



UNITED STATES DEPARTMENT OF STATE
AND THE BROADCASTING BOARD OF GOVERNORS
OFFICE OF INSPECTOR GENERAL

SEMIANNUAL REPORT TO THE CONGRESS

April 1 to September 30, 2012

Summary of OIG Accomplishments

Questioned costs

Issued during the reporting period	\$4,699,574
Management decision during the reporting period	\$28,814,801

Recommendations for funds to be put to better use

Issued during the reporting period	\$7,346,447
Management decision during the reporting period	\$124,329,189

Investigative monetary recoveries \$8,042,775

Cases opened	51
Cases closed	81
Judicial actions	13
Administrative actions	3
Contractor/grantee suspension and debarment actions	20
Hotline and complaint activity	1,193
Reports Issued:	65

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MESSAGE FROM THE DEPUTY INSPECTOR GENERAL



**Deputy Inspector General
Harold W. Geisel**

I am pleased to present to Congress the Office of Inspector General (OIG) Semiannual Report for the Department of State (Department) and the Broadcasting Board of Governors (BBG). This report covers the period ending September 30, 2012, as required by the Inspector General Act of 1978, as amended.

I often tell OIG employees that taxpayers count on us to be fact finders and truth tellers. Our responsibility requires that we tell the truth to all of our stakeholders: the Department, BBG, members of Congress, and the American public. We tell truths to ensure that U.S. Government funds are treated with the same mindfulness that taxpayers use with their own paychecks. We tell truths because we are an independent oversight entity, and our work must be objective and reliable. We tell the truth even in the most difficult of times so that we hold ourselves to the same standards of integrity and accountability that we use to measure others.

During this reporting period, OIG's findings emphasized the need for strong leadership and contract management. Assessments of leadership practices in the Department showed areas of strength and room for improvement. OIG found the Bureau of Counterterrorism's leadership to be well respected for their expertise, teamwork, and policy innovation, and mission leadership at Embassy Islamabad was exemplary in managing a series of volatile events. However, a previous recommendation issued to the Department to address leadership and management deficiencies at posts and bureaus was not adequately addressed.

OIG also found multiple deficiencies in contract administration and oversight, and our increased investigative focus on contract fraud resulted in some 20 suspensions and debarments against Department contractors and grantees during the reporting period. An audit of global climate change programs found the need for improvement in the administration and monitoring of grants, while a compliance review of trafficking-in-persons violations determined that an Embassy Riyadh contractor did not provide adequate information to its employees on its trafficking-in-persons policy, contracting practices, and labor laws. Inadequate processing to close out grants was also cited for Embassy Paris and Embassy Caracas.

As security becomes paramount in these times of rapid change, OIG's oversight of Department security programs and operations takes on increasing importance.

An audit of the Department's Border Security Program found a program structure that lacked defined roles, and not all funding decisions being made with prioritization factors. As the result of a followup review, OIG recommended that Mission Islamabad review the impact of Pakistani Government harassment of employees and obstructionism on operations and security and advise the Department on how the United States should respond. OIG determined that the Department should include this issue in high-level dialogue with the Government of Pakistan. OIG will continue to focus on areas of concern as we embark on oversight work to help rightsize missions in Iraq and Afghanistan.

OIG is driven by the opportunity for improvement, and our bottom line is to provide the clearest possible picture to those who seek it.



Harold W. Geisel
Deputy Inspector General

EXECUTIVE SUMMARY

The auditors, inspectors, investigators, and other professionals in OIG promote effective management, accountability, and positive change in the Department, BBG, and the foreign affairs community. During this reporting period, OIG issued 65 reports with recommendations to improve Department and BBG programs and operations, and identified more than \$20 million in cost efficiencies, including funds to be put to better use, questioned costs, fines, and recoveries. A full list of reports issued during this period can be found in Appendix 2 of each agency section of this report. This *Semiannual Report to the Congress* summarizes work carried out by OIG during the period April 1 through September 30, 2012. OIG addresses classified issues in the *Classified Annex to the Semiannual Report*.

AUDITS

In an audit of the Department's administration and oversight of funds dedicated to address global climate change, OIG reviewed a sample of approximately \$214 million programmed by the Department from FYs 2006–2010 for global climate change programs. OIG determined that management needed to provide greater attention to improving the administration and oversight of climate change programs. Without greater attention to the comprehensive administration and monitoring of grants and interagency acquisition agreements, the Department may not always have reasonable assurance that funds for climate change are being expended in accordance with Department policies; that the recipient performs program activities as stipulated in the awards or agreements; and that the program's indicators, goals, and objectives are being achieved. To improve the administration and oversight of climate change programs, OIG made 18 recommendations, to include ensuring that \$600,000 in Economic Support Funds awarded to the U.S. Agency for International Development is properly accounted for

OIG conducted an audit to determine to what extent the consular fees collected in support of the Department's Border Security Program were used for mission priorities and in accordance with Department guidelines. Overall, OIG found that the program did not have a centralized program management structure. In addition, the program-related roles and responsibilities were not clearly defined, funding decisions were not based on prioritization factors, and overall accomplishments were not being tracked. The lack of sufficient Department guidance on allowable border security expenditures and limited adherence to guidance increase the likelihood that improper payments could be made or that waste, fraud, or abuse could occur and not be detected. OIG made seven recommendations to improve the Department's Border Security Program.

OIG performed a compliance review to assess the Department's actions to implement the seven recommendations contained in the OIG report *Performance Evaluation of Department of State Contracts to Assess the Risk of Trafficking in Persons Violations in Four States in the Cooperation Council for the Arab States of the Gulf* (MERO-I-11-06), and to determine whether those recommendations should be closed or reissued. OIG determined that the Department had taken sufficient actions to close three of the seven recommendations. OIG reissued the other four recommendations because Embassy Abu Dhabi, Embassy Kuwait City, Embassy Muscat, and Embassy Riyadh collectively had not taken sufficient actions to require contractors to: provide workers with required employment information and Department policies; comply with local labor laws; and follow contract solicitation protocols. OIG issued a new recommendation for Embassy Riyadh to improve housing conditions for staff at Consulate General Dhahran, and two new recommendations to the Office of the Procurement Executive to clarify recently issued policies on monitoring contracts for trafficking in persons and for prohibiting contractors from retaining workers' passports.

INSPECTIONS

OIG's Office of Inspections issued reports on inspections of 7 domestic bureaus, 16 overseas missions, 16 classified annexes, 3 compliance followup reviews, and 5 special reviews. Recommendations in these reports could result in savings or funds to be put to better use of approximately \$5 million. The Office of Inspections also documented several innovative practices as a model for other embassies and bureaus to use to promote efficiency and effectiveness.

OIG inspected the Department's Bureau of Counterterrorism (CT) as well as the Bureau of Diplomatic Security, Office of Antiterrorism Assistance (DS/T/ATA). In January 2012, the Department elevated the Office of the Coordinator for Counterterrorism to its own bureau to expand the Department's capabilities in counterterrorism and to allow more effective coordination with other agencies. CT was doing a commendable job shaping and executing the Department's counterterrorism policy. OIG recommended improvements to assist CT with ongoing challenges associated with establishing itself as a bureau and implementing a major reorganization. OIG also recommended measures to enhance cooperation between CT and DS/T/ATA in managing the global Antiterrorism Assistance Program.

OIG also inspected the Office to Monitor and Combat Trafficking in Persons (J/TIP). The office led U.S. Government efforts to reduce trafficking worldwide. J/TIP's working relations within the Department had improved over the past 2 years, but fundamental tensions hindered collaboration on anti-trafficking and contributed to poor resource allocation. In executing its interagency coordination mandate, J/TIP led efforts to define objectives and to forge collaboration to improve training, awareness, and coordination.

In 2010, OIG issued a memorandum recommending that the Department devise a system to regularly assess post and bureau managers and to take appropriate measures to address leadership and management deficiencies. In 2012, OIG found that the majority of ambassadors, deputy chiefs of mission (DCM), and principal officers were doing a good to excellent job, but that shortcomings described in that 2010 memorandum persisted. OIG recommended that the Department institute a system to assess leadership and develop a Foreign Affairs Handbook on leadership and management principles.

Overseas, OIG's followup review at Embassy Islamabad noted that mission leadership deserved credit for its role in managing the fallout from a series of major events in 2011, including the assault against Osama bin Laden's compound. Embassy reporting clearly assessed realities in Pakistan and provided sober advice to Washington; however, embassy leadership needed to assess the implications of the changing relationship between the United States and Pakistan so that decisions could be made on program and operating budgets, and staffing and construction plans. Official Pakistani obstructionism and harassment of employees, an endemic problem, was impairing mission operations and program implementation and impacting security. The mission struggled to program more than \$2 billion in annual funding for development and security assistance and to manage staffing increases and housing needs. The public affairs program had initiated a creative effort to counter violent extremism, which may serve as a model elsewhere.

At Embassy Nairobi, OIG inspectors found the Ambassador had lost the respect and confidence of the staff. Of more than 80 chiefs of mission inspected in recent cycles, he ranked last for interpersonal relations and next to last on managerial skill and attention to morale. He had damaged the cohesion of the country team, set a tone that discouraged collaboration, and failed to engage key Kenyan officials. He established tasks that consumed considerable staff time but were outside priorities in the embassy's annual Mission Resource Request. His initiative to redirect nearly \$550 million in U.S. health assistance, for example, was disruptive to existing programs. The Ambassador also was reluctant to accept U.S. Government decisions concerning the safe-havening in Nairobi of families of Department employees and use of commercial email for official government business. The OIG team's recommendations addressed the embassy's leadership, communication, and morale issues.

In France, OIG inspected Mission Paris and the U.S. Missions to the United Nations Educational, Scientific, Cultural Organization (UNESCO) and the Organization for Economic Cooperation and Development (OECD). The embassy had close working relationships with French officials, and there was a new emphasis on increasing U.S. exports to France, expanding outreach to French youth, and showcasing U.S. green technology. Reporting was notable for its relevance, timeliness, and scope. OIG recommended that the embassy conduct a cost-benefit analysis to determine whether American Presence Posts were still needed, given increased access to the public through social media and centralization of many consular services.

The Ambassador of the U.S. Mission to UNESCO had enhanced the mission's visibility among UNESCO member states and strengthened U.S. influence despite the challenges associated with the October 2011 cutoff of U.S. funding in the wake of Palestinian accession. The inspectors noted weaknesses in internal controls on travel, spousal employment, and use of U.S. Government vehicles and lack of coordination and information flow between the mission and the Bureau of International Organization Affairs. OIG recommended removing language designation from three positions, which was estimated to save \$168,000.

Although the tri-mission management section did a good job of supporting Embassy Paris, USUNESCO, and USOECD, lapses in management controls had resulted in vulnerabilities in procurement, voucher, and certification processes that required immediate attention. OIG inspected Embassies Madrid and Lisbon and made recommendations to downsize a consulate, close two consular agencies, and eliminate some language-designated positions. Implementation of these recommendations could result in cost savings of more than \$1 million annually.

INVESTIGATIONS

During the reporting period, OIG investigations resulted in more than \$8 million in monetary fines and recoveries, including a \$7.5 million fine that was assessed against a Department security contractor as part of a deferred prosecution agreement with the United States Attorney's office. OIG investigations also resulted in a total of 20 suspension and debarment actions being taken against Department contractors and grantees. Additionally, the OIG Hotline processed 1,193 complaints from Department employees, contractors, grantees and members of the general public, which was an all time record high number for a semiannual reporting period. OIG also provided 21 fraud awareness presentations to approximately 1,000 Department and BBG employees during the reporting period.

BROADCASTING BOARD OF GOVERNORS

OIG performed three inspections and one compliance followup review of BBG operations during this reporting period.

Radio Free Europe/Radio Liberty (RFE/RL) Prague was facing budget challenges, resource pressures, and organizational restructuring that was adversely affecting staff morale. RFE/RL's language services had adopted new ways to reach audiences, including using the Internet, social media, and input from audience members acting as citizen journalists. Its technology division was creative and a source of cost-saving innovations. Senior management was appropriately focused on operational issues

and morale. OIG made recommendations to improve communication, security, and emergency preparedness.

OIG's followup review of BBG operations in Thailand found that they were run well, despite uncertainties about the future of the transmitting station in Udorn. BBG headquarters was still conducting a strategic review of its operating and distribution platforms, the results of which would directly affect operations in Thailand.

OIG found no serious management problems at the Voice of America Nairobi News Bureau. Security at the facility met standards. The BBG Office of Security was scheduled to visit shortly after the OIG inspection to complete upgrades. OIG made recommendations to improve administrative support and to strengthen management controls.

The director of the International Broadcasting Bureau's (IBB) Regional Office of Marketing and Program Placement in Prague, Czech Republic (OMPP-Prague) provided strong organizational direction to a dedicated staff. Located in the headquarters of RFE/RL, OMPP-Prague maintained a good relationship with RFE/RL and worked closely on affiliate lease agreements and with Embassy Prague, from which it received reliable administrative support. OMPP-Prague had good internal controls and administrative procedures. OMPP-Prague's location near the affiliates allowed the office and its satellite marketing contractors to observe and recognize emerging consumer and media trends.



**DEPARTMENT
OF
STATE**

OFFICE OF AUDITS

CONTRACTS AND GRANTS

Audit of Contracting Officers Exceeding Delegated Procurement Authority for Overseas Contracts (AUD-CG-12-33)

This audit, conducted by an independent public accountant, was to determine the extent to which contracting officers (CO) were exceeding their delegated procurement authority for the award of overseas contracts. This audit was performed as a result of a control deficiency identified during the audit of the Department's FY 2010 financial statements. This report was issued after the March 2012 OIG report *Audit of Contracting Officers Exceeding Delegated Procurement Authority* (AUD/CG-12-26), which focused on domestic contract actions.

Overall, COs issued contracts overseas in compliance with the limits of their delegated warrant authorities. From a sample of 105 overseas contract actions, totaling approximately \$125 million, entered into by the Department for FYs 2008–2010, the public accountant found only three actions for which the Department was unable to provide sufficient evidence to demonstrate that the signing official had the appropriate warrant authority or that an approved waiver had been received. Internal controls were not in place to identify these unauthorized commitments and to periodically compare overseas contract actions with the COs' warranted authority.

The independent public accountant made recommendations that focused on complying with Federal and Department regulations and authorities governing the limits of contractor warrant authority and on improving internal controls related to overseas contract award actions.

Review of Costs Charged to Iraq Democracy-Building Grants Awarded to the International Republican Institute During FYs 2004-2010 (AUD-CG-12-35)

An independent public accountant determined the eligibility of costs for eight grants, totaling \$130.7 million, awarded by the Department to the International Republican Institute (IRI) during FYs 2004–2010 to provide democracy-building programs throughout Iraq.

The public accountant found that direct costs charged to the grants were reasonable for the purpose of conducting the programs but that indirect costs were overcharged by \$260,648 because excess security costs were included in the overhead base. Also,

for most of the period stated, the allocation of security contract costs between the grants was not supported by a method that could be verified. Consequently, four of the eight grants exceeded their respective award budgets by \$4,589,952. However, IRI, since January 2010, had discontinued the practice that led to the improper allocation of security costs. Therefore, the public accountant believed IRI had adopted a consistent basis for allocating security costs to future programs. The public accountant also identified instances of noncompliance with Federal procurement and property standards. For example, IRI did not obtain prior approval from the grants officer for the purchase and disposition of vehicles acquired at a cost of \$689,500 under one of IRI's security contracts.

The public accountant made recommendations to address the weaknesses noted and requested that the grants officer for the eight IRI grants question as ineligible the \$260,648 in excess security costs.

Audit of Bureau of Oceans and International Environmental and Scientific Affairs Administration and Oversight of Funds Dedicated To Address Global Climate Change (AUD-CG-12-40)

OIG found areas that require greater management attention to improve Bureau of Oceans and International Environmental and Scientific Affairs (OES) administration and oversight of climate change programs. Specifically, OES did not always follow guidance on how to execute data quality assessments to ensure the accuracy of data used to report and support programmatic results and on how to manage and monitor climate change grants and interagency acquisition agreements.

OIG made recommendations to improve the administration and oversight of climate change programs, which included a recommendation that \$600,000 in Economic Support Funds transferred to the U.S. Agency for International Development (USAID) should be properly accounted for.

In addition, OES did not always administer interagency acquisition agreements in accordance with applicable Federal regulations and Department policy. Specifically, OIG recommended that the Office of the Procurement Executive develop and issue standardized Department policies and procedures for the administration, review, and approval of interagency acquisition agreements and interagency agreements. OIG expanded its recommendations to include solutions that may potentially impact policies and procedures Department-wide and ensure that Department officials are aware of the requirements for both types of agreements.

FINANCIAL MANAGEMENT

Independent Auditor's Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2011 and 2010 Financial Statements (AUD/FM-12-37)

OIG's independent external auditor issued an unqualified opinion on the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC), annual financial statements as of and for the years ended September 30, 2011 and 2010. The independent external auditor did not identify any material weaknesses related to internal control or reportable instances of noncompliance.

OIG did not agree with the conclusions reached by the independent external auditor on USIBWC's accounting treatment of estimated costs to comply with court orders to bring a wastewater treatment plant into compliance with environmental requirements. USIBWC chose to report this estimate as an environmental liability on the Consolidated Balance Sheet and as a negative expense, which reflects the amount spent on the project during the year, on the Consolidated Statement of Net Cost. OIG concluded that this accounting treatment departed from generally accepted accounting principles. Because of the dollar magnitude of the transactions in FY 2010, OIG believes that USIBWC's 2010 financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and costs of operations. Under these circumstances, auditing standards prescribe an adverse opinion for USIBWC's 2010 financial statements. The dollar magnitude of the transactions in 2011 was not significant to USIBWC's financial statements.

In addition, the external auditor reported three significant deficiencies related to financial reporting, real property, and contract accruals. OIG did not agree with the external auditor's decision to report the weaknesses related to real property as a significant deficiency. For consolidated financial statement reporting purposes, USIBWC financial information is included in the Department's financial statements. During the audit of the Department's 2011 financial statements, the Department's financial statement auditor identified a significant, multiyear improvement project constructed by another entity on behalf of USIBWC, which understated USIBWC's real property on its Consolidated Balance Sheet. As a result, USIBWC restated its 2010 financial statements and updated its 2011 financial data to reflect this project. To be in compliance with auditing standards, OIG concluded that the internal control deficiencies in USIBWC's real property processes should have been reported as a material weakness, not as a significant deficiency.

Management Letter Related to the Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2011 and 2010 Financial Statements (AUD/FM-12-38)

During the audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2011 and 2010 financial statements, an independent external auditor identified internal control weaknesses or instances of noncompliance with selected provisions of applicable laws and regulations relating to property, plant, and equipment; unliquidated obligations; payroll; earned revenue; environmental liabilities; the Federal Employees' Compensation Act; deferred maintenance; prompt payment; segregation of duties; and information technology security. The auditor recommended that USIBWC take appropriate actions to address these weaknesses.

Audit of Department of State Use of Consular Fees Collected in Support of the Border Security Program (AUD-FM-12-39)

The Department did not have a centralized program management structure for the Border Security Program. Although the Bureau of Consular Affairs (CA) was considered the lead bureau for the program, it did not exercise authority to oversee all aspects of the program. In addition, program-related roles and responsibilities were not clearly defined, funding decisions were not based on prioritization factors, and overall accomplishments were not being tracked. Also, the Department did not have sufficient guidance on the use of the funds and did not have an adequate process in place to monitor program expenditures.

In addition, OIG could not determine whether the Department was using border security funds in accordance with mission priorities and could not ensure that some border security funds were used in accordance with Department guidance.

For the expenditures it was able to test, OIG found that the border security funds were generally being used for consular-related activities but that some expenditures were made for items that did not comply with CA guidelines or other approved financial instructions. Specifically, post expenditures totaling approximately \$166,000 were not made in accordance with formal guidance and had not been approved, domestic CA expenditures totaling about \$280 million were not spent in accordance with CA guidelines or lacked sufficient documentation to determine how the funds were used, and domestic Bureau of Diplomatic Security (DS) expenditures totaling approximately \$3.4 million were not in compliance with DS spending plans.

Finally, although all of the individuals filling overseas positions funded with border security funds were performing consular work, of the 57 consular positions tested that were not funded by the program, 55 individuals were performing work similar to individuals in positions that were funded by the Border Security Program.

OIG made recommendations for CA to improve the program management structure of the Border Security Program. OIG also recommended that DS refund \$2.1 million erroneously charged to the Border Security Program.

INFORMATION TECHNOLOGY

Audit of Department of State Access Controls for Major Applications (AUD/IT-12-44)

OIG audited logical access controls on the major applications and databases that store sensitive information within the Department. Logical access controls are intended to provide assurance that only authorized users access system data and programs.

OIG found that the Department had made overall progress toward implementing effective logical access controls for major applications. However, OIG found weaknesses in application and related databases both domestically and at overseas posts. Weaknesses in logical access controls render sensitive information vulnerable to compromise, jeopardizing the confidentiality, integrity, and availability of the stored and processed information.

OIG made recommendations to enhance the security posture of the Department's major applications.

MIDDLE EAST REGION OPERATIONS

Evaluation of the Antiterrorism Assistance Program for Countries Under the Bureaus of Near Eastern Affairs and South and Central Asian Affairs (AUD/MERO-12-29)

In 1983, Congress authorized the Department's Antiterrorism Assistance (ATA) program to enhance the ability of foreign countries' law enforcement to deter terrorists from engaging in international terrorist acts. From FYs 2002-2010, the Department provided more than \$873 million to the Bureau of Counterterrorism (CT) and the Bureau of Diplomatic Security's Office of Antiterrorism Assistance (DS/T/ATA) for ATA programs in 22 countries in North Africa, the Middle East, Central Asia, and South Asia.

In FY 2010, the ATA program trained 2,700 participants from the 22 countries at a cost of \$1,800 per student per day of training. However, program effectiveness could not be determined because specific, measurable, and outcome-oriented objectives had not been determined and an evaluating mechanism had not been implemented.

Also, DS/T/ATA and CT were not consulting the Bureau of Democracy, Human Rights, and Labor when selecting partner countries or determining the assistance to be provided to those countries. As a result, there was no assurance the ATA program was achieving its statutory purposes or that the program was successful. Further, DS/T/ATA could not determine when countries could sustain their own ATA programs without U.S. support.

In addition, OIG found 6,700 pieces of equipment, valued at \$1.5 million, that ATA had purchased for the Iraq program but had stored in a Northern Virginia warehouse for 21 months as of December 31, 2011.

OIG made recommendations for the Department to establish a program monitoring and evaluation system to determine program effectiveness; standardize the reporting process for in-country oversight of training contracts; and review the types of remaining equipment stored in the warehouse, evaluate the equipment's utility, and determine an appropriate disposition of the equipment.

Evaluation of Invoices and Payments for the Embassy Baghdad Operations and Maintenance Contract (AUD/MERO-12-43)

OIG conducted a review of the Embassy Baghdad operations and maintenance contract awarded to the contractor Pacific Architects and Engineers (PAE) to determine whether the Department paid PAE in accordance with authoritative guidance and contract terms and conditions.

OIG determined that the contracting officer's representative (COR) approved 86 contractor invoices, totaling about \$4.4 million, that included unallowable and unsupported costs and costs for goods not delivered. As a result, the Department paid the contractor at least \$2.7 million for costs not authorized and for goods not provided.

OIG made recommendations for the Department to recover the costs for unallowable and undelivered goods and services, to institute a mechanism to ensure that CORs follow Departmental requirements for approving and certifying the payment of invoices, and to conduct a comprehensive review of all invoices to determine whether additional costs should be recovered. OIG further recommended that the Department undertake a review and, if warranted, take appropriate administrative actions against the CORs who did not follow appropriate Federal and Departmental guidance concerning contractor invoice certification and approval.

Evaluation of the Local Guard Force Contract for Embassy Islamabad and Consulates General Karachi, Lahore, and Peshawar (AUD-MERO-12-46)

OIG determined that the U.S. Mission Pakistan local guard force contractor did not provide Department-approved replacement guards during a labor strike in Islamabad in June 2011. The strike posed a security risk because the contractor did not have

a contingency plan to replace the guards on strike and therefore used unapproved guards to cover the guard posts. In addition, the Department did not provide oversight necessary to ensure that the contractor provided adequate training in some required skills. OIG also found that the contractor did not enroll all of its guards in the Employees' Old-Age Benefits Institution, a Pakistani retirement program, as required by contract terms and conditions. OIG found no errors during its review of contractor invoices, thereby concluding that the Department had properly functioning internal controls in place to help ensure that invoices were accurate and supported with appropriate documentation.

OIG made a recommendation to ensure improvement of program management reviews of local guard force contracts. OIG also made a recommendation to ensure that all guards were enrolled in the Pakistani retirement program and to properly credit amounts already withheld from the guards for that enrollment.

Compliance Followup Review of Department of State Actions To Reduce the Risk of Trafficking in Persons Violations in Four States in the Cooperation Council for the Arab States of the Gulf (AUD-MERO-12-47)

This review focused on the Department's compliance with the seven recommendations contained in OIG's January 2011 report *Performance Evaluation of Department of State Actions To Assess the Risk of Trafficking in Persons Violations in Four States in the Cooperation Council for the Arab States of the Gulf* (MERO-I-11-06).

OIG determined the Department had taken sufficient actions to close three of the recommendations, finding that embassies had obtained and transmitted country-specific passport retention laws to their respective contractors; improved the living conditions for gardeners in Riyadh, Saudi Arabia; and developed guidance and training for monitoring contracts for potential trafficking-in-persons (TIP) violations.

OIG reissued recommendations related to contractor passport retention and payroll practices and to contractor compliance with labor standards. However, OIG issued three new recommendations related to housing for janitors in Dhahran, Saudi Arabia, and to the clarification of guidance for monitoring contracts for potential TIP violations.

SECURITY AND INTELLIGENCE

Limited-Scope Audit of Department of State Management of the Afghanistan Civilian Uplift (AUD-SI-12-36)

The Bureau of South and Central Asian Affairs used restricted funds, which were designated to support operations and security requirements for Afghanistan,

Pakistan, and Iraq and certain global activities, to reimburse the payroll costs of civilian uplift personnel who had left Afghanistan and were transitioning to their next assignments. The Department also did not implement an account structure to budget and account for expenditures made from supplemental appropriations of \$116.5 million received in June 2009 that was designated for security programs in Afghanistan. Without a designated country code for Afghanistan, the Department could not verify that the supplemental funds were available, expended, or used for their intended purpose. After OIG's fieldwork, the Department did establish a new mechanism to track and account for security costs for Afghanistan and other front-line states (countries near armed conflicts). In addition, the Department's Afghanistan civilian staffing complement was not always accurate, complete, or updated, as required by Departmental guidance, which could have increased the risk that civilian personnel in Afghanistan might not be properly accounted for in the event of an emergency evacuation. Department officials stated that the Department's tracking database was being perfected so that these personnel could be tracked accurately.

OIG made recommendations for the Department to improve the accounting, management, and reporting of Afghanistan civilian uplift costs specific to payroll operations and security costs and funds control.

Outline for Action: Physical Security Concerns at Embassy Berlin (AUD/SI-12-48) and Outline for Action: Physical Security Concerns at Embassy Quito (AUD/SI-12-49)

As part of an overall audit of the Department's compliance with physical security standards and measures at overseas posts, OIG conducted physical security surveys at Embassy Berlin and Embassy Quito to determine the embassies' compliance with current standards. OIG identified physical security areas that require the embassies' immediate attention and made recommendations for the embassies to enhance their respective security posture.

Nonfederal Audits of Nonprofit Institutions

Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, establishes audit requirements for specified entities receiving Federal awards. Public accounting firms employed by nonfederal entities conduct the audits. The firms file these single audit reports with the Federal Audit Clearinghouse, and OIG reviews audit reports involving Department and BBG funds and provides quality assurance and general oversight.

OIG conducted its reviews using the Council of Inspectors General on Integrity and Efficiency *Guide for Desk Reviews of OMB Circular A-133 Audit Reports*. The objectives of the review were to determine whether the audit reports met applicable reporting standards and reporting requirements of OMB Circular A-133 and to identify issues that require management's attention. During this reporting period, OIG completed 17 analytical desk reviews of single audits for 12 entities as follows:

- *American Councils for International Education for FY 2011*
- *American Institute in Taiwan for FY 2010 and FY 2011*
- *Counterpart International, Inc., for FY 2010*
- *Institute of International Education, Inc., and Affiliate for FY 2010 and FY 2011*
- *International Medical Corps for FY 2011*
- *International Republican Institute for FY 2011*
- *International Rescue Committee, Inc., for FY 2011*
- *International Research and Exchanges Board, Inc., for FY 2011*
- *Middle East Broadcasting Networks, Inc., for FY 2010 and FY 2011**
- *National Democratic Institute for International Affairs for FY 2011*
- *National Endowment for Democracy for FY 2010 and FY 2011*
- *Radio Free Europe/Radio Free Liberty, Inc., and Subsidiary for FY 2010 and FY 2011**

* *Reviews conducted for the Broadcasting Board of Governors*

OFFICE OF INSPECTIONS

DOMESTIC INSPECTIONS

Inspection of the Bureau of Consular Affairs, Directorate of Overseas Citizens Services, Office of Children's Issues, Office of Policy Review and Interagency Liaison, and the Planning, Programs, and Systems Liaison Division
(ISP-I-12-21)

OIG conducted an inspection of the Bureau of Consular Affairs, Directorate of Overseas Citizens Services (CA/OCS), focusing on the Office of Children's Issues (CI); the Office of Policy Review and Interagency Liaison (PRI); and the Planning, Programs, and Systems Liaison division (P). Overall, CA/OCS was successfully providing policy guidance, training, and support to posts, parents, and others engaged in stressful and emotional international adoptions and abductions. The directorate had revamped its duty and task force system to make it more effective and better able to react in a crisis. In addition, the Secretary's special advisor on children's issues was effectively promoting U.S. interests in international and domestic fora; however, the directorate faced some internal operating issues. CI had more than tripled in size in less than 4 years, resulting in overcrowding, outdated standard operating procedures, inadequate training, and lack of direction for outreach efforts. Similarly, PRI struggled to keep pace with increasing demand for its expert legal advice. Weak workload management, ad hoc coordination among PRI attorneys and their counterparts, and flawed management of the crime victim assistance program exacerbated the problem. P, a relatively new CA/OCS division, suffered from broad customer dissatisfaction, indicating a need for better management and communication and for consolidating the operational responsibility for financial controls for all OCS within P.

OIG made recommendations to address the office's management, communication, and training issues. The inspectors also made recommendations to address security problems at the current CA/OCS location until the office relocates to the new annex building in 2013.

INNOVATIVE PRACTICE: Duty Teams

Issue: The inspection of the Bureau of Consular Affairs, Overseas Citizens Services, Office of American Citizens Services and Crisis Management, in Spring 2011, identified the duty and task force systems in OCS as an area of weakness. Although participation was required, duty and task force assignments were not consistently tracked, and there was a perception that some employees successfully avoided them. The system of multiple duty officers to cover different time slots for a week at a time was confusing and onerous.

Response: CA/OCS convened a working group and developed a team approach to duty. There are 12 duty teams consisting of 7 to 8 members and 2 duty directors. Members are drawn from a mix of divisions and branches within CA/OCS. The teams serve for 1 week and rotate on Wednesdays. They field calls from 5:00 p.m. to 8:15 a.m. on weekdays and for 24 hours on weekends and Federal holidays. One team member is designated as on call on any one night. All team members have BlackBerry devices with the same number, but only the on-call member turns the BlackBerry on for that evening. This arrangement provides a single contact number for the Operations Center and the National Contact Center and avoids passing on a single duty phone on a daily basis.

Result: In the event of an emergency requiring the entire team, the duty director contacts each team member directly. This process enables the duty team to instantly transition to a mini crisis task force and carry on until, or if, a full-scale task force is established.

Inspection of the Bureau of Information Resource Management, Systems and Integration Office (ISP-I-12-30)

The Systems and Integration Office (SIO) had a management team that, for the most part, effectively dispatched its duties. SIO senior leadership had made a concerted effort to promulgate a cohesive mission statement to direct the activities of the office. The inspectors noted that SIO's implementation of cloud computing did not fulfill the essential characteristics of the National Institute of Standards and Technology model; that SIO management had not enforced use of the systems development lifecycle process and methodology; and that SIO had not addressed the consequences of the Department's expanded use of SharePoint beyond its intended purpose as a collaborative tool, with some using the application to conduct daily business and support key political and military events.

SIO needed to improve communication in all areas of its business; implement adequate controls and procedures to monitor its multiyear contracts totaling more than \$182 million; clearly define its internal inventory process for managing and

tracking; and delineate the role and organizational placement of the Program Management Office and function, as well as standardize the use of terminology referring to office activities. In addition, SIO management needed to begin working on a formal plan for the transition of the payroll support function to the Bureau of Resource Management¹. OIG made recommendations to address these issues.

Inspection of the Bureau of Diplomatic Security, Office of Antiterrorism Assistance (ISP-I-12-31)

The Bureau of Diplomatic Security's Office of Antiterrorism Assistance (DS/T/ATA) administers the Antiterrorism Assistance Program to train civilian security and law enforcement personnel in police procedures to counter terrorism. Since its inception in 1983, the program has trained more than 84,000 students from 154 countries. Feedback from embassies and Department officials regarding the quality and appropriateness of these courses was positive.

OIG noted a strained relationship between DS/T/ATA and the Bureau of Counterterrorism regarding their respective responsibilities in managing the Antiterrorism Assistance Program. Although past memoranda of agreement had attempted to delineate these responsibilities, ambiguities still existed, and some provisions of the current agreement were not being followed.

OIG also noted a lack of continuity in DS/T/ATA leadership positions that adversely affected management of the office; the perception among Civil Service employees that Foreign Service special agents received preferential treatment; lack of project manager training among new division chiefs, branch managers, and program/project managers; inadequate communication and coordination among the five DS/T/ATA divisions; and serious deficiencies with the accountability for some U.S. Government property. OIG made recommendations to address these issues.

Inspection of the Bureau of Counterterrorism (ISP-I-12-32A)

In January 2012, the Department elevated the Office of the Coordinator for Counterterrorism to its own bureau, the Bureau of Counterterrorism (CT), to expand the Department's capabilities in counterterrorism and to allow more effective coordination with other agencies, including the Departments of Defense, Justice, and Homeland Security, as well as the intelligence community. CT was doing a commendable job in shaping and executing the Department's counterterrorism policy. OIG found the bureau's leaders to be highly regarded in the Department and the interagency community for their expertise, teamwork, and policy innovation.

¹ In July 2012, the Bureau of Resource Management restructured into the Bureau of the Comptroller and Global Financial Services and the Bureau of Budget and Planning.

Still, CT faced ongoing challenges associated with establishing itself as a bureau and was implementing a major reorganization that entailed creating an executive office and adding staff, particularly in program management, and to provide needed reinforcement to hard-pressed units.

To assist in this effort, OIG recommended that CT continue to make executive office staffing a high priority; adjust the allocation of some of its newly approved direct-hire positions; clarify the roles of offices and individuals under the reorganization plan; increase communication with bureau staff; improve management of foreign assistance programs; enhance cooperation with DS/T/ATA in managing the global antiterrorism training assistance program; and take direct control of the total funding for its Regional Strategic Initiative.

Inspection of the Office to Monitor and Combat Trafficking in Persons (ISP-I-12-37)

The Ambassador at Large and the staff of the Office to Monitor and Combat Trafficking in Persons (J/TIP) led U.S. Government efforts to raise anti-trafficking visibility worldwide and to help countries monitor and combat trafficking in persons. Although J/TIP's working relations within the Department had improved over the past 2 years, fundamental tensions remained that hindered Department collaboration on anti-trafficking goals and contributed to poor resource allocation. In executing its interagency coordination mandate, J/TIP had energized and provided needed direction to the interagency Senior Policy Operating Group (SPOG) on trafficking in persons. It also led interagency efforts to identify broad antitrafficking objectives and forged interagency collaboration to improve training, awareness, and coordination.

The tier ranking system of the Trafficking Victims Protection Act (TVPA) of 2000, as amended, was not well understood outside of J/TIP, and implementation of the law lacked flexibility, which contributed to differences in interpretation among posts, regional bureaus, and J/TIP. This lack of understanding caused confusion or pique on the part of countries being evaluated, jeopardizing other bilateral objectives. Funding for grants to assist poor countries making insufficient antitrafficking progress had been cut significantly at a time when U.S. leadership continued to elevate worldwide trafficking awareness. However, J/TIP had revamped its annual competitive grants review and selection process by linking awards to global anti-trafficking assistance priorities and streamlining the process, which resulted in an innovative practice worthy of adoption elsewhere. Because of a rapid staff increase, reorganization, and staff turnover, J/TIP faced leadership and management challenges such as internal communications, work prioritization, resource planning, and training, as well as insufficient staffing to support the annual Trafficking-in-Persons report drafting seasons. OIG made recommendations to address these management and process challenges.

Review of the Department of State's Shuttle Bus Fleet Operations (ISP-I-12-50)

OIG conducted a review of how the Fleet Management and Operations Division (FMO) managed scheduled and unscheduled maintenance for the Department's shuttle bus fleet. The OIG review determined that FMO provided a satisfactory level of routine maintenance services for the Department's bus fleet but did not always act on nonroutine mechanical problems in a timely manner.

OIG made recommendations to address FMO's organizational, management, and process deficiencies, including FMO's interaction with the General Services Administration, and its inadequate record-keeping system. OIG also recommended a review of the demands on the shuttle bus system to determine the cost effectiveness of leasing vehicles from the General Services Administration or through a commercial company.

Support for Department Employees Serving in Afghanistan, Iraq, and Pakistan (ISP-I-12-49)

In the course of analyzing issues concerning families of employees serving in Afghanistan, Iraq, and Pakistan (AIP), OIG noted two areas for improvement for the program. First, there were no guidelines directed to post management on standard post support responsibilities to safe-havened families. Second, guidance for AIP bidders and their families was excellent but not easily available to potential bidders early enough in the bid process.

OIG recommended that clear guidelines be disseminated to post management on support for AIP families and that information provided to potential AIP bidders and their families be sent earlier in the bidding process.

Assessment of the Department of State's Motor Vehicle Fleet (ISP-I-12-51)

The Department's motor vehicle fleets consisted of approximately 14,000 vehicles, with an acquisition cost of more than \$867 million. Reported costs per mile driven for Department motor vehicles had increased over the past decade and were the highest among Federal cabinet agencies.

Since 2005, the Department has taken some steps to improve vehicle fleet management, including creating an internal fleet management council, instituting vehicle allocation methodology studies and fleet management plans for the domestic fleets, and implementing a fleet management information system to collect fleet data. The Bureau of Administration's domestic Fleet Management Office division also has implemented General Services Administration fleet management best practices, resulting in relatively stable domestic fleet levels.

However, the Department was not in compliance with the Federal Management Regulation, which requires agencies to collect and report information on mileage,

fuel use, and maintenance costs for each vehicle in the fleet. In addition, the available motor vehicle fleet utilization data was incomplete and not fully reliable. For example, 45 percent of overseas vehicles did not have required utilization reports completed for FY 2011. Without this basic data, the Department could not document whether it needs such a large overseas fleet. Other deficiencies include outdated criteria for allocating and replacing motor vehicles according to life-cycle replacement needs; lack of standardized procedures and practices among bureaus to fund and procure vehicles for overseas use; and lack of Department enforcement of the requirement for overseas missions to conduct annual reviews of their fleet composition and size. OIG made recommendations to address these issues.

INNOVATIVE PRACTICE: Centralized Procurement of Right-Hand-Drive Vehicles

Issue: The Department's general practice is to require the purchase of American-manufactured vehicles whenever possible, consistent with the Buy American Act, 41 U.S.C. 8301 et seq. There are 74 countries that use right-hand-drive vehicles. In countries where local conditions require purchase of right-hand-drive vehicles or where American-manufactured vehicles cannot be serviced, the Department issues waivers to permit purchases of foreign vehicles. Overseas missions are responsible for subsequent purchases.

Response: The Bureau of Administration's Motor Vehicle branch has set up a pilot program with the General Services Administration to facilitate the centralized procurement of right-hand-drive vehicles at a substantial discount over the commercial rate for such vehicles.

Result: This process will significantly streamline the contracting and acquisition timeframes for vehicle purchases and likely lead to substantial discounts for the U.S. Government. This program also will allow the manufacturer's vehicle warranty to be extended to vehicles sent overseas, potentially reducing repair costs and facilitating repair of vehicles under warranty. Contracting officers also will save time and money by procuring these vehicles from a single Department source.

Memorandum Report on Improving Leadership at Posts and Bureaus (ISP-I-12-48)

In 2010, OIG issued a memorandum recommending that the Department devise and implement a feedback system to regularly assess post and bureau managers and to take appropriate measures to address and correct post and bureau leadership and management deficiencies. The memorandum noted that while a majority of inspected posts and bureaus were well run, leadership in a small but significant minority needed to be strengthened because such leadership deficiencies resulted in reduced productivity, low morale, and stress-related curtailments.

OIG's review of FY 2012 inspections found that even though the majority of ambassadors, DCMs, and principal officers were doing a good to excellent job, the situation described in that 2010 memorandum persisted. OIG made recommendations to the Department to institute a system to assess and follow up on the performance of leadership and to develop a Foreign Affairs Handbook on leadership and management principles.

Inspection of the American Institute in Taiwan/Washington (ISP-I-12-47)

The American Institute in Taiwan (AIT) is a nonprofit organization founded in accordance with the 1979 Taiwan Relations Act and overseen by the Department. AIT's status as both a nonprofit organization and a Department instrumentality produced tension and inconsistency in the operational relationship among the Department, AIT's offices in the United States (AIT/Washington) and Taiwan (AIT/Taiwan), and other U.S. Government agencies. Although AIT/Washington's contract stipulates that it follow Department direction, and the 1979 Taiwan Relations Act gives the Department authority to preempt any conflicting state or District of Columbia law or regulation, AIT/Washington has periodically invoked its corporate status under District of Columbia law as justification for not conforming to Department regulations.

The Bureau of East Asian and Pacific Affairs and other Department offices tasked with oversight of AIT had failed to meet their contractual responsibilities, particularly with respect to policy and financial management. Bureau of East Asian and Pacific Affairs managers have not fully appreciated their authority over AIT/Washington and had instead treated it as an independent entity.

The contract with AIT, which entered into force in April 2012, did not reflect Department needs and priorities and lacked the specificity and detail to enable appropriate Department oversight. Furthermore, the Department had not adapted its relationship with AIT to reflect the 2002 amendment to the Foreign Service Act, which allowed the assignment of active-duty U.S. Government employees to AIT. Consequently, AIT/Washington contractors continued to perform inherently U.S. Governmental functions.

The AIT board of trustees had not met its statutory responsibilities. Detached from the policy environment and the management of AIT, the board needed to be reformed and reinvigorated. OIG made recommendations to address this and the above issues.

Inspection of the Bureau of Administration, Global Information Services, Office of Information Programs and Services (ISP-I-12-54)

The Bureau of Administration, Global Information Services, Office of Information Programs and Services (IPS) is responsible primarily for managing the Freedom of Information Act and declassification programs, administering the Privacy Act, and conducting records management. IPS was carrying out its declassification duties well due, in part, to hiring experienced retirees to handle much of the work. However, OIG found leadership and management practices that contributed to low morale, poor communication, and weak management controls indicative of office-wide leadership and management deficiencies.

Lack of cooperation from the Department and weak internal procedures hampered IPS performance of its duties. In addition, the absence of a sound process to develop IPS information systems led to delayed and flawed deployment of the key software for managing cases, which resulted in significant backlogs.

IPS records management practices did not meet statutory and regulatory requirements, and unclear lines of authority in the Privacy division hindered its ability to fulfill its mandated responsibilities. Furthermore, the Bureau of Administration's plans to consolidate information technology and resource management under IPS for all of Global Information Services needed careful review and better planning. OIG made recommendations to address these and the above issues.

Closing out Grants

OIG continues to find problems with grant close out procedures. At Embassy Paris and the U.S. Mission to UNESCO, grants officers did not maintain adequate files, monitor grants, or close out grants. Embassy Caracas did not request that recipients provide final reports needed to close out grants. In the last reporting period, OIG found the Bureau for Educational and Cultural Affairs (ECA) had not closed out more than 100 grants that could result in \$4 million in recoveries. In response to OIG recommendations, the Office of the Procurement Executive pointed ECA to an updated policy allowing the close out of grants before indirect cost rate disputes are resolved. ECA expected to close out all 500 of its outstanding grants by October 30, 2012. The Office of the Procurement Executive is also revising policies on steps a grants officer must take when the recipient will not provide final reports under the award.

OVERSEAS MISSIONS

Bureau of African Affairs

Inspection of Embassy Nairobi, Kenya (ISP-I-12-38A)

The Ambassador at Embassy Nairobi had lost the respect and confidence of the staff to lead the mission. Of more than 80 chiefs of mission inspected in recent cycles, he ranked last for interpersonal relations and next to last on both managerial skill and attention to morale. The Ambassador had damaged the cohesion of Embassy Nairobi's country team, set a tone that discouraged collaboration, and failed to engage key Kenyan officials. He established tasks that consumed considerable staff time but were outside priorities in the embassy's annual Mission Resource Request. His initiative to redirect programming for nearly \$550 million in U.S. health assistance was disruptive and created confusion about its relationship to existing programs and, moreover, his unfunded program had unrealistic goals. The Ambassador also was reluctant to accept clear-cut U.S. Government decisions concerning the safe-havening in Nairobi of families of Department employees and use of commercial email for official government business. Despite these issues, the embassy was able to function effectively, operating below the Ambassador's radar under the leadership of a competent DCM.

OIG made recommendations to address the embassy's leadership, communication, and morale issues. OIG also recommended that the embassy focus reporting on the forthcoming March 2013 election, strengthen public diplomacy efforts, and extend assignments to Nairobi to 3 years from 2, which would achieve cost savings of more than \$1.3 million annually.

INNOVATIVE PRACTICE: Rotating a Collection of Books and Videos Among Universities

Issue: Local students needed access to good materials on business management, entrepreneurship, public speaking, women's issues, and youth empowerment, but the American Reference Center's suburban Nairobi location was inconvenient for use by large numbers of students.

Response: The American Reference Center created a rotating collection of 200 books and videos tied to specific courses or curricula that it lends to universities for a semester or two for use by students and professors in their classes.

Result: The books and materials receive short-term, intensive use in a succession of locations. The initial launch of the collection at Kenya Polytechnic University garnered positive publicity, strengthened the center's partnership with the university, and provided a programming platform. The program has proven so popular with the Polytechnic University that three other universities signed up to receive the collection in turn.

Inspection of the Somalia Unit, Embassy Nairobi, Kenya (ISP-I-12-39)

In its first year as an independent entity, the Somalia Unit had done an excellent job providing information on developments in Somalia and suggesting policy initiatives to Washington. The unit's reporting had been ample and well-sourced, but needed to provide Washington with more analysis of potential security and political risks. The unit also needed to facilitate a more collaborative partnership with Embassy Nairobi on issues involving both Kenya and Somalia. The Somalia Unit was diligent in overseeing a large assistance program without a presence in the country, but there were vulnerabilities involving the cash assistance program that pays Transitional Federal Government forces. The Department's lengthy travel approval process for Somalia had prevented U.S. participation in key multilateral decisions.

OIG made recommendations to the Somalia Unit that included facilitating a more collaborative partnership with Embassy Nairobi, addressing the vulnerabilities in paying the Transitional Federal Government forces, and assessing procedures for travel to Somalia.

Inspection of Embassy Lusaka, Zambia (ISP-I-12-41A)

The Ambassador effectively managed a productive interagency process at Embassy Lusaka, including coordination of a five-agency, \$400 million-plus annual health initiative. The mission's top strategic priority was supporting democracy and good governance in Zambia, but this priority had not been reflected in U.S. assistance levels. A Millennium Challenge compact, expected to bring additional staff and \$355 million for the next 5 years, would challenge mission management to maintain an already high work tempo while paying due attention to staff morale. Undisbursed President's Emergency Fund for AIDS Relief (PEPFAR) funding was estimated at nearly \$300 million, but Washington was taking remedial steps. The mission needed to improve inventory controls, develop a plan to accommodate planned growth, and make more efficient use of its government-owned properties.

OIG made recommendations to address communication and management controls, among other operational issues.

INNOVATIVE PRACTICE: Missionwide Operational Coordination

Issue: In a busy mission with five sections and five agencies, it is a challenge to maximize efficiencies in travel, outreach, and representation and to avoid scheduling conflicts, while ensuring that mission elements do not compete against one another for media attention.

Response: Every 2 weeks the DCM chairs an interagency meeting that coordinates travel, outreach, and representational activities by all mission elements. These meetings review a calendar (operations plan) of activities going forward at least 2 months.

Result: The coordination and information sharing permit section and agency heads to deconflict events and provide mutual support, as needed. The biweekly discussions around the operations plan permit all mission elements to realize valuable synergies in their activities, including the effective coordination by the public affairs section of media coverage.

Bureau of East Asian and Pacific Affairs

Inspection of Embassy Bandar Seri Begawan, Brunei (ISP-I-12-35A)

Embassy Bandar Seri Begawan's small and relatively inexperienced staff was advancing the bilateral relationship in trade, military-to-military relationships, and educational exchanges. American employees were performing multiple jobs and, with Brunei set to chair the Association of Southeast Asian Nations in 2013, the staff faced the additional stress of supporting several high-level visitors. The Bureau of Overseas Buildings Operations had completed construction of a new small embassy in Bandar Seri Begawan in 2010 and considered it a model for future small embassies.

In the classified annex to the report, OIG identified issues that should be considered in designing and building future standard secure mini-compounds, and made recommendations to address the embassy's staffing.

Inspection of Embassy Singapore, Singapore (ISP-I-12-36A)

Embassy Singapore's emphasis on teamwork and inclusiveness had inspired a country team notable for excellent collaboration. Promoting U.S. economic growth through commercial diplomacy was the Ambassador's highest priority. With U.S. exports to Singapore showing a 41 percent increase since 2009, the embassy was on target to meet the President's National Export Initiative target of doubling U.S. exports by

2015. In addition, the embassy-proposed Strategic Partnership Dialogue was expected to institutionalize regular high-level consultations between the United States and Singapore and broaden cooperation.

Despite its impressive record of supporting a growing mission with 19 agencies and promoting commercial diplomacy, Embassy Singapore was experiencing some internal problems, including faltering consular computer equipment and staffing issues. OIG made recommendations to correct these issues and identified innovative practices implemented by the embassy that save money and promote efficiency.

INNOVATIVE PRACTICE: Inventory Optimization and Forecasting

Issue: General services offices struggle with how much inventory they need to meet future, uncertain demand. Often they purchase and store more inventory than is needed because there has not been an easy way to forecast actual requirements relative to inventory on hand.

Response: Using the Integrated Logistics Management System's asset management function, Embassy Singapore created an inventory model in an Excel spreadsheet that uses statistical methods, simulation, and historical data analysis to determine optimal inventory levels. The spreadsheet functions enable the property manager to develop an inventory target that responds to a specific confidence or risk level. The model also identifies what inventory to dispose of and how much to purchase. To run this model, the embassy uses the departure list, the number of incoming officers, and the locations where the spares or inventory are located. The model does the rest, generating useful reports and analyses.

Result: This method helped the embassy avoid unnecessary purchases. Embassy Singapore reduced spares by more than 25 percent, saving nearly \$50,000 on annual furniture purchases, while absorbing six new families into the furniture pool. The Bureau of Administration's Office of Logistics Management recognized the value of this methodology and is exploring how to include it in the Integrated Logistics Management System's asset management module.

INNOVATIVE PRACTICE: Automated Utilities Usage Emailer

Issue: Embassy Singapore employees were unaware of the cost for residential utilities and had no way to measure progress in conserving energy and reducing costs.

Response: To provide information about energy usage, the embassy devised a spreadsheet-based tool that automatically generates a customized email that shows residential occupants their utility costs and usage and compares the data for similarly-sized households. When the residence is using more utilities than average, a tip on how to reduce usage is included, such as air drying dishes in lieu of using dishwashers for drying. When the residence is using less than the average, the email contains a congratulatory statement and encouragement to continue the good practices. The email is sent bimonthly to coincide with actual meter readings.

Result: The cost for utilities was approximately \$1 million annually until the program began in 2011. The awareness campaign helped reduce utility costs by 15 percent in 2011.

Compliance Followup Review of Consulate General Hong Kong, China (ISP-C-12-29A)

OIG found that Consulate General Hong Kong had complied with all formal and informal recommendations from the 2010 inspection. OIG reissued one recommendation from the 2010 report regarding whether the information management specialist position was still needed and recommended that Consulate General Hong Kong eliminate two locally employed staff positions in the consular section. OIG also recommended that the Bureau of East Asian and Pacific Affairs change the Mandarin language-designated positions in the consular section to language-preferred positions.

The public affairs section conducted outreach to the sophisticated and receptive population in Hong Kong and made cost-effective use of social media and traditional media to reach a potentially huge audience in China. OIG found potential and justification for an expanded public diplomacy effort and recommended that the consulate general review its public diplomacy activities with a view to reaching the mainland.

Compliance Followup Review of Embassy Bangkok and Consulate General Chiang Mai, Thailand (ISP-C-12-33A)

Faced with political violence and social unrest that shut down the embassy and paralyzed the capital, OIG inspectors in 2010 were unable to thoroughly examine general services, financial management, and human resources. In addition to evaluating compliance with specific recommendations of the 2010 inspection, this report fills in those gaps. Since the 2010 inspection, a new Ambassador with senior-level leadership and management experience, and a new DCM with front office experience and language skills, assumed charge at Embassy Bangkok. The consular section also had excellent new leadership.

Although the consular section was working efficiently, OIG made recommendations to enhance customer service and conform to regulations. OIG determined that the embassy had implemented or otherwise closed 89 of the 98 formal and informal recommendations from the 2010 inspection. The team revised and reissued five formal recommendations and reissued four informal recommendations as formal recommendations.

Bureau of European and Eurasian Affairs

Inspection of Embassy Paris, France, and Constituent Posts (ISP-I-12-25A)

The scope of this inspection included Embassy Paris; consulates general in Marseille and Strasbourg; and American presence posts (APP) in Bordeaux, Lyon, Rennes, and Toulouse. Under the leadership of the Ambassador and DCM, employee morale was good, the embassy had close working relationships with French officials, and there was a new emphasis on support for U.S. exports of goods and services into France, expanded embassy outreach, a focus on French youth, and efforts to showcase U.S. green technology. Embassy reporting was notable for its relevance, timeliness, and scope.

Although the tri-mission management section did a good job of supporting Embassy Paris and the U.S. Missions to UNESCO and OECD and handling a large visitor load, lapses in management controls had resulted in vulnerabilities in the procurement, voucher, and certification processes that required immediate attention.

OIG noted that the Department needed to examine the role of Consulate General Strasbourg in covering the Council of Europe and European Parliament and to coordinate the consulate general's posture with all bureaus and missions that have equities in those organizations. Also of concern was the role of the APPs, which were established to conduct commercial and public outreach and to provide services to American citizens. OIG recommended that the embassy conduct a cost-benefit analysis to determine whether the APPs were still needed, given increased access to the public through social media and the centralization of many consular services.

INNOVATIVE PRACTICE: Staffing Information Flow in a Large Embassy

Issue: The Embassy Paris political section needed a way to enhance mission productivity, share information across sections, eliminate duplicative work, coordinate taskings, and develop entry-level officer skills.

Response: The section developed two procedures for coordinating incoming and outgoing information that are singular in their scope and organization. The section rotates daily responsibility among its four entry-level officers and a cleared locally employed U.S. citizen staff member to edit the embassy's daily Paris Points report, to which other embassy sections and constituent posts contribute. In addition, every day one member of the political section, including entry-level officers, takes responsibility for compiling a Morning Message that screens incoming cables and provides all economic and political officers, the DCM, and the Ambassador with relevant information. This information includes Washington taskings, incoming cables of interest, the embassy's outgoing messages from the previous day, a hyperlink for contributions to that day's Paris Points report, and general housekeeping information.

Result: Entry-level officers have an opportunity to develop professional skills, information flow within the embassy is integrated, and collaboration is fostered across sections. The political and economic section chiefs are able to monitor and oversee assignments, and the system reduces redundant work on the part of officers in the two sections. The executive office can confirm easily that taskings are being coordinated and that information is shared appropriately. This process is suited to a large embassy, where internal communications and coordination can sometimes be a challenge. It also contributes to entry-level officer professional development.

Inspection of Embassy Prague, Czech Republic (ISP-I-12-42A)

The Ambassador had laid out an ambitious agenda centered on defense cooperation, commercial advocacy, and shared democratic values. He had taken promising steps to tap the talents of the embassy's staff more effectively. The mission operated in a historic 400-year-old chancery that is a symbolic landmark but also the source of security, functionality, and accessibility obstacles that hindered operations. Absent the realistic prospect of a new embassy compound, a long-term approach to addressing these problems was essential.

Embassy staffing was top-heavy in some sections. The grade structure of the political section was a relic of post-1989 Czech politics, when internal political reporting from the new Eastern Europe was in high demand. OIG recommended that the Bureau of European and Eurasian Affairs reclassify a mid-level political officer position to an

entry-level position and the information officer position in the public affairs section to a mid-level position.

The need for Czech language to conduct diplomatic operations diminished with the increase in English-language instruction in the Czech Republic after the fall of communism. OIG recommended eliminating the language designations from 3 of the 19 language-designated positions at Embassy Prague, which would result in substantial cost savings.

Inspection of Embassy Bucharest, Romania (ISP-I-12-45A)

Embassy Bucharest had made notable political, political-military, public outreach, and economic-commercial successes. With the closure of the USAID office in 2008 and the expected departure of the Peace Corps in 2013, the embassy gradually recalibrated the diplomatic relationship to emphasize defense, commercial, and anticorruption issues.

The move to a new embassy compound in 2011 allowed the embassy to consolidate seven buildings into a single facility, enhance internal communication, and reduce security vulnerabilities. Embassy management noted a number of significant issues, however, with the facility's design and construction quality. OIG recommended that the embassy prepare a lessons learned cable for the Bureau of Overseas Buildings Operations, providing details and costs for all remedial projects completed by the original contractor, the facilities maintenance staff, or other contractors. The cable also should address the scope and cost of pending work orders to remedy construction problems and observations about the design of the facility.

There were costly language-designated positions at Embassy Bucharest. Apart from the consular officers who used Romanian in their daily work and for public outreach and the public affairs officer who occasionally used it for public speaking, other officers reported only a marginal need for Romanian. OIG recommended that Embassy Bucharest review its language-designated positions and amend its submission to the Bureau of Human Resources to reduce the number of positions designated for language training.

Inspection of Embassy Ljubljana, Slovenia (ISP-I-12-46A)

Embassy Ljubljana functioned well. U.S. interests in Slovenia were modest, and the embassy appropriately directed its primary focus on people-to-people outreach and advancement of U.S. regional and global objectives. The embassy was adequately staffed and had taken advantage of regionalization and outsourcing initiatives to reduce operating costs and keep staffing levels low. Consular, security, and management operations were small but functioned well. The mission ran an innovative public diplomacy program. Particularly noteworthy were its successful social media programs and schools outreach program, in which all American employees participated.

INNOVATIVE PRACTICE: SLOcast - Reaching Audiences via Podcasts with a Local Flavor

Issue: Reaching new and younger audiences and presenting them with alternative views of the United States and its people is an important public diplomacy goal. Personal connections are not always easy or feasible; audio connections, with a personal flavor, are.

Response: Using the talents of its American and local staff, Embassy Ljubljana developed SLOcast, a monthly podcast available in both Slovene and English. Each 35- to 40-minute episode—some serious, some light—centers around a question that the public affairs section explores from a variety of angles. Each episode has music, narration, excerpts, and personal interviews edited to weave a cohesive narrative. Guests include, among others, embassy officers, alumni of U.S.-sponsored exchange programs, Slovenians who have achieved success in the United States, and visiting Americans with interesting stories to share. The first SLOcast focused on an unusual question: Does Slovenia really have the friendliest bears in the world? It drew people in, if only out of curiosity. Listeners heard from a zoo official, two Slovenian students who worked in U.S. national parks on the Summer Work Travel program, a hunter turned wildlife aficionado, the public affairs officer, and others. The initial SLOcast struck a chord, and by the 50th episode—by now exploring more serious issues—attracted more than 400 unique visitors a month. PAS uses non-copyrighted music and staff from all over the mission, including the local guard force, for voiceovers. PAS set up a unique Web site for the podcast (slocast.si) that is linked to the embassy Web site and its Facebook and Twitter accounts. Listeners can also download new episodes automatically from iTunes.

Result: Researching, interviewing, and making each podcast helped the mission achieve its top strategic goal: increasing people-to-people engagement. As the number of listeners grows with each podcast, so does the chance to positively influence the next generation of Slovenian leaders.

Inspection of Embassy Madrid, Spain, and Constituent Posts (ISP-I-12-52A)

Mission Madrid was led by a strong executive team. Interagency teamwork was robust on economic statecraft, law enforcement, and national security activities, and public diplomacy was thoroughly integrated into mission activities. The mission produced high quality and timely reporting on Spain's economic crisis, political-military cooperation, and government turnover, but deeper analysis of political issues were hampered by staffing gaps. Consular accountability needed to be strengthened throughout the mission. The A Coruna consular agency workload could easily be absorbed by the embassy, and the Palma de Mallorca consular agency should report directly to Madrid, rather than Barcelona.

OIG made recommendations to close the A Coruna consular agency, saving the Department \$100,000 a year, and to address consular management control and personnel issues, among others.

Inspection of Embassy Lisbon, Portugal, and Constituent Posts (ISP-I-12-53A)

An engaged executive team led Embassy Lisbon, but post morale was adversely affected by the perception that the Ambassador did not fully comply with Department regulations. The embassy produced high-quality reporting on Portugal's economic situation and bilateral military and NATO cooperation, but embassy reporting officers needed to expand their outreach. Interagency coordination was strong, public diplomacy was fully integrated, and the mission energetically conducted commercial promotion. An expansion of the treaty-based U.S.-Portugal standing bilateral commission put unwelcome pressure on Washington offices to provide senior-level participants and complicated setting mission priorities. Consulate Ponta Delgada was overstaffed, and the consular agency in Funchal did not have sufficient workload to justify its existence.

OIG made recommendations to reduce staffing at Consulate Ponta Delgada and close the consular agency in Funchal. OIG also recommended elimination of language requirements. Implementation of these recommendations could result in monetary benefits of more than \$1 million annually.

Bureau of South and Central Asian Affairs

Compliance Followup Review of Embassy Islamabad and Constituent Posts, Pakistan (ISP-C-12-28A)

Embassy leadership deserved credit for its role managing the fallout from a series of major events in 2011, including a shooting incident in Lahore in January, the assault against Osama bin Laden's compound in Abbottabad in May, and the unintended attack by the North Atlantic Treaty Organization/International Security Assistance Force on a Pakistani border post that killed 24 Pakistani soldiers in November. Embassy reporting clearly assessed realities in Pakistan and provided sober advice to Washington on how to deal with those realities. However, embassy leadership needed to accelerate its assessment of the implications of the changing relationship between the United States and Pakistan so that decisions could be made on program and operating budgets, and staffing and construction plans. One of the embassy's greatest challenges was managing Washington's intense, and at times intrusive, involvement and its voracious appetite for information on the situation in Pakistan. While it ensured that mission concerns received both timely and top-level attention, it also consumed extraordinary amounts of the mission's time and energy and added significantly to the stresses at this already stressed post.

Official Pakistani obstructionism and harassment, an endemic problem in Pakistan, had increased to the point of impairing mission operations and program implementation and impacting security. The mission struggled to program more than \$2 billion in annual funding for development and security assistance programs and to manage proposed staffing increases and housing needs. The public affairs program had initiated a creative effort to counter violent extremism, which may serve as a model elsewhere.

Embassy Islamabad had complied with almost all recommendations from the 2010 OIG inspection. OIG made recommendations on Washington's involvement and communication with the mission, including recommending that harassment be made an integral part of high-level policy discussions with the Pakistani Government. OIG also made recommendations to address the mission's public outreach efforts and its staffing and space issues, among others.

Bureau of Western Hemisphere Affairs

Inspection of Embassy Port-au-Prince, Haiti (ISP-I-12-24A)

The devastating 2010 earthquake left an indelible imprint on embassy employees that future American staff needs to take into account when working with locally employed staff. The Ambassador was providing strong policy direction and leadership to a multiagency team, successfully using a "whole-of-government" approach to provide earthquake emergency and recovery assistance to Haiti. Embassy operations were beginning to emerge from a permanent crisis response mode, but there was still much to be done to restore normal operations and procedures. The management section had supported a surge in staff growth and coped with staffing gaps in critical positions with mixed results. Internal control weaknesses and lack of standard operating procedures for management functions exposed the embassy to risk of financial loss and jeopardized property accountability. Although the consular section was functioning effectively, fraud and high-profile interest in Haitian cases impacted efficiency and complicated workload and staffing projections. Overcoming delays to complete the U.S. Government-owned residential construction projects was critical to providing employees with secure and seismically safe housing.

OIG recommended that the embassy develop a plan to normalize operations and procedures, reconcile staffing actions against the staffing pattern, and implement controls and procedures to improve embassy functions.

Inspection of Embassy San José, Costa Rica (ISP-I-12-23A)

The embassy's multiagency team collaborated to advocate U.S. policy goals in Costa Rica; however, the embassy needed to increase its reporting and analysis on political law-enforcement related issues, and on regional environmental, science, and

technology. The Ambassador and the public diplomacy section led outreach efforts, but the embassy staff was burdened with extensive preparation for these activities, including responding to frequent schedule changes. Rightsizing of the information management and financial management offices could yield monetary benefits of more than \$500,000 without affecting performance.

OIG recommended that the embassy reduce the number of ambassadorial speeches and remarks and make better use of its resources in preparing for its outreach efforts, and also made recommendations to correct embassy staffing issues.

INTERNATIONAL ORGANIZATIONS

Inspection of the U.S. Mission to the United Nations Educational, Scientific and Cultural Organization, Paris, France (ISP-I-12-26)

The Ambassador of the U.S. Mission to the United Nations Educational, Scientific and Cultural Organization (UNESCO) had enhanced the mission's visibility among UNESCO member states and U.S. influence within the organization, despite the challenges associated with the October 2011 cutoff of U.S. funding in the wake of Palestinian accession. Over the past 2 years, the mission had increased its engagement in UNESCO, with a commensurate increase in influence on policy and programs.

OIG noted weaknesses in internal controls on travel, spousal employment, and use of U.S. Government vehicles; lack of coordination and flow of information between the mission and the Bureau of International Organization Affairs; and insufficient attention to information sharing and record keeping. OIG made recommendations to address these issues.

Inspection of the U.S. Mission to the Organization for Economic Cooperation and Development, Paris, France (ISP-I-12-27)

The U.S. Mission to the Organization for Economic Cooperation and Development (OECD) had advanced U.S. strategic goals by securing OECD attention to a new vision statement for the organization's future, a more coherent approach to development, Internet policymaking principles, Israel's entry to the OECD, enhanced engagement with Middle East and North Africa nations on governance, a gender initiative, and Russia's accession to the antibribery convention. The Ambassador's engagement on substantive and procedural issues furthered U.S. policy goals and enhanced the U.S. profile at the OECD and among member delegations.

The inspectors noted interagency delays and lack of coordination in clearing OECD documents, which was impeding the advancement of U.S. priorities, and inadequate review of relevant classified reporting. OIG made recommendations to address these

issues, and also recommended removing language designation from three positions, realizing an estimated \$168,000 in funds put to better use without reducing mission effectiveness.

PROGRAM REVIEWS AND SPECIAL REPORTS

Review of Department of State Activities Concerning the Processing of Refugee Applications and the Provision of Refugee Benefits to Refugees Later Accused of Terrorism-Related Activities (ISP-I-12-22)

OIG conducted a special review in response to a congressional request concerning whether two refugees, who were charged with terrorism-related offenses, were incorrectly admitted into the United States and provided with government benefits. The review looked at procedures for refugee security screening and admissions and the provision of Department-funded benefits. OIG did not uncover any evidence that Department officials had access to derogatory information that should have raised red flags about terrorist activities or connections in the cases under review. OIG did discover discrepancies in the data reviewed that indicated instances of human error but would not have changed the outcome of the admissions process in these cases. The refugees received typical travel loans, through nonprofit resettlement agencies, to help with their transition to the United States. All refugees are required to repay their travel loans for transportation to the United States; however, there is no established or realistic means to recoup any of the other Department-supplied funds used to directly or indirectly provide support to refugees, even if those refugees are ultimately charged with terrorism-related offenses.

Officials from both the Department of Homeland Security and the Department of State stated that, since 2009, the Department of Homeland Security has significantly enhanced security screening procedures, further tightening the entry process for all refugees.

OFFICE OF INVESTIGATIONS

CONTRACT FRAUD

OIG conducted a joint investigation into allegations that a major Department security contractor committed various violations of the Arms Export Control Act. During the investigation, additional allegations were developed, to include violations of the International Emergency Economic Powers Act and various federal firearms statutes and contract fraud. On June 21, 2012, prosecutors filed a criminal information charging the security contractor with 17 counts relating to the violations. On August 7, 2012, the U.S. Attorney's Office agreed to enter into a Deferred Prosecution Agreement with the company. In exchange for the agreement to defer prosecution, the company agreed to: a) acknowledge responsibility for the conduct alleged; b) cooperate with the U.S. Attorney's Office and other law enforcement agencies regarding the investigation underlying the criminal information; c) employ an Export Compliance Monitor; d) conduct annual audits to monitor compliance with federal firearms laws and regulations; e) pay a \$7.5 million fine (subject to a \$2.5 million credit for compliance-related costs); and, f) complete payment of the \$42-million civil settlement with the Directorate of Trade Controls. The agreement is to remain in effect for a period of 36 months from the date it was accepted by the court. (C2007-018)

OIG conducted a joint investigation with the Special Inspector General for Iraq Reconstruction (SIGIR) of a United States Institute of Peace (USIP) official for conspiring to enrich himself by having USIP award a security contract at a fraudulently inflated price in exchange for a purported monthly consulting fee of \$20,000 paid by the contractor. On August 7, 2012, the Department of Justice announced that the subject had entered into a plea agreement after admitting to his fraudulent activities. Sentencing of the subject was pending at the end of the reporting period. (C2009-101)

OIG conducted an investigation which determined that a security contractor that provided local guard service to an overseas embassy violated the terms of the contract by failing to pay more than \$95,000 in social security taxes to the host government. The contractor ultimately was ordered by the court of the host government to make reimbursements of the amounts not paid. On August 15, 2012, the Office of the Procurement Executive proposed debarment of the contractor for 1 year. (C2010-090)

EMBEZZLEMENT

OIG conducted a joint investigation with the Washington Metropolitan Police Department based upon information received from ECA pertaining to a participating company in the International Visitor's Leadership Program. An external audit of the company disclosed that a former senior financial officer embezzled grant funds in excess of \$36,000 as well as more than \$80,000 in other company funds. When interviewed, the subject admitted to embezzling a total of over \$140,000. On April 20, 2012, the subject pleaded guilty to first degree theft in District of Columbia Superior Court. On August 10, 2012, the subject was sentenced to 18 months' incarceration, three years of supervised release, restitution in the amount of \$145,701 and a \$100 special assessment. (C2011-102)

OIG conducted an investigation of a Department employee who approved two questionable voucher payments to a fictitious company. When interviewed by OIG, the subject confessed to embezzling nearly \$59,000. The subject was immediately placed on suspension and on April 16, 2012, paid a reimbursement to the Department totaling \$58,681.92. On August 6, 2012, the subject pleaded guilty in U.S. District Court to a Criminal Information charging him with theft of Government property. Sentencing of the subject was pending at the end of the reporting period. (C2012-048)

OIG conducted an investigation based on information that a foreign national grant recipient embezzled \$75,000 in U.S. grant funds. When interviewed by OIG, the grant recipient admitted that he used \$56,466 of grant funds to pay off personal and/or business debts and that an additional \$21,033 was stolen by a business colleague. On June 22, 2012, the Office of Procurement Executive proposed debarment of the subject for 3 years. (C2011-100)

FALSE STATEMENTS

OIG conducted a joint investigation with the Department of Housing and Urban Development OIG of a Department employee who provided false statements in order to qualify for a Federal Housing Administration (FHA) mortgage loan. The investigation determined that the employee created, altered, and/or submitted false leave and earnings statements, W-2 forms, bank statements, and child support checks and submitted them in order to obtain an FHA-insured mortgage loan in the amount of \$390,837. On January 4, 2012, the subject resigned from her employment with the Department. On July 9, 2012, the former employee was sentenced in U.S. District court to eight months of home detention, 36 months' probation, and was ordered to pay \$900 in restitution as well as a \$100 special assessment. (C2011-005)

GRANT FRAUD

OIG conducted an investigation into allegations that an official at a university misrepresented work under a Department grant as complete; authorized improper payments; and misdirected funds. The investigation determined that the university accepted \$96,500 from the Department to publish and translate a collection of testimonials. The university failed to produce the collection, and the monies remained unspent. On June 8, 2011, the university was designated as a high risk grantee for any future Department grants. On July 30, 2012, the university returned \$97,043 to the Department (\$96,500 plus \$543 in interest). (C2011-070)

BRIBERY

OIG conducted an investigation based upon allegations that two employees of a Department contractor paid bribes to officials of the local government during the course of the construction of a new embassy compound. The investigation determined that the two employees paid approximately \$2,400 in bribes during the embassy construction.

On July 26, 2012, the Office of the Procurement Executive proposed debarment of the two contractor employees for 3 years. (C2008-097)

EMPLOYEE MISCONDUCT

OIG conducted an investigation into allegations received from the Department of Homeland Security OIG that a Department employee improperly accessed visa records in the Consolidated Consular Database (CCD) for personal reasons. When interviewed by OIG, the subject admitted to accessing and sharing three separate records from the CCD with an outside entity. The subject was also found to have made a false statement in an attempt to mitigate her actions during her interview with the agents. On June 29, 2012, the Bureau of Human Resources proposed a 10-day suspension of the employee. (C2012-016)

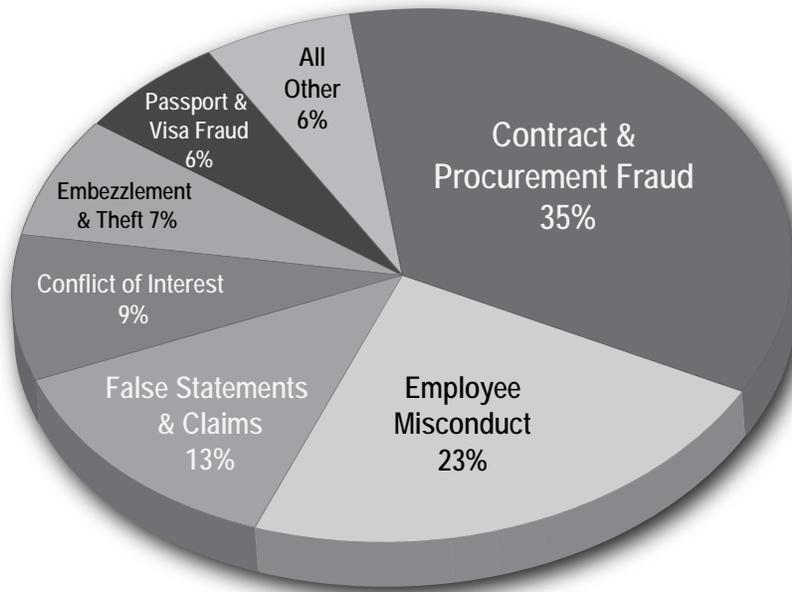
OIG conducted an investigation of a Department supervisory employee who functioned as a contracting officer's representative and who was determined to have violated several regulations by creating the appearance of use of public office for private gain, exceeding the scope and authority of his contracting warrant, and viewing and transferring sexually explicit material on his government computer. On June 13, 2012, the Bureau of Human Resources proposed a 10-day suspension of the supervisor. (C2009-120)

DATA AND INVESTIGATIVE ACTIVITIES

Hotlines

Total Complaints Received	1,193
Referral To Other Offices for Action	723
Held for Action Within OIG	66
No Action Necessary	404

Types of Cases



Note: May not equal 100% due to rounding.

APPENDIX 1: INVESTIGATIVE ACTIVITIES

Preliminary Inquiries	
Opened	17
Closed	31
Investigations	
Opened	48
Closed	79
Pending (9/30/12)	138
Criminal Actions	
Referrals for Prosecution	13
Indictments/Informations	5
Convictions	4
Sentencings (Months Imprisonment)	26
Sentencings (Months Probation)	144
Declinations	12
Civil Actions	
Civil Referrals	3
Civil Judgments	0
Civil Declinations	1
Administrative Referrals	
Referrals for Personnel Action	3
Suitability Referrals to DS	4
Contractor Suspensions/Debarment Referrals to OPE	13
Administrative Actions	
Removals	0
Suspensions	4
Reprimand/Admonishments/Warning Memorandum	11
Contractors/Grantees Suspended	1
Contractors/Grantees Debarred	19
Contractors/Grantees High Risk	0
Monetary Recoveries	
Criminal Fines/Recoveries	\$7,735,281.69
Civil Recoveries	\$151,768.86
Administrative Recoveries	\$155,725.12
Total Investigative Recoveries	\$8,042,775.67

APPENDIX 2: REPORTS ISSUED

Report Number	Report Title
AUD-CG-12-33	<i>Audit of Contracting Officers Exceeding Delegated Procurement Authority for Overseas Contracts</i>
AUD-CG-12-35	<i>Review of Costs Charged to Iraq Democracy-Building Grants Awarded to the International Republican Institute During FYs 2004-2010</i>
AUD-CG-12-40	<i>Audit of Bureau of Oceans and International Environmental and Scientific Affairs Administration and Oversight of Funds Dedicated To Address Global Climate Change</i>
AUD/FM-12-37	<i>Independent Auditor's Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2011 and 2010 Financial Statements</i>
AUD/FM-12-38	<i>Management Letter Related to the Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2011 and 2010 Financial Statements</i>
AUD-FM-12-39	<i>Audit of Department of State Use of Consular Fees Collected in Support of the Border Security Program</i>
AUD/IT-12-44	<i>Audit of Department of State Access Controls for Major Applications</i>
AUD/MERO-12-29	<i>Evaluation of the Antiterrorism Assistance Program for Countries Under the Bureaus of Near Eastern Affairs and South and Central Asian Affairs</i>
AUD/MERO-12-43	<i>Evaluation of Invoices and Payments for the Embassy Baghdad Operations and Maintenance Contract</i>
AUD-MERO-12-46	<i>Evaluation of the Local Guard Force Contract for Embassy Islamabad and Consulates General Karachi, Lahore, and Peshawar</i>
AUD-MERO-12-47	<i>Compliance Followup Review of Department of State Actions To Reduce the Risk of Trafficking in Persons Violations in Four States in the Cooperation Council for the Arab States of the Gulf</i>
AUD-SI-12-36	<i>Limited-Scope Audit of Department of State Management of the Afghanistan Civilian Uplift</i>
AUD/SI-12-48	<i>Outline for Action: Physical Security Concerns at Embassy Berlin</i>
AUD/SI-12-49	<i>Outline for Action: Physical Security Concerns at Embassy Quito</i>
ISP-I-12-21	<i>Inspection of the Bureau of Consular Affairs, Directorate of Overseas Citizens Services, Office of Children's Issues, Office of Policy Review and Interagency Liaison, and the Planning, Programs, and Systems Liaison Division</i>
ISP-I-12-22	<i>Review of Department of State Activities Concerning the Processing of Refugee Applications and the Provision of Refugee Benefits to Refugees Later Accused of Terrorism-Related Activities</i>
ISP-I-12-23A	<i>Inspection of Embassy San José, Costa Rica</i>

Report Number	Report Title
ISP-I-12-24A	<i>Inspection of Embassy Port-au-Prince, Haiti</i>
ISP-I-12-25A	<i>Inspection of Embassy Paris, France, and Constituent Posts</i>
ISP-I-12-26	<i>Inspection of the U.S. Mission to the United Nations Educational, Scientific and Cultural Organization, Paris, France</i>
ISP-I-12-27	<i>Inspection of the U.S. Mission to the Organization for Economic Cooperation and Development, Paris, France</i>
ISP-C-12-29A	<i>Compliance Followup Review of Consulate General Hong Kong, China</i>
ISP-I-12-30	<i>Inspection of the Bureau of Information Resource Management, Systems and Integration Office</i>
ISP-I-12-31	<i>Inspection of the Bureau of Diplomatic Security, Office of Antiterrorism Assistance</i>
ISP-I-12-32A	<i>Inspection of the Bureau of Counterterrorism</i>
ISP-C-12-33A	<i>Compliance Followup Review of Embassy Bangkok and Consulate General Chiang Mai, Thailand</i>
ISP-I-12-35A	<i>Inspection of Embassy Bandar Seri Begawan, Brunei</i>
ISP-I-12-36A	<i>Inspection of Embassy Singapore, Singapore</i>
ISP-I-12-37	<i>Inspection of Office to Monitor and Combat Trafficking in Persons</i>
ISP-I-12-38A	<i>Inspection of Embassy Nairobi, Kenya</i>
ISP-I-12-39	<i>Inspection of the Somalia Unit, Embassy Nairobi, Kenya</i>
ISP-I-12-41A	<i>Inspection of Embassy Lusaka, Zambia</i>
ISP-I-12-42A	<i>Inspection of Embassy Prague, Czech Republic</i>
ISP-I-12-45A	<i>Inspection of Embassy Bucharest, Romania</i>
ISP-I-12-46A	<i>Inspection of Embassy Ljubljana, Slovenia</i>
ISP-I-12-47	<i>Inspection of the American Institute in Taiwan/Washington</i>
ISP-I-12-48	<i>Memorandum Report on Improving Leadership at Posts and Bureaus</i>
ISP-I-12-49	<i>Support for Department Employees Serving in Afghanistan, Iraq, and Pakistan</i>
ISP-I-12-50	<i>Review of the Department of State's Shuttle Bus Fleet Operations</i>
ISP-I-12-51	<i>Assessment of the Department of State's Motor Vehicle Fleet</i>
ISP-I-12-52A	<i>Inspection of Embassy Madrid, Spain, and Constituent Posts</i>
ISP-I-12-53A	<i>Inspection of Embassy Lisbon, Portugal, and Constituent Posts</i>
ISP-I-12-54	<i>Inspection of the Bureau of Administration, Global Information Services, Office of Information Programs and Services</i>
ISP-C-12-28A	<i>Compliance Followup Review of Embassy Islamabad and Constituent Posts, Pakistan</i>

CLASSIFIED REPORTS ISSUED

Report Number	Report Title
AUD-IT-12-41	<i>Evaluation of the Information Security Program for Sensitive Compartmented Information Systems at the Department of State for FY 2012</i>
ISP-S-12-23A	<i>Classified Annex to the Inspection of Embassy San José, Costa Rica</i>
ISP-S-12-24A	<i>Classified Annex to the Inspection of Embassy Port-au-Prince, Haiti</i>
ISP-S-12-25A	<i>Classified Annex to the Inspection of Embassy Paris, France, and Constituent Posts</i>
ISP-S-12-28A	<i>Compliance Followup Review of Embassy Islamabad and Constituent Posts, Pakistan</i>
ISP-S-12-29A	<i>Classified Annex to the Compliance Followup Review of Consulate General Hong Kong, China</i>
ISP-S-12-32A	<i>Classified Annex to the Inspection of the Bureau of Counterterrorism</i>
ISP-S-12-33A	<i>Classified Annex to the Compliance Followup Review of Embassy Bangkok and Consulate General Chiang Mai, Thailand</i>
ISP-S-12-35A	<i>Classified Annex to the Inspection of Embassy Bandar Seri Begawan, Brunei</i>
ISP-S-12-36A	<i>Classified Annex to the Inspection of Embassy Singapore, Singapore</i>
ISP-S-12-38A	<i>Classified Annex to the Inspection of Embassy Nairobi, Kenya</i>
ISP-S-12-41A	<i>Classified Annex to the Inspection of Embassy Lusaka, Zambia</i>
ISP-S-12-42A	<i>Classified Annex to the Inspection of Embassy Prague, Czech Republic</i>
ISP-S-12-45A	<i>Classified Annex to the Inspection of Embassy Bucharest, Romania</i>
ISP-S-12-46A	<i>Classified Annex to the Inspection of Embassy Ljubljana, Slovenia</i>
ISP-S-12-52A	<i>Classified Annex to the Inspection of Embassy Madrid, Spain, and Constituent Posts</i>
ISP-S-12-53A	<i>Classified Annex to the Inspection of Embassy Lisbon, Portugal, and Constituent Posts</i>

APPENDIX 3: SAVINGS AND MORE EFFECTIVE USE OF RESOURCES

TABLE 1: INSPECTOR GENERAL ISSUED REPORTS WITH QUESTIONED COSTS

Type of Report	Number of Reports	Questioned Costs (Dollars in Thousands)	Unsupported Costs (Dollars in Thousands)
A. For which no management decision had been made by the commencement of the reporting period	9*	\$153,523*	\$38,466*
B. Which were issued during the reporting period			
Audits			
<i>Review of Costs Charged to Iraq Democracy-Building Grants Awarded to the IRI During FYs 2004-2010 (AUD/CG-12-35)</i>	1	\$287	\$0
Evaluations			
<i>Evaluation of Invoices & Payments for the Embassy Baghdad Operations & Maintenance Contract (AUD-MERO-12-43)</i>	1	\$4,412	\$1,676
Total issued during the reporting period	2	\$4,700	\$1,676
Subtotals (A+B)	11	\$158,223	\$40,143
C. For which a management decision was made during the reporting period			
(i) dollar value of disallowed costs	1	\$2,003	\$0
(ii) dollar value of costs not disallowed	3	\$26,811	\$64
D. For which no management decision has been made by the end of the reporting period	9	\$129,408	\$40,079
Reports for which no management decision was made within six months of issuance	7	\$124,708	\$38,403

* Final amounts in the previous SAR were adjusted based on updated information and an analysis of open recommendations.

TABLE 2: INSPECTOR GENERAL ISSUED REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

Type of Report	Number of Reports	Dollars (in Thousands)
A. For which no management decision had been made by the commencement of the reporting period	21*	\$247,937*
B. Which were issued during the reporting period		
Audits	1	
Evaluations	1	
Inspections	11	
Total issued during the reporting period	13	\$7,346
Subtotals (A+B)	34	\$255,284
C. For which a management decision was made during the reporting period		\$124,329
(i) dollar value of recommendations that were agreed to by management	6	\$93,465
– based on proposed management action		
– based on proposed legislative action		
(ii) dollar value of recommendations that were not agreed to by management	3	\$30,864
D. For which no management decision has been made by the end of the reporting period	29	\$130,954
Reports for which no management decision was made within six months of issuance	16	\$123,608

Note: Figures are approximate due to rounding, and totals may not add up.

* Final amounts in the previous SAR were adjusted based on updated information and an analysis of open recommendations.

Data for Itemized Audits, Evaluations, and Inspections from Table 2, Section B.

Type of Report	Number of Reports	Dollars (in Thousands)
Audits		
<i>Audit of Bureau of OES Administration & Oversight of Funds Dedicated to Address Global Climate Change (AUD/CG-12-40)</i>	1	\$600
Evaluations		
<i>Evaluation of the ATA Program for Countries Under the Bureaus of Near Eastern Affairs & South & Central Asian Affairs (AUD/MERO-12-29)</i>	1	\$1,500
Inspections		
<i>Compliance Followup Review of Consulate General Hong Kong, China (ISP/C-12-29A)</i>	1	\$90
<i>Inspection of Embassy San Jose, Costa Rica (ISP/I-12-23A)</i>	1	\$572
<i>Inspection of Embassy Paris, France (ISP/I-12-25A)</i>	1	\$79
<i>Inspection of United Nations Education, Scientific & Cultural Organization (ISP/I-12-26)</i>	1	\$30
<i>Inspection of Organization for Economic Cooperation & Development, France (ISP/I-12-27)</i>	1	\$234
<i>Inspection of Embassy Bandar Seri Begawan, Brunei (ISP/I-12-35A)</i>	1	\$158
<i>Inspection of Embassy Singapore, Singapore (ISP/I-12-36A)</i>	1	\$448
<i>Inspection of Embassy Nairobi, Kenya (ISP/I-12-38A)</i>	1	\$1,778
<i>Inspection of Embassy Prague, Czech Republic (ISP/I-12-42A)</i>	1	\$473
<i>Inspection of Embassy Madrid, Spain (ISP/I-12-52A)</i>	1	\$100
<i>Inspection of Embassy Lisbon, Portugal (ISP/I-12-53A)</i>	1	\$1,285

APPENDIX 4: RESOLUTION OF REPORTS AND RECOMMENDATIONS

SIGNIFICANT OFFICE OF AUDITS RECOMMENDATIONS PENDING FINAL ACTION

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
AUD/IQO-07-20		<i>Review of DynCorp International, LLC, Contract Number S-LMAQM-04-C-0030, Task Order 0338, for the Iraqi Police Training Program Support (Joint audit with the Special Inspector General for Iraq Reconstruction)</i>	1/07
	2	OIG recommended the Office of Acquisitions Management seek reimbursement from DynCorp for the improperly authorized payment of \$4.2 million that represents contractually unauthorized work directed by the Iraqi Ministry of Interior. This work included the relocation of the residential camp, the manufacture of additional VIP trailers, and the construction of an Olympic-size swimming pool.	
AUD/IQO-07-48		<i>Accounting for Government-Owned Personal Property Held by Selected Contractors in Afghanistan</i>	9/07
	1	OIG recommended the Department develop and implement policies and procedures to achieve compliance with Federal Acquisition Regulation requirements for reviewing a contractor's property control system.	
	5	OIG recommended the Department evaluate its current structure for monitoring government property held by contractors, assess the benefits of creating a property administrator function, and use this evaluation to clearly define the authority and responsibility for property oversight for each member of its contract administration team.	
AUD/IQO-09-25		<i>Audit of the Design and Construction of the New Embassy Compound in Baghdad, Iraq</i>	10/09
	1	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover \$4.6 million from First Kuwaiti Trading and Contracting for the infrastructure contract to make the necessary corrections to the safe areas in the New Embassy Compound.	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
	2	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover \$14 million for the housing, infrastructure, support facilities, and the chancery contracts from First Kuwaiti Trading and Contracting to perform the necessary design and retrofit of seismic bracing in the New Embassy Compound.	
	4	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover \$1.7 million for contracts from First Kuwaiti Trading and Contracting for the housing, infrastructure, support facilities, and the chancery contracts so that the necessary repairs to the exterior walls and walkway and road surfaces can be made.	
	6	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover approximately \$500,000 from First Kuwaiti Trading and Contracting for the infrastructure contract to increase the penthouse size and air flow through the louvers of the Utility Building.	
	7	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover approximately \$11 million from First Kuwaiti Trading and Contracting for the infrastructure contract to compensate the Department of State for additional operating costs that will be incurred because the configuration of the Utility Building/Generator Plant was changed from the 10 2-megawatt configuration to 18 1-megawatt generators.	
	8	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover between \$4.2 million and \$4.4 million from First Kuwaiti Trading and Contracting for the infrastructure contract to correct all deficiencies to the electrical wiring, control, and distribution systems at the New Embassy Compound.	
	9	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover an estimated \$500,000 from First Kuwaiti Trading and Contracting for the infrastructure contract so that the necessary functions can be added to the building automation system at the New Embassy Compound.	
	10	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover \$4.6 million from First Kuwaiti Trading and Contracting to correct fire system deficiencies for the staff diplomatic apartments (\$3.5 million for the housing contract) and repair the water main distribution system joints (\$1.1 million for the infrastructure contract).	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
	11	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover approximately \$1.5 million from First Kuwaiti Trading and Contracting for the infrastructure and housing contracts to correct deficiencies in the plumbing traps at the New Embassy Compound.	
	12	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover approximately \$33 million that was paid to First Kuwaiti Trading and Contracting to perform and document the required design work for the New Embassy Compound Baghdad contracts.	
	13	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover approximately \$38 million for the housing, infrastructure, support facilities, chancery, and pre-engineered buildings to compensate the U.S. Government for the higher future maintenance costs and negotiate a settlement with First Kuwaiti Trading and Contracting to fund the additional long-term maintenance costs.	
	14	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover approximately \$3.8 million for the housing, infrastructure, site facilities, and chancery contracts that First Kuwaiti Trading and Contracting did not perform or that it performed incorrectly related to commissioning activities.	
MERO-I-11-02		<i>Performance Evaluation of PAE Operations and Maintenance Support for the Bureau of International Narcotics and Law Enforcement Affairs' Counternarcotics Compounds in Afghanistan</i>	2/11
	2	OIG recommended that the Bureau of International Narcotics and Law Enforcement Affairs implement a quality assurance surveillance plan to evaluate and measure overall contractor performance and the performance of subcontractors in operations and maintenance support against the contract and task order to determine if the contractor and subcontractors are providing the required services.	
	3	OIG recommended that the Bureau of International Narcotics and Law Enforcement Affairs ensure that a sufficient number of dedicated contracting officer's representatives are physically present in Afghanistan to provide proper oversight of the contracts for operation and maintenance support at the counternarcotics compounds.	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
MERO-I-11-05	6	OIG recommended that the Bureau of International Narcotics and Law Enforcement Affairs, in coordination with Embassy Kabul and in consultation with the Drug Enforcement Administration, evaluate the physical security requirements at the Kabul counternarcotics compound.	
	7	OIG recommended that the Office of Acquisition Management require PAE to incorporate engineering data into the maintenance and operations support plan for the counternarcotics compound in Kunduz, resolve construction deficiencies in the laundry facility and kitchen, and assess the electric power needs of the compound before purchasing new diesel generators.	
	9	OIG recommended that the Bureau of International Narcotics and Law Enforcement Affairs ensure all guards at the counternarcotics compound in Kunduz are familiar with standard operating procedures for security and that guards are getting sufficient rest and days off.	
		<i>Performance Evaluation of PAE Operations and Maintenance Support At Embassy Kabul, Afghanistan</i>	1/11
	2	OIG recommended that the Bureau of Administration seek reimbursement of \$193,600 from PAE for award fees paid for all four quarters of the base year of the contract (September 2005-September 2006), since performance criteria had not yet been established or authorized for that year.	
	3	OIG recommended that the Bureau of Administration seek reimbursement of \$41,730 from PAE for award fees granted based on points earned for training in option years 1-3 (September 2006-September 2009), since all training-related work was completed at the end of the base year (September 2005-September 2006).	
	6	OIG recommended that Embassy Kabul seek reimbursement for overpayment of \$346,682 to the Afghan fuel vendor, National Fuel, Inc., for fuel from September 2005 through April 2010.	
	10	OIG recommended that Embassy Kabul, in consultation with the Bureau of Overseas Buildings Operations, determine whether the location of fire suppression sprinklers over the high voltage switchgear in the power plant is a potential fire hazard that needs to be addressed.	
	12	OIG recommended that the Bureau of Administration seek reimbursement of \$248,820 from PAE for escort services invoiced and paid for, but not rendered, from March 2009 through June 2010.	
	16	OIG recommended that the Bureau of Administration modify the PAE contract to include Federal Acquisition Regulation clause 52.222-50 (Combating Trafficking in Persons).	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
AUD/CG-11-30	A.1	<p data-bbox="610 344 1179 407"><i>DoD and DOS Need Better Procedures to Monitor and Expend DoD Funds for the Afghan National Police Training Program</i></p> <p data-bbox="610 422 1179 638">OIG recommended that the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the Chief Financial Officer, Bureau of Resource Management, return the \$15.56 million of DoD funds that were outside the scope of the reimbursable agreement by August 31, 2011. Specifically, return and document the following amounts:</p> <ul style="list-style-type: none"> <li data-bbox="610 653 1179 707">a. \$2.59 million potentially moved to Department of State administrative costs. <li data-bbox="610 722 1179 911">b. \$1.15 million obligated for the Department of Justice Federal Prosecutors Program, or provide documentation to the Under Secretary of Defense for Policy and the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, and DoD officials agreed that the \$1.15 million was within the scope of the reimbursable agreement. <li data-bbox="610 926 1179 1016">d. \$11.81 million obligated for a DynCorp equitable adjustment for contract task order S-AQMPD-04F-0460, awarded in 2004 before the 2006 agreement. 	7/11
	A.2	<p data-bbox="610 1031 1179 1184">OIG recommended that the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the Contracting Officer, Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management:</p> <ul style="list-style-type: none"> <li data-bbox="610 1199 1179 1514">a. Determine how much of the \$68.21 million of unexpended obligations remaining on task order S-AQMPD-05F-4305 can be deobligated. As part of the review, include the DoD obligation amount that DynCorp certified as available for deobligation, as well as an analysis on the remaining unexpended obligation amounts. In addition, provide the Department of State, Office of Inspector General, supporting documentation for the remaining amount of the \$68.21 million that the Bureau of International Narcotics and Law Enforcement Affairs identifies as still valid. <li data-bbox="610 1528 1179 1776">b. Determine how much of the \$23.04 million of DoD unexpended obligations remaining on the in-country air support contract (S-AQMPD-05-C-1103) can be deobligated. In addition, provide the Department of State, Office of Inspector General, supporting documentation for the remaining amount of the \$23.04 million that the Bureau of International Narcotics and Law Enforcement Affairs identifies as still valid. 	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
	A.3	<p>OIG recommended that the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs, provide supporting documentation to the Department of State Inspector General by July 29, 2011, for the \$2.25 million of unsupported obligations identified in this report or return the \$2.25 million to Department of Defense by August 30, 2011. Specifically, the Executive Director should review and, if necessary, deobligate the following amounts:</p> <p>a. \$1.65 million obligated for Department of State salaries using DoD funds provided in the 2006 reimbursable agreement.</p>	
	A.5	<p>OIG recommended that the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs:</p> <p>b. Develop, implement, and document adequate controls to ensure that the Bureau of International Narcotics and Law Enforcement Affairs uses DoD funds for specific purposes in accordance with laws and documents the appropriate use. Specifically, officials should:</p> <ol style="list-style-type: none"> 1. Designate the appropriate offices responsible for ensuring that the obligation directly relates to the requirements in the reimbursable agreements. 2. Retain documentation supporting that the obligation is in compliance with the reimbursable agreement requirements. 	
	A.6	<p>OIG recommended that the Director, Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, require all contracting officers and supporting staff to take an appropriations law training class.</p>	
	A.9	<p>OIG recommended that the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs; Under Secretary of Defense for Policy; and Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, reach an agreement as to whether the \$9.50 million obligation for a United Nations Law and Order Trust Fund–Afghanistan contribution was appropriately obligated. If officials do not reach an agreement, the Bureau of International Narcotics and Law Enforcement Affairs should return the \$9.50 million of DoD funds obligated for a United Nations Law and Order Trust Fund–Afghanistan contribution.</p>	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
AUD/CG-11-44	C.2.b	<p>OIG recommended that the Assistant Secretary of State, Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the contracting officer, Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, for the Civilian Police contract, review the approximately \$9.4 million in questioned costs identified by the Defense Contract Audit Agency (DCAA) and take action to recover those costs.</p>	8/11
	<p><i>Afghan National Police Training Program Would Benefit from Better Compliance With the Economy Act and Reimbursable Agreements</i></p>		
	1	<p>OIG recommended that the Assistant Secretary of State, Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the Assistant Secretary of State, Bureau of Resource Management and Chief Financial Officer:</p> <ul style="list-style-type: none"> b. Review all available supporting documentation related to Corrections System Support Program (CSSP) security salaries and recover any overpayments related to the \$0.37 million paid to DynCorp for CSSP security salaries and identify and recover any additional payments made for CSSP security salaries on task orders 4305 and 5375. c. Determine whether the Bureau of International Narcotics and Law Enforcement Affairs improperly obligated DoD-provided Afghanistan Security Forces Fund appropriations for any other INL programs that were receiving support on the DoD-funded task orders. If so, identify and return to DoD the applicable Afghanistan Security Forces Fund appropriations by September 30, 2011. 	
3	<p>OIG recommended that the Assistant Secretary of State, Bureau of Resource Management and Chief Financial Officer, and the Director, Defense Security Cooperation Agency, perform a joint investigation of the potential Antideficiency Act violations for the \$1.05 million of funds obligated for Personal Services Contracts and the estimated \$75.60 million of funds obligated without considering Economy Act and reimbursable agreement limitations.</p>		

SUMMARY OF OFFICE OF AUDITS REPORTS WITHOUT MANAGEMENT DECISION FOR MORE THAN SIX MONTHS

Report Number: MERO-I-11-05

Subject: PAE Maintenance and Operations at Embassy Kabul

Date Issued: January 4, 2011

Reason for not being resolved: OIG recommended that Embassy Kabul stop payment of labor fees to PAE for repairs and other unexpected tasks when this work by is performed by PAE personnel during routine duty hours under the firm fixed-price portion of the contract. Embassy Kabul responded September 18, 2012, and stated that it is closely monitoring PAE's special projects work; however, the Embassy did not address OIG's primary concern relating to double billing for labor charges. Therefore, Recommendation 4 remains unresolved.

Projected date of resolution: November 2012

Report Number: AUD/CG-11-30

Subject: Department of Defense Funds provided to Department of State for the Afghan National Police

Date Issued: July 11, 2011

Reason for not being resolved: OIG recommended that the Department identify and return obligations not likely to be expended, return unobligated funds to the Department of Defense that were determined to be outside the scope of reimbursable agreements, and perform a joint investigation with the Defense Security Cooperation Agency of potential Antideficiency Act violations of funds obligated outside the scope of the reimbursable agreements. The Bureau of International Narcotics and Law Enforcement Affairs stated that it will work to deobligate funds not likely to be expended but that the final deobligation of funds will not be completed until final invoices have been received and stated that documentation is being prepared to support that funds were used appropriately. In addition, the Bureau of Comptroller and Global Financial Services was requested to respond to recommendations by February 6, 2012. However, OIG had not received a response as of the end of the reporting period. Therefore, eight recommendations (Nos. A.4, A.5.a, and A.8.a, b, c, d, e, and f) remain unresolved.

Projected date of resolution: February 2013

Report Number: AUD/CG-11-44

Subject: Afghan National Police Training Program Would Benefit from Better Compliance With the Economy Act and Reimbursable Agreements

Date Issued: August 25, 2011

Reason for not being resolved: OIG recommended that the Department of State identify and return funds to the Department of Defense that were improperly obligated; develop and implement policies and procedures to ensure that any appropriation limitations on funds transferred to other U.S. Government agencies were taken into account before obligating funds for personal services contracts; and develop policies and procedures to ensure that that before obligating funds under an Economy Act order, the Department validated that the ordering agency had the necessary authority to obligate funds for those purposes. The Bureau of International Narcotics and Law Enforcement Affairs was requested to respond to the recommendation by January 9, 2012. However, OIG had not received a response as of the end of this reporting period. Therefore, three recommendations (Nos. 1. a, d, and e) remain unresolved.

Projected date of resolution: December 2012

Report Number: AUD/IT-12-14

Subject: Evaluation of Department of State Information Security Program

Date Issued: November 15, 2011

Reason for not being resolved: OIG recommended that the Department of State establish procedures to identify the total number of contractors who have access to Department of State systems, as required by Office of Management and Budget Memorandum M-11-33, FY 2011 Reporting Instructions for the Federal Information Security Management Act and Agency Privacy Management. The Department responded that it intended to comply by providing role-based security training and awareness to all employees, including contactors but did not agree to identify the total number of contractors who have access to Department of State systems as required by Office of Management and Budget Memorandum M-11-33. OIG will reassess the status of this recommendation in its audit of the Department's Information Security Program for FY 2012. Therefore, Recommendation 18 remains unresolved.

Projected date of resolution: November 2012

REVISED MANAGEMENT DECISIONS

None.

MANAGEMENT SUCCESS IN RESOLVING AND IMPLEMENTING RECOMMENDATIONS

None.

SIGNIFICANT INSPECTIONS RECOMMENDATIONS PENDING FINAL ACTION

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
ISP/I-11-57		<i>Inspection of the Office of the Director of U.S. Foreign Assistance</i>	08/2011
	6	OIG recommended that the Office of the Director of U.S. Foreign Assistance, in coordination with the Bureau of Resource Management, should prepare a study to determine whether there are cost effective solutions for collecting timely data on budget execution and making the data accessible to the Office of the Director of U.S. Foreign Assistance, its operating units, and stakeholders.	
ISP/I-11-11		<i>Inspection of Department-Required and Congressionally Mandated Reports: Assessment of Resource Implications</i>	10/2010
	3	OIG recommended that the Office of Management Policy, Rightsizing and Innovation, in coordination with the Bureau of Budget and Planning (formerly the Bureau of Resource Management, should direct all missions to document the approximate costs (to reflect time and pay scales of personnel involved) that are devoted to the preparation of congressionally mandated and Department reports, and include this data in annual budget requests.	
ISP/I-11-55A		<i>Inspection of Embassy Seoul, Korea</i>	08/2011
	12	OIG recommended that the Bureau of Overseas Buildings Operations should identify and evaluate the costs associated with the United States Forces Korea's departure from the Yongsan Garrison and accelerate the construction of Embassy Seoul's new embassy compound project on the Capital Security Construction Program schedule.	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
ISP/I-12-15	13	OIG recommended that the Bureau of Overseas Buildings Operations, in coordination with Embassy Seoul, should conduct a design survey for the new embassy compound and prepare a comprehensive mission facilities master plan.	02/2012
		<i>Inspection of the Bureau of Educational and Cultural Affairs</i>	
	1	OIG recommended that the Bureau of Educational and Cultural Affairs should conduct strategic budget planning exercises for all its program offices using the review in the Office of Professional and Cultural Exchanges as a model.	
	6	OIG recommended that the Bureau of Educational and Cultural Affairs, in coordination with the Office of the Under Secretary for Public Diplomacy and Public Affairs, should implement programmatic and funding mechanisms so that bureau programs can respond effectively to urgent policy needs.	
	15	OIG recommended that the Bureau of Educational and Cultural Affairs, in coordination with the regional bureaus, should issue guidelines so that the relevant embassy is included in communications from the bureau to binational Fulbright Commissions, the guidelines should also advise embassy representatives on binational governing boards of their oversight and management responsibilities.	
	30	OIG recommended - the Bureau of Educational and Cultural Affairs should establish maximum numbers of sponsor organizations and participants for each J visa program that its current resources and capacity can manage with appropriate quality controls.	
	32	OIG recommended the Bureau of Educational and Cultural Affairs should implement a plan to conduct on-site reviews of every sponsor organization at least once every two years as part of the redesignation process, increasing designation fees as necessary to defray travel and per diem costs.	
	35	OIG recommended the Bureau of Educational and Cultural Affairs, in coordination with the Office of the Legal Adviser, implement an annual program audit requirement for designated sponsors in every J Visa program.	
	36	OIG recommended the Bureau of Educational and Cultural Affairs, in coordination with the Bureau of Consular Affairs, the Office of the Legal Adviser, and the Bureau of Legislative Affairs, should submit a proposal to the Deputy Secretary for Resources and Management to determine the viability of ending or transferring its current responsibilities for the alien physician, au pair, intern, teacher, and trainee programs to the Department of Labor.	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
	37	OIG recommended the Bureau of Consular Affairs, in coordination with the Bureau of Educational and Cultural Affairs, should prepare a report reflecting how its recommendations to the Department of Homeland Security concerning Section 212(e) waiver requests properly balance the intent of the Fulbright Hays Act with other relevant policy considerations.	
	38	OIG recommended the Bureau of Educational and Cultural Affairs should establish a process to refer creditable allegations of criminal activity to the Bureau of Diplomatic Security, the Office of Inspector General's Office of Investigations, or to an appropriate law enforcement organization.	
	40	OIG recommended the Bureau of Educational and Cultural Affairs, in coordination with the Office of the Legal Adviser, significantly limit the number of sponsors and participants in the Summer Work Travel program pending implementation of major regulatory change that will allow more rigorous oversight of the designation, management, and sanctioning of program sponsors.	
	41	OIG recommended the Bureau of Educational and Cultural Affairs, in coordination with the Bureau of Budget and Planning, implement a procedure for gathering relevant information on its designated sponsors from other Department of State and U.S. Government entities.	
	54	OIG recommended the Bureau of Administration issue guidance on how to implement the new closeout requirements for all grants.	

SUMMARY OF INSPECTION REPORTS WITHOUT MANAGEMENT DECISION FOR MORE THAN SIX MONTHS

Report Number: ISP/I-11-47

Subject: Inspection of the Bureau of South and Central Asian Affairs

Date Issued: June 2011

Reason for Not Being Resolved: OIG recommended that the Bureau of South Central Asian Affairs (SCA) publish a single policy on requests for extension of 3161 employment that describes the process by which extension requests will be reviewed, approved or denied. OIG also recommended that SCA develop a written rating system for employees hired temporarily under 3161 authority, and assigned outside Iraq, to make possible a vetting system for reemployment. SCA reported that it has no authority over 3161 employment issues and OIG transferred action to S/SRAP. A

response from the Office of the Special Representative for Afghanistan and Pakistan is pending.

Projected Date of Resolution: November 2012

Report Number: ISP/I-11-55A

Subject: Report of Inspection of Embassy Seoul, Korea

Date Issued: August 2010

Reason for Not Being Resolved: OIG recommended that Embassy Seoul develop and implement a plan to transfer a portion of the embassy's voucher workload to the Post Support Unit. OIG is working to seek consensus and resolution of the recommendation.

Projected Date of Resolution: December 2012

Report Number: ISP/I-11-67A

Subject: Inspection of Embassy Helsinki, Finland

Date Issued: September 2011

Reason for Not Being Resolved: OIG recommended that Embassy Helsinki convert four of its language designated positions to non-language designated positions. Embassy Helsinki disagreed with the recommendation. OIG is transferring action to the Bureau of European and Eurasian Affairs (EUR) for resolution.

Projected Date of Resolution: December 2012

Report Number: ISP/I-12-04

Subject: Improvements Needed in IT Contingency Planning

Date Issued: December 2011

Reason for Not Being Resolved: OIG recommended that the Bureau of Information Resource Management (IRM) include the development and testing of contingency plans as criteria in the risk scoring methodology for site health of posts and bureaus. A response from IRM is pending.

Projected Date of Resolution: November 2012

Report Number: ISP/I-12-15

Subject: Inspection of Bureau of Educational and Cultural Affairs (ECA)

Date Issued: February 2012

Reason for Not Being Resolved: OIG issued two recommendations requiring the Office of the Legal Adviser (L) request a decision from the Office of Management and Budget on the extraterritoriality of the Paperwork Reduction Act and, in coordination with the Bureau of Educational and Cultural Affairs (ECA) and the Bureau of Diplomatic Security (DS), determine whether host family names can be checked against law enforcement databases and develop a procedure for processing name checks if approved. A response from L remains pending. OIG also recommended that ECA assign to relevant regional bureaus the responsibility for signing DS-2019 forms for inbound exchange visitor programs that are initiated and funded by overseas posts. ECA disagreed with the recommendation. OIG is working with ECA to seek consensus and resolution of the recommendation.

Projected Date of Resolution: November 2012

Report Number: ISP/I-12-19A

Subject: Report of Inspection of Tri-Mission Vienna Joint Management Office

Date Issued: March 6, 2012

Reason for Not Being Resolved: OIG recommended that Embassy Vienna eliminate the assistant human resources officer position upon departure of the incumbent. Embassy Vienna disagreed with the recommendation. OIG and Embassy Vienna are in the process of reaching an acceptable solution to implement the recommendation.

Projected Date of Resolution: December 2012

REVISED MANAGEMENT DECISIONS

None.

MANAGEMENT SUCCESS IN RESOLVING AND IMPLEMENTING RECOMMENDATIONS

Inspection of Embassy Vienna, Austria (ISP/I-12-16A)

OIG recommended and Embassy Vienna agreed to not fill the eligible family member position in the American Citizen Services unit when the incumbent departed, at a recurring funds put to better use of approximately \$60,000.

Inspection of Embassy Colombo, Sri Lanka (ISP/I-11-02A)

OIG recommended and Embassy Colombo agreed to establish an interagency appliance and furniture pool savings at a recurring funds put to better use of approximately \$75,000. All agencies at post signed on with the exception of the Department of Homeland Security (DHS).

Memorandum Report on the Oversight of Rest and Recuperation Travel Documentation and Certification (ISP/I-11-37)

OIG recommended that the Under Secretary for Management transfer the responsibility for approval and certification of rest and recuperation travel benefits from the regional bureau to the Office of Allowances (ALS) in the Bureau of Administration (A) to facilitate timely submission of justifications for continued eligibility for rest and recuperation travel. The Under Secretary for Management agreed with the recommendation and transferred responsibility for the approval and certification of post eligibility for rest and recuperation travel benefits to ALS and updated changes to applicable section of the Foreign Affairs Manual and Foreign Affairs Handbook. OIG also recommended that ALS obtain biennial documentation from all overseas posts currently receiving rest and recuperation travel benefits and reassess justifications for continued eligibility. A/OPR/ALS reviewed and recertified 181 posts for eligibility to continue to receive rest and recuperation travel benefits. Of the posts reviewed, nine (Buenos Aires, Hong Kong, Montevideo, Naha, Panama City, San Jose, Santiago, Warsaw, and Zagreb) were recommended for termination of rest and recuperation travel benefits effective November 1, 2012.

Inspection of Embassy New Delhi, India (ISP/I-11-39A)

OIG recommended and Embassy New Delhi agreed to centralize the consular information unit functions at either Consulate General Mumbai or Embassy New Delhi. After a 3-month pilot project, Consular Team India (CTI) determined that the Non-Immigrant Visa (NIV) section in Mumbai would manage NIV appointments for all five Indian Posts. This consolidation resulted in a cost savings of \$15,000.

Inspection of Embassy Yaoundé, Cameroon (ISP/I-11-45A)

OIG recommended and Embassy Yaoundé agreed to prepare a written plan for the Under Secretary for Management that outlined the cost savings of closing Embassy Branch Office Douala at a cost savings of \$3,783,126.

Inspection of Embassy Beirut, Lebanon (ISP/I-12-10A)

OIG recommended and Embassy Beirut agreed to abolish a locally employed staff human resources assistant position at a cost savings of \$25,000.

APPENDIX 5: AUDITS PERFORMED BY CONTRACTORS

Report Number	Report Title	Contractor	Type of Engagement
AUD-CG-12-33	<i>Audit of Contracting Officers Exceeding Delegated Procurement Authority for Overseas Contract Awards</i>	Kearney & Company	Performance Audit
AUD-CG-12-35	<i>Review of Costs Charged to Iraq Democracy-Building Grants Awarded to the International Republican Institute During FYs 2004–2010</i>	Clark Leiper, PLLC	Performance Audit
AUD-FM-12-37	<i>Independent Auditor’s Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2011 and 2010 Financial Statements</i>	Clark Leiper, PLLC	Financial Statement
AUD-FM-12-38	<i>Management Letter Related to the Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2011 and 2010 Financial Statements</i>	Clark Leiper, PLLC	Financial Statement

APPENDIX 6: PEER REVIEWS OF OIG OPERATIONS

During this semiannual reporting period, the Office of Audits did not undergo a peer review, and there are no pending recommendations from previous reviews. The last AUD peer review was conducted by the National Aeronautics and Space Administration, with a report issued on October 12, 2009. The next peer review for AUD will be conducted by the Department of the Interior.

The Office of Investigations (INV) did not have an external peer review of its investigative operations during this reporting period. The last review conducted in September 2011 by the Railroad Retirement Board, Office of Inspector General found the Office of Investigations to be in compliance with the internal safeguards and management procedures standards set by the Council of Inspectors General on Integrity and Efficiency, and did not make any formal recommendations in its report. INV's next peer review will be conducted by the Tennessee Valley Authority in 2014.



**BROADCASTING
BOARD OF
GOVERNORS**

OFFICE OF AUDITS

During this reporting period, OIG completed four analytical desk reviews of single audits for two BBG entities as follows: *Middle East Broadcasting Networks, Inc., for FY 2010 and FY 2011* and *Radio Free Europe/Radio Free Liberty, Inc., and Subsidiary for FY 2010 and FY 2011*.

The desk reviews were required by OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. (Information on these desk reviews is in the section “Department of State, Office of Audits, Security and Intelligence, Nonfederal Audits of Nonprofit Institutions.”)

OFFICE OF INSPECTIONS

Compliance Followup Review of Broadcasting Board of Governors Operations, Thailand (ISP-IB/C-12-34)

The Broadcasting Board of Governors (BBG) operations in Thailand were run well, despite uncertainties about the future of the transmitting station in Udorn. BBG headquarters was still conducting the strategic review of its operating and distribution platforms, the results of which would directly affect its operations in Thailand. This extended decisionmaking, which was reported in the March 2011 OIG inspection report, continued to have a negative effect on morale, particularly at the transmitting stations in Udorn and Patchi.

Responsible entities in both Washington and Thailand had complied with the majority of the recommendations in the 2011 inspection report. However, OIG reissued a recommendation to confirm that the plans for the transmitting station comply with U.S. and Thai laws and regulations and on other outstanding procedural issues.

Review of Broadcasting Board of Governors Operations in Nairobi, Kenya (ISP-IB-12-40)

OIG found no serious management problems at the Voice of America Nairobi News Bureau. Security at the facility was at or above standards and the BBG Office of Security was scheduled to visit the bureau within a month after the OIG inspection to complete the remaining upgrades from its previous survey. OIG made recommendations to improve administrative support services and to strengthen management controls.

Inspection of Radio Free Europe/Radio Liberty Prague (ISP-IB-12-43)

Radio Free Europe/Radio Liberty (RFE/RL) Prague was facing a period of budget challenges, resource pressures, and organizational restructuring that was adversely affecting the staff's morale. RFE/RL's language services had adopted new ways to reach audiences, including using the Internet, social media, and receiving input from audience members acting as citizen journalists. Its technology division was creative and a source of cost-saving innovations that benefited the broader BBG organization.

Senior management was appropriately focused on operational issues and morale; OIG made recommendations to improve these issues and communication, security, and emergency preparedness.

Inspection of the International Broadcasting Bureau's Regional Office of Marketing and Program Placement in Prague, Czech Republic (ISP-IB-12-44)

The director of the International Broadcasting Bureau's Regional Office of Marketing and Program Placement in Prague, Czech Republic (OMPP-Prague) provided strong organizational direction to a dedicated staff. Located in the headquarters of RFE/RL, OMPP-Prague maintained a good relationship with RFE/RL and worked closely on affiliate lease agreements, and with Embassy Prague, from which it received reliable administrative support. OMPP-Prague also had good internal controls and administrative procedures in place. OMPP-Prague's location near the affiliates provided the opportunity for the office and its satellite marketing contractors to observe and recognize emerging consumer and media trends. The deputy director position was vacant and unlikely to be filled due to budget constraints.

OIG made informal recommendations addressing minor operational deficiencies in human resources, procurement, and information technology.

APPENDIX 1: INVESTIGATIVE ACTIVITIES

Preliminary Inquiries	
Opened	1
Closed	2
Investigations	
Opened	3
Closed	2
Pending (9/30/12)	3
Criminal Actions	
Referrals for Prosecution	0
Indictments/Informations	0
Convictions	0
Sentencings (Months Imprisonment)	0
Sentencings (Months Probation)	0
Declinations	0
Civil Actions	
Civil Referrals	0
Civil Judgments	0
Civil Declinations	0
Administrative Referrals	
Referrals for Personnel Action	0
Suitability Referrals to DS	0
Contractor Suspension/Debarment Referrals to OPE	0
Administrative Actions	
Removals	0
Suspensions	0
Reprimand/Admonishments	0
Contractor/Grantees Suspended	0
Contractor/Grantees Debarred	0
Contractor/Grantees High Risk	0
Monetary Recoveries	
Criminal Fines/Recoveries	\$0
Civil Recoveries	\$0
Administrative Recoveries	\$0
Total Investigative Recoveries	\$0

APPENDIX 2: REPORTS ISSUED

Report Number	<i>Report Title</i>
ISP-IB/C-12-34	<i>Compliance Followup Review of Broadcasting Board of Governor's Operations, Thailand</i>
ISP-IB-12-40	<i>Review of Broadcasting Board of Governors Operations in Nairobi, Kenya</i>
ISP-IB-12-43	<i>Inspection of Radio Free Europe/Radio Liberty Prague</i>
ISP-IB-12-44	<i>Inspection of the International Broadcasting Bureau's Regional Office of Marketing and Program Placement in Prague, Czech Republic</i>

APPENDIX 3: SAVINGS AND MORE EFFECTIVE USE OF RESOURCES

TABLE 1: INSPECTOR GENERAL ISSUED REPORTS WITH QUESTIONED COSTS

Type of Report	Number of Reports	Questioned Costs (Dollars in Thousands)	Unsupported Costs (Dollars in Thousands)
A. For which no management decision has been made by the commencement of the reporting period	0	\$0	\$0
B. Which were issued during the reporting period	0	\$0	\$0
Subtotals (A + B)	0	\$0	\$0
C. For which a management decision was made during the reporting period based on formal administrative or judicial appeal			
(i) dollar value of disallowed costs	0	\$0	\$0
(ii) dollar value of costs not disallowed	0	\$0	\$0
D. For which no management decision has been made by the end of the reporting period	0	\$0	\$0
Reports for which no management decision was made within 6 months of issuance	0	\$0	\$0

TABLE 2: INSPECTOR GENERAL ISSUED REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

Type of Report	Number of Reports	Dollars (in Thousands)
A. For which no management decision has been made by the commencement of the reporting period	0	\$0
B. Which were issued during the reporting period	0	\$0
Subtotals (A + B)	0	\$0
C. For which a management decision was made during the reporting period		
(i) dollar value of recommendations that were agreed to by management	0	\$0
– based on proposed management action		
– based on proposed legislative action		
(ii) dollar value of recommendations that were not agreed to by management	0	\$0
D. For which no management decision has been made by the end of the reporting period	0	\$0
Reports for which no management decision was made within 6 months of issuance	0	\$0

APPENDIX 4: RESOLUTION OF REPORTS AND RECOMMENDATIONS

SIGNIFICANT AUDIT RECOMMENDATIONS PENDING FINAL ACTION

None.

SUMMARY OF OFFICE OF AUDITS REPORTS WITHOUT MANAGEMENT DECISION FOR MORE THAN SIX MONTHS

None.

REVISED MANAGEMENT DECISIONS

None.

MANAGEMENT SUCCESS IN RESOLVING AND IMPLEMENTING RECOMMENDATIONS

None.

CONGRESSIONAL AND PUBLIC AFFAIRS ACTIVITIES

TESTIMONY AND BRIEFINGS

- On April 17, 2012, Deputy Inspector General Harold W. Geisel testified before the *Senate Committee on Homeland Security and Government Affairs Ad Hoc Subcommittee on Contracting Oversight*. The subject of the hearing was “Effects on Inspector General Oversight of S. 2139, the ‘Comprehensive Contingency Contracting Reform Act of 2012.’” The Subcommittee sought input from statutory inspectors general involved in contingency operations to help ensure the Senate bill provided the tools necessary to provide comprehensive and effective oversight.
- On June 28, 2012, Deputy Inspector General Geisel testified before the *House Committee on Oversight and Government Reform*. The title of the hearing was “Assessment of the Transition from a Military to a Civilian-Led Mission in Iraq.” Deputy Inspector General Geisel provided an overview of Inspector General oversight in Iraq, including findings from its reports on police training, the Office of Security Cooperation, provincial posts, security, air transportation operations, medical care, emergency action plans, and facility requirements.

During this reporting period, OIG’s briefings to congressional staff included the following:

- ***Senate Committee on Foreign Relations:*** A briefing provided by the authors of OIG’s Embassy Nairobi report (ISP-I-12-38A, August 2012). In addition to the management issues cited in the report, the Leahy vetting issue and the matter of diplomatic status for USAID and other U.S. Government staff also were discussed. In addition, on September 24, 2012, staffers for the committee were given a briefing on the *Joint Strategic Oversight Plan for Afghanistan*. Deputy Assistant Inspector General for Middle East Region Operations (DAIG/MERO) Carol Gorman represented OIG, joining colleagues from SIGAR, DOD OIG, and USAID OIG.
- ***Senate Committee on Homeland Security and Government Affairs:*** A briefing provided by Audit Director Richard Astor, as well as representatives from contracted auditors with Kearney & Company, on the *Audit of Contracting Officers Exceeding Delegated Procurement Authority for Overseas*

Contract Awards (AUD/CG-12-33, June 2012). Issues discussed included information about the controls that will be implemented, the failure of the previous system without monitoring controls, and the ratification process.

- ***House Committee on Foreign Affairs:*** A briefing provided by the audit manager of OIG's *Audit of Bureau of Oceans and International Environmental and Scientific Affairs Administration and Oversight of Funds Dedicated To Address Global Climate Change* (AUD/CG-12-40, July 2012). Issues related to data quality assessments and grant officer representatives were discussed.
- ***House Committee on Oversight and Government Reform:*** A briefing provided by Assistant Inspector General for Audits Evelyn R. Klemstine and DAIG/MERO Carol Gorman on oversight work related to the embassy in Baghdad, the Baghdad Master Plan, the current OIG footprint in Iraq, and the current plan for rightsizing to ensure continued, comprehensive oversight of U.S. Mission Iraq programs and operations.

CONGRESSIONAL MANDATES AND REQUESTS

On June 13, 2012, OIG received a request from Representatives Michele Bachmann, Trent Franks, Louie Gohmert, Thomas Rooney, and Lynn Westmoreland to review "Department of State policies and activities that appear to be a result of influence operations conducted by individuals and organizations associated with the Muslim Brotherhood." Similar letters of inquiry were sent to inspectors general for the Office of the Director of National Intelligence, the Department of Defense, the Department of Homeland Security, and the Department of Justice.

On August 3, 2012, OIG received a letter from Representative Darrell Issa, Chairman of the House Committee on Oversight and Government Reform, asking for more information about OIG's reporting practices to Congress and whether there have ever been instances when serious problems were not shared with lawmakers. This letter was sent to all 73 Federal Government inspectors general.

On September 17, 2012, OIG received a letter from Senator Joseph Lieberman, Chairman of the Senate Committee on Homeland Security and Government Affairs, and Senator Susan Collins, Ranking Member on the Committee, requesting that OIG "conduct a thorough investigation of the Department's development of security requirements for the Benghazi Consulate, as well as the resource decision-making process to provide security for this post." In its response, OIG noted its oversight responsibility for the Accountability Review Board process, the mechanism required by the Omnibus Diplomatic Security and Antiterrorism Act, to review such issues and its preparation of a scope of work to examine embassy security worldwide, in light of the attacks in Benghazi and other incidents at U.S. diplomatic facilities.

As mandated by the Chief Financial Officers Act of 1990 (Public Law 101-576, as amended), OIG directed and monitored the following financial statement audit:

- *Independent Auditor's Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2011 and 2010 Financial Statements* (AUD/FM-12-37, June 2012).

As mandated by the Federal Information Security Management Act of 2002 (FISMA) (44 U.S.C. § 3545), OIG issued the following classified report, which is included in the Classified Annex:

- *Evaluation of the Information Security Program for Sensitive Compartmented Information Systems at the Department of State for FY 2012*

LEGISLATION MONITORED

OIG monitored the following legislation during the reporting period:

- *Continuing Appropriations Act, FY 2012 – Public Law 112-36.*
- *Department of State, Foreign Operations, and Related Programs Appropriations Act, 2013, S.3241* (pending).
- *Department of State, Foreign Operations, and Related Programs Appropriations Act, 2013, H.R.5857* (pending).
- *Senate Foreign Relations Authorization Act for Fiscal Years 2012-13* (pending).
- *Foreign Relations Authorization Act, Fiscal Years 2012, Section 201, H.R. 2583* (pending).

MEDIA RELATIONS AND OUTREACH

During this semiannual reporting period, OIG made its reports available to the media and other interested parties, both directly and online through regular postings on its public Web site (<http://oig.state.gov>). OIG sent out more than 80 announcements through its Twitter account, “tweeting” to a base of more than 1,200 “followers” when new reports or jobs were posted or when OIG participated in a congressional hearing. The site also has more than 6,000 users signed up to receive alerts when new material is posted.

OIG continues to improve its Web sites, responding to user feedback to enhance utility and performance. Recent enhancements include the addition of “keys” to understanding the report numbering protocol and Freedom of Information Act exemption

redactions, internal links to related reports, a reformatting of the homepage, and additional links to partner agencies and organizations such as the Web site for the Special Inspector General for Afghanistan Reconstruction. Internal SharePoint site enhancements included the addition of several new Innovative Practice case studies, new OIG Activities photo slide shows, and enhanced Web metrics (updates posted monthly)

Media expressed interest in a broad range of OIG activities and initiatives, resulting in 33 direct responses to 21 different issues. Listed in order of interest, the issues that drew the greatest number of media inquiries were the following:

- OIG’s response to a congressional inquiry from Reps. Bachmann, Frank, Gohmert, Rooney, and Westmoreland regarding “Department of State policies and activities that appear to be the result of influence operations conducted by individuals and organizations associated with the Muslim Brotherhood.”
- OIG’s response to a congressional request from Sens. Lieberman and Collins to “conduct a thorough investigation of the Department’s development of security requirements for the Benghazi Consulate, as well as the resource decision-making process to provide security for this post.”
- OIG’s comments on a hearing by the House Committee on Oversight and Government Reform, *Where Are All the Watchdogs? Addressing Inspector General Vacancies*.
- *Inspection of Embassy Nairobi, Kenya* (ISP-I-12-38A, August 2012).

Additional inquiries included the status and findings of OIG’s *Special Review of the Keystone XL Pipeline Permit Process* (AUD/ SI-12-28, February, 2012); *Compliance Followup Review of Embassy Islamabad and Constituent Posts, Pakistan* (ISP-C-12-28A, May 2012); *Management Letter Related to the Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2011 and 2012 Financial Statements* (AUD-FM-12-38); *Inspection of the Bureau of Information Resource Management, Systems and Integration Office* (ISP-I-12-30, June 2012); general information about OIG oversight of American Recovery and Reinvestment Act funds; information about OIG’s online/interactive Innovative Practices initiative; inquiries regarding the contractor suspension and debarment process; and several inquiries about possible OIG investigations.

Foreign Delegations: OIG regularly meets with officials from around the world to discuss a range of issues related to government oversight. During the latest reporting period, OIG met with representatives from Jamaica and the Board of Audit of Japan, as well as analysts from the Congressional Research Service.

AMERICAN RECOVERY AND REINVESTMENT ACT

In 2009, OIG received \$2 million in funding under the American Recovery and Reinvestment Act (ARRA) to provide oversight of ARRA funds and implementation of ARRA projects by the Department of State and the International Boundary and Water Commission, United States and Mexico, U.S. Section (IBWC). OIG's ARRA funding expired on September 30, 2010. Between October 2009 and June 2012, OIG initiated 26 projects to assess Department and IBWC activities funded by ARRA funds. OIG audits and reviews of the Department's use of ARRA funds resulted in 25 reports issued, and recommendations identifying \$26,127 in questioned costs and \$7,574,883 in potential funds put to better use.

ABBREVIATIONS

Abbreviation	Full Name
A	Bureau of Administration
AIP	Afghanistan, Iraq, and Pakistan
AIT	American Institute in Taiwan
AIT/Taiwan	American Institute in Taiwan – Taiwan office
AIT/Washington	American Institute in Taiwan – Washington office
ALS	Office of Allowances
A/OPE	Office of the Procurement Executive, Bureau of Administration
APP	American presence posts
BBG	Broadcasting Board of Governors
CA	Bureau of Consular Affairs
CA/OCS	Bureau of Consular Affairs, Directorate of Overseas Citizens Services
CCD	Consolidated Consular Database
CI	Office of Children’s Issues
CIVPOL	Civilian Police
CO	Contracting Officer
CSSP	Corrections System Support Program
CT	Bureau of Counterterrorism
CTI	Consular Team India
DAIG/MERO	Deputy Assistant Inspector General for Middle East Region Operations
DCAA	Defense Contract Audit Agency
DCM	deputy chief of mission
Department	Department of State
DoD	Department of Defense
DS/T/ATA	Bureau of Diplomatic Security Office of Antiterrorism Assistance
ECA	Bureau for Educational and Cultural Affairs
EUR	Bureau of European and Eurasian Affairs
FMO	Fleet Management and Operations Division
FHA	Federal Housing Administration
IBB	International Broadcasting Bureau
IG	Inspector General
INL	Bureau of International Narcotics and Law Enforcement Affairs

Abbreviation	Full Name
IPS	Bureau of Administration, Global Information Services, Office of Information Programs and Services
IRI	International Republican Institute
IRM	Bureau of Information Resource Management
L	Office of the Legal Adviser
J/TIP	Office to Monitor and Combat Trafficking in Persons
NATO	North Atlantic Treaty Organization
NIV	Non-immigrant visa
OECD	Organization for Economic Cooperation and Development
OES	Bureau of Oceans and International Environmental and Scientific Affairs
OIG	Office of Inspector General
OMB	Office of Management and Budget
OMPP-Prague	Regional Office of Marketing and Program Placement in Prague, Czech Republic
P	Planning, Programs, and Systems Liaison division
PAE	Pacific Architects and Engineers
PEPFAR	President's Emergency Fund for AIDS Relief
PRI	Office of Policy Review and Interagency Liaison
RFE/RL	Radio Free Europe/Radio Liberty
SCA	Bureau of South Central Asian Affairs
SIGAR	Special Inspector General for Afghanistan Reconstruction
SIGIR	Special Inspector General for Iraq Reconstruction
SIO	Systems and Integrations Office
SPOG	Senior Policy Operating Group
TIP	trafficking in persons
TVPA	Trafficking Victims Protection Act
UNESCO	U.S. Missions to the United National Educational, Scientific, Cultural Organization
USAID	United States Agency for International Development
USIBWC	International Boundary and Water Commission, United States and Mexico, U.S. Section
USIP	United States Institute of Peace

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UNITED STATES DEPARTMENT OF STATE
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OFFICE OF INSPECTOR GENERAL