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United States Department of State
and the Broadcasting Board of Governors
Office of Inspector General

Report of Inspection

Embassy Asuncion, Paraguay

Report Number ISP-I-08-57A, September 2008

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PURPOSE, SCOPE AND METHODOLOGY OF THE INSPECTION

This inspection was conducted in accordance with the Quality Standards for Inspections, as issued by the President's Council on Integrity and Efficiency, and the Inspector's Handbook, as issued by the Office of Inspector General for the U.S. Department of State (Department) and the Broadcasting Board of Governors (BBG).

PURPOSE

The Office of Inspections provides the Secretary of State, the Chairman of the BBG, and Congress with systematic and independent evaluations of the operations of the Department and the BBG. Inspections cover three broad areas, consistent with Section 209 of the Foreign Service Act of 1980:

- **Policy Implementation:** whether policy goals and objectives are being effectively achieved; whether U.S. interests are being accurately and effectively represented; and whether all elements of an office or mission are being adequately coordinated.
- **Resource Management:** whether resources are being used and managed with maximum efficiency, effectiveness, and economy and whether financial transactions and accounts are properly conducted, maintained, and reported.
- **Management Controls:** whether the administration of activities and operations meets the requirements of applicable laws and regulations; whether internal management controls have been instituted to ensure quality of performance and reduce the likelihood of mismanagement; whether instance of fraud, waste, or abuse exist; and whether adequate steps for detection, correction, and prevention have been taken.

METHODOLOGY

In conducting this inspection, the inspectors: reviewed pertinent records; as appropriate, circulated, reviewed, and compiled the results of survey instruments; conducted on-site interviews; and reviewed the substance of the report and its findings and recommendations with offices, individuals, organizations, and activities affected by this review.



**United States Department of State
and the Broadcasting Board of Governors**

Office of Inspector General

PREFACE

This report was prepared by the Office of Inspector General (OIG) pursuant to the Inspector General Act of 1978, as amended, Section 209 of the Foreign Service Act of 1980, the Arms Control and Disarmament Amendments Act of 1987, and the Department of State and Related Agencies Appropriations Act, FY 1996. It is one of a series of audit, inspection, investigative, and special reports prepared by OIG periodically as part of its oversight responsibility with respect to the Department of State and the Broadcasting Board of Governors to identify and prevent fraud, waste, abuse, and mismanagement.

This report is the result of an assessment of the strengths and weaknesses of the office, post, or function under review. It is based on interviews with employees and officials of relevant agencies and institutions; direct observation, and a review of applicable documents.

The recommendations therein have been developed on the basis of the best knowledge available to the OIG, and have been discussed in draft with those responsible for implementation. It is my hope that these recommendations will result in more effective, efficient, and/or economical operations.

I express my appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in black ink, appearing to read "H. W. Geisel".

Harold W. Geisel
Acting Inspector General

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KEY JUDGMENTS

- Embassy Asuncion has moved aggressively to take advantage of Paraguay's increased readiness to act against corruption and transnational criminal organizations by initiating coordinated programs to disrupt criminal activity, narcotics trafficking, and possible financing of terrorist organizations.
- The country team and the interagency law enforcement/counterterrorism working group function collaboratively to advance these objectives under the leadership of the Ambassador and deputy chief of mission (DCM).
- The embassy has also supported Paraguay's transition to more democratic institutions, and is establishing constructive relations with the opposition leaders who won the country's fairest election ever.
- The embassy has taken great public diplomacy advantage of Paraguayans' general agreement with U.S. foreign policy toward Paraguay to improve the image of the United States in Paraguay. The Ambassador has been very effective in underlining publicly, often using the Guarani national language, U.S. support for the Paraguayan people, including private sector medical and scholarship contributions.
- The embassy has witnessed an explosive growth in Department of Defense (DOD) personnel focused principally on training Paraguayan Armed Forces in peacekeeping and support for counterterrorism. Additional growth of U.S. military presence is not desirable at this time, and the embassy will need to continue assuring that U.S. armed forces' presence and activities in country do not overshadow other U.S. programs.
- The embassy tracks closely proposed changes in personnel under Chief of Mission (COM) authority and adheres to National Security Decision Directive-38 (NSDD-38) procedures. However, DOD personnel under the authority of an area military commander are receiving International Cooperative Administrative Support Services (ICASS) for which they may not be paying the appropriate amount.
- The management section is well run by experienced leadership and has provided good services across the range of administrative functions.
- The embassy will need to restrict further personnel growth because of space constraints until the completion of the new embassy compound (NEC).

The inspection took place in Washington, DC, between March 31 and April 28, 2008, and in Asuncion, Paraguay, between May 18 and June 4, 2008. Ambassador Joseph Sullivan (team leader), Thomas Carmichael (deputy team leader), Perry Adair, Joseph Catalano, Eric Chavera, Zandra Flemister, Tony Jones, Matthew Koch, Dennis Matthews, Robert Ripley, and Roman Zawada conducted the inspection.

CONTEXT

Paraguay is one of Latin America's least populous and poorest countries, with a history of isolation, dictatorship, and corruption. Paraguay's dictatorship was toppled in 1989, but the country's transition to democratic institutions and rule of law has been slow and halting. Paraguay remains a predominately agricultural economy and has, in recent years, become more integrated into South American and international economic systems. Paraguay's traditionally porous borders, lax law enforcement, and corruption have given wide scope for criminal organizations to conduct drug, weapons, and human trafficking; money-laundering; document fraud; and other criminal activities, particularly in the country's tri-border area with Brazil and Argentina, and in remote northeastern parts of Paraguay. Some of Paraguay's criminal organizations have linkages with Hezbollah and are believed to provide financing for terrorist organizations.

The Paraguayan government has, in recent years, shown more interest in breaking with the corruption and lawlessness that has long characterized the country. In addition, the political system has progressively opened to a freer and fairer election process and more democratic institutions. In April, shortly before the Office of Inspector General (OIG) inspection, Paraguay's most fair and free election since its independence from Spain in 1811 ended six decades of corrupt one-party rule by a Colorado Party political monopoly.

In taking advantage of these opportunities, Embassy Asuncion is carrying out transformational diplomacy with the goal of building a more secure, prosperous, and democratic Paraguay that is capable of disrupting criminal organizations and activities that provide financing for terrorist organizations. The United States provided assistance to assure the integrity of the recent elections, and is establishing positive relations with the newly elected government. The United States is also assisting in strengthening the capacity of the Paraguayan armed forces to carry out UN peace-keeping missions, and to control its territory against terrorist and criminal activities.

In carrying out its transformational diplomacy mission, Embassy Asuncion has reoriented its operational mission from reporting to bringing together U.S. foreign and military assistance and other resources and coordinating their application to address problems of corruption, lawlessness, trafficking in people, narcotics, weapons, and other illegal goods and services. In addition, the embassy has been forced to prioritize its activities to take into account the practical limits of the embassy's modest

facilities and the ability to provide the support services for additional personnel and their programs. Embassy management is making do now with 50-year old buildings and has had to manage its space carefully to accommodate embassy personnel within offices insufficient to the mission's security and space needs, as it waits for a NEC, postponed once due to a funding shortfall and currently scheduled for 2010.

U.S. Embassy Asuncion personnel include 70 U.S. direct hires, seven U.S. locally employed (LE) staff, and 147 foreign LE staff. Mission elements include the Department of State (Department); the U.S. Agency for International Development (USAID), including implementers of the Millennium Challenge Corporation (MCC) program; the Open Source Center, the Peace Corps; and the U.S. Departments of Defense, Treasury, and Justice, including its Drug Enforcement Administration, the Federal Bureau of Investigation, and a regional legal advisor.

EXECUTIVE DIRECTION

THE AMBASSADOR

The Ambassador arrived in Asuncion in January 2006. He has a long and distinguished Foreign Service career, predominately focused on Latin America. He has managed a broad range of diplomatic issues during his career, which includes a previous assignment as chief of mission and several assignments as DCM. The DCM, who arrived in Asuncion in July 2006, is also a career officer with extensive experience in Latin America and elsewhere. The two work closely and collaboratively to advance U.S. interests in Paraguay.

The Ambassador and DCM provide strong policy guidance and leadership to the embassy and the entire country team through weekly country team and law enforcement/counterterrorism working group meetings in addition to meetings on specific program initiatives. They also have excellent professional relationships with policymakers in Washington agencies and the Armed Forces commands. Embassy leadership has set mission goals as disrupting criminal and narcotics trafficking organizations through law enforcement cooperation and institution building, fostering democratic institutions and rule of law through programs to assure free and fair elections, combating corruption, promoting judicial and financial reforms, and training a more effective armed forces capable of defending democratic institutions against terrorism, criminal gangs, and narcotic traffickers. The Ambassador and DCM provide the strong leadership and guidance to assure that the representatives of the USAID, the departments of Justice, Treasury, State, and Defense at post share information fully with each other, coordinate closely on their actions, and combine their different capabilities and funding sources to achieve common objectives.

The embassy prepared its 2010 Mission Strategic Plan (MSP) with broad participation of the country team and all agencies at the mission. The MSP accurately sets forth U.S. priorities. Its combination of the primary goals of disrupting criminal organizations and preventing terrorism accurately reflects the mission's goals and approach to the problem. The MSP's definition of other mission goals to foster democratic institutions and respect for the rule of law, support economic reform, build favorable opinion of the United States, invest in people to improve health and promote management excellence, and consular affairs (with a focus on the need to

construct a new embassy compound) is accurate and matches specific plans to anticipated results. The MSP is referred to periodically during the year as a management tool. The MSP's definition of foreign assistance priorities is accurate and useful for those items it covers but misleading to the degree that funds and activities under the control of area military commanders are not covered.

The Ambassador has encouraged a significant increase in permanent and temporary duty (TDY) staff, principally from law enforcement agencies and the U.S. Armed Forces. The Ambassador and DCM recognize and exercise their authority under NSDD-38 to review proposed staffing changes for personnel under COM authority. The current chancery will not accommodate any significant additional personnel increases, and the Ambassador and DCM have determined that additional growth of U.S. military presence is not desirable at this time. Decisions on requests for additional staff increases need to take careful account of office space limitations and the embassy's ability to provide administrative and security services.

The Ambassador led an effective approach to the April 2008 presidential elections which demonstrated support for democratic institutions and ensured U.S. influence after the polls. He was careful to avoid any appearance that the United States favored any one candidate, while establishing good lines of communication with all parties and providing substantial U.S. support to the Organization of American States' election observation mission. After the election, the United States moved quickly to congratulate and provide full briefings and support for the opposition bishop who won the presidency in Paraguay's most free and fair elections ever. To support the first peaceful and democratic transition from one party to another since the country's independence, the Ambassador and DCM conceived and developed a preinauguration specialized International Visitor program for seven key officials of the newly elected, incoming administration to help them understand U.S. government, economic, and social institutions. The elected government's eager participation in this program bodes well for U.S.-Paraguayan relations and close cooperation against corruption and criminal activity.

The Ambassador and DCM are deeply engaged with the political and economic leadership of Paraguay. They effectively influence government, political, and economic institutions to advance U.S. policy objectives. They encourage and facilitate meetings of other officers and agencies in the embassy to meet with senior Paraguayan officials. They contribute to, but do not dominate, embassy reporting. The Ambassador is also supportive of American exports and businesses.

The Ambassador actively leads and participates fully in the embassy's public diplomacy agenda. Working with an energetic and efficient public diplomacy section, he has underlined U.S. concern for democracy, stability, and the population's welfare

in Paraguay. In addition to his fluent Spanish, he has learned Paraguay's indigenous language, Guarani, a considerable accomplishment; and uses it to great effect in public. He is well-known in the country and demonstrates high regard for Paraguayan people and culture through an impressive level of personal involvement in cultural and humanitarian activities, ensuring that the United States is given credit for its support of Paraguay. The Ambassador is comfortable with the Paraguayan media and uses it often and effectively. His media-savvy DCM and an experienced public affairs officer effectively back him up in fluent Spanish.

The Ambassador has promoted a very effective program of medical diplomacy that facilitates private sector medical donations to Paraguay and publicizes the generosity of the American people to the Paraguayan people. He has engaged his office manager, the general services section, the public diplomacy section, and USAID in this effort, thus far at minimal cost to the U.S. government. He has also increased a program of small scholarships for poor Paraguayans and publicized the benefits to Paraguayan citizens of the anticorruption focus of the MCC Threshold Program. These programs and their effective publicity have significantly improved the image of the United States in Paraguay.

The Ambassador has engaged productively to obtain Department support for mission security enhancements in coordination with the regional security officer (RSO). The DCM engages frequently with the RSO in support of the embassy's effective security program. The Ambassador engages, weekly, with the management section on a broad range of management issues, while the DCM provides more detailed guidance. The DCM also provides support and guidance for the consular section through regular meetings and visits to the section. He manages by walking around the embassy often and visiting embassy sections and agencies. Morale of American employees is reasonably good and that of LE staff is also fairly good.

Equal Employment Opportunity

The Ambassador and the DCM are fully committed to Equal Employment Opportunity and have made sure that the embassy's position on this issue is clear to all.

Entry-Level Officers

The DCM promotes an active entry-level officers program to provide mentoring and career development opportunities to the entry-level generalists and specialists in the embassy. The DCM is accessible to entry-level officers and holds meetings and informal sessions to advance their career development.

POLICY AND PROGRAM IMPLEMENTATION

POLITICAL AND ECONOMIC AFFAIRS

Embassy Asuncion's political and economic section (POL/ECON) personnel are actively and successfully engaged in strengthening the bilateral relationship. Although the POL/ECON section has a small staff and is fully occupied, the OIG team could not, at the present time, support Asuncion's MSP request for an additional reporting officer position. The team did recommend that the embassy seek U.S. Department of Commerce funding for an LE staff commercial assistant and replace the current LE staff translator/secretary position with an LE staff economic specialist. Additionally, the team informally recommended that reporting on economic and counterterrorism issues be strengthened, that the incoming Bureau of International Narcotics and Law Enforcement Affairs (INL) program assistant receive proper Foreign Service Institute training, and that post explore installation of a terrorist watch list system at key points of entry in Paraguay.

Paraguay's foreign relations are dominated by its large neighbors, Argentina and Brazil. Paraguay works within the larger framework of MERCOSUR, the Southern Cone trading bloc, to secure economic concessions from its neighbors but has not experienced the significant benefits it hoped to extract from MERCOSUR membership. Paraguay has traditionally viewed the United States as a regional counterbalance; however, the current lame duck president has criticized the United States and stressed greater appreciation for Venezuelan president Chavez and Venezuela's commitment to the region.

In April, former bishop Fernando Lugo was elected president of Paraguay; elections were free of fraud, and turnout was high. The election, a true test of Paraguayan democracy, delivered a strong defeat to the Colorado party. Embassy Asuncion was the first foreign embassy to congratulate Lugo and has reached out to him since the election. The August 2008 inauguration of Lugo will be the first peaceful democratic transition between parties in Paraguay's 197 years of independence. Following the election, which ended 61 years of Colorado party rule, embassy officers have seized on the opportunity provided by April's elections to aggressively lay the foundation for advancing the bilateral relationship.

Staffing

The POL/ECON section is a combined section of three officers, one office management specialist, one American eligible family member (EFM) employee, and three LE staff. One of the American officers is a crossover employee from USAID -- one of the few times a USAID officer has filled a Department reporting officer position. The section's LE staff includes a political assistant, commercial assistant, and translator/secretary/econ specialist.

In its FY 2010 MSP, Embassy Asuncion requested augmenting the POL/ECON section by one additional officer position. In the last few years, the number of American officers in the section has been halved; the lost slots were one-time fills, meaning that current officer staffing levels reflect those in place in 2003 and earlier. Although the workload of the American officers in the POL/ECON section is full, the embassy should be able to cover adequately all priority issues with existing officers and LE staff, if untapped LE staff and officer reporting capacity is fully utilized. Consequently, the OIG team does not support funding an additional POL/ECON officer position.

However, additional resources may be needed elsewhere. The embassy's recent proposal (entitled "Stabilization Support for Eastern Paraguay") seeking funding under section 1210 of the National Defense Authorization Act includes a request for \$1.5 million, to be managed by the POL/ECON section, aimed at bolstering regional law enforcement. The proposal also calls for the hiring of an additional U.S. citizen INL coordinator who will report to the chief and manage the regional law enforcement elements of the project. Given that the current EFM INL program assistant is already fully engaged managing existing INL programs and funds, the hiring of the U.S. citizen INL coordinator (either locally or provided by the Department) is necessary should the proposed funding for law enforcement programs be received.

U.S. exports to Paraguay increased by 33 percent in 2007 to \$1.2 billion. The healthy level and trends in U.S. exports to Paraguay suggest that additional LE staff support on commercial affairs is warranted. In discussions with POL/ECON section leadership, the OIG team advised that the Department of Commerce is sometimes willing to fund LE staff commercial positions at posts, even where the Department leads the commercial effort.

Recommendation 1: Embassy Asuncion, in coordination with the Bureau of Economic, Energy and Business Affairs, should request the U.S. Department of Commerce to fund an additional commercial locally employed staff position at post. (Action: Embassy Asuncion, in coordination with EEB)

Reporting and Analysis

The POL/ECON section has undergone considerable transition in the last year; all three officers arrived at post in the summer of 2007. Moreover, the section's only reporting LE staff member is new, having joined the section in early 2008. Despite these disruptions to continuity, the POL/ECON section has for the most part succeeded in covering and reporting on priority issues.

Section reporting in recent months centered heavily on the historic April 2008 elections, a watershed event in Paraguayan political history. During discussions with Washington consumers during OIG's preinspection survey, several U.S. government agencies and offices praised post's extensive election reporting, as well as reporting on intellectual property rights and Paraguayan leadership. Embassy Asuncion's Human Rights Report also received praise. Reporting on narcotics issues is solid. The section chief is both a prolific and strong writer, whose reports across the broad spectrum of political issues in Paraguay received positive reviews in Washington.

On the other hand, post reporting on economic issues should be improved. Although section reporting has effectively addressed most relevant MSP goals, reporting on the goal entitled "Disrupting Criminal Organizations and Prevention of Terrorism" should be strengthened. Although terrorism, money laundering, and other transnational criminal activities figure prominently in the MSP and in country team, the law enforcement/counterterrorism working group and other fora at post, these issues are not reported to the degree commensurate with their importance to mission goals and objectives. The OIG team suggested to section leadership that some benefit could be derived through greater use of the PTER tag, which would pinpoint terrorism content in cable reports that deal primarily with narcotics or other criminal activities but also have a potential terrorism component. The OIG team made an informal recommendation that the section should seek to increase specific terrorism reporting.

Given that the section has an American office management specialist, any secretarial function tasked to an LE staff employee is duplicative. According to the position description, the LE staff translator/secretary is supposed to devote 30

percent of her time to economic specialist responsibilities, but in fact she performs no reporting or other tasks associated with an economic specialist. The incumbent is due to retire in a matter of weeks; this permits the section to modify this position's responsibilities to better reflect section needs and to receive substantive output from that position.

Recommendation 2: Embassy Asuncion should replace the current locally employed secretary/translator position with an economic specialist/assistant, specifically tasked with substantive and reporting responsibilities. (Action: Embassy Asuncion)

Operations and Advocacy

In preinspection OIG discussions with Washington elements, the team heard high praise for Embassy Asuncion's POL/ECON section; Washington offices universally described the section as being responsive and helpful. One agency stressed that section support was critical to the agreement in late 2007 on a bilateral memorandum of understanding on intellectual property rights. Another office lauded Embassy Asuncion's commitment to the International Women of Courage Program, which honors women who display extraordinary courage in improving lives and protecting human rights. Embassy Asuncion's nominee was selected as the representative of the Western Hemisphere region and traveled to Washington to meet with Secretary Rice and other senior U.S. officials. Similarly, another office applauded the embassy's management and oversight of its INL counternarcotics funds and programs, saying that programs managed by the INL program assistant in Asuncion give the great return on the U.S. government investment.

The upcoming departure from post of the EFM INL program assistant will also pose a challenge to POL/ECON section leadership and to continued smooth management of INL counternarcotics funds. To ensure effective program management, the embassy will need to ensure that the future INL program assistant takes the INL orientation workshop prior to arrival. The assistant should also take the contracting officer representative course, which is available as a distance learning course. An informal recommendation was made.

The Leahy Amendment and policies developed to implement the amendment prohibit the use of foreign assistance funds to support foreign security forces, including training, where there is credible evidence such forces have committed gross human rights violations. The Department's Leahy vetting process is intended to

determine whether there is such evidence prior to providing assistance or training. Embassy Asuncion's Leahy vetting program is extremely active, with roughly 600 names being vetted annually. As a result of inadequate communication from other mission agencies, however, roughly 15 Paraguayan individuals received such training in 2007 without undergoing appropriate vetting. The POL/ECON section, working closely with DOD representatives at post, has tightened the process for Leahy vetting at post to minimize the chances of such instances recurring. The section's "person of interest" database, currently under development, will prove a useful tool for collecting information on candidates for Leahy vetting and other individuals of interest.

The Ambassador and economic/commercial officer advocate effectively on behalf of U.S. business in Paraguay. The Paraguayan-American Chamber of Commerce counts more than 300 businesses and individuals among its members; roughly 30 American companies are represented in Paraguay. The Ambassador serves as the Honorary President of the chamber and regularly gives presentations to chamber members. He has also hosted events at his official residence in support of U.S. business, and he and other embassy officials have advocated on behalf of individual U.S. companies. The economic/commercial officer works closely with the organization, acting as a clear line of communication between the embassy and the private sector. Representatives of U.S. companies told the OIG team that embassy officials, including the Ambassador, are supportive and responsive to the needs of U.S. companies.

LAW ENFORCEMENT AND COUNTERTERRORISM

Embassy Asuncion has an extremely active law enforcement program. The law enforcement/counterterrorism working group meets weekly under the direction of the Ambassador, bringing together all Department offices and relevant U.S. government personnel at post with law enforcement responsibilities. Additionally, a smaller law enforcement coordinating group meets biweekly under DCM leadership. The OIG inspectors observed several of the law enforcement/counterterrorism working group meetings and noted the collegial atmosphere and willingness of agencies to share information. The Ambassador, who sets the tone for these discussions, has succeeded in building an effective law enforcement-counterterrorism team. The OIG team discussions with group members echoed these sentiments, with participants emphasizing the sense of common purpose and the lack of interagency friction among group members.

Paraguay poses a wide variety of challenges to U.S. law enforcement agencies. The tri-border area, where Paraguay, Brazil, and Argentina meet, is a primary U.S. government concern. The area, with its loose borders and lax controls, is a hub for transnational criminal activity including drug trafficking, arms trafficking, intellectual piracy, document forgery, contraband, money laundering, and trafficking in persons. Significant money outflows continue from the city of Ciudad del Este, and Paraguay is widely regarded as the weakest link in combating illicit activities underway in the tri-border area. In August 2007, Embassy Asuncion hosted a conference, which was the first of its kind, on tri-border area terrorist finance and money laundering issues. It was attended by 40 U.S. government participants from nine agencies. Conference objectives were to discuss illicit activities in the region and to seek ways for the agencies to cooperate better in combating terrorist, money laundering and other criminal activities in the tri-border area.

A specialized unit has made significant seizures of counterfeit products with U.S. assistance, and Paraguay's anti-money-laundering secretariat also receives U.S. technical assistance and support. U.S. support for Paraguay's trade transparency unit has resulted in the discovery of \$4 billion in goods illegally imported into Paraguay. A Department of Justice resident legal advisor and advisors from Treasury's Office of Technical Assistance have worked behind the scenes to assist the Paraguayan government in adding money laundering and other reforms to the new criminal code currently pending in Congress.

Paraguay is a major transit country for Andean cocaine destined for Brazil and Europe. It is also the largest marijuana producer in South America. The Anti-Drug Secretariat coordinates interdiction efforts with significant Drug Enforcement Administration assistance. Working closely with the U.S. government, the Anti-Drug Secretariat in 2007 has seized a record amount of drugs since its creation in 1991 – 820 kilos of cocaine and 100 metric tons of marijuana. U.S. government programs in Paraguay focus on assisting the government to disrupt trafficking and institute stronger legal measures to combat drug trafficking and money laundering. The Department has also funded operational support and equipment for the Anti-Drug Secretariat.

U.S. agencies and offices have concerns about the potential for terrorist-related activity based in Paraguay. There is also widespread U.S. government agreement that terrorist finance issues are relevant at present, especially in the tri-border area, and that some members of the Lebanese community living in the tri-border area may be providing financing to Hezbollah.

The U.S. Terrorist Interdiction Program seeks to contain terrorist mobility globally by helping other countries at risk of terrorist activity enhance their border security capabilities.

Foreign Assistance

Targeted U.S. assistance plays a critical role in advancing American policy goals and objectives. Paraguay's nascent democracy and development continue to be impeded by weak institutions, corruption, and a lack of capacity. Roughly 40 percent of Paraguay's population lives below the poverty line, and the lack of economic opportunity is driving many well educated and ambitious young Paraguayans to other countries in search of jobs. Embassy leadership is deeply involved in coordinating the various assistance programs in country and has successfully developed a sense of team unity in developing and implementing U.S. assistance programs. The Ambassador met with President-elect Lugo soon after the election, briefing him on U.S. assistance programs in Paraguay. Mission assistance programs are structured to effectively implement goals and objectives contained in the embassy's MSP.

In the last two years, the \$35 million MCC Threshold Program has served as a centerpiece of U.S.-Paraguayan bilateral cooperation. Directed at combating corruption and strengthening institutions by reducing impunity and promoting formal economic activity, assistance provided under this program includes training, advisory services, and equipment to 28 agencies of the government of Paraguay. USAID and U.S. Treasury's Office of Technical Assistance officials at post work effectively together in administering this program, which will conclude later this year. Although the government of Paraguay is not yet eligible for an MCC Compact, it has been invited to present a Stage II MCC Threshold Program proposal, which is currently under development.

USAID programs other than MCC in Paraguay total roughly \$10 million per year. USAID's democracy program seeks to strengthen democracy and support development of a politically active society by strengthening government institutions, encouraging transparency and accountability, and improving public services. These programs were very effective in 2008 in assisting in the conducting of Paraguay's freest and fairest elections. USAID's health program focuses on family planning by working with local institutions to improve health services. In addition, USAID assists Paraguay in improving its health information system to better define polices, responding to crises such as recent yellow and dengue fever outbreaks, and directing resources to priority programs. The environment program seeks to protect critical eco-regions from threats posed by deforestation, urban expansion, and pollution, while the economic growth program aims at supporting Paraguayan companies and entrepreneurs to expand their sales and reduce poverty through job creation.

U.S. defense cooperation and military assistance in FY 2007 totaled approximately \$10 million. This assistance included support for Paraguayan instructors and scholarships for students at U.S. military training and educational institutions; training, equipment, and building refurbishment support for peacekeeping and other select military units; training courses for counterterrorism-specific programs; and seminars and conferences. This funding also supported humanitarian assistance projects, such as fire emergency assistance, drilling water wells, early warning and detection of avian influenza or other communicable diseases, or small-scale construction of schools, clinics, and community centers.

In FY 2007 the Department provided \$256,000 for narcotics and law enforcement programs in Paraguay. These programs seek to prevent the use, trafficking, and production of illicit drugs, and also are designed to enhance the institutional capacity of the Paraguayan government agencies to prosecute transnational and organized crime, including violations of intellectual property rights, money laundering, and trafficking in persons. INL programs are carried out alongside active and effective Drug Enforcement Administration efforts. In addition, the Department provided \$470,000 to fund counterterrorism programs using antiterrorism assistance funding. Programs undertaken in this area in the last several months included a three-week course for Paraguayan officials on weapons of mass destruction, an aviation security management course, and an overseas training course for Paraguayan police and prosecutors.

Roughly 180 American Peace Corps volunteers – the third largest Peace Corps program in the world – provide high quality assistance to communities across Paraguay. They give technical support in education; urban youth development; agricultural, health, environment and rural economic development; municipal service development projects; and also manage small project assistance.

Embassy Asuncion's medical diplomacy initiative has been an excellent example of public-private partnerships. The program has facilitated the donation from U.S. companies and medical organizations of more than \$60 million in medical supplies and equipment to government and other health institutions in Paraguay in the last two years. Through this ambitious program, U.S. organizations have directly donated cancer, diabetes and high blood pressure medications and supplies, eye surgery equipment, and mammogram equipment directly to the Ministry of Health and other medical institutions in Paraguay. This effort has generated extensive positive press coverage and goodwill and helped changed the public perception of the United States in Paraguay.

PUBLIC DIPLOMACY SECTION

The public diplomacy section is small but very productive and effective, and has been able to implement the Ambassador's public diplomacy agenda with a very high level of media exposure in support of his activities.

The public diplomacy section has adequate U.S. direct hire staff but only a bare-bones LE staff, which includes a single senior press specialist and a senior exchanges position. The section's other LE staff are energetic, with excellent language skills, and provide a good foundation for future staff development. Its own public diplomacy budget is meager, but it attracts Washington support and private sector participation with its innovative programs.

A high-profile Ambassador and the general openness of Paraguayans to the United States offer Embassy Asuncion a great opportunity to carry the U.S. government public diplomacy message through exchanges, program contact, and the media, and the public diplomacy section maximizes these advantages. The public diplomacy section's Micro-Scholarship English-Language program supports free English courses at Paraguayan-American Cultural Centers targeting disadvantaged youth at minimal U.S. government cost, using private-sector funding partnerships with great countrywide impact. The section has built a modest Youth Ambassador High School Visitor program to the United States into a national leadership search for candidates. Its Fulbright and Humphrey scholarships and other English-teaching programs are well run. The public diplomacy section invites all agencies to take advantage of its International Visitor program, supporting mission-wide MSP activities.

The Press Section

The public diplomacy section ensures that Embassy Asuncion activities, particularly those of the Ambassador, have a high media profile. The public diplomacy section works well with Department and other mission agencies to provide media support for their activities and official visits. The Peace Corps, DOD, and other agencies expressed high regard for public diplomacy section support and the public affairs officer's advice, having helped them maintain the level of media exposure most effective for their missions.

The section has a single full-time LE staff press specialist, a well-connected and effective professional, but the limited number of public diplomacy media staff hampers the section's ability to provide optimum guidance over mission-wide public affairs activities. Additional public diplomacy media section staff is needed to coordinate logistics and ensure public affairs messages are consistent among USAID and the MCC public communications staff. These two mission elements carry out approximately \$45 million in programs, and the embassy needs to take full advantage of the public affairs value of their programs. If the public diplomacy section had more LE staff, it would have the time needed for coordination and cross training that could develop greater synergies, as well as back up when staff is sick or on leave.

Recommendation 3: Embassy Asuncion, in coordination with the Bureau of Western Hemisphere Affairs, should hire another locally employed staff press assistant for the public diplomacy section. (Action: Embassy Asuncion, in coordination with WHA)

The public diplomacy section has tailored its dissemination of news to match the country's poorly developed infrastructure and need for accurate reporting on issues of interest to the United States. It has developed an innovative Voice of America (VOA) news dissemination system that downloads and updates VOA hourly news segments on a computer and makes them available to the country's low-budget media via a toll-free telephone call. The OIG team reports this as a best practice for countries with similar media infrastructure limits.

Best Practice: Toll-Free Telephone Access to VOA news

Issue: Local media in less developed countries with marginal infrastructure still have considerable impact on local perceptions of the United States and issues of interest. These institutions, however, do not have the budget to purchase wire services. Nor do they have reliable Internet access. Providing them with accurate reporting from VOA in a format that they can use easily helps the U.S. government reach local populations and provide accurate understanding of the United States and its policies.

Response: The public diplomacy section developed a computerized system that downloads VOA news, updating it hourly. These digital recordings are then made accessible to journalists through a toll-free telephone line.

Result: Small local media outlets now have free access to up-to-date world news. The public diplomacy section tracks several dozen calls per week, but the system in larger underdeveloped countries could provide greater results.

The Information Resource Center

A single LE staff person was recently hired to act as the public diplomacy program administrative assistant, staff the public diplomacy section's information resource center (IRC), and oversee a book donation program. The new staff member replaces a recently retired LE staff program administrative assistant who did not develop the potential of the IRC. Instead, the section emphasized the public diplomacy section's book donation program, which the new staff member will continue to implement. The section has plans to develop measures to ensure donated books are well targeted and used appropriately. The section will continue its cooperation with the Peace Corps on the program. Combining administrative support, IRC duties, and a book donation program in a single position will not do justice to these functions.

The Department IRCs' outreach worldwide nurtures mission contacts with targeted information and research support. With the recent first-time peaceful democratic transfer of political power, and the expansion of rule-of-law and anticorruption cooperation through MCC programs, the public diplomacy section's IRC does not have as productive a role as it could have. An IRC should help expand embassy dialogue with new contacts and take a role in providing the intellectual framework for new government and social institutions, policies, and laws. An active IRC can

help through direct dissemination of MSP-targeted materials to contacts and through its web site. The regional information resources officer on visits in 2006 and 2007 underscored the need for a full-time IRC director with a library science background to develop a program and invigorate research outreach. The OIG team agrees with these observations.

Recommendation 4: Embassy Asuncion, in coordination with the Bureau of Western Hemisphere Affairs, should hire a full-time locally employed director of the information resource center. (Action: Embassy Asuncion, in coordination with WHA)

The public diplomacy section maintains its contacts in several different places and formats. If these contact lists were combined into a single database held in the public diplomacy section, it would complement the IRC's work and the book donation program, providing thematic interest, institutions, and other selection categories. The OIG team made an informal recommendation that the public diplomacy section implement such a database.

Bi-national Centers and American Corners

Embassy Asuncion has excellent relations with the Paraguayan-American Cultural Center, a former U.S. government binational center with branches countrywide. Their Micro-Scholarship English-Teaching program partnership highlights this friendship; program publicity benefits the center, and it in turn provides high quality courses at a reduced rate. In addition, the public diplomacy section has established two American Corners in center branches. Such cooperation offers a model for expanded Department support for the binational centers. The Paraguayan-American Cultural Center's educational advising office is well staffed and active.

MILITARY INFORMATION SUPPORT TEAM

The military information support team is administratively attached to the office of Defense cooperation (ODC) but carries out most of its work outside the embassy. The team and the public diplomacy section have good relations. The military information support team's goal is to support the global war on terror with a focus on antinarcotics trafficking and anti-money-laundering messages in the media, seeking to reduce the potential of these activities to finance terrorism. The public

diplomacy section's targeting of MSP anticorruption and rule-of-law themes in its work, and its support for intellectual property rights, meshes well with this approach. The military information support team clears its products with the public diplomacy and other sections.

OPEN SOURCE CENTER

The Open Source Center media monitoring branch in Embassy Asuncion is supervised by the Open Source Panama Bureau. It has an equipment room next to the public diplomacy section, but its four LE staff field officers primarily work from home. Its single contract technician is supported by a regional technician. Although Embassy Asuncion is not its major client, it is well served by the center. The public diplomacy section has good relations with the center, sharing monitoring activities and reports when resources allow. The Open Source Center reports good logistical support from the mission.

CONSULAR OPERATIONS

Embassy Asuncion's small and well-managed consular section provides the full range of consular services. It is located within the main embassy building and does not have a separate entrance for its clients. The consular waiting room is cramped and has seating for only 34 persons. The consular work space is also limited. The section chief has a small office; however, other consular staff share a common work area. There are only five windows facing the waiting room: two are used for visa interviews; one for document intake; one for American citizens; and one for the cashier. There are no physical improvements planned for the current consular section, as construction of a NEC is scheduled to begin in 2010. The NEC will provide additional consular space and a separate entrance for consular clients.

Consular Staff

Asuncion's consular section is staffed by two FS-03 officers and four LE staff. Two other embassy officers with consular commissions help out as needed in the section. The FS-03 section chief is experienced and well versed in the Foreign Affairs Manual and consular regulations. The consular section chief has maintained good relations with her international counterparts as president of Asuncion's Consular Corps for the past year. Corps membership consists of over 80 career and honorary consuls and meets monthly to discuss consular matters of interest. Both section officers will be leaving post in a few months. All of the LE staff have received required training and or have completed correspondence courses.

Visas

Post has seen a steady increase in nonimmigrant visa applications over the past couple of years. Because consular workspace and waiting room area is limited, nonimmigrant visa interviews are scheduled four mornings a week and limited to 80 appointments daily. The most time consuming aspect of the nonimmigrant visa workload is processing the security advisory opinions. There is a sizable Lebanese population in Paraguay, and Lebanese visa applicants require a security advisory opinion clearance before their visas can be approved. There are currently over 30 security advisory opinions for Lebanese visa applications that have been pending for over a year, some for much longer. The section receives numerous inquiries from Lebanese applicants and has frequent contact with the Bureau of Consular Affairs' Visa Office following up on these cases.

Appointments are scheduled online. The section uses a local bank to collect machine-readable visa fees. A new memorandum of understanding was recently signed with this bank. Under the previous memorandum of understanding the bank would reset the visa fee exchange rate every day. The new memorandum gives the embassy greater control by allowing it to reset the visa fee exchange rate weekly based on the accommodation rate used at the embassy.

When international adoptions in Paraguay were suspended in 1996, the number of immigrant visas the unit processed declined significantly. Paraguayan law now gives preference in adoption to Paraguayan citizens and legal permanent residents living in the country. The section handles a small immigrant visa workload consisting mostly of immediate relative cases. The unit requires immigrant visa beneficiaries to provide original documentation of proof of their family relationship. Working with the Department of Homeland Security in Washington, the immigrant visa unit has processed 36 applications under the Cuban Medical Special Benefit Parole Program since 2006.

American Citizens Services

Asuncion handles a moderate volume of American citizens services (ACS) work. The American community consists primarily of missionary communities, Peace Corps volunteers, and teachers. There are also retired Paraguayan dual nationals who have returned, because their U.S. dollar retirement benefits go further in Paraguay. The peak season for U.S. passport issuances is during the Paraguayan summer in November and December, when many American citizens visit the United States for the holidays. Few American tourists visit Paraguay.

There are currently no American citizens in jail, but there is one under house arrest for embezzlement. Jailed Americans are very often held in the VIP section, which has television, air conditioning, and private guards. The embassy ACS unit handles very few American citizens repatriations and welfare and whereabouts cases. The unit provides a large number of notarial services for both Americans and Paraguayans. The consular section has quarterly town hall meetings in Asuncion and Ciudad del Este for resident American citizens. The section also makes arrangements for the visits of a Social Security officer from Buenos Aires and schedules appointments with the officer for benefit recipients.

The ACS unit's warden registration system has not been kept up to date, because the small ACS LE staff does not have the time to enter new registrants and purge the listings of American citizens who have left Paraguay. As a result, a large number of warden e-mails are undeliverable. Post plans to request Bureau of Consular Af-

fairs funding to hire an EFM to work on a special project reviewing old registrations, compiling and inputting accurate addresses into the system in addition to entering those of newly registered American citizens, and culling those no longer in Paraguay. The EFM would also create warden packet folders to include updated warden responsibility guidelines, a current listing of registrants and public information on consular services. This would ensure that the section's emergency messages reach individual Americans and organizations employing Americans. The OIG team fully supports this request.

Recommendation 5: Embassy Asuncion, in coordination with the Bureau of Consular Affairs, should hire an eligible family member to update the American citizens registrant lists, create warden packet folders with updated warden responsibility guidelines, and fulfill other duties that support the warden system. (Action: Embassy Asuncion, in coordination with CA)

Fraud Prevention

Control of access to the consular section space and its accountable materials is good. A Marine security guard at Post One controls public access to the applicant waiting room through a magnetic lock door. Section personnel enter through another cipher-locked door behind the embassy hardline. The consular chief is the section's accountable officer, and maintains an inventory of all controlled consular items and equipment such as official stamps, seals, visa foils, and passport blanks, and stores them in a safe that meets Department security standards.

The consular entry-level officer is the section fraud prevention manager and deals successfully with Paraguayan document fraud – a major problem. Civil registry officials outside of the capital city of Asuncion are not paid by the government, but earn money from the fees they receive and are, therefore, disinclined to refuse any document authentication. Often, applicants presenting such documents in support of visa applications are sent to the appropriate Paraguayan government agency office in Asuncion to obtain additional document verification. The section uses the consular consolidated database to locate associated visa applications when fraud is suspected.

The DCM chairs the monthly Visas Viper meeting. The embassy's visa referral policy is up to date and is in compliance with 9 FAM App. K, 300. The section conducts quarterly nonimmigrant visa validation studies and an annual validation study of all referrals. (b) (2)(b) (2)

RESOURCE MANAGEMENT

| Agency | U.S. Direct- Hire Staff | U.S. Local- Hire Staff | Foreign National Staff | Total Staff | Total Funding FY 2008 |
|--|--|---------------------------------------|---------------------------------------|------------------------|--------------------------------------|
| State – D&CP | 17 | 0 | 11 | 28 | \$1,043,500 |
| State – ICASS | 5 | 4 | 77 | 86 | \$2,465,200 |
| State – Public Diplomacy | 2 | 0 | 6 | 8 | \$385,800 |
| State – Diplomatic Security | 2 | 0 | 1 | 3 | \$443,093 |
| State – Marine Security Guard | 6 | 0 | 4 | 10 | \$112,100 |
| State – Representation | | | | | \$32,300 |
| State – Overseas Buildings Operations | | | | | \$680,429 |
| Defense Attaché Office | 2 | 1 | 1 | 4 | \$85,700 |
| Office of Defense Cooperation | 8 | 0 | 7 | 15 | \$326,052 |
| Special Operations Command South | 12 | 0 | 0 | 12 | \$828,173 |
| USAID | 3 | 0 | 29 | 32 | \$8,944,346 |
| Open Source Center | 0 | 0 | 3 | 3 | \$230,000 |
| Peace Corps | 3 | 0 | 7 | 10 | \$2,715,200 |
| Department of Treasury | 4 | 0 | 0 | 4 | \$1,760,000 |
| Drug Enforcement Administration | 5 | 1 | 1 | 7 | \$376,479 |
| Federal Bureau of Investigation | 1 | 0 | 0 | 1 | \$44,100 |
| International Law Enforcement | 0 | 1 | 0 | 1 | \$319,000 |
| Totals | 70 | 7 | 147 | 224 | \$20,791,472 |

MANAGEMENT OPERATIONS

The management section at Embassy Asuncion has done a good job of providing support across the entire range of administrative operations. An experienced management officer directs the section. The management team is capable, with a combination of experienced and competent entry-level personnel in such key positions as general services, information management, and financial management officers. Other direct-hire Americans in the management section include the assistant general services officer, information management specialist, information program officer, and information systems officer. The human resources operations and health unit are staffed with trained and experienced LE staff, under the direction of the management officer. There are two EFM positions, including the army post office supervisor and residential housing coordinator. One of the two community liaison office (CLO) coordinators is the management officer's spouse, and, to avoid nepotism, the CLO coordinator positions report to the executive office.

The 2008 ICASS customer satisfaction survey scores for the 28 applicable ICASS cost centers at Embassy Asuncion were above Bureau of Western Hemisphere Affairs and worldwide averages. The responses to the questionnaires prepared for the OIG inspection also reflect satisfaction with the overall running of the management section, and most elements of management operations.

Financial Management

The financial management section received uniformly positive results in recent evaluations. The 2008 ICASS customer service satisfaction survey results were above the bureau and worldwide averages for all financial operations, and the OIG questionnaire survey scores for the three elements of financial operations were above the average score of 47 embassies the OIG previously inspected.

A first-tour financial management officer supervises seven LE staff in the financial management section. The financial management section is responsible for annual Department allotments of approximately \$5.2 million and provides financial services to DOD and INL elements at the embassy. The OIG team also identified a minor vouchering issue and made an informal recommendation to correct it.

The Class B cashier is experienced, knowledgeable, and well trained. Cashier operations are in accordance with established financial management procedures and requirements – a single exception is discussed in the internal controls section of the report. Monthly and quarterly e-mail reminders to the subcashiers' American supervisors ensure that subcashier reconciliations are performed as required. Embassy

Asuncion has only one designated alternate cashier and could use a second. An accounting technician has been identified and, subject to funding, should be enrolled in the basic overseas cashing and the Windows Automated Cashiers System courses at the Financial Services Center in Charleston. An informal recommendation was made.

INTERNATIONAL COOPERATIVE ADMINISTRATIVE SUPPORT SERVICES

The embassy's ICASS council includes representatives of the Department, USAID, DOD, Department of Justice, Treasury Department, and Peace Corps. The council is chaired by USAID's deputy director. The council meets on a regular basis and participated in the ICASS post-specific training provided in Asuncion by the ICASS Service Center in March 2008. During the training, Embassy Asuncion's ICASS standards were reviewed with an eye towards implementing the new Universal Service Standards. Per 06 State 139716 policy guidance, the council has established a post budget committee. The mission's ICASS council has not yet implemented the guidance on the same cable limiting agencies' representation. An informal recommendation was made.

The ICASS council chairperson should provide an annual written assessment of the service providers as input in their annual employee evaluation reports. This was not done this rating cycle. An informal recommendation was made.

Three long-term TDY assignment ODC employees have family members at post who have been receiving ICASS services. These family members have not been included in ODC's workload counts upon which its ICASS charges are based. An informal recommendation was made.

National Security Decision Directive-38

Embassy Asuncion is undergoing an explosive growth in permanent and TDY staff from the DOD, projected to be 45 personnel by August 2008, and from law enforcement agencies. The embassy is following NSDD-38 guidance for executive branch employees falling under the responsibility of the COM. In February 2007, the embassy issued U.S. Mission-Asuncion Memorandum No. 166 on overseas staffing and the NSDD-38 process to reinforce procedures. The DCM, post's NSDD-38 overseer, and the management officer are also keeping close track of the NSDD-38 process.

Although NSDD-38 does not apply to DOD permanent and TDY staff falling under the authority of an area military commander, ICASS regulations require the use of the ICASS partial year invoice module to capture any indirect or shared administrative support costs for the positions. An informal recommendation was made. The embassy does not have a written agreement with the area military commander on the number, space, and support requirements for those personnel to assure that numbers of personnel, space, and support requirements are agreed upon and accurately understood.

Recommendation 6: Embassy Asuncion should propose and secure an agreement with the area military commander detailing the number, space, and support requirements for personnel in Paraguay falling under military commander authority. (Action: Embassy Asuncion)

As construction of a NEC is scheduled to get underway in FY 2010, the Capital Security Cost Sharing Program guidance states that continuing (or permanent) TDY positions be counted for purposes of cost sharing if space is allocated at post for TDY personnel. The mission must count all permanent and TDY staff under the authority of the COM or area military commander occupying space in the NEC.

When agencies indicate their intention to request NSDD-38 approval for additional positions, the mission should consider many factors in its regulation of growth. NSDD-38 guidelines stipulate that all administrative support issues, security issues, office and residential space issues, and training issues should be included and considered in the decision making process.

Recommendation 7: Embassy Asuncion should follow National Security Decision Directive-38 guidelines to perform and document a comprehensive analysis of both programmatic and administrative requirements, reviewing administrative support, security, residential, and training cost issues prior to deciding on requests to increase personnel. (Action: Embassy Asuncion)

In assessing Mission Paraguay's Rightsizing Review dated February 8, 2006, the OIG team found that the growth in DOD personnel is not adequately reflected, especially U.S. desk space in the controlled access area. The previous rightsizing exercise must be updated to ensure that mission staffing accurately reflects the projected growth.

Recommendation 8: Embassy Asuncion, in coordination with the Office of Management Policy, Rightsizing, and Innovation, should update the February 8, 2006, Rightsizing Review to accurately capture the new projected growth in mission staffing. (Action: Embassy Asuncion, in coordination with M/PRI)

REAL PROPERTY

Construction of the much-needed, long-anticipated NEC is scheduled to begin in FY 2010. It will provide welcome relief from the crowded conditions of the current chancery and annex buildings and provide the required setback that is now lacking. Expanded DOD staffing accounts for much of the overcrowding.

The NEC will be constructed on the current 15-acre chancery compound that now holds the chancery building, annex buildings, snack bar and community swimming pool, Marine security guard quarters, and COM residence. All but the Marine security guard quarters and outlying maintenance annex buildings will be torn down to make room for the new construction. The Marine security guard quarters will be renovated, and the COM residence will be relocated off the compound to a leased property. USAID will move from its offices off the chancery compound into the NEC.

A water and sewer upgrade project was just completed; it will service the NEC. A project for the replacement of the chancery's chiller unit has been funded and the contract awarded. The risk of failure of the old chiller was judged too high to leave it in place even in the short run.

FACILITIES MANAGEMENT

Embassy Asunción does not have a facilities manager. The assistant general services officer's job description has included the facilities manager responsibilities, but the general services officer has chosen to carry out this function. He has done a good job and interfaces with the Bureau of Overseas Buildings Operations (OBO) well enough to have secured funding for needed projects, as noted above. When the embassy operations move to a more sophisticated NEC, however, plans call for a facilities manager position to replace the assistant general services officer position.

Goods are received at the off-compound leased warehouse and at the property and supply section office. The latter location in the maintenance annex lacks a proper receiving area. Post has been advised to address this shortcoming. It has similarly been advised to limit access to the expendable supply room as cleaning crews were seen mopping supply room floors without escorts.

A review of the 2007 Property Management Report and supporting documentation revealed only one failing. Although the health unit conducted its 2007 inventory of drugs and medications, it was not submitted to the property management officer nor made a part of the 2007 Property Management Report. Post was advised to make the medical unit's annual certification a part of its files. The general services office has a very comprehensive set of procedures for the receipt of gasoline and diesel fuel deliveries, but the general services officers do not take part. The OIG team counseled the officers that their occasional participation would serve as a deterrent against phantom deliveries.

The leased warehouse has sufficient space, racks, and shelving and was orderly and free of clutter. Property was protected from dust. A guard is posted 24/7.

Motor Pool

The motor pool performs effectively in spite of the scant number of chauffeurs available for general motor pool duties. Chauffeurs work a 48-hour week. The motor pool consists of the dispatcher and 14 chauffeur positions, one of which is vacant. Four chauffeurs are dedicated to the Marine security guards and four others to the Ambassador. The RSO has determined that a follow car must accompany the Ambassador's vehicle at all times. Five chauffeurs are available for general motor pool services that include a home-to-office shuttle that the general services officer has recommended be discontinued. Currently, two vehicles are used to shuttle eight riders. The draft of the post's revised motor vehicle use policy does not provide for home-to-office transportation. The current and revised policy allows LE staff and U.S. direct hires to self-drive on a limited basis in the course of performing their work. This has provided some relief to the motor pool. The sanctioned use of private drivers for official travel also provides relief. The post maintains a gasoline fuel pump. The procedures for protecting this resource are adequate. The vehicle fleet has the right mix of vehicles but the Bureau of Diplomatic Security's lightly armored vehicles are fast approaching their replacement dates.

Procurement

The five-person procurement section provides post with adequate procurement and contracting services. Unauthorized commitments by other agencies were not uncommon at the outset of the general services officer's tour. These were ratified, and the general services officer has taken actions to prevent future occurrences. A file review of selected procurements revealed that the procurement staff is proficient at all facets of their work. However, contracting files were not well organized or labeled making it time consuming to find pertinent documentation. The OIG team counseled the section to address this deficiency and to ensure that contract awards are strictly based on cited evaluation criteria.

Housing

The three-person housing section is effectively managing the mission's leased housing program. The section's three positions include an EFM housing coordinator. The interagency housing board is active. It oversees the implementation of the housing policy and standards of 15 FAM, ensuring that they are equitably applied to employees of all agencies and that housing is safe and secure. There are approximately 40 leased properties.

Housing section records show only 11 residences privately leased under the living quarters allowance program. The assistant general services officer believes there are many others that were not vetted or approved by the housing board, RSO, or facilities manager. Consequently, the residences may be unsafe, and exceed Department space standards and post rental control ceilings. For the most part, these living quarters allowance properties belong to military personnel on TDY orders. The interagency housing board, RSO, and facilities manager are required to approve all residential properties before they are leased. 15 FAM 212.2-2 (C) b. (6) states that the interagency housing board should review living quarters allowance requests for residential quarters exceeding the space standards or the established rental control ceiling.

Recommendation 9: Embassy Asuncion should require that all agencies at post comply with established Department housing regulations and standards. (Action: Embassy Asuncion)

The housing section strives to place newcomers directly into their permanent residences. It is successful most of the time. All but a few residences are single family

homes. The housing pool has three apartments and five townhouses because of the limited availabilities in RSO-approved areas.

Shipping and Customs

Mission members have high regard for the two-person shipping and customs section. The unit performs all its duties at a high level. It uses the International Through U.S. Government Bill-of-Lading (ITGBL) for shipments routed through Miami. For other outgoing shipments it uses the Direct Payment Method. Post was advised that it would be wise to provide the cost of a shipment through the Direct Payment Method to the Miami U.S. Despatch Agent to compare with the cost of same shipment through ITGBL. There could be occasions when the ITGBL method is less expensive.

Since 2007, GSO and the shipping and customs section have been instrumental in the mission's humanitarian assistance and medical diplomacy activities. It has cleared, or is in the process of clearing, 34 shipments valued at over \$30 million. Pharmaceuticals donated by the National Cancer Coalition account for over \$29 million. ODC contributions of fire fighting trucks and equipment and other vehicles make up the rest of the total. In addition, the shipping and customs section cleared eight ODC pouches of unstated contents and two ODC shipments of guns and ammunitions.

The shipping and customs section assists the budget and fiscal office in supporting travel operations. The former issues U.S. government transportation requests, reconfirms tickets, and works with the travel management center. The latter issues travel orders and advances, and monitors receipt of authorization requests for business class travel. Post is considering using a local Wagonlit Travel affiliate next year when the current contract expires as it not pleased with current travel management center services. All business class travel reviewed was properly authorized.

HUMAN RESOURCES

Embassy Asuncion respondents to the 2008 ICASS customer satisfaction survey ranked personnel services for both American and LE staff above the bureau and worldwide averages. The results of OIG questionnaires were also positive, with the overall management of human resources receiving an aggregate score above the average of the 47 embassies previously inspected by the OIG. LE staff personnel questionnaires also ranked human resources services above average.

The information management officer oversees the information programs center and the information systems center (ISC), which includes managing and securing the Department's Classified and Sensitive But Unclassified computer networks, in addition to several dedicated Internet networks. The information program officer supervises one information management specialist in the information programs center, which supports the classified network consisting of approximately 22 workstations and six servers. Additionally, the information program officer oversees one LE staff switchboard operator and one LE staff pouch clerk. The information systems officer manages the daily ISC operations with the support of three LE staff. The ISC staff manages the Sensitive But Unclassified network of approximately 142 workstations and 11 servers.

Help Desk Application and Operations

The current help desk operations at post are handled by a highly competent ISC staff. Help desk requests are made by users through a generic service request which is provided by the e-services application installed on their desktop. While creating the request, the user is able to include details of the issue, as well as the level of priority the issue entails. The requests are then received by ISC management and tasks are assigned to the staff. The requests are then processed by the ISC staff and users have the ability to leave feedback once the issue has been resolved. All completed requests are archived in the help desk application and can be viewed to determine the number of requests, including details for every user account. The help desk application provides IM management the ability to document operations for ICASS reporting purposes.

VHF Authorization

Embassy Asuncion has not had host nation approval for their VHF radio frequency since it expired in 2000 due to nonpayment. Previous post management did not pursue the issue, because they continued to use the frequency without interruption and assumed the issue would be forgotten by the host government. The issue was identified in November 2007 when the information program officer sought to obtain post's VSAT license for the embassy's two-way communications dish. In February 2008 post received an outstanding bill for approximately \$34,000 from CONATEL, the local telecommunications regulator, for VHF/UHF radio frequencies and VSAT licenses. The bill details past fees owed for post's radio frequencies and licenses, in addition to accrued interest and late fees on the principal. Post responded stating that in November 2007 it had completed payment for the VSAT bill of approximately \$14,000. After identifying the discrepancy with CONATEL and careful negotiations by the information program officer, post obtained the VSAT license.

However, the bill and authorization for post's VHF frequency still remains unresolved. Currently, post has received an updated bill from CONATEL that details the sum of \$44,000 in late fees and interests on the accumulated balance. CONATEL's management suggested a "table dialogue" where both parties could reach an agreement to the issue. However, post was deterred from attending the meeting because CONATEL suggested its lawyers would be present. Since then, post has not received any response to its telephone and e-mail requests for meetings and proper invoice documentation. Post management is drafting a diplomatic note to CONATEL requesting a meeting, in addition to proper invoice documentation. The OIG team agrees with the approach.

POUCH ESCORT DUTIES

The classified pouch escort duties are being performed at post by an EFM who departs post in July. Pouch escort procedures typically take an average of eight hours each month to complete. Currently, post has not identified a replacement for the classified escort position following the incumbent's departure due to the lack of EFMs at the mission. According to 22 FAM 151.1 classified pouch escort duty is the responsibility of all agencies that use the classified pouch. Management is currently in the process of issuing a mission memorandum that will stipulate interagency sharing of the classified pouch. The directive will inform the mission that the classified pouch escort duty will now be a designated responsibility of the duty officer. The OIG team made an informal recommendation supporting the embassy's approach.

QUALITY OF LIFE

COMMUNITY LIAISON OFFICE

The embassy's two part-time CLO coordinators actively support the embassy community. One of the coordinators works mornings and the other afternoons. They keep in touch with each other daily via phone and e-mail, and have a weekly face-to-face meeting on Wednesdays. One coordinator attends country team meetings and the other goes to weekly management meetings. Both CLO coordinators are members of the emergency action committee and have roles in the emergency action plan.

The coordinators maintain and update welcome books and manage an orientation program that provides sponsors for newcomers to post. The sponsor checks that the assigned house is ready for new arrivals and meets them at the airport. The CLO office is well supplied with information on schools, shopping, and employment opportunities for family members, including summer-hire student positions within the mission. There is a de facto bilateral work agreement with Paraguay. The CLO coordinators also organize events throughout the year for the mission community, using funds raised at other CLO events such as bake sales and flea markets.

HEALTH UNIT

Embassy Asuncion's health unit is very well staffed. A registered nurse has worked there for 25 years and has excellent relations with the local hospitals and knows their capacities. The embassy recently hired a U.S.-trained medical doctor licensed in Paraguay and the United States that expands its capabilities. The regional medical officer, the regional psychiatrist, and a regional medical technician all visit regularly for consultation and training. Embassy management is supportive of health unit requests for supplies, equipment, and training. Drugs and medical files are stored under lock and key. The Department has supplied avian influenza medicine and protective clothing for the embassy, and they are stored separately. The unit has two rooms only, which limits privacy, but the NEC's health unit will have more adequate space.

The health unit has placed emergency medical equipment in embassy safe havens, at strategic locations on the mission compound, and at a secondary emergency supplies storage site at the USAID compound. The RSO and Marine guards have been checking these supplies. With the addition of a second professional, the health unit now has the staff and more suitable expertise to maintain checks on the conditions of these supplies. The OIG team made an informal recommendation that it take over this function.

OVERSEAS SCHOOL

The _____ provides an adequate education for mission families. The Ambassador is engaged with the school's operations, and his representative and three other embassy family members are active on the board. It is strong and well organized, providing sound policy direction to an experienced director. The school's physical plant is well maintained, and its finances are sound. A Southern Association of Colleges and Schools accreditation team completed its assessment during the inspection, underlining weaknesses in the curriculum and elsewhere that could jeopardize accreditation upon the association's next review in five years. The school board and director have recognized these weaknesses and are developing a strategy to address them.

The Department provides good support for the school. The Bureau of Administration's Office of Overseas Schools visits regularly and provides funding and advice. The embassy provides appropriate logistics, security, and other support to the school. They follow Office of Overseas Schools grants procedures. During the inspection, a representative of the Office of Medical Services, Office of Employee Consultation Services, visited the mission, explaining allowance programs that can enhance embassy students' education.

EQUAL EMPLOYMENT OPPORTUNITY AND FEDERAL WOMEN'S PROGRAM

Updated information on the Equal Employment Opportunity and the Federal Women's Program and the names of the counselors are posted on a bulletin board outside the human resources office. In the past two years, there have been neither Equal Employment Opportunity complaints nor any inquiries regarding the Federal Women's Program.

MANAGEMENT CONTROLS

Embassy Asuncion's annual COM certification of internal controls for FY 2007 cited no reportable conditions. The embassy has clear separation of duties and responsibilities in various job functions. The management officer has been designated the embassy's management controls coordinator and the DCM the internal controls officer. The responsibility for management controls is included in the work requirements statements for all staff members who manage U.S. government assets.

Most required systems of internal controls were in place and functioning adequately throughout the mission, including the management and consular sections.

FORMAL RECOMMENDATIONS

Recommendation 1: Embassy Asuncion, in coordination with the Bureau of Economic, Energy and Business Affairs, should request the U.S. Department of Commerce to fund an additional commercial locally employed staff position at post. (Action: Embassy Asuncion, in coordination with EEB)

Recommendation 2: Embassy Asuncion should replace the current locally employed secretary/translator position with an economic specialist/assistant, specifically tasked with substantive and reporting responsibilities. (Action: Embassy Asuncion)

Recommendation 3: Embassy Asuncion, in coordination with the Bureau of Western Hemisphere Affairs, should hire another locally employed staff press assistant for the public diplomacy section. (Action: Embassy Asuncion, in coordination with WHA)

Recommendation 4: Embassy Asuncion, in coordination with the Bureau of Western Hemisphere Affairs, should hire a full-time locally employed director of the information resource center. (Action: Embassy Asuncion, in coordination with WHA)

Recommendation 5: Embassy Asuncion, in coordination with the Bureau of Consular Affairs, should hire an eligible family member to update the American citizens registrant lists, create warden packet folders with updated warden responsibility guidelines, and fulfill other duties that support the warden system. (Action: Embassy Asuncion, in coordination with CA)

Recommendation 6: Embassy Asuncion should propose and secure an agreement with the area military commander detailing the number, space, and support requirements for personnel in Paraguay falling under military commander authority. (Action: Embassy Asuncion)

Recommendation 7: Embassy Asuncion should follow National Security Decision Directive-38 guidelines to perform and document a comprehensive analysis of both programmatic and administrative requirements, reviewing administrative support, security, residential, and training cost issues prior to deciding on requests to increase personnel. (Action: Embassy Asuncion)

INFORMAL RECOMMENDATIONS

Informal recommendations cover matters not requiring action by organizations outside of the inspected unit and/or the parent regional bureau and are not be subject to the OIG compliance process. However, any subsequent OIG inspection or onsite compliance review will assess the mission's progress in implementing the informal recommendations.

Political and Economic Section

The amount of reporting on economic issues is inadequate.

Informal Recommendation 1: Embassy Asuncion should increase the amount of economic reporting.

The amount of reporting on terrorism-related issues is not commensurate with the issue's top MSP priority status.

Informal Recommendation 2: Embassy Asuncion should increase terrorism-related reporting.

The embassy's INL program assistant needs appropriate training to handle INL program funds effectively.

Informal Recommendation 3: Embassy Asuncion should ensure that the incoming International Narcotics and Law Enforcement Affairs program assistant takes the necessary Foreign Service Institute courses.

Installation of the Terrorist Interdiction Program's PISCES watch list system could further embassy Asuncion antiterrorism objectives.

Informal Recommendation 4: Embassy Asuncion should contact relevant Department offices to explore installing the PISCES system in Paraguay.

Public Diplomacy

The public diplomacy section maintains its contacts in several different places and formats. If these contact lists were combined into a single database, it would complement the IRC's work and the book donation program, providing thematic interest, institutions, and other selection categories.

Informal Recommendation 5: Embassy Asuncion should create a single computerized contact management database for the public diplomacy section.

Financial Management

Since 1998, donations to the Paraguayan Red Cross have been made using the representation allotment. According to the Department of State Standardized Regulations, such donations to charities are not allowable.

Informal Recommendation 6: Embassy Asuncion should discontinue making donations to the Paraguayan Red Cross using the representation allotment.

The Class B cashier is currently backed up by one designated alternate cashier. A second alternate cashier is advisable.

Informal Recommendation 7: Embassy Asuncion should enroll the accounting technician in the basic overseas cashing and Windows Automatic Cashiers System courses at the Financial Service Center in Charleston.

International Cooperative Administrative Support Services

The membership of the ICASS council at Embassy Asuncion does not conform to the revised guidance that the ICASS executive board issued in 2006. Specifically, this guidance restricts membership on post ICASS councils to cabinet level and independent agency representatives, and limits each cabinet-level agency to a single representative.

Informal Recommendation 8: Embassy Asuncion should reconstitute its International Cooperative Administrative Support Services council to mirror the representation on the International Cooperative Administrative Support Services executive board. A single representative of the Department of State should represent all Department stakeholders.

PRINCIPAL OFFICIALS

| Position | Name | Arrival Date |
|--|---------------------------|---------------------|
| Ambassador | James C. Cason | 01/06 |
| Deputy Chief of Mission | Michael J. Fitzpatrick | 07/06 |
| Chiefs of Sections: | | |
| Administrative | Mona A. Kuntz | 08/07 |
| Consular | Sharon A. Weber | 07/05 |
| Political/Economic | Joan P. Shaker | 07/07 |
| Public Affairs | Bruce P. Kleiner | 07/05 |
| Regional Security Officer | Fernando J. Matus | 07/05 |
| Other Agencies | | |
| Defense Attaché Office | LTC Dennis D. Fiemeyer | 06/05 |
| Office of Defense Cooperation | COL Arie D. Bogaard | 07/05 |
| Open Source Center | Maria Cristina Santacruz* | 02/75 |
| U.S. Agency for International Development | John A. Beed | 07/06 |
| Peace Corps | Michael A. Eschleman | 04/05 |
| Drug Enforcement Administration | James D. Hathaway | 06/06 |
| Department of Justice | Kevin L. Sundwall | 03/07 |
| Department of Treasury | Patricia S. Bacchi | 05/04 |

*Ms. Santacruz is a LE staff and supervised from Open Source Center Bureau in Panama City, Panama.

ABBREVIATIONS

| | |
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| ACS | American citizens services |
| CLO | Community liaison office |
| COM | Chief of Mission |
| DCM | Deputy chief of mission |
| Department | Department of State |
| DOD | Department of Defense |
| EFM | Eligible family member |
| ICASS | International Cooperative Administrative Support Services |
| IM | Information management |
| INL | Bureau of International Narcotics and Law Enforcement Affairs |
| IPS | <i>Instituto de Prevision Social</i> (Local Retirement System) |
| IRC | Information resource center |
| ISC | Information systems center |
| ITGBL | International Through U.S. Government Bill-of-Lading |
| LE | Locally employed |
| MCC | Millennium Challenge Corporation |
| MSP | Mission Strategic Plan |
| NEC | New embassy compound |
| NSDD-38 | National Security Decision Directive-38 |
| OBO | Bureau of Overseas Buildings Operations |
| ODC | Office of Defense cooperation |
| OIG | Office of Inspector General |
| POL/ECON | Political and economic section |

| | |
|-------|---|
| RSO | Regional security officer |
| TDY | Temporary duty |
| USAID | U.S. Agency for International Development |
| VOA | Voice of America |

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