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

**Middle East Regional Office**

**Audit of Property  
Accountability at  
Embassy Baghdad**

**Report Number MERO-A-10-07, April 2010**

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and the Broadcasting Board of Governors**

*Office of Inspector General*

PREFACE

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

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

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

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

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

Harold W. Geisel  
Deputy Inspector General

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## KEY FINDINGS

- Embassy Baghdad possesses approximately 1,168 vehicles under the control of the general services office (GSO) and the regional security office (RSO). Of this total number, there are 159 unaccounted for vehicles valued at \$18.5 million. Additionally, 282 vehicles valued at \$40.4 million do not appear in the Integrated Logistics Management System (ILMS) motor vehicle database.
- After the embassy gains control of its inventory, some vehicles will likely remain unaccounted for or missing. A property survey board may be able to relieve the accountable property officer of liability for these missing and unaccounted for vehicles.
- Embassy Baghdad has not followed proper procedures to determine the appropriate fleet size of its standard road or armored vehicles.
- A comparison of data in the Non-Expendable Property Application (NEPA) database with physical inventories of three embassy buildings revealed \$2.3 million in missing non-expendable property. Additionally, \$2.25 million in property found during the inventories was not recorded in NEPA.
- An estimated \$1.3 million worth of expendable supplies were issued without proper documentation, were not recorded in the Web Post Administrative Software Suite (Web.PASS), are missing, or are of unknown disposition. In particular, there is a lack of control over the issuance of personal protective vests.
- For FY 2005-2009, the embassy has an estimated \$23.4 million in unliquidated obligations. An undetermined number of these unliquidated funding obligations could be cancelled and reused, used for a resubmitted request, or deobligated and returned to the Department of State.
- The medical unit at Embassy Baghdad needs to improve the maintenance and accuracy of its inventory of medical supplies and pharmaceuticals. Nearly 20 percent of items recorded in the Pharmacy Inventory System (RxIS) were not on-hand. In particular, procedures for ordering controlled substances need to be improved.

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- Embassy Baghdad has approximately 1,000 excess hand-held radios valued at \$936,000 which could possibly be transferred to other posts.
- Embassy Baghdad spends approximately \$830,000 on cell phone lines annually. Nearly half of the 4,568 cell phones at the embassy remain unassigned, yet are incurring \$268,000 in charges per year. Some assigned phones are underused or unused, and extensive charges for overseas calls have been associated with both assigned and unassigned phones.
- Despite many challenges, OIG concluded that embassy personnel would be able to complete certification of an FY 2010 U.S. Government property inventory on time.

## INTRODUCTION

Embassy Baghdad is the largest U.S. Embassy in the world, with over 1,700 employees from the Department of State (Department), Department of Defense (DOD), and 14 other agencies, as well as contractors from a number of different companies. The annual budget for operations and security is \$1.5 billion, and there is more than \$125 million worth of U.S. Government property at the embassy. Although the security situation in Iraq has improved, the work environment remains challenging, marked by shorter than normal tours of duty and continued dependence on logistics and transportation support from the U.S. military.

The Middle East Regional Office (MERO) of the Office of Inspector General (OIG) initiated this performance audit in June 2009 under the authority of the Inspector General Act of 1978, as amended.<sup>1</sup> OIG's primary objective was to evaluate the Department's controls for inventorying, recording, and safeguarding U.S. Government equipment and property in Iraq. Specifically, the audit examined: (1) Department funds obligated and expended for equipment and property in Iraq for FY 2005-2009; (2) policies and procedures for inventorying, recording, and safeguarding U.S. Government equipment and property; and (3) whether U.S. Government equipment and property in Iraq has been properly accounted for and the challenges to maintaining accountability.

OIG conducted audit field work from July to November 2009 at Embassy Baghdad. During this audit, OIG met with key embassy officials including the management counselor, representatives from the GSO, the RSO, and the medical unit. The work included inventories of Annex 1, one staff diplomatic apartment building, the GSO warehouse, the embassy medical unit, and of expendable supplies at four different supply stores. A variety of computer-aided audit techniques were used to extract and analyze data from several automated management information systems. OIG also examined vehicle accountability by comparing data from the ILMS with maintenance records from KBR (U.S. contractor), the GSO, and RSO.

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<sup>1</sup> 5 USC App. 3

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## **EXECUTIVE SUMMARY**

### **RESULTS**

Embassy Baghdad has had difficulty controlling and accurately accounting for its U.S. Government property. Accountability for vehicles, non-expendable items such as household furnishings and office equipment, and expendable supplies including medical equipment and pharmaceuticals, has been affected by a number of factors. On December 31, 2008, the embassy concluded a rather complicated relocation to the new embassy compound (NEC) on shorter than planned notice. Furthermore, the embassy is the largest in the world, supports representatives from many agencies, has a significant amount of property, and operates in a chaotic environment. Frequent turnover of staff, a lack of written procedures, inaccurate property records, and the ability to order items through various sources all hinder the embassy's ability to precisely account for all of its property.

There are approximately 1,168 standard and armored vehicles at the embassy. OIG determined that of this total, 159 are unaccounted for, and an additional 282 vehicles do not appear in ILMS. Motor pool personnel have struggled to ascertain the owners and users of these vehicles to properly inventory them. Denying fuel and maintenance to vehicles until they are accounted for may solve this issue. Nevertheless, after gaining control of the inventory, the embassy may need to establish a property survey board to assign liability, if possible, for any vehicles that remain unaccounted for. OIG believes there may be an excess number of vehicles at Embassy Baghdad. However, the embassy has not followed procedures to determine the appropriate number of road vehicles, nor did OIG find evidence that an emergency action committee ever discussed a correctly sized armored vehicle fleet.

Through examination of the NEPA database, OIG found non-expendable property valued at \$15.4 million at the embassy. During joint inventories of Annex 1, a staff diplomatic apartment building, and the warehouse (and surrounding shipping containers), \$2.3 million in unknown or missing non-expendable property was found, including office automation equipment in Annex 1 and household items in the apartment building.

OIG compared information on expendable supplies in Web.PASS with a statistically valid random sample inventory of four embassy supply stores and found that

62 percent of the total value of these supplies was missing. Thus, OIG estimates that \$1.3 million in expendable property was not properly documented when issued, is missing, or is of unknown disposition.

Funding obligations are created before items are ordered; obligations are liquidated when orders are fulfilled and the vendor is paid. OIG's analysis of data in the Consolidated Overseas Accountability Support Toolbox (COAST) revealed \$23.4 million in unliquidated obligation—unfilled or partially filled orders—at Embassy Baghdad. The GSO has records of more than 3,700 purchase requests, but lacks a consolidated list of open orders. A number of actions need to be taken to close out these open orders and reduce the embassy's unliquidated obligations or ensure that available funds are used for their intended purposes.

More medical supplies and pharmaceuticals were included in the RxIS database than were found during an inventory of the medical unit. RxIS items numbered 37,361, but only 30,165 items were on-hand. The medical unit needs to improve the accuracy of record keeping and the maintenance of these items. In particular, controlled substances are not entered into RxIS until they are received, which could lead to misuse and fraud.

Motorola HT-1250 and XTS-5000 hand-held radios are used for the security of personnel at the embassy. It is not clear why 4,187 radios were acquired, but only 2,759 are assigned to staff. Taking into account 420 radios to be reserved as spares still leaves the embassy with an excess of 1,000 radios. Potentially, \$936,000 could be saved by transferring these radios to other posts.

Of the 4,568 cell phones at Embassy Baghdad, 1,240 are assigned to personnel and 1,092 are assigned to agency sections. Although the majority of the 2,236 unassigned phones are not in use, the embassy is charged \$10 every month per line, totaling approximately \$268,000 annually. The embassy has no written policies regarding cell phone usage. Through an examination of cell phone bills from calendar year 2009, OIG found charges for overseas calls made from both assigned and unassigned phones, as well as assigned phones that were underused or not used at all. OIG calculates the embassy could save more than \$740,000 by disconnecting unassigned and underused phone lines and curtailing international calls.

The embassy had plans to certify its FY 2010 U.S. Government property inventory and was working diligently toward this goal. OIG concluded that, based on the audit work conducted and discussions with embassy officials, the embassy would be prepared to certify the results of its inventory of U.S. Government property by the March 15, 2010, deadline.

## **MANAGEMENT COMMENTS AND OIG RESPONSE**

The Bureau of Administration (Property Management Branch, Business Analyses Division, Office of Program Management and Policy in the Office of Logistics Management), provided written comments via email on a draft of this report. The comments clarifying the requirements for an annual inventory were incorporated into this report as appropriate and are included verbatim in Appendix III.

Embassy Baghdad provided written comments via email on a draft of this report. The embassy did not specifically address each of the report's 16 recommendations, but indicated that it agreed for the most part with the audit, especially the observations and recommendations pertaining to the overall asset management situation at post. Embassy Baghdad also indicated that much of the data the OIG team worked with was outdated and/or incomplete. In response, OIG notes that the audit team worked with the data that was available and current at the time of the fieldwork from July through December 2009. The embassy further commented that it had recently taken steps to improve its asset management program by building on the findings and recommendations raised by the OIG team at the conclusion of its fieldwork in December 2009. Embassy Baghdad's comments are included verbatim in Appendix IV.

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## **BACKGROUND**

The Federal Property and Administrative Services Act of 1949, as amended,<sup>2</sup> requires U.S. Government agencies to maintain adequate inventory controls and records for property under their control. Department policies require each embassy to conduct an annual physical inventory of all personal property and then reconcile the results with automated property records. By March 15 every year, each embassy's accountable property officer (APO) submits a property management report to the Department's property management officer in the Office of Logistics Management (Bureau of Administration) certifying the annual inventory.<sup>3</sup> In 2004, Embassy Baghdad requested a waiver to this policy, which the property management officer granted. The waiver has been extended every year since 2004.

In 2003, following the Second Gulf War, DOD's Office of Reconstruction and Humanitarian Assistance and later, the Coalition Provisional Authority, occupied the complex of buildings known as the Republican Palace. The Coalition Provisional Authority formally transferred limited sovereignty of Iraqi territory to the Iraqi Interim Government on June 28, 2004, and the Palace became the interim U.S. Embassy.

Although embassy personnel began moving from trailers around the palace into the NEC in the spring of 2008, embassy operations remained at the palace until December 2008. At the request of the Government of Iraq, the U.S. military left behind some property at the palace such as tables, chairs, and desks. Some of the equipment was moved in the middle of the night, and the short time allowed for the move precluded recording new locations in the automated property system. Staff members removed as much non-classified property as they could from the palace to the NEC, completing the move by December 31, 2008. Relocating staff into Annex 2, one of the three main office buildings at the NEC, was especially complex since the building was still being reconfigured to support a larger than planned number of DOD personnel and a military computer network separate from the Department's intranet.

Embassy Baghdad orders for property and supplies come from both automated and non-automated sources. The GSO orders most items through Ariba, the purchasing component of ILMS. The Iraq support unit at Embassy Amman also orders supplies for Baghdad through Ariba. In addition, the Department's European

<sup>2</sup> Public Law 63 Stat. 385, 40 U.S.C. 484(k)(3) and (4)

<sup>3</sup> 14 FAM 416

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Supply Center in Frankfurt, Germany and domestic bureaus order items for Embassy Baghdad.

The Department's financial system indicates total expenditures of \$17.4 million for supplies and property from FY 2005-2009. Table 1 shows expenditures in this timeframe for equipment, supplies, and property.

Table 1: Purchases for Embassy by Type, FY 2005-2009 (in millions)

<b>Purpose</b>	<b>Expended</b>
Household Furnishings	\$3.3
Information Technology	\$4.0
Telecomm/Networking Equipment	\$1.4
Miscellaneous Equipment	\$4.5
Office Equipment and Furnishings	\$3.3
Medical Equipment	\$0.3
Security Equipment	\$0.7
<b>Total</b>	<b>\$17.4</b>

Source: OIG generated and data from Consolidated Overseas Accountability Support Toolbox (COAST)

The embassy now seeks to become a "normal" embassy and is working toward certifying an FY 2010 U.S. Government property inventory. The Foreign Affairs Handbook (14 FAH-1 H-013) defines accountable property (property that must be tracked on accountable property records, and inventoried, as required) as:

- Nonexpendable personal property with an acquisition cost of \$5,000 or more per item;
- All expendable and nonexpendable personal property in storage, regardless of cost;
- Nonexpendable residential furniture and equipment/appliances, regardless of cost;
- Serialized property, including information technology (IT) equipment, with an acquisition cost of \$500 or more per item;
- Leased property, regardless of cost;
- Accountable property on loan;
- Heritage assets; and
- Capitalized personal property assets.

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The Foreign Affairs Manual (FAM) requires use of property accountability systems to control and manage assets.<sup>4</sup> The embassy currently uses ILMS to account for vehicles and process purchasing requests. At the time of OIG's fieldwork, the Non-Expendable Property Application (NEPA) accounted for non-expendable property, but as the report was being finalized, the Property Management Branch in the Bureau of Administration was replacing NEPA with ILMS to establish a single consolidated property record for non-expendable property. The embassy also uses the Web Post Administrative Software Suite (Web.PASS) which contains several programs, including the Pharmacy Inventory System (RxIS) to order and issue pharmaceuticals and the PASS Expendable Supplies application to record receipt and issuance of expendable supplies.

OIG's Office of Inspections reviewed Embassy Baghdad operations from January to March 2009.<sup>5</sup> The inspection report noted that Embassy Baghdad needed to strengthen control of U.S. Government personal property. The inspectors also found that the embassy possessed a large amount of property that had not been entered into receiving or inventory records, and that shipments continued to arrive even though the NEC warehouse was already completely filled. OIG noted that, at the time of the inspection, the GSO lacked documented standard operating procedures, although the mixed acquisition systems, varied experience of U.S. Government direct-hire personnel and locally employed staff, and rapid turnover of personnel in Baghdad made such procedures more valuable. The inspectors also stated that the embassy needed to improve management of its vehicle fleet.

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<sup>4</sup> 14 FAM 414.2-1

<sup>5</sup> Report of Inspection, Embassy Baghdad, Iraq, ISP-I-09-30A, July 2009

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## **U.S. GOVERNMENT PROPERTY ACCOUNTABILITY**

According to 14 FAM 416, the accountable property officer must conduct an inventory each fiscal year and certify the results to the property management officer in the Bureau of Administration. Required inventories include vehicles; vehicle repair parts and supplies; bulk fuels; and property in office buildings, warehouses, and residential apartments.<sup>6</sup> The certification also attests that inventory results have been reconciled with property records, discrepancies have been documented, and inventory records are adjusted and current. To ascertain the readiness of Embassy Baghdad to provide this certification, OIG reviewed vehicles and property in office buildings and residences.

The embassy must also comply with Department regulations regarding property issuance. According to 14 FAM 414.4(2), one of the duties of the embassy property management officer is to ensure procedures are in place to “establish adequate safeguards and controls to ensure that supplies are issued for official use only.” OIG therefore reviewed procedures for accountability and distribution of pharmaceuticals, hand-held radios, and cell phones. This audit was limited to unclassified equipment. OIG did not inventory vehicle repair parts and supplies or bulk fuels because these are currently managed by a contractor and may be the subject of future OIG audits. In addition, OIG did not include weapons and other sensitive security equipment in its accountability review as these items were included in OIG’s series of performance audits of the second Worldwide Personal Protective Services contract.

### **VEHICLES**

OIG determined that Embassy Baghdad currently possesses approximately 1,168 vehicles, of which 159 are unaccounted for. In addition, 282 vehicles are not recorded in the ILMS motor vehicle database. The GSO controls 70 of these and the RSO controls the remaining 212.<sup>7</sup> Table 2 shows the status of vehicles controlled by the GSO and RSO.

<sup>6</sup> Residences are inventoried when the occupants leave, but are still included in the annual certification.

<sup>7</sup> Some RSO-controlled vehicles are located outside of Baghdad in other U.S. missions in Iraq such as the regional reconstruction team in Erbil.

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Table 2: Embassy Baghdad Vehicles as of January 15, 2010 (Cost in millions)

Accountability Status	Number	Cost*
<b>GSO Vehicles</b>		
In ILMS, location known	17	\$1.5
In ILMS, location unknown	159	18.5
Not in ILMS, location known	70	8.6
<b>Subtotal</b>	<b>246</b>	<b>28.6</b>
<b>RSO Vehicles</b>		
In ILMS, location known	710	87.4
Not in ILMS, location known	212	31.9
<b>Subtotal</b>	<b>922</b>	<b>119.3</b>
<b>Total</b>	<b>1,168</b>	<b>\$147.9</b>

Source: OIG analysis of GSO and RSO records

\*“Cost” (value) comes from ILMS Total Cost and most accurately reflects true cost of the vehicle, including transportation, storage, labor, and other direct and indirect production costs absorbed by the U.S. Government.

The embassy’s motor vehicle accountable officer is required to maintain a complete and accurate inventory of all vehicles at the post, including those at regional embassy offices, and provincial and regional reconstruction teams. The FAM<sup>8</sup> requires Embassy Baghdad’s motor vehicle accountable officer to maintain vehicle control by reviewing daily vehicle use records; establishing inspections to meet safety, security, and warranty requirements; ensuring the post’s vehicle inventory is accurate in ILMS; and coordinating vehicle disposal.

Accounting for vehicles at Embassy Baghdad has been undermined by the fluctuating presence of other U.S. Government agencies, the tangled custodianship history of many vehicles, and the lack of consolidated parking space at the NEC to accommodate the entire vehicle fleet. The GSO has made a strong effort to locate and account for the current vehicle fleet, but much work remains. When the OIG team first interviewed the motor pool supervisor in July 2009, he controlled only 27 vehicles. As of November 2009, the GSO motor pool had control of 87 vehicles.

At the time of OIG’s fieldwork, the embassy did not have written standard operating procedures for the motor pool, including procedures for dispatching vehicles, as required by 15 FAM 957.3. Motor pool personnel noted the challenge in locating

<sup>8</sup> 14 FAM 431.2-2

the owners/users of the 162 unaccounted for vehicles to control and properly inventory them in ILMS. Locating the owners of parked and abandoned cars is particularly difficult. The issue is compounded by the use of two U.S. contractors - KBR and PAE - for vehicle maintenance and fuel for embassy vehicles. Based upon the OIG team's examination of the vehicle situation and numerous discussions with embassy and contractor staff, denying maintenance or fuel to embassy vehicles until they are properly recorded and dispatched by the motor pool will help resolve this accountability issue.

**Recommendation 1:** Embassy Baghdad should ensure that all Department-owned vehicles at the embassy, including those controlled by the regional security office, are included in the Integrated Logistics Management System. (Action: Embassy Baghdad)

**Recommendation 2:** Embassy Baghdad should establish written standard operating procedures, including dispatching procedures for all Department-owned vehicles, except for those controlled by the regional security office. (Action: Embassy Baghdad)

**Recommendation 3:** Embassy Baghdad should enforce a policy of denying fuel and maintenance to U.S. Government-owned vehicles until they are accounted for by the embassy's general services office. (Action: Embassy Baghdad)

OIG expects Embassy Baghdad will eventually assume physical control over its entire vehicle fleet, but it is likely a number of vehicles will be determined to be "missing" or unaccounted for. Since the vehicles are valued at more than \$1,000 each, a property survey board will need to be formed.<sup>9</sup> The property survey board has the authority to determine financial liability for property that is missing, damaged, or destroyed as a result of negligence, improper use, or willful action, and to establish the amount of financial liability. However, due to the chaotic nature of the transfer from the Republican Palace to the NEC, the inventory reconciliation and certification waiver, and frequent turnover of personnel, it may be difficult to assign individual personal liability. Nonetheless, the appointment of a property survey board, as well as its resultant findings, may relieve the accountable property officer of his responsibility to account for missing vehicles so that they can be removed from ILMS. The property management officer and the accountable property officer, and their staff members, as well as individuals involved in the management or use of

<sup>9</sup> 14 FAM 416.5-2

vehicles and their supervisors, cannot be members of this board. However, given the scope and complexity of the vehicle accountability problem, the embassy could benefit from bringing in outside individuals to serve as board members, such as retired (“while or when actually employed”) Foreign Service officers or officials from other embassies in the region.

**Recommendation 4:** Embassy Baghdad should appoint a property survey board to assign liability as appropriate and to determine whether to relieve the accountable property officer of the responsibility to account for missing vehicles. (Action: Embassy Baghdad)

The embassy uses John Deere “gators,” Kawasaki “mules,” and golf carts to move personnel and supplies around the 108-acre NEC. Only nine of the approximate 60 vehicles identified by the OIG team were recorded in the NEPA database. According to 14 FAM 431.1e, all off-road vehicles such as golf carts and forklifts are to be treated as personal property and recorded in the post property system. As this report was being finalized, the Property Management Branch in the Bureau of Administration was converting from NEPA to ILMS for all property in Baghdad.

**Recommendation 5:** Embassy Baghdad should ensure that all of its off-road vehicles and less-than-four-wheel on-road vehicles are accounted for in the Integrated Logistics Management System. (Action: Embassy Baghdad)

Figure 1: Gators Parked Behind the Embassy Chancery



Source: OIG

## **VEHICLE FLEET**

OIG believes that, with a fleet of 1,168 vehicles, the embassy may have an excess number of vehicles. However, OIG could not determine the appropriate number of vehicles because the embassy has not followed the correct procedures to establish the proper vehicle fleet size. According to 14 FAM 432.2, fleet size and composition must be tied to an objective described in the embassy's mission strategic plan. OIG reviewed Embassy Baghdad's FY 2009 and FY 2010 mission strategic plans and found no information linking the embassy's operations to the number of vehicles required. GSO and RSO officials were not aware how the present number of vehicles at the embassy was determined and did not plan to systematically evaluate the number of required vehicles.

Figure 2: Vehicles Parked in Front of the Embassy Chancery



Source: OIG

According to 12 FAM 383 and 12 FAM 384, the size of the armored vehicle fleet needs to be coordinated between the embassy's emergency action committee and the Bureau of Diplomatic Security, with any disputes settled by the Chief of Mission. The emergency action committee should meet at least once a year to discuss the embassy's armored vehicle requirements. (The Bureau of Diplomatic Security's Defensive Equipment and Armored Vehicles Division is responsible for the purchase of armored vehicles and the management of the Department's armored vehicle program). According to embassy officials, there is no record of the embassy's emergency action committee ever discussing the required number of armored vehicles.

**Recommendation 6:** Embassy Baghdad should review its current mission strategic plan to determine the appropriate size and composition of the armored vehicle fleet and inform the Bureau of Diplomatic Security about the required number of armored vehicles. (Action: Embassy Baghdad)

## NON-EXPENDABLE PROPERTY

Using data from NEPA, OIG determined that the embassy has \$15.5 million in non-expendable property, of which \$2.5 million is currently missing. As of November 2009, approximately 67 percent of the embassy's property was inventoried. OIG believes some of the \$2.5 million in missing property will be found in subsequent inventories, so the final amount of missing property is yet to be determined.<sup>10</sup> Table 3 shows the location and value of property recorded in NEPA.

Table 3: U.S. Government Property by Location as of November 29, 2009 (in millions)

Location of Property	Value
Housing*	\$7.5
Warehouse and Storage	2.3
Office Space**	2.3
Elsewhere in Baghdad and Iraq	0.9
Unknown or Missing	2.5
<b>Total</b>	<b>\$15.5</b>

Source: OIG data generated from NEPA

\*Housing includes six staff diplomatic apartment buildings, residences for the Chief of Mission and deputy chief of mission, and the Marine security guard residence.

\*\*Office space includes the Chancery, Annexes 1 and 2, the GSO Annex, recreation center, dining facility, and other buildings.

From August through September 2009, the OIG team and GSO staff undertook a joint inventory of Annex 1 (a 3-story office building that contains the management

<sup>10</sup> Embassy officials indicated in January 2010 that \$1.04 million in property remained missing after the completion of all required inventories.

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section, GSO, consular affairs, and medical unit, among other offices), staff diplomatic apartment building #4, and the warehouse. Table 4 shows the original inventory value at these locations, property determined missing, and unrecorded property found during the inventories.

Table 4: Value of Non-expendable Inventories as of October 15, 2009

	<b>Annex 1</b>	<b>SDA4</b>	<b>Warehouse</b>
<b>Original Inventory Value</b>	\$854,709	\$1,016,071	\$2,487,735
<b>Property Determined Missing</b>	660,552	65,000	1,143,986
<b>Unrecorded Property</b>	1,764,972	100,829	451,398
<b>Ending Inventory Value*</b>	<b>\$1,959,129</b>	<b>\$1,051,833</b>	<b>\$1,343,986</b>

Source: NEPA and OIG analysis of inventory data

\*The Ending Inventory Value is the Original Inventory Value plus the value of Unrecorded Property less the value of Property Determined Missing.

Property found by the OIG/GSO inventory teams at Annex 1 increased the value of property from \$855,000 to nearly \$2 million. Forty-nine percent of this unrecorded property included office automation equipment such as 364 uninterruptible power supplies, 297 computers, and 118 printers. Forty-five percent of the missing items also related to office automation and included 54 uninterruptible power supplies, 58 LCD monitors, and 54 computers. The OIG team concluded that a significant number of the unrecorded and missing items were due to the failure of information resource management staff members to notify GSO asset management personnel when automation equipment was replaced.

**Recommendation 7:** Embassy Baghdad should establish a policy to ensure that automation equipment is accurately recorded in the Integrated Logistics Management System. (Action: Embassy Baghdad)

During a joint inventory using bar code scanners at staff diplomatic apartment building #4, OIG and GSO found 6 percent of property missing. This property included 99 chairs, two dishwashers, five dryers, a range, and a refrigerator. OIG believes it is unlikely these items were stolen because of their size and the difficulty of transporting them outside the NEC. It is probable some of these items will be found as other locations are inventoried and reconciled. (Since OIG's fieldwork the GSO has inventoried staff diplomatic apartment buildings #5 and #6). Missing items more likely to be stolen included 7 DVD players, 15 radios, 2 sound systems, and 6

TVs.

During the joint warehouse inventory, the teams located an additional \$451,000 worth of property not recorded in the NEPA database and \$1.6 million worth of missing property. (The missing property may eventually be found in other buildings).

Figure 3: Excess Chairs in the Warehouse



Source: OIG

GSO teams identified \$970,000 in additional warehouse stock after inventorying 50 of the 100 shipping containers located throughout the compound. A majority of the approximate \$2.3 million of property stored in the warehouse and shipping containers, including furniture, appliances, and IT equipment, is not needed to support embassy operations and should be considered excess. See Appendix II for a complete listing of warehouse property.

Figure 4: Shipping Containers behind the Warehouse Containing Excess Property



Source: OIG

**Recommendation 8:** Embassy Baghdad should develop a property disposal plan for excess items currently stored in the embassy warehouse and shipping containers. (Action: Embassy Baghdad)

## EXPENDABLE SUPPLIES

The OIG/GSO team inventoried a statistically valid random sample (10.7 percent) of expendable supplies located at the warehouse supply store and three other distribution points (supply stores) at the embassy. Expendable supplies are ordered and inventoried in Web.PASS. The team found that 68 percent of the total value of randomly selected items was missing, including 88 personal protective vests (\$70,124) and 403 laser printer toner cartridges (\$57,543). Extrapolating the random sample to the entire universe of expendable supplies, OIG estimates that \$1.3 million in expendable supplies were issued without documentation, are missing, or unknown. Table 5 summarizes the results of the expendable supplies inventory of the warehouse and supply stores.

Table 5: Expendable Supply Inventory Values as of August 30, 2009

Location	Web.PASS	Excess Found	Items Not Found	Inventory Amount
Warehouse Supply Store	\$118,366	\$10,161	\$57,112	\$71,415
Annex 2 Supply Store	79,220	1,620	75,338	5,502
Annex 1 Supply Store	1,703	1,504	918	2,289
Chancery Supply Store	6,164	0	6,164	0
<b>Total</b>	<b>\$205,454</b>	<b>\$13,285</b>	<b>\$139,533</b>	<b>\$79,206</b>

Source: OIG generated from joint inventory and Web.PASS

The ordering, receipt, and issuance of expendable supplies should be recorded in Web.PASS.<sup>11</sup> Although expendable supplies are consumed, maintaining records of their issuance is important to encourage economy and proper care of U.S. Govern-

<sup>11</sup> 14 FAM 124.3 and 14 FAM 414.2-1

ment property. Maintaining accurate records of expendable supplies is also critical to gauging future needs and allocating budget resources. The OIG team learned that the embassy only began utilizing the Web.PASS application in July 2009. While the OIG team observed that embassy personnel were effectively issuing expendable supplies during the course of fieldwork, there were no written standard operating procedures guiding their actions. The absence of written standard operating procedures is problematic given the significant staff turnover at the embassy.

The OIG team observed no clear chain of control from receipt of personal protective vests (valued at \$797 per vest) at the warehouse to their issuance to transient personnel. According to 14 FAM 414.3, when personal property (e.g., laptop computers, portable radios, cell phones, and weapons and ammunition) is issued to an employee for the employee's exclusive use in the performance of official duties, the transaction should be documented on a Nonexpendable Property Transaction form (DS-584), and the property office must maintain a "charge-out file" until the property is returned.

**Recommendation 9:** Embassy Baghdad should develop standard operating procedures for the issuance of expendable supplies that incorporate use of the Web Post Administrative Software Suite in the embassy's expendable supply system. (Action: Embassy Baghdad)

**Recommendation 10:** Embassy Baghdad should establish standard operating procedures for issuance and accountability of personal protective vests. (Action: Embassy Baghdad)

## **UNLIQUIDATED OBLIGATIONS**

When a property item is ordered, the Department's financial system creates an "obligation," the accounting entry to ensure that funds are available when the vendor submits a request for payment. When the vendor requests payment and it is disbursed, the obligation is "liquidated." Sometimes an order is not filled or is only partially filled. In these cases, the difference between the obligation and the actual disbursement is known as an "unliquidated obligation," and includes accounts payable and undelivered. The Consolidated Overseas Accountability Support Toolbox (COAST) provides a record of all these transactions. OIG conducted an analysis of COAST's consolidated obligation and expenditure data and determined that the embassy has \$23.4 million in unliquidated obligations for FY 2005-2009. Table 6 shows

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unliquidated obligations for expendable and non-expendable property grouped by type of obligation and appropriation. (Some of the appropriations are supplemental to the Department's annual budget and may be obligated in a time period that does not coincide with the federal fiscal year).

Table 6: Unliquidated Obligations by Type and Appropriation as of  
October 15, 2009 (Thousands of Dollars)

Type Obligation	2005-06	2006-07	2007-08	2008	2008-09
<b>Expendable Supplies</b>					
Building Repair Materials	-	\$0.8	\$1.3	\$3.5	\$157.3
Fuel & Lubricants	-	-	2298.6	-	7569.6
IT Supplies	-	23.8	12.0	4.4	333.2
Medical Supplies	-	0.0	2.0	9.1	43.9
Office Supplies	-	1.4	1.6	6.6	159.9
Security Supplies	-	0.3	39.2	135.6	94.7
Miscellaneous	20.0	44.4	8.0	12.0	257.4
<b>Subtotal</b>	<b>\$20.0</b>	<b>\$70.7</b>	<b>\$2,362.6</b>	<b>\$171.3</b>	<b>\$8,616.1</b>
<b>Non-Expendable Equipment</b>					
Household Furnishings	-	-	159.1	0.0	7250.2
IT Hardware and Software	58.2	87.8	21.8	194.9	910.6
Medical Equipment	-	-	16.3	-	20.7
Office Equip. & Furnishings	26.0	13.2	101.5	105.1	470.5
Security Equipment	-	-	23.0	1333.4	96.9
Telecomm/Networking	19.2	12.7	9.9	0.0	896.5
Miscellaneous	-	135.5	27.3	62.1	110.8
<b>Subtotal</b>	<b>103.4</b>	<b>249.3</b>	<b>358.9</b>	<b>1,695.6</b>	<b>9,756.1</b>
<b>Total</b>	<b>\$123.4</b>	<b>\$320.0</b>	<b>\$2,721.6</b>	<b>\$1,866.9</b>	<b>\$18,372.1</b>

Source: OIG data generated from COAST

As of November 2009, OIG determined that the GSO receiving section had records of more than 3,700 purchase request orders. However, the GSO receiving section does not have a consolidated list of requests that are still open. According to OIG analysis, there are an undetermined number of received, cancelled, and 'due-in' items among these open purchase requests. Some of the due-in items were originally ordered in FY 2006 and FY 2007 and are no longer needed, while other due-in items are available in stock in the warehouse. OIG determined that the following actions would contribute to better management of these unliquidated obligations:

- The embassy's financial management section should produce a list of unliq-

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undated obligations from COAST, the GSO receiving section should produce a pending request list from Ariba (part of ILMS), and the two offices should reconcile these lists. The GSO should contact the office that originated the request to determine whether the items on the reconciled list are still needed.

- If the items are not needed, the GSO receiving section should attempt to cancel the items or divert them to another post. In some instances, unneeded items may be returned to the vendor for credit. If the item is no longer needed and the vendor has no record of receiving the request, the GSO procurement section should notify the financial management office that the funds can be deobligated.
- If the items are still needed, the GSO receiving section should attempt to determine whether the items are still due in by using ILMS to identify items in transit.<sup>12</sup> If the items are not in transit, the GSO procurement section should contact the vendor to determine if the order is still valid or if the item needs to be reordered.

Canceling open requests for items that are no longer needed or no longer due in may allow the Department to put those funds to better use. Cancelling unneeded requests will also reduce the amount of future excess. Embassy officials indicated that staff shortages and limited personnel assignments at the embassy hampered the GSO's ability to carry out these actions. OIG conducted a preliminary analysis and concluded that the embassy's warehouse staff appeared to be smaller than at embassies of comparable size. If further analysis indicates it is warranted, Embassy Baghdad may benefit from an increase in staffing.

**Recommendation 11:** Embassy Baghdad should develop and implement a plan to reconcile the embassy's balance of outstanding unliquidated obligations. (Action: Embassy Baghdad)

## **MEDICAL SUPPLIES AND PHARMACEUTICALS**

The OIG/GSO team conducted a 100 percent inventory of the medical supplies and pharmaceuticals recorded in the Web.PASS Pharmacy Inventory System (RxIS).

<sup>12</sup> The Transportation Lite module of Ariba provides this information. The receiving section may need to coordinate the shipment of some items waiting at the Department's New York Dispatch Agency.

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Of the 37,361 items recorded in the RxIS database, 30,068 were on hand.

Table 7 shows the results of the medical supplies and pharmaceuticals inventory.

Table 7: Medical Supplies and Pharmaceuticals as of Oct 30, 2009

Items recorded in RxIS	37,361
Quantity of items on hand	30,068
Missing items	7,196
<b>Percentage missing</b>	<b>19.6</b>

Source: OIG generated from RxIS data

OIG reviewed the embassy medical unit's automated and written records and determined the unit needs to improve its control over and accountability of medical supplies and pharmaceuticals, including controlled substances,<sup>13</sup> through better use of RxIS. The medical unit currently uses both RxIS and Excel spread sheets to track orders of medical supplies and controlled substances. The OIG team observed that different supply orders are spread among a number of Excel files, making it difficult to determine the number of outstanding orders at any given time. Further, medical unit staff told the OIG team that not all non-controlled medical supplies are entered into the RxIS database.

In addition to these weaknesses in maintaining an accurate, consolidated inventory of medical supplies, several of the medical unit's practices to control and account for controlled substances are of particular concern. The OIG team found instances in which the automated and written records for controlled substances differed, the RxIS quantity for a drug was less than the actual inventory count, and RxIS indicated a controlled substance had been destroyed but the written records showed it as dispensed. Furthermore, orders of controlled substances are not entered into the RxIS database until the substances are received. This practice represents a significant vulnerability for misuse and fraud during the period before receipt of these substances.

**Recommendation 12:** Embassy Baghdad should ensure that all medical supplies and pharmaceuticals are properly entered into the Pharmacy Inventory System. (Action: Embassy Baghdad)

**Recommendation 13:** Embassy Baghdad should ensure that the medical unit is in compliance with all U.S. Government regulations pertaining to the use and control of controlled substances. (Action: Embassy Baghdad)

<sup>13</sup> Controlled substances are prescription medicines, such as morphine and oxycodone. Their use is governed by the Comprehensive Drug Abuse and Control Act of 1970, P.L. 91-513, 84 Stat. 1236 (Oct. 27, 1970).

## **HAND-HELD RADIOS**

The embassy uses Motorola HT-1250 and XTS-5000 hand-held radios for security purposes. OIG reviewed data supplied by the embassy's information resource management office and determined there are a total of 4,187 of these radios at the embassy, of which only 2,759 were assigned to personnel - primarily to guards in the Baghdad Embassy Security Force. OIG calculates there are approximately 1,000 excess radios, not including 420 radios or 10 percent to be kept in reserve as spares, valued at \$936,000. OIG was unable to determine how or why the embassy acquired so many excess radios, despite numerous discussions with management, security, and information officers. However, the information resource management officer, upon learning of the excess number of radios from this audit, noted that his office would study the possibility of transferring the excess radios to other posts. Table 8 below shows the total number of hand-held radios, and the number and value of those in excess.

Table 8: Hand-held Radios as of October 30, 2009

	HT-1250 Model	XTS- 5000 Model
Total number of radios	2,014	2,173
Radios currently assigned	863	1,896
Ten percent needed for spares	202	218
<b>Excess number of radios</b>	<b>949</b>	<b>59</b>
Dollar value per radio	\$750	\$3,800
<b>Value of excess radios</b>	<b>\$711,750</b>	<b>\$224,200</b>

Source: OIG analysis of information resource management office records

**Recommendation 14:** Embassy Baghdad should develop a plan to transfer the excess 1,008 radios to other Department of State posts. (Action: Embassy Baghdad)

## **CELL PHONES AND CELL PHONE USAGE**

More than 1,700 staff members from more than 15 different agencies work at Embassy Baghdad. A review of GSO records indicated the embassy has 4,568 cell phones. Fifty-one percent of these phones or 2,332, have been assigned—1,240 to individuals and 1,092 to various agency sections. OIG could not determine the status of the remaining 2,236 unassigned cell phones, but a random sample analysis of cell phone usage indicated the vast majority of these unassigned cell phones are sitting idle. The cell phone provider, Asiacell Communication LLC, charges the embassy \$10 per month per line whether or not the phone is used. Overall, the embassy spends approximately \$548,000 on line charges per year and \$268,000 in line charges for unassigned phones.

The embassy does not currently have a written policy governing personal use of U.S. Government-issued cell phones, despite a requirement in 5 FAM 526.1 to do so. Cell phones are normally provided to employees as required to perform their assigned duties; however, the FAM notes that certain circumstances may call for a more liberal policy for personal use. The embassy's policies should govern who is entitled to use a cell phone, limits on usage, and under what circumstances an employee is required to reimburse the U.S. Government. Further, employees must sign a receipt when a phone is issued, validate their calls each billing cycle, and return the phone upon transfer.

OIG conducted a statistically valid random sample analysis of monthly cell phone bills for calendar year 2009, including the call details for each cell phone. OIG found some unassigned phones were incurring charges. For example, one unassigned cell phone incurred \$318 in overseas phone charges in one month. In addition, assigned phones incurred extensive overseas calling charges, including calls to Vietnam. Furthermore, many of the agency sections' assigned cell phones were underused or not used at all. OIG calculates that disconnecting unassigned phones and underused phones assigned to sections would result in annual cost savings of approximately \$460,000. Overall, OIG identified more than \$740,000 in potential cost savings for the embassy to consider, as shown in Table 9.

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Table 9: Potential Cell Phone Savings

<b>Recommendations</b>	<b>Potential Savings</b>
Disconnect unassigned phone lines	\$421,044
Disconnect underused individual phone lines	66,699
Disconnect underused section/agency phone lines	39,235
Curtail international calls	215,640
<b>Total</b>	<b>\$742,618</b>

Source: OIG generated from GSO records

**Recommendation 15:** Embassy Baghdad should develop written policies for cell phone usage. (Action: Embassy Baghdad)

**Recommendation 16:** Embassy Baghdad should take immediate steps to reduce cell phone costs, including disconnecting unassigned and unused phones and curtailing international calls made by individuals. (Action: Embassy Baghdad)

## **CONCLUSION**

Due mainly to its significant size and the sheer number of personnel, Embassy Baghdad owns a considerable amount of U.S. Government property. The complexities of moving people, office supplies, and household items in a short amount of time to the NEC, as well as the ongoing difficulties operating in a transient and unstable environment, have challenged the embassy's ability to monitor and control this property. The inability to properly inventory and maintain correct records is also costing the embassy money. Implementing the recommendations in this report will mean cost savings for Embassy Baghdad. For example, establishing cell phone policies and transferring radios will save the Department \$1.7 million. Registering vehicles in ILMS will result in a gain of \$40.4 million to the Department's financial statement. Furthermore, establishing reconciliation procedures for purchase requests could save a significant amount of money. Just as importantly, OIG's recommendations will assist in completing tasks associated with property accountability. To this end, staff members were already working hard and making good progress toward physically inventorying all types of property, locating missing items, reconciling differences, and adjusting and accurately recording the results in automated systems. Therefore, OIG concluded the embassy would be prepared to certify the results of its inventory of U.S. Government property by the March 15, 2010, deadline.

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## **LIST OF RECOMMENDATIONS**

- Recommendation 1:** Embassy Baghdad should ensure that all Department-owned vehicles at the embassy, including those controlled by the regional security office, are included in the Integrated Logistics Management System. (Action: Embassy Baghdad)
- Recommendation 2:** Embassy Baghdad should establish written standard operating procedures, including dispatching procedures for all Department-owned vehicles, except for those controlled by the regional security office. (Action: Embassy Baghdad)
- Recommendation 3:** Embassy Baghdad should enforce a policy of denying fuel and maintenance to U.S. Government-owned vehicles until they are accounted for by the embassy's general services office. (Action: Embassy Baghdad)
- Recommendation 4:** Embassy Baghdad should appoint a property survey board to assign liability as appropriate and to determine whether to relieve the accountable property officer of the responsibility to account for missing vehicles. (Action: Embassy Baghdad)
- Recommendation 5:** Embassy Baghdad should ensure that all of its off-road vehicles and less-than-four-wheel on-road vehicles are accounted for in the Integrated Logistics Management System. (Action: Embassy Baghdad)
- Recommendation 6:** Embassy Baghdad should review its current mission strategic plan to determine the appropriate size and composition of the armored vehicle fleet and inform the Bureau of Diplomatic Security about the required number of armored vehicles. (Action: Embassy Baghdad)
- Recommendation 7:** Embassy Baghdad should establish a policy to ensure that automation equipment is accurately recorded in the Integrated Logistics Management System. (Action: Embassy Baghdad)
- Recommendation 8:** Embassy Baghdad should develop a property disposal plan for excess items currently stored in the embassy warehouse and shipping containers. (Action: Embassy Baghdad)

**Recommendation 9:** Embassy Baghdad should develop standard operating procedures for the issuance of expendable supplies that incorporate use of the Web Post Administrative Software Suite in the embassy's expendable supply system. (Action: Embassy Baghdad)

**Recommendation 10:** Embassy Baghdad should establish standard operating procedures for issuance and accountability of personal protective vests. (Action: Embassy Baghdad)

**Recommendation 11:** Embassy Baghdad should develop and implement a plan to reconcile the embassy's balance of outstanding unliquidated obligations. (Action: Embassy Baghdad)

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**Recommendation 16:** Embassy Baghdad should take immediate steps to reduce cell phone costs, including disconnecting unassigned and unused phones and curtailing international calls made by individuals. (Action: Embassy Baghdad)

## **ABBREVIATIONS**

APO	accountable property officer
COAST	Consolidated Overseas Accountability Support Toolbox
Department	Department of State
DOD	Department of Defense
FAH	Foreign Affairs Handbook
FAM	Foreign Affairs Manual
GSO	general services office
ILMS	Integrated Logistics Management System
MERO	Middle East Regional Office
NEC	new embassy compound
NEPA	Non-Expendable Property Application
OIG	Office of Inspector General
RSO	regional security office
RxIS	Pharmacy Inventory System
Web.PASS	Web Post Administrative Software Suite

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## **APPENDIX I- PURPOSE, SCOPE, AND METHODOLOGY**

The Middle East Regional Office (MERO) of the Office of Inspector General (OIG) initiated this performance audit in June 2009 under the authority of the Inspector General Act of 1978, as amended. OIG's primary objective was to evaluate the Department's controls for inventorying, recording, and safeguarding U.S. Government equipment and property in Iraq. Specifically, the audit examined (1) the amount of funding the Department has obligated and expended for equipment and property in Iraq for fiscal years 2005-2009; (2) the policies and procedures for inventorying, recording, and safeguarding U.S. Government equipment and property; and (3) whether U.S. Government equipment and property in Iraq has been properly accounted for and the challenges to maintaining accountability.

In planning the audit, OIG reviewed previous audits and inspection reports on Embassy Baghdad and property accountability. OIG also reviewed U.S. Government Accountability Office reports and published standards for internal controls.

To determine the amount of funding the Department has obligated and expended for equipment and property in Iraq for FY 2005-2009, OIG obtained financial and procurement data from the financial management, information resource management, and contracting officers at Embassy Baghdad; the Iraq support unit contracting officer, financial management officer, and information resource management officer at Embassy Amman; and the financial and systems service support customer support desk at the Department's resource management/global financial service at Embassy Bangkok. OIG analyzed the data provided using a combination of Microsoft Access and Excel, and the U. S. Army Audit Agency Statistical Sampling System.

To determine the policies and procedures for inventorying, recording, and safeguarding U.S. Government equipment and property, OIG reviewed applicable Department guidance, including the Foreign Affairs Manual, Foreign Affairs Handbook, Bureau of Administration policies, Web.PASS software manuals, and the PAE and KBR contracts. OIG interviewed the property management officer and her staff to gain an understanding of access to Ariba and ILMS. OIG interviewed the following personnel and/or observed them in the course of their duties: the management counselor, the regional medical officer and his staff, the financial management officer, the general services officer, the facilities management officer, the accountable property officer, the motor vehicle accountable officer, the contracting officer,

a procurement agent, the property disposal officer, the motor pool supervisor and his staff, the GSO customer service desk representative, the receiving section supervisor, the expendable supply section supervisor, NEPA clerks, expendable supply assistants, and the regional security office logistics officer and his staff. OIG also corresponded with an inventory management specialist from the Bureau of Overseas Building Operations.

To determine whether U.S. Government equipment and property in Iraq had been properly accounted for and the challenges to maintaining accountability, OIG reviewed written and electronic property accounting records, selected random statistical or judgmental samples where appropriate, and conducted joint physical inventories with embassy staff. Specifically, to verify the accountability of vehicles, OIG compared ILMS and other electronic records from the RSO logistics office, and the GSO motor pool and vehicle maintenance data provided by KBR through the Defense Contract Management Agency.

To verify the accountability of residential property, OIG judgmentally selected one of the staff diplomatic apartment buildings and conducted a joint 100 percent physical inventory with NEPA clerks using bar code readers, which were then reconciled electronically in NEPA. To verify the accountability of office property, OIG judgmentally selected Annex 1 and conducted a joint 100 percent physical inventory with NEPA clerks using bar code readers, which were then reconciled electronically in NEPA. To verify accountability of expendable property, OIG downloaded all records from Web.PASS and selected a statistically valid random sample using the U.S. Army Audit Agency Statistical Sampling System, conducted a joint physical inventory with expendable supply assistants, and compared the inventory results to the remainder of the population to verify that it was representative.

To verify accountability of shipping containers, OIG conducted a survey of containers in the compound and then observed GSO staff as they conducted a physical inventory of containers using bar code readers, which were then reconciled electronically in NEPA. To verify accountability of sensitive items, OIG reviewed information resource management office records of radios and judgmentally verified selected hand receipts. OIG did not verify weapons and accessories because they were within the scope of another ongoing audit. Time and resources did not permit OIG to verify classified information systems. To verify accountability of pharmaceuticals and medical supplies, OIG downloaded all records from RxIS and conducted a joint 100 percent physical inventory with medical unit staff of the stores at the warehouse, drugs in the pharmacy, and supplies on hand at the medical unit. OIG then compared selected items to paper records of dispensing or disposal.

OIG conducted this evaluation from June 2009 through November 2009. OIG

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conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. OIG believes that the evidence obtained provides a reasonable basis for its findings and conclusions based on the audit objectives.

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## APPENDIX II- EXCESS PROPERTY FOUND AT EMBASSY BAGHDAD

<b>Type Item</b>	<b>Quantity</b>	<b>Dollar Amount</b>
Beds	364	\$154,604
Bookcases	12	3,396
Box Springs	346	91,400
Cabinets	27	2,898
Chairs	1,069	275,276
Chests	41	12,783
Computer Accessories	476	49,763
Computer Monitors	12	3,219
Computers	24	14,803
Copiers	21	19,591
Desks	117	34,937
Digital Senders	7	26,215
Dishwashers	14	12,400
Drawers	185	12,949
Dressers	51	18,415
Dryers	26	10,274
DVD Players	563	29,214
Fans	204	13,830
Faxes	3	5,400
File Cabinets	33	8,500
Garden Furniture	73	11,601
Lamps	798	55,613
Loveseats	37	34,289
Mattresses	614	\$122,418
Mirrors	61	9,744
Miscellaneous	127	29,200
Monitors	15	3,510
Night Stands	305	35,446
Optical Readers	4	4,800
Ovens	55	16,660

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<b>Type Item</b>	<b>Quantity</b>	<b>Dollar Amount</b>
Printers	77	54,624
Ranges	10	13,475
Refrigerators	78	53,190
Safes	26	40,504
Scanners	40	33,000
Shredders	6	31,954
Sofas	105	122,272
Stereos	75	4,118
Tables	681	173,899
Telephones	12	10,428
Televisions	631	451,550
Transformers	1,392	69,250
Uninterruptable Power Supplies	55	11,584
Vacuum Cleaners	86	26,771
Wardrobes	159	80,463
Washers	24	13,958
Total		\$2,314,188

## **APPENDIX III- MANAGEMENT COMMENTS FROM THE BUREAU OF ADMINISTRATION**

The following comments from the Property Management Branch, Business Analyses Division, Office of Program Management and Policy in the Office of Logistics Management were sent by email to Mr. Richard G. Arntson on February 22, 2010:

Mr. Arntson,

I have read the OIG's draft on Baghdad's property accountability and have a one comment.

For the last bullet under Key Findings it states;

Despite many challenges, Embassy personnel should be able to complete certification of an FY 2009 U.S. Government property inventory on time.

In May, 2009 the 14 FAM officially changed the reporting parameters from Calendar year to Fiscal year. So what would have been the reporting period for this year CY 2009 is now officially named FY 2010. This would make our records go from CY2008 to FCY2010. I wanted to ensure no one would question the gap in the reporting dates.

Also as a point of interest. Embassy Baghdad is now underway with conversion from NEPA to ILMS for all property. Just for consideration OIG may wish update Recommendations 5 and 7 to be changed from NEPA to ILMS.

Keith F. Flynn

Supply Management Specialist

Property Management

A/LM/PMP/BA/PM

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## **APPENDIX IV- MANAGEMENT COMMENTS FROM EMBASSY BAGHDAD**

The following comments from Embassy Baghdad were sent by email to Mr. Richard G. Arntson on March 12, 2010:

Embassy Baghdad agrees for the most part with the audit, especially the observations and recommendations pertaining to the overall asset management situation at post. However, given that much of the data that the OIG Audit Team worked with was unfortunately outdated and/or incomplete, we found some of the specific numbers and statistics included in the report to be of limited value. That said, by building on prior drafts of the Property Audit Report and the earlier OIG Inspection report, Post has made great strides in its asset management program since the summer of 2009. A complete motor vehicle inventory has been completed and submitted, and our completed property inventory will be submitted shortly. Our cell phone program has undergone an intense review and revision. Post looks forward to providing answers and updates to the final audit report.

Approved: MGT: JJackson

Drafted: S/GSO: NLyew

Cleared: MGT: MShields

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