



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

ISP-I-14-03A

Office of Inspections

February 2014

Inspection of Embassy Budapest, Hungary

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PURPOSE, SCOPE, AND METHODOLOGY OF THE INSPECTION

This inspection was conducted in accordance with the Quality Standards for Inspection and Evaluation, as issued in 2012 by the Council of the Inspectors General on Integrity and Efficiency, and the Inspector's Handbook, as issued by the Office of Inspector General for the U.S. Department of State (Department) and the Broadcasting Board of Governors (BBG).

PURPOSE AND SCOPE

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

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

METHODOLOGY

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



United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

PREFACE

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

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

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

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

A handwritten signature in cursive script that reads "Robert B. Peterson".

Robert B. Peterson
Assistant Inspector General for Inspections

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Key Judgments

- The chargé d'affaires effectively leads a collegial and active country team and is preparing carefully for the arrival of a new Ambassador.
- Embassy Budapest has a good strategic plan developed by the country team with priorities appropriate for the complexities of U.S.–Hungary bilateral relations. The public affairs section effectively reflects these priorities in its work, but other sections should develop reporting, representation, and travel plans in line with these priorities.
- The political/economic section is operationally effective, provides solid support to the chargé d'affaires and actively pursues the U.S. policy agenda in Hungary. The section should expand the breadth of its reporting and provide more analysis.
- As the environment, science, technology and health hub unit in Budapest covers 20 countries in Europe and the Caucasus, it should operate independently of other embassy sections and receive adequate funding for travel.
- The management section delivers adequate services to its customers but could perform more effectively by improving decisionmaking, eliminating unnecessary steps in routine processes, and enhancing collaboration.
- Embassy Budapest's consular section delivers visa and American citizens services courteously and professionally. A rightsizing and restructuring process in the past year has significantly lowered locally employed consular staff morale; however, the embassy should develop a plan to clarify and stabilize job responsibilities over the next 18 months, which should help restore section morale.
- The information management section is technically proficient and responsive to customers but is not adequately planning for extension of the communications network infrastructure into the new expanded chancery building.

All findings and recommendations in this report are based on conditions observed during the on-site review and the standards and policies then in effect. The report does not comment at length on areas where the OIG team did not identify problems that need to be corrected.

The inspection took place in Washington, DC, between September 5 and 27, 2013, and in Budapest, Hungary, between October 24 and November 8, 2013. Ambassador Kenneth Brill (team leader), Laurent Charbonnet (deputy team leader), Robert Eckert, Ellen Engels, Brett Fegley, Darren Felsburg, Ralph Kwong, Brian Mohler, Mary Monica O'Keefe, Colwell Whitney, and Timothy Williams conducted the inspection.

Context

Hungary, population 10 million, became independent in 1918 and fell under Soviet domination following World War II. As Hungary left the Soviet orbit in the late 1980s, the United States offered assistance and expertise to revise its constitution, establish a democratic political system, and promote a free-market economy. Hungary acceded to the North Atlantic Treaty Organization (NATO) in 1999 and the European Union in 2004. It is not a member of the Euro zone. Hungary has been an active partner of the United States on post-9/11 security issues. Despite its small military, Hungary contributed troops to NATO missions in Afghanistan and the Balkans, and also had troops in Iraq. The United States provides modest bilateral security assistance.

Hungary has transitioned from a centrally planned to a market-based economy since 1989. The United States has been the top non-European investor because of Hungary's central location in Europe, access to European Union markets, highly skilled and educated work force, and sound infrastructure. Recent changes in the investment climate, however, have made Hungary less attractive to U.S. firms, some of whom have left the country. Despite rapid growth in the mid-2000s, Hungary needed an International Monetary Fund and European Union bailout after the 2008 fiscal crisis. After contracting by 1.7 percent last year, the economy is expected to grow by less than half a percentage point in 2013.

Prime Minister Orban's center-right Fidesz party swept to power in 2010 with a landslide victory, capturing more than two-thirds of the seats in Parliament. Citing this electoral mandate, the Orban Government has enacted wide-ranging legislative and constitutional changes, often with minimal debate. Few areas of Hungarian public and economic life are unaffected by the government's drive to recentralize executive authority and cement the ruling party's hold on power. Opposition parties, civic organizations, and the international community, including the United States and European Union, are concerned that these changes weaken governmental checks and balances and erode the independence of the judiciary, media, and the Central Bank. Orban has countered with appeals to Hungary's national pride and its sense of historical victimization, fostering an atmosphere in which episodes of racism, anti-Semitism, and xenophobia occur. Fidesz is expected to win the 2014 election, albeit with a reduced majority.

Orban's approach to governing makes Hungary a complicated bilateral partner. While the United States is concerned about the undermining of Hungary's internal checks and balances, it has been difficult to challenge a popularly elected government. Meanwhile, Hungary's cooperation with the United States in military and security affairs remains solid, and they continue to cooperate on intelligence, counterterrorism, and nonproliferation issues. Budapest is home to the U.S.-supported International Law Enforcement Academy for training police officers from the region. A policy review of the bilateral relationship is likely in the coming months.

Embassy Budapest employs 95 Americans and 232 locally employed (LE) staff members, servicing five agencies. Total mission funding for FY 2013 was \$17.5 million, which includes Department of State (Department) funding of \$11.5 million and excludes U.S. direct-hire salaries. Total bilateral assistance for FY 2013 was \$1.8 million.

Executive Direction

Embassy Budapest is well managed and productive, led by a talented chargé d'affaires (CDA), who arrived in August 2013. The CDA is serving in his first deputy chief of mission (DCM) assignment and gained limited experience as a CDA in his last overseas assignment. The previous Ambassador left in July, and the nomination of a new Ambassador had just been announced at the end of the inspection.

Strategic Planning and Direction

The United States' complicated relationship with Hungary requires that the embassy have clear strategic goals and good internal and external communications. Embassy Budapest's excellent Integrated Country Strategy (ICS) outlines clear priority goals and a limited set of objectives for each goal. The strategy was developed through an inclusive country team process led by the former DCM.

The embassy has a dynamic outreach strategy, but the embassy speakers program should involve more than the embassy front office. The CDA and the public affairs section are working to rejuvenate a missionwide speakers program.

The CDA runs a well-balanced series of group and one-on-one meetings of the collegial and collaborative country team. The political/economic counselor is doing an excellent job as acting DCM. Other agency chiefs express appreciation for the CDA's support of their missions and his accessibility. During the inspection, the CDA led the country team in managing simultaneously and effectively a complicated visit by a senior official from Washington and press reports related to Hungary based on material from WikiLeaks and Edward Snowden. The CDA is leading the embassy in preparing for a new ambassador. On the policy front, he is engaging Washington on policy issues a new ambassador must deal with and developing relationships in Budapest with Hungarian officials and civil society.

The embassy needs to do a better job of linking its day-to-day activities to its strategic priorities. While the public affairs section tracks mission public events along a timeline and ties them to mission goals, the embassy has no process to assess progress in meeting the ICS goals in other types of activities and does not yet have mission reporting, travel, or representation plans, although the CDA has directed the political/economic section to prepare a reporting plan. Assessing progress will ensure the embassy meets its key priorities.

Recommendation 1: Embassy Budapest should establish a periodic process to assess and report to the Bureau of European and Eurasian Affairs and the ambassador/chargé d'affaires progress toward meeting the goals of the Integrated Country Strategy. (Action: Embassy Budapest)

Informal Recommendation 1: Embassy Budapest should implement a missionwide reporting plan tied to its strategic priorities.

Informal Recommendation 2: Embassy Budapest should institute a process for apportioning mission travel and representational funds to sections, based on section travel and representational plans approved by the deputy chief of mission and tied to the embassy's strategic priorities.

Informal Recommendation 3: Embassy Budapest should relate the work requirements of all U.S. direct-hire staff to its strategic priorities.

Morale, Workplace, and Security Issues

Embassy Budapest staff has good morale. U.S. direct-hire and LE staff gave the embassy leadership team good marks for the CDA-led town hall meeting and other communications related to the U.S. Government shutdown and furlough. The CDA has established a regular series of meetings with the LE staff committee. American employees respect their LE colleagues and value their work. There are no reports of harassment or discrimination, and the embassy has appropriate numbers of American and LE Equal Employment Opportunity counselors. Inspectors suggested a future town hall meeting should include a discussion of harassment and discrimination and feature the American and LE staff counselors.

The CDA meets regularly with the embassy's security officer and chairs the emergency action committee. He instructed the security officer to refine some emergency procedures based on the recent experience of dealing with the discovery of unexploded World War II munitions next to the chancery.

National Security Decision Directive 38 and Rightsizing

The Bureau of Overseas Buildings Operations is overseeing a major construction project that will consolidate all mission employees in an expanded chancery, except for those at the embassy warehouse, and expand available office space. Once the construction project is completed in 2014, the U.S. Agency for International Development (USAID) Office of U.S. Foreign Disaster Assistance is seeking to expand its regional office in Budapest. The embassy made an appropriate review of the proposal, which is currently awaiting action in the Department. The combination of Budapest's location and skilled labor force, and the embassy's new office space will produce requests for locating new regional operations in the embassy once the construction project is completed. Inspectors suggested the embassy review and update its National Security Decision Directive 38 procedures to prepare for such requests.

First- and Second-Tour Staff Mentoring and Professional Development

Embassy Budapest has 11 first- and second-tour (FAST) employees. The CDA appropriately serves as their rating or reviewing officer. Embassy Budapest has a "Professional Development Policy for Junior Officers," dated 2012, that provides an excellent basis for the FAST mentoring and professional development program, with the DCM clearly in the lead. There had been a hiatus in FAST-related activities because of turnover among FAST staff and the embassy front office, over the summer transition period. The CDA told inspectors he will pursue an active and structured FAST staff mentoring and professional development program in the coming months. Inspectors suggested that the CDA revise and update the 2012 policy to ensure it includes regular meetings on agreed topics and put information about the FAST staff program on the embassy Web site to help current and prospective staff.

Hungarian Language Training

For several years, Embassy Budapest has had an ongoing dialogue with the Foreign Service Institute, School of Language Studies, about improving the quality of Hungarian language training. The School of Language Studies responded to the embassy's critiques and made a number of improvements in the training program for this difficult, non-Indo-European language. Nevertheless, officers continue to arrive without the skills to carry on professional conversations in Hungarian and often use English with Hungarian interlocutors. Most officers depend on LE staff for press briefings and to ensure they grasp the essentials of meetings conducted in Hungarian. LE staff told the OIG team the Department's Hungarian instruction does not prepare officers to use the language in professional settings. Without doing a position-by-position analysis, inspectors were unable to determine whether the main problem lay in inadequate training quality or the embassy's language designated positions being assigned too-low language skill ratings. The Departmentwide 2014 Triennial Language Proficiency Designation exercise provides an opportunity for the embassy to determine whether skills ratings on Hungarian-language positions are set sufficiently high to allow officers to work effectively.

Consular officers, who must use Hungarian on a daily basis, report that they arrive at the embassy without the specific vocabulary needed to conduct business. Although there is a consular module in the Hungarian language program, officers report it is based on consular terms and practices from the 1990s. Consular officers also say that instructors "teach to the test," which tends to focus on political and economic issues, rather than vocabulary required to conduct visa interviews, including family relations, legal matters, and business. New consular officers often have to use LE staff as interpreters until they build vocabulary and skills to the required level.

Recommendation 2: Embassy Budapest, in coordination with the Foreign Service Institute, School of Language Studies, should develop a plan to ensure that all officers arriving at the embassy have the ability to carry out their duties at the designated skill level. (Action: Embassy Budapest, in coordination with FSI)

Recommendation 3: Embassy Budapest, in coordination with the Foreign Service Institute, School of Language Studies, should update the Hungarian consular module to reflect current vocabulary and conversational skills. (Action: Embassy Budapest, in coordination with FSI)

Policy and Program Implementation

Political/Economic Section

Washington end users expressed satisfaction with the embassy's political/economic reporting. Officers' portfolios and work requirements accurately reflect the mission's ICS, and the section plays a key role in achieving the embassy's major ICS goals. A strong FS-01 political counselor heads the section, which is divided into an economic unit, whose chief serves as the deputy counselor, and a political unit. Of the section's 10 American staff members, five, mostly FAST officers, arrived in the 2 months preceding the inspection. Despite the sizable turnover, the section operates smoothly and productively and cooperates exceptionally well with other sections and agencies. The five LE staff members are experienced, provide excellent support, and are important to the section's reporting and outreach to Hungarian contacts.

The counselor and the unit chiefs work hard to help the FAST officers get up to speed as reporting officers. Weekly staff meetings are well managed; information flow is good. The counselor meets daily with the CDA and, during the inspection, was serving as the acting DCM. The staff appreciates the counselor's open-door policy. Representation and travel funds are sufficient, although they are not distributed according to a plan, nor explicitly linked to priorities of the ICS.

The section spends approximately 5 percent of its time handling visitors. During the last year it supported 13 visits, including one at the assistant secretary level, two at the deputy assistant secretary level, one Congressional delegation, and a Supreme Court Justice.

Reporting and Advocacy

In the 9 months preceding the inspection, the political/economic section drafted roughly 100 political cables and 60 economic cables, with 50 of them reporting delivery of demarches. For the most part, these cables are consistent with ICS priorities. Washington end users say they eagerly read Budapest domestic political reporting to monitor actions by the current government in the run-up to the 2014 parliamentary election. Washington praised the section's reports on human rights and international religious freedom.

The section's reporting is based on knowledgeable contacts in government, academia, and the business community, though the embassy sends far more spot messages than analytic reports. While the section covers some high-priority issues well, such as Syria chemical weapons, human rights, rule of law, and energy, other important topics are covered only occasionally. Reporting is limited on defense and security issues, a cornerstone of the bilateral relationship. The embassy occasionally reports on evolving local attitudes toward the European Union; Hungary's external relations, including with Russia and China; and government efforts to meet European Union targets to join the Euro currency zone. Reporting on these issues should be expanded.

Many messages contain insufficient analysis and insights, including biographic details of significant interlocutors, which are the real value-added of good embassy reporting. In preparation for the inspection, the section began developing a reporting plan, which could help

plug gaps in reporting. The section sends informative daily activity summaries to Washington; recently the section has begun to send these summaries, correctly, as record emails.

Informal Recommendation 4: Embassy Budapest should expand the breadth and depth of its political/economic reporting to reflect the range of bilateral and regional issues of importance to Washington consumers.

Human Rights, Refugees, and Rule of Law

The political unit drafts the annual Human Rights and Trafficking in Persons reports. Political officers have pressed the Hungarian Government to oppose anti-Semitism actively and publicly. The United States and the European Union also have told the current government that constitutional changes it pushed through parliament erode the rule of law by impairing judicial independence and threatening freedom of religion; some recent constitutional modifications have addressed these concerns in a limited way. The political/economic and other embassy sections have increasingly advocated for improving the rights of groups facing discrimination, including women, Roma, and the lesbian, gay, bisexual, and transgender community. Three years ago, the embassy began a Roma Fellowship program, by which young Roma students work in the political/economic and public diplomacy sections, with housing and a stipend provided by the embassy.

Counterterrorism Cooperation

The political/economic section helps support U.S. counterterrorism efforts by delivering technical assistance and border security training to the Hungarian Government through the Department's Export Control and Related Border Security program, and relaying U.S. designations of terrorist financiers to local authorities. One officer focuses on Hungarian actions to draft a comprehensive cyber security policy. Another covers counterproliferation and counterterrorism finance issues. The legal attaché manages a program to help the Hungarian police conduct biometric checks of immigrants and asylum seekers.

Law Enforcement Cooperation

Law enforcement is a major embassy activity, with three Federal Bureau of Investigation elements in Budapest: the legal attaché, who performs traditional legal liaison functions; a Federal Bureau of Investigation task force on organized crime at the Hungarian police headquarters; and the International Law Enforcement Academy in Budapest (funded by the Bureau of International Law Enforcement and Narcotics Affairs), whose director is seconded from the Federal Bureau of Investigation. The deputy director of the International Law Enforcement Academy is a Diplomatic Security officer from the Department. The academy provides law enforcement training for police officials from Europe and the Middle East and is located in a facility provided by the Hungarian Ministry of the Interior. It trains between 1,000 and 1,500 officers a year. All Federal Bureau of Investigation elements report that they receive excellent support from the embassy and effective coordination by embassy leadership. Officers from the political/economic section help teach the human rights element of the police course.

The chief of mission chairs the twice-yearly law enforcement working group, whose membership includes all embassy law enforcement elements, the political/economic counselor,

the consular chief, and law enforcement representatives stationed in Vienna, Frankfurt, and Bucharest.

Trade and Business Promotion

The U.S. Commercial Service has one officer at Embassy Budapest and a small support staff. The political/economic section cooperates closely with the U.S. Commercial Service in advancing U.S. business interests, including by participating in American Chamber of Commerce events and providing political and economic insight to U.S. business visitors. U.S. exports to Hungary rose 13 percent from 2011 to 2012, the last full-year figures available. The political/economic section has worked with the Commercial Service in supporting a U.S. company's ongoing bid to supply equipment to expand Hungary's nuclear power plant. Cooperation between the two sections is collaborative and mutually supporting. An economic/commercial working group, co-chaired by the economic unit chief and the commercial counselor, promotes collaboration on intellectual property rights, tax reform, and energy issues. The political/economic section is helping U.S. negotiators finalize a Social Security agreement to eliminate dual taxation and fill in gaps in benefits for those who work in both the United States and Hungary.

Assistance Programs

In FY 2014, Hungary will receive \$1.45 million in security assistance, largely Foreign Military Financing and International Military Education and Training. No one in the political/economic section is certified as a grants officer representative, but a political officer participated in the development of the operational plan for the security assistance. The Departments of State and Defense, and the embassy's Office of Defense Cooperation monitor the assistance.

Political-Military Affairs

The political unit chief chairs a monthly political-military working group meeting to coordinate activities of the Defense attaché office, the Office of Defense Cooperation, and other sections as appropriate. All parties told the OIG team that coordination and information sharing were excellent. The security relationship is expected to remain robust, as the Hungarian Government increases its defense budget in the near future (after years of cutbacks), reforms its military structure, and updates equipment to meet NATO interoperability goals.

A political officer is responsible for Leahy vetting and coordinates with the regional security officer, the Defense attaché, and the consular section. She has completed the relevant training, as have two colleagues who serve as backups. During the last year, the embassy vetted 1,025 names for U.S.-sponsored military and security training. There were no negative reports.

Environment, Science, Technology, and Health Regional Hub

Embassy Budapest hosts an environment, science, technology, and health (ESTH) regional hub officer who covers 20 embassies in central and eastern Europe, the Balkans, the Caucasus, and Hungary. Two capable LE staff members report to the FS-02 ESTH officer, who arrived shortly before the inspection. The hub's regional goals include fostering transborder

water cooperation in regional river systems, strengthening environmental law enforcement, and using transboundary environmental and health issues to promote security in the region. The ESTH staff attends the political/economic counselor's weekly staff meeting and has a collaborative relationship with that section. The hub officer reports on large research and development investments and shares information with the Commercial Service and the Office of Defense Cooperation. When the regional USAID office closed in March 2013, regional disaster management responsibilities were transferred to the ESTH officer.

The ICS lists fighting environmental crime as part of the mission's law enforcement cooperation objective. The ESTH officer cooperates with the International Law Enforcement Academy to deliver training sessions on environmental investigations and enforcement. He also works with the U.S.-funded Regional Environmental Center north of Budapest, which assists in the development of environmental nongovernment organizations and raises environmental awareness. The U.S.-Hungary agreement for scientific and technological cooperation was signed in 2010.

The OIG team found confusion among staff about the relationship between the hub officer and the political/economic section. The officer reported to the DCM until July 2013, when supervision was transferred to the political/economic counselor. The offices of the hub officer and the economic unit chief are colocated, and the embassy felt the unit should be connected organizationally to the section with which it most cooperates. The hub, however, has a regional focus and the hub officer is expected to spend 60-70 percent of his time on regional issues or traveling.

ESTH hub positions were established to be regionally focused, not to be part of an embassy section that focuses on bilateral issues. The Embassy Budapest hub should not be folded into the political/economic section. The hub officer's performance is being reviewed appropriately by an official in the Bureau of Oceans and International Environmental and Scientific Affairs, but the DCM is not rating the officer, as is done at other embassies with ESTH hub officers.

Recommendation 4: Embassy Budapest should return performance-rating duties for the environment, science, technology and health hub officer to the deputy chief of mission. (Action: Embassy Budapest)

Resources are another challenge for the ESTH hub at Embassy Budapest. While the hub officer is expected to travel throughout his region, the source of funding for that travel is murky. An earlier hub officer had not traveled to some posts in the region for several years. Presently, the hub's travel funds are not a separate line item in the embassy's budget.

Recommendation 5: Embassy Budapest, in coordination with the Bureau of Oceans and International Environmental and Scientific Affairs and the Bureau of European and Eurasian Affairs, should create a separate budget for the environment, science, technology and health hub's regional travel requirements. (Action: Embassy Budapest, in coordination with OES and EUR)

Public Affairs Section

The public affairs officer inspires her team to take initiative, develop new ideas, and collaborate with other mission elements in support of mission goals. In addition to the section chief, there are press officer, cultural affairs officer, regional English language officer, and 15 LE staff positions. Under the previous ambassador and DCM, the public affairs officer had regular weekly meetings with the front office. At the time of the inspection, the section chief continued this practice with the CDA.

Strategic Planning

The public affairs section contributed to defining, and helps implement, all ICS mission objectives. Taking ICS implementation a step further, beginning in FY 2013, the public affairs section initiated a strategic calendar chart for the entire fiscal year. The chart includes a space to record the impact and followup for outreach events. The public affairs section has drafted the FY 2014 chart, a living document, with allowances for updates and new opportunities. Several public events planned for October had to be cancelled due to the U.S. Government shutdown, thus, the OIG team was unable to observe these activities.

Innovative Practice: Ambassador’s Public Diplomacy Strategic Plan–Electronic Calendar

Issue/Challenge: While all U.S. missions are required to draft an Integrated Country Strategy (ICS), public events or projects are sometimes not coordinated across the mission, or specifically tied to ICS goals/objectives.

Background: Schedules may conflict and there may not be enough advance notice to ensure optimum press and social media coverage. There had been no mission coordinating point for all public events and projects.

Innovative Practice: This strategic calendar is an electronic spreadsheet that tracks all mission public events according to ICS goals, listing all planned projects, dates, venues, mission goal/objective, and responsible mission section, with a social media plan for each item. All ICS goals are listed at the top of each page, for easy reference.

Benefit: The public affairs section ensures that all mission public events represent a mission goal/objective and are coordinated by schedule, contact person, and venue. Public diplomacy plans can be amplified through media outreach, Web site, and social media. Additionally, the strategic calendar is a useful management tool for the embassy front office and members of the country team.

In FY 2013, the public affairs section was part of a bureauwide pilot program, introduced by the Under Secretary for Public Diplomacy, requiring a public diplomacy implementation plan in a specific format tied to mission goals, citing cost estimates, and funding sources. The FY 2014 implementation plan was due to the Under Secretary’s office by October 31, 2013, but certain changes in the software made it more difficult to complete, causing a delay in submission. Much of the content, however, was already outlined in the Ambassador’s Public Diplomacy Strategic Plan.

Section Management

American and LE staff members on the public affairs team respect each other, share ideas, and collaborate on projects. The section chief has included all employees in planning for the projected 2014 move from the current separate facility to the new embassy building. As the change coincides with the retirements of two long-time employees, the public affairs officer has appropriately chosen this opportunity to reconfigure some responsibilities, emphasizing the growing importance of social media.

While Embassy Budapest has a speakers program for American employees, its existence and procedures for participation are not widely known throughout the mission. A robust speakers program could provide opportunities for outreach and let FAST employees gain experience. During the inspection, the public affairs officer began to disseminate information about the program more broadly and encourage participation from all mission elements.

Informal Recommendation 5: Embassy Budapest should publicize the speakers program throughout the mission, post clear information online, and encourage all American staff to participate.

Grants Management

The public affairs section managed over \$300,000 in grants in FY 2013. Several LE staff members have completed grants management training, bringing the total number of certified LE grants officer representatives to five, all of whom now have those responsibilities in their employee performance plans. Grants records are in good order. All programs are documented in the Mission Activity Tracker.

Cultural and Exchange Programs

The section uses cultural events and exchange programs to showcase American values. All programs are tied to mission goals. The cultural affairs officer and his experienced staff also manage effectively a network of five American Corners, partnering with well-chosen local institutions to host American speakers, U.S. program alumni, English language clubs, and American educational advising services. Corner events receive regular attention in the local print and electronic media.

A binational commission, including the public affairs and cultural affairs officers, oversees the Fulbright program. The new executive director has energetically sought new and joint funding for additional scholarships. The Fulbright office also hosts an American educational advising center that offers various American standardized tests for admission to U.S. universities.

Youth Outreach

The Roma Fellowship program was created in 2009 to empower promising Roma members of Hungarian society by exposing them to the everyday life of business at the embassy, high-level meetings with Hungarian authorities, and English language courses. This year, a graduate of the program was hired by the Hungarian Ministry of Human Resources.

In response to the February 2013 directive from the Office of Global Youth Issues, the public affairs section established a U.S. embassy youth council of 10-15 Hungarian participants, between the ages of 19-32, from diverse backgrounds. The council will function as an advisory body on youth affairs for the ambassador and embassy staff, work with the public affairs section, initiate in-country youth outreach programs, and design and implement civil society small grants projects.

Press and Media

The press officer and her staff produce media briefs and do quick turnarounds of media reaction reports on target issues. The press officer and her staff are hardworking and effective.

Social Media

The section effectively integrates social media into all aspects of programming, employing appropriate social media platforms to convey targeted messages to Hungarian audiences. All social media platforms are interlinked through tabs on the sites. The embassy Facebook site, in English and Hungarian, with an average weekly reach in September 2013 of more than 13,000 (a considerable audience for a country of this size), is the primary platform for discussion, contests, polls, embassy events, tourism, and cultural news items. Aimed at an audience of students and young professionals, it is the most useful tool for encouraging two-way engagement.

The embassy uses its Twitter feed to disseminate hard news items, such as official statements and press releases, with links to transcripts and policy articles on the embassy Web page. This platform is focused on media audiences, public administration professionals, government policy makers, and opinion leaders. The Embassy Budapest Twitter account is the sixth most popular among U.S. embassies within the Bureau of European and Eurasian Affairs. Other platforms include a YouTube channel for video clips of embassy events and a policy blog for Hungarian translations of Department and White House speeches and policy documents. The embassy's public Internet site in English and Hungarian presents official information on policy, recent embassy programs, and has links to consular information, the U.S. Commercial Service site, and others. During the U.S. Government shutdown, when the embassy was prohibited from posting anything but emergency information, social media audience numbers dropped by 97 percent. The public affairs section is working hard to reconnect with its audiences.

Regional English Language Office

The Bureau of Educational and Cultural Affairs funds a regional English language officer and LE assistant, with responsibility for 17 countries ranging from Albania to the Baltics. The newly arrived officer has actively consulted with the Bureau of European and Eurasian Affairs to identify policy-priority regions where he can provide the most value. These English-teaching programs implement the ICS priorities by conveying American values and promoting inter-ethnic tolerance through summer language camps and other activities for Roma and other disadvantaged Hungarian youth, as well as teachers and students from other countries.

Consular Management

Embassy Budapest's visa services operate year-round without backlogs. At the time of the inspection, both FAST adjudicators had been at post less than 3 months. Continuous officer training by the consular chief is thorough and emphasizes security and customer service. LE staff members are generally well trained and dedicated. The inspection team found no major issues concerning policy, procedure, or delivery of high-quality consular services.

Budapest's consular section was not rightsized after Hungary joined the Visa Waiver program in 2008. Before the current consular chief's arrival in 2012, the Bureau of Consular Affairs instructed her to evaluate staffing needs and take steps to rationalize section structure and staffing, given the substantial drop in workload after the Visa Waiver program took effect. The subsequent rightsizing process reduced the number of locally employed staff positions from 11 to 8.

As rightsizing progressed, the consular chief reorganized the section to redistribute duties and streamline operations. She merged the nonimmigrant and immigrant visa units, creating new reporting relationships. Some LE staff members were assigned to completely new duties or to different units. In some cases, job assignments changed more than once during a 6-month period. Each change generated new stresses and fears about job security. Furthermore, the consular chief did not contemporaneously rewrite position descriptions and submit appropriate cases for reclassification. In a consular section where Hungarian employees had an average of 13 years' tenure, and staff had enjoyed long-term position stability, the scope of change within a relatively brief time was frustrating, stressful, and demoralizing.

Recommendation 6: Embassy Budapest, in coordination with the Bureau of Consular Affairs, should implement a final staffing plan and reporting structure for the consular section. (Action: Embassy Budapest, in coordination with CA)

Recommendation 7: Embassy Budapest should rewrite position descriptions of the consular staff to match new responsibilities. (Action: Embassy Budapest)

Recommendation 8: Embassy Budapest should develop individual training plans for consular staff to eliminate gaps in substantive and procedural knowledge. (Action: Embassy Budapest)

Informal Recommendation 6: Embassy Budapest should require the consular chief to establish a written strategic plan, with specific goals and benchmarks, to move the consular section beyond the rightsizing episode and create a solid organizational/operational foundation for sustained success.

The U.S. Citizen Warden System

Embassy Budapest's warden system has not adapted to changes in communications capabilities. As more extensive and reliable forms of electronic communication became available in Hungary, the role of wardens in emergency circumstances has diminished. Although a warden system still exists, the section has not used or regularly maintained it in recent years.

Recommendation 9: Embassy Budapest should, in coordination with the Bureau of Consular Affairs, Office of Overseas Citizens Service, update its warden program to reflect changes in communications capabilities. (Action: Embassy Budapest, in coordination with CA)

The consular chief has identified the need for a comprehensive consular communication and outreach program. This program will become very important early in 2014, when Embassy Budapest joins the contractor-operated consular Global Support System. The Global Support System contractor will take over responsibility for scheduling visa appointments, answering the bulk of public visa inquiries, and returning passports and visas to applicants. The section needs a team to handle consular outreach. The team's mandate would be broad, including all aspects of consular outreach, such as managing the relationship with the Global Support Services contractor, electronic and social media, courier services, congressional and other inquiries, and speaking engagements. The section also needs to coordinate with the public affairs section.

Informal Recommendation 7: Embassy Budapest should create a team of consular and public affairs officers and locally employed staff to manage consular communications and outreach.

Consular Reporting

Since the consular chief's arrival, she has had to concentrate on section management issues at the expense of consular reporting, except for required reports and a cable on Iranian visa applicants. The CDA has told the consular chief he wants to see more substantive reporting from the consular section, and she has begun to formulate a reporting plan.

Informal Recommendation 8: Embassy Budapest should require the consular section to contribute to the embassy's new reporting plan and assign drafting responsibilities among the consular officers.

Funding for Repatriations and Emergency Services

The consular chief and financial management officer have disagreed over funding issues that, in at least one case, threatened to delay a U.S. citizen's repatriation. The consular chief believes that unresolved issues specifically related to Bureau of Consular Affairs funding could cause similar problems in the future. Similar issues were reported by other sections in regard to financial operations. (See the Financial Management section of this report.)

Recommendation 10: Embassy Budapest, in coordination with the Bureau of Consular Affairs, should develop standard operating procedures for funding emergency consular services and repatriations. (Action: Embassy Budapest, in coordination with CA)

Resource Management

Agency	U.S. Direct-Hire Staff	U.S. Local-Hire Staff	Foreign National Staff	Total Staff	Total Funding FY 2013
Department of State					
Diplomatic & Consular Programs	31	0	13	44	\$1,372,300.00
ICASS	9	9	102	120	\$7,231,079.00
Public Diplomacy	3	0	15	18	\$1,022,500.00
Consular	3	1	8	12	\$497,232.00
Diplomatic Security	5	2	64	71	\$627,146.00
Marine Security	6	0	4	10	\$211,160.00
Representation					\$57,900.00
OBO	1	0	11	12	\$514,900.00
Department of Agriculture					
Foreign Agricultural Service	0	0	1	1	\$18,144.00
Department of Defense					
Defense Attaché Office	10	1	2	13	\$700,000.00
Office of Defense Cooperation	4	0	2	6	\$547,083.00
Department of Justice					
Federal Bureau of Investigation	3	0	0	3	\$364,200.00
Legal Attaché Office	2	0	0	2	\$144,600.00
International Law Enforcement Academy	2	0	5	7	\$3,801,408.00
U.S. Commercial Service	2	0	4	6	\$394,818.00
USAID/Office of U.S. Foreign Disaster Assistance	1	0	1	2	Not Serviced
Totals	82	13	232	327	\$17,504,470

General

Results from surveys by the International Cooperative Administrative Support Services (ICASS) council and OIG show that the Embassy Budapest management section provides adequate services to its customers, with scores in most areas exceeding the broader averages. OIG inspectors identified some inefficient processes and incorrect procedures. At times, section leadership was deficient, yielding ponderous decisionmaking and hindering collaboration among operating units.

Supply Chain Management

The Integrated Logistics Management System is the Department’s automated solution to the various supply-chain functions, but Embassy Budapest is not maximizing its use. Instead, a

lack of compliance with Department guidance (13 STATE 057938) and lack of collaboration between the financial management office and the general services office have rendered the system inefficient and weakened management controls. For example, the Department-issued guidance reinforced and clarified the financial management office's role as the embassy's designated billing office for receiving invoices. Embassy Budapest's general services office now performs this function, but it goes beyond simply receiving invoices. It also must carry out several manual steps to process the invoices—stamping, signing, copying, and transmitting hard copy documents to the financial management office—to effect payment. OIG inspectors estimated the process adds up to 10 unnecessary steps to process each invoice. The financial management office has the ability to print purchase orders and receiving reports directly from the Integrated Logistics Management System which, together with the invoice, constitute the basis for payment.

Recommendation 11: Embassy Budapest should require the financial management office to perform all functions required as the post's designated billing office. (Action: Embassy Budapest)

Other supply-chain processes have superfluous steps, such as contracting officer "initial approval" and extra approvals within the financial management section. On the other hand, efforts to decrease procurement cycle time have yielded significant results: average total cycle time fell from 13.10 days in FY 2012 to 8.64 in FY 2013. The procurement unit accounted for the largest share of the improvement, cutting 4.58 days from its average processing time. Eliminating unnecessary steps would result in further time reductions with no diminution of management controls.

Recommendation 12: Embassy Budapest should review its Integrated Logistics Management System supply-chain management workflow and eliminate unnecessary steps, while maintaining adequate internal controls. (Action: Embassy Budapest)

Receiving, which is "the link between the procurement, property, accountability, and certifying functions" per 14 *Foreign Affairs Manual* (FAM) 413.3a., is another key element of Embassy Budapest's supply chain that could improve. The receiving function is now passive and responds to the physical receipt of goods. The receiving clerk does not maintain visibility or a "due in" receiving file, as described in 14 *Foreign Affairs Handbook* (FAH)-1 H-313.1; as a result, the receiving clerk does not know what or how much property is expected. This information is essential to ensuring timely receipt of goods and following up on items that have not been received.

Recommendation 13: Embassy Budapest should establish and monitor a "due in" receiving file. (Action: Embassy Budapest)

Financial Management

With the exception of cashiering, the financial management office's ICASS customer satisfaction ratings fell from 2012 to 2013 and are below regional and worldwide averages. These deficiencies are due in part to the unnecessary steps in supply chain management, outlined in the General Management section of this report, but the financial management officer's

tendency to be overly cautious has resulted in disputes with customers over regulations and an inability to resolve issues in a timely manner.

Status of Funds

Review of funds management showed unliquidated obligations of \$76,000 from FYs 2010-2012, primarily for ICASS freight costs not yet invoiced. The expenditure of FY 2012 funding for the International Law Enforcement Academy program has begun only recently, so bulk obligations of over \$3.8 million remain unliquidated. The financial management officer is monitoring and will take steps to extend time for liquidation, as necessary.

Cashiering

The Class B cashier and two alternate Class B cashiers keep meticulous records, and there have been no problems with cash counts. The last cashier monitor trip report reflected the monitor's opinion that some subcashier advances were too high. The facilities maintenance section's subcashier has an advance in local currency equal to [Redacted] (b) (7)(F) nearly 20 percent of the Class B cashier's [Redacted] (b) (7)(F) advance. Guidance in 4 FAH-3 H-391.1 limits the use of cash payments in general and 4 FAH-3 H-393.4-2 requires an annual review of the adequacy of the cashier's advance, taking into consideration factors such as changing cash payment requirements, and identifying whether greater use of electronic funds transfers is possible. Furthermore, the subcashier is personally accountable for this advance, creating undue liability. Such a large subcashier advance is not warranted when non-cash options, such as bulk purchasing agreements, electronic funds transfers, and purchase card payments are readily available in Hungary.

Recommendation 14: Embassy Budapest should assess and determine the adequate level of cashier advances, placing special emphasis on reducing the volume of cash purchases and employing non-cash methods to reduce the Class B cashier's and facilities maintenance subcashier's advances and accountability. (Action: Embassy Budapest)

[Redacted] (b) (5)



Voucher Processing

Embassy Budapest sends only its travel vouchers to Global Financial Service Center Charleston's Post Support Unit for processing. The financial management officer is somewhat reluctant to outsource the processing of other kinds of vouchers, because he is not convinced of its potential time savings and is hesitant to surrender control. Sending additional types of vouchers to the Post Support Unit would allow the financial management officer to reprogram one voucher examiner position to the accounting function, which he feels is understaffed. The financial management officer and his financial specialist have begun training one of the voucher examiners to become an accountant.

Informal Recommendation 10: Embassy Budapest should complete training for the voucher examiner and move that employee to an accountant position.

Informal Recommendation 11: Embassy Budapest should decide which types of vouchers are best suited to outsourcing, and restructure staff and work processes accordingly.

The inspectors noted that Financial Service Center Charleston makes salary payments directly to official residence expense employees through electronic funds transfers. This practice does not comply with 3 FAM 3257, which states that staff employed under official residence expense are employees of the principal representative, not of the U.S. Government. Thus, these employees cannot be paid directly from appropriations, U.S. Disbursing Officers, or cashiers.

Recommendation 15: Embassy Budapest should implement a policy of direct payment of salaries to official residence expense employees by the ambassador and deputy chief of mission. (Action: Embassy Budapest)

Embassy Budapest's representation policy, dating back to 2005, does not allow direct reimbursement to vendors for representation expenses, while Department of State Standardized Regulation 340 does allow such direct payments when certain conditions are met. Since the embassy's policy differs from Department regulations, misunderstandings and conflicts have resulted and clarification is in order.

Recommendation 16: Embassy Budapest should promulgate a new representational policy, in accordance with Department of State regulations, that allows direct payment to vendors of representation expenses. (Action: Embassy Budapest)

International Cooperative Administrative Support Services

The ICASS council has been hands-off in terms of the budget, generally approving what the management counselor and financial management officer present. With few exceptions, the council feels the services are of high quality, which is in agreement with the customer satisfaction surveys

Lease Termination Penalty Payments

Offices in the Budapest Bank Center building will move to the expanded chancery as early as July 2014, which will result in lease termination penalty payments. The lease of the Bank Center building, renegotiated in 2006, provides for penalty payments if the lease is terminated before its February 2016 expiration date. Total penalty payments would depend on the termination date and could include up to 2 years of lease costs. It is unclear whether the penalties also would include building operating expenses. The total cost, based on scenarios developed by the embassy's management office, could amount to \$1.86 million. In addition to Department offices, occupants of the building include the Office of Foreign Disaster Assistance and elements of the Departments of Defense, Commerce, and Agriculture. The Bureau of Overseas Buildings Operations contends that agencies should share the cost of the penalty payments based on the square footage of office space occupied, with the Department's portion estimated at 55 percent. This is a contentious issue at the embassy, with arguments centering on

claimed lack of prior knowledge of the lease provision and the liability of non-Department agencies to pay. The issue has been referred to the ICASS Working Group in Washington for consideration and resolution.

Recommendation 17: The Bureau of the Comptroller and Global Financial Services should determine and assign financial liability for Budapest Bank Center Building lease termination penalty payments. (Action: CGFS)

Human Resources

Everyone in the human resources section is performing well, under the leadership of both the human resources specialist and the human resources officer. The atmosphere is professional and collegial. The section has a goal of making all their files electronic, and they are well-organized in their approach. Both existing paper files and the completed electronic files for LE staff and Americans are in good order, but the section could organize its electronic recruitment files more efficiently, by position, including position description, job announcement, applications, list of qualified and unqualified applicants, documentation of interviews, and the selection process.

Informal Recommendation 12: Embassy Budapest should consolidate its electronic recruitment files.

Locally Employed Staff Services

The LE staff compensation, local leave, and separation plans were updated on April 13, 2013, but numerous and significant changes to Hungarian labor law over the past year necessitate revisions. Guidance in 3 FAH-2 H-212 A. specifies that compensation plans should be based on prevailing compensation practices. The human resources specialist has prepared a draft revision to the plan, which awaits review, including by a qualified Hungarian labor lawyer.

Recommendation 18: Embassy Budapest should engage a local labor lawyer to review its draft locally employed staff compensation, local leave, and separation plans, in terms of recent changes to Hungarian labor law, and submit the amended plan to the Bureau of Human Resources for review. (Action: Embassy Budapest)

The use of annual leave is not administered consistently across embassy sections. Some section heads are allowing employees to take annual leave in lieu of sick leave, if they wish, and others are denying or limiting that possibility. Guidance in 3 FAM 7111.1 requires that actions taken and decisions made must reflect equitable and respectful treatment of affected employees. Inconsistent administration of the annual leave program could have a negative effect on employee morale.

Recommendation 19: Embassy Budapest should clarify its leave policy in writing and direct supervisors to administer it fairly and consistently. (Action: Embassy Budapest)

Thirty-one LE staff employee evaluation reports are currently overdue by 2-5 months, resulting in 19 late within-grade increases. Human resources staff provide position descriptions and evaluation forms to supervisors 5-6 weeks prior to the evaluation due date, but do not follow

up until reports are already overdue. The LE staff does not have the clout to get some supervisors, both LE staff and American, to complete their evaluations in a timely manner. Implementation of a schedule and controls in accordance with 3 FAH-2 H-135.5 A.(2) and B.(1) would result in timely processing of evaluation reports.

Recommendation 20: Embassy Budapest should require the human resources staff to implement controls and establish a schedule to remind supervisors to submit locally employed staff evaluations by the due dates. (Action: Embassy Budapest)

American Staff Services

Although the community liaison office coordinator and the human resources section provide helpful reference materials and check-in assistance to newcomers, the embassy does not currently conduct formal orientation sessions that would serve to familiarize employees with embassy operations, especially during the high turnover season.

Informal Recommendation 13: Embassy Budapest should design a formal orientation for newcomers and hold sessions on a regular basis.

Work requirements statements for U.S. direct-hire employees are generally completed within 45 days of the start of the rating period, and the human resources officer closely monitors and ensures the timeliness of employee evaluation report submissions. The embassy wisely plans to use its newly hired eligible family member roving secretary to assist Americans in the use of ePerformance at evaluation time.

Embassy Budapest currently has 11 eligible family member employees, including one expanded professional associate program employee. Procedures for establishing and filling positions are correct and well documented.

Foreign Service National Committee

The Foreign Service national committee has five members, who represent different sections of the embassy. Members expressed dissatisfaction with the frequency of communication between LE staff and embassy management and cited lack of understanding of what effects the upcoming move to the building next to the chancery will have on their quality of work life. The CDA plans to meet regularly with the committee; the inspectors agree with this useful approach to strengthen communications within the embassy.

General Services

The most recent ICASS scores for the general services office indicate strong customer satisfaction with its wide range of functions. The office scored well above worldwide averages in eight of nine categories. The OIG survey, administered prior to the inspection, showed an overall general services score of 4.18, compared to 3.72 for prior posts inspected.

Procurement

The procurement unit is proficient and makes good use of the Integrated Logistics Management System in the execution of its duties, processing more than 1,700 actions in FY 2013. Its customer satisfaction score on the most recent ICASS survey was higher than regional and worldwide averages.

Property Management

Embassy Budapest reported in its 2013 annual property certificate a shortage of 0.21 percent of total nonexpendable inventory valued at \$9.5 million, which is below the 1 percent level that requires referral to a survey board; however, the warehouse facility lacked adequate safeguards. The general services officer has implemented some measures to preclude unauthorized entry and to control the movement of items in and out of the facility. These include separating and securing the central receiving area; using a logbook to document items that are removed from the warehouse; securing exterior doors to prevent unauthorized entry; and restricting staff access during nonduty hours. These standard precautions minimize risk of pilferage, [Redacted] (b) (5), [Redacted] (b) (7)(F)

[Redacted] The embassy would benefit from implementing a more robust program to secure property as specified in 14 FAM 413.7a.

Recommendation 21: Embassy Budapest should implement a plan to maintain control of stock inventory and to strengthen safeguards and control of property. (Action: Embassy Budapest)

Property management personnel do not always affix barcode stickers directly onto furniture immediately upon receipt. Instead, personnel in the unit temporarily affix barcodes to cartons until the items are removed for issuance to employees. Department guidance in 14 FAH-1 H-316.1-2d. suggests affixing bar-code labels to items immediately upon receipt, when the item can be inspected without taking it completely out of its carton, and when a label cannot be properly affixed while the item is still in the carton. This practice establishes firmer control and accountability of property, as the labels are not easily removed.

Recommendation 22: Embassy Budapest should affix bar-code labels to all items immediately upon receipt. (Action: Embassy Budapest)

Embassy Budapest has achieved success in forming a furniture and appliances pool. Two outliers remain: the representative of the Bureau of Overseas Buildings Operations, whose position will terminate upon completion of the new expanded chancery project, and the Office of Defense Cooperation. In conformance with a Bureau of European and Eurasian Affairs initiative, the embassy now uses a commercial firm, Staples, to provide just-in-time expendable supplies service. As a result, the property unit has reduced significantly its stock office supplies.

Housing

The embassy housing handbook is current, and the interagency housing board functions well. OIG survey responses on housing maintenance and repair generated higher than average scores. The embassy uses the Department's standard lease and maintains a "green" status in the Rental Benchmark Initiative program, which promotes cost-effective leases of residential

properties and more efficient management of housing programs at overseas posts. The OIG team's spot check of lease files found them complete and in order, including documentation of security and post occupational safety and health officer inspections.

Transportation Services

Embassy Budapest has consolidated its motor vehicle, customs, and shipping units under the supervision of one LE staff member, which eliminates a level of supervision with no apparent loss in operational effectiveness. Motor vehicle services are adequate from customer satisfaction and management perspectives. The latest ICASS survey score for motor pool was an exceptional 4.64 out of a possible 5 points. The embassy makes use of a taxi service for official business transportation, so the number of motor pool chauffeurs has shrunk from 10 to 5 over the past several years. The motor pool provides maintenance services for fully armored vehicles to Embassy Bratislava.

In October 2012 the motor pool began using the automated Fleet Management Information System, which is adequate for the embassy's dispatching, maintenance records, and other vehicle operations. However, significant redundancy in documentation requirements increases paperwork and creates the need for retaining hard-copy forms. The Fleet Management Information System generates trip tickets that replicate almost all the information on the required Optional Form-108, Daily Vehicle Use Record. Maintaining Optional Form-108 essentially doubles the data entry and paper files.

Recommendation 23: The Bureau of Administration should review the dispatching documentation required of the Fleet Management Information System and 14 FAM 430, and eliminate requirements that are redundant and unnecessary. (Action: A)

The embassy's vehicle fuel program is a credit card system with two commercial petroleum companies that provide convenient access with their many locations. The management controls appear adequate and include review of individual receipts, comparison with driver records, and reconciliation with monthly invoices. The financial management office requires the transportation supervisor to submit an Excel spreadsheet, which seems excessive. Instead, the transportation supervisor could extract the data from the Fleet Management Information System.

Informal Recommendation 14: Embassy Budapest should review data needed to process fuel program invoices and eliminate redundant reporting requirements.

Travel

A contract agent provides travel services to the embassy. The embassy reported four instances of premium class travel in FY 2013. An OIG inspector examined the documentation for those cases and found adequate authorization. Documentation for the premium travel was not properly filed.

Informal Recommendation 15: Embassy Budapest should properly maintain files that contain documentation related to business class travel.

Facilities Management/Safety, Health, and Environmental Management

The facilities management section adequately maintains the large number of diverse nonresidential and residential properties in the embassy inventory. General budget shortfalls delay some facilities management projects, such as the roof and attic slab repair of a villa (Property# 4007), which are delayed until at least 2015; in the meantime the villa is uninhabitable.

The major facilities project, however, is the U.S.-Hungary property exchange and renovation of the building adjacent to the current chancery, which will become a U.S. Government-owned property and significantly expand the chancery. As of the inspection, the project was on schedule, with anticipated turnover of the building in April 2014, move of the Marine security guard detachment billets into the new chancery by July 2014, and move of the offices taking place thereafter. In a departure from the norm, a Bureau of Overseas Buildings Operations project director liaises with the Government of Hungary's project manager on construction and renovation of the new building, and then will oversee the U.S. Government contractor work after the turnover is made.

The facilities management work order clerk is very knowledgeable about the Work Orders for Windows application and fastidiously maintains its files. In FY 2013, the section processed 3,544 unscheduled and 1,344 preventive maintenance work orders.

The LE assistant post occupational safety and health officer has some prior experience in the subject, but has not yet attended Department training. The safety committee met in May 2013. Agendas exist for two meetings scheduled in 2012, but minutes exist for only one. The Department requires that the committee, chaired by the DCM, meet at least semiannually.

Informal Recommendation 16: Embassy Budapest should require the safety, health, and environmental management committee, chaired by the deputy chief of mission, to meet at least semiannually.

The LE staff safety coordinator recently assumed responsibility for driver safety training and medical clearance records for chauffeurs and incidental drivers. The spreadsheet record was incomplete. Of 81 total drivers, approximately half indicated they had not received safety training and none indicated current medical clearance; both are requirements of the Department's Overseas Motor Vehicle Safety Management Program.

Recommendation 24: Embassy Budapest should implement a plan for safety training and medical certification of chauffeurs and incidental drivers. (Action: Embassy Budapest)

Information Management

The information management office is meeting the embassy's current information technology requirements, although the large chancery expansion project and accompanying office moves in summer 2014 is challenging the section's leadership. The office consistently receives A+ ratings from the Department's network and systems monitoring software. Recent surveys indicate mission employees are satisfied with the customer services provided by the

information management office. However, a lack of leadership oversight in several activities keeps the section from reaching its greater potential.

The inspection team evaluated the individual information management programs, which include an unclassified network with approximately 300 users, a classified network, two dedicated Internet networks, telephone, radio and cell phone programs, and classified and unclassified pouch mail. Four Americans and 11 LE staff members provide information management support for three office locations in Budapest.

Expanded Chancery Building

The information management section is not adequately planning for the project to extend the communications network infrastructure into the new chancery expansion. The information management officer has identified some of the key deliverables but has no structured process to track progress and identify potential problems or delays. Information management leadership was unable to provide the OIG team with internal plans for voice and data wiring and communications infrastructure. Structured processes and documented plans are necessary to effectively monitor performance and take corrective action, particularly in larger projects. Inadequate management and planning increase the risk for delays and cost overruns.

Recommendation 25: Embassy Budapest should develop a structured process to track the progress of the information technology portion of the chancery expansion project. (Action: Embassy Budapest)

Information Management Leadership

The section and its activities would benefit from improved leadership oversight. The section management does not hold regularly scheduled staff meetings. The OIG team observed communication gaps among employees due to an inefficient flow of information. Additionally, embassy employees are not making effective use of the State Messaging and Archive Retrieval Toolset (SMART) program. Following proper records management ensures that important and historical data is available in the future.

Informal Recommendation 17: Embassy Budapest should establish regular information management section meetings to facilitate open communication and build team relationships.

Informal Recommendation 18: Embassy Budapest should implement a policy that requires personnel to take the record email training and to use appropriately the State Messaging and Archive Retrieval Toolset.

Administrative Control

The information management section does not have effective administrative procedures controlling parts of its day-to-day activities. The laptop program includes all required elements, but documentation is not centralized, inhibiting effective inventory and security controls. The OIG team discovered a laptop requested for one day's use had actually been on loan for more than 2 months; the associated documents were found in a stack of unrelated paperwork.

Inconsistent tracking of laptops could result in their loss, as well as in a failure to install mandatory software patches and security updates to protect government information. The OIG team also discovered instances of departed employees who failed to check out with information management, resulting in inactive user accounts that add unnecessary security vulnerabilities to the network.

Informal Recommendation 19: Embassy Budapest should implement a centralized laptop control, check-in, and check-out process.

Informal Recommendation 20: Embassy Budapest should implement procedures to notify the information management section upon the transfer or termination of all employees and contractors.

Network Management

The embassy's network infrastructure is well maintained, but two areas require attention. Cabling in the unclassified server room is disorganized and largely unlabeled, creating potential for confusion and inefficiency during server maintenance. In addition, a mail server is being maintained solely for use by the public affairs section on one of the embassy's dedicated Internet networks. Managing the users, software, and security for this server is an unnecessary resource burden.

Informal Recommendation 21: Embassy Budapest should organize and appropriately label the unclassified server room network cabling.

Informal Recommendation 22: Embassy Budapest should remove the mail server from the dedicated Internet network connection.

Emergency Planning

The embassy is largely up to date with its emergency planning, including emergency destruction guidelines, operations contingency plans, and the alternate command center; however, some other areas of emergency planning need attention. The embassy last updated the information program center's contingency plan in June 2012, and it contains names of departed employees as points of contact. In addition, although the alternate command center is well equipped with appropriate emergency communications, there is no written record of regular testing to verify employees' knowledge of their responsibilities during an emergency.

Informal Recommendation 23: Embassy Budapest should update the information programs center contingency plan.

Informal Recommendation 24: Embassy Budapest should conduct and document information management emergency plan exercises.

Innovative Practice: Arrivals and Departures Collaboration Database

Issue/Challenge: Information sharing and data synchronization is critical to the success of an embassy's mission. However, Personally Identifiable Information issues and other privacy policies often prevent sections from synchronizing and sharing commonly gathered data.

Background: The human resources section and the housing section both need to know the names and dates of arriving and departing personnel. The human resources section also needs the passport numbers of these people, while the housing section does not. These factors create an environment where the various sections gather the same information without sharing in order to comply with privacy requirements. When common data does need to be shared across the various sections, it does not always match up and it is difficult and time-consuming to determine who has the correct data.

Innovative Practice: The information systems officer at Embassy Budapest created a list-based system using Microsoft SharePoint that allows various sections to synchronize and share commonly gathered data without violating privacy policies. Users can upload data to a list that other sections can view, and each section has a unique view of the list that only allows them to see the information that they need to know.

Benefit: The SharePoint-based system provides a simple-to-use interface that increases information accuracy and protects Personally Identifiable Information.

Quality of Life

Health Unit

The well-staffed and well-equipped health unit achieved an astounding ICASS customer satisfaction score of 4.84 on a 5-point scale, with almost 100 respondents. Two LE staff nurses and an administrative assistant augment the Foreign Service health practitioner. Morale and job satisfaction is very high, and the unit is looking forward to moving to its new location when the expanded chancery is completed. Closer proximity to its clients should increase use of health unit services.

Management of controlled substances is adequate. The OIG team's spot checks of items indicated that amounts in the logbook matched inventories. Some monthly checks were not registered in the logbook, but the Foreign Service health practitioner has completed regular inventories since her arrival.

Community Liaison Office

The community liaison office also enjoyed very good ICASS customer satisfaction scores that exceeded both regional bureau and worldwide averages. A coordinator and an assistant staff the office, working a total of 55 hours between them. The coordinator serves on the emergency action, post-employment, and embassy employee association committees, and was knowledgeable on current events in each. The office extends adequate outreach to newcomers to

provide information prior to arrival, and then follows up with them after arrival to welcome and orient employees and their families.

Employee Association

The American Embassy Employee Association operates a commissary selling duty-free and non-duty-free goods, including alcoholic beverages. It also provides diverse services, including sales of gas cards; homeward bound mail services; and liaison with a local carrier for personal cellular phone service. Several times a year, the commissary does bulk shipments for association members and provides home delivery of ordered goods. The association is in excellent financial shape, as reflected in the 2012 independent accountant's review report. It donates \$2,000 yearly to the community liaison function and works with the coordinator to organize community events. The board hired a dual Hungarian/American citizen as general manager earlier this year and the board of directors has sent her for training by the Office of Commissary and Recreation Affairs in Frankfurt and enrolled her in bookkeeping training.

The association charter and license agreement were last updated in 2006. The list of services in the charter is incorrect, and the embassy has charged the association for some items that are not included in the license agreement. The association requested the management counselor's assistance but he has not yet taken action. In accordance with 6 FAM 551a., the charter must clearly describe all services the association will provide and any proposed changes in the services provided must be submitted to the Office of Commissary and Recreation Affairs prior to their initiation.

Recommendation 26: Embassy Budapest should update the employee association charter to reflect services provided, review provisions of the license agreement to reflect agreement on how to share responsibilities, and submit them to the Office of Commissary and Recreation Affairs for approval. (Action: Embassy Budapest)

Management Controls

The then-chief of mission submitted on July 15, 2013, the annual management control statement of assurance, in which she expressed reasonable assurance that management control objectives were achieved. She noted no significant deficiencies or material weaknesses. The OIG team examined background documentation on the embassy's assessments and analyses that provided the basis for the determination. The embassy used in large part OIG management functional questionnaires in its assessment.

List of Recommendations

Recommendation 1: Embassy Budapest should establish a periodic process to assess and report to the Bureau of European and Eurasian Affairs and the ambassador/chargé d'affaires progress toward meeting the goals of the Integrated Country Strategy. (Action: Embassy Budapest)

Recommendation 2: Embassy Budapest, in coordination with the Foreign Service Institute, School of Language Studies, should develop a plan to ensure that all officers arriving at the embassy have the ability to carry out their duties at the designated skill level. (Action: Embassy Budapest, in coordination with FSI)

Recommendation 3: Embassy Budapest, in coordination with the Foreign Service Institute, School of Language Studies, should update the Hungarian consular module to reflect current vocabulary and conversational skills. (Action: Embassy Budapest, in coordination with FSI)

Recommendation 4: Embassy Budapest should return performance-rating duties for the environment, science, technology and health hub officer to the deputy chief of mission. (Action: Embassy Budapest)

Recommendation 5: Embassy Budapest, in coordination with the Bureau of Oceans and International Environmental and Scientific Affairs and the Bureau of European and Eurasian Affairs, should create a separate budget for the environment, science, technology and health hub's regional travel requirements. (Action: Embassy Budapest, in coordination with OES and EUR)

Recommendation 6: Embassy Budapest, in coordination with the Bureau of Consular Affairs, should implement a final staffing plan and reporting structure for the consular section. (Action: Embassy Budapest, in coordination with CA)

Recommendation 7: Embassy Budapest should rewrite position descriptions of the consular staff to match new responsibilities. (Action: Embassy Budapest)

Recommendation 8: Embassy Budapest should develop individual training plans for consular staff to eliminate gaps in substantive and procedural knowledge. (Action: Embassy Budapest)

Recommendation 9: Embassy Budapest should, in coordination with the Bureau of Consular Affairs, Office of Overseas Citizens Service, update its warden program to reflect changes in communications capabilities. (Action: Embassy Budapest, in coordination with CA)

Recommendation 10: Embassy Budapest, in coordination with the Bureau of Consular Affairs, should develop standard operating procedures for funding emergency consular services and repatriations. (Action: Embassy Budapest, in coordination with CA)

Recommendation 11: Embassy Budapest should require the financial management office to perform all functions required as the post's designated billing office. (Action: Embassy Budapest)

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Recommendation 12: Embassy Budapest should review its Integrated Logistics Management System supply-chain management workflow and eliminate unnecessary steps, while maintaining adequate internal controls. (Action: Embassy Budapest)

Recommendation 13: Embassy Budapest should establish and monitor a “due in” receiving file. (Action: Embassy Budapest)

Recommendation 14: Embassy Budapest should assess and determine the adequate level of cashier advances, placing special emphasis on reducing the volume of cash purchases and employing non-cash methods to reduce the Class B cashier’s and facilities maintenance subcashier’s advances and accountability. (Action: Embassy Budapest)

Recommendation 15: Embassy Budapest should implement a policy of direct payment of salaries to official residence expense employees by the ambassador and deputy chief of mission. (Action: Embassy Budapest)

Recommendation 16: Embassy Budapest should promulgate a new representational policy, in accordance with Department of State regulations, that allows direct payment to vendors of representation expenses. (Action: Embassy Budapest)

Recommendation 17: The Bureau of the Comptroller and Global Financial Services should determine and assign financial liability for Budapest Bank Center Building lease termination penalty payments. (Action: CGFS)

Recommendation 18: Embassy Budapest should engage a local labor lawyer to review its draft locally employed staff compensation, local leave, and separation plans, in terms of recent changes to Hungarian labor law, and submit the amended plan to the Bureau of Human Resources for review. (Action: Embassy Budapest)

Recommendation 19: Embassy Budapest should clarify its leave policy in writing and direct supervisors to administer it fairly and consistently. (Action: Embassy Budapest)

Recommendation 20: Embassy Budapest should require the human resources staff to implement controls and establish a schedule to remind supervisors to submit locally employed staff evaluations by the due dates. (Action: Embassy Budapest)

Recommendation 21: Embassy Budapest should implement a plan to maintain control of stock inventory and to strengthen safeguards and control of property. (Action: Embassy Budapest)

Recommendation 22: Embassy Budapest should affix bar-code labels to all items immediately upon receipt. (Action: Embassy Budapest)

Recommendation 23: The Bureau of Administration should review the dispatching documentation required of the Fleet Management Information System and 14 FAM 430, and eliminate requirements that are redundant and unnecessary. (Action: A)

Recommendation 24: Embassy Budapest should implement a plan for safety training and medical certification of chauffeurs and incidental drivers. (Action: Embassy Budapest)

Recommendation 25: Embassy Budapest should develop a structured process to track the progress of the information technology portion of the chancery expansion project. (Action: Embassy Budapest)

Recommendation 26: Embassy Budapest should update the employee association charter to reflect services provided, review provisions of the license agreement to reflect agreement on how to share responsibilities, and submit them to the Office of Commissary and Recreation Affairs for approval. (Action: Embassy Budapest)

List of Informal Recommendations

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

Informal Recommendation 1: Embassy Budapest should implement a missionwide reporting plan tied to its strategic priorities.

Informal Recommendation 2: Embassy Budapest should institute a process for apportioning mission travel and representational funds to sections, based on section travel and representational plans approved by the deputy chief of mission and tied to the embassy's strategic priorities.

Informal Recommendation 3: Embassy Budapest should relate the work requirements of all U.S. direct-hire staff to its strategic priorities.

Informal Recommendation 4: Embassy Budapest should expand the breadth and depth of its political/economic reporting to reflect the range of bilateral and regional issues of importance to Washington consumers.

Informal Recommendation 5: Embassy Budapest should publicize the speakers program throughout the mission, post clear information online, and encourage all American staff to participate.

Informal Recommendation 6: Embassy Budapest should require the consular chief to establish a written strategic plan, with specific goals and benchmarks, to move the consular section beyond the rightsizing episode and create a solid organizational/operational foundation for sustained success.

Informal Recommendation 7: Embassy Budapest should create a team of consular and public affairs officers and locally employed staff to manage consular communications and outreach.

Informal Recommendation 8: Embassy Budapest should require the consular section to contribute to the embassy's new reporting plan and assign drafting responsibilities among the consular officers.

[Redacted] (b) (5)

Informal Recommendation 10: Embassy Budapest should complete training for the voucher examiner and move that employee to an accountant position.

Informal Recommendation 11: Embassy Budapest should decide which types of vouchers are best suited to outsourcing, and restructure staff and work processes accordingly.

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Informal Recommendation 12: Embassy Budapest should consolidate its electronic recruitment files.

Informal Recommendation 13: Embassy Budapest should design a formal orientation for newcomers and hold sessions on a regular basis.

Informal Recommendation 14: Embassy Budapest should review data needed to process fuel program invoices and eliminate redundant reporting requirements.

Informal Recommendation 15: Embassy Budapest should properly maintain files that contain documentation related to business class travel.

Informal Recommendation 16: Embassy Budapest should require the safety, health, and environmental management committee, chaired by the deputy chief of mission, to meet at least semiannually.

Informal Recommendation 17: Embassy Budapest should establish regular information management section meetings to facilitate open communication and build team relationships.

Informal Recommendation 18: Embassy Budapest should implement a policy that requires personnel to take the record email training and to use appropriately the State Messaging and Archive Retrieval Toolset.

Informal Recommendation 19: Embassy Budapest should implement a centralized laptop control, check-in, and check-out process.

Informal Recommendation 20: Embassy Budapest should implement procedures to notify the information management section upon the transfer or termination of all employees and contractors.

Informal Recommendation 21: Embassy Budapest should organize and appropriately label the unclassified server room network cabling.

Informal Recommendation 22: Embassy Budapest should remove the mail server from the dedicated Internet network connection.

Informal Recommendation 23: Embassy Budapest should update the information programs center contingency plan.

Informal Recommendation 24: Embassy Budapest should conduct and document information management emergency plan exercises.

Principal Officials

	Name	Arrival Date
Ambassador	<i>Vacant</i>	
Deputy Chief of Mission	Andre Goodfriend	08/15/2013
Chiefs of Sections:		
Management	Eric Kettner	07/08/2011
Consular	Meghan Moore	08/01/2012
Political	Robert Riley	08/06/2012
Economic (Unit)	Jay Heung	09/01/2011
Public Affairs	Karyn Posner-Mullen	07/26/2012
Regional Security	James Gayhart	06/22/2012
ESTH	Raffi Balian	09/27/2013
Other Agencies:		
Foreign Agricultural Service	Paul A. Spencer	Based in Berlin
Legal Attaché	Gregory Shaffer	08/01/2011
Office of Defense Cooperation	COL Timothy Manning	07/18/2013
International Law Enforcement Academy	John Terpinas	07/25/2011
Department of Defense	COL Mark Karas	08/06/2012
Foreign Commercial Service	Robert Peaslee	08/07/2009
USAID/Office of U.S. Foreign Disaster Assistance	Jack Myer	08/18/2009

Abbreviations

CDA	Chargé d'affaires
DCM	Deputy chief of mission
Department	U.S. Department of State
ESTH	Environment, science, technology, and health
FAH	Foreign Affairs Handbook
FAM	Foreign Affairs Manual
FAST	First- and second-tour
ICASS	International Cooperative Administrative Support Services
ICS	Integrated Country Strategy
LE	Locally employed
NATO	North Atlantic Treaty Organization
OIG	Office of Inspector General
USAID	U.S. Agency for International Development



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