



# Office of Inspector General

United States Department of State  
and the Broadcasting Board of Governors

## Office of Inspector General

Semiannual Report to the Congress

**October 1, 2008, to March 31, 2009**



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## Summary of OIG Accomplishments

### Financial Results:

#### Questioned costs

Issued during the reporting period	\$ 0
Management decision during the reporting period	\$ 0

#### Recommendations for funds to be put to better use

Issued during the reporting period	\$15,831,000
Management decision during the reporting period	\$15,831,000

Investigative monetary recoveries \$56,830

### Investigative Results:

Cases opened .....	67
Cases closed .....	52
Criminal actions .....	150
Administrative actions .....	48
Hotline and complaint activity .....	435

### Reports Issued: 59

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*Picture on the front cover: Embassy Dublin, Ireland*  
*Picture provided by Office of Overseas Buildings Operations*

Requests for additional copies of this publication should be addressed to:

Office of Inspector General  
U.S. Department of State  
OIG/EX, Room 810  
1700 North Moore Street  
Arlington, VA 22209

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# MESSAGE FROM THE ACTING INSPECTOR GENERAL



Acting Inspector General,  
Harold W. Geisel

I am pleased to present the Office of Inspector General (OIG) semiannual report for the Department of State (Department) and Broadcasting Board of Governors (BBG). This report covers the period ending March 31, 2009, as required by the Inspector General Act of 1978, as amended.

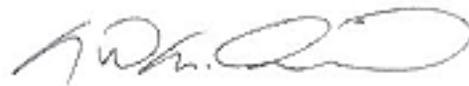
This reporting period has been marked by several major events that have created exceptional new challenges and opportunities for OIG. The arrival of a new Administration in January—an event accompanied by substantial changes in policy and personnel during even the smoothest of transitions—occurred at a time of economic upheaval

and uncertainty unlike any since the Great Depression. As the circumstances leading to the economic meltdown were unraveled, it became clear that a key causal factor was a lack of accountability and oversight. I have been heartened by the energy and determination with which the Administration and Congress have set out to address these deficiencies.

The passage of the American Recovery and Restabilization Act (ARRA) on February 17 included an unprecedented emphasis on accountability and transparency. Provisions of the legislation included more than \$250 million for oversight by the Inspectors General of the 23 agencies responsible for disseminating ARRA funding; establishment of a Recovery Accountability and Transparency Board (RATB), headed by a Special Inspector General with an additional \$84 million in oversight funding; and requirements for the most rigorous and public reporting standards ever imposed on government funding. OIG is coordinating extensively with the Department, Congress, the RATB and Inspector General community, the Office of Management and Budget (OMB), and the Government Accountability Office, to ensure that the \$602 million in ARRA funding appropriated to the Department will meet the high standards of accountability, transparency, and effectiveness envisioned in the ARRA.

Final agency plans for expenditure of ARRA funding are due by May 15, and OIG oversight plans are due May 30. In the course of our discussions to date, the Department has raised two issues which I believe merit attention by the broader oversight community. First, we are concerned that the information systems used by the General Services Administration (GSA) to track monies transferred for ARRA-funded construction and contracts that fall below GSA's \$75-million threshold for major projects may not provide the detail and timeliness required to meet ARRA's rigorous requirements for weekly reports of expenditures and progress on individual projects. Since nearly all of the Department's construction projects fall below this threshold, both Department reporting and OIG oversight of these project funds would be hampered by the limitations of the systems used to track smaller projects. Second, GSA has notified agencies of an extensive list of renovation projects being funded with ARRA funds appropriated to GSA. While GSA has announced these fast-track renovation projects, it is not yet clear who will be responsible for identifying new space for the dislocated offices, or who will pay the mandatory moving costs, which have not been factored into the financial plans of the affected agencies. We are working with the Department, GSA, and the broader Inspector General community, including the RATB, to reconcile these issues and minimize potential disruptions to the efficient operations of the affected agencies.

In closing, I would like to mention the great strides that OIG has made in restoring its core capabilities and standing up new overseas operations, spurred on by \$20.5 million in FY 2009 supplemental and bridge funding. These resources have allowed us to consolidate our overseas presence by fully staffing our Amman office; establishing a new field office, including a Middle East Investigative Division, in Cairo; and standing up satellite offices in Baghdad and Kabul. We are grateful to the Department, BBG, OMB, and the Congress for their support thus far, which has made possible much of the work set forth in this Semiannual Report to the Congress (SAR). We will continue to work with them to ensure that we are able to build upon the gains of the past year by maintaining our operational flexibility while addressing the present funding uncertainties that would affect us in FY 2010 and beyond.



Harold W. Geisel  
Acting Inspector General

# EXECUTIVE SUMMARY

The auditors, inspectors, investigators, and other professionals in the Office of Inspector General promote effective management, accountability, and positive change in the Department of State, the Broadcasting Board of Governors, and the foreign affairs community. During this reporting period, OIG identified nearly \$16 million in cost efficiencies—including funds to be put to better use, fines, and recoveries—and issued 59 reports with recommendations to improve Department and BBG programs and operations. A full list of reports issued by OIG during this period can be found in Appendix 2 of each agency section of this report.

This reporting period presented OIG with new challenges and opportunities arising from the arrival of a new Administration, with an increased emphasis on oversight, and passage of the American Recovery and Restabilization Act (ARRA), which has set new standards for accountability and transparency in Federal funding. OIG received \$2 million, out of \$602 million in ARRA funding appropriated to the Department of State. We are working in close coordination with the Department, the Recovery Accountability and Transparency Board (RATB), the Government Accountability Office (GAO) and the broader Inspector General oversight community to develop and implement an oversight plan that will meet the exceptional standards of accountability, transparency, and timeliness that are the touchstone of the Recovery Act.

The following report summarizes work carried out by OIG during the period October 1, 2008, through March 31, 2009.

## Middle East Regional Office

OIG reviewed the status of the recommendations from the Secretary of State's Panel on Personal Protective Services in Iraq Report. The panel was composed of outside experts and assembled following the Baghdad Nisoor Square incident of September 16, 2007, in which 17 Iraqi civilians were killed and 24 wounded. The panel reviewed the Department's security practices in Iraq and provided recom-

recommendations to strengthen the coordination, oversight, and accountability of Embassy Baghdad's security practices. OIG found the Department's and Embassy Baghdad's actions had improved the protection practices of personal security contractors, enhanced communication and coordination with coalition military forces and the Government of Iraq, and increased contractor accountability. Despite improvements, the Department still faced challenges.

OIG's Middle East Regional Office also reviewed the Bureau of Diplomatic Security's (DS) management of personal protective services in Iraq and found that since Embassy Baghdad opened in July 2004, private security contractors have become a critical tool in providing personal protection. OIG's review found that DS has been highly effective in the protection of mission personnel in Iraq. However, the increase in use and number of private security contractors strained the Department's ability to effectively manage them. Staff turnover, understaffing, increased workload, and a lack of standardized operating policies and procedures further undermined contract management. OIG recommended that the Department develop workforce plans to ensure sufficient staff to oversee the Worldwide Personal Protective Services contract, and assign dedicated contracting officer's representatives to the Embassy and regional offices.

## Office of Audits

OIG audited the procurement process for the new embassy compound (NEC) at Baghdad to ensure that selected contracts were solicited and awarded to obtain the best prices and value. This audit was in response to a request from the Chairman of the U.S. Senate Committee on Foreign Relations. OIG selected eight Department contracts, which totaled almost \$672 million that included the majority of the NEC Baghdad construction. The report addressed five of the eight contracts reviewed. OIG determined that the Department generally followed applicable contracting laws, regulations, policies, and procedures in soliciting and awarding four of the five contracts (two sole-source contracts and two contracts that were competed), but that the contract files supporting actions for three of the four contracts were not complete. In addition, for the sole-source contract for the guard camp, the Department did not meet the "unusual and compelling urgency" standard of the FAR because it did not adequately plan for the procurement. OIG recommended the Department strengthen procurement competition procedures and adhere to applicable acquisition requirements when either the "unusual and compelling urgency" authority of the FAR or section 3 of the Foreign Service Buildings Act (FSBA) is used to award contracts.

During this reporting period, OIG completed an audit of undelivered orders (UDO) in several Department bureaus to determine whether the balances were necessary to pay for goods and services not yet received. Of the 389 sampled UDOS, totaling about \$614 million, OIG found that 106, amounting to about \$15.8 million, were not valid. Invalid UDOS affected the bureaus' management of their funds, increased the risk of duplicate or fraudulent payments, and resulted in inaccurate reporting by the Department on its annual financial statements and reports submitted to OMB. OIG recommended that the bureaus develop and implement a systematic process for monitoring unliquidated obligations.

OIG contracted with independent external auditors to audit the financial statements of the Department. 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 2008 financial statements by the deadline because the Department was unable to respond to requests for documents in a timely manner, and the auditor was not able to perform other auditing procedures to satisfy itself as to the accuracy of the financial statements. Subsequently, the Department provided sufficient documents to support the amounts reported. The auditor found certain deficiencies and instances of noncompliance with selected provision of applicable laws and regulations involving the Department's financial system and found that the Department's financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996.

OIG audited the International Trust Fund for Demining and Mine Victims Assistance (ITF) as part of its continuing effort to determine whether U.S. Government interests and resources are adequately administered. The primary objectives of this audit were to: (1) determine whether the ITF adequately accounted for U.S. demining funds, especially those used for demining programs in Bosnia, and (2) determine whether the ITF complied with the terms of the Trust Fund Administrative Agreement. The demining program, administered by the Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement (PM/WRA), provides funding to the ITF for demining operations. Based on its work, OIG held several briefings with PM/WRA officials, including the Deputy Director for Programs, on conditions it observed that required immediate attention. These conditions related to funds accountability, compliance with the Trust Fund Administrative Agreement, use of a grant agreement instead of a Trust Fund Administrative Agreement, solicitation for demining contracts, and review of demining contractors. Based on the actions PM/WRA officials have taken and said will be taken to address these issues OIG closed out the audit.

OIG reviewed the assertions from the Department's Bureau of International Narcotics and Law Enforcement Affairs (INL) FY 2008 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*. OIG could not attest to two of INL's assertions and the certification relating to drug control obligations for FYs 2007 and 2008 because OIG could not rely on the financial systems that produced the data.

In response to the Federal Information Security Management Act of 2002 (FISMA), OIG performed an independent evaluation of the information security program at the Department. While improvements have been made since the 2007 report, OIG identified controls needing further enhancements and made recommendations to the Chief Information Officer.

OIG contracted with certified public accounting firms to perform agreed-upon procedures of indirect cost rates and a financial capability review to determine whether various grantees complied with applicable regulations. These reviews were prepared under the provisions of OMB Circulars A-122, codified at 2 CFR Part 230, *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*.

In accordance with OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, OIG completed 32 analytical desk reviews of single audits for 13 entities, with Department expenditures totaling \$397,715,899. 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 determine whether the audit reports meet applicable reporting standards and requirements and to identify issues that may require management attention. OIG recommended that the Department ensure that internal control weaknesses and instances of noncompliance are corrected.

## Office of Inspections

During this semiannual reporting period, OIG inspectors reviewed the *U.S. Policy Relative to Petroleum-Sector Contracting in Iraq*, *Global Repositioning Program*, *Currency Exchange Rates Differing from Local Legally Available Rates*, *Equal Employment Opportunity for Foreign National Employees*, and the *Department's Implementation of Mantraps*, as well as full and limited-scope inspections of 20 overseas missions and one compliance follow-up review. During the course of its inspections, OIG identified best practices

as well as potential cost efficiencies and other improvements. OIG provided security inspections for 17 of the 20 overseas missions. These are summarized in the classified annex to this report.

Responding to a request from four senators in July 2008, OIG initiated a review of five interrelated issues on U.S. Government policies relative to the Iraqi petroleum sector. The review concluded that there was an ambiguously articulated U.S. Government policy linking passage of Iraqi Federal hydrocarbon legislation prior to contracting by international oil companies. This policy evolved over time and does not have the force of law. The U.S. Government cannot prohibit Iraq-related business decisions by private corporations. When disseminated for the Embassy and other U.S. Government agencies to keep in mind in dealing with Iraqis on this issue, the guidance was not definitive.

The former Secretary of State's Global Repositioning Program (GRP) was designed to increase U.S. diplomatic engagement with a number of high-priority countries around the world. It was a bold initiative, strategic in its concept and rapid in its implementation. The GRP was implemented through a senior-level working group that represented considerable experience in the Department and overseas. Major decisions were made by Secretary Rice. OIG's review noted that the GRP produced the desired results in that it broke through various constraints to achieve, in a short period of time, a significant reallocation of positions across regional and bureau lines.

OIG's *Review of the Department's Implementation of Mantraps* found that the Department has made significant progress towards the installation of mantraps, such as fenced areas to contain pedestrians and occupants of a vehicle during the vehicle's inspection, at embassies and consulates worldwide; however, the results have been less satisfactory at those posts rated Low or Medium for indigenous and transnational terrorist threats.

## Office of Investigations

OIG conducted an investigation into the improper access to the Passport Electronic Records System (PIERS) after news media reports indicated that the passport files of three presidential candidates had been improperly accessed by Department contract employees. OIG subsequently received additional information that improper accessing of PIERS records was widespread, and involved many Department employees and contractors. Sentencing and disciplinary action have been taken on both contract and direct-hire employees. OIG's pursuit of PIERS related investigations is

ongoing. Because of the systemic weaknesses identified by OIG during the overall PIERS inquiry, the Department has enacted greater safeguards to protect the privacy of electronically stored passport-related information.

Other investigations this reporting period included allegations of conflict of interest, embezzlement, and employee misconduct. This investigative work resulted in 12 referrals for prosecution; sentencing resulting in a total of 108 months of imprisonment and probation; 3 indictments; 36 administrative referrals; and more than \$57,000 in recoveries.

## International Broadcasting

OIG's independent external auditor issued an unqualified opinion on BBG's annual financial statements as of September 30, 2008 and 2007. Although an unqualified opinion was issued, the report brought to management's attention two significant deficiencies related to internal controls over the financial and accounting system and accounts payable. The external auditor recommended that BBG take appropriate action to address these weaknesses.

OIG evaluated the information security program at BBG in response to Security Management FISMA. OIG could not perform an assessment of the adequacy of BBG's oversight and evaluation for 13 of its 14 identified systems because BBG had not conducted all aspects of a formal security program during FY 2008 and therefore could not provide the supporting documentation that would have been available for this FISMA review. As a result, BBG's overall assessment is poor, with improvements needed in several areas. OIG noted instances where improvements had been made since the FY 2007 review, and it made several recommendations for additional improvements.

During this reporting period OIG inspected Voice of America's (VOA) Persian News Network (PNN) and found it was the only platform from which the U.S. Government could reach an Iranian audience with unbiased news and information about U.S. foreign policy and American life. VOA successfully built PNN (formerly Persian Service) into its first full-fledged network in an extraordinarily short period of time. Given the U.S. strategic interest in communicating with Iranians, PNN represented a major achievement in setting up a network that reached approximately 29 percent of Iranians.

OIG also inspected the International Broadcasting Bureau (IBB) Marketing Office, Embassy Accra, Ghana and noted additional resources were needed to provide marketing support for its affiliates and clients in West Africa.

# CONGRESSIONAL ACTIVITIES AND OUTREACH

## Testimony

During this reporting period, Acting Inspector General Harold W. Geisel testified before the Commission on Wartime Contracting in Iraq and Afghanistan on February 8, 2009. Acting IG Geisel testified on the increased use of contractors in both countries, the OIG compliance report on recommendations from the *Secretary of State's Panel on Personal Protective Services in Iraq*, and OIG's *Review of Diplomatic Security's Management of Worldwide Personal Protective Services in Iraq*.



Acting IG Geisel testifies before the Commission on Wartime Contracting along with Department of Defense Principal Deputy IG Thomas Gimble (far left) and U.S. Agency for International Development IG Donald Gambatesa.

## Congressional Mandates

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

As mandated in 21 U.S.C. § 1703(D7) and 21 U.S.C. § 1704, Coordination with National Drug Control Program agencies in demand reduction, supply reduction, and state and local affairs, OIG produced report AUD/PP-09-09, *OIG Attestation Review of Accounting and Authentication of FY 2008 Drug Control Funds and Performance Report of the Department of State*.

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-09-01 *Independent Auditor's Report on the U.S. Department of State's Special-Purpose Financial Statements*

AUD/FM-09-02 and AUD/FM-09-02A *Independent Auditor's Report; U.S. Department of State's 2007 and 2008 Financial Statements*

AUD/FM-09-03 *Independent Auditor's Report on the Broadcasting Board of Governors' 2008 and 2007 Financial Statements*

AUD/IB-09-12 *Management Letter Related to the Audit of the Broadcasting Board of Governors' 2008 and 2007 Financial Statements*

## Congressional Requests

In response to a request from Senators John Kerry, Carl Levin, Claire McCaskill and Charles Schumer in July 2008, the Department's Acting Inspector General initiated a review of five interrelated issues on U.S. Government policies relative to the Iraqi petroleum sector, resulting in the report *A Review of U.S. Policy Relative to Petroleum-Sector Contracting in Iraq* (ISP-I-09-28).

In responding to a request from Rep. Mark Steven Kirk, OIG completed a *Limited-Scope Review of Department of State Counterterrorism Designation and Vetting Procedures* (ISP-I-08-26).

## Legislation Monitored

OIG reviewed and monitored the following legislation during this semiannual report period:

- H.R. 1, American Recovery and Reinvestment Act of 2009, now P.L. 111-5, which provided OIG with \$2 million to provide oversight for \$602 million provided to the Department of State under the Act.
- H.R. 1105, Omnibus Appropriations Act, 2009, now P.L. 111-8, which provided \$37 million in base appropriated funds for OIG for FY 2009.
- H.R. 928, Inspector General Reform Act of 2008, P.L. 110-409, which amended the Inspector General Act of 1978. This enacted changes to Inspectors General budgeting, HR and personnel issues, Web posting rules and created the Council of the Inspectors General on Integrity and Efficiency (CIGIE)
- H.R. 2642, the Supplemental Appropriations Act, 2008, now P.L. 110-252 signed into law on June 30, 2008, which provided OIG supplemental funding as well as 2009 bridge funding.
- S. 2001, Duncan Hunter National Defense Authorization Act for Fiscal Year 2009.P.L. 110-417, as it pertains to oversight issues.

- 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, the U.S. Agency for International Development (USAID), and the U.S. Department of 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.
- H.R. 2740, the Military Extraterritorial Jurisdiction Act (MEJA) Expansion and Reinforcement 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 Federal Bureau of Investigation. Not enacted.
- 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. Not enacted.
- 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. Not enacted.

## Media Assistance and Outreach

During this semiannual period, OIG made its reports available to the media both directly and online through regular postings on its Web site. Media expressed interest in a broad range of OIG activities and initiatives resulting in 30 direct responses to 14 different issues.

Listed in order of interest, the issues that drew the greatest number of media inquiries were the following:

- OIG work related to weapons contracting issues in Albania and allegations of involvement of embassy staff
- The Middle East Regional Office's (MERO) *Review of Diplomatic Security's Management of Personal Protective Services in Iraq* (MERO-IQO-09-02)
- *Status of the Secretary of State's Panel on Personal Protective Services in Iraq Report Recommendations* (MERO-IQO-09-01)

- Status of the Embassy Baghdad inspection—pending release
- The inspection *A Review of U.S. Policy Relative to Petroleum-Sector Contracting In Iraq* (ISP-I-09-28A) regarding the Iraqi/Kurdistan oil contracts and the pending Iraq Hydrocarbon Act

Additional inquiries included: the Mideast Broadcasting Network/Al Hurra inspection; MERO's Iraqi Refugee Resettlement Processing report; OIG's testimony remarks before the Commission on Wartime Contracting; Leahy Amendment compliance for inspections related to vetting non-U.S. personnel for security training in the U.S.; and work currently in progress, including the status of the inspection of the Department of State's Office of the Historian.

During President Obama's initial visit to the Department, he had an exchange with a member of OIG's staff who had prior Foreign Service experience in Indonesia. Because the dialogue was conducted in Indonesian, it generated immediate media interest. This resulted in several interviews for the staff, including Voice of America Indonesia and the Huffington Post.

U.S. DEPARTMENT OF STATE

## Status of the Secretary of State's Panel on Personal Protective Services in Iraq Report Recommendations (MERO/IQO-09-01)

In October 2007, the Secretary of State's Panel on Personal Protective Services in Iraq (the Panel), composed of outside experts, was assembled following the Baghdad Nisoor Square incident of September 16, 2007, in which 17 Iraqi civilians were killed and 24 wounded. The Panel reviewed the Department's security practices in Iraq and provided recommendations to strengthen the coordination, oversight, and accountability of Embassy Baghdad's security practices. OIG examined the status of the Panel's recommendations and whether changes in operations enhanced the protection of U.S. mission personnel and furthered U.S. foreign policy objectives.

OIG found that the Department and Embassy Baghdad actions had improved the protection practices of the Department's personal security contractors, enhanced communication and coordination with coalition military forces and the Government of Iraq, and increased contractor accountability. In addition, the Department and Embassy Baghdad had successfully completed 11 of the Panel's recommendations, were in the process of implementing four, and were awaiting actions by third parties to complete an additional three. Finally, changes in security practices resulted in a more professional personal protective services operation and in the curtailment of overly aggressive actions toward Iraqi civilians by personal security teams on protection movements.

Despite improvements, the Department still faced numerous challenges, including determination of private security contractors' status in light of the Status of Forces Agreement governing the relationship between Iraq and the U.S. military and its contractors, an Iraqi public opposed to the use of private security contractors, and curtailment and increased costs of private security contractors if immunity from Iraqi prosecution was lifted.

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## Review of Diplomatic Security's Management of Personal Protective Services in Iraq (MERO/IQO-09-02)

Since Embassy Baghdad opened in July 2004, private security contractors have become a critical Department tool to provide personal protection. This report was the second in a series on the Department's management of the personal protective services in Iraq. The report included information on the Bureau of Diplomatic Security's (DS) management of the security program in Iraq, how security requirements were determined, and the factors considered when deciding on the geographical array of security contractors, DS staff, and equipment.

OIG's review found that DS had been highly effective in the protection of mission personnel in Iraq. However, the rapid rise in use and number of private security contractors strained the Department's ability to effectively manage them. Staff turnover, understaffing, increased workload, and a lack of standardized operating policies and procedures further undermined contract management. OIG specifically noted there was no attempt to ensure the accuracy of personnel rosters (muster sheets) at their origin in the field, and therefore, no means to verify personnel labor costs. In addition, Embassy Baghdad's use of contractors to manage and control government-furnished equipment may have violated Federal Acquisition Regulation policy that contractors shall not be used to perform "inherently governmental" functions. Finally, OIG found that there had been no assessments or analysis to determine the personal protective service requirements in Iraq.

OIG recommended that DS and the Bureau of Administration develop workforce plans to ensure sufficient staff to oversee the Worldwide Personal Protective Services contract, and assign dedicated contracting officer's representatives to Embassy Baghdad and Regional Embassy Offices to oversee contractor activities. OIG also recommended that DS develop and publish standards, policies, and procedures for managing private security contractors, and assess security requirements in Iraq to determine the necessary number of security personnel, where they should be deployed, and the level and manner of protection.

# AUDITS

## Financial Management

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### Audit of Undelivered Orders (AUD/FM-09-07)

OIG conducted an audit to determine whether the undelivered orders (UDO) in the Bureaus of Overseas Buildings Operations (OBO), International Narcotics and Law Enforcement Affairs, and Information Resource Management were valid; that is, the balances on the UDOS were necessary to pay for goods and services not yet received.

Each of the three bureaus audited had a significant number of invalid UDOS. Of the 389 sampled UDOS, totaling about \$614 million, OIG found that 106, amounting to about \$15.8 million, were not valid. The large number of invalid UDOS existed primarily because the bureaus did not have a systematic process for monitoring them. Invalid UDOS affected the bureaus' management of their funds, made the monitoring of unliquidated obligations more difficult, and increased the risk of duplicate or fraudulent payments. In addition, invalid UDOS resulted in inaccurate reporting by the Department on its annual financial statements and in budgetary reports submitted to the Office of Management and Budget (OMB).

By the end of OIG's fieldwork, the bureaus had taken actions to reduce their invalid UDOS. However, additional bureau controls were needed. OIG recommended that the bureaus develop and implement a systematic process for monitoring unliquidated obligations, assess their obligations to determine instances in which automatic deobligations would be appropriate, and determine whether balances on the invalid UDOS that OIG had identified were necessary.

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### Independent Auditor's Report on the U.S. Department of State's Special-Purpose Financial Statements (AUD/FM-09-01)

OIG engaged an independent external auditor to audit the financial statements of the Department as of September 30, 2008 and 2007, and for the years then ended. The independent external auditor was unable to express an opinion on the Depart-

ment's 2008 financial statements by the November 17, 2008, 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 2008 special-purpose financial statements. The special-purpose financial statements are used by the Department of the Treasury to prepare government-wide financial statements.

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## Independent Auditor's Report on the U.S. Department of State's 2008 and 2007 Financial Statements (AUD/FM-09-02 and AUD/FM-09-02A)

OIG's independent external auditor was unable to express an opinion on the Department's 2008 financial statements by the November 17, 2008, deadline for issuing the report because of scope limitations. The Department was unable to respond to requests for documents in a timely manner, and the auditor was not able to perform other auditing procedures to satisfy itself as to the accuracy of the 2008 financial statements.

Subsequently, the Department provided the auditor with sufficient documents to support the amounts reported on the 2008 financial statements. The auditor satisfied itself that the amounts presented in the Department's 2008 financial statements were presented fairly in all material respects in conformity with accounting principles generally accepted in the United States.

The auditor found certain deficiencies in the Department's internal controls that the auditor considered to be significant deficiencies and instances of noncompliance with selected provisions of applicable laws and regulations involving the Department's financial system. The auditor also found that the Department's financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996.

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## Limited Review of Business Class Travel at a Department of State Bureau (AUD/SI-09-08)

During January 2009, OIG conducted a limited review of business class travel made by officials of a Department bureau during fiscal years 2007 and 2008. The purpose of the review was to determine whether the officials complied with Federal and Department guidance as it relates to overseas and business class travel.

Based on its review, OIG found that the officials did not always adhere to travel regulations for properly preparing, authorizing, and maintaining documentation required by the guidance.

OIG recommended that the respective bureau consider appropriate actions to ensure that travel documentation for officials complies with Federal Travel Regulations and Department guidance. Such actions should ensure that required supporting documentation is accurate, complete, and properly approved by appropriate officials.

## Property and Procurement

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### Audit of Procurement Competition for the New Embassy Compound at Baghdad, Iraq (AUD/IQO-09-04)

OIG initiated this audit to determine whether the Department followed applicable regulations, policies, and procedures in the solicitation and award phases of the procurement process for the new embassy compound (NEC) at Baghdad to ensure that selected contracts were solicited and awarded to obtain the best price and value. This audit also responded to a January 2007 request and an April 2007 follow-up letter from the Chairman, U.S. Senate Committee on Foreign Relations, to review procurement procedures used to award selected NEC Baghdad contracts.

OIG judgmentally selected eight Department contracts, which totaled almost \$672 million, and included the majority of the NEC Baghdad construction contracts awarded by the Department's Bureau of Administration, Office of Logistics Management, Office of Acquisition Management (A/LM/AQM), on behalf of OBO. For one contract, OIG reviewed two task orders. OIG determined that five of the

contracts were awarded competitively in accordance with the Federal Acquisition Regulation (FAR) and three were sole sourced. The report addressed five of the eight contracts reviewed. Based on information OIG received at the end of the audit, OIG will address the solicitation and award of three competitively bid contracts (for housing, infrastructure, and support facilities) separately in a subsequent report.

One sole-source contract (for a guard camp) was awarded under the “unusual and compelling urgency” provision of the FAR (FAR § 6.302.2), which can be used to waive the competition requirement in certain circumstances. The Department used its statutory authority under section 3 of the Foreign Service Buildings Act (FSBA) of 1926 to award the remaining two sole-source contracts: for construction of the unclassified portions of the new office building and for engineering and support services. The Department’s legal adviser said that FSBA section 3 does not give OBO blanket authority to waive the FAR, and in practice, this authority has been used only to waive the competition clauses. Department procurement officials said that although there are no formal Department regulations or guidance governing the FSBA section 3 waiver practice, they follow the FAR to ensure that the Department receives a fair and reasonable price.

OIG determined that the Department generally followed applicable contracting laws, regulations, policies, and procedures in soliciting and awarding four of the five contracts (two sole-source contracts and two contracts that were competed) but that the contract files supporting actions for three of the four contracts were not complete. In addition, for the sole-source contract for the guard camp, the Department did not meet the “unusual and compelling urgency” standard of the FAR because it did not adequately plan for the procurement.

Because the Department determined it was necessary to sole source three contracts to meet the 24-month schedule to complete the NEC and because there was incomplete sole-source justification documentation in the contract files, OIG could not determine whether the government received the best value and paid the best price for the \$110.6 million awarded in sole-source contracts for the new office building, engineering and support services, and the guard camp.

OIG recommended that A/LM/AQM, in coordination with the Office of the Procurement Executive, strengthen procurement competition procedures and adhere to applicable acquisition requirements when either the “unusual and compelling urgency” authority of the FAR or section 3 of the FSBA is used to award contracts.

## International Programs

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### Close Out of Audit of the International Trust Fund (AUD/IP-09-10)

During July 2007, OIG initiated an audit of the International Trust Fund for Demining and Mine Victims Assistance (ITF) as part of its continuing effort to determine whether U.S. Government interests and resources are adequately administered. The primary objectives of this audit were to: (1) determine whether the ITF adequately accounted for U.S. demining funds, especially those used for demining programs in Bosnia, and (2) determine whether the ITF complied with the terms of the Trust Fund Administrative Agreement. The demining program, administered by the Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement (PM/WRA), provides funding to the ITF for demining operations. Based on its work, OIG held several briefings with PM/WRA officials, including the Deputy Director for Programs, on conditions it observed that required immediate attention. These conditions related to funds accountability, compliance with the Trust Fund Administrative Agreement, use of a grant agreement instead of a Trust Fund Administrative Agreement, solicitation for demining contracts, and review of demining contractors. Based on the actions PM/WRA officials have taken and said will be taken to address these issues, OIG closed out the audit.

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### OIG Attestation Review of Accounting and Authentication of FY 2008 Drug Control Funds and Related Performance Report of the Department of State (AUD/PP-09-09)

OIG reviewed the assertions from the Bureau of International Narcotics and Law Enforcement Affairs (INL) FY 2008 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 two of INL's assertions and the certification relating to drug control obligations for FYs 2007 and 2008 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 that the remainder of INL's assertions did not, in all material respects, reliably represent the Accounting and Authentication of FY 2008 Drug Control Funds and Related Performance data for all years presented in the submission and comply with ONDCP criteria.

# Information Technology

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## Review of the Information Security Program at the Department of State (AUD/IT-08-36)

In response to the Federal Information Security Management Act of 2002 (FISMA) [44 U.S.C. § 3545 et seq], OIG performed an independent evaluation of the information security program at the Department. OIG reviewed the Department's progress in addressing information management and information security program requirements per FISMA and other statutory requirements, including OMB guidance. OIG assessed performance in areas such as inventory, plan of action and milestones (POA&M), certification and accreditation (C&A), security planning, contingency planning, risk management, incident response, security awareness and training, configuration management, and privacy requirements.

Since 2007, the Department has taken several steps to improve management controls, including conducting a comprehensive data call of all of its domestic bureaus and overseas posts in an effort to accurately identify its FISMA reportable inventory. The Department improved its POA&M process by developing databases to manage the POA&M process and posting a toolkit on its website to assist system owners with the POA&M process for those systems that require C&A. The Department improved its C&A process and quality, and it also made progress in addressing its privacy responsibilities. The Department documented its agency-wide requirements for configuration management within policy established by the Bureaus of Diplomatic Security (DS) and Information Resource Management (IRM). Further, the Department implemented several new initiatives in FY 2008 to improve its incident reporting services and analyses. Finally, the Department began addressing the awareness training requirement for non-system employees—an issue previously reported by OIG.

While improvements have been made, OIG identified controls needing further enhancements. Recommendations were made to the Chief Information Officer to ensure that:

- annual inventory data call activities are rescheduled to allow sufficient time to complete the analysis of pending items prior to the annual FISMA review
- system owners are provided with improved guidance for properly identifying contractor-owned or -operated systems and how to report them for systems inventory purposes
- national security systems are properly classified and accounted for by IRM and DS in their respective FISMA inventories

- a method is developed and made available to systems owners for providing timely and complete updates to POA&M data
- system connection agreement controls between Department system owners and external connection system owners are developed and tested to serve as a compensating control for systems security plan testing
- critical controls are identified and tested annually
- the policy on contingency planning is updated to include a requirement that test results are incorporated into an updated contingency plan
- guidance is provided to systems owners for ensuring adequate documentation and incorporation of test results into the POA&M process
- a process is developed and documented for identifying and describing interconnectivity between contractor systems and the Department
- Interconnection Security Agreements and Memoranda of Agreement/ Understanding are developed and maintained for contractor-owned and/or -operated systems
- a process is established to monitor and validate security awareness training provided to those individuals without access to Department networks

## Contracts and Grants

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### Independent Accountants' Reports

During this reporting period, OIG contracted with two certified public accounting firms, as specified, to perform agreed-upon procedures of indirect cost rates and a financial capability review, under the provisions of Office of Management and Budget (OMB) Circulars A-122, codified at 2 CFR Part 230, *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 organizations that were reviewed and the results of the agreed-upon procedures are as follows:

#### Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by the Open Society Institute (AUD/CG-09-05)

L.F. Harris & Associates, CPA, P.A., determined that the Open Society Institute's accounting system was inadequate for the purpose of accumulating and reporting indirect costs under the provisions of OMB Circulars A-122 and A-110. As a result,

for the fiscal years ended December 31, 2005, 2004, and 2003, the accountants took exception to the indirect cost rates reported by the Institute and found that it did not capture indirect costs in accordance with OMB Circular A-122. Therefore, the independent accountants were unable to recompute the Institute's indirect cost rates for those fiscal years. The independent accountants recommended that the Bureau of Educational and Cultural Affairs require the Institute to establish control procedures to prevent expenses from being allocated to federal programs that do not benefit federal awards and prevent federally unallowable expenses from being charged or allocated to federal programs. The independent accountants also recommended that the Bureau require the Institute to: (1) strengthen internal controls over cash disbursements, (2) establish appropriate policies and procedures to ensure that costs are adequately documented and accounted for in accordance with applicable provisions of OMB Circular A-122, and (3) bring its accounting system into full compliance with Circular A-122.

### Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by the American Council of Learned Societies (AUD/CG-09-06)

L.F. Harris & Associates, CPA, P.A., determined that the accounting system of the American Council of Learned Societies was adequate for accumulating and reporting the Council's indirect costs under the provisions of OMB Circulars A-122 and A-110. However, the accountants took exception to the rates reported by the Council for the fiscal years ended September 30, 2005, 2004, and 2003, and recommended that the Bureau of Administration, Office of Logistics Management, Office of Acquisition Management, International Programs Division, accept and finalize the Council's indirect cost rates for the fiscal years specified at 10 percent of total direct program costs in accordance with the limit established under provisions of the grants.

## Independent Accountants' Report on the Application of Agreed-Upon Procedures on Direct and Indirect Costs Proposed, Financial Capability, and the Accounting System Used by Youth for Understanding, Inc. (AUD/CG-09-14)

Leonard G. Birnbaum and Company, LLP, Certified Public Accountants, determined that Youth for Understanding, Inc., has more than adequate financial capability to perform under the proposed Department grant and that it has an accounting system appropriate for estimating, reporting, and recording costs under a federal flexibly priced award.

## Nonfederal Audits of Nonprofit Institutions

OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, establishes audit requirements for specified entities receiving federal awards. Public accounting firms employed by nonfederal 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 determine whether the audit reports meet applicable reporting standards and OMB Circular A-133 reporting requirements and to identify issues that may require management attention.

During this reporting period, OIG completed 32 analytical desk reviews of single audits for 13 entities, with Department expenditures totaling \$397,715,899. OIG recommended that the Department ensure that internal control weaknesses and instances of noncompliance are corrected. (See chart on next page)

Report Number	Grantee	Fiscal Year	Department of State Expenditures	Other Federal Agency Expenditures	Total Federal Expenditures
09-A133001	Woodrow Wilson International Center for Scholars	2004	\$774,014	\$1,428,403	\$2,202,417
		2005	894,932	1,596,242	2,491,174
		2006	1,142,915	1,198,626	2,341,541
09-A133002	Counterpart International, Inc.	2004	3,536,946	19,179,353	22,716,299
		2005	2,274,486	23,337,944	25,612,430
		2006	2,390,825	21,638,337	24,029,162
09-A133003	Independent Women's Forum	2005	1,136,800	0	1,136,800
		2006	640,148	0	640,148
09-A133004	Woodrow Wilson National Fellowship Foundation	2004	4,135,768	308,053	4,443,821
		2005	5,036,632	0	5,036,632
09-A133005	Cisco Learning Institute	2006	1,135,975	24,665	1,160,640
09-A133006	International Rescue Committee, Inc.	2005	7,673,717	18,627,274	26,300,991
		2006	8,416,787	29,015,220	37,432,007
		2007	20,665,230	23,131,066	43,796,296
09-A133007	American Council of Young Political Leaders	2006	1,527,413	0	1,527,413
		2007	1,221,303	0	1,221,303
09-A133008	Shared Hope International and Affiliates	2006	1,326,636	0	1,326,636
		2007	449,898	232,039	681,937
09-A133009	American Refugee Committee	2005	7,543,895	9,093,431	16,637,326
		2006	7,179,351	10,618,846	17,798,197
		2007	7,477,769	9,107,383	16,585,152
09-A133010	A Call to Serve International, Inc.	2005	427,008	295,900	722,908
09-A133011	Institute of International Education, Inc. and Affiliate	2004	94,047,763	24,500,760	118,548,523
		2005	100,118,738	14,810,259	114,928,997
		2006	110,828,917	12,881,484	123,710,401
09-A133012	Social Science Research Council	2004	808,139	496,630	1,304,769
		2005	619,715	425,248	1,044,963
		2006	876,874	738,460	1,615,334
		2007	712,447	703,956	1,416,403
09-A133013	Pacific Intercultural Exchange	2004	687,614	0	687,614
		2005	808,599	0	808,599
		2006	1,198,645	0	1,198,645
<b>TOTAL</b>			<b>\$397,715,899</b>	<b>\$223,389,579</b>	<b>\$621,105,478</b>

## Domestic Operations

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### Memorandum Report on Currency Exchange Rates Differing from Local Legally Available Rates (ISP-I-09-12)

The March 2008 inspection of Embassy Rangoon and the March 2007 inspection of Embassy Caracas found that those embassies were facing large variances between legal rates of exchange and parallel rates. The Foreign Affairs Manual does not provide a clear procedure for chiefs of mission to request and receive Department approval for authorizing transactions at exchange rates differing from local legally approved rates. OIG recommended that the Office of the Legal Adviser, in coordination with the Bureau of Human Resources and the Bureau of Resource Management, add a provision in the Foreign Affairs Manual requiring chiefs of mission to request approval from the Department for authorizing foreign currency transactions at other than the local, legally approved rates.

#### **Review of the Department's Implementation of Mantraps** **Report Number (ISP-I-09-29)**

The Department of State has made significant progress towards the installation of mantraps—fenced areas to contain pedestrians and occupants of a vehicle during the vehicle's inspection—at embassies and consulates worldwide. However, the lack of approved Overseas Security Policy Board security standards requiring mantraps and the absence of recent instructions or directives from the Bureau of Diplomatic Security to overseas posts regarding the installation of mantraps have been contributing factors in the fewer number of mantraps at Low and Medium threat-rated posts.

### **Interim Review of the Global Repositioning Program (ISP-I-09-09)**

The former Secretary of State's Global Repositioning Program (GRP) was designed to increase U.S. diplomatic engagement with a number of high-priority countries around the world. It was a bold initiative, strategic in its concept and rapid in its implementation. The GRP was implemented through a senior-level working group that represented considerable experience in the Department and overseas. Major decisions were made by Secretary Rice. The GRP produced the desired results in that it broke through various constraints to achieve, in a short period of time, a significant reallocation of positions across regional and bureau lines.

In general, the new positions are being used effectively. However, their effectiveness is limited by a lack of resources to support their work, including travel and representation funds and locally employed staff. As expected, the shift has reduced the ability of those posts and offices that lost positions to accomplish necessary work, including outreach and voluntary reporting. If repositioning becomes regularized, it can be done in a way that takes greater account of the Department's strategic planning mechanisms and involves prioritizing of posts in terms of overall U.S. interests, and assessments of relative workload. This should be done largely through additional rather than repositioned personnel.

This interim review of the implementation of the GRP identified the following:

- Post leadership is critical.
- GRP positions should be used flexibly to achieve transformational diplomacy goals.
- Resource support for the GRP positions is insufficient.
- American presence posts need a home office in the Department.
- Virtual presence posts are a useful way of structuring outreach, but there is confusion about what they are.
- There should be more coordination with the U.S. Agency for International Development in the GRP and transformational diplomacy processes.

- The Department needs more funds for programs in priority transformational diplomacy countries, particularly if the U.S. Agency for International Development is not present.
- The Department should undertake a concerted effort to achieve the goal that diplomats should spend less time behind their desks and more time getting out and around their host country.
- OIG, in its inspections of posts and bureaus over the past 5 years, has generally not found an excess of staff that could be cut without impairing U.S. interests.
- While the GRP has eased the workload problem in some key posts, it has exacerbated the situation in others.
- Guidance should be given to losing posts as to what functions they can cut.
- Given tight staffing and shortages of resources, future GRP efforts should be well prepared through a rigorous business plan.

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## Memorandum Report on Equal Employment Opportunity for Foreign National Employees (ISP-I-09-13)

Secretaries Albright, Powell, and Rice issued Statements on Equal Employment Opportunity and Diversity endorsing greater protections for the foreign national staff. OIG, however, continued to find that little had been done to implement Equal Employment Opportunity protections that could be made available to national employees. OIG found that cultural insensitivity on the part of officers and a lack of implementing procedures and education were prevalent. OIG recommended that the Bureau of Human Resources, in coordination with the Office of Civil Rights, establish a task force including representatives of the Office of Civil Rights, the Office of Overseas Employment, and the Foreign Service Institute to develop, codify, and promulgate processes and procedures to provide Equal Employment Opportunity protection to the foreign national staff.

### **A Review of U.S. Policy Relative to Petroleum-Sector Contracting in Iraq (ISP-I-09-28A)**

Responding to a request from four senators in July 2008, OIG initiated a review of five interrelated issues on U.S. Government policies relative to the Iraqi petroleum sector.

The review concluded that there was an ambiguously articulated U.S. Government policy linking passage of Iraqi Federal hydrocarbon legislation prior to contracting by international oil companies (IOC). This policy evolved over time and does not have the force of law. The U.S. Government cannot prohibit Iraq-related business decisions by private corporations. When disseminated for the Embassy and other U.S. Government agencies to keep in mind in dealing with Iraqis on this issue, the guidance was not definitive.

Passage of a national hydrocarbon legislation package is a benchmark set by both the Government of Iraq and the U.S. Congress and has been a central focus of political attention by Embassy Baghdad, Members of Congress, and U.S. cabinet officers. OIG concluded that the Government of Iraq's failure or inability to reach agreement on a hydrocarbon legislation package should not detract from strong, consistent policy pressure from the U.S. Government.

Short-term technical services agreements under negotiation were set aside by the Iraqi Government in September 2008. The objective of technical service agreements (TSA) was to increase production from existing oil and gas fields (brown fields). On October 13, 2008, Iraqi Minister of Oil Shahrstani announced a bidding process for longer-term brown field TSAs. Seven American IOCs were among firms that were prequalified to bid for these contracts. The U.S. Government's posture is to approve of such TSAs. This has not been formalized as policy per se. However, the position has been communicated to the Government of Iraq.

As of November 2008, the Government of Iraq had not opened any process for IOCs' involvement in developing new areas (green fields) for exploration or exploitation, whether via TSAs or through production sharing agreements (PSA). The inspectors found no articulated U.S. Government policy position on such potential contracts. However, there was a shared Iraqi-American perception that eventual, optimal development of Iraq's vast petroleum potential will necessitate sizeable foreign involvement in terms of both capital investment and technical assistance.

Discussion of relevant U.S. Government policies and positions has taken place with both the Government of Iraq and with the Kurdistan Regional Government. The primary, relevant U.S. Government objective is passage of national hydrocarbon legislation. Actions that detract from that objective are unwelcome. Hence, the dialogue has been more accommodating with the Government of Iraq and more critical of Kurdistan Regional Government actions to include PSAs such as that with Hunt Oil. Overall, dissemination of policy information across the spectrum of the U.S. Government has not been systematic.

## Overseas Missions

### Bureau of African Affairs

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#### Inspection of Embassy N'Djamena, Chad (ISP-I-09-02A)

In order to make Embassy N'Djamena and other embassies like it function even minimally, the Department and the Bureau of African Affairs must take a hard look at human and financial resources and make fundamental decisions about the value of maintaining embassies such as this one, which cannot be adequately staffed, protected, or funded.

Embassy N'Djamena continued to be a “historically difficult-to-fill” post,<sup>1</sup> and six out of eight key positions were filled by first-tour officers, and temporary duty personnel, or were vacant at the time of inspection. Long gaps due to curtailments and the difficulties of staffing the Embassy result in post experiencing a series of temporary duty stopgaps or vacancies in key positions. Adequate mentoring and development of first-tour officers is difficult if not impossible when there are not enough experienced, permanent officers at post.

<sup>1</sup> “Historically difficult-to-staff” posts are those where more than 50 percent of vacancies receive no more than three bids on assignments for three out of four years.

The potential for a repeat of major unrest, coupled with the trauma of the February evacuation, the looting and destruction of embassy housing, the brief June temporary relocation of most mission American staff to Cameroon, as well as the overall threat environment, continued to have a significant negative impact on the morale of those serving in Chad.

The Embassy needs to build a core group of competent locally employed (LE) staff. Training, including training out of country, and mentoring of these LE staff by experienced American officers is critical to successful development of this core LE staff cadre.

Significant weaknesses in human resources, financial management, and general services existed and were compounded by the upheaval in staffing due to the February evacuation. Embassy corrective action plans are a critical base on which to build provision of appropriate administrative services, but must be followed and tracked by senior management to develop consistent standards of service.

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## Inspection of Embassy Antananarivo, Madagascar (ISP-I-09-03A)

Embassy Antananarivo was energetically engaging the Governments of Madagascar and the Comoros on a broad range of issues. Especially in regard to the latter, there was a risk of arousing unrealistic expectations about U.S. projects and support.

Embassy Antananarivo and the Department should assess the added value of reestablishing a permanent diplomatic presence in the Comoros. The cost of sustaining such an establishment likely would exceed \$800,000 annually.

Many American personnel assigned to the mission were able to conduct business in French, the language of the elites in both Madagascar and the Comoros. There was little capacity to work directly in the local languages (Malagasy and Comorian) spoken by the overwhelming majority of the population in the respective host countries.

The English Teaching Program, largest of its kind in Sub-Saharan Africa, was located in the American Cultural Center, which was not in compliance with many security standards. The English Teaching Program should be privatized, and the non-English Teaching Program locally employed staff should be relocated. This could save the U.S. Government more than \$1 million in 3 years. The objective of supporting expansion of school facilities in Antananarivo was understandable, but OIG recommended that the Office of the Legal Adviser and OBO review embassy decisions to accept gift property for use by the school.

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## Inspection of Embassy Dar es Salaam, Tanzania (ISP-I-09-04A)

OIG commended Embassy Dar es Salaam for its strong team spirit and overall effectiveness. The Ambassador engendered a “one mission” approach, marked by good cooperation among the sections and effective interagency coordination. The entire staff was “on message.” Following the February 2008 visit by President Bush, bilateral relations were at an all-time high.

The U.S. agenda in Tanzania was assistance driven. The United States was the major international donor, providing massive economic assistance, especially in health-related sectors. In FY 2008, bilateral assistance totaled \$662 million. Over the next 5 years, an additional \$698 million will be made available through the Millennium Challenge Corporation. Major programs in the health sector were especially well coordinated. Auditing was beyond the scope of this inspection, but it appears that assistance programs were well managed.

Bilateral assistance programs create an expectation for long-term commitments that may not be sustained or sustainable. Meantime, Tanzanian dependency on foreign assistance and the distortions endemic to donor programs (notably supplanting Tanzanian Government budgetary commitment to programs) pose policy dilemmas. The concept of reciprocal responsibilities between donor and recipient is embryonic and fragile.

The entire mission was engaged in the public diplomacy outreach program. The objective was to ensure that all relevant assistance programs were clearly perceived to come from the American people, not individual agencies of the U.S. Government. Nonetheless, the public affairs section was overstaffed with one of the largest locally employed staff complements in the region. The section’s performance and efficiency were hampered by a number of employees with performance issues.

The management section boasted a litany of accomplishments, including the consolidation of International Cooperative Administrative Support Services, cooperative and productive meetings with management staff in other agencies, piloting new systems for the Department of State, performing well despite understaffed units, and dealing with ineffective computer replacements and limited bandwidth.

Unresolved political issues on Zanzibar, with the prospect of possibly turbulent 2010 elections in the archipelago, made this a focus of attention. The summer 2008

arrival of an American Presence Post/Zanzibar officer to work out of Embassy Dar es Salaam would enable the mission to follow those events more closely. However, establishment of an American Presence Post resident full time on Zanzibar was on hold, reflecting budget-driven decisions in Washington.

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## Inpection of Embassy Maputo, Mozambique (ISP-I-09-05A)

Although current leadership had achieved progress in instilling purposefulness and professionalism, the long hiatus between ambassadors at Embassy Maputo had come at a price; there was still a sense of drift in some areas.

The chargé d'affaires increasingly had devoted time and attention to the responsibilities normally carried out by the ambassador. The chargé had successfully restored the mission's reputation across the spectrum of Mozambican society and within the resident diplomatic community. Embassy Maputo had been assiduous and successful in implementing programs that furthered transformational diplomacy.

Interagency rivalries and jealousies diminished the overall effectiveness of the mission. The effort to instill a "One Team, One Mission" approach was still more aspiration than fact. The physical separation of offices (and the marked differences in quality and comfort of those offices) posed management challenges that should be ameliorated upon occupancy of a new embassy compound in about 2010.

In terms of numbers of employees, Embassy Maputo had doubled since 1998. The management platform had not kept pace with program and staff growth. Deficiencies in the human resources management section required the attention of a long-term, temporary-duty human resources officer.

The management section was expected to meet unrealistic expectations by customers unaccustomed to working in a difficult overseas environment. New management in the general services section and new initiatives in housing were expected to result in fewer complaints. However, until there was more equity of housing among the Department, U.S. Agency for International Development (USAID), other agency American staff, and third country nationals, morale would continue to suffer.

Embassy Maputo was commended for exemplary use of the talents of locally employed staff working in the political/economic spheres and at the warehouse. In some management units and the public affairs office, performance by some locally employed staff was less impressive.

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## Inspection of Embassy Accra, Ghana (ISP-I-09-14A)

Embassy Accra worked successfully to develop the close bilateral relationship between the United States and Ghana. The mission's policy goals of supporting democracy, economic growth, health and education, and counternarcotics were implemented through extensive advocacy and assistance programs. The expansion of the President's Emergency Plan for AIDS Relief program required increased executive office attention to overall planning and coordination among agencies at the mission.

Administrative management was a significant challenge for the mission, in part because the number of American positions had doubled in recent years. Resources and personnel had not kept pace. Embassy Accra's security office was managing the mission's security program effectively; however, the mission's emergency action committee needed to update the emergency action plan. Recent staff turnover and the absence of the political section chief on temporary duty in Baghdad limited the activities and reporting of the political and economic sections. New arrivals and an experienced political reporting officer on temporary duty were boosting the sections' output, which was particularly important for covering the Ghanaian presidential election in December 2008.

The consular section delivered services effectively but its staffing was inadequate. With diversity visas doubling in FY 2009, the Embassy would need temporarily assigned adjudicators to meet statutory processing deadlines.

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## Inspection of Embassy Banjul, The Gambia (ISP-I-09-15A)

The Embassy had a strong record of unusually effective public diplomacy success in The Gambia, a moderate and peaceful West African nation. A modest resumption of U.S. assistance would help promote continued democratization, human rights, and pro-Western attitudes in The Gambia. This would also help counter efforts by radical states, including Iran, Venezuela, and Cuba, who were seeking to increase their influence in a large Moslem society that is currently relatively tolerant of diverse religious views.

The Ambassador and the deputy chief of mission (DCM) needed to do a better job of resolving morale issues, addressing serious interpersonal conflicts, and improving the performance of key embassy sections.

Embassy Banjul's consular section provided good service to American citizens but had problems with visa referral issues and sometimes strayed from Departmental guidelines and processes regarding nonimmigrant visas.

The DCM filled a combined DCM/management officer position and was responsible for the day-to-day administrative operations of the Embassy. In the 2010 Mission Strategic Plan, the Embassy requested that the general services officer position be converted to a management officer position and that the Embassy retain a local-hire general services officer. OIG supported this request.

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## Inspection of Embassy Luanda, Angola (ISP-I-09-19A)

Embassy Luanda was effectively focused on policy formulation and implementation. This included not only improving bilateral relations and promoting democracy, but also correctly lobbying Washington to more effectively engage with Angola, the sixth largest supplier of oil to the United States and an increasingly important regional player in Africa. The Embassy was energetically promoting commercial relations with Angola, the third largest U.S. trading partner in sub-Saharan Africa. U.S. foreign assistance programs on health, democracy, and economic reform were well managed and met the Secretary's goals for transformational diplomacy.

As Embassy Luanda made the transition to a medium-size embassy, it needed to continue putting into place standard administrative procedures and management controls. The embassy needed to better utilize the Department's policy on visa referrals. Information management systems needed additional and more secure emergency power. The International Cooperative Administrative Support Services (ICASS) consolidation presented management with challenges for managing general services and providing quality customer service.

Angola's increasing importance added to the Embassy workload and merited increased staffing by the Department and other agencies. Living and working in Angola was difficult. The Embassy and the Department needed to work to recruit and assign to post only the most skilled, energetic, and adaptable employees.

Although completed in 2005, the new chancery already needed some security upgrades.

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## Inspection of Embassy Niamey, Niger (ISP-I-09-22A)

The Ambassador and the DCM were providing strong, collaborative, and inclusive executive direction to all mission elements, enabling the Embassy to achieve the mission's primary objectives of combating terrorism, advancing regional stability, promoting democracy, and improving living standards. The Ambassador's calm, competent leadership, management guidance, and oversight ensured good internal controls, security awareness, and a positive work ethic resulting in high morale in an isolated, underdeveloped country.

Coordination and cooperation between Embassy officers and USAID's personal service contractors (PSC), who were administering over \$122 million in 3-year U.S. assistance money, was very good. The USAID PSC was administering the Millennium Challenge Corporation's Threshold Country Program (\$23 million) and managing the USAID Peace through Development programs (\$21 million) and food security programs (\$65 million).

There should be no further delays in a major embassy compound renovation project, scheduled for 2002 but delayed until 2010, that would address substandard electrical systems, the lack of fire suppression systems and smoke alarms, and safety hazards throughout the compound. The renovation of the compound was necessary for proper embassy operations and safety.

The public affairs section's public access cultural center, which included a self-sustaining English-teaching program and a circulating library, gave the mission excellent access to important audiences in Niger.

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## Inspection of Embassy Nouakchott, Mauritania (ISP-I-09-23A)

Embassy Nouakchott was being ably led by an experienced chargé d'affaires in the absence, possibly long term, of the Ambassador. The country team worked in a coordinated manner on the two principal U.S. goals of restoring democratic governance to Mauritania and counterterrorism. The mission was successfully advancing U.S. interests in Mauritania despite the challenges of being in an isolated, hardship post with a small staff of largely entry-level officers squeezed into overcrowded offices in aging facilities. Lengthy gaps in the management officer position had led to deterioration in services. The mission was understaffed to meet the requirements

for increased representation, advocacy, and reporting. OIG concurred with Embassy Nouakchott's request for the addition of a mid-level political/economic officer.

The status of "embedded" Special Operations Command military personnel in the mission was unclear with respect to lines of authority over such personnel. Notwithstanding this lack of clarity, which traces back to unresolved Departments of State and Defense issues at a global level, post leadership had developed on-the-ground coordination arrangements to ensure the work went forward effectively.

The Bureau of Overseas Buildings Operations was planning a new embassy compound for Nouakchott. The August 2008 military coup in Mauritania had delayed acquisition of a site, which may, in turn, delay construction of a new embassy compound for a lengthy period of time. In view of the severe overcrowding and the prospect of an increase in staff, OBO should construct the new embassy compound (NEC) on the existing embassy premises. Construction on the existing site would save \$5 million in land acquisition costs.

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## Inspection of Embassy Ouagadougou, Burkina Faso (ISP-I-09-24A)

Embassy Ouagadougou had done an exceptionally effective job on policy implementation, management of resources, and management controls. The Embassy was on track to move into a NEC in early 2010. The Embassy had requested a colocation waiver to allow its very effective American Cultural Center, English language program, and Martin Luther King, Jr. Library to continue functioning in Ouagadougou's downtown area after the Embassy moves to a NEC. The Department needed to respond to the Embassy's request by May 2009 in order to allow the mission to adequately plan its move to the NEC.

Increasingly important close military cooperation between the United States and Burkina Faso merits a request by the Department that the Department of Defense establish a permanently staffed military presence at Embassy Ouagadougou. U.S. assistance programs closely tracked transformational diplomacy goals of strengthening security, consolidating democracy, and improving the lives of people.

## Bureau of East Asian and Pacific Affairs

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### Inspection of Embassy Kolonia, Federated States of Micronesia (ISP-I-09-17)

Despite its small size, Embassy Kolonia was advancing important U.S. interests and providing a range of services in the complex relationship with the Federated States of Micronesia. Interagency coordination on implementation of the Compact of Free Association (COFA), had deficiencies that required attention from Washington. Poor communication channels among U.S. agencies were contributing to a growing divergence of policy views on how COFA was serving U.S. interests and whether it fostered the Federated States of Micronesia's self-reliance or dependence.

The Embassy was generally well-managed. It was heavily reliant on regional support it received from Embassy Manila. Going forward, this support needed to be both robust and sustained.

The NEC relieve overcrowding, provide space to colocate some mission elements currently not colocated, and provide security that had been missing.

The public diplomacy outreach of Embassy Kolonia was impressive given the scant resources at the disposal of this nonpresence public diplomacy post.

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### Inspection of Embassy Koror, Republic of Palau (ISP-I-09-18)

Despite its small size, Embassy Koror was advancing important U.S. interests and providing a range of services in the complex and multilayered bilateral relationship with the Republic of Palau. After spending \$10.8 million on a new embassy compound, the Embassy will still be limited to unclassified communications and would lose nonimmigrant visa operations following the move into the new embassy compound unless the Bureau of Information Resource Management funds the additional approximately \$100,000 cost to outfit the controlled access area. The Embassy was generally well-managed. The new embassy compound will greatly strengthen Embassy Koror's security posture.

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## Inspection of Embassy Majuro, Republic of the Marshall Islands (ISP-I-09-20)

Despite its small size, Embassy Majuro was advancing important U.S. interests and providing a range of services in the complex relationship with the Republic of the Marshall Islands. The Ambassador and the deputy chief of mission had an effective leadership style that fostered positive working relations both within the Embassy and between the Embassy and other U.S. agencies in the Republic of the Marshall Islands. The Embassy was generally satisfied with the level of coordination with other U.S. agencies regarding implementation and oversight of U.S. assistance programs to the Republic of the Marshall Islands. There was good coordination of public affairs activities and messages among the agencies active in the Republic of the Marshall Islands.

Embassy Majuro management operations received mixed reviews. Financial management operations were well run, but human resources and general services operations required improvement. Embassy Majuro was heavily reliant upon and pleased with the regional support it received from Embassy Manila. Information programs at Embassy Majuro met the needs of the users but had vulnerabilities that needed to be addressed.

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## Inspection of Embassy Port Moresby, Papua New Guinea (ISP-I-09-25A)

Embassy Port Moresby was effectively promoting U.S. goals in the region and raising the visibility of the United States through an active diplomatic agenda.

Embassy Port Moresby's locally employed staff and management operations required improvement. In addition, the quality of information management and telecommunications support was poor. Both American and locally employed staff in the information management office were short of the skill levels needed to address problems. Host country infrastructure limitations compounded the problems for which adequate budget-minded solutions had not yet been found.

OBO had reached an agreement with a property owner to hold property in the Harbour City area until it is purchased. The purchase contract, which was supposed to be finalized in October 2008, had not yet been signed, and the Embassy had returned the funding to OBO. The NEC will be an OBO small secure compound with an expected completion date of 2010-11.

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## Inspection of Embassy Suva, Fiji (ISP-I-09-26A)

A major personnel turnover at Embassy Suva in summer 2008 involving concurrent departure of the Ambassador, deputy chief of mission, and several other key officers weakened executive direction and productivity in the mission.

The Embassy's political and economic reporting was overwhelmed by mandatory reporting requirements on five countries, and embassy operations are sometimes hampered by strained relations with the interim Government of Fiji.

The security assistance office's area of operation was larger than the area under the Ambassador's authority. This disconnect hampered the operations of both the security assistance office and mission management. It was in the best interests of the U.S. Government that the two parties find a mutually satisfactory solution.

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## Bureau of European and Eurasian Affairs

### Inspection of Embassy Dublin, Ireland (ISP-I-09-07A)

Embassy Dublin's noncareer Ambassador and seasoned deputy chief of mission had led embassy staff through a period of management changes designed to bring the local compensation scheme into compliance with the Irish social security system.

Interagency relations, while professional and productive, would have benefited from greater transparency and inclusiveness on the part of post management. Embassy Dublin had not utilized fully the National Security Decision Directive-38 (NSDD-38) process to require other Federal agencies to contribute to the cost of security and administrative support for new positions and the need to comply with chief of mission mission-wide policies.

The success of American, British, and Irish diplomacy in bringing peace to Northern Ireland had enabled Embassy Dublin to shift resources to other key objectives such as seeking Irish Government support for U.S. approaches to the European Union.

Most public diplomacy programs were well managed, but communication needed to be improved among the Embassy, the Bureau of Educational and Cultural Affairs, and the U.S.-Ireland Fulbright Commission.

The Embassy was providing efficient, customer-focused consular services to a steadily increasing number of U.S. residents and a changing visa demographic. The consular section needed to streamline behind-the-scene operations. The Embassy's internal management controls in both the consular and management sections were not being applied in accordance with Department procedures and required greater attention from post management.

Embassy Dublin needed to require a resolution of the status of locally hired Americans employed at the Department of Homeland Security facilities in Shannon and Dublin airports before allowing the expansion of preinspection operations.

## Bureau of Near Eastern Affairs

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### Inspection of Embassy Tripoli, Libya (ISP-I-09-01A)

Embassy Tripoli's deputy chief of mission, now the chargé d'affaires, was focused on the bilateral relationship and on embassy morale in a difficult working environment. He provided a steady, decisive hand at the Embassy's helm and continuity and consistency in implementing policy. Naming the deputy chief of mission as chargé was the best decision for the Embassy.

Embassy Tripoli's political and economic reporting was impressive in quality and quantity, given a circumscribed reporting environment characterized by official harassment, stringent travel restrictions, and the capricious nature of Libyan governmental and quasi-government contacts. The Embassy received praise from Washington for its reporting.

While Embassy Tripoli's move from a downtown hotel to two sites about 12.5 miles apart was necessary, it was not ideal. The originally proposed timeline to renovate the Villas compound and unite the staff there was extended. OIG remained concerned that the timeline would change again, and contracting for certain upgrades remained uncertain.

Consular relations with Libya were poor and were not expected to improve until the consular section begins processing and issuing all visas, not just official visas, in Tripoli. The Department anticipated that this would help to lift limits and delays on Libyan visas for American citizens and improve bilateral relations in other areas.

The management section, located at the chief of mission residence, provided full support to the embassy staff with a small and still inexperienced locally employed staff. Housing was spacious, repairs and maintenance were timely, and communications connectivity was effective.

## Bureau of Western Hemisphere Affairs

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### Inspection of Embassy Montevideo, Uruguay (ISP-I-09-06A)

The Ambassador and the country team were engaging intensively and effectively to improve bilateral relations with Uruguay's left-of-center coalition government, demonstrating that the United States is prepared to work closely with Latin American governments that maintain democratic institutions and respect human rights, regardless of their ideological orientation.

The Ambassador and the Embassy had secured important bilateral economic agreements, including a trade and investment framework agreement, a bilateral investment treaty, and a science and technology protocol, while effectively promoting U.S. business and exports.

The Embassy had promoted close and effective law enforcement cooperation with Uruguayan authorities despite the fact that U.S. law enforcement agencies were no longer present in Montevideo. The Embassy was also increasing its training and cooperation engagements with the Uruguayan armed forces and police, principally related to Uruguay's international peacekeeping role.

The Ambassador's high priority public diplomacy agenda led to significant positive shifts in Uruguayans' perceptions of the United States—an impressive accomplishment in a region where public approval of the United States was low. An additional officer was needed to meet the public diplomacy staff shortage and sustain this progress.

There had been a lack of conformity with NSDD-38 provisions regulating mission growth. The OIG team recommended that the mission regularize a position that had not been authorized and adhere strictly to NSDD-38 provisions.

The Embassy failed to manage the local guard force program in a manner that assured against any perception of favoritism or conflict of interest, despite embassy policy guidelines to that effect.

**Compliance Follow-Up Review of Embassy Bogota,  
Colombia (ISP-C-09-08A)**

OIG conducted a compliance follow-up review of the 2006 Inspection of Embassy Bogota. The compliance follow-up review (CFR) team was able to close the one remaining recommendation still outstanding in the 2006 report. However, the OIG team made seven new recommendations as a result of their CFR. One of these pertained to embassy operations in Cartagena; three dealt with rightsizing the embassy in Bogotá; two pertained to the locally employed staff savings plan; and one involved embassy switchboard coverage.

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**Inspection of Embassy Tegucigalpa,  
Honduras (ISP-I-09-10A)**

Embassy Tegucigalpa was appropriately focusing on rule of law and law enforcement issues that related to nearly all program and policy implementation in Honduras. The Ambassador effectively used his high profile in Honduras and remarkable access to press and television to forcefully advocate and advance U.S. policies, but the public affairs section needed to shore up many aspects of its operation.

The consular section benefited from exceptionally strong leadership and high morale. The section needed to address serious space issues to maximize efficiency in the visa operations.

Embassy Tegucigalpa had already consolidated warehouse functions, but could save further money by consolidating human resources, motor pool operations, and leasing, which were being performed separately by the Department and other agencies.

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## Inspection of Embassy Guatemala City, Guatemala (ISP-I-09-11A)

Intensely knowledgeable about Guatemalan issues, the region, and the Washington policy context, the Ambassador and deputy chief of mission were assertive and effective in advancing U.S. objectives. Embassy Guatemala City had outstanding inter-agency relations, especially among those agencies and Department sections involved in counternarcotics. The narcotics affairs section itself was implementing a complex and multifaceted program to good effect.

While there were some significant achievements, the public diplomacy program of Embassy Guatemala was weak: its program rationale was flawed, and program implementation at times ignored or contradicted Department standards and practices.

The consular section handled with skill the second largest number of adoption cases in the world, and the Embassy persuaded the Guatemalan Government to pass key adoption reform legislation. Severe physical space constraints plagued the consular section.

Embassy Guatemala City was suffering from management and management control weaknesses, including unauthorized commitments and possible fiscal irregularities that reflect neglect going back many years.

## **BEST PRACTICES**

### **Embassy Maputo, Mozambique**

**Best Practice:** Internet Newsletter for Resident American Citizens

**Issue:** Mozambique is similar to other posts in Africa with a relatively small but stable American citizen population and the majority of them live outside the capital. The embassy newsletter was distributed to registered Americans who provided an e-mail address. This practice was discontinued for security reasons.

**Response:** The consul began writing a monthly newsletter directed to the American resident population with information on issues like voting assistance and other items of use. The newsletter was also posted on the embassy Web site.

**Result:** The Embassy was able to inform the American residents of important information and embassy visits effectively and at no additional cost. American citizens felt more in touch with the mission and better served.

### **Embassy Dar es Salaam, Tanzania**

**Best Practice:** Consular Duty Officer Briefing

**Issue:** The mission required virtually all direct-hire employees to serve as duty officers. Many of these employees were unfamiliar with duty officer responsibilities, especially consular emergencies.

**Response:** The consul developed a Power Point briefing that he presents two or three times a year to all eligible duty officers explaining consular duty responsibilities and the action necessary in specific situations.

**Result:** Mission duty officers were well prepared to serve and mistakes and unnecessary requests for assistance were greatly reduced.

## **Embassy N'Djamena, Chad**

### **Best Practice:** Reporting Officer Exchange Program

**Issue:** Regional issues transcend the borders of neighboring posts, in this case Embassies N'Djamena, Khartoum, and Tripoli. Reporting officers at each post gain a bilateral perspective from interactions with their respective host nation government contacts and other everyday activities. However, it would be helpful to develop broader perspective and depth of knowledge, which could lead to better contextual reporting and analysis.

**Response:** The Ambassador initiated a process with nearby posts, where political officers from Embassy Khartoum and Embassy Tripoli travel to Embassy N'Djamena for a week of working in Chad on issues relating to the regional conflict.

**Result:** This exchange, which functions among posts belonging to different Departmental bureaus (Near Eastern Affairs and African Affairs), aids U.S. Government goals and objectives by giving reporting officers perspective and depth of knowledge. It fosters collaboration between posts and geographical bureaus on issues of regional importance, the synergies of which could bear results by drawing upon the combined talents and viewpoints of a more varied pool of officers.



## Passport Information Electronic Records System Inquiry

On March 20, 2008, Undersecretary of State for Management Patrick F. Kennedy requested that OIG conduct an investigation after news media reports indicated that the passport files of three presidential candidates had been improperly accessed by three different Department contract employees on three different occasions through the Passport Information Electronic Records System (PIERS). OIG subsequently received additional information that improper accessing of PIERS records was widespread, and involved many Department employees and contractors. The following are actions that have resulted to date from OIG investigations involving this issue:

OIG conducted an investigation of a Department contract employee who improperly accessed PIERS by looking up the passport files of two presidential candidates as well as other individuals for non-official purposes. The investigation determined that the contract employee electronically accessed through PIERS over 200 different passport applications without authorization. The contract employee was terminated from his assignment with the contractor. He pleaded guilty in U.S. District Court for the District of Columbia to one count of Unauthorized Computer Access, and on December 19, 2008, was sentenced to 12 months probation and 50 hours of community service. (08-014)

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OIG conducted an investigation of a Department of State contract employee who improperly accessed PIERS by looking up the passport files of a former President as well as other individuals for non-official purposes. The investigation determined that the contract employee electronically accessed through PIERS over 44 different passport applications without authorization. When interviewed by OIG regarding his actions, the employee denied accessing the records improperly, but the investigation revealed that there was no official purpose for the accesses. As a result, the contract employee was terminated from his assignment with the contractor. On January 27, 2009, the contract employee pleaded guilty in U.S. District Court for the District of Columbia to one count of Unauthorized Computer Access. Sentencing is currently pending. (08-037)

OIG conducted an investigation of a contract employee who was improperly accessing PIERS to view the records of celebrities and other prominent individuals such as two former Secretaries of State. The investigation determined that the contract employee electronically accessed through PIERS over 167 different passport applications without authorization. The contract employee was terminated from employment and on January 14, 2009, pleaded guilty in U.S. District Court for the District of Columbia to one count of Unauthorized Computer Access. On March 23, 2009, the former contract employee was sentenced to 12 months probation, 100 hours of community service, a \$25 fine, and as a special condition of probation must provide copies of any financial/business/tax records to the court for 1 year. (08-048)

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OIG also conducted investigations of four Department employees who were improperly accessing PIERS to view the records of celebrities and other prominent individuals, but to a lesser degree than the cases referenced above. In each case, the Department of Justice declined prosecution of the employees. All four employees received written admonishments during the reporting period. (08-047, 09-009, 09-018 & 09-029)

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OIG's pursuit of PIERS related investigations is ongoing. Because of the systemic weaknesses identified by OIG during the overall PIERS inquiry, the Department has enacted greater safeguards to protect the privacy of electronically stored Passport-related information.

## Conflict Of Interest

OIG conducted an investigation of a retired senior Foreign Service officer after it was reported to the Office of Legal Adviser that the officer failed to file her termination Financial Disclosure Report despite having received three separate written notices and one verbal notice over a period of a year and a half. OIG had previously investigated the officer back in 2002 for failing to file a required annual Financial Disclosure Report and on that occasion she paid a \$200 late filing fee. After being contacted by OIG regarding the new investigation, the officer filed her outstanding Financial Disclosure Report. On February 27, 2009, the office of Global Financial Services advised that it withheld the mandatory \$200 late filing fee from the officer's annuity. (08-084)

## Embezzlement

OIG conducted an investigation of a foreign national employee serving at a U.S. Embassy overseas who embezzled approximately \$850,000 while working as an embassy cashier. The employee stole the money through two separate fraud schemes; the first involved submitting phony expense vouchers for monetary payment and the second involved obtaining cash advances from the Embassy's cash advance accounts at two local banks. The cashier was terminated from employment and brought to the United States for prosecution. On January 21, 2009, the employee pleaded guilty in U.S. District Court for the District of Columbia to one count of theft and embezzlement. Sentencing of the cashier is currently scheduled for May 29, 2009. (08-088)

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OIG conducted an investigation of a Class B Cashier at an embassy in North Africa who embezzled approximately \$184,500 by using a "voiding scheme." As a result of the investigation, the cashier was prosecuted locally and resigned his employment. On January 3, 2009, the cashier was sentenced to 2 years imprisonment and given a \$2,800 fine. The Embassy is in the process of initiating legal action to recoup assets seized from the cashier by the local authorities as the result of his conviction. (08-100)

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OIG conducted an investigation of an individual who worked for a vendor that supplies repair services to the Department. The subject stole the credit card number from a Department credit card that was used to pay for the vendor services and then used the number to make approximately \$14,000 in unauthorized purchases. On January 13, 2009, OIG agents arrested the subject. On March 10, 2009, the subject pleaded guilty in U.S. Superior Court for the District of Columbia to one count of fraud. In his plea agreement, the subject agreed to reimburse the government \$14,049.18. Sentencing is currently scheduled for May 15, 2009. (08-087)

## Employee Misconduct

OIG conducted an investigation of a Foreign Service officer who facilitated the visa overstay in the United States of his domestic servant. The investigation determined that the officer used his official title and Department of State letterhead in sending a letter to the Bureau of Immigration and Customs Enforcement on behalf of the domestic servant. On December 4, 2008, the Bureau of Human Resources proposed a 5-day suspension for the officer. (06-033)

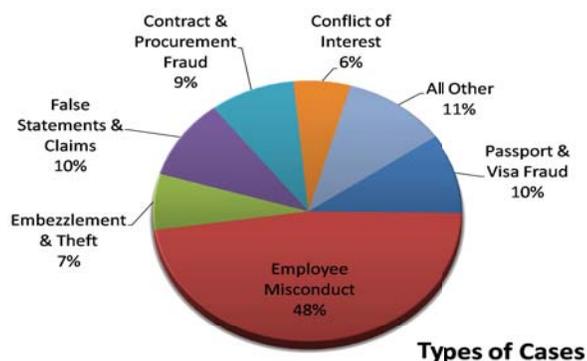
## Follow-Up Actions

### Embezzlement

OIG conducted an investigation of a Foreign Service officer who embezzled approximately \$47,000 by issuing a contract to his brother for which the Department did not receive any work. The Foreign Service officer resigned from the Department and both brothers were indicted for their roles in the scheme. On May 19, 2008, the former Foreign Service officer pleaded guilty to a one count charge of mail fraud and a one count charge of money laundering.

On June 23, 2008, the trial of the brother commenced in the U.S. District Court for the Eastern District of Tennessee. On June 25, 2008, the jury acquitted the brother on charges of conspiracy to defraud the U.S. and conspiracy to commit money laundering. During the trial, the former Foreign Service officer took the stand as a witness for the defense and committed perjury by lying under oath about both his and his brother's involvement in the fraud.

On October 16, 2008, the former officer was sentenced to serve 6 months in a half-way house, 5 years' probation and full restitution of outstanding monies owed to the Department. (See *OIG Semi-Annual Report, April 1, 2008 to September 30, 2008, pp 62*) (04-027)



### Hotline

Referral To Other Offices for Action	195
Held for Action Within OIG	60
No Action Necessary	180
Total Complaints Received	435

# APPENDIX 1: DEPARTMENT OF STATE INVESTIGATIVE ACTIVITIES

<b>Preliminary Inquiries</b>	
Opened	19
Closed	15
<b>Investigations</b>	
Opened	67
Closed	52
Pending (3/31/09)	116
<b>Criminal Actions</b>	
Referrals for Prosecution	12
Indictments/Informations	3
Convictions	5
Sentencings (Months Imprisonment)	24
Sentencings (Months Probation)	84
Declinations	20
<b>Civil Actions</b>	
Civil Referrals	0
Civil Judgments	0
<b>Administrative Referrals</b>	
Referrals for Personnel Action	20
Suitability Referrals to DS	15
<b>Administrative Actions</b>	
Removals	5
Suspensions	1
Reprimand/Admonishments	6
Debarment Actions	0
<b>Monetary Recoveries</b>	
Criminal Fines/Recoveries	\$49,070
Civil Recoveries	\$0
Administrative Recoveries	\$3,980
<b>Total Investigative Recoveries</b>	<b>\$53,050</b>



## APPENDIX 2: REPORTS ISSUED

<b>Report Number</b>	<b>Report Title</b>
AUD/CG-09-05	Independent Accountants' Report on Application of Agreed-Upon Procedures on the Indirect Cost Rates Proposed by the Open Society Institute
AUD/CG-09-06	Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by the American Council of Learned Societies
AUD/CG-09-14	Independent Accountants' Report on the Application of Agreed-Upon Procedures on Direct and Indirect Costs Proposed, Financial Capability, and the Accounting System Used by Youth for Understanding, Inc.
AUD/FM-09-01	Independent Auditor's Report on the Department of State's Special-Purpose Financial Statements
AUD/FM-09-02	Independent Auditor's Report on the U.S. Department of State's 2008 and 2007 Financial Statements
AUD/FM-09-02A	Independent Auditor's Report on the U.S. Department of State's 2008 and 2007 Financial Statements
AUD/FM-09-07	Audit of Undelivered Orders
AUD/IP-09-10	Close Out of Audit of the International Trust Fund
AUD/IQO-09-04	Audit of Procurement Competition for the New Embassy Compound at Baghdad, Iraq
AUD/IT-08-36	Review of the Information Security Program at the Department of State
AUD/PP-09-09	OIG Attestation Review of Accounting and Authentication of FY 2008 Drug Control Funds and Related Performance Report of the Department of State
AUD/SI-09-08	Limited Review of Business Class Travel at a Department of State Bureau
ISP-C-09-08A	Compliance Follow-Up Review of Embassy Bogota, Colombia
ISP-I-09-01A	Inspection of Embassy Tripoli, Libya
ISP-I-09-02A	Inspection of Embassy N'Djamena, Chad
ISP-I-09-03A	Inspection of Embassy Antananarivo, Madagascar
ISP-I-09-04A	Inspection of Embassy Dar es Salaam, Tanzania
ISP-I-09-05A	Inspection of Embassy Maputo, Mozambique

ISP-I-09-06A	Inspection of Embassy Montevideo, Uruguay
ISP-I-09-07A	Inspection of Embassy Dublin, Ireland
ISP-I-09-09	Interim Review of the Global Repositioning Program
ISP-I-09-10A	Inspection of Embassy Tegucigalpa, Honduras
ISP-I-09-11A	Inspection of Embassy Guatemala City, Guatemala
ISP-I-09-12	Memorandum Report on Currency Exchange Rates Differing from Local Legally Available Rates
ISP-I-09-13	Memorandum Report on Equal Employment Opportunity for Foreign National Employees
ISP-I-09-14A	Inspection of Embassy Accra, Ghana
ISP-I-09-15A	Inspection of Embassy Banjul, The Gambia
ISP-I-09-17	Inspection of Embassy Kolonia, Federated States of Micronesia
ISP-I-09-18	Inspection of Embassy Koror, Republic of Palau
ISP-I-09-19A	Inspection of Embassy Luanda, Angola
ISP-I-09-20	Inspection of Embassy Majuro, Republic of the Marshall Islands
ISP-I-09-22A	Inspection of Embassy Niamey, Niger
ISP-I-09-23A	Inspection of Embassy Nouakchott, Mauritania
ISP-I-09-24A	Inspection of Embassy Ouagadougou, Burkina Faso
ISP-I-09-25A	Inspection of Embassy Port Moresby, Papua New Guinea
ISP-I-09-26A	Inspection of Embassy Suva, Fiji
ISP-I-09-28A	A Review of U.S. Policy Relative to Petroleum-Sector Contracting in Iraq
ISP-I-09-29	Review of the Department's Implementation of Mantraps
MERO/IQO-09-01	Status of the Secretary of State's Panel on Personal Protective Services in Iraq Report Recommendations
MERO/IQO-09-02	Review of Diplomatic Security's Management of Personal Protective Services in Iraq

## Classified Reports Issued

<b>Report Number</b>	<b>Report Title</b>
ISP-S-09-01A	Classified Annex to the Inspection of Embassy Tripoli, Libya
ISP-S-09-02A	Classified Annex to the Inspection of Embassy N'Djamena, Chad
ISP-S-09-03A	Classified Annex to the Inspection of Embassy Antananarivo, Madagascar
ISP-S-09-04A	Classified Annex to the Inspection of Embassy Dar es Salaam, Tanzania
ISP-S-09-05A	Classified Annex to the Inspection of Embassy Maputo, Mozambique
ISP-S-09-06A	Classified Annex to the Inspection of Embassy Montevideo, Uruguay
ISP-S-09-07A	Classified Annex to the Inspection of Embassy Dublin, Ireland
ISP-S-09-08A	Classified Annex to the Compliance Followup Review to Embassy Bogota, Colombia
ISP-S-09-10A	Classified Annex to the Inspection of Embassy Tegucigalpa, Honduras
ISP-S-09-11A	Classified Annex to the Inspection of Embassy Guatemala City, Guatemala
ISP-S-09-14A	Classified Annex to the Inspection of Embassy Accra, Ghana
ISP-S-09-15A	Classified Annex to the Inspection of Embassy Banjul, The Gambia
ISP-S-09-19A	Classified Annex to the Inspection of Embassy Luanda, Angola
ISP-S-09-22A	Classified Annex to the Inspection of Embassy Niamey, Niger
ISP-S-09-23A	Classified Annex to the Inspection of Embassy Nouakchott, Mauritania
ISP-S-09-24A	Classified Annex to the Inspection of Embassy Ouagadougou, Burkina Faso
ISP-S-09-25A	Classified Annex to the Inspection of Embassy Port Moresby, Papua New Guinea
ISP-S-09-26A	Classified Annex to the Inspection of Embassy Suva, Fiji
ISP-S-09-28A	Review of U.S. Policy Relative to Petroleum-Sector Contracting in Iraq



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

Type of Report	Number of Reports	Questioned 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 *	7	\$2,112	\$1,551
B. Which were issued during the reporting period	0	\$0	\$0
Subtotals (A + B)	7	\$2,112	\$1,551
C. For which a management decision was made during the reporting period			
(i) dollar value of disallowed costs	0	\$0	\$0
(ii) dollar value of costs not disallowed	0	\$0	\$0
D. For which no management decision has been made by the end of the reporting period	7	\$2,112	\$1,551
Reports for which no management decision was made within six months of issuance	7	\$2,112	\$1,551

\*Final amounts in previous SAR were adjusted to correct prior reporting and other errors.

**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	1	\$15,831
Subtotals (A + B)	1	\$15,831
C. For which a management decision was made during the reporting period		
(i) dollar value of recommendations that were agreed to by management	1	\$15,800
*based on proposed management action	1	\$15,800
*based on proposed legislative action	0	\$0
(ii) dollar value of recommendations that were not agreed to by management	1	\$31
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

## APPENDIX 4: RESOLUTION OF REPORTS AND RECOMMENDATIONS

### Previously Reported Significant Audit Recommendations Pending Final Action

<b>Report Number</b>	<b>Rec. No.</b>	<b>Report Title Recommendation Summary</b>	<b>First Reported</b>
AUD/FM-05-06		Assessment of the Certification and Accreditation, Change Management, and Patch Management Process	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-05-26		Review of Selected Grants Awarded to institute for the Study & Development of Legal Systems	10/05
	3	OIG recommended the Bureau of Educational and Cultural Affairs grants officer disallow all unsupported expenses charged to Grant # PSPS-G6190048 – India and Grant # S-ECAPE-02-GR -046 (CS) – Turkey.	
AUD/CG-06-02		Application of Agreed-Upon Procedures to George Mason University Awards	2/06
	4	OIG recommended the Bureau of Educational and Cultural Affairs grants officer: ensure that George Mason University follows through with proposed guidelines related to cost share;  require the University to provide supporting documentation for claimed cost share amounts totaling \$354,248 (grants ASMA-0324 and S-ECAAS-02-GR-251); and  reduce the grants accordingly and require the University to reimburse applicable unmet cost share amounts.	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
IT-I-06-03		Review of the Information Security Program at the Department of State	10/06
AUD/IQO-07-20	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.	
	1	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) 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.	1/07
	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.	

<b>Report Number</b>	<b>Rec. No.</b>	<b>Report Title Recommendation Summary</b>	<b>First Reported</b>
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		Review of the Institute of International Education's Indirect Cost Rates for Fiscal Years 2002-05	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.	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
AUD/CG-07-29	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.	6/07
	1	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  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		Return-to-Work: An Important Program for the Department of State to Implement	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.	

<b>Report Number</b>	<b>Rec. No.</b>	<b>Report Title Recommendation Summary</b>	<b>First Reported</b>
AUD/CG-07-37		Independent Accountants' Report on the Application of Agreed-Upon Procedures on Costs Claimed by Meridian International Center Under Department of State Cooperative Agreements	9/07
	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		Accounting for Government-Owned Personal Property Held by Selected Contractors in Afghanistan	9/07
	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.	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
	3	<p>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.</p>	
	4	<p>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.</p>	
	5	<p>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.</p>	
	6	<p>OIG recommended the Department develop and implement policies and procedures for monitoring government property held by contractors.</p>	

<b>Report Number</b>	<b>Rec. No.</b>	<b>Report Title Recommendation Summary</b>	<b>First Reported</b>
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	1/08
	4	OIG recommended that the Bureau of Educational and Cultural Affairs require the Association to substantiate the unsupported payroll costs or reimburse the Department for these costs.	
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	1/08
	1	OIG recommended that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, International Programs Division accept and finalize the indirect cost rates for 2005 and 2004 as recommended in this report.	
AUD/IP-08-19		Safeguarding Domestic Passport Applications During Transit	3/08
	1	OIG recommended that the Bureau of Consular Affairs direct the Office of Passport Services to modify the Passport Agent's Reference Guide to define the minimum standards for a secure area, such as placing the applications in a locked container until all the applications are transported and issue a notice to all acceptance agents regarding this change.	
	2	OIG recommended that the Bureau of Consular Affairs direct the Office of Passport Services to include provisions in its acceptance agent oversight program for monitoring the effectiveness of acceptance agents in securing passport applications.	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
	3	OIG recommended that the Bureau of Consular Affairs direct the Office of Passport Services to require non-USPS acceptance agents to send passport applications in a traceable manner, such as with deliver confirmation, and to retain the receipts for a year.	
	4	OIG recommended that the Bureau of Consular Affairs direct the Office of Passport Services to work with officials from the Department of the Treasury to review the process used to transport passport applications from the lockbox facilities to passport agencies and to develop a workload distribution analysis that reduces the use of routes with numerous transfers.	
	5	OIG recommended that the Bureau of Consular Affairs direct the Office of Passport Services to require that anyone without a need to access applications (such as contracted cleaning, repair, and maintenance personnel) be escorted by Office of Passport Services personnel and kept in direct visual sight.	
	6	OIG recommended that the Bureau of Consular Affairs direct the Office of Passport Services to a) secure passport applications in locked cabinets, containers, or rooms when not actively being processed and b) amend the internal controls program accordingly.	
	7	OIG recommended that the Bureau of Consular Affairs direct the Office of Passport Services to issue an advisory notice within 14 days of the issuance of this audit report to all acceptance agents informing them of the Inspector General's authority to review passport records as specified in the Inspector General Act.	
	8	OIG recommended that the Bureau of Consular Affairs direct the Office of Passport Services to modify the Passport Agent's Reference Guide to require agents to make their passport records available for monitoring, audit, or investigation.	

<b>Report Number</b>	<b>Rec. No.</b>	<b>Report Title Recommendation Summary</b>	<b>First Reported</b>
	9	OIG recommended that the Bureau of Consular Affairs direct the Office of Passport Services to modify the provisions in the designation letter to make passport records available for monitoring, audit, or investigation and reissue the designation letter for all acceptance agents.	
AUD/CG-08-23		Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by the Council on International Educational Exchange, Inc.	5/08
	1	OIG recommended that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, International Programs Division accept and finalize the indirect cost rates for fiscal years 2005, 2004, and 2003 as recommended in this report.	
AUD/CG-08-28		Independent Accountants' Report on the Application of Agreed-Upon Procedures on Final Buyout Claim by Enviro-Management & Research, Inc., Under Contract No. S-FBOAD-98-DOO10	5/08
	1	OIG recommended that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, decline to pay Enviro-Management & Research, Inc., its buyout claim under the contract and require the company to reimburse the Department of State for overpayments totaling \$15,607.03.	

<b>Report Number</b>	<b>Rec. No.</b>	<b>Report Title Recommendation Summary</b>	<b>First Reported</b>
AUD/CG-08-32		Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by Nacel Open Door, Inc.	8/08
	3	OIG recommended that the Department's Bureau of Educational and Cultural Affairs (ECA) require Nacel Open Door, Inc., to (a) establish appropriate policies and procedures to ensure that costs under the grants are adequately documented and accounted for in accordance with applicable Office of Management and Budget circulars and (b) provide information so that ECA can make an appropriate determination on the unsupported costs of \$94,524.	

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## Previously Reported Significant Inspections Recommendations Pending Final Action

<b>Report Number</b>	<b>Rec. No.</b>	<b>Report Title Recommendation Summary</b>	<b>First Reported</b>
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-07-16		<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)	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
ISP-I-07-21	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)	
		<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 1 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.	
	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

None to report.

## Significant Management Success in Resolving and Implementing Recommendations

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### Actions Taken to Improve Fire and Life Safety at Overseas Posts

In the 2008 inspection of the Bureau of Overseas Buildings Operations (OBO), OIG recommended that the frequency of fire and life safety inspections at all overseas missions be increased to an annual basis as mandated by statute. As a result, OBO increased staff levels to permit site visits every 2 years. To comply with the annual requirement, OBO will require posts to conduct an inspection during the “off years,” and provide OBO with a certification that the inspection was completed and a summary of the results. OBO will assist posts with this new requirement by expanding training for post personnel in fire prevention principles and extinguisher maintenance. OBO transmitted a telegram to all diplomatic missions notifying them of this major change, and is in the process of updating the Foreign Affairs Manual.

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

**Report Number:** AUD/CG-05-26

**Subject:** Review of Selected Grants Awarded to Institute for the Study & 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 that it lacked a sufficient number of grants officers to address the report’s recommendations and would not be able to address them until October 2006. As of March 2009, ECA had not responded to OIG’s January 24, March 4, and June 10, 2008, requests for a response to the recommendations.

**Projected date of resolution:** September 2009

**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 that it lacked a sufficient number of grants officers to address the report's recommendations and would not be able to address them until October 2006. As of March 2009, ECA has not responded to OIG's January 24, March 4, and June 10, 2008, requests for a response to the recommendations.

**Projected date of resolution:** September 2009

**Report Number:** AUD/FM-06-39

**Subject:** Internal Controls Related to Travel Advances

**Date Issued:** September 29, 2006

**Reason for not being resolved:** As of March 2009, the Bureau of Resource Management (RM) had not responded to the report's recommendations when the report was issued or to OIG's most recent request for a response, sent on June 16, 2008.

**Projected date of resolution:** September 2009

**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 analyzed the response and determined the actions taken by the Embassy will satisfy the intent of all but one of the recommendations. Embassy Berlin did not address the substance of the recommendation pertaining to the development and implementation of a plan to review its procurement processes.

**Projected date of resolution:** September 2009.

**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 Bureau of Administration disagreed with OIG on the recommendation (No. 6) pertaining to the establishment and enforcement of tenure limitations for contracting personnel. OIG is reviewing the Bureau's justification for not implementing this recommendation.

**Projected date of resolution:** September 2009.

**Report Number:** AUD/CG-08-02

**Subject:** 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

**Date Issued:** December 19, 2007

**Reason for not being resolved:** As of March 2009, ECA had not responded to OIG's March 4 or June 10, 2008, requests for a response to the report's recommendations.

**Projected date of resolution:** September 2009

**Report Number:** AUD/CG-08-10

**Subject:** Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by NAFSA: Association of International Educators

**Date Issued:** January 31, 2008

**Reason for not being resolved:** As of March 2009, the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, International Programs Division, had not responded to the report's recommendation.

**Projected date of resolution:** September 2009

**Report Number:** AUD/CG-08-11

**Subject:** Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by Sister Cities International, Inc.

**Date Issued:** January 17, 2008

**Reason for not being resolved:** As of March 2009, the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, International Programs Division, had not responded to the report's recommendation. This recommendation remains unresolved.

**Projected date of resolution:** September 2009.

**Report Number:** AUD/CG-08-28

**Subject:** Independent Accountants' Report on the Application of Agreed-Upon Procedures on Final Buyout Claim by Enviro-Management & Research, Inc., Under Contract No. S-FBOAD-98-DOO10

**Date Issued:** May 15, 2008

**Reason for not being resolved:** As of March 2009, the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, had not responded to the report's recommendation. This recommendation remains unresolved.

**Projected date of resolution:** September 2009

## APPENDIX 5: AUDITS PERFORMED BY CONTRACTORS

AUD/CG-09-06	Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by the American Council of Learned Societies L.F. Harris & Associates, CPA, P.A. Indirect Cost Rate Review
AUD/CG-09-05	Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by the Open Society Institute L.F. Harris & Associates, CPA, P.A. Indirect Cost Rate Review
AUD/CG-09-14	Independent Accountants' Report on the Application of Agreed-Upon Procedures on Direct and Indirect Costs Proposed, Financial Capability, and the Accounting System Used by Youth for Understanding, Inc. Leonard G. Birnbaum and Company, LLP Financial Capability Review
AUD/FM-09-01	Independent Auditor's Report on the Department of State's Special-Purpose Financial Statements Leonard G. Birnbaum and Company, LLP Financial Audit
AUD/FM-09-02	Independent Auditor's Report on the U.S. Department of State's 2008 and 2007 Financial Statements Leonard G. Birnbaum and Company, LLP Financial Audit
AUD/FM-09-02A	Independent Auditor's Report on the U.S. Department of State's 2008 and 2007 Financial Statements Leonard G. Birnbaum and Company, LLP Financial Audit



# BROADCASTING BOARD OF GOVERNORS

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## Independent Auditor's Report on the Broadcasting Board of Governors' 2008 and 2007 Financial Statements (AUD/FM-09-03)

OIG's independent external auditor issued an unqualified opinion on BBG's annual financial statements as of September 30, 2008 and 2007, and for the years then ended. Although an unqualified opinion was issued, the report brought to management's attention two significant deficiencies related to internal controls over the financial and accounting system and accounts payable.

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## Management Letter Related to the Audit of the Broadcasting Board of Governors 2008 and 2007 Financial Statements (AUD/IB-09-12)

During the audit of BBG's 2008 and 2007 financial statements, the independent external auditor identified internal control weaknesses or instances of noncompliance with selected provisions of applicable laws and regulations relating to property, plant, and equipment; undelivered orders; government purchase cards; grants management; information security; payroll; and non-personnel expenses. The external auditor recommended that BBG take appropriate action to address these weaknesses.

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## Review of the Information Security Program at the Broadcasting Board of Governors (AUD/IT-08-37)

In response to the Federal Information Security Management Act of 2002 (FISMA), OIG performed an independent evaluation of the information security program at BBG. OIG reviewed BBG's progress in addressing information management and information security program requirements per FISMA and other statutory requirements, including Office of Management and Budget (OMB) guidance. OIG assessed performance in areas such as inventory, plan of action and milestones (POA&M),

certification and accreditation (C&A), security planning, contingency planning, risk management, incident response, security awareness and training, configuration management, and privacy requirements.

OIG could not perform an assessment of the adequacy of BBG's oversight and evaluation for 13 of its 14 identified systems because BBG had not conducted all aspects of a formal security program during FY 2008 and therefore could not provide the supporting documentation that would have been available for this FISMA review. As a result, BBG's overall assessment is poor, with improvements needed in several areas. OIG noted instances where improvements had been made since the FY 2007 review, and it made several recommendations for additional improvements needed for BBG's information security program. These recommendations related to inventory, POA&Ms, C&A, incident response, configuration management controls, systems security plan, and the handling and reporting of security incidents.

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## Inspection of Voice of America's Persian News Network (ISP-IB-09-27)

OIG found the Persian News Network (PNN) was performing a vital function. It was the only platform from which the U.S. Government could reach an Iranian audience with unbiased news and information about U.S. foreign policy and American life. The broadcasting mission of Radio Free Europe/Radio Liberty's Radio Farda is to provide information on news and events within Iran.

Voice of America (VOA) successfully built PNN (formerly Persian Service) into its first full-fledged network in an extraordinarily short period of time. Given the U.S. strategic interest in communicating with Iranians, PNN represented a major achievement in setting up a network that reached approximately 29 percent of Iranians. The increasing importance of the Internet in Iranian society provided VOA with a platform that had the potential to dramatically increase its audience. A strategic plan to exploit that potential, in a manner that complements Radio Farda's Internet efforts, was essential as PNN moved forward.

The explosive growth of PNN television came, in part, at the expense of radio. VOA radio broadcasts to Iran may have reached a point of marginal return on investment given the round-the-clock broadcasts of Radio Farda, the likelihood of PNN increasing its focus on the Internet as a platform to connect with audiences inside Iran, and overall resource restraints. Continuation of PNN radio was an appropriate issue for the BBG language service review process.

Rapid growth brought a number of problems along with it, including questions of program mix and quality and a lingering atmosphere of discontent among employees. Ameliorating them would be a necessary step in the consolidation of VOA's gains in an important broadcasting arena. There was widespread perception among employees that the PNN hiring practices and other personnel actions were not transparent and may have favored certain groups.

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## Inspection of International Broadcasting Bureau Regional Marketing Office, Embassy Accra, Ghana (ISP-IB-09-45)

An experienced and active regional marketing director led the International Broadcasting Bureau regional marketing office in Accra. Additional resources were needed in order to provide marketing support for its affiliates and clients in West Africa.

Many of VOA's affiliates in Africa are far away from modern communications. A truly comprehensive program of checks including small affiliate stations would not be cost-effective in light of the modest amounts the Office of Marketing and Program Placement pays most African affiliates. The marketing office's payment of affiliates and vendors was sometimes slow.

### BEST PRACTICE

#### Inspection of Voice of America's Persian News Network

**Best Practice:** *PNN Insider* Enhances Communications and Transparency

**Issue:** Voice of America's Persian News Network (PNN) employs more than 200 people in one capacity or another. It was hard for the workers to keep up with the main television programming created by their colleagues. In addition, because the programs are in the Persian language, non-Persian speakers did not know what was happening on PNN. There was no way to inform interested parties in BBG, Congress, the Department, and other agencies of PNN's main stories. Finally, PNN had no efficient database that could serve as a quick, historical reminder of PNN's coverage on a weekly basis.

**Response:** About a year and a half ago, PNN began an internal weekly newsletter called *PNN Insider* about major PNN programs. It was initially begun to serve as a historical reference and was distributed at first in hardcopy. As PNN increased its television hours in the last 2 years, it went to an electronic format and distribution. Every PNN program has a designated representative who sends weekly highlights to the *Insider* editor. The newsletter is e-mailed to all PNN employees. It is also sent to various people in Congress, BBG, the Department, and to others who request it.

**Result:** PNN employees now find it easier to keep up with PNN's output. Non-Persian speakers have a chance to read summaries of major coverage in English. The summaries provide transparency into PNN's work. Now, says a PNN manager, answers to queries can be found "at the drop of a hat."

# INVESTIGATIONS

OIG conducted an investigation of a BBG employee who received Metrocheck benefits even though she was driving in to work nearly every day. A surveillance conducted on the employee was able to demonstrate that the employee was not using her Metrochecks for commuting expenses. On November 20, 2008, the employee was interviewed by OIG and admitted to her activities and immediately repaid BBG \$3,780 for the cost of the Metrochecks. The case was declined for criminal prosecution by the Department of Justice, and an administrative referral for consideration of disciplinary action against the employee is currently pending. (07-031)



# APPENDIX 1: DEPARTMENT OF STATE INVESTIGATIVE ACTIVITIES

## **Preliminary Inquiries**

Opened	0
Closed	0

## **Investigations**

Opened	0
Closed	0
Pending (3/31/09)	0

## **Criminal Actions**

Referrals for Prosecution	1
Indictments/Informations	0
Convictions	0
Sentencings (Months Imprisonment)	0
Sentencings (Months Probation)	0
Declinations	1

## **Civil Actions**

Civil Referrals	0
Civil Judgments	0

## **Administrative Referrals**

Referrals for Personnel Action	1
Suitability Referrals to DS	0

## **Administrative Actions**

Removals	0
Suspensions	0
Reprimand/Admonishments	0
Debarment Actions	0

## **Monetary Recoveries**

Criminal Fines/Recoveries	\$0
Civil Recoveries	\$0
Administrative Recoveries	<u>\$3,780</u>
<b>Total Investigative Recoveries</b>	<b>\$3,780</b>



## APPENDIX 2: REPORTS ISSUED

<b>Report Number</b>	<b>Report Title</b>
AUD/FM-09-03	Independent Auditor's Report on the Broadcasting Board of Governor's 2008 and 2007 Financial Statements
AUD/IB-09-12	Management Letter Related to the Audit of the Broadcasting Board of Governors 2008 and 2007 Financial Statements
AUD/IT-08-37	Review of the Information Security Program at the Broadcasting Board of Governors
ISP-IB-09-27	Inspection of Voice of America's Persian News Network
ISP-IB-09-45	Inspection of International Broadcasting Bureau Regional Marketing Office, Embassy Accra, Ghana



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

Type of Report	Number of Reports	Questioned 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	0	\$0	\$0
(i) dollar value of disallowed costs		\$0	
(ii) dollar value of costs not disallowed		\$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
*based on proposed management action		
*based on proposed legislative action		
(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

## APPENDIX 4: AUDITS PERFORMED BY CONTRACTORS

AUD/FM-09-03	Independent Auditor's Report on the Broadcasting Board of Governors' 2008 and 2007 Financial Statements Leonard G. Birnbaum and Company, LLP Financial Audit
AUD/IB-09-12	Management Letter Related to the Audit of the Broadcasting Board of Governors 2008 and 2007 Financial Statements Leonard G. Birnbaum and Company, LLP Financial Audit



# ABBREVIATIONS

A/LM/AQM	Bureau of Administration, Office of Logistics Management, Office of Acquisition Management
ARRA	American Recovery and Restabilization Act
BBG	Broadcasting Board of Governors
C&A	Certification and accreditation
CFR	Compliance follow-up review
COFA	Compact of Free Association
DCM	Deputy chief of mission
Department	U.S. Department of State
DS	Bureau of Diplomatic Security
ECA	Bureau of Educational and Cultural Affairs
FAR	Federal Acquisition Regulation
FISMA	Federal Information Security Management Act
FSBA	Foreign Service Buildings Act
FSI	Foreign Service Institute
GRP	Global Repositioning Program
GSA	General Services Administration
HR	Bureau of Human Resources
HR/CSP	Office of Civil Service Personnel Management, HR
HR/REE	Office of Recruitment, Examination and Employment, HR
ICASS	International Cooperative Administrative Support Services
IBB	International Broadcasting Bureau
INL	Bureau of International Narcotics and Law Enforcement Affairs

IOC	International oil company
IRM	Bureau of Information Resource Management
ITF	International Trust Fund for Demining and Mine Victims Assistance
LE	Locally employed
MERO	Middle East Regional Office
NEC	New embassy compound
NSDD-38	National Security Decision Direction-38
OBO	Bureau of Overseas Buildings Operations
ONDCP	Office of National Drug Control Policy
OIG	Office of Inspector General
OMB	Office of Management and Budget
PIERS	Passport Information Electronic Records System
PM/WRA	Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement
PNN	Persian News Network
POA&M	Plan of action and milestones
PSA	Production sharing agreement
PSC	Personal service contractor
RATB	Recovery Accountability and Transparency Board
RM	Bureau of Resource Management
SAR	Semiannual Report to the Congress
TSA	Technical service agreement
UDO	Undelivered orders
USAID	U.S. Agency for International Development
USIBWC	International Boundary and Water Commission, United States and Mexico, U.S. Section
VOA	Voice of America

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