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

# Report of Inspection

Embassy Zagreb, Croatia

Report Number ISP-I-09-54A, August 2009

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## PURPOSE, SCOPE AND METHODOLOGY OF THE INSPECTION

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

### PURPOSE

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

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

### METHODOLOGY

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



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

*Office of Inspector General*

PREFACE

This report was prepared by the Office of Inspector General (OIG) pursuant to the Inspector General Act of 1978, as amended, and Section 209 of the Foreign Service Act of 1980, as amended. It is one of a series of audit, inspection, investigative, and special reports prepared by OIG periodically as part of its responsibility to promote effective management, accountability and positive change in the Department of State and the Broadcasting Board of Governors.

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

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

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

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

Harold W. Geisel  
Acting Inspector General

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## KEY JUDGMENTS

- Embassy Zagreb effectively carries out U.S. priorities in Croatia as reflected in the Mission Strategic Plan (MSP). The Ambassador has productive relations with Croatia's leadership and, for the last three years, mounted a successful campaign to help prepare Croatia to attain membership in the North Atlantic Treaty Organization (NATO), which occurred in April 2009. This was the United States' highest priority in its relations with Croatia.
- The Ambassador and deputy chief of mission (DCM) lead an unusually cohesive, productive, and effective team.
- The DCM leads a model program to mentor and develop the skills of the entry-level officers (ELO).
- The political/economic section is a well-staffed and internally cohesive unit. Management and mentoring in the section is effective, and morale is high. Supported by a strong team of locally employed (LE) staff, the section's reporting and analysis are generally held in high regard by Washington end users. Outreach to contacts in the Croatian Government, nongovernmental organizations, and international organizations is exceptionally broad.
- Embassy Zagreb's public affairs section (PAS) carries out a highly innovative and effective public diplomacy (PD) program, compensating for the lack of proximity to its audiences through wide-ranging outreach programs, American Corners, exchanges, and grants.
- The PAS and the political/economic section collaborate on a polished, professional daily media briefing open to the entire Embassy. The briefing informs embassy staff about Croatian developments and builds esprit de corps.
- The consular section provides efficient and courteous customer service and is appropriately staffed for the current workload.

The management section is well led, adequately resourced, and an active participant in bureau and Department programs, such as the Collaborative Management Initiative and the Rental Benchmark Initiative. Officers in the section experience excellent development opportunities.



## CONTEXT

Croatia's boomerang-shaped land arcs from the Pannonian plain in the east to a long stretch of dazzling Adriatic coast in the west. The country's 4.5 million people,



89 percent of whom are Roman Catholics, are ethnically Slavic but also draw on a heritage derived from occupation by the empires of Rome, Venice, and Austria-Hungary. Unfulfilled longing for independence led Croatia to ally with Germany and Italy in World War II, when the Croatian fascist government treated the Serbs, Jews, and Roma residents in Croatia with particular brutality.

During the Tito period, Croatia was one of Yugoslavia's more prosperous republics, thanks largely to a thriving tourism industry on the coast. In the late 1980s, however, a declining economy, rising nationalism, and fears of Serb hegemony impelled Croatia to begin pulling away from Yugoslavia. When Croatia declared independence from Yugoslavia in 1991, the Serbian population along much of Croatia's borders in turn declared independence from Croatia and fierce fighting ensued. The Serb-dominated Yugoslavian army supported the Croatian Serbs. The war resulted in more than 13,000 dead in Croatia, and hundreds of thousands of people displaced and traumatized by war crimes. The war decimated the economy, particularly the key tourist industry, and a nationalist, authoritarian strong-man dominated politics through the 1990s.

In this decade, Croatia strengthened its democracy, integrated minorities, opened its economy, rebuilt its infrastructure, and transformed itself from a consumer to a provider of regional security. Croatia became a member of NATO in April 2009,

cementing an important achievement in the country's Euro-Atlantic integration. In 2008, the country graduated from needing U.S. development assistance, another milestone. The economic downturn and a war of words with Slovenia over their common border have dimmed optimism in recent months and threaten to delay Croatia's hope to conclude membership talks with the European Union (EU) in 2009.

The United States has helped Croatia resolve destabilizing issues remaining from the break-up of the former Yugoslavia. U.S. goals in Croatia today focus on three main themes: helping Croatia in its evolution to stable, democratic governance and full implementation of the rule of law; encouraging the country to play a constructive role in its region, even to the point of it acting as a model for its neighbors; and cooperating with Croatia on global problems such as terrorism, peacekeeping, and nonproliferation. To these ends, Embassy Zagreb is eager to replicate the high-level Administration visits that underpinned relations in recent years, expand military-to-military relations, facilitate Croatian travel to the United States, encourage trade and investment, and increase exchanges of people.

In 2003, Embassy Zagreb moved into a new embassy compound (NEC) whose fortress-like exterior and remote location are seen by many employees as a source of irritation and an impediment to conducting efficient, open relations with Croatia. Falling staff levels mean that current occupancy is 20 percent lower than the level for which the building was built. Over 22 percent of the Embassy's approximately 55 U.S. direct-hire staff are representatives of other agencies (see resource chart). Approximately 165 LE staff, including the local guard force, form an integral part of the embassy team. The Department's FY 2009 budget target for Zagreb is \$11.85 million. In FY 2008, when Croatia no longer needed U.S. development assistance, the United States Agency for International Development departed. Croatia only recently began receiving approximately \$1.5 million in U.S. military assistance. A significant increase in military-to-military cooperation funding could help Croatia live up to its NATO commitments and stay on par with other recent NATO accession countries in the first years of their membership.

## EXECUTIVE DIRECTION

The Ambassador and DCM provide expert, effective leadership to Embassy Zagreb. The OIG inspection team was impressed by the quantity of major bilateral and multilateral American objectives the Embassy has achieved in Croatia, and with the smooth, productive operations of the embassy staff at all levels. While many factors contribute to the embassy's successes, the Ambassador and DCM deserve accolades for their exceptionally strong leadership. None of the OIG team members, whose collective experience covers dozens of inspections, were able to recall an embassy with as many positive attributes or as few problems as Embassy Zagreb.

The Ambassador's long experience with Croatia and fluent Croatian language skills enable him to interact skillfully with the country's leaders and ordinary people alike. The Ambassador's senior service in Washington informs his masterful ability to lead the policy process and focus attention on Croatia at the very highest levels of the U.S. Government. His effectiveness in shaping Croatian actions and opinion and his influence in Washington, earned him a great majority of the credit for Embassy Zagreb achieving the U.S. Government's prime goal in Croatia: its accession to NATO in 2009. NATO membership cements the country in the Euro-Atlantic community and boosts its prospects for further advances in democracy, stability, and prosperity. Leading up to – and impelling – NATO accession, the Ambassador drew on his Washington relationships to orchestrate an impressive number of high-level visits, which included an exchange of visits between Croatia's Prime Minister and President Bush, and a number of contacts among Cabinet-level officials and their Croatian counterparts. Clearly an activist, the Ambassador pressed important issues with the Prime Minister during the inspection, spoke publicly at regional events, hosted a U.S. Army band, and worked steadily on advancing U.S. commercial interests, among many other tasks.

The Ambassador and the DCM have a typical division of labor that works well. The Ambassador carries the responsibility for senior-level contacts with the government of Croatia and for most major public events, while the DCM acts as chief operating officer within the Embassy. Embassy Zagreb's staff credits the Ambassador for building embassy consensus on big-picture planning. He convenes the country team for semiannual retreats at his residence to brainstorm the best approach to achieve U.S. objectives in Croatia and the region. These sessions feed into the MSP process, which the DCM ably runs. The OIG inspectors found the MSP to be well

organized and reflective of sensible, achievable U.S. goals. Similarly, Embassy Zagreb's work adheres to the MSP exactly as the process envisions.

The DCM focuses on embassy operations and is responsible for the smooth functioning of all sections and agencies. The inspectors found widespread respect for the DCM's leadership skills, especially regarding internal management, where she rightly concentrates her attention. The DCM, in concert with the Ambassador, runs a series of meetings – morning, weekly, biweekly, and monthly – to ensure that all American and LE staff have opportunities to interact with embassy leaders, and work collegially across agency lines. As a result, the inspectors noted harmonious interagency interactions at Embassy Zagreb, an ideally functioning International Cooperative Administrative Support Services (ICASS) system, and no furious scrambling to prepare for the inspection. In addition, Embassy Zagreb distinguishes itself in assisting a neighboring start-up embassy, handling high-level visits, including the Presidential visit, and welcoming, housing, and providing workspace to evacuees from Belgrade after the torching of that embassy in 2008. Indeed, inspectors observed that the work atmosphere at Embassy Zagreb is calm, professional, energetic, and devoid of mutually destructive rivalry, resulting in high productivity. Embassy leadership sets a commendable tone by never expressing anger, by valuing employee expertise, and by changing course when merited.

The DCM designed a comprehensive program for ELOs that far exceeds expectations and could serve as a model for other embassies. She regularly mentors both specialist and generalist ELOs; organizes field trips that enable ELOs to explore and report on lesser known aspects of Croatia; ensures that ELOs have substantive work on high-level visits and Ambassadorial travel; counsels them on how to become leaders; and guides them as they draft speeches, act as note-takers, run programs, and speak publicly. She provides them with training and opportunities to learn more about Croatia and Foreign Service practices, fully integrating them in MSP, representational, and rotational duties. The ELOs credit her for their professional development. The inspectors also credit her for benefiting the Foreign Service as a whole by ensuring that the ELOs under her supervision become better, more engaged representatives of the United States. Her program made her runner-up for the Department's Arnold Raphel award for mentoring.

**Best Practice: Entry-Level Officer Mentoring and Development Program**

**Issue:** Entry-level officers need to build skills suitable to their futures as Foreign Service professionals but typically lack adequate training, experience in their chosen specialties, or contact with senior officers.

**Response:** Under the leadership of the deputy chief of mission (DCM), Embassy Zagreb developed a comprehensive program that provides generalist and specialist entry-level officers with substantive work experiences, public speaking opportunities, field trips and reporting tasks, in-depth acquaintance with the host country, regular mentoring and training, exposure to representational events, and rotational duties.

**Result:** The entry-level officers at Embassy Zagreb are well prepared for future challenges and leadership positions.

Both the Ambassador and DCM highly value public diplomacy and representational activities. The Ambassador has superb media instincts and skills and attracts considerable public attention. He led a successful campaign to change Croatian public opinion from negative to positive regarding NATO. He and the DCM participate in the best morning press briefing the inspectors have witnessed. Anyone from the Embassy may attend. Local staff from the PD and political sections conduct a polished, fast paced, news analysis. Additionally, the DCM uses her PD background to mentor PD cone officers, who told the inspectors that they were not only grateful for this counseling, but also able to effectively apply it to programs that build relationships throughout Croatian society. The Ambassador and DCM conduct numerous well-targeted representational events, some of which the inspectors witnessed. Embassy Zagreb's outreach efforts contribute to the widespread public support for U.S. policies and society.

The Ambassador expressed full satisfaction with the DCM's ability to step in during his absence and the inspectors concurred with his view. The Ambassador-DCM team pays responsible attention to security concerns; Equal Employment Opportunity issues; and the fair distribution of resources, including representation funds and professional opportunities. They both adhere to the highest ethical standards, setting an example for their workforce. The inspectors found only minor adjustments necessary in basic embassy procedures, notably fewer than typical at other embassies undergoing inspections.

Despite unanimous high regard for the Ambassador among the embassy staff and the Ambassador's and DCM's attention to the community, staff morale is not quite as high as expected for an operation so well run, in a pleasant and pro-American country. The principal reason appears to be the location of the NEC. This facility, which opened in 2003, has a very attractive, spacious, and well-designed interior, but it lies amid farmland and industrial warehouses, well outside the urban or even suburban reaches of Zagreb. Consequently, Croatians and third-country interlocutors rarely visit the Embassy; every meeting with a government official or other contact requires a bracket of up to an hour before and after in transit time; and the distance factor inevitably reduces the number of such meetings. In addition, the morning and evening commute consumes almost as much time as in cities with 15 times the population of Zagreb. Housing U.S. employees near the Embassy, as is planned, will reduce the commute but isolate them from the life of the country. In 20 years, Zagreb may sprawl outward to reach the Embassy; meanwhile, the NEC's location thwarts the primary purpose for its existence. Embassy Zagreb is paying for its safety with two decades or more of unnecessary staff transit time and aggravation. In addition to the location issue, the building is at least 20 percent larger than necessary for the staff now required in Croatia.

The inspectors recognize that a solution is unlikely, given the expense of NECs. The inspectors believe, however, that Embassy Zagreb provides a cautionary lesson as the Department considers sites for NECs in other countries. NEC sites located as close to the center of the capital city as possible help rather than hinder an embassy's work.

## RIGHTSIZING

Embassy Zagreb was conducting its rightsizing study at the time of the inspection, with a due date of June 15, 2009, for submission to the Department. A representative from the Office of Rightsizing visited in March 2009 to provide guidance and to answer questions regarding the process. She met with the front office and management section personnel, including LE staff. She also addressed a town hall meeting and briefed the ICASS council. The OIG inspection team observed that adjustments in staffing levels may be appropriate in some sections and has addressed those cases later in this report. The inspectors recognize, however, that their observations precede the rightsizing process, which includes a comprehensive study of the full range of strategic goals, analysis of possibly duplicative administrative services, and prospective competitive sourcing opportunities, among other factors. The DCM took the lead in examining staffing in all sections of the Embassy. Specifi-

cally, she highlighted the changing focus of bilateral issues from short to long term goals, which will influence the study. The OIG team noted that Embassy Zagreb's rightsizing study also should include consideration of its evolving support of Embassy Podgorica under the model embassy concept of the Bureau of European and Eurasian Affairs (EUR), which could affect Embassy Zagreb as well as Embassies Podgorica and Belgrade. If Embassy Zagreb and EUR commit appropriate attention to the rightsizing study, it would yield staffing levels commensurate with need.



## POLICY AND PROGRAM IMPLEMENTATION

### POLITICAL/ECONOMIC SECTION

As noted in the FY 2011 MSP, since the war in the 1990s, Croatia continues to move towards democracy with effective rule of law and a fully functioning market economy. Embassy Zagreb coached Croatia through its successful April 1, 2009 entry into NATO, and is helping Croatia meet the criteria for future EU membership. Embassy reporting and analysis focuses on Croatia's economic growth and stability, police and judicial reform, combating international crime, and promoting democracy. War legacy issues no longer dominate the landscape. Trials of war criminals are winding down, and the issue of housing for Serbian refugees displaced during the war is approaching resolution, driven in part by Croatia's aspiration to EU membership.

Croatia's success is manifested in concrete ways. Croatia plays a useful role as a regional leader and mentor to its neighbors. Embassy Zagreb works with the government to expand regional cooperation and engagement, to increase Croatian influence on the Kosovo problem, and to promote reform and stability in Bosnia and Herzegovina and against the secession of the Serb-dominated entity, Republika Srpska. The Croatian Government helped Montenegro take steps toward NATO membership, shared translated EU documents with Serbia as a goodwill gesture, and took a strong position in favor of Bosnian unity. In 2006, the country graduated from Support for East European Democracy (SEED) assistance. Croatia went from being a net consumer of security to being a net contributor with nearly 300 troops in Afghanistan and participants in many other UN and EU missions. During its current rotation as a nonpermanent member of the UN Security Council, Croatia has supported U.S. positions.

There is still unfinished business, including corruption and organized crime, but U.S. advisors and Croatian officials agree that police and judicial reform has progressed to the point where the United States International Criminal Investigative Training and Assistance Program can conclude at the end of FY 2010.

**Best Practices: Security Coordination and the Google User Group**

**Issue:** In February 2009, Embassy Zagreb and the International Criminal Investigative Training and Assistance Program, together with the United Nations Development Program and the British Embassy, initiated a donor coordination group for law enforcement programs. The group was necessary because there was little coordination among the EU donors, many of whom did not know each other. The objective was to provide a forum to discuss how the United States and other donor programs could help Croatia meet its goals for EU accession.

**Response:** The Security Coordination group convenes representatives from donor countries, the International Office on Migration, the United Nations Development Program, the European Commission, the Croatian Ministries of Justice and Internal Affairs, the National Office for Suppression of Organized Crime and Corruption, the State Intellectual Property Office, and the Croatian police.

**Result:** The Security Coordination Group provides donor members with an online forum to collaborate and exchange ideas on the types of assistance that are most useful to Croatia. Members learn whether there are any pressing needs and priorities from the Croatians and discuss how to avoid duplication of programs. To supplement Security Coordination Group meetings, an Embassy Zagreb political officer has proposed starting a restricted Google user group to include an unclassified database with up-to-date information on donor initiatives and spreadsheets of donor programs. The online user group would allow members to share information about the availability of visiting experts who, while in Croatia, might make presentations to additional audiences. Croatian Government users could input data on project progress or proposed legislation in the fight against organized crime, money laundering, trafficking in persons, intellectual property rights, and other issues.

As priorities shift and Croatia becomes a developed and stable European country, program management requirements for political officers in the combined section will also decrease and should be accompanied by a reduction in staff. Given Croatia's transition to political and economic stability, the political/economic section is now more than adequately staffed and overtime is rare outside of representational events. Even in the wake of a long-term medical evacuation by a key officer, other members filled in the gap and reporting did not suffer. The section continued to report smoothly and effectively.

The Embassy is aware that downsizing the political/economic section in the number and grades of officers is in order. The economic part of the section is well staffed now with one FS-03 officer and an ELO, who keep up with reporting and

analysis requirements, particularly on the worldwide economic crisis. The ELO position is rotational with the consular section. The section's part-time office management specialist works 27.5 hours a week, which is sufficient. The political/economic section could function well if the current staffing of eight officers was reduced to six officers by eliminating two political officer positions, leaving one FS-03 position and two entry-level positions to perform political work. With these changes, the political/economic section chief could be appropriately reduced from grade FS-01 to FS-02.

**Recommendation 1:** Embassy Zagreb, in coordination with the Bureau of European and Eurasian Affairs and the Bureau of Human Resources, should eliminate two of the FS-03 political officer positions. (Action: Embassy Zagreb, in coordination with EUR and HR)

**Recommendation 2:** Embassy Zagreb, in coordination with the Bureau of European and Eurasian Affairs and the Bureau of Human Resources, should reduce the political/economic section chief position from grade FS-01 to FS-02. (Action: Embassy Zagreb, in coordination with EUR and HR)

The political/economic section has seven experienced, highly effective LE staff. Before joining the embassy, several LE staff worked with nongovernmental organizations or EU entities, but all agree that even with salary cuts, their tenure in Embassy Zagreb has been their most positive working experience. One LE staff member is the coordinator for Export Control and Border Security. Another represents the Foreign Agricultural Service and reports to the U.S. attaché at Embassy Rome. A seventh LE staff member, with Balkan regional responsibilities, is funded and supervised by the Office of War Crimes Issues.

The working relationship between the political/economic section and the U.S. and Foreign Commercial Service (FCS) is productive and complementary. While economic officers focus on the broader economic and investment climate in Croatia, the FCS looks at opportunities for individual American companies to invest in Croatia and Croatian companies who want to do business in the United States. FCS is an active participant in the MSP process.

The Embassy does not prepare an annual post reporting plan. Anticipated political and economic reporting is included in each officer's work requirements statement. The section chief looks ahead to plan series of cables when issues arise such as local

elections or Croatia's progress in the EU accession process. Under this system, the flow of reporting and analytical cables from Embassy Zagreb works well for the political/economic section's drafting officers, and has been commended by Washington end users as accurate, timely, and insightful.

The Embassy's unclassified biographic files currently contain some redundant or incomplete information and in some cases are filed in folders that are inaccessible to LE staff. The Embassy is already developing its SharePoint capability, which is an ideal collaborative platform for unclassified biographic information.

**Recommendation 3:** Embassy Zagreb should create an unclassified electronic folder for biographic files that is accessible to embassy staff. (Action: Embassy Zagreb)

The LE staff adds biographic information to the files only when it is requested but not as a routine activity.

**Recommendation 4:** Embassy Zagreb should require all embassy staff members to file biographic information as a routine responsibility. (Action: Embassy Zagreb)

Much of the success of the political/economic section in Embassy Zagreb can be attributed to the free flow of information and the constant high level of communication between the Ambassador and embassy staff. One LE staff member commented that the Ambassador includes LE employees in preparations for public presentations, and whenever possible, debriefs officers and LE staff after meetings with government officials. The collegial and respectful relationship established by the embassy's leadership has filtered through the political/economic section resulting in high morale, excellent reporting and analysis, and a very positive work environment.

## PUBLIC AFFAIRS

Embassy Zagreb has an innovative and highly effective PD program under the capable leadership of the public affairs officer (PAO), and with the strong support of the assistant PAO (APAO). The PAS includes eight LE staff. The section conducts a full range of activities, including press relations and morning press briefs, management of an information resource center and four American Corners, International Visitor programs, Fulbright programs, cultural exchange programs, grants to cultural organizations, and outreach.

The PAO skillfully carries out all aspects of public affairs work, including program management. He conducts weekly meetings with all members of the PAS staff, and meets with smaller groups of his staff on a regular basis to discuss PD programs and activities. In addition to responsibility for overall management of the PD program at the Embassy, he is primarily responsible for liaison with the Embassy's front office and for cultural and exchange programs. The PAO meets daily with the Ambassador, DCM, and the political/economic counselor to discuss key issues. The PAO also participates in the MSP process.

The APAO is primarily responsible for information programs, media relations, the information resource center, and the American Corners. He is also actively involved in the Embassy's outreach program and uses his Croatian to address students and other groups. The excellent Croatian language skills of both American officers enable them to engage directly and effectively with Croatian audiences.

Several of the talented and energetic LE staff have been in PAS for ten years or more and have complete command of their portfolios. The newer members of the staff are quickly gaining expertise in their work. The LE staff is creative and receptive to new ideas. All of them play critical roles in the implementation of the Embassy's PD program.

In 2003, the Embassy moved from its previous location in downtown Zagreb, close to government, business, media, education and cultural centers, to a location 6.5 miles from the city center (an approximately 45-minute trip in rush hour traffic). While the move was mandated to meet security requirements, it makes PD work particularly challenging. "The Embassy has disappeared from people's maps," one LE staff member said. She and other LE staff saw their contacts on a regular basis; now it has become difficult. To overcome this problem, the PAS is engaged in a highly proactive and creative outreach program. Members of the American and LE staff in PAS, along with representatives from other sections of the Embassy ranging from the Ambassador to the Marine security guards (MSG), visit schools and libraries all

over Croatia; they speak on U.S. policy and American society, culture, and values. PAS also invites school and university groups to visit the Embassy for discussions with members of the embassy staff and tours of the facilities. PAS arranges approximately 100 such outreach events per year.

PAS also opened four American Corners: one in Zagreb (in a public library on the main square), and three in other cities in Croatia (one in a university library and the other two in public libraries). Each American Corner has a collection of approximately 1,000 American books, periodicals, a computer with Internet access, an online subscription to The New York Times, and a small area for programs or meetings. The American Corners in Zagreb and Zadar also have digital videoconference capability. PAS schedules regular programs of speakers, both embassy representatives and outside speakers such as Fulbright scholars or speakers provided by the Department. It also provides digital videoconferences, screenings, and discussions. When a leading American violinist performed in Zagreb, for example, she went to the American Corner to speak with Croatian children. Each host institution provides a director for the respective American Corner. The American Corners are excellent venues for outreach and engagement with target audiences, particularly the successor generation.

PAS has an active media program. The Ambassador gives numerous press interviews and briefings, and is popular with the Croatian media. PAS has also been involved in media training. Although the Embassy no longer has SEED funds, which were sometimes used to send journalists to the United States for training, PAS has arranged media training in Zagreb using the speakers program and has sent journalists to the United States on International Visitor programs as well as to Afghanistan on NATO press tours. PAS shared its media contacts with the Brussels Media Hub so that it could invite them to Media Hub events. The Media Hub director sends information to PAS about clips and interviews that are placed on "Newsmarket." This is a new service for the Croatian press, and PAS has yet to receive feedback on its utility.

The PAS information specialist and a member of the political section's LE staff conduct a highly professional and innovative press briefing every morning. They divide the briefing by topics, reviewing eight dailies, two weeklies, and two television stations. The Ambassador and DCM attend the briefing virtually every morning and encourage all embassy staff to attend. A significant number of Americans and LE staff attend on a regular basis. The Embassy's leadership believes that having staff members attend the briefings not only keeps everyone informed about Croatian news and opinions, but also helps generate a sense of the Embassy as a team. The OIG team is citing the press briefing as a best practice.

**Best Practice: Embassy-Wide Media Briefing**

**Issue:** The Embassy needs to provide a daily media briefing for the Ambassador, DCM, and other senior staff to inform them about Croatian developments and attitudes towards issues of importance to the United States.

**Response:** The public affairs section and political/economic section collaborate in a daily, early-morning media briefing open to all members of the embassy staff, LE staff as well as Americans. The PAS information specialist and a political/economic LE staff member report and analyze Croatian dailies, weeklies, and television in a highly professional briefing, which is similar in format and style to a morning news program.

**Result:** The Ambassador, DCM, and embassy staff who attend receive a focused, comprehensive media briefing that helps them to determine priorities for the day, understand Croatian public opinion trends, and target PD activities. The briefing also provides an opportunity for American and LE staff from different sections to interact with the Ambassador and with each other, contributing to good morale and building esprit de corps.

PAS's exchange program includes approximately 20 International Visitor grantees per year, and ten American and ten Croatian Fulbright grantees each year. Representatives of each section and agency at the Embassy submit International Visitor nominations to a committee chaired by the DCM. The committee focuses on MSP priorities in selecting grantees. PAS and the political section collaborate in nominating Croatian Government officials for NATO tours. Following the end of the Ron Brown Fellowship Program, which enabled Croatians to earn graduate degrees in professional fields and was very popular, the Ambassador has led fundraising efforts to send four Croatians for special Fulbright Masters programs. To make this program more sustainable, PAS and the Ambassador work with a local nongovernmental organization to set up a new foundation —The Croatian-American Foundation for Education and Training —to handle fundraising and management of graduate degree programs. The Embassy is working closely with the Bureau of Educational and Cultural Affairs to ensure that the foundation is set up correctly.

With the end of SEED funding for Embassy Zagreb in 2006, PAS is no longer providing Democracy Commission grants to nongovernmental organizations. However, PAS used its annual budget to continue providing grants to some nongovernmental organizations and cultural organizations. For example, PAS gives a grant to the Institute for the Development of Education to provide educational advising

to students wanting to go to the United States. PAS also provides grants to cultural organizations to support performances by American artists and groups. PAS has found that this is often more cost-effective than programming musical groups and artists offered by the Department. The local organization has buy-in to making the program successful and the collaboration strengthens the Embassy's relationship with important Croatian institutions. In addition, PAS found that the artists the Department offers are often not well known in Croatia, making it difficult to attract a high quality audience. The Embassy has been successful in cosponsoring presentations of outstanding American artists. PAS awards the grants based on a detailed application process and requires accountability from all recipient organizations. The PAS reports all major programs through the mission activity tracker and maintains a log of all grants. PAS awarded over \$137,000 in grants so far this fiscal year.

The 2003 OIG inspection report on Embassy Zagreb recommended eliminating the APAO position, as the workload justified only one officer. The Embassy rebutted that there were personnel issues in PAS during the inspection that had been corrected, that the work requirements of the two officers had been changed to clarify that each had full-time responsibilities, and that the implementation of American Corners changed the overall workload. The OIG accepted the Embassy's arguments and closed out the recommendation. The OIG team strongly supports keeping the APAO position. If there was only one American officer in PAS, it would be difficult for the PAO to interact with Croatians outside the Embassy, as well as provide both leadership to the PAS and support to the Ambassador and other sections of the Embassy. Since there is a need for an active American presence outside the Embassy as a result of the Embassy's distance from key audiences and the size and varied nature of the PD program, PAS needs two American officers.

## CONSULAR AFFAIRS

Embassy Zagreb's consular section provides efficient and courteous customer service. Morale in the section is high. Headed by an FS-02 section chief, the section includes two ELOs and eight LE staff members. The LE staff is well trained, many with extensive experience. Turnover in the LE staff has been low, which indicates a high level of satisfaction while working in the consular section. Upon section assignment, the ELOs benefit from a formal training program. The section chief holds weekly staff meetings involving all employees and provides constant feedback to all staff members on their work and performance.

The consular section chief engaged in two rounds of the consular leadership survey in which staff anonymously rated her leadership skills. To the credit of the section chief, she conducted an extensive feedback session to learn from the results of the first survey. In the few areas where she scored below average in the first survey, the scores in the second survey were significantly higher. One noteworthy score was 4.9 out of 5.0 from the staff on the statement: “Our customers are treated with respect and dignity.”

## Consular Management

The OIG team believes that the section is adequately staffed and the Embassy should not propose any changes in the ongoing rightsizing exercise.

Embassy Zagreb participates, along with most of the other American embassies in the ex-Yugoslav countries, in an annual meeting in which most of the American and LE staffs from the consular sections gather for two days to discuss issues of mutual interest and to learn from each others’ experiences. Embassy Zagreb hosted the meeting in 2008, and Embassy Belgrade hosted it in 2009. This is an excellent leadership tool, and the OIG team commends the participating embassies for this initiative.

This regional cooperation became a live issue in 2008 when Embassy Belgrade suffered an attack by Serbians who were angry about U.S. support for the independence of Kosovo. For more than a month, the consular section in Belgrade was closed for visa services. Embassy Zagreb volunteered to accept nonimmigrant visa (NIV) applications from residents of Embassy Belgrade’s consular district. Embassy Zagreb’s consular staff did an excellent job of pulling together to perform this feat without additional personnel.

The consular section chief in Zagreb serves as a primary support in the region for the fledgling consular operation in Embassy Podgorica. She provides considerable advice to the staff there and traveled to Montenegro several times to assist the relatively inexperienced staff with training.

## Space Issues

The physical space for the consular section is generally good, with one glaring exception discussed below. The work area is large with plenty of natural lighting and a sufficient number of windows for performing the work. The consular waiting room

is unusually attractive for a new facility, and should be used as a model for future construction projects. The design is also well thought out with the interview windows set off to the side of the waiting room, so that the majority of visa applicants cannot hear the interviews of others while they await their turn.

Three large load-bearing pillars in the middle of the work area are the exception to the good design of the section; these obstruct the line of sight from the office of the section chief to the workstations where the visa processing occurs. This inhibits the ability of the section chief to conduct one of the most basic management controls. This problem has been repeatedly noted by the section chief, most recently in the 2008 consular package. Unfortunately, there is no way to eliminate these pillars, or even reduce them enough to make a difference; the configuration of the work area does not lend itself readily to any other solution such as moving work stations. In effect, the consular section is unable to undo this obstruction, but this should be a lesson in what to avoid in future designs of consular sections. Fortunately, the section chief maintains strict management controls and precise records, which compensate to a large extent, for the lacking line of sight control over part of the operations.

The compound access control for the consular section is separate from the rest of the Embassy. Dozens of consular clientele often wait in line along a sidewalk before going through the security screening in the compound access control. Since covering was not provided in the initial design and construction, the Embassy built an open-sided covering for part of the sidewalk. The covering, however, does not always provide enough shelter when a large number of people are waiting to enter the compound access control. This can be easily rectified by extending the shelter farther down the sidewalk.

**Recommendation 5:** Embassy Zagreb, in coordination with the Bureau of Overseas Buildings Operations, should extend the sidewalk covering that leads to the consular compound access control to provide sufficient shelter for the maximum number of consular clientele waiting to enter the compound. (Action: Embassy Zagreb, in coordination with OBO)

## Visas

The NIV workload has increased gradually in recent years, and constituted 16,331 applications in FY 2008. The refusal rate has been fairly consistent, ranging from a low of 3.00 percent to a high of 4.30 percent in the last few years. According to the staff, there is no strong motivation for Croatians to move to the United States

to work or live. In the past, Croatians emigrated to the United States, Australia, or other European countries primarily for political reasons, such as fleeing Communist repression, rather than for economic reasons. There is now, of course, no political impetus for leaving Croatia. As a result, there is relatively little fraud on the visa line. Much of what little fraud exists, revolves around issues such as entertainers claiming they are just visiting the United States as tourists, when in fact they plan to perform for pay and need an approved petition from the Department of Homeland Security. The LE staff member responsible for antifraud work does a good job of alerting the consular officers when such issues arise in a visa application.

Croatia wishes to join the Visa Waiver Program (VWP) and often quotes President Bush, who said on a visit to Croatia in 2008, that the United States was committed to making it easier for Croatians to travel to the United States. Croatia wanted to be included among the countries (such as South Korea) that joined the VWP in 2008 under the law that temporarily modified the criteria for considering a country for inclusion in the program. That law will be suspended on June 30, 2009, and Croatia will not be ready by that time for consideration to be included in the VWP. The Croatian Government still needs to take several steps before being considered and included in the VWP, including producing a biometric passport. While the Croatian Government will almost certainly be disappointed by not qualifying for the VWP, it was appreciative of a recent decision by the U.S. Government to increase the maximum validity of tourist and business visas for Croatians from five to ten years.

The immigrant visa workload decreased by almost 80 percent in the past two years and constituted 162 applications in FY 2008. The decrease occurred because most of the immigrants were from Bosnia and Herzegovina and Embassy Sarajevo only started processing immigrant visas within the past two years. Embassy Zagreb also processed immigrant visas for Slovenians, but Embassy Ljubljana recently started handling that small workload. The LE staff member in charge of immigrant visas now spends the majority of her time assisting in American citizen services work.

NIV applicants make an appointment for their visa interviews online through a system designed by the Department. Consular employees said that the system works well. There is no waiting time for an appointment. Applicants can usually get an appointment for the next working day. This is primarily due to the adequate staffing in the consular section and the relatively steady workload. This ease in getting appointments also means that there is little impetus for officers to request assistance for their contacts through the visa referral system. In fact, Embassy Zagreb did only a handful of visa referrals for NIV applicants in the past year and verified their return to Croatia.

The Embassy does not use a call center to assist in answering visa inquiries. The section chief maintains that the workload does not justify using a call center. Visa inquiries are handled by phone for a limited time each afternoon by some of the LE staff, and members of the public are encouraged to send inquiries by email. The emails, averaging about 60 per day, are answered each morning, and the phone call workload is not onerous. The public seems to appreciate the service the consular section provides in answering inquiries, so no changes in the current system are necessary.

The consular section tried unsuccessfully to get a commercial courier service to provide services to visa applicants, so that passports with issued visas would be returned to applicants by courier. This type of service, which is a key management practice in large consular operations, obviates the need for consular clientele to return to the embassy to pick up their passports once the visas are issued. This service also saves resources for consular sections, as LE staff members do not have to spend valuable time returning passports to customers. However, the courier services declared that the workload was not large enough to justify stationing personnel at the embassy.

The consular section in Zagreb decided to use the Croatian mail service for returning the passports and encouraged applicants to arrive at the visa interviews with prepaid envelopes. This system did not seem to work as many applicants did not follow the instructions, and yet, were requesting the service. The consular section then devised a system in which the applicants who wished to have their passports returned by mail paid a set fee (depending on the number of passports in the envelope) to an LE staff member, who then issued them a receipt. (b) (2)  
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While the consular section is to be commended for trying to provide the best possible customer service in the most efficient manner, this system was fraught with problems. (b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)  
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To the credit of the consular staff, they immediately rectified this problem once identified by the OIG team. They worked with the Croatian postal service to establish a cash-on-delivery system, in which the visa applicant pays the postal service upon receipt of the mailing. The new system went into effect before the completion of the inspection.

## American Citizen Services

The workload in American citizen services is steady, apart from the occasional special consular services cases such as arrests or destitute Americans. The passport and citizenship workload is stable and is highest during the summer tourist season. Many of the special consular service needs are from American tourists who are part of the large and growing number of visitors to the Dalmatian coast. As the coast is a considerable distance from Zagreb, the Embassy tries to conduct as much of this work as possible by long distance. The consular section developed good relations with local police, hospitals, and others to assist in these efforts.

Working together, the consular section, the FCS, and the American Chamber of Commerce in Croatia recently convinced the Croatian Government to pass legislation allowing investors' families to join them in Croatia. Previously, a two-year delay was required before families were eligible to reside in the country. This was an excellent example of the mission working together as a whole to benefit American citizens as well as bilateral commercial relations.

## Federal Benefits Services

Embassy Zagreb accepts claims for the Social Security Administration (SSA) and supports SSA work for six other embassies (Ljubljana, Sarajevo, Belgrade, Podgorica, Skopje, and Pristina). The work is performed by an experienced LE staff member who is highly competent and respected. When she is travelling in support of the other embassies, she is concerned about her work backlog; and upon return to Zagreb, she has to work hard to reduce the backlog. The OIG team reviewed the workload with the regional federal benefits officer at Embassy Athens who provides oversight of her work. The number of beneficiaries she supports (approximately 3,175 people) is in line with the workload that the SSA believes is appropriate for one employee. The 2003 OIG inspection report recommended the addition of another LE staff member in Embassy Belgrade to help with the federal benefits work for these embassies. The SSA maintained that the workload did not justify a second position. This OIG team agrees with that assessment and is not recommending any change in the staffing for federal benefits work.



## RESOURCE MANAGEMENT

<b>Agency</b>	<b>U.S. Direct-hire Staff</b>	<b>U.S. Local-hire Staff</b>	<b>Foreign National Staff</b>	<b>Total Staff</b>	<b>Total Funding FY 2009</b>
State – Diplomatic and Consular Programs	27	1	15	43	1,792,200
State – ICASS	4	4	88	96	4,933,200
State – Public Diplomacy	2	0	8	10	1,238,000
State – Diplomatic Security	1	1	34	36	1,715,800
State – Marine Security	8	0	3	11	230,145
State – Bureau of Overseas Buildings Operations	1	0	0	1	1,836,454
State – Export and Border Security	0	0	1	1	107,500
Foreign Commercial Service	1	0	4	5	223,500
Defense Attaché Office	7	0	1	8	957,800
Office of Defense Cooperation	3	0	4	7	400,000
Foreign Agricultural Service	0	0	1	1	109,800
Foreign Area Officer – Olmsted Scholar	1	0	0	1	
<b>TOTALS</b>	<b>55</b>	<b>6</b>	<b>159</b>	<b>220</b>	<b>13,544,399</b>

## MANAGEMENT

The management section has excellent leadership at all levels and delivers high-quality services to its customers. The OIG team bases this assessment on consistently high results from recent ICASS customer satisfaction surveys, OIG questionnaires, and personal interviews, and the OIG inspection process itself. The management officer provides exemplary guidance and mentorship to competent, but less experienced, American officers in his section. They include a financial management/human resources officer, a general services officer (GSO), and a facilities manager. At the time of the inspection, the information management officer (IMO) position was temporarily filled by the information systems officer. The LE staff employees are knowledgeable and proficient in their specialties. The result is an excellent working and training environment in which the third-tour American officers benefit from being mentored by the management officer and the experienced LE staff. Adequate financial resources, a functional and spacious embassy compound, and an excellent front office relationship combine with a talented workforce to provide a first-rate administrative platform from which the Embassy implements its strategic plan.

The management section set its sights even higher; it embraced the tenets of the Department's Collaborative Management Initiative, formally affirmed its commitment and already implemented major components of the program, such as eServices. It participates in the Bureau of European Affairs' Zero Warehouse program, which seeks to reduce local storage by taking advantage of modern supply-chain management systems and processes. It participates in the Bureau of Overseas Buildings Operations Rental Benchmark Initiative, which facilitates leasing of residences by reducing the need for waivers. It is taking a "green" approach to its operations in an attempt to reduce its carbon footprint and become more environmentally responsible. All of these measures maximize the value of embassy resources to the Embassy and its customers.

Beyond measures that benefit its own mission, Embassy Zagreb works with Embassy Belgrade to provide administrative support to Embassy Podgorica as part of the model embassy concept developed by EUR. Embassy Zagreb's management responsibilities are in the areas of financial management and human resources, but the relationship continues to evolve. A regional management officer assigned to the Regional Support Center Frankfurt, but located in Zagreb, provides support to Embassy Podgorica. His original portfolio did not include this responsibility. Information resource management support for Podgorica comes ostensibly from Embassy



## INTERNATIONAL COOPERATIVE ADMINISTRATIVE SUPPORT SERVICES

The Embassy's ICASS council includes representatives of the Department, Defense attaché office, and FCS. The Foreign Agricultural Service and SSA are not represented on the ICASS council as their American representatives to Embassy Zagreb are assigned to Athens and Rome, respectively. The council is chaired by the Department's representative, the consular section chief, who was reelected for a second one-year term. The council meets on a regular basis and participated in the ICASS post-specific training provided in Zagreb by the ICASS service center in January 2009. The council fulfilled its responsibility to provide input for the management counselor's evaluation.

Per guidance from Washington, Embassy Zagreb has limited membership on its ICASS council to reflect that of Washington's ICASS executive board and has established a post budget committee. The council and the budget committee meet concurrently.

To develop a broader understanding of ICASS, the DCM and management counselor rotate ELOs as note-takers for the ICASS council.

## HUMAN RESOURCES

Embassy Zagreb's HR unit provides excellent services to its ICASS customers, and its ICASS scores were even higher than before in the 2009 survey. The human resources unit consists of three LE staff. The senior HR assistant reports to the American FM/HR officer who supervises both sections. The LE staff is knowledgeable and adequately trained. The FM/HR officer recognizes that the HR LE staff received less training than the financial management LE staff. The FM/HR officer is planning training for the HR LE staff. The senior HR assistant is the only embassy employee who is certified for performing computer-aided job evaluations, but the FM/HR officer plans to attend the training and earn certification this summer.

The evaluation process is well managed. All work requirement statements for American staff and all LE performance evaluations were completed on a timely basis. The awards program functions appropriately, with 103 incentive awards given in the past 12 months. During the OIG inspection, an awards committee meeting

was held in preparation for the May 2009 awards ceremony. To ensure that awards are distributed fairly and equitably, the committee reviews an award nomination fact sheet for each employee, detailing awards received and evaluation report ratings for the past five years.

Training is an Embassy priority and although there was some grouching by LE staff that some sections were preferred over others, the same LE staff acknowledged that, overall, training opportunities are adequate.

Embassy Zagreb's HR LE staff spends approximately 40 percent of its time on Embassy Podgorica issues. They also mentioned, as did the financial management LE staff, that Embassy Podgorica's workload is given higher priority.

The LE staff handbook and a management notice dated July 24, 2008, address the requirement for debts and financial obligations to be settled promptly. However, eight LE staff each have debts totaling between approximately \$10,000 and \$100,000 with banks, tax authorities, credit card companies, and cell phone providers. The HR LE staff is monitoring the employees for adherence to the repayment schedule negotiated between them and the FM/HR officer. In cases of unsatisfactory progress, further disciplinary measures, including possible termination or revocation of the employee's security clearance, are possible. The Embassy terminated one LE staff employee who failed to make adequate progress.

## Locally Employed Staff Retirement

All LE staff members are covered under the local social security system, which includes retirement, health and unemployment, and workman's compensation insurance. The LE staff contributes 20 percent of their gross salaries to a three-tiered retirement plan and the U.S. Government contributes 15 percent to health insurance, and 2.2 percent to unemployment and workman's compensation insurance. There is a cap on tier-one annuity payments of \$10,700 per year affecting all embassy employees. Based on the current local compensation plan, the annuity payment equates to approximately 43 percent and 15 percent of the salary of the lowest graded and highest graded employees, respectively.

Fifteen percent of the LE staff's contribution goes to the mandatory tier one and five percent goes to tier two, one of four government-sanctioned private investment funds chosen by the employee. Tier three allows an employee to make voluntary contributions to one of six private funds and receive a 25 percent government match, capped at approximately \$230 per year.

LE staff expressed concern about the sufficiency of the Croatian Retirement Fund and told the OIG team that they would like to contribute to the Voluntary Retirement System Plan once implemented by the Department.

In the past, the Croatian Government based annuity payments on the average of an employee's highest ten years of salary. It now bases payments on the average of the total years of employment. This change affects 30 employees who were working at the Embassy from 1992 to 1994, a period of war and hyperinflation. At that time, the employees were paid half their salary in local currency and the other half in U.S. dollars, which resulted in underreporting of salaries to the Croatian Government. The underreported salaries will also reduce their retirement annuities, a situation which arose in Embassy Belgrade and was resolved by EUR.

**Recommendation 6:** Embassy Zagreb, in coordination with the Bureau of European and Eurasian Affairs, should compensate employees working at the Embassy between 1992 and 1994 for the amount of underreported salaries. (Action: Embassy Zagreb, in coordination with EUR)

During that same period, salary records were transferred from the retirement office of the Croatian Government to the tax office and two years of records were lost. Employees will lose credit for those two years, which will also reduce their retirement annuities.

**Recommendation 7:** Embassy Zagreb should reconstruct the missing records from its own information resources and work with the host government to correct employees' salary histories. (Action: Embassy Zagreb)

## Locally Employed Staff Committee

The OIG team met with the LE staff committee, a group that represents many of the LE staff. The committee is issues-oriented and does not meet on a regular basis with the management officer or front office. Meetings are often in response to problems rather than a forum for broader discussion and communication. The OIG team informally recommended that embassy management meet with the LE staff committee on a regular schedule.

In a rare move, the general services and facilities management employees voted in 2008 to withdraw from the LE staff committee due to dissatisfaction with the committee's representation of its members. As a result, they do not receive email reports on internal committee meetings or meetings with post management. While the OIG inspectors appreciated the sensitive nature of relations between the LE staff groups, they informally recommended that the LE staff committee share results of its meetings with all LE staff members, including the general services and facilities management sections.

## GENERAL SERVICES OPERATIONS

### Procurement

Two knowledgeable and adequately trained LE staff members ably carry out the acquisitions responsibilities for the management section. The GSO is the primary contracting officer, while the regional management officer and the facilities manager provide backup capability. The LE staff are sufficiently empowered and do not hesitate to contact the Office of the Procurement Executive desk officer for guidance or assistance. They employ appropriate numbers and types of procurement to acquire goods and services, e.g., contracts, blanket purchase agreements, purchase orders, and purchase cards. The GSO recently reviewed blanket purchase agreements for frequency of use, purpose, and value, and terminated 29 of the total 67. Both procurement LE staff are purchase card holders, as is one LE staff member in the PD section. One of the purchasing agents developed a very useful Excel spreadsheet with macros used to manage card purchases and the bulk funding provided by the financial management section. Cardholders and financial management personnel monitor entries into the spreadsheet, which resides on a network shared drive, enabling replenishment of bulk funding in a timely manner, and exemplifying the collaboration between the two management sections.

Procurement files are generally neat, orderly, and complete, with some exceptions. The LE staff did not have copies of contracting warrants. At least one sole-source justification was in the form of an email rather than the more proper format of a "Justification and Approval for Other Than Full and Open Competition." The selection of the highest-cost vendor for a major PD event was not clearly explained and documented. While the rationale could be deduced from documentation in the procurement folder, a written analysis and decision would have been appropriate. On the other hand, the scope of work and documentation for a major office space renovation was detailed and the procurement executed very well. The OIG team

informally recommended that the GSO pay more attention and care to clarify sole-source procurements and results of technical analyses of proposals. The team also informally recommended that the procurement section maintain copies of current contracting warrants.

The OIG team noted some procedural errors in the supply chain management process. Invoices are sent, in most cases, to the procurement section rather than the financial management office. The procurement section is not closing out purchase orders because the financial management section does not inform them when a final payment is made, which would trigger the close-out procedure. This practice could affect the prompt payment process, as well as separation of duties and internal controls.

**Recommendation 8:** Embassy Zagreb should develop and implement a plan to send invoices to the designated billing office in the financial management section. (Action: Embassy Zagreb)

**Recommendation 9:** Embassy Zagreb should develop and implement a plan to close out purchase orders. (Action: Embassy Zagreb)

As part of the Embassy's green program, the GSO would like to maintain as many files as possible in digital format rather than hard copy, thereby reducing paper consumption and costs. One area in which this would be possible is procurement, which now requires various colored folders printed in Manila and shipped to posts worldwide at a cost of \$0.43 per folder plus shipping. However, electronic versions of the folders are available on the Department's e-Forms and capture the same data as the colored folders.

**Recommendation 10:** The Bureau of Administration should develop and implement a plan to allow electronic files for procurements in the interest of reducing paper consumption, folder production, and procurement costs while still capturing essential elements of information. (Action: A)

## Motor Pool

Embassy Zagreb's motor pool operates well and its LE supervisor documents fuel, accident, safety and maintenance programs satisfactorily. The Embassy began two years ago to use the Web Post Administrative Software Suite (WebPASS) motor vehicle module and is relatively satisfied with its capabilities, though it noted some shortcomings for which workarounds are necessary. For example, it is not possible to dispatch a repaired vehicle pending input of labor costs, which may not be available until an invoice is received; also, it is impractical to issue individual trip tickets for dedicated vehicles, such as for the MSGs and surveillance detection teams. Notwithstanding the motor pool supervisor's preference for the form OF 108, the Embassy uses WebPASS.

The OIG team verified the Embassy's latest inventory of on-hand vehicles from the Integrated Logistics Management System inventory, which includes 37 vehicles. Verification included a physical inventory and verification of vehicle identification numbers, as well as reconciliation of recently disposed vehicles that are still on the inventory. All vehicles were accounted for in the inventory. The motor pool supervisor acted to correct small, one-digit discrepancies on two vehicle identification numbers.

The motor pool supervisor plays an important role in the internal controls on vehicle fuel consumption. The system uses credit cards issued to each vehicle by the state-controlled service stations. Receipts for each sale are checked against a consolidated monthly bill for the amount of purchase, license number, location, and date. The motor supervisor submits a receiving report on a monthly basis and also coordinates for value-added tax reimbursement. Inspection of a sampling of documentation indicated that sufficient internal controls existed in the system. Documentation of accident reports was equally detailed and available.

In the area of safety, the motor pool dispatcher is a certified Smith System driver trainer who has taken basic and refresher courses. He evaluates each vehicle operator every two years based on a comprehensive checklist and maintains pertinent records. In addition to operation checks performed by drivers, local law requires an annual technical evaluation of vehicles by a state inspection office in order to maintain registration. In addition, the front suspension and brakes of all buses and trucks inspected every six months and all vehicles with more than eight seats have tachographs installed to ensure safe operation. These stringent local requirements serve to reinforce the Department's motor safety program.

## Property Management

The property management unit is well organized and is focused on improvements, such as reducing its stock levels by participation in EUR's Zero Warehousing pilot program and consolidating its nonexpendable inventory in one location. The latter would enable the Embassy to terminate its off-site leased warehouse space, which costs \$53,000 annually. Construction of an extension to the embassy compound warehouse, underway during the inspection, and relocation of expendable supplies from the warehouse to space in the chancery building also help make this possible. Using disposable welcome kits, which are being phased in, helps as well. The GSO and his staff reviewed holdings and conducted seven sales since June 2008 to dispose of unneeded items, including vehicles. It is noteworthy that the general services office conducts online sales to reach a wider customer base and reduce foot traffic often associated with public auctions.

Inspection of processes and records revealed some deficiencies requiring corrective action. Examination of residential inventories indicated that about 30 percent of employees have not signed to acknowledge their responsibility and accountability for the property issued to them, as required. Also, the Embassy's receiving process relies largely on the procurement section receiving original invoices when the financial management section should be the designated billing office and receive invoices. Moreover, there appeared to be some problems with confirming receipt of goods and services that may not be delivered directly to the receiving clerk, and subsequently, closed out by the clerk in WebPASS. The procurement section did not provide the financial management section with a list of those authorized to act as receiving officers.

**Recommendation 11:** Embassy Zagreb should develop and implement a plan that requires employees to sign residential property inventories in a timely manner. (Action: Embassy Zagreb)

**Recommendation 12:** Embassy Zagreb should develop and implement a plan that requires the financial management section to receive invoices as the designated billing office and redefine its receiving process to accommodate the change and maintain internal controls, such as confirmation, notification, and close-out of receipt of goods and services. (Action: Embassy Zagreb)

**Recommendation 13:** Embassy Zagreb should properly designate all receiving officers and disseminate a list of the designated receiving officers. (Action: Embassy Zagreb)

## Customs and Shipping

The customs and shipping unit is responsible for standard tasks, such as transportation of goods, vehicle registration and insurance, and clearing incoming shipments through local customs. The unit is performing well, with the exception of household effects and personally owned vehicle shipments, using the International Through Government Bill of Lading. Transit times for the eight incoming shipments from the Washington, DC, area during the summer 2008 turnover season ranged from 54 to 112 days. The unit chief is optimistic that this mode of shipment will improve as the shipping unit gains more experience, and he will continue to monitor performance.

## Facilities

The facilities manager and the relatively small staff are well organized, proficient, and service-oriented. The workload is divided between one team that handles the government-owned embassy compound and the Ambassador's residence, and another team that focuses on short-term-lease residential properties. The teams use eServices on the front end and Work Orders for Windows on the back end to manage requests and preventive maintenance. The residential maintenance team leader is the assistant post occupational safety and health officer, and is active in the inspection of prospective new leaseholds. His team conducts semiannual fire and safety inspections of each residence to ensure compliance with Department as well as local standards. The senior LE staff member on the government-owned property team coordinates and manages workload, as well, but also helps develop projects, such as a major interior redesign, consolidating much of the management section into one workspace. He is self-taught on computer-aided design software, which helps augment scopes of work, and he is working on updating chancery drawings using the AutoCAD application. The facilities manager is highly respected by his LE staff.

## INFORMATION MANAGEMENT

Embassy Zagreb operates a comprehensive information management (IM) program including classified and unclassified information systems, radios, telephones, diplomatic pouch, and local mail services. The section supports approximately 160 unclassified system users and 22 classified users. Also, the section provides limited remote support for Embassy Podgorica's WebPASS application by hosting its database. Embassy Podgorica is a platform for a model embassy and is designed to be a client that receives its IM services remotely.

The section is awaiting the arrival of the new IMO; the information systems officer is acting as IMO. Aside from the IMO due to arrive in early July 2009, the section includes two full-time IM specialists and one part-time IM assistant. The IM section also includes eight LE staff members who serve as system administrators, telephone technicians, mailroom clerks, and telephone operators.

While the section's ICASS scores were slightly below the bureau average, the OIG observed a responsive and conscientious IM section. (b) (2)(b) (2)  
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### Radio Check Program

The Embassy’s emergency very-high-frequency/ultra-high-frequency radio-check program is done monthly, rather than twice monthly. Monthly radio checks, as opposed to twice-monthly checks, have the potential to reduce the operational readiness of the equipment and user competency in an emergency. As mandated by 5 FAH-2 H-732.4 and absent a chief of mission waiver, radio checks are required twice monthly. The OIG team made an informal recommendation addressing this issue.

### Training

According to 5 FAM 121, the IMO is responsible for developing individual development training plans to help develop the skills that employees need to support mission programs, and to encourage their own professional growth. The IMO has not done so for American or LE staff. Without individual development training plans, IM management is unaware of customer service training requirements. The OIG team made an informal recommendation on this matter.

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## QUALITY OF LIFE

### COMMUNITY LIAISON OFFICE

Two eligible family members (EFM) share the job of community liaison office (CLO) coordinator, each working 22 hours per week. Both received CLO training. The co-coordinators report to the management officer and meet with him and the DCM weekly and more often if necessary. They have a monthly meeting with the Ambassador. Both coordinators said that they receive excellent support from the Ambassador, DCM, and management officer, who participate in CLO activities. One of the coordinators attends the weekly country team meetings. They seek to support all members of the embassy staff and their families: singles, couples with no children and families with children. While the focus is on direct-hire U.S. staff and their families, some activities and resources are also available to LE staff.

The coordinators share the eight duties of the community liaison office. One coordinator handles welcome and orientation, education and the school board, information and resource management, and spousal employment. The other coordinator has primary responsibility for events planning, community liaison, guidance and referral, and crisis management. Although each coordinator takes the lead on her portfolio, they work as a team and support each other, particularly on major projects such as orientation.

The CLO has a lending library and also maintains files of information on housekeepers, stores, restaurants, and places of interest. The coordinators survey each departing employee to gather information to be added to the files. Both American and LE staff use the resource files.

There are not many EFMs working at the Embassy, in part because a number of Embassy families have small children. The distance between the Embassy and housing also discourages some EFMs from working, especially those with only one family car. The coordinators make an effort to reach out to spouses who stay at home with young children.

In cooperation with another EFM employee, the office publishes an attractive weekly newsletter and arranges a variety of programs for embassy staff and families. These include visits to places of interest in Zagreb and other parts of Croatia, wine and cheese parties hosted by different members of the embassy staff, holiday parties, and welcome potlucks. The coordinators also reach out to social organizations in the Croatian community, including a community service committee and the International Women's Club. The coordinators are part of the emergency action committee and one of them attends the meetings. They participated in the crisis management exercise earlier this year. While neither coordinator has training or experience in counseling, they can provide information about counselors in the area upon request. They stress to members of the embassy community the confidentiality of conversations.

## HEALTH UNIT

For the past ten years, the embassy health unit has been staffed by an experienced, LE American registered nurse and receives regional support from both a regional medical officer and a regional medical officer psychiatrist based in Embassy Vienna. The Embassy's medical advisor, head of a neonatal intensive care unit, holds bi-weekly office hours in the health unit. The unit provides primary care to American staff and families as well as LE staff suffering from work-related injuries or illnesses. Local medical care providers offer adequate secondary care but for more serious conditions, patients are sent to Vienna, London, or the United States.

The health unit offices are spacious and well organized, with one examination room, a pharmacy, and a generous storage area. The health unit lacks a dedicated laboratory and equipment because local laboratories are used. As the number of embassy families with small children has increased, the nurse should be commended for making the waiting area child-friendly.

All medications are properly tagged and reviewed for expiration dates, and controlled substances are properly secured. Cognizant of pandemic influenza concerns (H1N1 at the time of the inspection), the health unit is stocked with a supply of gowns, goggles, masks, and gloves for caretakers, and an adequate supply of Tamiflu in pill form for adults and liquid form for children.

The health unit placed nine automated external defibrillators and collapsible stretchers throughout the embassy. Each American employee is issued trauma kits for his or her residence and vehicle.

The health unit contributes to mission health beyond its clinical services. All local guards received first aid training, and first responder training was just provided by a team from the Bureau of Diplomatic Security.

## EQUAL EMPLOYMENT OPPORTUNITY

The PAO serves as the Equal Employment Opportunity (EEO) counselor at Embassy Zagreb. He received EEO training in Budapest, served as EEO in Ljubljana, and will have refresher training in Washington in August. He posted his name on the bulletin board along with EEO notices. The Embassy circulated the notice regarding mandatory No FEAR Act training last November, and the Embassy is now 95 percent in compliance.

Last year, a Croatian employee complained to the EEO counselor about what the employee considered inappropriate comments by an American employee. The counselor talked to the employee to whom the complaint was directed. The employee said he was unaware that his comments were inappropriate, had not intended anything by them, and wanted to correct the situation. The EEO reported the complaint and the action he had taken to the Office of Civil Rights. The complainant dropped the complaint and the case was closed. There have been no further EEO complaints from any employees.

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(b)(2)(b)(6) The school was founded in 1966, primarily through the efforts of the American diplomatic community.

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The school is governed by a five-member board of directors. The Ambassador appoints the board chair and two members of the board. Currently, the chair is the DCM and the other members are the management officer and an office management specialist. The other two members are elected by the parent/teacher association. One of the CLO coordinators attends all board meetings and meets with the director once a month.

In 2007, (b)(2)(b)(6) changed directors after years of a rocky relationship with parents. The current director, in the second year of her tenure, made significant changes and is highly regarded by parents and the embassy community. In 2008, the school was reaccredited by the Middle States Association of Colleges and Schools. Preparation for the reaccreditation was conducted as a community effort contributing to the school's various constituencies working together. The introduction of activities for parents such as monthly director's coffees and transition meetings when children change grades make parents feel included and involved in the school. In response to criticism that the middle school program was not rigorous enough, the director introduced new math and social studies programs, a new K-12 writing program, and a new language arts curriculum for grades 6-10. There are also increased training opportunities for teachers who are financially supported by the Department. According to the director and numerous parents interviewed, everyone appreciates the higher level of challenge.

(b)(2)(b)(6) lacks a formal special needs program, but there is a learning resource teacher who can assess some students with special needs. In other cases, the school turns to an assessor who visits from Madrid. There are therapists available locally who can work with students needing limited assistance with issues such as language therapy. The CLO coordinators report that the school tries to accommodate students with special needs whenever possible. (b)(2)(b)(6)(b)(2)(b)(6)(b)(2)(b)(6)(b)(2)(b)(6)(b)(2)(b)(6)(b)(2)(b)(6)(b)(2)(b)(6) Approximately six percent of students need some special attention.

(b)(2)(b)(6) is in its fifth year of an International Baccalaureate (IB) program with a 100 percent pass rate. In the last few years, four or five students have pursued the full IB diploma although other students can also take IB courses. The average IB score at (b)(2)(b)(6) is 32-33, compared to the international average of 26-27.

(b)(2)(b)(6) identified a location and funding source for a new purpose-built facility near the Embassy. Plans are progressing for construction of a new 8.5 million euro school closer to the Embassy, which will be ready for occupancy for the 2010-11 school year. In addition to acquiring a mortgage, (b)(2)(b)(6) has a 1.2 million euro capital reserve for construction and the school will save 375,000 euros a year in rent. Tuition is likely to increase. The school projects its population will double to approximately 400 students in the next seven years.

Embassy Zagreb's CLO coordinators and parents confirm that under the new leadership, there has been tremendous positive change at (b)(2)(b)(6). The Embassy and the school share information about activities, and the MSG detachment hosts a

cookout at the school twice a year. Since the 2003 inspection of Embassy Zagreb, (b)(2)(b)(6) obtained a certificate of recognition from the Croatian Government; there is no accreditation or endorsement for private schools in Croatian law, but (b)(2)(b)(6) is officially recognized. An issue of nonpayment of taxes by faculty members has been resolved and the school now complies fully with Croatian tax law. (b)(2)(b)(6) is covered under a bilateral agreement between the government of Croatia and the Government of the United States allowing textbooks and other materials brought into Croatia for school use to be tax free. (b)(2)(b)(6) can claim the value added tax for purchases within Croatia.

~~**SENSITIVE BUT UNCLASSIFIED**~~

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## MANAGEMENT CONTROLS

### MANAGEMENT

The management section employs effective internal controls to avoid waste, fraud, and mismanagement. Its adoption of automation, such as eServices and Web-PASS to request and manage administrative services, helps to increase involvement, documentation, and visibility throughout the electronic processes. The tracking of approvals, service delivery, and time/labor serve to enhance management controls. The recent consolidation of most of the management section into a single office suite also facilitates collaboration and internal controls. Now, the desk positions of the financial management, human resources, procurement, customs and shipping, housing, and facilities management sections are located together in a well laid-out workspace. The proximity of one section to another, and of supervisors to their subordinates, is also helpful in the area of management controls. Deficiencies in some controls, such as receiving and invoices, are addressed elsewhere in this report.

### CONSULAR

The consular section's management controls are in excellent shape. The consular chief serves as the accountable consular officer and is conscientious about reconciling records at the end of each working day.



## LIST OF RECOMMENDATIONS

- Recommendation 1:** Embassy Zagreb, in coordination with the Bureau of European and Eurasian Affairs and the Bureau of Human Resources, should eliminate two of the FS-03 political officer positions. (Action: Embassy Zagreb, in coordination with EUR and HR)
- Recommendation 2:** Embassy Zagreb, in coordination with the Bureau of European and Eurasian Affairs and the Bureau of Human Resources, should reduce the political/economic section chief position from grade FS-01 to FS-02. (Action: Embassy Zagreb, in coordination with EUR and HR)
- Recommendation 3:** Embassy Zagreb should create an unclassified electronic folder for biographic files that is accessible to embassy staff. (Action: Embassy Zagreb)
- Recommendation 4:** Embassy Zagreb should require all embassy staff members to file biographic information as a routine responsibility. (Action: Embassy Zagreb)
- Recommendation 5:** Embassy Zagreb, in coordination with the Bureau of Overseas Buildings Operations, should extend the sidewalk covering that leads to the consular compound access control to provide sufficient shelter for the maximum number of consular clientele waiting to enter the compound. (Action: Embassy Zagreb, in coordination with OBO)
- Recommendation 6:** Embassy Zagreb, in coordination with the Bureau of European and Eurasian Affairs, should compensate employees working at the Embassy between 1992 and 1994 for the amount of underreported salaries. (Action: Embassy Zagreb, in coordination with EUR)
- Recommendation 7:** Embassy Zagreb should reconstruct the missing records from its own information resources and work with the host government to correct employees' salary histories. (Action: Embassy Zagreb)
- Recommendation 8:** Embassy Zagreb should develop and implement a plan to send invoices to the designated billing office in the financial management section. (Action: Embassy Zagreb)



## INFORMAL RECOMMENDATIONS

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

### Executive Direction

One of the two ELO positions in the consular section is rotational, with the officer spending one year in the consular section followed by one year in the political/economic section. The consular section will have a nearly three-month gap in that position at the end of August, when the current ELO rotates to the political/economic section. The consular section cannot operate with only two officers for any length of time if there are unforeseen problems such as a serious American citizen services case.

**Informal Recommendation 1:** Embassy Zagreb should require that the entry-level officer in the rotational position in the political/economic section assist the consular section, as needed, during the period of the extended staffing gap in the consular section.

### Human Resources

The LE staff committee does not meet with embassy managers on a regular schedule. Regularly scheduled meetings serve as a forum for broader communication and not only when there is a contentious issue afoot.

**Informal Recommendation 2:** Embassy Zagreb should implement a schedule for regular meetings of embassy managers with the locally employed staff committee to replace the current system of meetings on an ad hoc basis.

The general services and facilities management employees voted to secede from the LE staff committee, and therefore, do not receive pertinent information from the committee.

**Informal Recommendation 3:** Embassy Zagreb should implement a system in which the locally employed staff committee will share with all locally employed staff, including general services and facilities management section employees, information resulting from its meetings with embassy managers.

There is a specific format for justification and approval for other than full and open competition of procurements. Examination of files indicated that the GSO is documenting cases in an informal manner using email, rather than the formal format. Moreover, the Embassy selected a bidder for a PD event even though the vendor's price was far above others. There appeared to be valid reasons for the selection, including the vendor's ability to provide required equipment and facilities that other vendors could not provide; yet, there was no analysis and evaluation of these factors in the file.

**Informal Recommendation 4:** Embassy Zagreb should create and implement a system to formally document the justifications for sole source procurements and the results of technical analyses of proposals.

## General Services Operations

The procurement unit does not have copies of warrants for contracting officers authorizing them to sign procurement documents and thereby prevent unauthorized commitments.

**Informal Recommendation 5:** Embassy Zagreb should maintain file copies of valid and current contracting warrants.

## Information Management

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**Informal Recommendation 6:** (b) (2)(b) (2)(b) (2)(b) (2)(b) (2)  
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Information management employees at Embassy Zagreb do not have individual development plans, as required by 5 FAM 121.

**Informal Recommendation 7:** Embassy Zagreb should require that the information management officer complete individual development plans for information management employees.

## PRINCIPAL OFFICIALS

<b>Officer</b>	<b>Name</b>	<b>Arrival Date</b>
Ambassador	Robert A. Bradtke	07/06
Deputy Chief of Mission	Vivian S. Walker	07/07

### **Chiefs of Sections:**

Consular	Ruta Elvikis	07/06
Management	Thomas Favret	07/07
Political/Economic	Richard Holtzapple	08/07
Public Affairs	Robert Post	06/08
Regional Affairs	Thomas Teifke	08/07
Regional Security	Robert Grech	07/08

### **Other Agencies:**

Department of Defense	COL Brendan McAloon	07/07
Office of Defense Cooperation	LTC Charles Davis	08/08
U.S. Commercial Service	Pamela Ward	08/08



## ABBREVIATIONS

AISZ	American International School of Zagreb
APAO	Assistant public affairs officer
CLO	Community liaison officer
DCM	Deputy chief of mission
Department	U.S. Department of State
EEO	Equal Employment Opportunity
EFM	Eligible family member
ELO	Entry-level officer
EU	European Union
EUR	Bureau of European and Eurasian Affairs
FCS	U.S. and Foreign Commercial Service
FM/HR	Financial management/human resources
GSO	General services officer
HR	Bureau of Human Resources
IB	International Baccalaureate
ICASS	International Cooperative Administrative Support Services
IM	Information management
IMO	Information management officer
ISSO	Information system security officer
LE	Locally employed
MSP	Mission Strategic Plan
MSG	Marine security guard
NATO	North Atlantic Treaty Organization
NEC	New embassy compound
NIV	Nonimmigrant visa

OIG	Office of Inspector General
PAO	Public affairs officer
PAS	Public affairs section
PD	Public diplomacy
SEED	Support for East European Democracy
SSA	Social Security Administration
VWP	Visa Waiver Program
WebPASS	Web Post Administrative Software

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