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Report of Inspection

Embassy Budapest, Hungary

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KEY JUDGMENTS

- U.S.-Hungarian relations are friendly and cooperative but not without challenges, in part because Hungary often defers to the European Union (EU) and commits less to its North Atlantic Treaty Organization (NATO) obligations than the United States would like. Embassy Budapest works successfully to maintain close bilateral relations while effectively pressing U.S. positions on a full range of issues.

- Leadership of the embassy is strong. The Ambassador, a noncareer appointee, enjoys the respect and affection of his staff for his competency, dedication, and caring attitude. He works tirelessly to advance his priorities of health, education, and promotion of American trade and investment. The deputy chief of mission (DCM), delegated responsibility by the Ambassador for day-to-day policy and management oversight, demonstrates an impressive span of control and serves as the linchpin of operations. The different sections and agencies are well integrated into a coherent and well-led operation that has clear overall mission leadership.

- The embassy performed well under pressure in preparing for a visit by the President that was announced on short notice during the Office of Inspector General's (OIG) inspection.

- Morale among Americans at post is high, as demonstrated by well above-average scores on OIG questionnaires and validated in personal interviews.

- Embassy operations are hampered because operations are spread over four different buildings. The government of Hungary has offered to swap the Marine House (a historic property) for two buildings that are adjacent to the chancery and that the Hungarian government says it will rehabilitate to meet U.S. requirements. The Hungarian Prime Minister raised the matter during President Bush's June 2006 visit to Budapest, and the President directed the U.S. side to resolve the issue by October.

- The Bureau of Overseas Buildings Operations (OBO) must resolve an ongoing issue regarding the post communication center. (This is further discussed in the classified annex to this report and addresses an open recommendation from the previous OIG inspection.)

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CONTEXT

Hungary is one of the more prosperous and stable countries of Central and Eastern Europe. In May 2004, the country acceded to the EU, having joined NATO in 1999. The country is steadily gaining ground on its Western neighbors, but its economic transition has sometimes been difficult. Reducing its fiscal and current account deficits is an economic policy priority for the nation as it retools its finances to meet Eurozone convergence criteria.

Since 1989, Hungary has pursued three primary foreign policy goals: 1) integration into Euro-Atlantic structures, particularly NATO and the EU; 2) improving relations with neighboring countries; and 3) supporting the rights of Hungarian minorities outside its borders. The country's leadership continues to pursue all three goals actively.

The United States and Hungary share goals and values, and the bilateral relationship is friendly and cooperative. Hungary has supported the U.S. effort in Afghanistan by offering a provincial reconstruction team (PRT) to the NATO mission there. Hungary has had troops in Iraq and currently has on offer a force to protect the NATO training mission there. The nation provides good cooperation on counterterrorism, security, and nonproliferation issues and is home to the International Law Enforcement Academy (ILEA) for training police officers from the region and the bilateral Joint Organized Crime Task Force. Trade and investment have attracted many U.S. companies to Hungary. The embassy has easy access to all levels of government, opposition political parties, and civil society.

Hungary bolsters regional stability through its contributions to peacekeeping missions in the Balkans. Twice in the last decade - for Balkan peacekeeping and in support of democratization in Serbia - the United States has benefited from Hungary's location as a platform for efforts to stabilize the region.

At the same time, U.S. relations with Hungary are challenging, and the expectations of Hungary are somewhat low in U.S. policy circles. Hungary is inward looking in many respects, particularly in the wake of its recent elections and the formation of a new government, which has announced a number of fiscal cuts and reform measures. On foreign policy, Hungary defers extensively to EU positions developed in Brussels. Gaining Hungarian support for U.S. positions that differ from those of the EU is a major challenge for the embassy.

On security issues, Hungary seriously lags in fulfilling its NATO defense obligations. Reform of the military and defense establishment in Hungary is a low priority with the nation's political leadership, and its defense budgets do not meet NATO goals.

Some 20,000 Americans are resident in Hungary, many of them former refugees from the 1956 revolution who returned to help reintegrate Hungary into Europe and reclaim their heritage. The commemoration of that revolution will be a major event in October 2006.

Embassy Budapest employs 105 Americans and 283 locally employed staff (LES), serving a number of agencies including the departments of State, Justice, Defense, Commerce, Agriculture, and a regional U.S. Agency for International Development (USAID) presence. Total mission funding resources for FY 2006 are $13.17 million. Total bilateral assistance for FY 2005 was an estimated $14.67 million.

EXECUTIVE DIRECTION

The Ambassador, a noncareer appointee, is completing nearly three years at post. He provides strong overall leadership to his staff, which respects his integrity, dedication, and caring attitude. The Ambassador plays to his strength as a successful businessman by promoting U.S. trade and investment. He initiated meetings with key political players in Hungary, meetings also attended by six other ambassadors from countries representing 80 percent of foreign direct investment. The group has lobbied for more transparency in procurement, a less-acrimonious political environment, and a friendlier investment regime. He also established the American Business Advisory Group, which includes several of the largest U.S. investors in Hungary, to discuss doing business there.

The Ambassador carries out an extensive outreach program. He has visited every corner of Hungary, meeting with local political leaders and civic groups. He has been very visible in the press and his credibility helped to counter periodic bad publicity over such issues as Abu Ghraib and Guantanamo. He initiated Men's Health Week, which the government of Hungary has adopted and made a part of its annual health program each June. During the inspection, the Ambassador's activities during the Men's Health Week program were widely covered in local media. Education has also been a major focus of the Ambassador .

On internal embassy management, the Ambassador meets daily with the core country team members to review ongoing activities and provide guidance as necessary. In addition he holds weekly, full country team meetings that include all sections and agencies. The Ambassador delegates operational management of the embassy and responsibility for day-to-day policy guidance to the DCM while he concentrates more on public outreach and representational efforts outside the embassy. The Ambassador nonetheless maintains a keen interest in operations and effective oversight. The Ambassador supports Equal Employment Opportunity (EEO) objectives and pays personal attention to the morale of the American and local employees by recognizing and complimenting their work. He holds an annual reception at his residence for all Foreign Service nationals (FSNs) and their families.

The DCM, an FS-01 serving in a senior position, does an impressive job of carrying out the management and day-to-day policy oversight responsibilities delegated to him by the Ambassador. He is the linchpin holding together what is an efficient

and smooth-running embassy. He holds weekly meetings, over ten in all, with section heads. In a mission with over half a dozen agencies represented, he meets frequently with other agency representatives to ensure coordination of activities. A former public diplomacy officer, he expressed some frustration with aspects of the post's outreach program but has refrained from micromanaging the public affairs section (PAS). All elements of the embassy expressed high praise for the DCM's key role in effectively coordinating operations as well as his detailed knowledge of issues, although some wished he would give greater attention to mission-wide communication in order to instill a broader sense of vision and community.

The DCM also evidenced a thorough familiarity with Hungarian policy intricacies and personalities. During the inspection, he was in contact with Hungary's foreign ministry on a number of occasions to present U.S. views at a senior level. The DCM reviews key policy telegrams for his or the Ambassador's approval but delegates to the sections the authority to approve most telegrams.

The Mission Performance Plan (MPP) process brings together all mission elements. It is developed under the DCM's coordination for the Ambassador's approval through consultation and solicitation of contributions that place a high premium on using embassy-wide expertise from each section.

Interagency Coordination

There is good interagency coordination by the front office. The largest other agency presence is USAID's Regional Service Center (RSC), which has a staff of 60, including Americans, local employees, and third-country nationals. Virtually all of the RSC's operations involve support for third country programs outside of Hungary, but interaction with Embassy Budapest is positive. USAID attends country team meetings and is included in embassy activities and social events. USAID participates in some International Cooperative Administrative Support Services (ICASS) programs, such as housing, but duplicates a number of other administrative functions; for instance, it has a separate warehouse.

Law enforcement is a major embassy element, with three offices of the Federal Bureau of Investigation (FBI) represented. In addition to the assistant Legal Attaché (LEGATT), who performs traditional legal attaché functions, there is an FBI task force on organized crime colocated at the Hungarian police headquarters and the ILEA training center, which has an FBI and a Department of State (Department) officer. All three FBI elements said they receive good support from the embassy and effective coordination by embassy leadership.

The Defense Attaché Office (DAO) is relatively large; it has15 employees, including two Army and two Air Force attachés plus support staff for a C-12 aircraft having regional responsibilities. There is a separate Office of Defense Cooperation (ODC) that administers several Department of Defense programs such as International Military Education and Training, Foreign Military Financing, and humanitarian support. Although there is some evidence of past friction between the two military offices, the friction appears to have been resolved. Both offices report good support by the embassy and effective coordination by the front office.

The U.S. Commercial Service (USCS) has two officers and a small support staff in Budapest. The office works very closely with the Ambassador in promoting U.S. trade and investment in Hungary. During the current Ambassador's tenure, USCS organized two highly successful U.S. and Hungarian Ambassadors Business Development Missions to the United States that included meetings with a number of major companies and senior government officials. USCS officials said they were very satisfied working with the Ambassador and others in the embassy in carrying out their intensive program of activities.

There is one local staff member in the U.S. Treasury office in Budapest, but the office is being phased out and will close permanently by the end of the current fiscal year.

Entry-Level Officer Mentoring

Mentoring of entry-level officers (ELO) is a responsibility that the DCM carries out well. He meets with them regularly, approximately once every six weeks, sometimes at a brown bag lunch, at other times at his residence or one of the ELOs' homes. He follows their individual careers and discusses their aspirations and options with them. He also offers them opportunities for broadening their experiences by engaging in rotations to other duties, serving as control officers for trips, and undertaking speaking engagements. A number of ELOs expressed satisfaction with the mentoring program and offered their appreciation for the DCM's efforts. However, there is no written program describing in detail the ELO mentoring program in Budapest. The OIG inspection team discussed with the DCM the idea of developing a written mentoring program in coordination with the current group of ELOs. The written material could be given to new officers as they arrive to serve as a benchmark of what they might expect and what is expected of them.

Morale

Morale at Budapest is well above average, as demonstrated by scores on OIG questionnaires and validated in interviews. Many attributed this to the warm personal style of the Ambassador, who frequently recognizes and praises the work of staff and takes a personal interest in the welfare of all. The DCM also hosts morale events at his residence and attends many community and community liaison office (CLO) events. CLO was extremely highly rated for its events and activities and was ranked number-one on OIG's questionnaire.

Security Management

Embassy Budapest's security office is led by a senior, experienced regional security officer (RSO) who has an excellent working relationship with the DCM, management counselor, and other section heads. Her office is well organized and supported by a highly efficient Foreign Service office management specialist (OMS), a new assistant RSO, an eligible family member (EFM) serving as full-time residential security coordinator, a security engineering officer, and a security technical specialist.

The Marine security guard detachment provides internal security access control to prevent the compromise of classified information and equipment vital to U.S. national security. The detachment consists of five watchstanders, three of them relatively new to the post. The detachment commander is newly arrived and on a first tour in the Marine security guard program. The detachment is mission-capable and has a good level of maturity and responsibility. The Marines and the Marine house are centerpieces for community activities for the mission.

Mission Hungary's security programs also benefit from two FSN investigators (FSNI), a surveillance detection (SD) coordinator who supervises ten SD guards, and one local guard force supervisor who manages 61 local guards.

Embassy Budapest does not have a compound, and although the chancery building is situated on the corner of two streets and across from a large city park, it is well protected from vehicle-borne improvised explosive devices. The protection comes from antiram vehicle barriers and antiram bollards that have been placed around the park, streets, and sidewalks. City officials approved installation of these devices and must approve further perimeter security enhancements. The enhancements include anticlimb fences and a visitor-screening booth located on the street between the park and the chancery building. These and other security issues are discussed in greater detail in the classified annex to this report.

President's Visit to Budapest

During the inspection, Embassy Budapest demonstrated its ability to prepare for a visit by the President that was announced on an unusually short, two-week notice. Although the OIG team departed post the day before the President arrived, all indications were that the embassy did an outstanding job. The White House advance team expressed repeated praise and appreciation for the extraordinary efforts and support the embassy was providing in the countdown meetings that the OIG team attended. Difficulties in getting Hungarian agreement on aspects of the visit, such as security arrangements, left important details unresolved until late in the process. The DCM and Ambassador were actively involved, intervening at the highest levels with the government. All elements of the embassy were mobilized and all responded. Control officers for site visits were selected from all sections. PAS provided services for the presidential party and about 500 U.S. and Hungarian press. The management counselor and RSO superbly organized themselves and their sections and worked with Hungarian counterparts to meet White House requirements. Military and civilian agency representatives committed full resources and support.

In addition to all this, other work of the embassy continued. The Ambassador held daily core staff meetings. The DCM and other officers continued to make themselves available as much as possible for ongoing meetings with the OIG team. All in all, Embassy Budapest mounted an impressive, effective, missionwide, coordinated effort to support the visit of the President.

~~SENSITIVE BUT UNCLASSIFIED~~

POLICY AND PROGRAM IMPLEMENTATION

Transformational Diplomacy

When Hungary entered the EU, it became ineligible for further assistance through the Support for Eastern European Democracy Act, reducing the support the United States provides it. Even as Hungary has become more stable and prosperous, Embassy Budapest continues to promote positive change in the country.

The embassy's transformational diplomacy activities include promotion of sound commercial practices such as procurement transparency and a friendlier investment regime. They also include the training of police officers from the region through ILEA and promoting law enforcement cooperation through the Joint Organized Crime Task Force colocated at the Hungarian Police Headquarters. Two successive Ambassadors have led major efforts with the Hungarians in support of national health awareness programs. The embassy also supports educational exchanges, speakers on issues such as diversity and minority rights, and English-teaching programs that promote tolerance and the rule of law.

~~SENSITIVE BUT UNCLASSIFIED~~

REPORTING AND ANALYSIS

Economic and Political Sections

Hungary's recently completed national elections returned the previous governing coalition to power. Soon after the announcement of upcoming elections, the political and economic sections devised a plan to cover events and report them to audiences in Washington and elsewhere. The plan included trips to most of the major cities and regions of the country to gauge local sentiment and possible trends and to obtain "man-in-the-street" opinions. Several political party headquarters in Budapest were contacted, and the information and insights obtained were relayed to the embassy's audience in a regular stream of cables. The economic section drafted a number of cables focusing on the economic issues and each major political party's economic platform. The election reporting was seen as excellent by numerous agencies in Washington that congratulated the embassy on a job well done. One Washington agency characterized the election reporting as "very good, frequent, timely, insightful, and analytical."

The overall embassy reporting is excellent. Section officers and local staff have developed and maintain good contacts in government, academia, and the business community. The economic and political sections have found the proper balance between the use of cable reporting and information sharing by e-mail. A daily e-mail report to a wide audience provides one-paragraph updates and reports on events that do not merit an analytical cable or provides the highlights of what soon will be reported more completely in a cable. The local staff in both sections are talented and contribute as much as one-third of each section's reporting.

Both of the sections hold regular staff meetings that include their local staff. Information flow at these meetings is good. Future plans and works in progress are discussed, guidance is given, and news is shared. Both counselors maintain an open-door policy that is welcomed and used. Representation and travel funds are sufficient; all members of the sections use these funds. Most officers in the sections have taken Hungarian language training. Because of the difficulty of the language, however, they depend on the local staff for news briefs and to ensure they capture the essential points of meetings held in Hungarian.

Hungary is trying to put its financial house in order to meet EU targets to join the euro currency zone. It is having a hard time reducing its current account and budget deficits sufficiently in time to meet a 2010 target date. Despite these problems, foreign investment in Hungary is increasing, annual economic growth is in the 4.5-percent range, and inflation and unemployment are relatively low. The economic section reports developments in well-researched and succinct cables and e-mails.

Political-Military Affairs

To ensure proper coordination on political-military issues, the embassy has a political-military working group chaired by the DCM that includes representatives from the political section, DAO, ODC, and other sections as appropriate. As noted in the Executive Direction portion of this report, however, the Hungarian government has severely cut its defense budget, and this has slowed the necessary reform of the military and delayed the attainment of NATO interoperability objectives. Hungary intends to meet its commitment to provide a PRT to Afghanistan under NATO's International Security Assistance Force program.

Counterterrorism Coordination

The political section coordinates the mission's counterterrorism efforts. One political officer is designated as the reporting officer for the subject, and an economic section officer is designated to report on terrorism finance.

Environment, Science, Technology, and Health Regional Hub

One of the Department's Regional Environmental Hubs is located at Embassy Budapest. An energetic mid-level environment, science, technology, and health (ESTH) officer is assigned to this position and is tasked by the Bureau of Oceans, Environment, and Science (OES) with addressing transboundary environmental problems through regional cooperation. In April 2006, the hub's region increased from 12 central European countries to 18 central and east European countries and then totaled 19 nations when Montenegro and Serbia separated. The regional officer is also tasked with the normal bilateral ESTH functions in Hungary.

Two successful bilateral health initiatives were strongly supported by the Ambassador. One was a women's health initiative focusing on breast cancer awareness and which, during October of the last four years, has included a Chain Bridge Walk for

Breast Cancer Awareness across Budapest's most famous bridge over the Danube. The other initiative, started in 2004, is a Men's Health Week, which is held each year in June and focuses on such issues as prostate cancer awareness and cardiovascular diseases. The 2006 Men's Health Week, held during the inspection, involved over 75 Hungarian cities and included supporting sports events, free screenings, and symposia. In both cases, private and host-government agencies are taking on an increasing share of the organization and operation of these events, although the embassy remains involved. These initiatives have effectively promoted important apolitical health considerations and are examples of transformational diplomacy in action.

The ESTH officer also monitors developments in her region regarding avian influenza (bird flu). Recent discoveries of infected flocks of geese and ducks in southern Hungary are a concern. During the inspection the economic section prepared an informative cable on a small Hungarian research firm that claims to have developed an avian influenza human vaccine. The regional nurse practitioner also monitors bird flu developments and the potential for an outbreak among humans.

Whereas OES expects hub officers to spend about 30 percent of their time on bilateral issues and the rest on their regional responsibilities, at Embassy Budapest, (particularly in the year leading up to the inspection) these proportions have been reversed. Although the embassy's bilateral efforts were effective and strongly supported by the Ambassador, the OIG team informally recommended that with the arrival of a new hubster regional responsibilities should receive the time and resources that are more in accord with OES guidelines.

Potential for a Joint Economic/Political Section

The political section will lose its political-military position during the summer of 2006, due to the Global Diplomatic Repositioning (GDR) initiative. In light of the reduced expectations regarding political-military issues in Hungary, this is less damaging to the section than it might have been. After the departure of this officer the section will be staffed by the counselor, three full-time ELO's, an OMS, and three experienced LES. A new political counselor is scheduled to arrive during the summer of 2006 for a three-year tour.

The economic section consists of the counselor, the ESTH officer, and an economic mid-level officer, one ELO, and one OMS. A one-tour ECON/ESTH position will be filled during the summer of 2006 and will be most welcome, because the ELO has curtailed and will depart Budapest in September 2006. A successor has

been paneled but is not scheduled to arrive until after completing language training in August 2007. The current economic counselor completes his tour in mid-2008.

The OIG inspection team discussed with the DCM and the economic and political counselors the possibility of merging the two sections into a joint economic/political section. They all agreed that a joint section would provide for a more efficient use of personnel and resources and would have a minor impact on the volume and quality of services currently provided by the two sections. A joint section would also improve communications and coordination among officers with reporting and advocacy responsibilities. To realize the synergies of ideas, vision, and coordination of a joint section it should be colocated in one suite of offices.

The consolidation of the sections could occur with the end of the current economic counselor's tour of duty in mid-2008 or with the end of the tour of the incoming political counselor in mid-2009. There is also a consensus at post that, given the current greater focus on domestic and international economic issues (such as the ongoing internal economic reforms, preparations to join the euro currency zone, and energy security concerns), the joint section counselor should be, by preference, an economic officer with a political officer as deputy. One way to achieve this would be to abolish the political counselor position in 2009 and consolidate the sections then. The economic/political counselor should then supervise two senior mid-level officers covering the political and ESTH functions as well as the one full-time officer and one half-time junior mid-level officer and two entry-level officers. A section of this size should not present a span of control issue.

Recommendation 1: Embassy Budapest, in coordination with the Bureaus of European and Eurasian Affairs and Human Resources, should consolidate its economic and political sections into a joint economic/political section, and the senior political officer position (10049001) should be abolished. (Action: Embassy Budapest, in coordination with EUR and DGHR)

Trade Promotion

The embassy has good and effective coordination to promote U.S. exports and protect and enhance U.S. investment. The Department of Commerce maintains a U.S. Commercial Service section consisting of two officers and six locally employed staff to promote U.S. exports and advocate on behalf of U.S. companies. The Foreign Agricultural Service attaché based in Vienna frequently travels to Budapest. The Foreign Agricultural Service has one local employee in Budapest who is colocated

with the USCS and is supervised day-to-day by the senior commercial officer. The Ambassador, DCM, economic counselor, and other senior embassy officers work closely with USCS and the Foreign Agricultural Service on trade promotion. There is close coordination and cooperation between the commercial section and the economic section on advocacy on behalf of U.S. companies. The Ambassador, DCM, and the commercial and economic counselors consult and work closely with the active American Chamber of Commerce in Budapest.

Law Enforcement Coordination

The FBI's assistant legal attaché in Budapest reports to the legal attaché at Embassy Vienna. The embassy also hosts an FBI Organized Crime Task Force that, in conjunction with Hungarian law enforcement agencies, investigates organized criminal activities in Hungary that may have links to similar organizations and criminal activities in the United States. Prior to the inspection, FBI agents began to be assigned to the task force for a full tour of duty, rather than the three-to-six-month temporary duty assignments that had been the norm for the program's first six years.

Budapest is also home to the ILEA, which provides training and assistance to police services in Central and Eastern Europe and South Central Asia. One of five such academies around the world, it is funded by the Department's Bureau of International Law Enforcement and Narcotics Affairs to conduct long- and short-term training for police officers from the countries in its region. ILEA Budapest is directed by an FBI agent and the deputy director is provided by the Bureau of Diplomatic Security (DS), and both are under chief of mission authority. ILEA has an impressive training program and facilities located on the grounds of the Hungarian International Police Training Center. It is a well-respected and effective platform for U.S. foreign policy objectives in the law enforcement area.

A quarterly Law Enforcement Working Group meeting is chaired by the DCM. Representatives from the law enforcement agencies present at post, ILEA, the consular section, the regional security office, and the consular section are usually joined by regional representatives of the Department of Homeland Security's Bureau of Immigration and Customs Enforcement and the Drug Enforcement Administration who are based in Vienna. The legal attaché from Vienna also usually attends. On occasion a regional agent of the U.S. Secret Service, based at Embassy Bucharest,

also attends. In advance of meetings an officer from the political section, who coordinates the meetings, solicits items for discussion and prepares an agenda. The law enforcement working group is used effectively to share information and coordinate activities between the U.S. law enforcement entities in Hungary.

PUBLIC DIPLOMACY

Management and Resources

Embassy Budapest's public diplomacy activities are vigorous, high-priority, and mission-wide. The PAS consists of a public affairs officer (PAO), an information officer (IO), a cultural affairs officer (CAO), a regional English language officer (RELO), and 19 LES. Two of the four officers completed Hungarian language training. The section's initial FY 2006 public diplomacy budget allotment was $884,000. At the time of the inspection, the Department had added $45,000 to the budget for priority projects, and the Bureau of International Information Programs had provided an additional $20,000 for speakers. The RELO's FY 2006 budget supports about $90,000 in small grants, after deducting travel costs and a single local staff member's salary. PAS works in a building separate from the chancery but coordinates well among embassy elements. Although the speed of the PAS's OpenNet Plus connection is the same as that of the chancery's connection, the section complained of slow Internet access, which it says is a handicap when its work requires wider bandwidths.

The Ambassador is a valuable public affairs asset, and he and the DCM are strong supporters of public diplomacy. The Ambassador includes both the press attaché and the public affairs officer in his country team meetings and has the press attaché brief on the media at the start of daily meetings. He also often includes his public diplomacy officers in his representational events. The Ambassador is open and assured in his activities with the press and public. The PAS organizes quarterly media breakfasts for him to engage in on-the-record discussion of bilateral and other issues. He works well in impromptu press encounters as well.

The Ambassador strongly promotes the mission's public diplomacy agenda countrywide. He has traveled to every province in Hungary as part of his own outreach efforts. His successful Men's Health Week initiative this year included more than 75 cities participating in events coordinated by the ESTH officer. He also strongly promotes educational exchanges, participates in programs with students at all levels, and has initiated an upcoming Education Summit that, with public affairs support, will address university fund raising.

In addition to promoting his own initiatives, the Ambassador strongly supports and frequently participates in the PAS's cultural, economic, and political programming. He and the DCM often host public affairs representational events in their residences.

The PAS carries out a substantial program schedule. The PAO has 35 years experience and retires in July 2006. The PAO thoroughly understands public affairs, has a good knowledge of Hungary, and is comfortable as a stand-in when his cultural affairs and information officers are absent. He has good access to the front office and other sections and provides opportunities for staff training. The office's grants management regime is excellent.

The PAO's staff recognizes his experience, savvy, and good judgment, but his hands-off management style makes some uncomfortable. Closer PAO oversight would be productive, primarily in cultural and outreach programming. The OIG team informally recommended that the PAS have full office staff meetings weekly to promote closer working relationships and share information among sections. The section needs greater internal cohesion, and the present PAO's idea of a PAS offsite meeting has merit.

The DCM meets with the PAO weekly to discuss priorities and progress on programs. The OIG inspection team discussed with the DCM the value of developing a new strategic planning document that has mutually agreed-upon, specific, limited program directions, goals, tactics, and levels of activity soon after the arrival of the new PAO and new Ambassador.

Press and Information Section

The PAS's press and information section is well run and has high morale. The PAO gives the information officer broad leeway as the mission press attaché and values her views, deferring at times to her in meetings. The section provides press summaries to the embassy, well-written materials for the media and public consumption, and insightful reporting to Washington about the Hungarian media. The Bureau of Intelligence and Research's Office of Media Reaction values Budapest's frequent, well-written input.

The information section provides excellent support for other sections of the embassy and its media support for visitors to Hungary who are controlled by other sections is outstanding; one senior section head described this support as "the best I've seen." The ESTH officer has credited PAS media support for much of the

great success of the Ambassador's Men's Health Week initiative. The consular chief praised the information section's support, too. Cooperation with embassy elements in speeches for the Ambassador is good. The section places in the media standalone op-eds and statements associated with programs.

The Information Resource Center

The embassy's information resource center (IRC) is an important resource. The regional information resource officer's last report noted that the IRC is "a model of [a] proactive, mission-integrated IRC." The IRC's strengths are in its innovative outreach materials. Each morning the IRC uses the Internet to cull media stories worldwide and then e-mails throughout the embassy a compendium having an automated table of contents. The IRC proactively develops extensive bibliographies with full-text articles on MPP issues and which are bound with covers; they go to priority contacts in hardcopy and CD format. It also maintains the embassy web site; edits and distributes the embassy bilingual, e-mail newsletter on front office and other activities; and helps develop briefing books and support materials for other mission elements. The IRC produces a unique, illustrated, monthly activity report. The IRC staff is proud of the depth of its contacts among librarians in Hungary's parliament, ministries, and universities.

The Cultural and Programming Section

The cultural section carries out a full range of activities, including fine arts and performing arts programs and speaker programs that address foreign policy, education, social, economic, and other issues. Its Distinguished Speaker's Program has sponsored lectures by Congressman Tom Lantos, author David McCullough, journalist Thomas Friedman, and most recently historian John Lukacs. In May 2006, the section cosponsored the Merce Cunningham Dance Troupe, including a reception at the Ambassador's residence. Its programs address MPP issues such as multicultural tolerance, foreign affairs, and the media. It is also seeking to boost embassy engagement with the public through a more active embassy speaker's bureau that matches officers to speaking opportunities throughout the country.

The section is also responsible for the International Visitor Leadership Program (IVLP). The DCM chairs the selection committee, ensuring full mission participation. Its candidates clearly target MPP goals. The Department reports that the IVLP is well administered. Highly-qualified candidates are chosen from throughout

Hungary and arrive well briefed for their programs. The new Hungarian foreign minister, named during the inspection, is a former IVLP grantee.

Educational Exchanges

Embassy Budapest does an excellent job of promoting the major U.S.-Hungarian government student exchanges programs. The consular section and PAS work together well to assure that the public, particularly students, understands that the embassy welcomes their applications. The consular section provides briefings and expedited visa processing for grantees for the Fulbright Program and Hungarian American Enterprise Scholarship Fund (HAESF). In doing so, it provides evidence of these programs' importance to the U.S. government, enhances their prestige, and helps U.S. institutions host future Hungarian leaders.

The Fulbright Commission carries out academic exchanges of around 50 Hungarian and American students, lecturers, teachers, Humphrey Program participants, and researchers annually with its budget of $1.1 million. Of that, the United States contributes $910,000. The PAO is a member of the program's board of directors. The Hungarian-American Fulbright Commission has undertaken innovative approaches to raise the profile of its program in the competitive EU educational-exchanges environment and to ensure the highest quality of its grantees and to build cohesion among grantees using such means as an active alumni association. The commission's orientation seminars, held countrywide annually, ensure grantee diversity and raise the program's profile. The Ambassador participates in the programs, and the DCM hosts American and Hungarian grantees and commission staff in his home for Thanksgiving dinner.

Since 2004, the Council on International Educational Exchange has implemented the HAESF with funds originally from the Support for Eastern European Democracy Act. The PAO is the embassy representative to its board. HAESF's mission meshes well with the Fulbright Program, targeting needs the Fulbright Program traditionally has not met. HAESF provides $1 million in scholarships annually - mostly for one-year internships for Hungarian graduates at major U.S. companies and other institutions. It also supports three- to 12-month nondegree study projects and provides partial funding for Hungarians' graduate studies in the United States. The Ambassador has been an active supporter of HAESF.

The Fulbright Commission runs a first-rate educational advising center - the primary source in Hungary of information on U.S. education. In addition to one-on-one and group advising, the center conducts regular programs on writing applications for U.S. universities, provides information on U.S. scholarship programs, hosts individual U.S. university recruitment tours, and participates in education fairs with embassy participation. It has an outreach program to universities throughout the country. The Fulbright Commission also hosts a computer-based testing center, administering nearly all the required tests for U.S. university entry, and has a practice-test facility. The center is a regional one, and nearly 50 percent of those tested come from neighboring countries.

Embassy Budapest has two American Corners, one in Pecs (since 2004) and one in Veszprem (since 2005). The American Corners give the embassy new program outreach venues and provide additional outlets outside of Budapest for Fulbright and HAESF recruitment efforts. The PAS expects to open a third American Corner in Debrecen shortly after the arrival of the new Ambassador. The section provides innovative programming and other support to the two American Corners.

The embassy enthusiastically supports alumni activities. The Department has funded the PAS's innovative Fulbright Alumni Roadshow, which aims to bring activities to alumni throughout the country and build public interest in the program. HAESF also has established a database to support an association, and its alumni have begun to meet.

Regional English Language Officer Contributions to Hungary

The RELO is very active and productive and hosts regional and Hungary-based activities. With a single locally employed staff for support, he covers 16 countries, spending only 35 percent of his time in Hungary. Much of this time is spent in administration, travel preparation, and regional programs held in Hungary. He stated that the embassy provides excellent administrative support for his regional activities. The Ambassador appreciates his contributions and has participated in his programs in Hungary.

The RELO's programs support major MPP goals, including development of rule of law, economic development, and regional stability. They target important youth, minority, and professional audiences. The office's regional programs in Hungary include an annual Teaching through Tolerance regional summer camp, a Language for

Law English-teaching program, and the Information Technology for Public Diplomacy: Focus on English Language Programs Conference.

~~SENSITIVE BUT UNCLASSIFIED~~

CONSULAR ISSUES

Except for a brief surge of refugees following the Soviet suppression of the 1956 revolution, Hungarians have not migrated to the United States in large numbers over the last 75 years. Although Hungary has not traditionally been a labor exporting country, there is still great domestic interest in joining the U.S. Visa Waiver Program, particularly after Hungary joined NATO and the EU. As a result, the Hungarian government has made it a key issue in the bilateral relationship.

Embassy Budapest's consular section provides the complete range of consular services to its 26,000 visa applicants and 20,000 resident Americans. In addition to managing Visa Waiver Program issues, the section also regularly deals with the government of Hungary on parental-abduction cases undertaken under the Hague Convention on the Civil Aspects of International Child Abduction. These cases include American and Hungarian left-behind parents. The demand for U.S. federal benefits is also on the increase as retired Hungarian-American pensioners return to their country of birth. There is also the possibility of a totalization agreement regarding the computation of revisions for work performed in either Hungary or the United States. Therefore, there is the potential for even greater increases in the federal benefits workload in the future.

The consular section is fully integrated into the embassy's overall operation. The consul general (CG) has a weekly one-on-one meeting with the DCM and has easy access to the Ambassador when necessary. The Ambassador and DCM have regularly visited the consular section. The CG attends all the country team meetings and is a member of the emergency action committee. The consular section acts as coordinator for the Visas Viper program, with the DCM chairing the regularly scheduled monthly meetings. The section also participates in the law enforcement working group, which meets quarterly under the DCM's chairmanship. Although the FY 2008 MPP does not have a specific chapter for the consular operation, the visa road map and exchange visitor objectives and strategies are detailed in two other MPP chapters .

Consular Management

The embassy CG is a creative, service-oriented FS-O2 consular officer who employs a particularly accessible and collegial managerial style. The section also has a formal FS-O3 deputy position that is currently filled by a first-tour ELO. The CG's deputy has traditionally also acted as the American citizens services unit chief. The current CG had previously been the deputy CG but moved into the section chief position when his supervisor curtailed. Because the curtailment came at short notice, the Department granted a one-time waiver to fill the vacated deputy position with an ELO. In addition to the CG and his deputy, there are two full-time ELO consular positions (one of which is part of a consular/political rotation) and a part-time nonimmigrant visa (NIV) officer. The section also has one EFM position that is primarily responsible for fingerprinting NIV applicants. All the officers, irrespective of whether they have additional American citizens services (ACS) or immigrant visa responsibilities, interview NIV applicants in the morning.

Morale among the section's Foreign Service officers and local staff is high and communication is excellent. Local staff and FSOs are comfortable raising a wide range of issues with their supervisors. There are two regularly scheduled weekly meetings, one for the American staff and one for the entire section. The American officers' meeting is a relatively new addition, and the OIG inspection team suggested the CG should institutionalize the formal weekly meeting of the American staff prior to his upcoming departure.

One Foreign Service officer is charged with overseeing local staff training opportunities. He had instituted a cross-training program that was temporarily halted when the busy summer season began. The CG also actively tried to secure Washington-based training for his staff and had intervened with the Foreign Service Institute to get a local employee into a consular training course.

The consular section has an extensive outreach program that has been undertaken under the leadership of the consul general and with the active participation of the PAS. Written and electronic media are encouraged to visit the section to tape or interview the CG or his local and American staff. Hungarian government officials have received similar encouragement to visit the section. Everyone from the Ambassador to the consular ELOs has traveled outside of the capital to highlight consular issues. Under the Ambassador's signature, the embassy mailed out visa information packages to over 1,400 high schools and universities. Consular outreach is not restricted to visa presentations. In the past year, the section has done ten ACS road shows to different parts of Hungary to seek out and provide services to American citizens residing, studying, or traveling through Hungary.

Consular Work Space

Since the renovation of the chancery building, the consular section has had a significant air flow problem which has forced it to keep the door to the section open at all times. Although the embassy and the Department are aware of the problem, there is no resolution in sight. The OIG inspection team informally recommended, as a short-term solution, that the embassy buy freestanding floor air conditioners to help circulate air through the section.

The consular section's workspace is crowded but useable. To prepare for future increases in visa and American citizens services demand and to allow for a more efficient flow of clients through the section, the embassy identified a currently vacant work area that the section could use. Although the embassy has done a preliminary floor plan, it has not contracted for a formal architectural and engineering design. Without such a design, it will be difficult to estimate the true cost of the project.

Recommendation 2: Embassy Budapest should, in coordination with the Bureau of Overseas Buildings Operations, contract with a local firm to do an architectural and engineering design for the proposed consular expansion project. (Action: Embassy Budapest, in coordination with OBO)

Visa Services

Nonimmigrant Visa Processing

The NIV unit processed almost 26,000 NIV applications in FY 2006, a 15-percent increase over the previous year. Currently, an ELO is the NIV unit's designated manager and reports to the CG. The manager is the unit's only full time NIV officer; the two other consular officers interview NIV applicants in the morning but carry out their respective immigrant visa and American citizens services responsibilities in the afternoon. An additional part-time consular officer only does NIV interviews in the morning. The NIV manager oversees the work of one EFM and nine FSNs.

Because of the relative inexperience of the NIV unit manager, the CG is often drawn into the daily managerial minutia of running the unit. This involvement hinders his ability to deal with larger policy issues and makes it difficult for him to

find sufficient time to develop section-wide procedures. Were the CG's deputy to become the visa chief, supervising the immigrant visa and NIV operations, then one of the two ELOs could be given the American citizens services responsibilities.

Recommendation 3: Embassy Budapest, in coordination with the Bureau of Consular Affairs, should change the FS-O3 deputy consul general's work requirements from American citizens services chief to visa unit chief. (Action: Embassy Budapest, in coordination with CA)

The NIV unit recently contracted with a local courier company to return visaed passports on an optional basis. The OIG team discussed this program with the CG and informally suggested a number of additional pass-back options, including a cash-on-delivery system and making use of the courier mandatory for all visa applicants.

In October 2005, Embassy Budapest responded to guidance from the Bureau of Consular Affairs (CA) by reissuing its NIV referral policy under the Ambassador's signature. After reviewing the policy, the OIG inspection team made an informal recommendation that the embassy add a sentence clearly stating that previously refused applicants could not qualify for an "A" referral.

Immigrant Visa Processing

The current immigrant visa unit manager is a second-tour ELO who will rotate to the political section at the end of the summer. He reports directly to the CG and oversees the work of one full-time and one half-time FSN. In FY 2006, the unit issued 438 immigrant visas, a 20 percent increase over the FY 2005 issuances. About 75 percent of the workload involves immediate relative petitions; 20 percent involves Hungarian diversity visa applicants; and the remaining five percent is scattered among the other immigrant visa categories.

The unit conducts all immigrant visa interviews in the afternoon by appointment only. It accepts and approves immigrant visa petitions from any American citizen present in the consular district by appointment in the afternoon as well. The wait between filing the petition and visa interview is generally one month or less.

American Citizens Services

Traditionally, the deputy CG has supervised the American citizens services unit, which has four local staff. The ACS staff monitors a range of issues including parental child abduction and the delivery of federal benefits to retired dual citizens residing in Hungary.

CA's Office of Child Issues (CI) has previously identified Hungary as a "country of concern" because of the country's inability to resolve the small number of cases (three of which the embassy is aware) in accordance with the Hague Convention on the Civil Aspects of Child Abduction. However, CI and the embassy recently said that Hungary appears to be moving towards closer compliance with the Hague rules. Consular section staff said there are a similar number of Hague cases involving American taking-parents and Hungarian left-behind parents. They said the Department seemed less interested in these cases, however, and the embassy often had to push to get information from CI.

The number of federal benefits claimants has hovered around 2,000 for the past two years. Although there is no Social Security-funded federal benefits unit (FBU), one local staff member in the section is dedicated to providing services to these individuals and to enrolling new pensioners. There is also a possibility that demand may skyrocket should a totalization agreement be signed. To maintain quality service, the OIG inspection team offered several informal recommendations. They call for:

- ACS to create a list of frequently asked questions and answers that could be placed on a separate FBU section of the consular web site and could also be handed out to clients when they visit the unit,
- ACS to decide whether to set up an appointment system for FBU clients, and
- The local staff in the FBU to be sent to Frankfurt for training to experience working in a busy, full-service FBU.

American Citizens Services Software

LES staff said ACS plus, the new ACS tracking system that had been installed about a month before the inspection, offers some benefits but has some software problems. These include unexpected data loss, inadequate database search and merge capability, and a case-transfer function that does not work.

Fraud Prevention

Budapest is a low-fraud consular operation. Recently, the ELO manager of the immigrant visa unit created a fraud-prevention program based on his previous experience running a fraud prevention unit at another post. He designed a database for tracking cases, a referral form for requesting an investigation or a document check, and thoroughly reorganized the fraud prevention files. In addition, the officer has instituted a program for conducting rolling validity studies to track more rigorously visa overstays.

Visa Road Maps and Consular Working Groups

In the spring of 2004, Embassy Budapest, at the behest of the government of Hungary, organized one of the first bilateral consular working groups. A year later, in the spring of 2005, Hungary agreed to the visa road map process, which sets out the path a country should follow to meet the criteria for participation in the U.S. visa waiver program. In addition, a separate bilateral working group was formed to encourage Hungarian compliance with the Hague Convention on the Civil Aspects of Child Abduction. Since 2004, the road map working group has met four times - a fifth meeting was scheduled but had to be canceled because of President Bush's visit to Budapest - and the Hague working group has met twice. The DCM leads the embassy team at the formal road map meetings. Although consular staff said it felt no need for Department oversight of the road map/consular working group process, it did say it would like to have one designated office that could answer questions or convey the experiences of other posts.

Embassy Budapest has used the working groups and road map to forge a close and cooperative relationship with its Hungarian counterparts on a range of issues. As a result of this process, the government of Hungary has placed information on its own web site describing U.S. visa requirements and encouraging Hungarian visitors to the United States to obey all immigration laws. During the inspection, the OIG team attended a joint briefing in the Ministry of Foreign Affairs, held by the embassy and the ministry, on travel to the United States. Also as a result of the road map process, two Hungarian passport-production experts were sent to the United States to consult with their American colleagues on the development of secure biometric travel documents. Finally, the efforts of the Hague convention working group have helped Hungary achieve progress on compliance, which was recognized in the Department's annual report on child abduction.

RESOURCE MANAGEMENT

Agency/Funding Source	U.S. Direct-Hire Staff Positions	U.S. Local-Hire Staff Positions	Locally Employed Staff Positions	Total Staff (Positions) FY 2006	Total Funding FY 2005	Total Funding FY 2006
State Department Diplomatic and Consular Programs	32	4	43	79	$2,635,800	$2,432,200
ICASS	9	6	141	156	$6,631,300	$5,819,900
Public Diplomacy	4	-	17	21	$1,015,400	$886,200
Marine Guards	7	-	5	12	$253,750	$239,960
Representation	-	-	-	-	$57,800	$58,900
OBO	-	-	-	-	$2,300,711	$1,839,959
Consular/Machine Readable Visa/Diversity Visa	-	-	-	-	$53,938	$63,253
Security Supplemental	3	-	11	14	$763,620	$847,577
Foreign Commercial Service	2	-	6	8	$878,820	$408,522
Foreign Agriculture Service			1	1	$19,831	$21,307
Defense Attaché Office	12	1	2	15	$544,675	$552,770
ODC	4		2	6	-------	--------
U.S. Agency for International Development	8	3	47	58	-------	--------
Justice	9	-	8	17	-------	--------
Treasury	1	-	-	1	-------	-------
Total	**91**	**14**	**283**	**388**	**$15,155,645**	**$13,170,548**

In FY 2005, the U.S. government allocated an estimated $14.67 million in assistance to Hungary, including:

- $2.70 million in democratic reform programs,
- $0.01 million in economic reform programs, and
- $11.96 million in security, regional stability, and law enforcement programs. [1]

[1] From Country Assessment in Report of U.S. Government Assistance to Eastern Europe under the Support for Eastern European Democracy Act, Bureau of European and Eurasian Affairs, January 2006.

Regionalization and Rightsizing

The embassy will lose one political officer position as part of the GDR initiative. Additional changes in its structure derived by combining the political and economic sections, as discussed earlier, could result in the reduction of one officer position. In addition, there may be opportunities for cost reductions by outsourcing functions and by consolidating some functions presently performed by both the Department and USAID. The embassy's establishment as a regional training center has reduced its training costs.

Outsourcing

The embassy obtains janitorial services through a contract with a company. However, there have been no studies of whether other functions could be obtained commercially. Functions such as gardening are mainly performed by direct-hire employees but could be obtained from commercial sources. In fact, the work performed by the gardening staff is less than satisfactory. The lawns of the Ambassador's residence were infested with weeds and clover, rear areas had not been mown for an extended period, and vines were choking trees. Adequate oversight of a contractor, with fiscal penalties for poor performance, would eliminate these conditions.

Recommendation 4: Embassy Budapest should identify the functions that are presently performed in house that could be obtained from commercial sources and perform cost-benefit studies to determine the most advantageous methods for receiving the services. (Action: Embassy Budapest)

Redundant Administrative Services

USAID's RSC provides legal advice, procurement of goods and services, and extensive financial management for USAID-administered programs in Eastern Europe. The USAID RSC Budapest operation will continue until 2010.

The RSC has its own executive office, warehouse, motor pool, personnel services, travel services, and residential leasing program. The embassy has taken some preliminary steps toward combining some of these duplicated administrative services by forming a joint agency housing pool, but additional consolidation could occur. Combining other duplicated administrative support services including warehousing, travel, residential leasing, and the motor pool could yield additional cost savings. An

analysis is needed of whether combining these overlapping services would result in savings, given that RSC Budapest will close in 2010.

Recommendation 5: Embassy Budapest should analyze whether combining duplicative services provided by both the Department of State and by the U.S. Agency for International Development would result in savings and should then implement the results, as appropriate. (Action: Embassy Budapest)

Regional Training Site

In the past year, the embassy has begun to establish Budapest as a regional training site in terms of facilities, support, and location. There have been training sessions regarding pest control and WebPASS, and regional EEO counselor training has been provided. As a result, the embassy has reduced its training costs, because it no longer must send staff to other training sites such as Frankfurt and the Foreign Service Institute.

Real Property

Some government-owned properties are in good condition, but others are in only fair condition. A 10-year, $20 million, multi-phase renovation, which concluded in March 2006, left the chancery in very good condition but did not address all deficiencies. (b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2) (b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2) (b) (2)(b) (2)

In 1988, the PCC was temporarily relocated to another floor to accommodate the renovation then underway. Also in 1988, the Department recognized the risk and said it would permanently move the PCC to a more suitable location shortly. (b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2) (b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)

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Both OBO and Embassy Budapest agree that the Department's 13 government-owned buildings require some renovation and modernization, but funding for these projects has been limited. To illustrate, for FY 2006 Embassy Budapest requested special maintenance and repair funding for 18 special projects, but only two of these special projects were approved.

Accordingly, OBO plans to dispose of properties that require major renovations. These properties are the 12-unit Szechenyi apartment building, which will be unoccupied by July 2006, and the Bela Kiraly residence. OBO officials say that the Szechenyi apartment building is seriously deteriorated and cannot be brought up to U.S. building code. The Bela Kiraly residence has a very awkward layout and has been hard to keep occupied. OIG concurs with OBO's intent to sell these properties

OBO is also considering an exchange of properties. The so-called Tancsics property, a historic property acquired in 1948, includes a large barracks that is used as the Marine security guard quarters and a smaller building known as the Tancsics prison. In 1985, the U.S. government agreed to sell the prison to the government of Hungary. A Hungarian law firm contracted by the embassy determined that the transfer was not final and that negotiations over the buying, selling, or exchange of the remaining portion of the property would continue. The government of Hungary made no meaningful offer until February 2006. Its present offer involves swapping the Marine house for two buildings adjacent to the chancery that it would refurbish to OBO standards at no cost to the Department.

OBO is also considering inclusion of the Szechenyi apartment building and Bela Kiraly residence as part of the swap. The Hungarian government has not raised the inclusion of these properties as part of the exchange, however. OBO is considering multiple scenarios for exchange of properties and anticipates lengthy negotiations.

During the President's visit to Budapest in June 2006, the Hungarian Prime Minister raised the issue of returning the Marine house to Hungary in a property swap, with an agreement to be reached ideally by October 2006, the fiftieth anniversary of the Hungarian Revolution. The President directed the U.S. side to work to resolve

the issue. To speed the process, OBO needs to determine which properties are to be included in a possible swap and obtain any needed cost appraisals such as for the Szechenyi Apartment Building and Bela Kiraly residence, if they are to be included. OBO must also provide the government of Hungary with the U.S. specifications required to rehabilitate the two buildings adjacent to the chancery and, together with the embassy, negotiate a deal with the government of Hungary. Negotiations should also resolve the current impasse with city officials regarding physical security upgrades on the street adjacent to the chancery.

Recommendation 6: The Bureau of Overseas Buildings Operations, in coordination with Embassy Budapest, should determine which properties are to be included in a property swap, what is necessary for the two buildings adjacent to the chancery to comply with Bureau of Overseas Buildings Operations and Overseas Security Policy Board standards for newly acquired buildings, obtain cost appraisals, and negotiate a package deal for the swap with the government of Hungary that includes physical security upgrades on the street adjacent to the chancery. (Action: OBO, in coordination with Embassy Budapest)

Recommendation 7: The Bureau of Overseas Buildings Operations, in coordination with Embassy Budapest, should dispose of the Szechenyi apartment building and the Bela Kiraly residence, either doing so as part of a property swap negotiated with the Hungarian government or though a separate sale. (Action: OBO, in coordination with Embassy Budapest)

Administrative Operations

Administrative operations are excellent and represent significant accomplishments by the management counselor, human resources officer, financial management officer, and general services officer, all of whom arrived in the summer of 2005. They also represent significant accomplishments of the information resources manager and the community liaison office coordinator. OIG's earlier inspection report (01-FP-R-090, September 2001) criticized virtually every aspect of administrative operations as well as grants management, fundraising, and the use of representation

funds. Marked improvements have been made in all areas.

Financial Management

The financial management section effectively supports its ICASS users. The section's scores on all of the financial management categories on OIG's questionnaire were very high. The section processes all financial transactions on a real-time basis through direct electronic access to the Department's Regional Financial Management System. This access eliminates what had been a one-to-two-day delay in batch processing. An LES financial management specialist certifies vouchers up to $25,000.

International Cooperative Administrative Suppport Services

Embassy Budapest provides comprehensive administrative support services to the Departments of State, Justice, Agriculture, and Defense. As previously discussed, administrative services are less integrated for USAID.

The ICASS council meets regularly and on an ad hoc basis, as needed. Relations among the agencies using ICASS are professional and productive. The ICASS council has published service standards, but has not reviewed these standards for approximately two years. In addition, some agency memoranda of agreement have not been updated to reflect personnel changes. The OIG team made informal recommendations to correct these deficiencies.

Human Resources

Human resources services and post morale have improved dramatically under the current officer. Upon her arrival, this officer was faced with the derailment of major initiatives such as the programs for computer assisted job evaluation (CAJE), office automation, and a LES occupational health plan. She soon got the office back on track by implementing each initiative fairly quickly. Most of the section's staff is relatively new and works well together. Mission employees rated overall management of the human resources office high on OIG's questionnaire.

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Host-Country Audit

Auditors from the government of Hungary's local social security authority have visited the embassy and conducted several inspections of the social security records of local employees. The embassy accepted the reviews because of its desire to provide the social security benefits service to employees and to ensure that calculations were correct and complied with Hungarian law. However, allowing access to the embassy and to records implicates Article 24 of the Vienna Convention on Diplomatic Relations, which states that the archives and documents of the mission shall be inviolable at any time and wherever they may be.

The embassy calculates and processes Social Security withholdings and employer contributions. Because of differences between the American and Hungarian payroll systems, adjustments must sometimes be made to reconcile the benefits. As a result of the reviews, several errors were identified, and the embassy has taken corrective action. However, to approve this arrangement and avoid setting a precedent for future requests for embassy personnel documents, the embassy should seek guidance from the Department.

Recommendation 10: Embassy Budapest should obtain the Office of the Legal Adviser's opinion on whether permitting access by Hungarian auditors to the embassy and its records is appropriate under the Articles of the Vienna Convention. (Action: Embassy Budapest, in coordination with L)

Locally Employed Staff

The local employees say current post management has greatly improved relations and increased transparency. The human resource officer and management counselor meet with the FSN committee regularly. Furthermore, the Ambassador and

DCM were sensitive to FSNs' concerns that FSNs had not received a salary increase for the third year in a row. The Ambassador personally appealed to the Department and received approval for a one-time increase funded by the embassy. Although the increase was a nominal 1.3 percent (the maximum the post could afford), the staff largely appreciated the efforts of post management. (b) (2)(b) (2)(b) (2) (b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2) (b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2) (b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)

The embassy's current market position for salaries and benefits is in the seventy-eighth percentile. Embassy Budapest's target market position is between the eightieth and eighty-fifth percentile. The Bureau of European and Eurasian Affairs (EUR) has established a cap that permits increases only for EUR posts that fall below the seventy-fifth percentile, to allow it to target wage increases to posts below the sixtieth percentile. This has meant a salary increase for 2006 would not be approved. Although Hungary is a member of the EU, its economy is still unstable, and conversion to the euro is not expected until at least 2010. EUR's policy of permitting salary increases for only those posts below the seventy-fifth percentile may not be appropriate for all countries within Europe. OIG made an informal recommendation to address this matter.

Evaluations and Awards

The human resources office does an excellent job of managing the performance evaluation process for Americans. However, more care needs to be given to the evaluation process for local staff. A few local staff did not receive their evaluations on time. The OIG team made an informal recommendation to strengthen evaluation procedures. The embassy has a robust awards program, including special awards such as FSN Employee of the Quarter, and extra mile, extra kilometer, and on-the-spot awards to provide instant recognition. In the last six months of 2005, more than 60 employees received one of these awards.

General Services

The post's general services offices, shops and storage facilities are located on a leased compound that is about 20 minutes by car from the chancery. The functions performed by the general services office received uniformly good scores on OIG's questionnaires. Embassy personnel were satisfied with housing, furnishings, motor

pool responsiveness, and the maintenance and repair support provided to residences and offices. There are some internal control weaknesses in inventory management and procurement, and these are discussed in the Management Controls section of this report. In addition, the post's safety, health and environmental management (SHEM) programs need strengthening.

Figure 1: Sprinker installed above electrical closet

Facilities Maintenance

The one American facility manager is performing admirably but needs additional help. U.S. government facilities in Budapest require constant attention due to their age. This includes the chancery, which just underwent a 10-year, multi-stage rehabilitation. Major work is required on the structures and walls of the Ambassador's residential compound and the DCM's residence. As a result, there has been slippage in some areas, such as SHEM. More needs to be done, for example, to ensure that "increased risk" work areas are inspected twice a year, fire emergency plans exist for all occupied office buildings, and that exit doors remain unlocked and useable during business hours. In addition, justifications to remove potential fire and electrical hazards must be documented. For example, a sprinkler has been installed above an electrical closet that encloses a 10,000-volt transformer that, if damaged, could cause a major electrical fire. (See Figure 1.) Establishment, recruitment, and employment of an FSN safety program coordinator would help alleviate the SHEM conditions.

Recommendation 11: Embassy Budapest should establish a Foreign Service national position for a safety program coordinator and should recruit and employ someone for the position. (Action: Embassy Budapest)

INFORMATION MANAGEMENT AND INFORMATION SYSTEMS SECURITY

Embassy Budapest's information management (IM) resource office provides acceptable service to approximately 250 users while meeting Department information security and IM standards. Nonetheless, the OIG inspection team issued six informal recommendations and one formal recommendation to address IM and information security improvements.

Information Management

The IM section, managed by the information management officer (IMO), is responsible for the management, operations, and security of the unclassified network (OpenNet), classified network, and dedicated Internet network. It is also responsible for the unclassified and classified pouch, diplomatic post office, switchboard operations, and the radio program. OpenNet has 246 workstations and 25 servers; the classified network has 24 workstations and five servers; and the public affairs dedicated Internet network has six workstations, three laptops, and one Linux mail server. The IMO provides adequate oversight and guidance to the IM staff of 13 American and LES employees.

Customer Service Improvements

Although the IM section received overall high marks and many of the customers commended the staff's responsiveness, its customer service can be improved through minor changes to information systems center (ISC) operations. First, the IMO should implement a help-desk tracking or ticketing tool to help manage workload. Currently, ISC staff members receive e-mails or phone calls from customers who are having problems with their OpenNet computers. Usually the person who receives the call or e-mail fixes the problem immediately; however, problems that can take a considerable amount of time or have lower priority can become overdue because there is no formal method tracking user requests or problems. Additionally, this method does not allow the IMO to analyze recurring systemic problems that may be related to hardware, software, or training deficiencies. It also does not

provide the IMO and post management a means to monitor the IM staff's workload to ensure equal distribution of duties, intervene on overdue customer requests, or analyze future staffing needs. The OIG team informally recommended that the embassy implement a help-desk tracking tool to help prioritize and manage the IM section's workload.

Second, each ISC local staff member is responsible for the support of different functional areas in the embassy and only provides service to these customers. For instance, one local employee only provides service to the PAS and another to the consular section. This segregation of duties does not allow the entire staff to provide the same level of support to all embassy customers. Should the local staff assigned to PAS not be available for some time, the section would experience a diminished level of service because the other staff members are unfamiliar with its needs. The OIG team informally recommended that Embassy Budapest ensure all ISC staff are experienced and cross-trained to support all embassy offices.

OpenNet Directory Management

The OIG inspection team conducted a random review of the user and common directories on OpenNet and found many customers are using the network to store personal documents, digital images, and music, contrary to the guidelines distributed in STATE 173428 (June 2003). In one instance there was approximately one gigabyte (equal to about 100 diskettes) of pornographic images and other personal movie files in a user's directory. The OIG team suggested the IMO contact the user's supervisor to counsel the user and reevaluate his need to access OpenNet. Several users stored family pictures and other personal files on the network as well. (b) (2) (b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2) (b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2) (b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)

The OIG team informally recommended that the IMO implement and enforce file storage regulations on OpenNet, including Department regulations regarding personal use of the network.

Public Affairs Dedicated Internet Network

The public affairs dedicated Internet network is being used in conjunction with OpenNet to compensate for several of OpenNet's perceived shortcomings and security restrictions. It is used for many reasons including digital video conferencing, audio/video instant messaging, as an alternate route to the Internet in case of a problem with OpenNet, and as an alternate e-mail system. Although many of the

uses are justifiable, OpenNet can provide some of these services without the duplication of effort and resources involved in maintaining the network in its current configuration. The OIG inspection team informally recommended that Embassy Budapest create and execute a plan to migrate many of the services on the dedicated Internet network to OpenNet, leaving fewer workstations needed to support valid services such as public Internet access.

Information Systems Security

Embassy Budapest operates a satisfactory information security program. The primary information systems security officer (ISSO) is an information management specialist in the information program center. The IMO is the alternate ISSO. The staff ensures that both OpenNet and the classified network meet the Department's patch-management requirements; however, the OIG team is concerned about other information security related matters.

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Information Systems Security Officer Duties

Though the current ISSO has recently taken over the position from a recently transferred specialist, the ISSO must perform reviews of randomly selected user libraries and word-processing documents on a monthly basis, as required by 12

FAM 622.1-8. Had the required searches been conducted, the pornographic material found on the OpenNet might have been discovered and corrective action taken earlier. There were also instances of other users accessing pornographic and gambling web sites. (b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2) (b) (2)(b) (2)(b) (2) These situations may be prevented through increased user awareness. The OIG team informally recommended that the ISSO increase user security awareness by disseminating notices in both English and Hungarian.

Emergency Destruction Drills

The July 2005 communications security audit report noted that the embassy had not conducted and documented quarterly emergency destruction plan drills as required by 5 FAM 121.2 (8) (c). One year has passed since the audit, and the drills are still not being conducted. (b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2) (b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2) (b) (2)(b) (2)(b) (2) The OIG team informally recommended that Embassy Budapest conduct quarterly emergency destruction plan drills.

QUALITY OF LIFE

Community Liaison Office

The community liaison office (CLO) coordinator provides exceptional service, as indicated by employees' response to OIG's questionnaire. The coordinator's helpfulness ranked first among the survey's 53 categories, an unprecedented accomplishment. The sponsor program, recreation activities, and community newsletter all followed closely and rated in the top ten.

Employees praised the CLO coordinator for being extremely active and caring and credited the office for helping to ease their transition and stay in Hungary. Two fine examples of the CLO coordinator's support and outreach are the clothing drive undertaken for a family who had survived a flood and the initiation of a "Casserole Patrol" that consists of volunteers who provide a meal to individuals during times of need, such as illness or bereavements. A Hungarian CLO assistant provides access to local information and cultural opportunities. A co-coordinator will soon join the office .

The embassy regards its Strategic Networking Assistance Program as a success but expressed concern about being able to continue the program because of substantial budget cuts. The program has been funded by the Department for the past two years, but Department funding will end this summer. The current local employment advisor is an independent contractor who has provided employment assistance and skills-building activities for spouses. The ICASS council approved funding for 2006, and a direct-hire temporary position was advertised.

Equal Employment Opportunity

The embassy has an outstanding Equal Employment Opportunity (EEO) program. The EEO counselor is the RSO. EEO principles are well publicized and actively promoted. Information is periodically published in the embassy newsletter and management notices and continually available on bulletin boards in the chancery

and the warehouse. The program seems to reach all corners of the mission, including those employees who speak little English or do not have access to computers.

There have been no formal EEO cases. In a few instances of inappropriate behavior, counseling has been provided. Regular reporting has been made to the Department as required. The embassy recently hosted regional EEO training, during which two officials from the Office of Civil Rights were available to speak to employees individually.

Some local staff said they do not feel comfortable with the fact that the EEO counselor is also the RSO and expressed a desired to have someone else to turn to for EEO concerns. Department guidance (3 FAM 1514.2d) encourages posts to identify at least one non-American for EEO issues. The OIG inspection team made an informal recommendation to establish a non-American liaison for EEO issues.

Schools

Mission employees expressed a high level of satisfaction with the quality of education their children receive and the selection of schools available. (b)(2)(b)(6)
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The regional education officer visited the school in October 2005. (b)(2)(b)(6)
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The Ambassador is the honorary chair of the school board and has designated the Defense attaché as his official representative. The Ambassador's representative has been very active, including promoting changes in the constitution that diminished the possibility of conflict of interests for individuals on the board with spouses teaching at the school. The Ambassador held a baccalaureate ceremony at his residence and has visited the school several times.

Health Unit

The health unit provides excellent services. Due to space limitations in the chancery, the unit is located in a government-owned apartment building near the embassy. There are plans to relocate the unit to another location because the apartment complex is being vacated and will be sold. The unit offers health screenings, classes in cardiopulmonary resuscitation and breast-cancer awareness, and occasional evening clinic hours to accommodate families with school-age children. Medical supplies are stored in a secure location, and controlled substances are properly maintained.

Medical care in Budapest does not meet U.S. standards. As a result, the unit provides care for acute and chronic medical problems. When necessary, patients are generally evacuated to London or Vienna.

American Embassy Employees Association

The new general manager of the association and its board of directors and embassy management are focused on the association's financial viability. Positive steps have been taken to stem losses and move the operations towards profitability. In 2004, a part-time bookkeeper was hired. In 2005, one full-time position and several part-time positions, as well as a rental agreement, were eliminated when the association closed its unprofitable American recreational club. In 2006, two new point-of-sale computers and financial software were purchased.

The association operates a commissary, video sales, and other services under a charter from the Department. The association is up to date on its audit and financial reports and is operating with a small profit realized for the past two years (2004-2005). The OIG team made informal recommendations to improve overall oversight of operations.

~~SENSITIVE BUT UNCLASSIFIED~~

MANAGEMENT CONTROLS

The chief of mission's certification of management controls dated June 28, 2005, did not report any material weaknesses. Overall, management controls are effective, but improvements are needed in the control of nonexpendable items and other accountable property and in procurement and contracting practices

Nonexpendable Property

Embassy Budapest's nonexpendable property is worth about $5.7 million. The inspection team's limited test of the accuracy of records for nonexpendable property, such as washers, dryers and freezers, showed physical shortages for each item tested. Quantities physically on hand were less then the quantities shown on the records. There has been a history of the improper diversion of appliances and other nonexpendable items in Budapest. Sloppy record keeping and a lack of effective paper flow accounted for the shortages. For example, items that were missing had been sold at earlier disposal sales, had been issued to residences, or were sent to maintenance for repair. After discussions with the OIG inspection team, Embassy Budapest initiated procedures to frequently verify and reconcile recorded quantities of nonexpendable items with those physically in the warehouse.

Accountable Property

In addition to nonexpendable property, 14 FAM requires that accountable property records and inventory controls are in place for several other categories of assets, including coupons used for the purchase of motor vehicle fuel (14 FAM 411.4(1)i). In September 2005, the embassy purchased gasoline coupons for $25,000. Because the necessary accountable property records have not been established for the coupons, Embassy Budapest inventoried and established accountable property records for gasoline coupons and established procedures for periodic reconciliation. Therefore, the OIG team issued no recommendation on this issue.

Procurement

Embassy Budapest makes an excessive amount of cash purchases. In the past year, an estimated total of over 12,000 purchases were made using cash, rather than purchase cards or electronic funds transfer. The embassy, in fact, uses purchase cards sparingly.

Posts have been encouraged to use purchase cards for all purchases of supplies when the purchase does not exceed $2,500. The Office of the Procurement Executive of the Bureau of Administration said in Announcement 2000 06 042 that, effective July 1, 2000, all purchases of commercial items not exceeding $2,500 must be made using the purchase card and that the savings would be significant . The Department also restricts cash payments. Paragraph 4 FAH-3 H 391.1a provides that Department payments will be made by check or electronic funds transfer. Exceptions are allowed for payments of less than $25 or where the infrastructure of a foreign country does not support payment by a non-cash mechanism. This situation no longer exists in Hungary.

Recommendation 12: Embassy Budapest should implement procedures to make the majority of its purchases of supplies using purchase cards and/or arrange for payments to vendors to be made by electronic funds transfer. (Action: Embassy Budapest)

Contracting

The embassy's janitorial services are obtained by contract. The present contract was awarded on a three-year basis, consisting of the base year and two option years. The initial solicitation and award was performed properly, including the use of required forms (and contract clauses). The base year expired on May 15, 2006. The embassy decided to exercise the first option year and on May 2, 2006, issued a DS 2076, Purchase Order, Receiving Report, and Voucher, valued at about $145,000. The purchase order form was used in lieu of the correct contractual forms (Standard Form 30, Amendment of Solicitation/Modification of Contract, because the embassy had implemented the Department's WebPASS procurement program. The program is basically a tracking program used to manage the procurement life cycle and automate the process from requestor to receiving clerk - including requests, ordering,

fiscal data, and receiving for expendable and nonexpendable property and supplies. At present, it only generates two forms, the DS 2076 and an OF 347 Order for Supplies or Services, neither of which is sufficient for contracting for services.

Recommendation 13: Embassy Budapest should request the Bureau of Administration to either modify the WebPASS procurement application to meet the requirements of the contracting process or provide guidance to posts about the application's limitations. (Action: Embassy Budapest)

Premium Travel

Controls over the use of premium travel are effective. There were only two instances of premium travel between June 1, 2005, and May 31, 2006, both in excess of 14 hours, and the Department authorized the premium travel.

~~SENSITIVE BUT UNCLASSIFIED~~

FORMAL RECOMMENDATIONS

Recommendation 1: Embassy Budapest, in coordination with the Bureaus of European and Eurasian Affairs and Human Resources, should consolidate its economic and political sections into a joint economic/political section, and the senior political officer position (10049001) should be abolished. (Action: Embassy Budapest, in coordination with EUR and DGHR)

Recommendation 2: Embassy Budapest should, in coordination with the Bureau of Overseas Buildings Operations, contract with a local firm to do an architectural and engineering design for the proposed consular expansion project. (Action: Embassy Budapest, in coordination with OBO)

Recommendation 3: Embassy Budapest, in coordination with the Bureau of Consular Affairs, should change the FS-O3 deputy consul general's work requirements from American citizens services chief to visa unit chief. (Action: Embassy Budapest, in coordination with CA)

Recommendation 4: Embassy Budapest should identify the functions that are presently performed in house that could be obtained from commercial sources and perform cost-benefit studies to determine the most advantageous methods for receiving the services. (Action: Embassy Budapest)

Recommendation 5: Embassy Budapest should analyze whether combining duplicative services provided by both the Department of State and by the U.S. Agency for International Development would result in savings and should then implement the results, as appropriate. (Action: Embassy Budapest)

Recommendation 6: The Bureau of Overseas Buildings Operations, in coordination with Embassy Budapest, should determine which properties are to be included in a property swap, what is necessary for the two buildings adjacent to the chancery to comply with Bureau of Overseas Buildings Operations and Overseas Security Policy Board standards for newly acquired buildings, obtain cost appraisals, and negotiate a package deal for the swap with the government of Hungary that includes physical security upgrades on the street adjacent to the chancery. (Action: OBO, in coordination with Embassy Budapest)

Recommendation 7: The Bureau of Overseas Buildings Operations, in coordination with Embassy Budapest, should dispose of the Szechenyi apartment building and the Bela Kiraly residence, either doing so as part of a property swap negotiated with the Hungarian government or though a separate sale. (Action: OBO, in coordination with Embassy Budapest)

Recommendation 8: (b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2) (b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2) (b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2) (b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)

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Recommendation 10: Embassy Budapest should obtain the Office of the Legal Adviser's opinion on whether permitting access by Hungarian auditors to the embassy and its records is appropriate under the Articles of the Vienna Convention. (Action: Embassy Budapest, in coordination with L)

Recommendation 11: Embassy Budapest should establish a Foreign Service national position for a safety program coordinator and should recruit and employ someone for the position. (Action: Embassy Budapest)

Recommendation 12: Embassy Budapest should implement procedures to make the majority of its purchases of supplies using purchase cards and/or arrange for payments to vendors to be made by electronic funds transfer. (Action: Embassy Budapest)

Recommendation 13: Embassy Budapest should request the Bureau of Administration to either modify the WebPASS procurement application to meet the requirements of the contracting process or provide guidance to posts about the application's limitations. (Action: Embassy Budapest)

INFORMAL RECOMMENDATIONS

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

Environment, Science, Technology, and Health Regional Hub

Whereas the Bureau of Oceans and Environmental and Science Affairs expects hub officers to spend only about 30 percent of their time on bilateral issues and the rest on their regional responsibilities, in Embassy Budapest's case, these proportions are reversed.

Informal Recommendation 1: With the arrival of a new Environment, Science, Technology and Health regional hub officer during the summer of 2006, regional responsibilities should receive the time and resources more in accord with Bureau of Oceans and Environmental and Science Affairs guidelines of 70-percent regional and 30-percent bilateral.

Public Diplomacy

The PAS staff needs greater coordination of its activities.

Informal Recommendation 2: Embassy Budapest's public affairs section should hold weekly full staff meetings.

Consular Issues

There is a significant air-flow problem in the consular section.

Informal Recommendation 3: Embassy Budapest should buy additional floor air conditioners to help circulate air through the section.

The current courier pass-back system causes bottlenecks at various points in the NIV process.

Informal Recommendation 4: Embassy Budapest should institute a cash-on-delivery system for the return of visaed passports.

Embassy Budapest's visa referral policy needs to be amended.

Informal Recommendation 5: Embassy Budapest's visa referral policy should clearly state that an applicant who had been previously refused a visa would not qualify for an "A" referral.

The ACS unit needs to maintain the quality of its federal benefits services in the face of increased demand.

Informal Recommendation 6: Embassy Budapest should create a list of frequently asked federal benefit questions and answers for distribution on the consular web site and to its clients.

Informal Recommendation 7: Embassy Budapest should decide whether to set up an appointment system for its federal benefits clients.

Informal Recommendation 8: Embassy Budapest should send the locally employed staff member of its federal benefits unit to Frankfurt for further training.

Financial Management

Suspense Deposits Abroad

The Suspense Deposits Abroad account is not always cleared within reasonable timelines. Some items placed in the suspense account date to 2004 and 2005.

Informal Recommendation 9: Embassy Budapest should implement procedures to ensure that suspense deposit items are charged to appropriation accounts on a timely basis.

International Cooperative Administrative Support Services

The ICASS council has published service standards but has not reviewed these standards for approximately two years.

Informal Recommendation 10: Embassy Budapest should conduct a review of its International Cooperative Administrative Support Services standards and revise the performance measures as needed.

ICASS agency memoranda of agreements have not been updated to reflect personnel changes.

Informal Recommendation 11: Embassy Budapest should review and revise its International Cooperative Administrative Support Services memoranda of agreements to reflect personnel changes.

The ICASS council does not maintain adequate minutes of its meetings.

Informal Recommendation 12: Embassy Budapest should fully document discussions held by its International Cooperative Administrative Support Services council.

Human Resources

EUR has established a salary cap that permits increases only for EUR posts that fall below the seventy-fifth percentile, to allow it to target wage increases to posts below the sixtieth percentile. This has meant a salary increase for 2006 would not be approved. Although Hungary is a member of the EU, its economy is still unstable, and conversion to the euro is not expected until at least 2010. EUR's policy of permitting salary increases for only those posts below the seventy-fifth percentile may not be appropriate for all countries within Europe.

Informal Recommendation 13: Embassy Budapest should, based on local factors, request an exception to the Bureau of European and Eurasian Affairs' policy on salary levels.

Equal Employment Opportunity

Some employees do not feel comfortable with the EEO counselor also being the RSO and would like to have another source to turn to for EEO concerns.

Informal Recommendation 14: Embassy Budapest should identify at least one non-American locally employed staff liaison for Equal Employment Opportunity issues.

Employee Evaluations

Some locally employed staff did not receive their performance evaluations on time.

Informal Recommendation 15: Embassy Budapest should require timely completion of performance evaluations and should report delinquencies, after reminders have gone unanswered for a specific period of time, to the deputy chief of mission for further action and documentation in the rater's own evaluation.

Information Management and Information Systems Security

The embassy's information management resource office does not have a help desk tracking tool to manage workload and help the IMO analyze customer and system needs.

Informal Recommendation 16: Embassy Budapest should implement a help desk tracking tool to prioritize and manage the information management section's workload.

Each ISC staff member supports different functional areas in the embassy and only serves specific customers

Informal Recommendation 17: Embassy Budapest should ensure all information systems center staff members are cross-trained to support all embassy offices.

On OpenNet, there are too many personal files, and there is also pornography (b) (2) (b) (2) (b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)

Informal Recommendation 18: Embassy Budapest should implement and enforce file storage regulations on OpenNet that meet Department regulations regarding personal use of the network.

Embassy Budapest maintains a separate Internet network for the PAS, contrary to the Department's Public Diplomacy Network and OpenNet convergence plan, as stated in STATE 00212824.

Informal Recommendation 19: Embassy Budapest should create and execute a plan to migrate many of the dedicated Internet network workstations to OpenNet, leaving some workstations that are needed to support valid services such as public Internet access.

Some network users are accessing pornographic and gambling web sites.

Informal Recommendation 20: Embassy Budapest should increase user security awareness by disseminating notices printed in both English and Hungarian.

The July 2005 Communications Security audit report noted that the embassy had not conducted and documented the quarterly emergency destruction plan required by 5 FAM 120. At the time of the inspection, the drills still had not been conducted.

Informal Recommendation 21: Embassy Budapest should conduct quarterly emergency destruction plan drills .

Quality of Life

American Employees Association

The association's board of directors does not conduct unannounced cash counts on a monthly basis.

Informal Recommendation 22: Embassy Budapest should conduct unannounced cash counts of the American Employees Association on a monthly basis.

The board of directors does not review and reconcile bank statements monthly.

Informal Recommendation 23: Embassy Budapest should review and reconcile bank statements of the American Employees Association monthly.

It is unclear whether local law compels the employee association to carry a contingent liability policy for employee severance and other benefits.

Informal Recommendation 24: Embassy Budapest should seek legal advice to determine whether a contingent liability policy should be established to cover employee severance pay and other benefits.

The American Employees Association charter should be updated to reflect the closing of the American recreation club.

Informal Recommendation 25: Embassy Budapest should revise its association charter to reflect current business activities.

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PRINCIPAL OFFICIALS

	Name	Date of Arrival
Ambassador	George H. Walker	10/03
Deputy Chief of Mission	Philip Reeker	07/04
Chiefs of Sections:		
Administrative	Thomas M. Young	06/05
Consular	Philip J. Skotte	08/02
Political	Robert E. Patterson, Jr.	07/03
Economic	Garold N. Larson	08/04
Public Affairs	Cesar D. Beltran	08/02
Regional Security	Karen R. Schaefer	07/02
Other Agencies:		
U.S. Agency for International Development	James R. Kirkland	09/04
Department of Defense		
Army Attaché	Col. Kevin P. McGrath	08/04
Air Attaché	Col. Martin J. Wojtysiak	06/05
Office of Defense Cooperation (acting)	Lt. Col. Thomas E. Brown	06/02
Commercial Service	Patricia M. Gonzalez	08/04
Federal Bureau of Investigation	Kevin J. Rust	01/06
Organized Crime Task Force	William S. Owens	03/06
International Law Enforcement Academy	Miles M. Burden	05/04

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ABBREVIATIONS

ACS	American citizens services
AIRC	American Information Resource Center
CA	Bureau of Consular Affairs
CG	Consul General
CI	Office of Child Issues, Bureau of Consular Affairs
CLO	Community liaison office
DAO	Defense attaché office
DCM	Deputy chief of mission
DS	Bureau of Diplomatic Security
EEO	Equal Employment Opportunity
EFM	Eligible family member
ELO	Entry-level officer(s)
EU	European Union
EUR	Bureau of European and Eurasian Affairs
FBI	Federal Bureau of Investigation
FBU	Federal Benefits Unit
FSN	Foreign Service national
HAESF	Hungarian American Enterprise Scholarship Fund
ICASS	International Cooperative Administrative Support Services
ILEA	International Law Enforcement Academy
IM	Information management
IMO	Information management office(r)
IMS	Information Management Specialist
IRC	Information Resource Center

ISC	Information systems center
ISSO	Information systems security office(r)
IV	Immigrant Visa
IVLP	International Visitor Leadership Program
LEGATT	Legal Attaché
LES	Locally employed staff
MPP	Mission Performance Plan
NATO	North Atlantic Treaty Organization
NIV	Nonimmigrant visa
OBO	Bureau of Overseas Buildings Operations
ODC	Office of Defense Cooperation
OES	Bureau of Oceans, Environment, and Science
OIG	Office of Inspector General
OMS	Office management specialist
OpenNet	Embassy unclassified network
PAO	Public affairs office(r)
PCC	Post communications center
PRT	Provincial Reconstruction Team
RSC	Regional Service Center
RSO	Regional security office(r)
SHEM	Safety, health and environmental management
USAID	U.S. Agency for International Development
USCS	U.S. Commercial Service

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