizens and third country nationals resident in Sweden.

Swedish tax law adversely affects local-hire resident Americans and Swedish local employees receiving Civil Service annuities. The embassy has been working with the Department and other interest groups to find a resolution.

## Office of Information Technology

### **Knowledge Management at the Department of State: Learning From Successful Principles and Practices (IT-A-03-08)**

Organizations increasingly are implementing knowledge management (KM) strategies to maximize the benefits of what they know to help improve the efficiency and effectiveness of their business operations. KM is a collaborative and integrative approach to creating, capturing, organizing, accessing, using, and reusing intellectual assets—to get the right information to the right people at the right time to support management and decision-making. The Department is working to coordinate its KM activities through the establishment of an Office of e-Diplomacy, which is responsible for ensuring that information technology (IT) investments meet the Department's needs, are consistent with the administration's e-government initiatives, and fully exploit existing networks and web technologies.

This report presents the results of the OIG's study of the Department's strategy for implementing KM through its Office of e-Diplomacy. Specific objectives of OIG's study were to evaluate the Department's plans and project management structure for coordinating KM initiatives and identify how effective practices from other federal, international, and private organizations can be applied to help strengthen the Department's KM approach. The scope and methodology for OIG's study are outlined in the report's Appendix A.

The Office of e-Diplomacy is working to develop its strategy for implementing KM Department-wide, which it expects to complete before summer 2003. The office has networked extensively with a range of public and private organizations to compile ideas on effective approaches to instituting KM in the Department. The office is undertaking a number of knowledge sharing initiatives, including greater use of existing classified and unclassified government networks for information exchange and collaboration, as well as the Group of Eight Knowledge Management Project.

In developing its Department-wide strategy, the Office of e-Diplomacy can benefit from the effective approaches and lessons that OIG gleaned from its study of the KM activities of other federal, international, and private organizations. Specifically, OIG identified five key principles and corresponding practices that exemplify the various aspects of KM. The five principles are:

- Recognizing the benefits of KM to the organization;

- Ensuring organization-wide support for KM;
- Appreciating the cultural factor in KM;
- Building KM Communities; and
- Using information technology in KM.

Noteworthy examples and case studies of successful KM activities illustrate how organizations carried out these principles and practices in real life. They are in Appendix B.

While providing useful ideas for developing a KM strategy, these principles and practices also serve to highlight the challenges the Department faces to successful KM implementation. The Department recognizes some of these challenges and has taken steps to address them, such as ensuring senior management oversight for KM. However, considering other barriers to effective KM and determining how best to overcome them will be key. For example, the Department still needs to identify business requirements, such as those of its core diplomatic functions, as a basis for formulating its knowledge sharing approach.

Further, it needs to translate that planned approach into real-life implementation through community-building and IT tools, as well as ensure organization-wide commitment and a support structure for coordinating KM initiatives. A major challenge is to identify the cultural barriers to KM and determine how best to counteract them.

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

During this reporting period, OIG limited-scope security inspection reports were published for the following embassies: Rangoon, Burma; Phnom Penh, Cambodia; Vientiane, Laos; and also the U.S. Mission to the United Nations. In addition, a full security inspection was published for Embassy Khartoum, Sudan.