



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

MONTHLY REPORT OF ACTIVITIES

audits, inspections, testimony, and special activities

November 2004

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

Review of Lighting Standards for Compound Physical Security Upgrades Projects **(AUD/PPA-05-02)**

This report reviews the compound lighting standards for security upgrade projects. The review evaluated the adequacy of standards regarding perimeter compound security lighting and looked at how the Bureau of Overseas Buildings Operations (OBO) and Diplomatic Security (DS) could clarify and more effectively communicate perimeter lighting standards to post personnel.

OIG found that although the Department has established procedures for addressing perimeter security lighting issues, regional security and general services officers at various posts OIG visited said that they have trouble understanding the 69 pages of OBO guidance because it was written for lighting specialists, architects, and engineers. Post personnel also expressed concern about the lack of a lighting survey to assess appropriate lighting conditions when upgrades were planned. Owing to funding limitations, OBO was only able to upgrade the lighting at a limited number of posts.

OIG recommended that OBO create a condensed version of guidelines for site lighting to assist the RSOs. OIG also recommended that DS transmit the condensed OBO guidelines and suggest that the RSOs work with their regional security engineering officer to have a lighting survey performed. With the results of the initial survey, DS and OBO will be in a better position to evaluate the lighting situation at posts and start the process to remedy the funding issues.

Review of Procurement and Property Operations at Embassy Bamako (AUD/PPA-05-03)

At the request of post management, OIG reviewed the integrity of the management of procurement and property activities at Embassy Bamako. OIG found that about one-third of the post's procurement files lacked required documentation. The post used a blanket purchase agreement to inappropriately obtain casual labor. The local guard contractor worked without authorized modifications, which increased the potential for contract ceiling overruns and unauthorized commitments. In addition, recordkeeping was inadequate for monitoring the local guard contractor, and contractor services were inappropriately obtained

with petty cash payments. The post did not cancel its purchase card account after the cardholder relinquished card duties, leaving the account vulnerable to misuse. Fuel discounts of about \$1,000 were lost because the post did not comply with contract provisions. Real property lease agreement duties relevant to negotiation, translation, and monthly payment lacked adequate segregation, subjecting the post to potential malfeasance. Personal property irregularities included inventory shortages, a recent theft, and questionable annual reconciliation practices.

These weaknesses were indicative of a control environment vulnerable to waste, fraud, abuse, and mismanagement. OIG recommended that the post comply with federal and Department procurement and property regulations and contract provisions. OIG also recommended that the Department update its property management regulations relevant to conducting inventory to strengthen management controls Department-wide.

Audit of the U.S. Department of State 2004 and 2003 Principal Financial Statements
(AUD/FM-05-09)

The Chief Financial Officers Act, as amended, requires that the Department's Principal Financial Statements be audited. The objectives of the audit are to report on whether the financial statements fairly present the Department's financial position and results of financial operations in accordance with accounting principles generally accepted in the United States of America, to determine whether the Department had an internal control structure that provided reasonable assurance of achieving internal control objectives, and to determine whether the Department complied with applicable laws and regulations.

An independent external auditor issued an unqualified opinion on the Department's 2004 and 2003 Principal Financial Statements. Although an unqualified opinion was issued, the report brings to management's attention concerns about the unclassified network; the inadequacy of internal controls over the management of undelivered orders and the collection and reporting of managerial cost accounting information; and the inadequacy of the Department's financial and accounting system, which is both an internal control weakness and an issue of noncompliance with several laws and regulations.

Independent Auditor's Report on Special-Purpose Financial Statements (AUD/FM-05-11)

All agencies must provide the Department of the Treasury with fiscal data that are used to prepare the *Financial Report of the United States*. Agencies must reclassify the amounts in their audited Department-level financial statements to a generic financial statement format and submit the reclassified statements as part of a year-end closing package. The Inspector General of each agency must opine upon the closing package data as to their consistency with the audited Department-level financial statements.

At OIG's direction, an independent external auditor audited the Department's reclassified balance sheet as of September 30, 2004, and the related reclassified statements of net cost and changes in net position for the year then ended. The external auditor issued an unqualified opinion on the reclassified statements.

Audit of the Broadcasting Board of Governors' FY 2004 Principal Financial Statements (AUD/FM-05-12)

The Chief Financial Officers Act, as amended, requires that the Broadcasting Board of Governors' (BBG) Principal Financial Statements be audited. The objectives of the audit are to report on whether the financial statements fairly present BBG's financial position and results of financial operations in accordance with accounting principles generally accepted in the United States, to determine whether BBG had an internal control structure that provided reasonable assurance of achieving internal control objectives, and to determine whether BBG complied with applicable laws and regulations.

An independent external auditor issued an unqualified opinion on BBG's Balance Sheet as of September 30, 2004, but was unable to audit the accompanying Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and Statement of Financing. Although an unqualified opinion was issued on the Balance Sheet, the report brings to management's attention concerns about the inadequacy of internal control over BBG's financial and accounting system, the lack of review of overall management controls, and the noncompliance of BBG's financial management system with several laws and regulations.

Office of International Broadcasting

Review of Radio Sawa Support to the Transition in Post-Saddam Iraq (IBO/IQO-A-05-02)

To address the communication deficiencies in post-conflict Iraq, the United States Agency for International Development, Office of Transition Initiatives (USAID/OTI) entered into an interagency agreement with the Broadcasting Board of Governors International Broadcasting Bureau (BBG/IBB), pursuant to Section 632(a) of the Foreign Assistance Act of 1961, to use Radio Sawa of the Middle East Radio Network to fill the information void. The agreement was part of OTI's effort to respond to the emerging and urgent needs of the Iraqi people and to support democratic change by more widely disseminating information considered integral to sustainable development for the Iraqi people amid an environment of conflict and disorder. The interagency agreement between Radio Sawa and USAID was carried out in Iraq in a period of great turmoil and considerable personal risk to Radio Sawa's Iraq-based staff. Despite security concerns, logistical challenges, and ongoing operation and maintenance changes, IBB, in an effort independent of the interagency agreement, installed FM transmitters on unique frequencies in Iraq to provide greater fidelity and quality for portions of an Iraq audience that had relied on medium wave and shortwave radio.

The objectives of OIG's review were to (1) determine whether USAID funds transferred to BBG were used effectively to enhance the dissemination of humanitarian and other information in Iraq; and (2) to determine whether BBG successfully launched the three program components of the interagency agreement: establishing a stringer network, airing programs that address humanitarian and reconstruction efforts, and conducting audience research.

According to USAID officials, BBG did not use the transferred funds to enhance the dissemination of reports of humanitarian and related information to Iraq, as expected by USAID. As a result USAID provided only partial funding to BBG.

BBG partially met the principal requirements of the interagency agreement: setting up a Radio Sawa stringer network in Iraq, broadcasting humanitarian programming, and initiating audience research. Although BBG launched the stringer network as planned, the lack of skilled, trained stringers who were properly equipped to report the emerging news about humanitarian and reconstruction efforts and other information made some stringer reporting

unusable. Additionally, BBG did not properly coordinate the audience research part of the interagency agreement with USAID.

BBG did not provide periodic performance reports or purchase specific equipment. According to USAID officials, requests for information from BBG went unanswered, as did requests for written performance reports on the status of the implementation of the interagency agreement.