



United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

Semiannual Report to the Congress

October 1, 2007, to March 31, 2008



Summary of OIG Accomplishments

Financial Results:

Questioned costs

Issued during the reporting period	\$ 122,812
Management decision during the reporting period	\$ 688,000

Recommendations for funds to be put to better use

Issued during the reporting period	\$16,000,800
Management decision during the reporting period	\$17,986,000

Investigative recoveries \$625,484

Investigative Results:

Cases opened	15
Cases closed	15
Judicial actions	16
Administrative actions.....	4
Hotline and complaint activity	257

Reports Issued: 40

Picture on the front cover: Embassy Algiers, Algeria

Picture provided by Office of Overseas Buildings Operations

Requests for additional copies of this
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MESSAGE FROM THE ACTING INSPECTOR GENERAL



Acting Inspector General,
William E. Todd

This semiannual report summarizes the work and accomplishments of this office from October 1, 2007, to March 31, 2008. The audits, inspections, reviews, investigations and other activities highlighted in this report demonstrate our commitment to promote integrity, accountability, and efficiency through effective oversight. This report is required by the Inspector General Act of 1978, as amended.

On January 15, 2008, Mr. Howard Krongard returned to the private sector after serving two and one-half years as Inspector General of the Department of State (Department) and the Broadcasting Board of Governors (BBG). A

consistent theme during his tenure was the need to restore OIG's capabilities, which had been eroded by more than a decade of constrained budgets at a time when Department resources and programs had grown exponentially.

When I arrived as Deputy Inspector General in June 2006, OIG was at or below staffing and funding levels necessary to sustain its normal core functions and meet the oversight requirements of the Department's exponential growth. Since then, I have worked with the Department and Congress to restore our budget to a level that will allow us to recruit and retain the best people, and strengthen our capabilities to "follow the money" and ensure that Department and BBG programs and resources function appropriately and effectively. I want to thank the Department and our Congressional committees for their support and willingness to invest new resources in our organization. The \$4.1 million increase in appropriations and supplemental funding that we received in FY 2008 has allowed us to undertake what we refer to as our "get well, stay well plan." The focus of this plan is to strengthen recruitment and retention and increase our value to decision makers with demonstrated savings and efficiencies, and more timely, relevant, and useful information.

The most compelling realization of these efforts came on January 23, 2008, when, after extensive consultations with the Department and Congress, we opened our Middle East Regional Office at Embassy Amman, Jordan. Our first overseas office provides us with a presence in one of the most challenging regions of the world, to address threats to high-cost, high-risk Department operations and programs in 26 countries, with particular emphasis on Iraq, Afghanistan, Pakistan, Jordan, Lebanon, and other crisis and post-conflict areas.

New hires, including our assistant inspector general (AIG) for the Middle East region, the director of our Amman field office, our deputy AIG for audits, and our congressional and public affairs liaison, have brought extensive experience in reconstruction and post-conflict oversight. We have hired a new AIG and deputy AIG to restructure our Office of Investigations, doubled the number of special agent positions, and launched a major recruitment and retention effort to revitalize our investigative operations. Across the organization, the additional funding provided by Congress has allowed us to recruit, develop, and retain the strong, experienced workforce we need. This has paid off in substantial benefits to the Department and BBG, including more than \$17 million in cost savings, fines, and recoveries and more than 450 recommendations to correct vulnerabilities to the security, management, and integrity of their programs and operations.

In closing, I would like to commend the commitment and dedication of the men and women of OIG, who tirelessly promote effective management, accountability, and positive change in the Department, BBG, and the foreign affairs community. The recent infusion of resources has done much to strengthen our oversight capabilities and enhance our ability to provide a solid return on investment, but we will need continued growth and support to sustain these gains. We look forward to working in partnership with the Department, BBG, and Congress as we continue to build a strong, sustainable oversight capability.



William E. Todd
Acting Inspector General

EXECUTIVE SUMMARY

This semiannual reporting period was marked by the opening of MERO, OIG's overseas office, and the resignation in January of Howard Krongard, who had served as Inspector General (IG) since May 2005.

OIG conducts audits, inspections, and investigations to promote effective management, accountability, and positive change in the Department of State (Department), the Broadcasting Board of Governors (BBG), and the foreign affairs community. During this reporting period, these activities resulted in over \$17 million in cost efficiencies, fines, and recoveries; six convictions and four administrative actions from investigations; and issuance of 40 reports with recommendations to improve Department and BBG programs and operations. A full list of reports issued by the OIG during this period can be found in Appendix 2 of each section of this report. This report summarizes work carried out by OIG during the period October 1, 2007, through March 31, 2008.

The OIG Middle East Regional Office

OIG opened its first permanent office outside of the United States, MERO, on January 23, 2008. MERO plans and coordinates all OIG activities in 26 countries spanning from Northern Africa to the Middle East and Central/Southern Asia. The establishment of MERO has provided an on-the-ground regional presence that will significantly enhance OIG's efforts to identify potential savings and cost efficiencies for the Department. It will also provide real-time information on matters affecting high-cost, high-risk Department programs in critical crisis and post-conflict areas, such as Iraq, Afghanistan, Pakistan, Lebanon, and other countries in the region.

MERO is headed by an assistant inspector general (AIG) located in Washington, DC, and a director at the MERO office in Amman. The Amman office will be staffed with six auditors, program analysts, and investigators, and an administrative assistant. The Washington office will have three auditors and program analysts, and a management assistant. MERO projects currently underway and scheduled for release in late spring include reviews of the Special Immigrant Visa Program for Iraq and the Refugee Processing Program in Iraq.



U.S. Ambassador to Jordan David Hale shakes hands with Nick Arntson (right), assistant inspector general for the Middle East Region Office (MERO), after agreeing to host MERO at Embassy Amman. Also present are Patrick Dickriede (left), MERO director, and OIG Executive Director Alberta Mayberry.

Iraq/Afghanistan Oversight

OIG reviewed rule-of-law (ROL) activities in Afghanistan in October 2007 and noted ROL, including anti-corruption efforts, is critical in Afghanistan, where there is a direct connection between the lack of a workable system of governance and the national security of the United States. OIG's review concluded Afghanistan cannot become stable without ROL, and there were no quick solutions. Implementing ROL requires commitment by Afghans and foreign donors to long-term cooperation. OIG's review found bureaucratic coordination on ROL issues had greatly improved, but was a daunting task involving multiple participants with very different capacities and goals. The continuous turnover of U.S. Government staff, conflicting priorities among U.S. Government entities, and the frailty of the Afghan formal justice sector, challenged the ROL coordinator, requiring continued strong Chief of Mission (COM) support.

OIG also issued a classified assessment of the state of emergency planning at the U.S. Embassies in Baghdad, Iraq, and Kabul, Afghanistan. Details of this report can be found in the classified annex to this semiannual report (SAR).

Security of People and Facilities

One of the Department's highest priorities and greatest challenges continues to be making its people, facilities, and information more secure. During this semiannual reporting period, OIG conducted 10 security inspections to identify security vulnerabilities at overseas missions and issued over 100 recommendations for corrective action. Detailed results of these reviews are presented in the classified annex to this semiannual report.

OIG participated in a coordinated effort among 10 executive Departments and agencies to examine those aspects of the Department's terrorist watch list nomination process that were agreed to by the participating agencies in a May 7, 2007 Memorandum of Understanding. The review was chaired by the OIG of the Office of the Director of National Intelligence (ODNI). The review found the Department's program for placing suspected terrorists on the watch list to be functioning well, but it identified several cross-cutting, interagency areas where improvements could be made. These were noted as findings for ODNI, as part of its comprehensive review of the watch list process. A related report found the Department's program for suspected terrorists on the watch list, the Visas Viper Program, to be functioning well as a whole.

Inspections of Department Missions and Programs

During this reporting period, OIG issued management inspection reports for missions in Algeria, Armenia, the Bahamas, Belize, Brazil, Guyana, Kazakhstan, Kyrgyzstan, Liberia, Morocco, Netherlands Antilles, Sierra Leone, Tajikistan, and Tunisia, as well as a compliance follow-up review of the U.S. Mission to International Organizations in Vienna. During the course of its inspections, OIG identified best practices as well as potential cost efficiencies and other improvements, which are further described in the Inspections section of this report. An analysis of recommendations from these inspections identified several common issues that could indicate trends that would benefit from systemic solutions, including problems with overseas facilities, locally employed (LE) staff at overseas missions, and issues affecting transformational diplomacy initiatives, such as coordination of overseas foreign assistance activities.

Domestically, OIG inspected the Office of the Global AIDS Coordinator (S/GAC). The inspection found the office had made impressive progress in combating HIV/AIDS around the world under the President's Emergency Plan for AIDS Relief (PEPFAR) and was on track to meet most targets for prevention of the pandemic and the treatment and care of its victims. S/GAC provides the bulk of PEPFAR funds to several U.S. implementing agencies, each with its own Inspector General. OIG recommended S/GAC request these Inspectors General to submit a joint memorandum describing options, feasibility, and estimated costs of conducting a collective, independent financial audit of U.S. Government-wide PEPFAR funds. OIG commended S/GAC's best practice of requiring its own staff, its implementing agencies, and its private-sector partners to put the goals of PEPFAR ahead of their individual institutional loyalties, thereby eliciting top performance and strong commitment from diverse agencies

Information Security

Of 18.4 million passports issued by the Department in 2007, 1,489 domestic passport applications and their supporting identification documents were reported lost in transit in 17 separate incidents. Subsequently, 798 of these missing applications were found. An audit of safeguards for domestic passport applications in transit found the Department has a number of controls to safeguard domestic passport applications, and also finalized guidelines that outline the actions that should be taken when applications are lost.

However, several control weaknesses remain, including an inability to track applications throughout the entire process and the cumbersome land and air routing used in the transportation of applications from lockbox facilities to passport agencies, which increases the potential for losing shipments. Addressing these weaknesses should help the Department reduce the risk of identity theft and increase its ability to track the applications throughout the transportation and processing procedures. This, in turn, should decrease the likelihood that highly sensitive personal information contained in passport applications could be used for criminal purposes.

Financial Management

Financial management continues to be a major challenge within the Department. OIG's independent external auditor was unable to express an opinion on the Department's 2007 annual financial statements, because the Department was unable to respond to requests for evidential material in time to meet the November 15, 2007, deadline. In its findings, the independent external auditor again noted concerns that had been identified in prior reports relating to:

- the recording of personal property and related depreciation expenses;
- the adequacy of the financial and accounting systems, management of undelivered orders; and
- the lack of a managerial cost accounting system.

The independent external auditor also again noted the Department continues to have difficulty producing year-end financial data in a timely manner. In addition, the auditor found the Department was unable to determine the extent of its unfunded actuarial liability accruing from defined benefit supplemental pension plans for LE staff.

The Department indicated that because of the complexity of installing its new core financial management system, the close-out process for the Department's FY 2007 financial statements took longer than expected. In response, the Department stated it will continue to improve internal controls over the areas included in the independent external auditor's report. The Department is making some progress in implementing a managerial cost accounting system, and it is providing additional training to key personnel related to federal financial assistance. In addition, the Department plans to develop an inventory of defined benefit pension plans for LE staff.

During this reporting period, OIG contracted with various independent external auditors to perform settled procedures to determine whether the indirect cost rates proposed by various Department grantees complied with applicable regulations. For the most part, the independent accountants found grantees accounting systems to be adequate for accumulating and reporting indirect costs under the provisions of Office of Management and Budget (OMB) Circulars A-122, *Cost Principles for Non-Profit Organizations*, and A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*. The independent accountants questioned \$122,812, including \$116,200 in unsupported and unallowable costs.

Law Enforcement

OIG's Office of Investigations (INV) addresses allegations of waste, fraud, abuse, and mismanagement related to Department and BBG programs; investigates and reports to the Department of Justice possible violations of criminal law; and is committed to assisting the Department and BBG with preventing fraud. During this semiannual period, OIG conducted investigations in the areas of passport fraud, false claims, and Metrochek benefit fraud that resulted in 6 convictions, 2 indictments, 10 sentencing and administrative actions, and more than \$625,000 in fines and restitution. Four of the subjects of INV investigations summarized in this report were U.S. Government employees.

International Broadcasting

The inspection of the BBG found its unique governing structure is serving U.S. foreign policy interests well. It is supported by an energetic, dedicated group of governors who contribute more than their part-time status may suggest. The BBG's congressionally mandated collective chief executive officer structure and nondelegatable supervisory authorities, which were both mandated by Congress, require the support of a robust professional staff to carry out its daily operations. OIG recommended that BBG produce a human resources needs assessment to develop and reinforce its structure, and implement a hiring plan.

Another OIG inspection found the new leadership at the Voice of America (VOA), along with even more recent changes to the leadership of BBG, made an energetic good start to address systemic internal communications issues and organizational and leadership challenges facing VOA's Central News Division (CN). However, inadequate horizontal and vertical internal communication and changes in the types of technology needed to reach VOA's target audiences, combined with U.S. Government-wide problems of funding and staffing, had left the news division with an inadequate management structure, inefficiencies, and poor morale. OIG recommended that BBG communicate and explain the 2008-13 Strategic Plan to its staff.

Overseas, OIG inspected the International Broadcasting Bureau (IBB), Morocco Transmitting Station, and BBG operations in Kenya. The Morocco Transmitting Station was found to be well-managed in providing broadcasting and technical services to Europe, the Middle East, and Africa, but faced possible reduced operations or closure because of IBB budget constraints. OIG recommended IBB, together with other stakeholders, prepare a careful worldwide study of the future targets of

U.S. broadcasting, residual value of property and equipment, closeout costs, and technical issues of propagation of radio waves prior to making an irreversible decision to close the Morocco transmitting station. In November 2007, however, BBG announced its intent to cease operations at the Morocco station in 2008 and to return the facility to the Kingdom of Morocco in 2009.

OIG's inspection of the BBG operations in Kenya found that Nairobi was the hub of much of BBG's activity in East Africa and was well-managed in Nairobi, but the various BBG practitioners throughout Kenya did not communicate adequately among themselves. The offices of IBB and VOA that supported this operation had not been well-integrated in Washington, and had not communicated adequately with the field. BBG initiatives in the region were under-resourced to meet the increased interest in East Africa from Washington and VOA's focus on its media market. OIG recommended BBG decide either to increase promotional funds for the VOA Kenyan market or to accept a low market share and then plan to address limited communications with the Kenyan audience. OIG also recommended the IBB support efforts to make programming for East Africa more attractive to local audiences.

An OIG investigation of a BBG official, who engaged in a conflict of interest by not disclosing income from a business he owned that held contracts with BBG, resulted in the official's termination from employment with BBG.

The audit of BBG's FY 2007 and FY 2006 financial statements found BBG needs to continue to improve its internal controls over financial and accounting issues. Although the independent external auditor issued an unqualified opinion on BBG's 2007 financial statements, the auditor identified concerns with the adequacy of the BBG's financial and accounting system, which is both an internal control weakness and an issue of noncompliance with several laws and regulations, and with accounting for accounts payable. In a separate management letter, the independent external auditor identified internal control weaknesses relating to BBG's property records, purchase card oversight, and undelivered orders.

BBG is transitioning to a new financial service provider and believes this will correct several internal control weaknesses, because the new system should allow for integration of property data into the general ledger and interim financial reporting. BBG also is updating its Manual of Operations and Administration, including codifying the financial management, budget, and performance management operating procedures.

CONGRESSIONAL ACTIVITIES AND OUTREACH

Testimony

During this reporting period, Howard Krongard testified before the House Oversight and Government Reform Committee concerning a Committee investigation into the procedures and activities at OIG.

Congressional Mandates and Requests

In response to legislative mandates and requests from Congress, OIG conducted the following reviews during this semiannual period.

As mandated by the Chief Financial Officers Act of 1990 (P.L. 101-576, as amended), OIG directed and monitored the following financial statement audits and other work conducted by an independent external auditor:

AUD/FM-08-06	Management Letter Related to the Audit of the Broadcasting Board of Governors 2007 and 2006 Financial Statements
AUD/FM-08-03	Independent Auditor's Report on the Department of State's Special-Purpose Financial Statements
AUD/FM-08-05	Independent Auditor's Report on the Department of State's 2007 and 2006 Financial Statements
AUD/FM-08-07	Independent Auditor's Report on the Broadcasting Board of Governors' 2007 and 2006 Financial Statements

Media Assistance and Outreach

During this semiannual period, OIG responded to various media inquiries about work it performed and other related matters. Most of the inquiries focused on the House Oversight and Government Reform Committee investigation of the Inspector General, and the OIG's continuing investigation into allegations that Department contract employees accessed passport records of Senators Hillary Clinton, John McCain and Barack Obama without authorization. Other requests included:

- Information concerning a Government Accountability Office (GAO) report on the OIG and a House Foreign Affairs subcommittee hearing on that report
- Reports and information on the OIG review of Iraqi Emergency Response Units
- Information on the establishment of MERO in January 2008, in Amman, Jordan

OIG staff participated in the following outreach activities during this semiannual period:

- OIG senior staff from the Offices of Audits, Inspections, and Investigations made presentations at the Department's training for administrative management officials.
- Audit staff made a presentation on the importance of property administration at the Department-wide 2007 Contracting Officer's Representative training session.
- INV and Office of Inspections (ISP) staff made presentations at four Ambassadorial Seminars and two new Foreign Service Officers Classes.
- OIG staff from ISP, INV, and the Office of Audits (AUD), spoke at the Department's training course for general services officers.
- Senior inspection staff briefed deputy chief of mission (DCM) and principal officer's courses on the role of post and mission inspections.
- ISP staff spoke at the Department's new training course for first-time political and economic section heads.

- ISP and Executive Management staff briefed the Department's Advanced Human Resources class.
- Senior staff met with Ambassadors and deputy chiefs of mission preparing to depart for new assignments to discuss areas of emphasis in their missions and provide suggestions to assist in the management of their missions.
- INV staff made fraud awareness presentations to six Civil Service Orientation classes, one Financial Management Officer class, and one General Services Officer class.
- ISP senior staff spoke at the Grants Management Conference hosted by the Bureau of Administration, Office of the Procurement Executive.

Legislation Monitored

OIG reviewed and monitored the following legislation during this SAR period:

- H.R.1585, the National Defense Authorization Act for Fiscal Year 2008, as it pertains to language establishing a Special Inspector General for Afghanistan Reconstruction.
- Also, S.A. 2150, an amendment to H.R. 1585, which establishes a Special Inspector General for Afghanistan Reconstruction.
- H.R. 2446, the Afghanistan Freedom and Security Support Act of 2007.
- H.R. 2740, the Military Extraterritorial Jurisdiction Act Expansion and Enforcement Act of 2007, which would require Inspectors General working in any military theater of operations to coordinate their work with a newly created theater investigative unit within the FBI.
- H.R. 2764, the Department of State, Foreign Operations, and Related Appropriations Act of 2008, which includes funding for OIG for Fiscal Year 2008.
- H.R. 928 and S. 1723, Improving Government Accountability Act, as introduced in both the House and the Senate. Both bills amend the 1978 Inspector General Act.

- H.R. 2420, International Climate Cooperation Re-Engagement Act of 2007, which would assign oversight responsibility for the newly created International Clean Energy Foundation to OIG.
- H.R. 1469 and S. 991, the Senator Paul Simon Study Abroad Foundation Act of 2007, as introduced in the House and Senate. Both bills assign oversight responsibilities for the newly created foundation to OIG.
- S. 1825, Commission on Wartime Contracting Establishment Act, which would assign oversight review of security, intelligence, and reconstruction in Iraq and Afghanistan to the Special Inspector General for Iraq Reconstruction in conjunction with State OIG and the Inspectors General from Defense Department and the U.S. Agency for International Development (USAID).
- S. 680, Accountability in Government Contracting Act of 2007, which would amend Section 8G(e) of the 1978 Inspector General Act, and prohibit Inspectors General from receiving cash awards.
- S.A. 2709, an amendment to Fiscal Year 2008 appropriations for the Department of State, Foreign Operations, and Related Programs, which Senator McCaskill proposes to introduce during conference., that would place certain requirements on the websites of the Department and OIG.
- S. 2731, Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act of 2008, which would require that the Inspectors General of the Department of State, USAID, and Health and Human Services jointly develop five coordinated annual plans for oversight activity (financial audits and performance reviews) for fiscal years 2009 through 2013 for programs authorized under this Act and Section 104A of the Foreign Assistance Act.

Implementation of the Government Performance and Results Act and the President's Management Agenda

In support of the Government Performance and Results Act and the President's Management Agenda, OIG reviewed mission and bureau strategic plans, as well as rightsizing and consolidation issues for each mission and office inspected during this reporting period.

During its inspection of ROL programs in Afghanistan, OIG found U.S. efforts to support ROL in Afghanistan showed professionalism and tenacity. But it was not clear how or whether ROL efforts were being measured for success, and if international attention wanes, how these projects could be sustained. In its review of S/GAC, OIG found the office attracted favorable attention, in part, because its elaborate statistical methodology could demonstrate quantifiable results and accountability. Information gathering and program planning, however, consumed staff time in Washington and in the field, and needed further streamlining. OIG informally recommended S/GAC and the Office of U.S. Foreign Assistance make further efforts to harmonize their processes to increase transparency, aid decision making, and reduce workload.

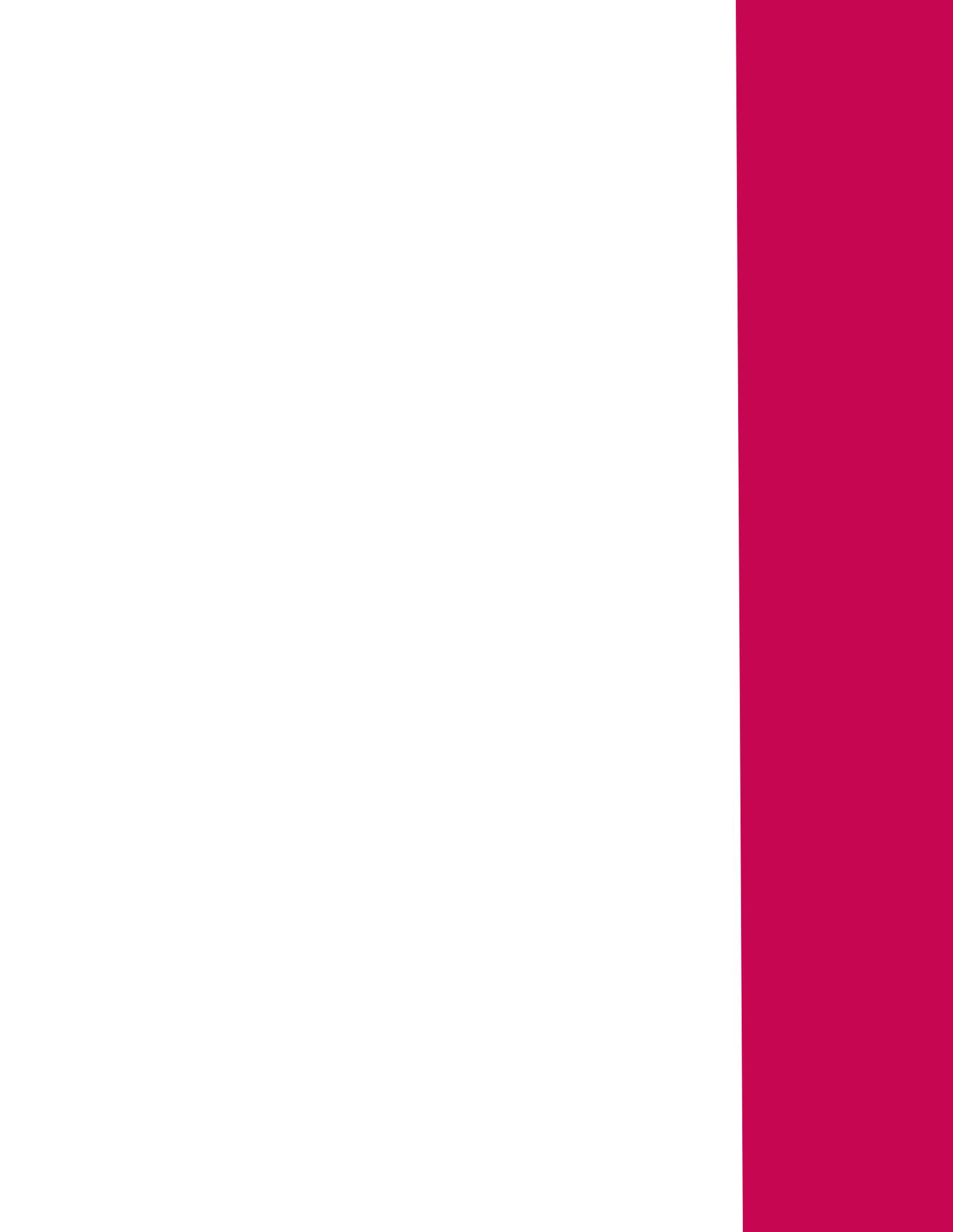
At Embassy Monrovia, Liberia, construction of a badly needed new embassy compound was scheduled to begin in FY 2008. However, the rightsizing exercise conducted in preparation for this project was no longer current, and the Embassy and the Department needed, urgently, to prepare the best possible estimate of future space needs before the construction plan was finalized.

In its inspection of Embassy Tunis, Tunisia, OIG found the Embassy may have more staff than necessary in its substantive and management functions. Staffing adjustments will require careful planning and management to maintain good service levels. OIG recommended the Embassy conduct a rightsizing review of staffing at the mission.

OIG's inspection of Embassy Astana, Kazakhstan, found the mission should be more rigorous in evaluating relevant functions before requesting or approving increases in American direct-hire employees. OIG reviewed the National Security Decision Directive (NSDD)-38 process with the Embassy and suggested ways to develop a more comprehensive decision package to know the real costs underlying any increase in U.S. direct-hire staffing. OIG recommended Embassy Astana follow the process to perform and document a comprehensive analysis of both programmatic and administrative requirements prior to deciding on requests to increase personnel.

At Embassy Brasilia, Brazil, OIG stated the nonimmigrant visa (NIV) workload had grown at a pace that far exceeded long-range forecasts. Lengthy wait times for visa appointments had hurt the image of the United States. Brazil's consular operations were seriously under-resourced, and morale had suffered. Additional officer positions had been approved, but even more new officer positions were needed to right-size consular operations.

OIG found Consulate General Curacao, Netherlands Antilles, was not right-sized. Without the addition of LE staff resources to support the reporting functions and consular services, it would not be able to carry out tasks that urgently need attention. The post lacked adequate space for current personnel and operations, yet must increase staff.



SECURITY

Review of the Department of State's Terrorist Watch List Nomination Process (SIA-08-01)

The review, which was part of a coordinated effort among ten executive Departments and agencies¹, and was overseen by the OIG of the Office of the Director of National Intelligence (ODNI), examined the Department's terrorist watch list nomination process. The examination was limited to those aspects of the watch list process that were agreed to by the ten participants in a memorandum of understanding dated May 7, 2007, with particular emphasis on cross-cutting, interagency issues." This review found the Department's program for watch-listing suspected terrorists to be functioning well, but it identified several cross-cutting, interagency areas where improvements could be made. These were noted as findings for ODNI as part of its comprehensive review of the watch list process.

Review of the Department's Terrorist Watch List Nomination (Visas Viper) Process (SIA-08-02)

This review found the Department's program for watch-listing suspected terrorists, the Visas Viper Program, to be functioning well as a whole. Every overseas diplomatic post is required to have a Visas Viper committee that meets and reports to the Department and the National Counterterrorism Center at least monthly regarding known or suspected terrorists. In response to an OIG survey questionnaire sent to all diplomatic and consular posts, 96 percent of the respondents (222 posts) reported having a Visas Viper committee, and 94 percent (217 posts) reported meeting and reporting to the Department monthly.

Although the Visas Viper program as a whole is functioning well, the review identified several areas where the Department can improve the program.

¹Office of the Director of National Intelligence, Central Intelligence Agency, Department of Justice, Defense Intelligence Agency, National Security Agency, Department of Homeland Security, Department of State, National Geospatial-Intelligence Agency, Department of the Treasury, and Department of Energy.

Review of Department of State Headquarters Cable Drafting and Distribution Process (SIA-08-03)

This review examined the Department's headquarters cable drafting and distribution process pertaining to the protection of sensitive and classified information to determine the adequacy of the rules and regulations that govern cable drafting and subsequent distribution, and whether these rules and regulations were being followed.

The review found the majority of the rules and regulations governing cable drafting to be adequate. The least adequate area, according to cable approving officers, was the Department's Foreign Affairs Handbook guidance regarding channel and distribution captions. However, during the review, the Bureau of Information Resource Management issued an All Diplomatic and Consular Posts cable that retired numerous infrequently used channel and distribution captions, and began to revise 5 FAH-2 H-440, *Captions and Handling Instructions for Information Management Specialists*. OIG found that cable drafting rules and regulations were being followed, except for those pertaining to the protection of personally sensitive information. Nearly 12 percent of the randomly selected unclassified cables were found to contain personally sensitive information.

The review found adequate rules and regulations concerning cable distribution, but found evidence that access to Department cables was being granted on a need-to-know basis in fewer than half of the randomly selected bureaus and principal offices.

OIG recommended the Department determine and promulgate the specific types of information that require protection as personally identifiable information, and require individual cable access user privileges to be based upon need-to-know requirements and approved by supervisors.

Safeguarding Domestic Passport Applications During Transit (AUD/IP-08-19)

OIG conducted an audit to determine whether domestic passport applications were adequately safeguarded during transit. A passport is an official government document that certifies an individual's identity and citizenship, and permits a citizen to travel abroad. Only the Department has authority to issue U.S. passports. During FY 2007, the Department issued nearly 18.4 million passports. The Department reported a total of 1,489 domestic passport applications and their supporting identification documents had been lost in transit in 17 separate incidents; 798 of these were later found.

OIG determined the Department had a number of controls to safeguard domestic passport applications, including providing security screening of Department and lockbox facility personnel, segregating duties for processing applications, reconciling passport applications, and verifying receipt of shipped boxes of applications. In addition, OIG noted the Bureau of Consular Affairs (CA), Office of Passport Services, had finalized guidelines that outline the actions it should take when applications are lost.

However, OIG found several control weaknesses that, when addressed, could further enhance controls to safeguard applications. These included findings that:

- The Department does not have the ability to track applications throughout the entire process, and
- The transportation of applications from lockbox facilities to passport agencies involves cumbersome land and air routing, which increases the potential for losing shipments.

OIG's recommendations should help the Department reduce the risk of identity theft and increase its ability to track the applications throughout the transportation and processing procedures. This, in turn, should decrease the likelihood that highly sensitive personal information contained in passport applications could be used for criminal purposes.

CA officials agreed with the audit results and said that further improvements are needed to safeguard passport applications. In response to OIG's draft report, CA generally concurred with OIG's recommendations and began implementing corrective actions.

Independent Auditor's Report on the Department of State's 2007 and 2006 Financial Statements (AUD/FM-08-05)

OIG's independent external auditor was unable to express an opinion on the Department's annual financial statements as of, and for the year ending September 30, 2007, because the Department was unable to respond to requests for evidential material in a timely manner. Also, the external auditor was unable to perform other auditing procedures to satisfy itself as to the accuracy of the 2007 financial statements in time to meet the November 15, 2007, deadline imposed by OMB for issuing its report.

The external auditor found:

- Certain deficiencies in the Department's internal controls the auditor considered to be significant deficiencies and other deficiencies that it considered to be material weaknesses;
 - Instances of noncompliance with selected provisions of applicable laws and regulations involving the Department's financial management system; and
 - Department financial management systems that did not substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996.
-

Independent Auditor's Report on the Department of State's Special-Purpose Financial Statements (AUD/FM-08-03)

OIG engaged an independent external auditor to audit the Department's reclassified balance sheet as of September 30, 2007, and the related reclassified statements of net cost and changes in net position for the year then ended. The independent external auditor was unable to express an opinion on the Department's 2007 financial statements as of the November 15, 2007, deadline imposed by OMB. The

Department's general-purpose financial statements are the source of the amounts presented in the special-purpose financial statements; thus the independent external auditor was not able to express, and did not express, an opinion on the Department's 2007 special-purpose financial statements. The special-purpose financial statements are used by the Department of the Treasury to prepare Government-wide financial statements.

***Report on the External Quality Control Review of the
Federal Deposit Insurance Corporation's
Inspector General Audit Organization
(Issued November 2007)***

OIG reviewed the system of quality control for the audit function of the Federal Deposit Insurance Corporation's (FDIC) OIG in effect for the year ended March 31, 2007. A system of quality control encompasses an OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with generally accepted government auditing standards (GAGAS). GAGAS requires government audit organizations to undergo periodic external peer reviews to determine whether OIG's internal quality control system is adequate as designed and has been complied with to provide reasonable assurance that applicable auditing standards, policies, and procedures have been met. The review was conducted in conformity with standards and guidelines established by the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency. OIG determined that the internal quality control system of the FDIC OIG was adequate as designed, and applicable auditing standards, policies, and procedures were met. In the report, OIG made five recommendations, which FDIC OIG agreed to implement.

**Attestation Review of Annual Accounting of Drug
Control Funds and Performance Summary by the
Department of State for FY 2007 (AUD/PP-08-17)**

OIG reviewed the assertions from the Bureau of International Narcotics and Law Enforcement Affairs (INL) FY 2007 detailed accounting and performance submission to the Director of the Office of National Drug Control Policy (ONDCP),

which was prepared in compliance with ONDCP Circular *Drug Control Accounting*, dated May 1, 2007. The submission is the responsibility of the Department. OIG could not attest to three of INL's assertions relating to drug control obligations for FY 2007, because OIG could not rely on the financial systems that produced the data. Except for these qualifications, nothing came to OIG's attention that caused it to believe INL's assertions did not, in all material respects, reliably represent obligation and performance targets and results for all years presented in the submission and comply with ONDCP criteria.

Funds Recovered and to be Put to Better Use

OIG participated in a joint audit of the Department's Diplomatic Telecommunications Service - Program Office's (DTS-PO) Working Capital Fund. The audit, issued in January 2008, identified the need to improve DTS-PO's financial accountability, including the transparency of fees paid by U.S. Government users for overseas telecommunications services. As a result of the audit, more than \$39 million was identified to be returned to overseas telecommunications users, since actual contract costs were found to be less than charges based on estimated costs. The Department will receive \$8 million during the remainder of FY 2008 and a similar amount during FY 2009 as credit against overseas telecommunications use.

Concern With the Department's Replacement of Body Armor (AUD/SI-08-21)

In researching potential audit areas, an OIG team conducted research on the Department's use of body armor. The team collected related documentation and interviewed officials from two units of the Bureau of Diplomatic Security (DS) — the Office of Physical Security Programs, Defensive Equipment and Armored Vehicle Division (DS/PSP/DEAV), and the International Programs, Overseas Protective Operations, High Threat Protection Division. OIG did not initiate an audit during this time frame, but it did identify one concern, which it brought to the Department's attention.

DS/PSP/DEAV does not have written policies and procedures that provide detailed guidelines on the inspection and replacement of body armor after the service life of the body armor has expired. Lives could be at greater risk in a firefight or other dangerous situation if the body armor's protective capabilities have deteriorated over the years, particularly in hot and humid climates. OIG recommended DS develop and disseminate written policies and procedures that provide guidelines on the inspection and replacement of body armor and that it replace body armor, as appropriate.

Independent Accountants' Reports

During this reporting period, OIG contracted with three certified public accounting firms, as specified, to perform agreed-upon procedures of indirect cost rates, costs claimed, and/or financial capability of 10 organizations. The engagements were conducted under the provisions of OMB Circulars A-122, *Cost Principles for Non-Profit Organizations*; A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals and other Non-Profit Organizations*; and/or A-133, *Compliance Supplement*. The organizations reviewed and the results of the agreed-upon procedures follow:

Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by National Council for International Visitors (AUD/CG-08-01)

Regis & Associates, PC, Certified Public Accountants, determined the Council's proposed indirect cost rates for the fiscal years ending September 30, 2005, 2004, and 2003, were properly calculated. The Council's accounting system was adequate for accumulating and reporting indirect costs under the provisions of OMB Circulars A-122 and A-110. The accountants recommended the Department accept and finalize the indirect cost rates for the stated years, as proposed by the Council and recommended in the report.

Independent Accountants' Report on the Application of Agreed-Upon Procedures on Costs Claimed by Young Men's Christian Association of Greater New York Under Department of State Grants (AUD/CG-08-02)

L.F. Harris & Associates, CPA, P.A., performed certain agreed-upon procedures on the costs claimed by the association under selected Department grants. The procedures were to determine whether the association adequately accounted for federal funds related to the grants and complied with the terms of the grants and the cost principles of OMB Circulars A-122, A-110, and A-133. The accountants found the association's accounting system to be adequate to identify, segregate, accumulate, and report direct and indirect costs under the provisions of Circular A-122.

However, the accountants found the association did not comply with the requirements of OMB Circular A-122 in that it: (1) improperly charged \$568 in unallowable food and beverage costs to a Department grant unrelated to the associated allowable travel expenses; (2) did not submit financial reports or submitted them after the due dates specified in the grants; (3) requested funds from the Department in excess of immediate disbursement requirements; and (4) did not require employee timesheets to be prepared in accordance with Circular A-122. As a result, costs of \$82,714 were questioned: \$82,146 as unsupported payroll costs and \$568 as unallowable charges for food and beverage expenses.

The accountants recommended the Bureau of Educational and Cultural Affairs: (1) seek reimbursement of unallowable costs and unsupported payroll costs that cannot be substantiated; (2) require the association to establish a system to ensure timely reporting of grant financial information; (3) instruct the grantee to draw down funds based on immediate needs; and (4) require the association to establish an employee time reporting system in accordance with Circular A-122.

Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by America-Mideast Educational and Training Services, Inc. (AUD/CG-08-08)

Regis & Associates, PC, Certified Public Accountants, determined that although AMIDEAST's accounting system was adequate for accumulating and reporting indirect costs under the provisions of OMB Circulars A-122 and A-110 for the fiscal year ended September 30, 2005, the proposed indirect costs for general and administrative expenses for FY 2005 included \$2,130 of entertainment charges, which contravenes the provisions of Circular A-122. The accountants questioned these costs as unallowable.

Except for the questioned costs, the indirect cost rates proposed by AMIDEAST for FY 2005 were properly calculated, and the indirect cost rate structures complied with the provisions of OMB Circular A-122. The independent accountants recommended the Department accept and finalize the indirect cost rates for FY 2005, as recommended in the report.

Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by NAFSA: Association of International Educators (AUD/CG-08-10)

Regis & Associates, PC, Certified Public Accountants, determined that the proposed indirect cost rates for NAFSA for the years ending December 31, 2005 and 2004, complied with applicable regulations, and NAFSA's accounting system was adequate for accumulating and reporting indirect costs under the provisions of OMB Circulars A-122 and A-110.

However, for the proposed indirect costs for 2005 and 2004, the accountants questioned costs totaling \$297,551 as unallowable: (1) \$292,741 in bank charges related to NAFSA member subscriptions, and (2) \$4,810 in overhead costs for personal use gifts and alcoholic beverages. In both cases, the charges contravene the provisions of Circular A-122. The accountants recommended the Department accept and finalize the indirect cost rates for the years ended December 31, 2005 and 2004, as recommended in the report.

Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by Sister Cities International, Inc. (AUD/CG-08-11)

Regis & Associates, PC, Certified Public Accountants, determined that the indirect cost rates proposed by Sister Cities for the years ending December 31, 2006, 2005, 2004, and 2003, were properly calculated, and the indirect cost rate structures complied with the provisions of OMB Circular A-122.

However, the accountants questioned proposed indirect costs for 2005, 2004, and 2003: \$34,054 of unsupported charges and \$2,914 of unallowable charges for alcoholic beverages, which contravenes the provisions of Circulars A-110 and A-122. The independent accountants recommended the Department accept and finalize the indirect cost rates for these years, as recommended in the report.

Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by International Center for Journalists, Inc. (AUD/CG-08-13)

Leonard G. Birnbaum and Company, LLP, Certified Public Accountants, determined the center properly calculated and reported its indirect costs and fringe benefit rates for the years ending December 31, 2006 and 2005, and the center's accounting system was adequate for accumulating and reporting indirect costs under the provisions of OMB Circulars A-122 and A-110. The accountants recommended the Department accept and finalize the indirect cost and fringe benefit rates for 2006 and 2005, as proposed and recommended in the report.

Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by the Institute for Training and Development (AUD/CG-08-14)

Leonard G. Birnbaum and Company, LLP, Certified Public Accountants, performed agreed-upon procedures to determine whether the indirect cost rates proposed by the institute for the years ending December 31, 2006, 2005, and 2004, complied with applicable regulations. The accountants found the institute's accounting system to be adequate for accumulating and reporting indirect costs under the provisions of OMB Circulars A-122 and A-110, and that for 2006 and 2005, the Center had properly calculated and reported its indirect costs and fringe benefit rates.

However, for 2006, 2005, and 2004, the indirect cost rates reported by the institute, while appropriately structured and calculated, consisted of \$4,551 in interest expense within the administrative expense pools (2006 - \$1,328; 2005 - \$2,185; and 2004 - \$1,038). The accountants questioned these interest expense amounts as unallowable under the provisions of Circular A-122. The accountants recommended the Department accept and finalize the indirect cost and fringe benefit rates for 2006 and 2005, as recommended in the report.

Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by United States Conference of Catholic Bishops (AUD/CG-08-15)

Regis & Associates, PC, Certified Public Accountants, determined the conference properly calculated and reported its indirect cost rates for the years ending December 31, 2006, 2005, and 2004, and took no exception to the proposed cost rates. The accountants also found the conference's accounting system to be adequate for accumulating and reporting indirect costs under the provisions of OMB Circulars A-122 and A-110. The accountants recommended the Department accept and finalize the indirect cost rates for 2006, 2005, and 2004, as recommended in the report.

Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by the International Rescue Committee, Inc. (AUD/CG-08-16)

Leonard G. Birnbaum and Company, LLP, Certified Public Accountants, determined the committee had properly calculated and reported its indirect and fringe benefit rates for the year ended September 30, 2006, and the committee's accounting system was adequate for accumulating and reporting indirect costs under the provisions of OMB Circulars A-122 and A-110. The accountants recommended the Department accept and finalize the indirect cost and fringe benefit rates for 2006, as recommended in the report.

Independent Accountants' Report on the Application of Agreed-Upon Procedures on the Financial Capability of International Arts and Artists, Inc. (AUD/CG-08-20)

At the request of the Bureau of Educational and Cultural Affairs (ECA), OIG contracted with Leonard G. Birnbaum and Company, LLP, Certified Public Accountants, to determine whether Arts and Artists had sufficient financial resources to perform under a proposed \$458,225 ECA grant.

The accountants concluded Arts and Artists is financially sound and it could undertake a \$458,225 project without straining its financial resources, regardless of whether it was permitted to draw advances from the Department of Health and Human Services Payment Management System, which is used by the Department to advance funds to grantees.

Nonfederal Audits of Nonprofit Institutions

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, establishes audit requirements for specified entities receiving federal awards. Public accounting firms employed by non-federal entities conduct the audits. The firms file these single audit reports with the Federal Audit Clearinghouse, and OIG reviews audit reports involving Department funds and provides quality assurance and general oversight.

OIG conducted its reviews using the President's Council on Integrity and Efficiency's *Uniform Guide for Initial Review of A-133 Audit Reports*. The objectives of the initial reviews were to: (1) ensure that audit reports met applicable reporting standards and OMB Circular A-133 reporting requirements; (2) identify any follow-up audit work needed; (3) identify audits for potential quality control reviews; and (4) identify issues that may require management attention.

During a two-month reporting period, OIG completed six analytical desk reviews of single audits for two entities, with Department expenditures totaling \$343,261,800. OIG recommended the Department and BBG resolve the questioned costs and ensure internal control weaknesses and instances of noncompliance are corrected.

Report Number	Grantee	Fiscal Year	Questioned Costs	Department of State Expenditures	Other Federal Agency Expenditures
08-A133001	Arabic Television Broadcast in The Middle East Countries	2004	\$ 0	\$ 53,584,322	\$ 0
		2005	0	83,306,021	0
		2006	0	91,577,522	0
08-A133002	American Institute in Taiwan	2004	\$ 3,473	\$ 31,160,766	\$ 4,616,350
		2005	16,707	46,284,890	5,312,664
		2006	236,678	37,348,279	7,578,834
TOTAL			\$ 256,858	\$ 343,261,800	\$ 17,507,848

Afghanistan

Inspection of Rule-of-Law Programs in Afghanistan (ISP-I-08-09)

OIG reviewed ROL activities in Afghanistan in October 2007 and noted that ROL is critical in Afghanistan, where there is a direct connection between the lack of a workable system of governance and the national security of the United States. The absence of a modern, functional government sustains the Taliban and al-Qaeda and encourages the vast opium trade. Confidence that the government can provide a fair and effective justice system is essential to convincing war-battered Afghans to support a democratic system rather than accept rule by terrorists, warlords, and narcotics traffickers.

OIG's review concluded Afghanistan cannot become stable without ROL. There were no quick solutions. Implementing ROL requires commitment by Afghans and foreign donors to long-term cooperation. Afghanistan's formal civil code judicial system, like its frail police, corrections, and educational institutions, was destroyed during 30 years of conflict. Most Afghans only have confidence in, and prefer to use, the informal systems of dispute resolution within their tribe, ethnicity, or Islamic sect. These, too, have been weakened by war and instability. Neither the Afghan Government nor Western donors have adequately addressed the balance between the formal and informal systems. OIG recommended, that, after appropriate consultation, Embassy Kabul develop a policy position on the desirability of linking parts of the informal sector with the formal justice system.

Corruption undermines Afghan public confidence in a formal ROL structure. The Afghan Government and the donor community must demonstrate greater commitment to fighting corruption. Many past ROL coordination failures were addressed, with support from the previous ambassador and DCM, by creating a senior ROL coordinator position to which all U.S. agencies, the international donor community, and Afghan legal institutions could turn for information, communication, and guid-

ance. OIG recommended the Embassy retain the ROL coordinator position at a senior level, reporting directly to the DCM. OIG also recommended Embassy Kabul develop and implement a coordinated anti-corruption strategy to include all of the mission's ROL institutions.

OIG's review found bureaucratic coordination on ROL issues had greatly improved, but was a daunting task involving multiple participants with very different capacities and goals. The continuous turnover of U.S. Government staff, conflicting priorities among U.S. Government entities, and the frailty of the Afghan justice sector challenged the ROL coordinator. The position required continued strong COM support.

U.S. efforts to support ROL in Afghanistan show professionalism and tenacity. But it was not clear how, or even whether, ROL efforts were being measured for success, and if international attention wanes, how these projects could be sustained. Several U.S. Government agencies fund many programs related to ROL. OIG found no indication the funds were being used properly. However, no one source seemed to have a clear picture of the scope of U.S. expenditures in this field. OIG recommended the Department draft a plan to meet the mandate in National Security Presidential Directive-44 by developing a funding matrix to identify all justice sector funds.

Domestic Bureaus and Offices

Review of the Office of the U.S. Global AIDS Coordinator (ISP-I-08-23)

OIG conducted a review of S/GAC. The report noted that in its four years of existence, S/GAC had made impressive progress in combating HIV/AIDS around the world under PEPFAR and was on track to meet most targets for prevention of the pandemic and the treatment and care of its victims. In comparison to other U.S. development assistance programs, PEPFAR is very well-funded, sometimes dwarfing other initiatives that reflect high-priority U.S. strategic interests.

S/GAC had forged exceptionally successful interagency coordination and cooperation by creating a "one-U.S. Government" approach to decision making and program implementation at the policy, technical, and managerial levels. OIG informally recommended S/GAC develop flexible guidelines about core competencies to resolve residual frictions between implementing agencies.

Because of ambiguity about control over certain health-related assistance funds outside of PEPFAR accounts, the report noted the coordinator and the Department's Office of U.S. Foreign Assistance should negotiate a clear delineation of authority, reaching agreement in advance of further congressional action on reauthorization of the PEPFAR program.

S/GAC attracts favorable attention, in part, because its elaborate statistical methodology can demonstrate quantifiable results and accountability. Information gathering and program planning, however, consume staffers' time in Washington and in the field, and need further streamlining. OIG informally recommended S/GAC and the Office of U.S. Foreign Assistance make further efforts to harmonize their processes to increase transparency, aid decision making, and reduce workload.

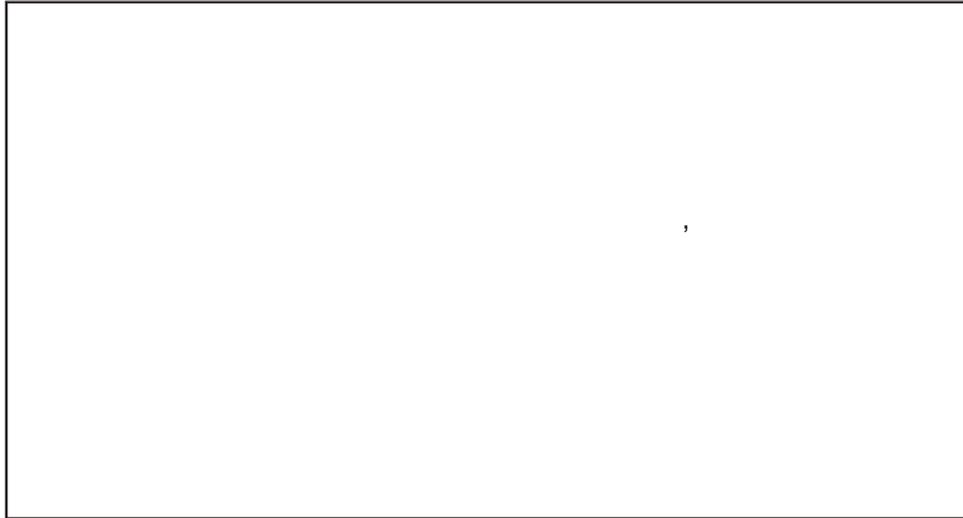
S/GAC provides the bulk of PEPFAR funds to several U.S. implementing agencies, each with its own IG. Regular overall financial audits of PEPFAR funds, coordinated among these IGs, would improve accountability. OIG recommended S/GAC request the IGs for agencies that receive PEPFAR funds to submit a joint memorandum describing the options, feasibility, and estimated costs of conducting a collective, independent financial audit of U.S. Government-wide PEPFAR funds.

Best Practice: Interagency Coordination and Cooperation

Issue: The U.S. Government's fight against HIV/AIDS across the globe requires the participation of multiple federal agencies and private-sector partners, all with different objectives, skills, cultures, and processes. The large new PEPFAR program had to ramp up very quickly and, thus, had to forge a high level of interagency coordination and cooperation.

Response: S/GAC founded itself on the principle of a "one-U.S. Government" approach to its operations. S/GAC requires its own staff, its implementing agencies, and its private-sector partners to put PEPFAR's goals ahead of institutional loyalties. S/GAC forges cooperation and collaboration in Washington through regular interagency meetings among principals, deputies, technical staff, and country-specific teams. In the field, S/GAC insists on COM leadership of all implementers, and in cases when disputes still arise, S/GAC sends out an interagency arbitration team to resolve problems.

Result: Overall, by acting as an honest broker, S/GAC elicits top performance and strong cooperation and synergy from diverse agencies.



Overseas Missions

Inspection of Embassy Freetown, Sierra Leone (ISP-I-08-18A)

The key policy challenge for Embassy Freetown and the U.S. Government was whether the United States and other donors could sustain the political, security, and economic support to maintain hope and stability in this war-ravaged country.

OIG's inspection found Embassy Freetown had been gradually increasing its presence and its services to preconflict levels as Sierra Leone's situation stabilized, and the new embassy compound provided secure, attractive, and functional office space.

The new embassy compound was constructed on an elevated site outside of Freetown that did not have a reliable source of water. The Embassy and the Bureau of Overseas Buildings Operations (OBO) were collaborating to explore a number of alternatives, but had not identified a long-term solution to this problem at the time of the inspection. OIG recommended OBO devote all necessary effort and resources to finding a long-term solution to satisfy the requirement for water.

Embassy Freetown housing did not meet Department standards, and this had a negative impact on staff morale. The DCM residence and one apartment building were particularly unsuitable, and OIG recommended these units be replaced.

The Embassy managed two small grants programs, but officers responsible for managing these programs had not received the appropriate training to perform these functions. OIG recommended the Embassy develop a plan for these officers to complete training in managing foreign assistance awards, and in responsibilities of contracting officer representatives.

The Embassy's public diplomacy effort was seriously restricted during the civil war, with the closure of the Information Resource Center and suspension of most public programs. While progress had been made since the restoration of normal operations in 2004, some areas required additional attention. OIG made informal recommendations to staff key local public diplomacy positions and make better use of regional and electronic assets.

Inspection of Embassy Monrovia, Liberia (ISP-I-08-20A)

OIG's inspection of Embassy Monrovia noted the United States had moved aggressively to take advantage of the end of Liberia's 14-year civil war by providing major support for efforts to assure peace and stability to Liberia's democratically elected government and the region. OIG found the mission functioned in a very difficult environment, with few public services, inadequate office space and housing, insufficient resources, and precarious security conditions. To effectively accomplish its mission, Embassy Monrovia needed additional resources to address these problems.

The Embassy had carefully and successfully balanced its efforts to ensure effective delivery of U.S. support with the need to assure adequate security, and working and living conditions for its employees and their families. Embassy Monrovia's staff size had doubled in the last two years in order to execute a series of major assistance programs to help Liberia's recovery effort. Further growth is still necessary, but must be managed carefully.

U.S. Government foreign assistance programs were helping to address sources of conflict and to rebuild the nation. Department-funded programs were making progress on reforming and rebuilding the security sector and had mechanisms in place for monitoring their effectiveness, which should be improved. OIG recommended the

Department conduct regular visits to Embassy Monrovia to ensure effective oversight and administration of these foreign assistance programs.

Considerable progress had been made in rebuilding embassy management support capacity, but much more needed to be accomplished before the Embassy could be described as fully recovered and operational. Construction of a badly needed new embassy compound was scheduled to begin in FY 2008. The rightsizing exercise conducted in preparation for this project was no longer current, and the Embassy and the Department must urgently prepare the best possible estimate of future space needs before the construction plan is finalized.

Adoption requests had skyrocketed in Monrovia, and there was solid evidence adoption agencies have submitted falsified documents in order to facilitate adoptions. Embassy resources were insufficient to address this growing problem. OIG recommended the Embassy work with the Bureau of Consular Affairs and DS to develop both short-term and longer term strategies for dealing with the growing visa and adoption fraud problems in Liberia.

Inspection of Embassy Algiers, Algeria (ISP-I-08-02A)

OIG's inspection of Embassy Algiers found the Embassy was playing a major role in extremely important U.S.-Algerian counterterrorism cooperation, which led to the dismantling of several networks moving fighters into Iraq and in the struggle against the newly emergent al-Qaeda in North Africa. The Algerian Government's emphasis on rank and protocol, combined with the Ambassador's wide range of contacts, made the Ambassador's role in achieving the Department's counterterrorism objectives critical.

The Ambassador had been designated for temporary assignments outside Algiers on two occasions, and this damaged U.S. ability to deal with the Algerian Government at high levels on counterterrorism issues. Additionally, it made it difficult to manage the high volume of important exchanges and events and stretched the Embassy's capacity to manage internal issues. OIG recommended the Department exempt the Ambassador from future temporary assignments outside Algeria, so he could devote his full efforts to managing the U.S.-Algerian relationship and the Embassy.

Historically, and during this inspection, Embassy Algiers has had considerable management problems, with significant management controls weaknesses caused by inexperienced American staff and, more recently, an inability to recruit and retain LE

staff. Lapses in management controls had occurred in procurement and property management, financial management, human resources, grants management, and the employee association. OIG found no corrective action plans, and designations of duties had not been properly assigned. OIG recommended the Department temporarily send an experienced human resources officer to Embassy Algiers to assist in improving human resources services to embassy staff. OIG also made recommendations to improve standard operating procedures and management, inventory, and access controls.

Embassy Algiers had not been able to retain or adequately train its LE staff because the mission was not adequately funded to provide salaries commensurate with comparable employers. Without significant LE staff pay increases, improvements in operations will be difficult to achieve and impossible to maintain. OIG informally recommended the Embassy seek clarification from the Department regarding unique conditions of employment pay to determine whether LE staff might be eligible.

Inspection of Embassy Rabat and Consulate General Casablanca, Morocco (ISP-I-08-04A)

OIG's inspection of Embassy Rabat found the Embassy was managing well a major increase in the bilateral U.S.-Moroccan relationship in counterterrorism, political, economic, trade, security, and public diplomacy. However, OIG noted communication within the Embassy needed to be improved in order to assure maximum coordination of mission goals and programs. Also, inordinate staffing gaps in key positions and poor job performance by some American supervisors led to poor delivery of key administrative services.

The Embassy's political and economic reporting was timely, nuanced, and insightful, drawing upon extensive contact networks. Washington readers awarded it high marks for both focus and depth of coverage. Embassy Rabat was a flagship for new U.S. public diplomacy efforts to counter Islamic extremism overseas. However, OIG noted full implementation of its innovative public diplomacy strategy will hinge on additional funding.

The International Broadcasting Bureau (IBB), Morocco Transmitting Station, was well-managed and provided broadcasting and technical services to Europe, the Middle East, and Africa. But as IBB faces budget constraints, the station faced possible reduced operations or closure. (See related report, *Inspection of the International Broadcasting Bureau's Morocco Transmitting Station*, ISP-IB-08-05.)

Inspection of Embassy Tunis, Tunisia (ISP-I-08-03A)

The inspection of Embassy Tunis found the Ambassador and DCM's leadership and policy vision were strong and focused on counterterrorism, political and economic reform, and support for U.S. Middle East policy. Close interagency cooperation made all elements in the mission more effective. The management section staff provided good services to its customers. OIG noted the Foreign Service Institute's (FSI) Tunis Arabic Field School provided quality instruction. Moving the school to the new embassy compound would improve security and administrative support.

The inspection found Embassy Tunis may have more staff than necessary in its substantive and management functions. Staffing adjustments will require careful planning and management to maintain good service levels, particularly in preparation for an expected increase in students at the FSI Arabic Field School by 2012. The inspectors recommended the Embassy conduct a rightsizing review of staffing at the mission.

The Embassy's combined political and economic section was reporting well on significant developments and supporting high-level visits to Tunisia; however, OIG recommended the classified Web site be reviewed and regularly updated. The overall security program was excellent, but the inspectors outlined some specific areas for improvement.

The Middle East Partnership Initiative's (MEPI) regional office in Tunis was supporting programs in seven Mediterranean countries, improving coordination with the U.S. embassy in each country, and actively engaging in public outreach. The inspectors found, however, that despite already tight resources, the public affairs section provided extensive unreimbursed support to MEPI's implementation of programs in Tunisia. The report recommended Embassy Tunis conduct an analysis of staff support that could be conducted by eligible family members and request adequate resources from the initiative to fund that work.

Inspection of Embassy Yerevan, Armenia (ISP-I-08-01A)

OIG inspected Embassy Yerevan and found it effectively carried out U.S. priorities in Armenia as reflected in the Mission Strategic Plan. The Embassy had productive relations with Armenia's leadership, and in 2007, it mounted a successful effort to

persuade Armenian officials and the public to make progress toward meeting international election standards.

Embassy Yerevan leadership managed a complex U.S. assistance program, with one of the highest per capita spending levels in the world. The Embassy had an assistance coordination group, which would have been even more effective with more formal information-sharing mechanisms. OIG informally recommended the Embassy establish thematic working groups to promote discussion among embassy offices and simplify decision making by the embassy-wide assistance coordination group.

The consular section provided good customer service, but consular management needed to implement some workflow improvements to increase efficiency in preparation for the FY 2008 loss of one officer position. OIG recommended realignments in supervisory authorities and streamlining correspondence to improve operations.

Overall, OIG found the management section was providing excellent support to the Embassy. The results of surveys of the section's clientele were extraordinarily positive. Much of the credit was due to the abilities and uniformly high level of expertise of the Armenian staff.

Inspection of Embassy Astana and Embassy Branch Office Almaty, Kazakhstan (ISP-I-08-11A)

OIG's inspection of Embassy Astana found that, one year after a challenging move from Almaty, the Embassy was still functioning in a start-up mode, and there were still rough edges to the operation. OIG noted the policy objective of reorienting U.S. policy in Central Asia, to focus on north-south linkages rather than the historic ties to Russia and Europe, was an uncertain experiment. This change required crossing bureaucratic lines in the Department in terms of programmatic control, policy direction, and regional support.

In terms of number of staff, Embassy Astana should be more rigorous in evaluating relevant functions before requesting or approving increases in American direct-hire employees. OIG reviewed the NSDD-38 process with the Embassy and suggested ways to develop a more comprehensive decision package to identify the real costs underlying any increase in U.S. direct-hire staffing. OIG recommended Embassy Astana follow NSDD-38 guidelines to perform and document a comprehensive analysis of both programmatic and administrative requirements prior to deciding on requests to increase personnel.

Almaty is the cultural, commercial, financial, and transportation center of the country, and the U.S. Government should have a continuing presence in that city. At the time of the inspection, Almaty was the logical center for U.S. Government regional operations in Central Asia. There were persuasive reasons for Almaty to be the location of the regional offices of USAID, the Foreign Commercial Services, and the Centers for Disease Control and Prevention. Potentially, these will be joined by staff from the Drug Enforcement Administration. By agreement with the Congress, Department staffing was capped at five positions in Almaty. OIG recommended the Department propose lifting the cap on staffing.

Geographic isolation and a harsh climate were among the factors that hampered recruitment of American staff for Embassy Astana. The availability of more lucrative employment in the private sector complicated recruitment and retention of LE staff. The U.S. Government was a marginally competitive employer in Kazakhstan. OIG recommended the Embassy review the methodology for performing salary surveys, improve home-to-work transportation for LE staff, and perform a new cost-of-living survey.

Inspection of Embassy Bishkek, Kyrgyzstan (ISP-I-08-14A)

During OIG's inspection of Embassy Bishkek, office space issues dominated all operational considerations. OIG noted construction of a new embassy compound would be the optimal solution, and the proposed construction of an unclassified annex would be only a short-term solution to a longer-term need for additional space. OIG recommended the Department update its 2004 long-range facilities plan to reflect current and future projected staffing needs in Bishkek.

OIG stated future space planning must reflect a coordinated assessment of potential expansion in staff requirements. The number of direct-hire Americans assigned to Embassy Bishkek had grown in a somewhat uncontrolled fashion. At the time of the inspection, the Ambassador had agreed to additional staff for a Millennium Challenge Corporation unit. Beyond those projected additions, OIG recommended further expansion should be put on hold until office space issues had been addressed.

The Manas Air Base, opened in December 2001, supports coalition military operations in Afghanistan. The importance of the base further increased after a similar facility in Uzbekistan was forced to shut down. At present, all U.S. military forces moving in and out of Afghanistan transit through Manas, as does a significant amount of materiel. The presence of the base and the continuation of the conflict in Afghanistan are the essence of Kyrgyzstan's strategic importance to the United States. OIG noted parallel work to improve the mutual understanding between the base command and the Embassy was essential, and recommended Embassy Bishkek work with the Manas Air Base commander to establish a joint working group to meet regularly to discuss matters of common interest.

Inspection of Embassy Dushanbe, Tajikistan (ISP-I-08-17A)

OIG's inspection of Embassy Dushanbe found operations were hampered by frequent turnover of American personnel. At the time of the inspection, 65 percent of the Department direct-hire Americans had been at post for two months or less. At this medium-sized embassy, there was little depth in any of the units or sections. The relative inexperience among the American staff was ameliorated by the Ambassador, DCM, and chiefs of other agencies, who had been at post for more than a year. The LE staff played an ever-more important role in continuity of operations, but not all of them were well-trained to carry out those responsibilities.

Physical separation inherent in the design of the new chancery, primarily because of security requirements, engendered a sense of disenfranchisement among LE staff that previously had interacted more directly with their American supervisors. There was a strong perception of cultural insensitivity by American officers in dealing with local employees. In addition, the LE staff believed Equal Employment Opportunity (EEO) was not working.

The Ambassador's moratorium on approving NSDD-38 requests for additional staff positions for other agencies was well-founded and should continue until the management team is staffed adequately to handle the workload implicit in any such expansion.

Inspection of Embassy Brasilia, Brazil, and Constituent Posts (ISP-I-08-15A)

During its inspection of Embassy Brasilia, OIG found the Ambassador had reinvigorated the important bilateral relationship with Brazil, a regional powerhouse with potential to act as a counterbalance to the populist nationalism promoted by Venezuela. Brazilians welcomed his willingness to travel extensively throughout the country, but embassy section chiefs and heads of other agencies reported the number of initiatives and their lack of understanding of the Ambassador's prioritization had inhibited their ability to meet mandated goals and objectives.

The NIV workload had grown at a pace that far exceeded long-range forecasts. Lengthy wait times for visa appointments had hurt the image of the United States. Brazil's consular operations were seriously under-resourced, and morale had suffered. Additional officer positions had been approved, but even more new officer positions were needed to right-size consular operations. OIG made recommendations to create a deputy NIV chief position for the consular section in Sao Paulo, add an additional six entry-level officer positions for nonimmigrant visa work in Brazil, and fund a commensurate additional increase in LE staff for NIV operations. OIG also recommended the Embassy expand the intake capacity, waiting area, and number of windows in Sao Paulo and install a sophisticated queuing system to allow for electronic verification of appointments and to allow multiple streams of queues in NIV processing. In addition, OIG recommended the Embassy redesign the consular work area in Rio de Janeiro and furnish it to accommodate increased officer and LE staff positions.

Narcotics assistance programs in Brazil had largely been suspended while the mission tightened management controls and oversight. Resuming these important programs will require more verifiable agreements with Brazilian authorities and better information sharing and coordination among the mission's many law enforcement agencies. OIG recommended the Embassy make the heads of its political and narcotics assistance sections members of its law enforcement working group; ensure they are included, as appropriate, in policy deliberations; and distribute minutes of the working group's meetings.

The U.S. Mission to Brazil had approved a number of new American direct-hire positions, primarily for other agencies, but the Ambassador's decision to approve was not based on a complete summary of all costs related to the staffing expansion, nor did the justifications clarify how the responsibilities of these new positions

would differ from similar existing positions already operating within Brazil. OIG left several informal recommendations to address these issues. The mission also did not ensure adequate workspace was available before approving new NSDD-38 positions. OIG recommended Embassy Brasilia cease the approval of additional direct-hire positions until adequate working space has been identified, and review and revise its chancery building plan to ensure that all direct-hire employees have adequate and secure working space.

The performance of Embassy Brasilia's management had been handicapped by lapses in oversight that have resulted in significant management control weaknesses, particularly in the travel program in Brasilia and in contracting and property in Rio de Janeiro. OIG made several recommendations to address these weaknesses.

Limited-Scope Inspection of Embassy Belmopan, Belize (ISP-I-08-13)

OIG conducted a limited-scope inspection of Embassy Belmopan and found the move from Belize City to Belmopan in November 2006 had a detrimental effect on policy operations and morale, particularly that of the LE staff. The inspection noted the need for some form of stationary embassy presence in Belize City, which was still the political, economic, and commercial center of the country and the destination of between 800,000 and one million American tourists each year. OIG recommended the Department seek a Belize Government partner to host an embassy office in Belize City or explore some other arrangement to meet its official needs there.

The apprehension and return of fugitives to the United States, though highly successful, was an unfunded activity that came out of International Cooperative Administrative Support Services resources, with reimbursement only for the last stage of international transportation. The apprehension work overburdened the regional security officer. OIG recommended the Department support Embassy Belmopan's well-justified request to establish an assistant regional security officer position to continue to support this work.

The build-to-lease housing project for Embassy Belmopan must be considered a success. The project went from concept to completion in only 20 months, a period that allowed embassy personnel to occupy the housing at the same time that the new chancery compound became ready for use. The homes were spacious, well-appointed, and situated on a private, well-landscaped compound that provided a

tranquil, suburban-like setting. The security features of the compound provided the occupants in this high-crime post with a comfortable sense of security. However, the build-to-lease program suffered from design and technical problems, limited construction management oversight, high lease costs, and disputes over operation and maintenance expense payments between OBO and the Embassy.

Resource management had benefited significantly from the strong support of the Charleston Global Financial Services Center and especially the Florida Regional Center (FRC), whose frequent visits for training and evaluation had strongly supported financial and human resources management and general services. Because at least 13 key LE staff have left the Embassy due to the move to Belmopan, as well as the difficult commute for those still living in Belize City, the Embassy must call upon the FRC to help provide training for the replacement LE staff.

Limited-Scope Inspection of Consulate General Curacao, Netherlands Antilles (ISP-I-08-16)

OIG's limited-scope inspection of Consulate General Curacao found an active post with wide responsibilities and an important military adjunct. The post managed a difficult national security mission with skill and with full support to other U.S. Government entities. Interagency relationships were excellent.

Consulate General Curacao was not rightsized. Without the addition of LE staff resources to support the reporting functions and consular services, it will not be able to carry out tasks that urgently cry out for attention. Outstanding performance by an overstretched entry-level officer and overtaxed LE staff could not offset this shortcoming. The consulate general offices, while well-equipped, were very cramped. The post lacked adequate space for current personnel and operations, yet must increase staff.

The experiment in restoring NIV services to Consulate General Curacao, which began March 2007, achieved its aims of providing better service to host country nationals and determining the requirements of such service. The Bureau of Consular Affairs was correct in its September 2007 decision to continue the services at a reduced level, because the unexpected surge in applicants had overwhelmed this small post.

As with Embassy Belmopan, resource management at Consulate Curacao had benefited significantly from the support of the Charleston Global Financial Services Center and especially the FRC, whose frequent visits for training and evaluation had

strongly supported financial and human resources management and general services. Given that post was without a management officer for almost an entire year, support visits from the FRC, and especially stints by the FRC regional human resources officer as acting management officer, were critically important to post operations.

Limited-Scope Inspection of Embassy Georgetown, Guyana (ISP-I-08-19)

OIG's limited scope inspection of Embassy Georgetown found mission leadership had organized and orchestrated an operational policy tied generally to Mission Strategic Plan objectives, while specifically and effectively aimed at areas of greatest potential effect. Leadership was strong and visionary, and interagency cooperation was excellent. The embassy had tried to encourage standards and improve performance in an uneven workforce while raising the overall quality of resource management.

The public perception of the United States was good. With limited resources devoted to public affairs, a generally positive treatment in print and broadcast media was gratifying in its regularity, its breadth of coverage, and its attribution to American sources. However, communications and outreach were not well-coordinated and were hampered by a shortage of resources. OIG recommended the Embassy implement a coordinated interagency public diplomacy strategic communication plan and request funding for a new LE staff person to be dedicated full time to public affairs work.

Resource management had benefited significantly from the strong support of the Charleston Global Financial Services Center and especially from the FRC. Their frequent visits for training and evaluation brought about major improvements in financial and human resources management and general services. In human resources management, Embassy Georgetown was hampered by staffing difficulties on the American side, and in local terms by an environment where the labor pool was thin, poorly trained, and poorly motivated. The termination of 28 LE staff over the past two years illustrated the problem. OIG recommended the Embassy develop standard operating procedures by position to facilitate the training of newly hired LE staff and to strengthen the performance of others who, though longer tenured, are still underperforming.

The consular section was staffed by an assortment of Civil Service officers on excursion tours, out-of-cone and entry-level Foreign Service officers, and a consular associate. It was functioning adequately in very difficult circumstances but was helped by its outreach programs. The nonimmigrant visa refusal rate was approximately

two-thirds of all applicants. Aggressive anti-fraud measures were required for the large immigrant visa clientele and for American citizens services work.

Limited-Scope Inspection of Embassy Nassau, The Bahamas (ISP-I-08-22)

OIG's limited-scope inspection of Embassy Nassau found the mission had benefited from widely praised policy leadership, good interagency relations, and excellent resource management, although several problems in personnel management needed attention. It pursued its policy goals in a friendly environment that featured excellent cooperation from the host government.

The mission realistically devoted most of its operational efforts to three of its strategic goals: counternarcotics and crime; assistance to American citizens and travelers; and nurturing the excellent bilateral relationship. In counternarcotics and crime, it had maintained the highly successful tradition of its predecessors. Less visible results attended the latter two goals, but the inspection found both of them to be the beneficiaries of dedicated and energetic professionalism.

The Embassy's heavily law enforcement-oriented mission gave it an unusual imbalance of 37 direct-hire Department employees and 106 full-time representatives of seven other agencies. The post also housed a long-established and very successful antinarcotics command center. The agencies consider themselves well supported.

The Embassy's support infrastructure needed strengthening in information management, and in its ability to respond to growing commercial and investment interest in the Bahamas. OIG recommended an additional local position to support economic and commercial activities, and the establishment of a part-time consular agent. OIG also recommended the Embassy fill two vacant positions.

Developing Global Themes

While OIG conducts inspections and makes recommendations for specific posts or bureaus on a post-by-post basis, the cumulative impact on Department operations is more evident when the results of multiple inspections are viewed as an aggregate. Repeated identification of common problems at multiple embassies may reveal a worldwide weakness. During this reporting period, ISP piloted model limited-scope inspections of small posts in the Caribbean region, including Belmopan, Curacao, Georgetown, and Nassau. The results of those four inspections as well as full-scope inspections of Embassies Algiers, Astana, Bishkek, Brasilia, Dushanbe, Freetown, Monrovia, and Rabat, underlined trends initially noted during earlier inspections. Identifying such trends can help the Department develop systemic solutions to widespread problems, resulting in a more efficient global response. Systemic issues identified by OIG during this reporting period are discussed below.

Transformational Diplomacy

In recent years, several Caribbean basin posts have had to cut their public affairs officer (PAO) positions at the same time that public diplomacy is becoming an increasingly important part of embassy operations requiring professional guidance. While resources are not available to recreate all of the PAO positions that have been cut, a regional position could support multiple posts at a fraction of the cost. Inspectors in Georgetown recommended the establishment of a regional public diplomacy officer position that could support the several Caribbean basin posts that have lost their PAO positions.

The Office of the Director of Foreign Assistance is developing its coordinating role for overseas foreign assistance activities. However, several of the inspections conducted during this reporting period indicate separate USAID and Department entities are supplying redundant assistance programs in a number of countries. These redundancies, while difficult to address on a country-by-country basis, could be resolved by senior decision makers at post and in Washington reviewing both in-country and regional support. In Brasilia, for example, inspectors recommended the Embassy establish a foreign assistance coordinating group to get a mission-wide understanding of the scope of all U.S. assistance to the country. Inspections in Africa and Afghanistan have noted the same lack of clarity on total assistance to a country or region and inspection teams encourage the work of the Office of the Director of Foreign Assistance in leading a global effort to identify sources and amounts of assistance.

Similarly, as functional bureaus continue to support transformational diplomacy by offering grants through embassies, several inspections have identified as a common problem the inadequate training of officers asked to manage grants. Inspectors recommended grants management officers be required to complete the Department's training course on Managing Foreign Assistance Awards (Freetown).

Mission Staffing

As American staff face increased stress and turnover, and as the weaker dollar makes it more difficult to fund local salaries, OIG is seeing worldwide trends that lead to dissatisfaction among an essential human capital element of any embassy – the LE staff. Recommendations during this reporting period that have appeared in earlier inspections include the need to review salary surveys or conduct new reviews to ensure LE staff salaries are comparable to those for local companies (Astana, Bishkek, and Dushanbe); to hire additional LE staff to support economic, political, and commercial work and provide consular support for the peak NIV period (Curacao and Nassau); to review legal obligations to LE staff (Morocco); to improve communication and training, and develop LE staff handbooks (Algiers, Belmopan, Brasilia, Dushanbe, and Georgetown); and to arrange for electronic payment of LE staff salaries (Algiers).

While EEO concerns have become an integral part of Department management, fundamental support for the initiative was lacking in many overseas missions. During this period, inspectors recommended establishing and training EEO counselors at several embassies (Algiers, Bishkek, Dushanbe, and Freetown).

Overseas Facilities

In recent years, OBO has designed and built new embassy compounds providing missions with secure, modern, and expeditiously executed facilities. However, inspection teams have begun to identify common problems, including poorly planned consular waiting spaces, an insufficient number of interview windows, and the need for improved security entrances. Recommendations made to address problems identified during this reporting period have included installing closed-circuit television systems in consular sections to improve oversight by section chiefs (Belmopan and Georgetown); expanding NIV waiting areas and adding additional windows (Belmopan and Brasilia) and improving access controls and secondary escape routes (Astana and Nassau).

Residential property was also found to be a concern. Surprisingly, while the COM and regular staff housing was generally well-managed and maintained, OIG has seen a trend in problems with DCM residences. Recommendations to address these issues included designating an official DCM residence (Dushanbe), relocating the existing residence (Freetown), clarifying escape routes (Astana), and requesting official residence expenses (Dushanbe).

Followup Actions

Visa Mafeasance or Fraud

OIG conducted a joint investigation with the U.S. Department of Labor, Office of Inspector General; the U.S. Department of Homeland Security, Bureau of Immigration and Customs Enforcement (ICE); and DS, of a construction company allegedly committing employment-based visa fraud by filing labor certifications for workers they did not intend to employ. The investigation determined the company filed more than 65 labor certifications for foreign workers, many of which never worked for the company, and paid in excess of \$20,000 for their labor certifications. The president of the construction company pleaded guilty to a one-count criminal information charging him with conspiracy to commit visa/immigration fraud and making false statements. The company president also agreed to an order of forfeiture in the amount of \$250,000.

On September 12, 2007, two co-conspirators were indicted on seven counts relating to the scheme. On November 8, 2007, the company president was sentenced to 21 months of incarceration to be followed by two years of supervised release. On January 23, 2008, the other co-conspirators pleaded guilty to one count each. The company vice president also agreed to a forfeiture order in the amount of \$300,000. These two co-defendants are expected to be sentenced in April 2008. (*See OIG Semi-annual Report, April 1, 2007, to September 30, 2007, pp 61*)

OIG conducted a joint investigation with the U.S. Department of Labor, Office of Inspector General; the U.S. Department of Homeland Security, ICE; and the Internal Revenue Service, Criminal Investigations, of an immigration and tax preparation company allegedly committing employment-based visa fraud. Investigation determined the company fraudulently filed numerous labor certifications for foreign workers on behalf of current and former clients without their knowledge. Both the owner and office manager of the company have pleaded guilty to one-count criminal informations charging them with conspiracy to commit visa/immigration fraud. The company owner also agreed to an order of forfeiture in the amount of \$275,000.

As a result of the investigation, a total of five defendants were convicted of immigration fraud. On February 28, 2008, the owner of the company was sentenced to 27 months of incarceration, two years of supervised probation, and a \$100 special assessment fee. He also turned over a 1991 Mercedes 5500 automobile as collateral for his portion of the court-ordered forfeiture. The office manager was sentenced to ten months of incarceration, two years of supervised released, and will be considered by ICE for deportation. (See *OIG Semiannual Report, April 1, 2007, to September 30, 2007, pp 62*)

Investigators Receive Public Service Award

On April 18, 2008, Assistant Special Agent in Charge (ASAC) Albert Makay received the Law Enforcement Public Service Award from the U.S. Attorney's Office for Eastern District of Virginia in Alexandria. ASAC Makay was presented the award by Assistant Attorney (AUSA), Michael Rich for his outstanding work on a visa and labor certification fraud investigation that resulted in three criminal convictions and more than \$550,000 in asset forfeitures. This was the second occasion on which ASAC Makay has received this award for his outstanding work in conducting visa fraud investigations. In introducing the award, AUSA Rich referred to ASAC Makay and Jim Powell from the Department of Labor OIG, as the "Dream Team" for their outstanding work on visa fraud investigations over the past two years.

Passport Fraud

OIG conducted an investigation of a German national who assumed the identity of a deceased infant to obtain a U.S. passport. When interviewed by OIG, the subject related the story of how she and her German national husband had come to the United States in 1975 to work on a cruise line. She said her ex-husband had obtained the identity documents of two deceased infants of American citizens for them to use. Both she and her ex-husband established American citizenship using the false documents and then obtained U.S. passports.

On August 23, 2007, the subject was indicted on two counts of making false statements on her application for a U.S. passport and application for citizenship. OIG arrested her the same day. On December 7, 2007, the subject pleaded guilty to one

count of the indictment. On February 13, 2008, she was sentenced to time served and had her U.S. citizenship revoked.

As a result of the information provided by the subject, on February 21, 2008, her ex-husband was indicted on five counts of using a passport secured by false means. OIG arrested him the next day. Prosecution of the ex-husband is currently pending. (See OIG Semiannual Report, April 1, 2007, to September 30, 2007, pp 62)

False Claims

OIG conducted a joint investigation with the Department of Housing and Urban Development's OIG into allegations that a Department employee had committed Section 8 rental assistance fraud by underreporting her income, falsifying employment documents, and altering her wage statements to qualify for the housing subsidy. When interviewed, the employee confessed to the allegations and, in addition, admitted also to underreporting her income to receive Food Stamps, Medicaid, and temporary assistance for needy families. On November 9, 2006, the employee's security clearance was suspended. The employee notified the Bureau of Human Resources of her intent to resign from the Department effective December 1, 2006.

The subject accepted a plea agreement to two counts, including false claims and fraud in obtaining public assistance. On September 18, 2007, the subject was sentenced to 36 months of probation on each charge, was ordered to repay \$50,384 in restitution to the District of Columbia, and was disqualified from receiving public assistance benefits for a period of six months. (See OIG Semiannual Report, October 1, 2006, to March 31, 2007, pp 44)

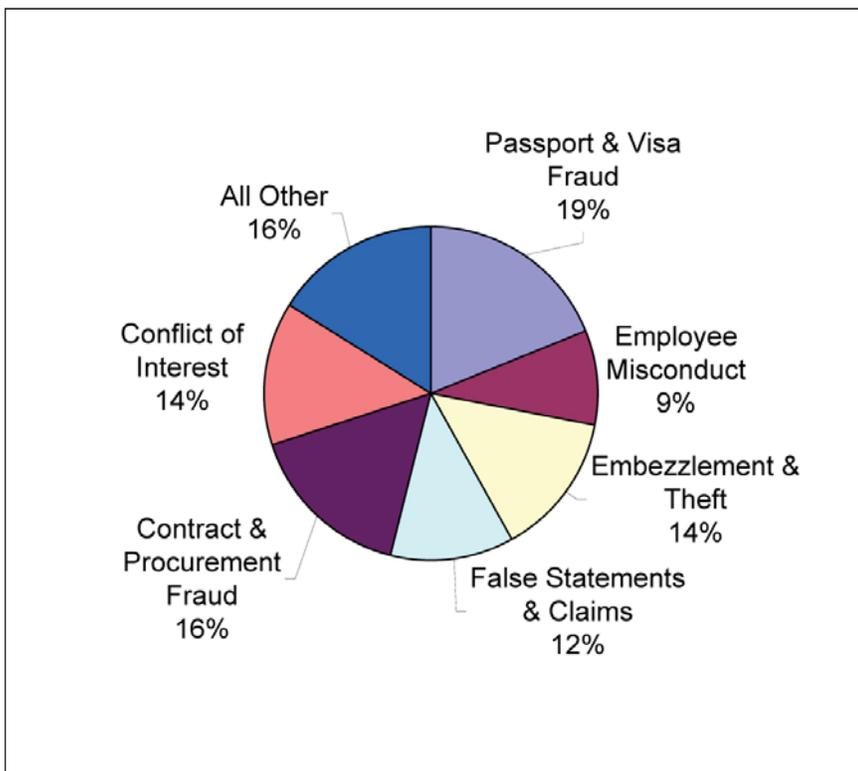
Metrochek Benefit Fraud

OIG conducted separate investigations of two Department employees who committed transit subsidy fraud.

The first investigation was opened after OIG was notified by an agent from GAO that a Department employee was selling on the Craigslist Website Metrocheks that were issued to her by the Department for commuting purposes. Agents from both OIG and GAO met the employee on a street corner in Washington and purchased \$210 worth of Metrocheks from her for \$160. The employee was interviewed and

stated she was unaware she could not sell the Metrocheks and said she considered them to be a government perk. The case was declined for criminal prosecution, and OIG referred the matter to the Bureau of Human Resources (HR) for consideration of disciplinary action. HR originally proposed termination of the employee, but on January 2, 2008, HR notified OIG the termination had been reduced to a 30-day suspension.

The second investigation was based on a referral from the Library of Congress OIG that a Department employee was selling, on eBay's website, Metrocheks issued for commuting. The employee was interviewed and stated he was unfamiliar with the rules of the Metrochek program, even though he had signed a certification every time he accepted Metrocheks from the Department stating he would not transfer them. This case was declined for criminal prosecution, and OIG referred the matter to HR for disciplinary action. On October 10, 2007, the HR proposed termination of the employee, but the employee transferred to another agency before final action was taken.



* = May not equal 100% due to rounding.

Hotline

Held for action within OIG	45
Referral to other offices for action	131
No action necessary	81
Total allegations received	257

Criminal Investigative Activities

Indictments/Informations	2
Convictions	6
Sentencings	8
-Jail	49 Months
-Probation	264 Months
Referrals for Prosecution	6
Referrals for Prosecution Declined	7
Criminal Judgments/Restitutions	\$625,484.00

Civil Investigative Activities

Civil Referrals	0
Civil Declinations	0
Civil Recoveries	0

Administrative Investigative Activities

Administrative Referrals	4
Personnel Actions	
-Removals	2
-Suspensions	0
-Reprimands/Admonishments	0
-Reimbursements	0
Administrative Recoveries	0
Total Investigative Recoveries (Judicial and Administrative)	\$625,484.00

Investigative Workload

Cases Pending (09/31/07)	51
New Cases Opened	15
Cases Closed	14
Cases Pending (3/31/08)	52
Preliminary Inquiries Pending (09/30/07)	3
Preliminary Inquiries Opened	12
Preliminary Inquiries Closed	8
Preliminary Inquiries Converted to Cases	1
Preliminary Inquiries Pending (03/31/08)	7

AUD/CG-08-01	Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by National Council for International Visitors
AUD/CG-08-02	Independent Accountants' Report on the Application of Agreed-Upon Procedures on Costs Claimed by Young Men's Christian Association of Greater New York Under Department of State Grants
AUD/CG-08-08	Independent Accountants Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by America-Mideast Educational and Training Services, Inc.
AUD/CG-08-10	Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by NAFSA: Association of International Educators
AUD/CG-08-11	Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by Sister Cities International, Inc.
AUD/CG-08-13	Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by International Center for Journalists, Inc.
AUD/CG-08-14	Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by the Institute for Training and Development
AUD/CG-08-15	Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by United States Conference of Catholic Bishops
AUD/CG-08-16	Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by the International Rescue Committee, Inc.
AUD/CG-08-20	Independent Accountants' Report on the Application of Agreed-Upon Procedures on the Financial Capability of International Arts and Artists, Inc.
AUD/FM-08-03	Independent Auditor's Report on the Department of State's Special-Purpose Financial Statements
AUD/FM-08-05	Independent Auditor's Report on the Department of State's 2007 and 2006 Financial Statements
AUD/IP-08-19	Safeguarding Domestic Passport Applications During Transit

AUD/PP-08-17	Attestation Review of Annual Accounting of Drug Control Funds and Performance Summary by the Department of State for FY 2007
AUD/SI-08-21	Concern With the Department's Replacement of Body Armor
ISP-C-08-08	Compliance Follow-up Review of the U.S. Mission to International Organizations in Vienna
ISP-I-08-01A	Inspection of Embassy Yerevan, Armenia
ISP-I-08-02A	Inspection of Embassy Algiers, Algeria
ISP-I-08-03A	Inspection of Embassy Tunis, Tunisia
ISP-I-08-04A	Inspection of Embassy Rabat and Consulate General Casablanca, Morocco
ISP-I-08-09	Inspection of Rule-of-Law Programs in Afghanistan
ISP-I-08-11A	Inspection of Embassy Astana and Embassy Branch Office Almaty, Kazakhstan
ISP-I-08-13	Inspection of Embassy Belmopan, Belize
ISP-I-08-14A	Inspection of Embassy Bishkek, Kyrgyzstan
ISP-I-08-15A	Inspection of Embassy Brasilia, Brazil, and Constituent Posts
ISP-I-08-16	Limited-Scope Inspection of Consulate General Curacao, Netherlands Antilles
ISP-I-08-17A	Inspection of Embassy Dushanbe, Tajikistan
ISP-I-08-18A	Inspection of Embassy Freetown, Sierra Leone
ISP-I-08-19	Limited-Scope Inspection of Embassy Georgetown, Guyana
ISP-I-08-20A	Inspection of Embassy Monrovia, Liberia
ISP-I-08-22	Limited-Scope Inspection of Embassy Nassau, Bahamas

ISP-I-08-23	Review of the Office of the Global AIDS Coordinator
ISP-IQO-08-24	Assessment of the State of Emergency Planning at Embassy Baghdad and Embassy Kabul
ISP-S-08-01A	Classified Annex to the Inspection of Embassy Yerevan, Armenia
ISP-S-08-02A	Classified Annex to the Inspection of Embassy Algiers, Algeria
ISP-S-08-03A	Classified Annex to the Inspection of Embassy Tunis, Tunisia
ISP-S-08-04A	Classified Annex to the Inspection of Rabat and Consulate General Casablanca, Morocco
ISP-S-08-11A	Classified Annex to the Inspection of Embassy Astana and Branch Office Almaty, Kazakhstan
ISP-S-08-14A	Classified Annex to the Inspection of Embassy Bishkek, Kyrgyzstan
ISP-S-08-15A	Classified Annex to the Inspection of Embassy Brasilia, Brazil, and Constituent Posts
ISP-S-08-17A	Classified Annex to the Inspection of Embassy Dushanbe, Tajikistan
ISP-S-08-18A	Classified Annex to the Inspection of Embassy Freetown, Sierra Leone
ISP-S-08-20A	Classified Annex to the Inspection of Embassy Monrovia, Liberia
SIA-08-01	Review of the Department of State's Terrorist Watch List Nomination Process
SIA-08-02	Review of the Department's Terrorist Watch List Nomination (Visas Viper) Process
SIA-08-03	Review of Department of State Headquarters Cable Drafting and Distribution Process

Table 1
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH QUESTIONED COSTS

	Type of Report	Number of Reports	Question Costs (Dollars in Thousands)	Unsupported Costs (Dollars in Thousands)
A.	For which no management decision has been made by the commencement of the reporting period	11	\$41,387	\$28,088
B.	Which were issued during the reporting period	3	\$122	\$116
	Subtotals (A + B)	14	\$41,509	\$28,204
C.	For which a management decision was made during the reporting period based on formal administrative or judicial appeal	3	\$688	
	(i) dollar value of disallowed costs		\$91	
	(ii) dollar value of costs not disallowed		\$597	
D.	For which no management decision has been made by the end of the reporting period	11	\$40,820	\$28,204
	Reports for which no management decision was made within six months of issuance	3	\$6,538	\$664

Table 2
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH RECOMMENDATIONS THAT FUNDS
BE PUT TO BETTER USE

Type of Report	Number of Reports	Dollar Value (in Thousands)
A. For which no management decision has been made by the commencement of the reporting period	1	\$1,986
B. Which were issued during the reporting period	1	\$16,000
Subtotals (A + B)	2	\$17,986
C. For which a management decision was made during the reporting period	2	\$17,986
(i) dollar value of recommendations that were agreed to by management		\$16,397
(ii) dollar value of recommendations that were not agreed to by management		\$1,589
D. For which no management decision has been made by the end of the reporting period	0	\$0
Reports for which no management decision was made within six months of issuance	0	\$0

Previously Reported Significant Recommendations Pending Final Action

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
SIO-A-02-55		<i>Memorandum Report Special Review of Main State Security</i>	9/02
	2	OIG recommended the Department install interior hard lines that provide 15 minute forced-entry, ballistic-resistant protection at every Main State lobby. These hard lines should be supplemented with 15-minute forced-entry, ballistic-resistance guard booths to ensure all passage through the hard line is controlled.	
AUD/FM-05-06		<i>Assessment of the Certification and Accreditation, Change Management, and Patch Management Process</i>	11/04
	1	OIG recommended the Bureau of Information Resource Management revise the security test and evaluation of the certification and accreditation process to include a complete vulnerability scan of the systems being assessed.	
AUD/CG-06-26		<i>Independent Accountants' Report Agreed-Upon Procedures on Choctaw Archiving Enterprise's Proposed Direct Labor and Indirect Labor Rates and Accounting System</i>	5/06
	1	OIG recommended the Bureau of Administration, Office of Logistics Management, Office of Acquisitions, use the recommended rates set forth in Schedule A-2 to price delivery orders that Choctaw will perform under the proposed contract.	
IT-I-06-03		<i>Review of the Information Security Program at the Department of State</i>	10/06
	1	OIG recommended the Chief Information Officer verify information security roles and responsibilities for the Department are clearly defined, to include at a minimum, compliance with the Federal Information Security Management Act (FISMA).	
	2	OIG recommended the Chief Information Officer develop and implement an agency-wide information security program plan based upon and supported by clearly defined information security roles and responsibilities.	

- 3 OIG recommended the Chief Information Officer verify that all information technology assets for the Department are reported and accounted for within a comprehensive inventory process.
- 4 OIG recommended the Chief Information Officer implement parameters (as defined in the Federal Information Security Management Act) to be used for identifying all contractor systems to be included in the Department's inventory.
- 6 OIG recommended the Chief Information Officer establish a comprehensive plan for the Information Systems Security Officer program that includes consistent prioritization of duties and training.
- 7 OIG recommended the Chief Information Officer develop a process for determining an accurate total number of Department employees for all employees required to take information security awareness training.
- 9 OIG recommended the Chief Information Officer revise policies to ensure that information technology security findings and recommendations from external and internal reviews are being addressed in the plans of action and milestones process.

AUD/IQO-07-20

Review of DynCorp International, LLC, Contract Number S-LMAQM-04-C-0030, Task Order 0338, for the Iraqi Police Training Program Support (Joint audit with the Special Inspector General for Iraq Reconstruction)

1/07

- 1 OIG recommended the Bureau of International Narcotics and Law Enforcement Affairs (INL) present a plan to the U.S. Ambassador to Iraq for review and approval on the use of residential camp to house police trainers, as originally intended, or make arrangements to dispose of the camp. Because of the lengthy consideration already given to deciding what to do with the trailers, this action should be taken within the next 60 days.
- 2 OIG recommended the Office of Acquisitions Management seek reimbursement from DynCorp of the improperly authorized payment of \$4.2 million that represents contractually unauthorized work directed by the Iraqi Ministry of Interior. This work included the relocation of the residential camp, the manufacture of additional VIP trailers, and the construction of an Olympic-size swimming pool.

AUD/SI-07-27

Audit of Emergency Preparedness at the Washington Metropolitan Facilities of the Department of State

3/07

- 2 OIG recommended the Bureau of Administration ensure the Office of Emergency Management's Planning and Preparedness Division has sufficient staffing to finalize 6 FAM 400, Office of Emergency Management Program, and the proposed 6 FAH-1 H-100, Domestic Emergency Handbook, and ensure the emergency preparedness policies and procedures contained in these manuals are implemented and enforced in a timely manner.

	3	OIG recommended the Secretary's Office of the Coordinator for Counterterrorism dedicate sufficient staff to finalize the National Incident Management System and to correct the inaccuracies in the National Response Plan, and submit the information to the Department of Homeland Security (DHS) in a timely manner.	
AUD/CG-07-25		<i>Review of the Institute of International Education's Indirect Cost Rates for Fiscal Years 2002-05</i>	4/07
	1	OIG recommended the Bureau of Educational and Cultural Affairs grants officer require the Institute of International Education to consistently account for severance pay for FYs 2002-05 as indirect or direct costs, identify overpayments of severance and other benefits related to the severance pay, reimburse the Department for unallowable severance pay and benefits, reduce the fringe benefits pool by the overpayments, and recompute the fringe benefits pool for allocation to the other cost pools.	
	2	OIG recommended the Bureau of Educational and Cultural Affairs grants officer require the Institute of International Education to reimburse the Department for bond and loan interest, personal living, and other indirect costs classified as unallowable; reduce the indirect cost pools by the unallowable costs; and recompute the indirect cost rates in the appropriate pools.	
AUD/CG-07-29		<i>Independent Accountants' Report on the Application of Agreed-Upon Procedures on Costs Claimed by Atlantic Corridor U.S.A., Inc., Under Department of State Grants</i>	6/07
	1	OIG recommended the Bureau of Educational and Cultural Affairs require Atlantic Corridor to refund the Department the \$226,705 in excess drawdowns related to Department grants and prohibit any future drawdowns until the funds are repaid and the grantee has established controls limiting any future requests of grant funds to the minimum amount necessary to cover allowable costs.	
	2	OIG recommended the Bureau of Educational and Cultural Affairs require Atlantic Corridor to refund the Department for \$45,361 of unallowable costs related to the grants and to provide information so that the Department can make an appropriate determination on the unsupported costs of \$97,388.	
AUD/IP-07-47		<i>Return-to-Work: An Important Program for the Department of State to Implement</i>	8/07
	1	OIG recommended the Bureau of Human Resources develop and implement a return-to-work program for workers' compensation beneficiaries considering the best proactive elements discussed in this report.	

AUD/CG-07-37	<i>Independent Accountants' Report on the Application of Agreed-Upon Procedures on Costs Claimed by Meridian International Center Under Department of State Cooperative Agreements</i>	9/07
	<ol style="list-style-type: none"> 1 OIG recommended the Bureau of Educational and Cultural Affairs (1) determine whether the Center's use of the forgone opportunity costs concerning the Center's conference facilities constitutes an appropriate cost-share amount under the cooperative agreement, and (2) following this determination, as appropriate, require the Center to provide supporting documentation for the claimed cost-share amounts or an alternative cost-sharing proposal. 	
AUD/IQO-07-48	<i>Accounting for Government-Owned Personal Property Held by Selected Contractors in Afghanistan</i>	9/07
	<ol style="list-style-type: none"> 1 OIG recommended the Department develop and implement policies and procedures to achieve compliance with Federal Acquisition Regulation requirements for reviewing a contractor's property control system. 2 OIG recommended the Department take actions to address the \$2.9 million in unallowable costs identified in this report, including reconciling contract requirements to the property acquired and invoiced by the contractors for which they were reimbursed and determine whether property in excess of amounts specified in the contract or task order was required to accomplish contract objectives; documenting the reconciliation and determination, use them as the basis for approving the costs of any excess property deemed allowable, and issue a modification to the task order indicating the approval; and resolving any unallowable costs associated with property that was determined to be unnecessary to the accomplishment of contract objectives. 3 OIG recommended the Department take the following steps to address the \$25.5 million in unsupported costs identified in this report: reconcile the property acquired and invoiced by the contractors for which they were reimbursed to the contractor's property lists by obtaining and reviewing contractor documentation detailing the types and quantities of property acquired; determine whether the property was needed and consistent with contract requirements; and resolve any unsupported allowable costs associated with property that could not be supported with adequate documentation or was determined to be unnecessary to the accomplishment of contract objectives. 4 OIG recommended the Department develop and implement a process for reviewing the capitalized asset reports submitted by contractors to verify that reports are received for all contracts with contractor-held property and reconciling, at least annually, the capitalized asset reports submitted by contractors to the contractors' property lists to verify that the capitalized asset reports are complete and accurate. 	

- 5 OIG recommended the Department evaluate its current structure for monitoring government property held by contractors, assess the benefits of creating a property administrator function, and use this evaluation to clearly define the authority and responsibility for property oversight for each member of its contract administration team.
- 6 OIG recommended the Department develop and implement policies and procedures for monitoring government property held by contractors.

Previously Reported Significant Inspections Recommendations Pending Final Action

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
ISP-C-07-04		<i>Compliance Follow-up Review of the Inspection of the USIBWC</i>	10/06
	1	OIG recommended the Bureau of Western Hemisphere Affairs, in coordination with the Bureau of Legislative Affairs, the Office of the Legal Adviser, and the Bureau of Human Resources, seek legislation making the U.S. Section of the International Boundary and Water Commission an entity of the Department of State.	
ISP-I-07-12		<i>Inspection of the Bureau of Administration's Office of the Procurement Executive, Office of Acquisitions Management and Office of Small and Disadvantaged Business Utilization</i>	12/06
	5	OIG recommended the Bureau of Administration, in coordination with the Bureau of Diplomatic Security, establish a plan to progressively consolidate local guard contracting in the Office of Acquisitions Management.	
ISP-I-07-16		<i>Inspection of the Bureau of Human Resources (Phase I)</i>	5/07
	33	The Bureau of Human Resources should, in coordination with the Bureau of Resource Management, establish a global savings mechanism to supplement the locally employed staff's retirement plan. (Action: HR, in coordination with RM)	
ISP-I-07-21		<i>Inspection of the Bureau of Administration, Office of Logistics Operations and Office of Program Management and Policy</i>	5/07

- 10 OIG recommended the Bureau of Resource Management, in coordination with the Bureau of Administration, establish procedures in the Foreign Affairs Manual to require that all bureau and office heads, and chiefs of mission assure in their management controls certifications that an inventory was conducted and reconciled with property records and that the results were submitted.

- 13 OIG recommended the Bureau of Administration revise regulations to eliminate the criteria allowing the authorization of adjustments when shortages total less than one percent of the stated inventory value and, when a shortage exists, instead require all domestic and overseas entities to submit either the applicable Property Survey Report or Property Disposal Authorization and Survey Report with the inventory certification.

- 20 OIG recommended the Bureau of Administration mandate a policy and procedures for using purchase cards for all micropurchases and designate the exceptions where doing so is not feasible.

- 22 OIG recommended the Bureau of Resource Management, in coordination with the Bureau of Administration, establish and implement a system to pay the U.S. Postal Service and bill and collect reimbursement from other agencies for postal service provided to posts being converted to Department-managed postal operations.

- 27 OIG recommended the Bureau of Human Resources, in coordination with the Bureau of Administration, establish a logistics management function skill code and a logistics certification program for logistics professionals worldwide.

Revised Management Decisions

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
ISP-I-07-16		<i>Inspection of the Bureau of Human Resources (Phase I)</i>	5/07
	13	The Bureau of Human Resources, in coordination with the Foreign Service Institute, should establish an Executive Advisory Board to provide oversight of the Career Entry Program and include representatives from the Office of Civil Service Personnel Management (HR/CSP); Office of Recruitment, Examination and Employment (HR/REE); Foreign Service Institute (FSI); and an individual from outside the Department. (Action: HR, in coordination with FSI)	

HR stated its general concurrence but rejected that part of the recommendation calling for inclusion on the proposed board of a member from outside the Department. It preferred substitution of a member from outside of the bureau, but within the Department. OIG, in its initial review, asked for HR's rationale for its position. The bureau did not respond to the request, which OIG repeated in a subsequent correspondence. HR submitted a draft charter for the recommended advisory board in its most recent response but the charter does not address this aspect of the recommendation, nor does it mention representation from the Office of Recruitment, Examination and Employment or the Foreign Service Institute, as recommended.

OIG continues to believe an effective career entry advisory board should include not only HR/CSP and representatives from geographic and functional bureaus as proposed by HR, but representation specifically from HR/REE, from FSI, and from outside the Department. OIG asked HR to confirm that the proposed board will include HR/REE and FSI, and provide an explanation for its rejection of the inclusion of a member from outside the Department. Pending resolution of these questions, OIG returned the recommendation to unresolved status.

- 34 The Bureau of Human Resources, in coordination with the Bureau of Administration, should review long-term alternatives to the two bureaus' current division of responsibilities for post assignment travel. (Action: HR, in coordination with A)

HR originally reported it had scheduled a meeting in September 2007 of several concerned offices to discuss the possibility of a "one stop shopping" concept for the travel process. The group was to develop recommendations for the Director General and, if warranted, for the Under Secretary for Management. On the basis of that assurance, OIG moved the recommendation to its Resolved/Open category. The bureau's latest response stated only that the recommendation was still under consideration. OIG restored the recommendation to unresolved status based on the evident lack of progress on the part of HR.

Significant Management Success In Resolving and Implementing Recommendations

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
ISP-I-05-20A		<i>Inspection of Embassy Bandar Seri Begawan, Brunei</i>	6/05
	2	<p>In the inspection of Embassy Bandar Seri Begawan, Brunei, OIG recommended the Bureau of East Asian and Pacific Affairs (EAP), in coordination with CA, transfer the nonimmigrant visa (NIV) processing function from Embassy Bandar Seri Begawan to Embassy Singapore.</p> <p>The Embassy, EAP, and CA all opposed the shifting of the NIV function from Brunei to Singapore, arguing that resource savings would not be significant, given that the involved personnel have other functions and could not, in any case be spared. This was supported by findings of the Department's rightsizing exercise for the post. The post, CA, and EAP all held that the NIV function served as an important link between interested Brunei Government offices and the Embassy, and that requiring NIV applicants not qualifying for Brunei visa waivers to apply at Singapore would be unnecessarily burdensome. The Embassy reported that it had assigned its DCM, who had extensive consular experience, to oversee its NIV operations.</p> <p>OIG agreed to retention of the NIV function in Brunei after consultation with CA, under the condition that Brunei NIV applications be vetted with Embassy Manila's visa fraud unit and the Department of Homeland Security's Visa Security Unit. All parties agreed to this. A memorandum of understanding has been established between Embassy Bandar Seri Begawan and Embassy Manila that provides for fraud and security reviews in Manila of NIVs issued by Embassy Bandar Seri Begawan. OIG considered this resolution as acceptable alternative compliance with the recommendation and closed it.</p>	

Summary of Audit Reports Without Management Decision for More Than Six Months

Report Number: 00-FM-011

Subject: Audit of Operations and Expenditures for Emergencies in the Diplomatic and Consular Services

Date Issued: March 31, 2000

Reason for not being resolved: In a December 12, 2007, memorandum, the Bureau for Resource Management (RM) stated the program is administered

differently than it was when the audit report was issued more than seven years ago. RM suggested a follow-up audit and indicated it considers action complete on all open recommendations.

Projected date of resolution: September 2008

Report Number: 01-FMA-R-078

Subject: Information Technology Vulnerability Assessment at the Charleston Financial Service Center

Date Issued: September 11, 2001

Reason for not being resolved: The Department responded to OIG recommendations 1-12 in a September 28, 2005, memorandum. As a result of that memorandum, a number of the recommendations were closed. However, the Department has never addressed recommendations 13-15, and they remain unresolved.

Projected date of resolution: September 2008

Report Number: AUD/CG-05-26

Subject: Review of Selected Grants Awarded to Institute for the Study and Development of Legal Systems

Date Issued: October 18, 2005

Reason for not being resolved: In an August 25, 2006, e-mail to OIG, the Bureau of Educational and Cultural Affairs (ECA) stated it lacked a sufficient number of grants officers to address the report's recommendation and would not be able to address it until October 2006. On January 24 and March 4, 2008, OIG sent memoranda to ECA requesting a response to the referenced recommendation within 15 days. ECA had not responded to the recommendation as of March 2008.

Projected date of resolution: September 2008

Report Number: AUD/CG-06-02

Subject: Application of Agreed-Upon Procedures to George Mason University Awards

Date Issued: February 24, 2006

Reason for not being resolved: In an August 25, 2006, e-mail to OIG, ECA stated it lacked a sufficient number of grants officers to address the report's recommendation and would not be able to address it until October 2006. On January 24 and March 4, 2008, OIG sent memoranda to ECA requesting a response to the referenced recommendation within 15 days. ECA had not responded to the recommendation as of March 2008.

Projected date of resolution: September 2008

Report Number: AUD/CG-06-34

Subject: Agreed-Upon Procedures on Direct Labor and Indirect Expense Rates Proposed by Integrated Communications Solutions, Inc.

Date Issued: August 14, 2006

Reason for not being resolved: In an August 25, 2006, e-mail to OIG, ECA stated that it lacked a sufficient number of grants officers to address the report's recommendation and would not be able to address it until a later date. On January 24 and March 4, 2008, OIG sent memoranda to ECA requesting a response to the referenced recommendation within 15 days. ECA had not responded to the recommendation as of March 2008.

Projected date of resolution: September 2008

Report Number: AUD/CG-07-31

Subject: Independent Accountants' Report on the Application of Agreed-Upon Procedures on the Indirect Cost Rates Proposed by International Research and Exchange Board

Date Issued: June 1, 2007

Reason for not being resolved: In an August 13, 2007, memorandum to OIG, the Bureau of Administration (A) stated a willingness to resolve the audit recommendation. However, the memorandum stated A could not do so until it issued negotiated indirect cost rate agreement (NICRA) rates for the International Research and Exchange Board for FYs 2001-03.

Projected date of resolution: December 2008

Report Number: AUD/FM-06-39

Subject: Internal Controls Related to Travel Advances

Date Issued: September 29, 2006

Reason for not being resolved: The Department has never responded to OIG's recommendations.

Projected date of resolution: September 2008

Report Number: AUD/FM-07-28

Subject: Internal Procurement Practices at Embassy Berlin

Date Issued: July 12, 2007

Reason for not being resolved: Embassy Berlin responded to OIG's recommendations in a January 2008 cable. OIG will analyze the response and work with Embassy Berlin to resolve the recommendations.

Projected date of resolution: May 2008

Report Number: AUD/IQO-07-20

Subject: Review of DynCorp International, L.L.C, Contract Number S-LMAQM-04-C-0030, Task Order 0338, for the Iraqi Police Training Program Support

Date Issued: January 30, 2007

Reason for not being resolved: The Department disagrees with OIG on recommendation 6 and said it plans to take no additional action on it. OIG asked for further action in a February 5, 2008, memorandum to the Bureau for International Narcotics and Law Enforcement.

Projected date of resolution: September 2008

AUD/CG-08-01	<p>Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by National Council for International Visitors</p> <ul style="list-style-type: none"> • Regis & Associates, PC • Indirect Cost Rate Review
AUD/CG-08-02	<p>Independent Accountants' Report on the Application of Agreed-Upon Procedures on Costs Claimed by Young Men's Christian Association of Greater New York Under Department of State Grants Rates Proposed by National Council for International Visitors</p> <ul style="list-style-type: none"> • L.F. Harris & Associates, CPA, P.A. • Incurred Cost Review
AUD/CG-08-08	<p>Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by America-Mideast Educational and Training Services</p> <ul style="list-style-type: none"> • Regis & Associates, PC • Indirect Cost Rate Review
AUD/CG-08-10	<p>Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by NAFSA: Association of International Educators</p> <ul style="list-style-type: none"> • Regis & Associates, PC • Indirect Cost Rate Review
AUD/CG-08-11	<p>Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by Sister Cities International, Inc.</p> <ul style="list-style-type: none"> • Regis & Associates, PC • Indirect Cost Rate Review

AUD/CG-08-13	<p>Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by International Center for Journalists, Inc.</p> <ul style="list-style-type: none"> • Leonard G. Birnbaum and Company, LLP • Indirect Cost Rate Review
AUD/CG-08-14	<p>Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by the Institute for Training and Development</p> <ul style="list-style-type: none"> • Leonard G. Birnbaum and Company, LLP • Indirect Cost Rate Review
AUD/CG-08-15	<p>Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by United States Conference of Catholic Bishops</p> <ul style="list-style-type: none"> • Regis & Associates, PC • Indirect Cost Rate Review
AUD/CG-08-16	<p>Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by the International Rescue Committee</p> <ul style="list-style-type: none"> • Leonard G. Birnbaum and Company, LLP • Indirect Cost Rate Review
AUD/CG-08-20	<p>Independent Accountants' Report on the Application of Agreed-Upon Procedures on the Financial Capability of International Arts and Artists, Inc.</p> <ul style="list-style-type: none"> • Leonard G. Birnbaum and Company, LLP • Financial Capability Review
AUD/FM-08-03	<p>Independent Auditor's Report on the Department of State's Special-Purpose Financial Statements</p> <ul style="list-style-type: none"> • Leonard G. Birnbaum and Company, LLP • Financial Audit
AUD/FM-08-05	<p>Independent Auditor's Report on the Department of State's 2007 and 2006 Financial Statements</p> <ul style="list-style-type: none"> • Leonard G. Birnbaum and Company, LLP • Financial Audit

OIG provided the following to the Department for inclusion in its Performance and Accountability Report for FY 2007.

FY 2007 Management and Performance Challenges

The *Reports Consolidation Act of 2000* requires that the Department's *Performance and Accountability Report* include a statement by the Inspector General that summarizes the most serious management and performance challenges facing the Department and briefly assesses the progress in addressing those challenges. The Office of Inspector General (OIG) considers the most serious management and performance challenges for the Department to be in the following areas:

- Protection of People and Facilities
 - Information Security
 - Financial Management
 - Human Resources
 - Counterterrorism and Border Security
 - Public Diplomacy
 - Post-Conflict Reconstruction and Stabilization
-

Protection of People and Facilities

Making its people, facilities, and information more secure continues to be one of the Department's highest priorities and greatest challenges. In FY 2007, the Department had success in addressing security vulnerabilities at a number of overseas posts through its new construction and security upgrade programs. However, the Department remains challenged to identify and fund interim solutions to address security vulnerabilities at facilities awaiting long-term new construction or the completion of major security upgrades. Additionally, as the number of American Presence Posts increases, the Department will need funding to complete required security upgrades for these facilities.

The Department has continued to make progress in strengthening its domestic protection program during FY 2007, especially through its emergency preparedness program. As stated in the FY 2006 letter, the Department has strengthened its domestic emergency program through more frequent emergency drills, employee forums, and by providing proactive guidance to improve employee preparedness at work and home. In FY 2007, the Department opened a new Domestic Emergency Command Center to handle emergencies such as Hurricane Katrina and other events that threaten the safety of the people working at State Department facilities. Additionally, the Department implemented a new Warden Program. These wardens have been trained to assist employees in evacuating a building or to direct the employees to designated shelter-in-place areas or assembly points. While the Department has made significant progress in its domestic emergency program, more still needs to be done. The Department needs to continue the work it has started in developing new Facility Emergency Action Plans (FEAP) for all Washington area facilities. The Department also needs to finalize the development and implementation of domestic emergency policies and procedures.

Information Security

The Department continues to make progress in strengthening its information security programs and practices, while realizing that more must be done to effectively administer and manage its information security programs per statutory requirements. Improvements have been made by the Department in its governance structures for information security over the last year with the creation of the Information Security Steering Committee, which has helped resolve differences between components involved in the information security process. Training and awareness, contingency planning, and incident response are among the strongest and most mature areas in terms of operational development within the Department. There has been high level support from the Secretary and Under Secretary for Management for the protection of privacy information with positive steps, such as the creation of the Privacy Protection Governance Board, already completed.

There are several areas that require additional attention from the Department in order to ensure an overall effective information security program. There is an ad hoc nature to the Department's program with operational elements stronger than the program planning elements. For example, the information security program plan for the Department, submitted to the Office of Management and Budget in late August, does not fully meet statutory requirements. Further, the Department's inventory management policy does not address roles and responsibilities for overall inventory

management nor does it establish accountability for the maintenance of accurate inventory records. The Federal Enterprise Architecture, System Development Life Cycle, and Capital Planning and Investment Control processes are not integrated within the Department and, as a result, the ability to address information security through the planning process is hampered. Finally, the Office of Information Programs and Services' ability to implement privacy requirements has been limited due to insufficient funding to support a multitude of new tasks.

Given the increasing use and reliance on cellular telephones (both official and non-official) in the work place domestically, the Department is also faced with reevaluating its existing, but relatively unenforced, restrictive policies. The Department's challenge is balancing users' perceived needs against known threats and the cellular telephone's potential for being exploited as a means to clandestinely access sensitive or classified information.

Financial Management

Financial management continues to be a major challenge within the Department. During FY 2006, the Department became aware of potentially material amounts of real property that had not been properly reported in its financial statements. Because of the effort to address the real property issue, the Department was unable to provide complete financial statements or certain evidential material in a timely manner. Therefore, the independent external auditor was unable to express an opinion on the Department's financial statements by the November 15, 2006, deadline imposed by the Office of Management and Budget.

The Department thereafter completed its work on real property and restated the FY 2005 financial statements to correct the errors. The Department also restated its FY 2006 financial statements to correct an error related to funds provided to another agency. The Department provided completed financial statements and supporting documentation to the independent external auditor, who issued an unqualified opinion on the financial statements on December 12, 2006.

In its findings, the independent external auditor identified a weakness related to real property, and again noted concerns that had been identified in prior reports relating to the recording of personal property and related depreciation expenses, information systems security, the adequacy of the financial and accounting systems, management of undelivered orders, and the lack of a managerial cost accounting system. The independent external auditor also again noted that the Department continues to have difficulty producing year-end financial data in a timely manner.

During FY 2007, the Department has taken steps to address some of these weaknesses. For example, the Department developed detailed guidance to ensure construction costs are properly capitalized, and implemented processes to monitor both project establishment and completion. The Department also created a committee to address weaknesses related to personal property. This committee has implemented improvements in the methods used to identify and report vehicle costs, aircraft, and property held by contractors. For computer security, the Department has made progress in its certification and accreditation processes, and is working to develop an accurate inventory of systems, address new security requirements, and improve patch management. The Department has also implemented a new domestic financial and accounting system, and is automatically deobligating certain undelivered orders. In addition, the Department is working to implement a managerial cost accounting system.

Human Resources

The Director General of the Foreign Service (DG) and the Bureau of Human Resources (HR) face significant challenges in implementing the Secretary of State's vision of transformational diplomacy and ensuring the availability of a dynamic diplomatic corps that has a broad range of knowledge, skills, and capabilities. In responding to these challenges, the DG and his team must balance high-stakes problems in international relations with a series of major personnel-related initiatives.

The bureau has redesigned the assignment system to fill key overseas positions, changed the Foreign Service examination process, taken steps to strengthen the retirement office, and launched a shared services structure for certain human resources functions.

A controversial new assignment system successfully met its short-term goal of filling Foreign Service vacancies in critical hardship posts. However, despite this, it is unclear whether the Department will continue to be able to staff Iraq on a voluntary basis or will have to move to directed reassignments.

The Department's efforts to establish shared services (Centers of Excellence) for certain HR functions must be put on a rational implementation schedule if it is to succeed. The Department should also explore consolidation of certain HR functions in a single center.

A Global Repositioning Program moved 200 Foreign Service jobs from Washington, Europe, and elsewhere to India, China, and other countries to support transformational diplomacy. Before proceeding with additional rounds of this program, the

Department should undertake more rigorous planning and analysis to lay out clear objectives and develop the most cost-effective means of achieving them.

A 15-percent deficit in mid-ranked Foreign Service positions due to decreased hiring in the 1990s continues to hamper staffing for key positions worldwide. The Department could only overcome this problem before 2010 through an extraordinary intervention in the hiring and promotion process for Foreign Service officers. The Civil Service fills some key policy jobs in Washington, provides crucial administrative support to the Department, and increasingly provides support in critical posts overseas, but it also faces increasing retirements and recruiting challenges.

Over 38,000 locally employed (LE) staff also work for the Department at overseas posts. The Department needs to codify and strengthen its commitment to LE staff.

The Department needs an effective program for returning to work those employees who have been injured on the job and are receiving benefits under the Federal Employees Compensation Act. A systematic effort to contact and encourage injured employees to return to work as soon as medically feasible is an industry and government best practice, and a key to reduced claimant fraud. However, although officials in HR had drafted a policy paper for such a program, no program has been established because HR said there were uncertainties regarding which bureau within the Department should develop and manage the program.

Counterterrorism and Border Security

Cross-border problems, which have a direct impact on U.S. business interests, environmental safety, quality of life, and border security, continue to challenge the Department. The U.S. Embassy in Mexico and the Bureau of Western Hemisphere Affairs emphasize border issues in their strategic plans. However, neither has dedicated sufficient staff or attention to the coordination of those issues. Border posts need additional positions to allow them to focus on solving the problems.

With looming increases in consular workload and in demands on consular resources over the next five years, there is also a need to address non-consular issues and their priority in the operations of the border posts. If non-consular issues are not properly managed now, it will be impossible to do so once the wave of U.S. passport and nonimmigrant visa applications hits the border. The decision to assign regional security officers to each border consulate has improved the security of the consulates and enhanced the coordination of cross-border law enforcement issues that in turn affect bilateral commercial development.

Public Diplomacy

The Under Secretary for Public Diplomacy and Public Affairs has made a personal priority of improving public diplomacy coordination within the Department and in the interagency process, and has made important progress in this area, including implementing recommendations of the OIG and the Government Accountability Office. Public diplomacy strategic planning has improved, but could be stronger, especially at the mission level.

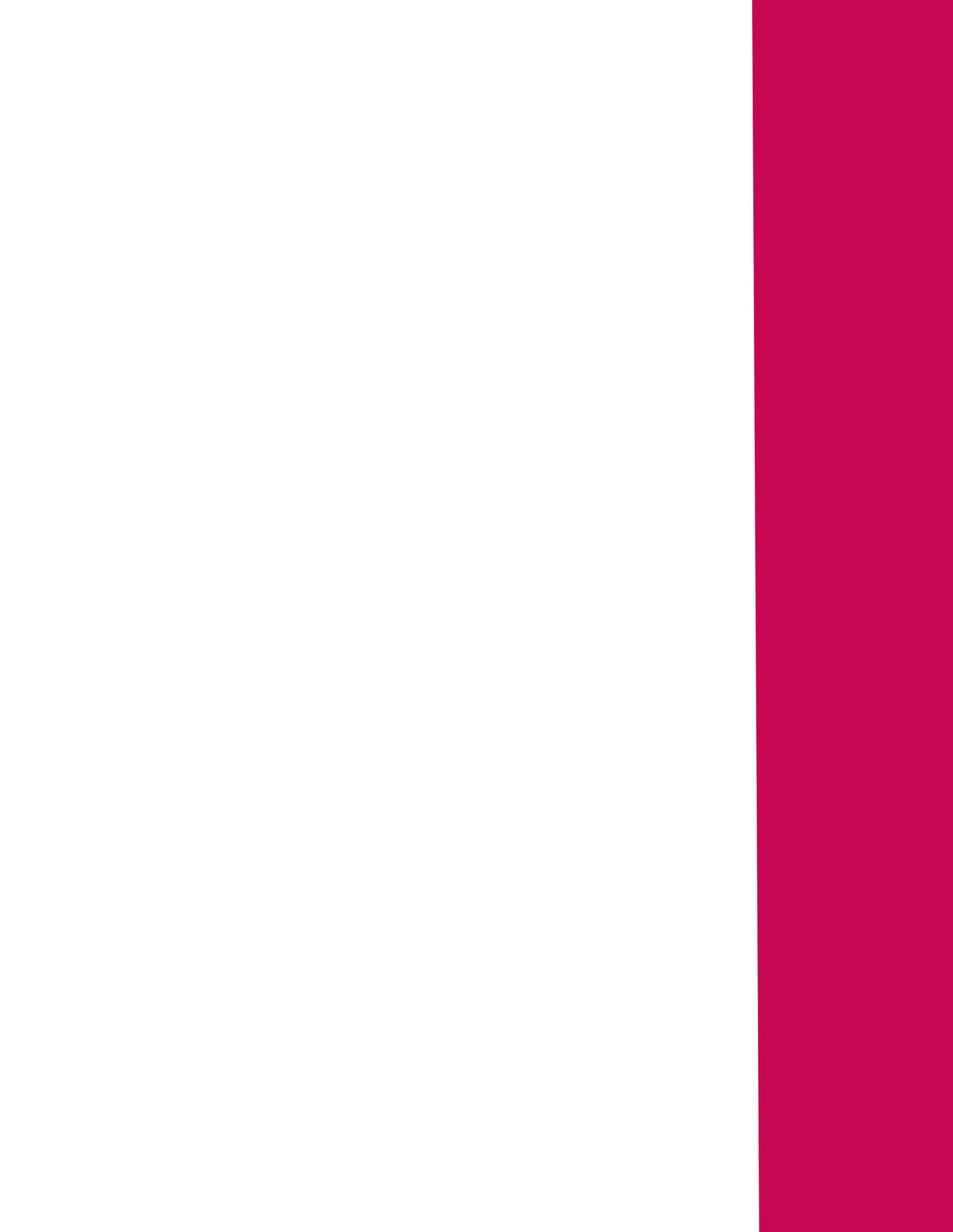
The Department has also made important, promising progress in the difficult task of measuring the impact and outcomes of public diplomacy efforts rather than just totaling public diplomacy activities undertaken, as had primarily been done in the past. The prospects for further progress are encouraging. The need to increase public diplomacy officers' foreign language capabilities is a long-term challenge.

Post-Conflict Stabilization and Reconstruction

Despite its broad mandate, the Office of the Coordinator for Reconstruction and Stabilization (S/CRS) has not yet carved out a leadership role in the management of reconstruction and stabilization crises. It has remained on the periphery in the interagency handling of such crises, playing only an incremental role.

At present, S/CRS has four central issues on its agenda that will determine whether it will expand significantly the parameters of its present responsibilities and establish for itself a viable institutional role. These issues are: a new relationship with the Director of Foreign Assistance, a major role in implementing the S/CRS charter in National Security Presidential Directive-44, a lead role in developing the Civilian Reserve Corps, and management of the Department of Defense's FY 2007 \$100-million transfer authority.

Although S/CRS has not played the role its proponents had hoped, the S/CRS divisions have continued to develop doctrine, manage exercises, and provide useful, albeit limited, assistance to embassies through the Active Response Corps. S/CRS has excellent leadership, an able committed staff, and surprisingly high morale; however, it needs to restructure. Its current organizational pattern does not adequately reflect the actual delineation of responsibilities within the office and inhibits coordination and communication.



AUDITS

Independent Auditor's Report on the Broadcasting Board of Governors' 2007 and 2006 Financial Statements (AUD/FM-08-07)

OIG's independent external auditor issued an unqualified opinion on BBG's annual financial statements as of September 30, 2007 and 2006, and for the years then ended. Although an unqualified opinion was issued, the report brings to management's attention two significant deficiencies related to internal controls and an instance of noncompliance with selected provisions of applicable laws and regulations.

Management Letter Related to the Audit of the Broadcasting Board of Governors' 2007 and 2006 Financial Statements (AUD/FM-08-06)

During the audit of BBG's 2007 and 2006 financial statements, the independent external auditor identified internal control weaknesses relating to property, plant, and equipment; undelivered orders; the manual of administration; and government purchase cards. The external auditor recommended BBG take appropriate action to address these weaknesses.

INSPECTIONS

Inspection of the Broadcasting Board of Governors (ISP-IB-08-12)

The BBG is serving U.S. foreign policy interests well. BBG functions under its new, proactive chairman are cordial and focused on its mandate. BBG is served by an energetic, dedicated group of governors who contribute more than their part-time status suggests.

The organization of the BBG's governing board is unique within the Federal Government. Its congressionally mandated collective chief executive officer structure and nondelegatable supervisory authorities require the support of a robust professional staff to carry out its daily operations.

BBG staff is highly competent and enthusiastic. Rationalization of its functions would promote more effective use of their talents in BBG strategic planning and carrying out supervision on its behalf. OIG recommended BBG develop a written human resources needs assessment for its staff from which it can develop and reinforce its structure and implement a hiring plan.

BBG is seeking to make its work more transparent to the entities it supervises, but despite progress, more needs to be done, particularly during the budget exercise and the periodic Language Service Reviews. OIG recommended BBG implement a plan to improve the exchange of information between BBG staff and other agency elements, including the grantees, to ensure adequate interaction and feedback.

Inspection of International Broadcasting Bureau, Morocco Transmitting Station (ISP-IB-08-05)

The International Broadcasting Bureau (IBB), Morocco Transmitting Station, was well-managed and provided broadcasting and technical services to Europe, the Middle East, and Africa. However, as IBB faced budget constraints, the station faced possible reduced operations or closure.

OIG was not able to evaluate the merits of closure of the IBB facility without an examination of worldwide broadcast policy goals and the technical means to achieve them. OIG recommended IBB, together with other stakeholders, prepare a careful worldwide study of the future targets of U.S. broadcasting, residual value of property and equipment, closeout costs, and technical issues of propagation of radio waves prior to making an irreversible decision to close the Morocco transmitting station.

In November 2007, BBG announced its intent to cease operations at the Morocco station in 2008 and to return the facility to the Kingdom of Morocco in 2009. This action was approved in an official reprogramming action transmitted to the Congress, and has received Congressional approval. This decision has been conveyed to the Kingdom of Morocco.

Inspection of Voice of America Central News (ISP-IB-08-06)

The new leadership at Voice of America (VOA), along with even more recent changes to the leadership of BBG, had made a good start on an energetic process to address systemic internal communication, and organizational and leadership challenges facing VOA's Central News Division (CN). However, much remained to be done.

Inadequate horizontal and vertical internal communication, changes in the types of technology needed to reach VOA's target audiences, combined with U.S. Government-wide problems of funding and staffing, had left CN with an inadequate management structure, inefficiencies, and poor morale. OIG recommended BBG implement an internal communication strategy to introduce the staff to the FY 2008-13 Strategic Plan and to educate staff members about the structure and roles of the various parts of the BBG.

The increased focus on television and the Internet required a massive shift in resources and an infusion of technical and editorial talent throughout the relevant IBB and VOA offices. Neither sufficient funding nor human resources had been identified and allocated to these programs. OIG recommended VOA develop a comprehensive strategy for the integration of these new technologies into their products.

There was a widespread lack of awareness of administrative guidelines. Operational handbooks, position descriptions, and the Manual of Operations and Administration were not being kept up to date. There were vacancies in, and inadequate training for, key administrative and management positions. OIG recommended VOA

implement effective internal controls and develop and implement standard operating procedures. There was also a need for improved internal controls and accountability in support of overseas operations. Training in leadership skills, resource management, EEO, and technical skills was not tied into broader agency mission and career development goals, or considered in staff evaluations.

All parties interviewed as part of this inspection were in agreement that products issued by CN should continue to be unbiased summaries of news presented in an accurate, objective, and comprehensive manner in accordance with the VOA Charter.

Inspection of Broadcasting Board of Governors Operations in Kenya (ISP-IB-08-07)

OIG's inspection of the BBG operations in Kenya found that Nairobi was the hub of much of BBG's activity in East Africa. While individually well run, the various BBG elements in Kenya did not communicate adequately among themselves. The offices of IBB and VOA that supported them had not been well-integrated in Washington, nor had those offices communicated adequately with the field.

At the time of the inspection, East Africa was attracting increased attention in Washington, and its media market was an important focus of VOA English, Swahili, and Somali broadcasting. However, the BBG initiatives in the region were under-resourced to meet this interest. OIG recommended BBG make a decision either to increase promotional funds for the VOA Kenyan market or to accept a low market share and demonstrate a plan to address limited communication with the Kenyan audience.

VOA operates in a highly competitive market in East Africa. The challenges to reaching the widest possible audience come from the aggressive competition of other domestic and foreign broadcasters, the state of technology in the region, and limits on the resources available to IBB for the transmission and advertising of VOA products. OIG recommended IBB support efforts to make programming for East Africa more attractive to local audiences. It would, thereby, comply with BBG's strategic plan by requiring more frequent updates on such factors as funding for advertising, audience surveys, and reception problems.

INVESTIGATIONS

CONFLICT OF INTEREST

OIG conducted an investigation of a BBG official who engaged in a conflict of interest by not disclosing earned income from a business he owned that held contracts with BBG. The Department of Justice declined prosecution, and the case was referred to BBG management for adjudication. On October 24, 2007, BBG notified OIG the official had been terminated from his employment with BBG. (07-017)

Investigative Workload	Number
Cases pending 9/30/07	6
New cases opened	0
Cases closed	1
Cases pending 3/31/08	5
Preliminary inquires pending 9/30/07	2
Preliminary inquiries opened	0
Preliminary closed	1
Preliminary inquiries converted to cases	0
Preliminary inquiries pending 3/31/08	1
Total Judicial Actions	0
Prosecutive Referral	0
Prosecutive Declination	0
Criminal Indictment/Arrest	0
Criminal Conviction	0
Criminal Sentencing	0
Time Sentenced	0
Time Probation	0
Court Ordered Fine	0
Court Ordered Restitution	0
Administrative Investigative Activities	
Personnel Actions	
-Referral	0
-Removals	1
-Suspensions	0
-Reprimands/Admonishments	0
-Reimbursements	0
-Administrative Recovery	0
Total Investigative Recoveries	\$0

APPENDIX 2: REPORTS ISSUED

AUD/FM-08-06	Management Letter Related to the Audit of BBG's 2007 and 2006 Financial Statements
AUD/FM-08-07	Independent Auditor's Report on the Broadcasting Board of Governors' 2007 and 2006 Financial Statements
ISP-IB-08-05	Inspection of International Broadcasting Bureau's Morocco Transmitting Station
ISP-IB-08-06	Inspection of Voice of America Central News
ISP-IB-08-07	Inspection of Broadcasting Board of Governors Operations in Kenya
ISP-IB-08-12	Inspection of the Broadcasting Board of Governors

Table 1
**INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH QUESTIONED COSTS**

	Type of Report	Number of Reports	Question Costs (Dollars in Thousands)	Unsupported Costs (Dollars in Thousands)
A.	For which no management decision has been made by the commencement of the reporting period	0	\$0	\$0
B.	Which were issued during the reporting period	0	\$0	\$0
	Subtotals (A + B)	0	\$0	\$0
C.	For which a management decision was made during the reporting period based on formal administrative or judicial appeal	0	\$0	\$0
	(i) dollar value of disallowed costs		\$0	\$0
	(ii) dollar value of costs not disallowed		\$0	\$0
D.	For which no management decision has been made by the end of the reporting period	0	\$0	\$0
	Reports for which no management decision was made within six months of issuance	0	\$0	\$0

Table 2
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH RECOMMENDATIONS THAT FUNDS
BE PUT TO BETTER USE

Type of Report	Number of Reports	Dollar Value (in Thousands)
A. For which no management decision has been made by the commencement of the reporting period	0	\$0
B. Which were issued during the reporting period	0	\$0
Subtotals (A + B)	0	\$0
C. For which a management decision was made during the reporting period	0	\$0
(i) dollar value of recommendations that were agreed to by management	0	\$0
(ii) dollar value of recommendations that were not agreed to by management	0	\$0
D. For which no management decision has been made by the end of the reporting period	0	\$0
Reports for which no management decision was made within six months of issuance	0	\$0

Nothing to report.

AUD/FM-08-07

Independent Auditor's Report on the Broadcasting Board of Governors' 2007 and 2006 Financial Statements

- Leonard G. Birnbaum and Company, LLP
- Financial Audit

AUD/FM-08-06

Management Letter Related to the Audit of the Broadcasting Board of Governors 2007 and 2006 Financial Statements

- Leonard G. Birnbaum and Company, LLP
- Financial Audit

OIG provided the following to BBG for inclusion in its Performance and Accountability Report for FY 2007.

FY 2007 Management and Performance Challenges

The *Reports Consolidation Act of 2000* requires the BBG *Performance Accountability Report* include a statement by the Inspector General that summarizes the most serious management and performance challenges facing BBG and briefly assesses the progress in addressing those challenges. OIG considers the most serious management and performance challenges for the BBG to be in the following areas:

- Protection of People and Facilities
 - Expanding Television Production and Distribution of Programming
 - Need for Improved Metrics of Performance Results
 - Need for Improved Internal Controls
 - Information Technology
-

Protection of People and Facilities

BBG has improved its emergency preparedness program since OIG's management challenges statement in BBG's FY 2006 Performance and Accountability Report. Specifically, BBG reports it has implemented all outstanding recommendations in the OIG report, *Audit of Emergency Preparedness at the Washington Metropolitan Facilities of the Broadcasting Board of Governors* (AUD/SI-06-24). As a result, OIG has closed the report and is dropping this issue from the list of BBG's management challenges.

BBG's Office of Administration has revised and updated Part IV Section 470 of the Manual of Administrative Operations to include the requirements of Homeland Security Presidential Directive/HSPD-5. The Office of Security has adopted the Na-

tional Response Plan and implemented the National Incident Management System as required through the Department of Homeland Security.

The Occupant Emergency Plan has been widely disseminated and is also on the BBG's Web site. BBG has also developed methods to ensure that employees are out of their building and accounted for. As part of its effort to strengthen emergency planning, the BBG plans to conduct quarterly evacuation and shelter-in-place drills

The BBG's Office of Administration continues to be steadfast in their communication with the General Services Administration (GSA), at all levels, to ensure the safety and security of its employees. Because of this relationship with GSA, the building is undergoing extensive upgrades. These upgrades include new fire alarm systems, with voice capabilities, as well as new sprinkler and smoke detection systems. This project is scheduled to be completed by summer 2008.

Expanding Television Production and Distribution of Programming

BBG's Office of Cuba Broadcasting (OCB) deserves credit for initiating the Aero Marti concept which has expanded program distribution in Cuba. Local funds were allocated to study the feasibility of developing a small airplane with the capacity of transmitting the signal, and OCB worked directly with private contractors who developed the technology. Following up on this initiative, the Commission for Assistance to a Free Cuba recommended "making available funds to acquire and refit an aircraft for dedicated airborne radio and television transmissions into Cuba." Responding to the need, Congress provided \$10 million for the project, which, under OCB's leadership, became operational in short order. The annual cost for leasing two Aero Marti planes, including fuel, operation, and maintenance, is \$5.9 million, a fraction of the expenses incurred when using the previous C-130 aircraft. More broadly, Aero Marti may have applications in other theaters of operation, particularly where hostile governments attempt to block broadcast signals.

One challenge for BBG broadcasting is that it is losing its access to the Russian people due to changes in media trends and to subtle pressure from the authorities to discourage Russian radio and television stations from hosting foreign programming. Shortwave listenership is rapidly declining. VOA's Russian news service is shifting from radio to television as a more effective way to reach a wider audience, but it is increasingly difficult to find stations that will place BBG programs.

Need for Improved Metrics of Performance Results

International Broadcasting Board quality reviews show that radio and television broadcasts have markedly improved over the past two years in production quality and content. However, greater emphasis is needed on internal quality control to ensure editorial standards are followed.

Need for Improved Internal Controls

BBG needs to continue to improve its internal controls over financial and accounting issues. For example, although the independent external auditor issued an unqualified opinion on BBG's financial statements as of and for the fiscal year ended September 30, 2006, the auditor identified concerns with the adequacy of BBG's financial and accounting system, which is both an internal control weakness and an issue of noncompliance with several laws and regulations, and with accounting for accounts payable.

Additionally, in a separate management letter, the independent external auditor identified internal control weaknesses relating to BBG's payroll documentation, accounts receivable balance, property records, grants management, purchase card oversight, and undelivered orders.

ABBREVIATIONS

A	Bureau of Administration
AMIDEAST	America-Mideast Educational and Training Services, Inc.
ASAC	Assistant Special Agent in Charge
BBG	Broadcasting Board of Governors
CA	Bureau of Consular Affairs
CFR	compliance follow-up review
CN	VOA's Central News Division
COM	Chief of Mission
DCM	deputy chief of mission
Department	U.S. Department of State
DS	Bureau of Diplomatic Security
DS/PSP/DEAV	Office of Physical Security Programs, Defensive Equipment and Armored Vehicle Division
EAP	Bureau of East Asian and Pacific Affairs
EEO	Equal Employment Opportunity
FDIC	Federal Deposit Insurance Corporation
FRC	Florida Regional Center
FSI	Foreign Service Institute
GAGAS	generally accepted government auditing standards
GAO	Government Accountability Office
GSA	General Services Administration
HR	Bureau of Human Resources
HR/CSP	Office of Civil Service Personnel Management
HR/REE	Office of Recruitment, Examination and Employment
IBB	International Broadcasting Bureau
ICE	U.S. Department of Homeland Security, Bureau of Immigration and Customs Enforcement

IG	Inspector General
INL	Bureau of International Narcotics and Law Enforcement Affairs
INV	Office of Investigations
LE	locally employed
MEPI	Middle East Partnership Initiative
MERO	Middle East Regional Office
NIV	nonimmigrant visa
NSDD	National Security Decision Directive
OBO	Bureau of Overseas Buildings Operations
OCB	BBG's Office of Cuba Broadcasting
ODNI	Office of the Director of National Intelligence
ONDCP	Director of the Office of National Drug Control Policy
OIG	Office of Inspector General
OMB	Office of Management and Budget
PAO	public affairs officer
PEPFAR	President's Emergency Plan for AIDS Relief
RM	Bureau of Resource Management
ROL	rule of law
S/CRS	Office of the Coordinator for Reconstruction and Stabilization
S/GAC	Office of the Global AIDS Coordinator
SAR	Semiannual Report to the Congress
UNVIE	U.S. Mission to International Organizations in Vienna
USAID	U.S. Agency for International Development
VOA	Voice of America

INDEX OF REPORTING REQUIREMENTS
INSPECTOR GENERAL ACT OF 1978, AS AMENDED

<i>REQUIREMENT</i>	<i>SUBJECT</i>	<i>PAGE NUMBERS</i>
Section 4(a)(2)	Review of legislation and regulations	13-14
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Section 5(a)(2)	Significant recommendations for corrective action	19-50, 89-91
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Section 5(a)(5)	Information or assistance refused	none
Section 5(a)(6)	List of reports issued	59-61, 97
Section 5(a)(7)	Summaries of significant reports	19-50, 89-91
Section 5(a)(8)	Audit reports—questioned costs	63, 99
Section 5(a)(9)	Audit reports—funds to be put to better use	64, 100
Section 5(a)(10)	Prior audit reports unresolved	none
Section 5(a)(11)	Significant revised management decisions	none
Section 5(a)(12)	Significant management decisions with which OIG disagreed	none



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