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

Report of Inspection

Embassy Koror,
Republic of Palau

Report Number ISP-I-09-18, March 2009

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PURPOSE, SCOPE AND METHODOLOGY OF THE INSPECTION

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

PURPOSE

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

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

METHODOLOGY

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



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

Office of Inspector General

PREFACE

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

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

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

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

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

Harold W. Geisel
Acting Inspector General

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KEY JUDGMENTS

- Despite its small size, Embassy Koror advances important U.S. interests and provides a range of services in the complex and multilayered bilateral relationship with the Republic of Palau. A review of the appropriate rank of the chief of mission is required.
- After spending \$10.8 million on a new embassy compound (NEC) the Embassy will still be limited to unclassified communications and will lose nonimmigrant visa operations following the move into the NEC, unless the Bureau of Information Resource Management (IRM) funds the additional approximately \$100,000 cost to outfit the controlled access area space.
- The Embassy is generally well-managed. The NEC will greatly strengthen Embassy Koror's security posture.
- The importance of training for locally employed (LE) staff is magnified at an embassy the size of Embassy Koror where everyone is required to perform multiple functions and provide back-up roles for other staff. Additional training will be required related to the move to the NEC.

The inspection took place in Washington, DC, between September 4 and October 3, 2008, and in Koror, Palau, between October 30 and November 5, 2008.
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CONTEXT



Palau was a United Nations Trust Territory administered by the United States until it gained independence in 1994. It then entered into a special relationship with the United States under a 50-year Compact of Free Association (COFA).

Under the terms of the COFA, the United States has exclusive military rights in Palau and is responsible for the country's security and defense. Palauan citizens are allowed entry into the United States without

visas, and the country receives assistance in Federal grants and programs valued at between \$20 million and \$30 million annually. The United States established a trust fund for Palau currently valued at approximately \$175 million. Most of the COFA assistance is administered by the U.S. Departments of Interior and Agriculture and focused on development in four sectors: health, education, infrastructure, and governance and institution-building.

Palau is a small, developing country with a population of just over 20,000 (including about 5,000 noncitizen guest workers) spread over more than 300 islands. There are about 400 resident Americans and about 400 American tourists each year. The economy is heavily dependent on the governmental sector and on tourism and service industries.

The United States and Palau have full diplomatic relations and a close bilateral relationship. Palau's democratically elected government, modeled on that of the United States, is stable and respects human rights and religious freedom. Palau generally supports U.S. positions in the United Nations. The key U.S. strategic goal in Palau is to promote economic growth and democratic development that contribute to regional stability.

The U.S. Embassy is staffed by a permanent chargé d'affaires and eight LE staff. The Embassy receives administrative support from U.S. Embassies in Manila, Bangkok, and Canberra, but reports directly to Washington.

Other U.S. agencies in Palau include a Department of Defense U.S. military civic action team (13 U.S. military personnel and three LE staff), the U.S. Army Corps of Engineers (one direct-hire American), Department of Agriculture Rural Development (two LE staff and one American direct-hire position pending), Department of Agriculture Natural Resource Conservation Service (one American direct hire), Department of the Interior (one LE staff), and the Peace Corps (ten volunteers, six trainees and one LE staff).

EXECUTIVE DIRECTION

With only one direct-hire American and eight LE staff, Embassy Koror is considered to be the world's smallest U.S. Embassy. It nonetheless advances important U.S. interests and provides a range of embassy services in the Republic of Palau. Previously, the U.S. Ambassador to the Philippines was also accredited to the Republic of Palau. This representation was discontinued in 2006, and Embassy Koror became a self-standing mission headed by a chargé d'affaires who reports directly to Washington.

The appointment of a chargé rather than a resident or nonresident ambassador is usually indicative of a limited bilateral relationship. In the case of the United States and Palau, bilateral relations are close and extensive. Of the three other embassies located in Koror, those of the Philippines and Taiwan have resident ambassadors while Japan accredits its ambassador in Kolonia, Federated States of Micronesia to Palau. The reasons for a lower level of U.S. representation at Embassy Koror are unclear.

Recommendation 1: The Bureau of East Asian and Pacific Affairs should review the status of Embassy Koror and determine if the appropriate level of U.S. representation in Palau is at the level of a permanent chargé d'affaires or a resident or nonresident ambassador. (Action: EAP)

The current chargé d'affaires is a mid-level Foreign Service officer who arrived at the Embassy in August 2006. He supervises his small team of LE staff in a collegial and informal manner. Employee morale within the Embassy is good despite very cramped working space in a temporary chancery building. Transfer to a NEC is expected in January 2009.

Interagency relations at the Embassy are positive and mutually supportive. The chargé hosts a meeting of U.S. agency representatives each month. A monthly meeting appears adequate given the small official American presence in Koror and the ease of informal meetings. If the size of U.S. agency representation were to increase, more frequent country team meetings would be warranted. A National Security Decision Directive-38 request is pending for an American direct-hire position with the U.S. Department of Agriculture Rural Development program.

Interagency coordination is limited by the fact that the agency most directly charged by statute with administering COFA assistance, the Department of the Interior, has no resident representative in Koror. This makes it difficult for the chargé to be fully informed of U.S.-funded assistance programs, to factor this into the Mission Strategic Plan, or to include performance measures related to baselines, and to exercise chief of mission oversight of how U.S. assistance is utilized.

If this problem is not addressed it will lead to greater deterioration of coordination and oversight regarding COFA implementation.

Recommendation 2: The Bureau of East Asian and Pacific Affairs, in coordination with Embassy Koror, should develop and implement a plan to improve coordination with the Department of the Interior on issues of Compact of Free Association implementation. (Action: EAP, in coordination with Embassy Koror)

the U.S. elections. Local attention was focused on internal politics. However, the chargé is a very recognizable public figure and U.S. representative in Palau. There is not a week that goes by without coverage of him or his explanation of U.S. policy and positions in the three local newspapers. He is also able to get on local television whenever he deems it helpful.

CONSULAR OPERATIONS

The consular section in Koror is adequately staffed. The chargé performs consular duties with assistance from an LE staff consular assistant. The embassy receptionist backs up the consular assistant.

American Citizen Services

The chargé performs American citizen services on Tuesdays and Thursdays, and as needed. Palau authorities usually inform the Embassy of the arrest of an American citizen. In one recent case, the Embassy only found out through informal contacts about the arrest and subsequent release of an American citizen. The chargé followed up with a diplomatic note reminding the Palau Government of its obligations under the Vienna Convention.

Warden System

Embassy Koror does not have a well-developed warden system nor does it believe there is a network of wardens that are reliable. Instead, the Embassy has extensive contacts and a well-maintained database that can be used to blanket the American community with e-mail messages. The OIG team also informally recommended that the embassy Web site be used to help fill in for an underdeveloped warden network.

Nonimmigrant Visa Services

The chargé processes NIV applicants on Tuesdays on a first come, first served basis. Approved visas are returned the following workday. If consular applications, including name check responses were not delayed 6 to 8 hours by inadequate bandwidth, same day service would be possible. Most applicants are third country applicants from the Philippines or China who are Palau residents because, under the terms of the COFA, citizens of Palau do not require visas to enter the United States

MANAGEMENT OPERATIONS

Embassy Koror's management operations, with a few noted exceptions, are well-run. The chargé, an experienced management cone officer, is responsible for Embassy Koror's management operations. A staff of eight assists him, including six LE staff and two Personal Service Agreement (PSA) Plus positions, namely the American citizen management specialist and the American computer management assistant. Both have secret clearances, a real plus for this embassy with a single, direct-hire Foreign Service officer. The management specialist, who has worked at Embassy Koror for approximately 12 years, provides exceptional leadership to her relatively inexperienced staff. The recent addition of the computer management specialist has added much-needed expertise. By necessity, all of the management staff is required to know back-up roles and have the requisite cross-training. Funding levels now limit training opportunities.

With the move to the NEC, the Embassy will add three LE staff positions, namely a maintenance assistant and two guards. The staffing additions are in line with the New Office Building Staffing Statement and rightsizing exercise prepared in anticipation of the NEC. It stated that Department of the Interior's one LE staff member and U.S. Department of Agriculture's one American direct-hire and three LE staff would move to the NEC. The staffing statement reported no challenges related to duplication of services to overcome. It did, however, report that both Department of the Interior and U.S. Department of Agriculture lacked dedicated management personnel. The Department has not yet factored this shortcoming into any staffing decisions.

Embassy Koror is considering the addition of one LE staff to assist with the administration of ICASS Lite. The host government will provide additional uniformed police officers to guard the NEC.

Regional support has been adequate. Embassy Manila provides medical, financial, security, consular, and facilities support. Embassy Bangkok provides communications/systems support. Embassy Tokyo provides regional psychiatric support. Embassy Canberra, which provides human resources support, will soon relinquish responsibility to Embassy Manila. A draft memorandum of understanding between Embassy Manila and Embassy Koror spells out all support that Embassy Manila will provide, including back-up for chargé/consular services. Embassy Koror appreciates the facilities maintenance support it receives from Embassy Manila and favors the status quo over other options being discussed. Under consideration, is position-

GENERAL SERVICES AND FACILITIES MAINTENANCE

The LE general services operations assistant is responsible for the bulk of general services activities. To provide some separation of responsibility for expendable property, the computer management assistant will now be responsible for the preparing the receiving reports and conducting annual property inventories. The chauffer/maintenance person is the other member of the team. All three LE staff would benefit from training. The general services assistant lacks procurement and expendable/nonexpendable property management training. Procurement activities appear appropriate. The chargé is the contracting officer. In his absence, temporary contracting officer's warrants are issued at embassy to the chargé's replacements. Copies of the certification of appointments should be provided to the Office of the Procurement Executive. The OIG inspection team advised the Embassy to do so in the future.

Improvements are needed to strengthen control procedures for nonexpendable property. The Embassy is not preparing receiving reports and only manually prepares nonexpendable property records. More importantly, the Embassy's annual inventory procedures do not conform to prescribed Department procedures and could have resulted in inaccurate reporting. All of the office furniture and furnishings at the chancery will be disposed of when the move to the NEC is completed. This then is an opportune time for the Embassy to ensure that going forward controls over nonexpendable property are appropriate. As the draft Memorandum of Understanding with Embassy Manila provides for guidance and assistance to be provided on general services operations, Embassy Koror may wish to request help with its nonexpendable property controls. For the long term, training is necessary.

Recommendation 5: Embassy Koror should immediately improve its controls over nonexpendable property and provide training for its locally employed staff. (Action: Embassy Koror)

The chargé is the post occupational safety and health officer. The safety and occupational health program appears appropriate for this small embassy.

REAL PROPERTY

The NEC, a \$10.8 million project, is scheduled for completion in December 2008 and the move in date is scheduled for January 2009. The unclassified portion of

the NEC project has been completed and the fit-out of the CAA has commenced.
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project included minimal landscaping and grounds preparation. The NEC is being
constructed on a hill and soil erosion has already occurred. The Embassy has already
made its concerns known to the Bureau of Overseas Buildings Operations.

Since 2001, Embassy Koror occupied the former principal officer's residence
following storm and erosion damage to the former chancery. This property will be
returned to the landlord once restoration work is completed. Negotiations with the
landlord continue over the conditions of the property surrender.

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INFORMAL RECOMMENDATIONS

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

CONSULAR AFFAIRS

The Embassy does not have a strong warden system and does not use its Web site to post emergency information.

Informal Recommendation 1: Embassy Koror should revise its Internet Web site to include information that would be useful to wardens or in the event of an emergency.

MANAGEMENT

Compounding its isolation, the Embassy has neither an international voice gateway nor voice over Internet protocol. Voice over Internet protocol is inexpensive and would be a positive factor for morale.

Informal Recommendation 2: Embassy Koror should take immediate steps to install a voice over Internet protocol line.

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Informal Recommendation 3: (b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)(b) (2)

Embassy Koror's Equal Employment Opportunity counselor options and procedures are not posted.

Informal Recommendation 4: Embassy Koror should post information about the Equal Employment Opportunity counselor and procedures.

Embassy Koror lacks an LE staff handbook, a motor vehicle use policy, and other written administrative guidance.

Informal Recommendation 5: Embassy Koror should prepare written administrative guidance, including a local employee staff handbook and a motor vehicle policy.

Two U.S. Department of Agriculture LE staff are paid under the U.S. Civil Service pay schedule and not the local compensation plan.

Informal Recommendation 6: Embassy Koror should seek to convert the two United States Department of Agriculture locally employed staff to the appropriate locally employed staff grades.

Two performance evaluations and the Post Differential report are overdue.

Informal Recommendation 7: Embassy Koror should complete the two late performance evaluations and the Post Differential report and send them to the Department.

PRINCIPAL OFFICIALS

	Name	Arrival Date
Chargé d'affaires	Mark J. Bezner	August 25, 2006
Other Agencies:		
Department of Defense		
Civic Action Team	LTJG Riley Smith, U.S. Navy	April 04, 2008
U.S. Army Corps of Engineers	Paul R. Bowen	June 15, 1996
U.S. Department of Agriculture		
Natural Resource Conservation	Daniel K. Bloedel	April 20, 2008

ABBREVIATIONS

CA	Bureau of Consular Affairs
CAA	controlled access area
COFA	Compact of Free Association
EACT	enhanced alternate communications terminal
HR/OE	Office of Overseas Employment
ICASS	International Cooperative Administrative Support Services
IRM	Bureau of Information Resource Management
ISSO	information systems security officer
LE	locally employed
NEC	new embassy compound
NIV	nonimmigrant visa
OIG	Office of Inspector General
PSA	Personal Service Agreement
SMSe	Security Management System enterprise

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