



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

---

ISP-I-14-04A

Office of Inspections

February 2014

---

# Inspection of Embassy Panama City, Panama

---

~~**IMPORTANT NOTICE:** This report is intended solely for the official use of the Department of State or the Broadcasting Board of Governors, or any agency or organization receiving a copy directly from the Office of Inspector General. No secondary distribution may be made, in whole or in part, outside the Department of State or the Broadcasting Board of Governors, by them or by other agencies or organizations, without prior authorization by the Inspector General. Public availability of the document will be determined by the Inspector General under the U.S. Code, 5 U.S.C. 552. Improper disclosure of this report may result in criminal, civil, or administrative penalties.~~

---

## **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

## Table of Contents

Key Judgments	1
Context	2
Executive Direction	3
Communication and Coordination	4
Mission Priorities	4
First- and Second-Tour Professionals	4
Locally Employed Staff	5
Policy and Program Implementation	6
Political, Economic, and Commercial Issues	6
Leahy Vetting	7
Grants Management	7
International Narcotics and Law Enforcement Affairs	9
Public Affairs Section	9
Consular Section	11
Resource Management	16
Management Operations	17
Financial Management	18
Human Resources	20
Equal Employment Opportunity	20
General Services	21
Facilities Maintenance	22
Information Management and Information Security	22
Innovative Practice: Use of Windows 7 Deployment Tool	24
Quality of Life	25
Community Liaison Office	25
Health Unit	25
American Employee Recreation Association	25
Management Controls	26
List of Recommendations	27
List of Informal Recommendations	29
Principal Officials	30
Abbreviations	31

## Key Judgments

- The Ambassador and deputy chief of mission form a strong partnership and enjoy the confidence of the country team. Mission goals are well defined, activities are coherent and targeted, and collaboration among the 26 U.S. Government agencies at the embassy is excellent.
- The 2012 closure of the U.S. Agency for International Development mission after 51 years marked a milestone in Panama's economic development, but managing legacy assistance activities has taxed embassy resources. U.S. foreign assistance now focuses on law enforcement and justice sector programs to reduce narcotics trafficking and build capacity in police institutions.
- The public affairs section is rebuilding morale and sharpening its focus on mission priorities. The information office needs to play a bigger role in this endeavor.
- The embassy has proposed establishing a consular agency in western Panama to serve American citizens in that region. Before the Department of State can act on this request, the embassy needs to provide additional information on consular workload. In the meantime, efficiencies such as renewal of passports by mail and more frequent consular visits could improve services to resident Americans.
- U.S. direct-hire staffing has increased by more than 50 percent to 175 employees since the last inspection in 2006. Some 87 percent of the growth has been from non-Department of State personnel. Although the embassy has accommodated the increase, strains are beginning to show in housing maintenance, motor pool, residential security and other support services.

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 9 and 30, 2013, and in Panama City, Panama, between November 6 and 25, 2013. Ambassador Carol van Voorst (team leader), Arne B. Baker (deputy team leader), David P. Bocskor, Ronda M. Capeles, Leo J. Hession, Dolores J. Hylander, Daniel C. McCollum, Leslie A. Gerson, Robyn E. Hinson-Jones, Barry J. Langevin, Ken Moskowitz, Charles A. Rowcliffe, and Timothy A. Wildy conducted the inspection.

## Context

Panama's fortunes have been entwined with trade and the Panama Canal since the country won independence from Colombia in 1903. Supported by prudent management of the canal and the world's second largest free port, in 2012 Panama's economy grew by 10.6 percent, the highest rate in the Western Hemisphere. Sixty percent of the 14,000 ships that transited the canal started or ended their journeys in a U.S. port. With the planned completion in 2015 of a \$5.25 billion expansion project, vessels with triple the cargo capacity of current ships will be able to transit the canal, lowering transportation costs and creating new business opportunities for U.S. ports.

Panama has capitalized on its strategic location to become an international hub for transportation, communications, and financial services. Its airport is among the busiest in Latin America, serving 7 million passengers a year. These same advantages make Panama attractive to narcotics traffickers, and local authorities have seized more than 100 metric tons of cocaine over the last 2 years. Lax money laundering laws have made Panama a destination for illicit funds. Despite impressive economic advances, income inequality is among the worst in the Western Hemisphere. Efforts to bridge the gap between rich and poor are hampered by weak rule of law, a shortage of skilled workers, poor public education, and corruption.

Panama and the United States enjoy a close relationship marked by cooperation on economics, trade, and law enforcement. U.S. priorities in Panama include enhancing democratic institutions and stability, building law enforcement capacity, expanding economic opportunity, and protecting American citizens and businesses. More than 45,000 Americans live in Panama, a number expected to grow as retirees seek out the country's low-cost living and developed infrastructure. A bilateral free trade agreement ratified in 2012 marked an important step in the relationship. Since the departure of President Manuel Noriega in 1989, Panama has conducted five free and fair elections. The next is scheduled for 2014, and the campaign was in full swing during the inspection. Panama's interdiction in summer 2013 of a North Korean vessel transporting Cuban weapons in apparent violation of United Nations Security Council sanctions demonstrated a commitment to fulfill the country's international obligations.

Embassy Panama City has 175 U.S. direct-hire employees and 225 locally employed staff, including representatives from the Departments of State, Defense, Justice, Treasury, Homeland Security, and Health and Human Services, as well as smaller agencies. Total U.S. Government operating and foreign assistance budgets were approximately \$35 million in FY 2013.

## **Executive Direction**

The embassy is led by an Ambassador and deputy chief of mission (DCM) whose close partnership and strong policy direction result in coherent, integrated action in pursuit of U.S. strategic goals. The embassy, which includes 26 U.S. Government agencies, is focused on working with Panama to consolidate democratic institutions, improve law enforcement cooperation, and expand economic opportunity and transparency. It is also attentive to the requirements of the growing community of resident Americans.

The Ambassador is a second-time chief of mission with excellent language skills and broad regional expertise. His prior experience at senior levels in bureaus of the Department of State (Department) dealing with narcotics and law enforcement, as well as with democracy and human rights, is an asset in a mission where these issues are top U.S. priorities. An economics officer, he is well positioned to oversee embassy efforts to implement the 2012 free trade agreement with Panama.

Mission officers share the assessment of senior Bureau of Western Hemisphere officials that the Ambassador's management of bilateral relations is "principled, judicious, and calibrated." Aware of Panamanian sensitivity to any perception of U.S. interference or grandstanding, the Ambassador tends to favor quiet diplomacy, often conducted behind the scenes. Embassy officers rely on his access to a wide circle of contacts in and outside government to overcome roadblocks and to lock in the personal and official commitments that make progress on U.S. goals possible.

The Ambassador's measured engagement in such areas as law enforcement and security cooperation, humanitarian assistance, and responsible government has encouraged Panama to take steps to become a more stable, inclusive society and a more active regional partner for the United States. As the 2014 national elections approach, the Ambassador has directed an outreach program to position the United States as an honest broker and champion of democratic institutions. He put this message prominently on the front pages of local newspapers by arranging for Vice President Biden to meet with all three presidential candidates during his November 2013 visit to Panama. The Ambassador has raised contentious issues such as corruption, drug trafficking, and Panama's inadequate civil institutions with authorities and the public, and has challenged practices and legislation that undercut fair competition and the development of a healthy marketplace.

The Ambassador's engagement with disadvantaged and marginalized groups has highlighted unsustainable socioeconomic conditions and generated positive actions by the host government. He travels frequently to remote districts visited by few Americans except for the 225 Peace Corps volunteers he actively supports. Responsive to the needs and concerns of the more than 45,000 American citizens living in Panama, the Ambassador stays in touch with them through travel, town hall meetings, and social media.

The Ambassador's partnership with the DCM is a fusion of complementary professional skills and personality traits. The DCM is a consensus-builder, noted by employees for the quality of his tactical and managerial advice and his ability to marshal embassy resources swiftly in pursuit of goals large and small. Both executives are respected for sound judgment and a

comprehensive grasp of embassy activities. They listen well, consult widely, and welcome debate. Both are highly visible presences. The DCM is constantly on the move around the facility, and the Ambassador's habit of lunching at the chancery cafeteria provides informal face time that local and American staff value.

### **Communication and Coordination**

Information and guidance circulate rapidly within the embassy. Good organization and staffing speed paperwork and other business through the front office. The Ambassador and DCM chair regular meetings that promote communication and help focus staff on common goals. In addition to the weekly country team meeting, a series of interagency working groups, several keyed to individual mission goals, promote collaboration and debate, and help stakeholders assess progress and plan next steps. Frequent meetings with section chiefs and agency heads further strengthen front office oversight and stimulate dialogue. Several sections send the Ambassador detailed weekly updates; his margin notes on these reports provide another source of guidance and feedback.

The Ambassador expects teamwork from the entities at the mission, and gets it. Employees agree that interagency collaboration and coordination is outstanding. According to a number of seasoned officers, it is the best they have experienced. Under front office direction, teamwork between the mission's interagency law enforcement and security offices has paid off especially well, as demonstrated by Panama's record-breaking drug seizures and fugitive extraditions.

### **Mission Priorities**

The Integrated Country Strategy (ICS) statement is the product of missionwide discussion and debate. In 2012, an offsite conference of all sections and most agencies developed a clear statement of priorities and goals. A subsequent session in 2013 scrutinized and refined these goals, modified outdated assumptions, and evaluated progress and tactics. The DCM's appointment of moderators from sections not directly involved in achieving the specific goals under discussion stimulated lively debate. Incoming employees noted that the scheduling of the conferences in late summer made the discussions of particular value for orientation and integration. Employees regularly consult the ICS as a blueprint and a source of material for public remarks. Several experienced employees told OIG inspectors the ICS, which is up to date and under constant review, was the first such mission statement they had seen that actually constituted a living document applicable to their daily work.

### **First- and Second-Tour Professionals**

The DCM takes a keen interest in the professional development of the embassy's 10 first- and second-tour (FAST) generalists and four specialists, and they in turn value his mentoring. The DCM attends the group's meetings, which occur about every 3 weeks, and has led discussions on topics of professional interest. Although the DCM encouraged the group to set its own meeting agendas, some FAST employees would prefer him to play a more direct role in planning a well-rounded seminar/speaker program, and he has agreed. FAST personnel have opportunities to serve as note takers, reporting officers, speechwriters, and control officers. One served as master of ceremonies at the embassy's 4th of July celebration. Every available FAST

employee played a role in Vice President Biden's fall 2013 visit to Panama. The DCM has asked section heads to consider cross-training FAST personnel by providing them temporary out-of-cone details. This effort is underway.

### **Locally Employed Staff**

Locally employed (LE) staff have received only one wage increase in the last 10 years; purchasing power has decreased 13 percent over the last 2 years. The ongoing wage freeze, budget sequestration, suspension of cash awards, hiring limits, and the 2013 U.S. Government shutdown have had a negative impact on morale. The country's economic boom is increasing competition for Panama's relatively small pool of skilled employees. Attrition at the embassy was 13 percent in 2012. Although attrition is not yet a serious problem, staff members are aware they have ever more attractive employment options outside the embassy. Local employees expressed appreciation for the Ambassador's initiative in hosting town hall meetings to explain developments in Washington and to exercise rumor control. They also gave good marks to management's efforts to mitigate the impact of budget constraints with nonmonetary workplace improvements. The LE staff committee meets quarterly with the DCM or the Ambassador and enjoys access to both.

## **Policy and Program Implementation**

### **Political, Economic, and Commercial Issues**

The political section does an excellent job reporting on political developments and has good access to leaders in government and politics, including parties jockeying for position in the lead-up to the 2014 general elections. It maintains a planning calendar and a reporting plan that reflect ICS goals, and provides a steady stream of well-sourced cables to Washington. Recent highlights focused on opposition and ruling party maneuvering before the elections, how the Panamanian Government handled the seizure of a high-profile illicit shipment transiting the canal, and insights into Panama's counterterrorism successes. Washington bureaus and agencies surveyed by the OIG team praised the section's reporting. The Bureau of Intelligence and Research cited recent scene setters as particularly valuable.

The section's close coordination with the front office and other embassy elements promotes the flow of information and analysis missionwide. The political counselor's advice is valued throughout the embassy. Other agencies, for example, regard her "Who's Who in Panama" as a valuable tool. The document is a one-stop primer on personalities in government, opposition parties, the Panama Canal administration, security services, and other sectors of society.

The political section maintains paper copies of 5,000 unclassified biographic files. The political and economic sections share additional biographic files electronically, but other sections cannot access them. The inspection team counseled the section to make electronic biographic reporting accessible to all sections.

The economic section contributes to the mission objective to increase Panama's prosperity by working to improve the rule of law, promote free trade and investment, and encourage sustainable development. The section chief actively engages with university students and the American Chamber of Commerce. The deputy counselor mentors the section's FAST officers. Long-time local employees contribute to reporting and outreach through their expertise on the economy and legal system, and their personal and professional relationships with Panama's leaders.

A key element of the section's work is to help Panamanians expand economic opportunity and transparency, including through full implementation of the 2012 free trade agreement, which significantly liberalizes trade in goods and services. The section consults with the U.S. Trade Representative and the Panamanian commercial ministry to assess progress and develop next steps. The free trade agreement and the ongoing expansion of the Panama Canal have raised Panama's visibility in trade, tourism, and investment, all of which are covered by economic reporting. Other reports have analyzed unemployment, corruption, biodiversity, and Panama's relations with its neighbors. The section chairs an interagency anti-money laundering working group on heightening Panama's attention to this issue. The October 2013 signing of an agreement to share a \$36 million asset forfeiture was an important success in cooperation in this area.

The embassy's commercial office helps U.S. businesses maintain a highly favorable trade balance with Panama, promotes adherence to terms of the free trade agreement, and advises the Panamanian Government on improving its economy. U.S. exports to Panama were almost \$9.2 billion in 2013, up 17 percent from 2012. The office helps U.S. companies resolve free trade agreement issues that affect their business. Cooperation between the economic section and the U.S. Commercial Service is excellent, particularly on issues involving Panamanian Government procurement from U.S. vendors. The two section heads sometimes visit companies together, join forces on trade and promotional events, and share conference calls with U.S. businesses involved in advocacy cases.

Panama is an important consumer of U.S. agricultural products, and the embassy is committed to increasing opportunities for U.S. exporters. To that end, the Foreign Agricultural Service maintains an office with two LE staff members. In the absence of an American officer, the LE senior advisor works directly with the front office and the economic section. He participates in the economic issues working group.

### **Leahy Vetting**

The political and economic section's office management specialist coordinates Leahy vetting. The Leahy amendment prohibits the use of foreign assistance funds to assist foreign security forces where there is credible evidence such forces have committed gross human rights violations. In 2013, nine embassy agencies and sections submitted more than 1,500 cases for vetting. Less than 1 percent of candidates were deemed ineligible for training. The embassy forwarded cases to Washington well within the 10-day window required by the Bureau of Democracy, Human Rights, and Labor.

### **Grants Management**

In the last 5 years, embassy and Department grants officers awarded 177 grants totaling \$7.6 million to Panamanian recipients. This amount includes \$1.31 million in grants awarded in FY 2013, funded mostly by Economic Support Funds and International Narcotics and Law Enforcement appropriations. Small grants have advanced embassy objectives by such projects as supporting a network of youth centers, improving strategic budget planning by Panama's police, and supporting economic development programs in the Darien region near the Colombian frontier.

Grants management strains the resources of the political and economic sections. Political and economic officers divide grants responsibilities. All have completed required training. A \$500,000 Central American Regional Security Initiative-funded grant to benefit 9,000 at-risk Panamanian youths in 22 centers around the country is particularly time-consuming because each center requires attention; several have shown poor local leadership or financial irresponsibility. There are clear benefits for embassy officers to manage grants, including professional development and in-country travel. The added work, however, cuts into the time officers have to complete other priority tasks.

The number and dollar value of grants is relatively high for a mission of Panama City's size. Sixteen grants officers and grants officer representatives monitor small grants from offices in the political, economic, public affairs, and international narcotics and law enforcement

sections. The embassy has requested creation of an LE staff position to support grants administration. With the departure of the U.S. Agency for International Development (USAID) in 2012, the embassy took the initiative to invite a grants assistance visit from the Office of the Procurement Executive to train officers on grants management and help organize files. The review found that some grants files did not consistently include risk management and monitoring plans, as required by Grants Policy Directive 43; were not organized and documented consistent with Grants Policy Directive 3; and were not properly closed out after conclusion of the grant activity, as required by Grants Policy Directive 23. Several embassy grantees meet the definition of high-risk grantees and require monitoring to protect against loss of government funds. Because grants management responsibilities are dispersed among sections, it is difficult to ensure consistent documentation of grants files and grants monitoring.

**Recommendation 1:** Embassy Panama City, in coordination with the Bureau of Western Hemisphere Affairs, should implement a plan to improve administrative support for grants management. (Action: Embassy Panama City, in coordination with WHA)

The embassy has not developed missionwide standard operating procedures describing the scope of the small grants program and requirements for grants awards, monitoring, and closeout. As responsibilities for grants management are dispersed among four embassy sections, a standard operating procedure would promote consistency and assist new officers in grants management duties.

***Informal Recommendation 1:*** Embassy Panama City should implement missionwide standard operating procedures for small grants programs to document processes applicable to grants award, monitoring, and closeout.

With the closure of the USAID mission, political and economic officers overseeing small grants have assumed responsibility for monitoring and reporting on a number of legacy USAID foreign assistance projects. Examples include three environmental trust funds totaling \$47 million in U.S. Government assistance, and \$4.4 million in the President's Emergency Program for AIDS Relief, managed from the USAID office in Guatemala City. Some grants are Panama-specific; others are regional. USAID officers visit from El Salvador and Guatemala to monitor and evaluate some remaining projects, but other management responsibilities fall to the political and economic sections.

The economic counselor represents the U.S. Government on three USAID legacy project boards: the Ecological Trust Fund, Chagres National Park Fund, and the Darien National Park Fund. The three foundations require legal expertise that the economic section does not have. Decisionmaking would be more effective and efficient if qualified USAID personnel represented USAID on the boards.

**Recommendation 2:** Embassy Panama City should request support visits from the U.S. Agency for International Development's regional office to cover the semiannual meetings of the Ecological Trust Fund, the Chagres National Park Fund, and the Darien National Park Fund. (Action: Embassy Panama City)

## **International Narcotics and Law Enforcement Affairs**

The international narcotics and law enforcement section performs well operationally. Over the past decade, it has grown from a small program with a budget of about \$1 million to a section of 13 employees with a \$9.9 million budget. The 2008 launch of the Central American Regional Security Initiative, intended to address deteriorating security conditions by strengthening police and justice sector institutions, infused the section with additional funds. Program activities now run the gamut from traditional enforcement activities, such as maritime interdiction and vetted wiretap units, to new areas, such as gang resistance training, justice sector reform, and anticrime youth programs—about 20 programs in all. This workload requires substantially expanded outreach to Panamanian ministries and creates a significantly enlarged span of control for the section's leadership. With respect to measuring the results of programs, the Bureau of International Narcotics and Law Enforcement Affairs tracks one set of goals, and the mission tracks another. Many goals are based on output, such as measuring kilograms of cocaine seized, rather than focused on outcomes.

The section interacts effectively with mission law enforcement agencies and the Panamanian Government. With the end of guerrilla incursions from Colombia into Panama's Darien region, assistance has pivoted from Darien-based programs to improving capacity at Panama's three main police organizations and its judicial sector. The OIG team reviewed procurement, financial management, and end-use monitoring processes and did not identify significant management controls weaknesses in these areas.

The international narcotics and law enforcement section has substantial prior-year funds that have not been subobligated for host country program assistance ("pipeline funds"). These funds totaled \$11.2 million as of September 2013, not including \$6.1 million in FY 2013 funding that will be available for use in FY 2014. Nearly half the section's annual expenditures consist of commodities and supplies procurements, around \$4.41 million in FY 2013. The section prepared a strategic acquisition plan in 2013 to identify procurement priorities, but staffing gaps may hinder procurement operations this year because two of the section's three procurement positions are vacant. This situation may lead to a further increase in the section's already substantial pipeline funds. In the long term, the international narcotics and law enforcement director anticipates reorienting program activities away from commodities-based assistance to capacity-building in areas such as the justice sector.

## **Public Affairs Section**

A recently arrived public affairs officer, assisted by newly tenured information and cultural affairs officers, is making steady progress improving morale and communication in the section, where leadership and tension between new and more experienced LE staff had created a poor work environment. The OIG team counseled American supervisors on team building and recommended they consult regularly with experienced mentors.

The new public affairs officer has earned the trust and support of the Ambassador and DCM, and they meet frequently to discuss outreach and programs. The public affairs officer organized a useful strategic planning offsite meeting that prompted the staff to decide on programs to better support ICS goals. The result was an excellent public diplomacy plan for FY 2014 with target audiences, dates, and funding tied to concrete ICS goals, including supporting a

more equitable and inclusive Panamanian society and advancing opportunities for marginalized groups.

### ***Information Office and Electronic Outreach***

The information office focuses on social media in addition to traditional press work. The Ambassador promotes a low-key media approach that emphasizes people-to-people engagement to avoid the perception of U.S. interference in Panamanian affairs, particularly during a pre-election period. The Ambassador maintains an active public schedule and often answers media questions during outreach activities, but he does relatively few on-the-record interviews. The information office has adjusted to this style, which makes few demands on office resources. Press coverage has been almost universally positive in a country where more than two-thirds of the population is pro-American. The information office does not produce a daily media summary, as a product prepared by the Open Source Center at the embassy meets this need.

Given that the information office workload is relatively light, the staff should be free to conduct other tasks, such as speaker programs and media training. Public affairs sections report their program activities to Washington through the mandatory Mission Activity Tracker system, used to inform program decisions. Judging by the Mission Activity Tracker reports submitted, the information office appears to be underperforming. The office made no reports from September 1 through November 20, 2013, which can be partly accounted for by the U.S. Government shutdown and a vice presidential visit. But it made only seven reports from April 1 to July 1, 2013. This level of productivity is well below normal for an office of its size. By comparison, the rest of the public affairs section conducted 42 activities during the same period. Either the information office is doing little work or it is failing to report accurately. As a result, it is difficult to evaluate the office's output.

**Recommendation 3:** Embassy Panama City should submit Mission Activity Tracker reports for all its information and media activities. (Action: Embassy Panama City)

The OIG team reviewed the embassy Web site and found that the latest embassy-sourced features on it were 2 months old. Despite the lack of regular updates, there were more than 168,000 hits in October 2013 in Spanish and English. By not keeping the Web site current, the embassy is missing an opportunity to convey its messages to the public.

***Informal Recommendation 2:*** Embassy Panama City should update its English- and Spanish-language Web sites in a timely fashion.

The embassy is making good use of other social media resources. Its Facebook page has some 70,000 fans; its Twitter and Instagram audiences are smaller. The section employs a full-time social media coordinator who posts daily to Facebook and to Twitter three times a day. The coordinator also produces a social media calendar that ties messaging to Department priorities.

### ***Cultural Affairs Office***

The office handles an appropriate number and mix of professional and academic exchanges, speakers provided by the Bureau of International Information Programs, and cultural programs. LE staff members know their portfolios well, and Washington counterparts are

satisfied with operations. A recently hired LE staff member has a portfolio that involves primarily managing one experienced subordinate, who requires little supervision in handling her Fulbright program responsibilities. The OIG team counseled the cultural affairs officer to monitor the new staffer's workload and redistribute assignments appropriately.

In 2011, the office entered into a public-private partnership with Latina University to open a Center for English Language Immersion. The office received more than \$130,000 in American Spaces support funds in FY 2012 for the facility, which houses an American Corner, 12 classrooms, an office for the embassy's English Language Fellow, and a large multipurpose room. The center is centrally located and accessible by public transportation. It has potential to become a major programming venue. The embassy's partner has ambitious plans to expand the center and establish satellite locations.

### *Staffing*

Panama's public affairs section is the most heavily staffed in Central America, with 18 positions—five more than the regional average. One position, the vacant information resource center specialist, is unnecessary and can be abolished. The previous public affairs officer agreed to eliminate this position after the Information Resource Center closed in January 2013. The center was closed but the position remains on the staffing pattern.

**Recommendation 4:** Embassy Panama City, in coordination with the Bureau of Human Resources, should eliminate the information resource center specialist, position 313201100411. (Action: Embassy Panama City, in coordination with DGHR)

The public affairs section grants program is well managed. The local employee who oversees grants management completed grants training but has not requested grants officer representative certification, as required by Grants Policy Directive 16 for managing grants valued at \$100,000 and above.

**Informal Recommendation 3:** Embassy Panama City should request grants officer representative certification for the public affairs section administrative assistant.

### **Consular Section**

Panama's consular workload is an anomaly in Central America, with American citizens services and federal benefits units each larger than the nonimmigrant visa unit. Few Panamanians immigrate to the United States, and the immigrant visa workload has declined by nearly half since the 2006 inspection. The nonimmigrant visa workload has remained steady over the same period, and the overstay rate is low. Panama has an unusual number of dual Panamanian-U.S. citizens because of regulations governing birth in the Panama Canal Zone prior to 1979. Many former Canal Zone workers or residents receive U.S. pensions. U.S. retirees are flocking to Panama because it is inexpensive and close to the United States.

In spring 2012, the Bureau of Consular Affairs (CA) sent a consular management assistance team to Embassy Panama City. As a result of shortcomings identified during that visit, the assistance team placed the section under the temporary mentorship of a regional consular officer in Washington. Since that time, consular management has revived the section's flagging

morale, recruited able successors for three retiring local supervisors, refined processes, and enhanced management controls. The staff is well trained and managed, wait times for service are minimal, and the section provides good customer service. Retaining Panama in the regional consular officer program is no longer cost effective or necessary.

**Recommendation 5:** The Bureau of Consular Affairs should remove Embassy Panama City from the regional consular officer program. (Action: CA)

### *American Citizens Services and Federal Benefits Units*

The embassy has taken several initiatives to improve services for U.S. citizens but has limited resources to address needs outside the capital region. CA approved the conversion of an entry-level consular position to a mid-level American citizens service chief to provide more continuity and oversight for the complex caseload. The embassy worked with the Government of Panama to improve healthcare access for Americans prisoners. Consular management reinvigorated a prisoner transfer program, sending eight Americans, 16 percent of the U.S. citizen prisoner population, back to the United States in FY 2013. Five more cases were in process in the first quarter of FY 2014. The embassy formed a partnership with U.S. businesses to improve conditions for the remaining prisoners through volunteer donations.

The introduction of the U.S. Customs and Border Protection's Advanced Passenger Information System at the international airport has increased the number of fugitives from U.S. justice detected transiting or entering the country. The American citizens services unit processed 23 extradition requests in FY 2013, up from none in FY 2012. Extradition requests are labor intensive and time sensitive, as fugitives can be detained under Panamanian law for only 24 hours without an official extradition request. The unit coordinates among several Washington and Panamanian entities, prepares translations, assembles documentation, and drafts diplomatic notes on short notice, juggling concurrent emergency service requests.

Personnel in both the American citizens services and federal benefits units are cross-trained to assist in such workload surges, but the federal benefits unit is busy in its own right. The embassy's Civil Service retirement caseload is second only to that of Embassy Manila. To maximize efficiency, the unit has encouraged direct deposit of retirement and insurance benefits, thereby reducing the number of checks received by mail from more than 20,000 in 2004 to 700 in 2013. This effort has saved 1 week per month in staff time that is now spent on customer assistance rather than check sorting and distribution.

### *Proposed Consular Agency*

An increasing number of U.S. citizens who use the two units live 3 or more hours from the capital. The embassy requested authorization to establish a consular agency in Chiriquí province to provide increased services to those citizens. CA applies metrics to evaluate requests for new consular agencies. Emergency services weigh higher than routine services in deciding whether a consular agency is warranted. A consular officer and a local employee visit prisoners in the area quarterly. On one of those visits, the team also conducts consular outreach, providing 20 to 90 services to U.S. citizens per year over the last 4 years. Each trip costs about \$1,600 for two persons, including lodging and airfare. The cost to establish a consular agency is

approximately \$400,000. Start-up costs for the first year are another \$100,000, with recurring costs of \$50,000 per year thereafter.

There may be better, more cost effective ways to provide service in the region than establishing a consular agency. The consular section does not maintain statistics by province for routine services. As a result, it cannot provide a clear picture of the cost effectiveness of a consular agency.

***Informal Recommendation 4:*** Embassy Panama City should keep separate statistics for 6 months on routine consular services requested from the area that would be served by the proposed consular agency.

The consular section does not provide an annual schedule of outreach visits in advance so potential customers can decide whether they need to make a costly trip to the embassy. Even if a consular agency were established, 3 *Foreign Affairs Manual* (FAM) 8917.1 requires an annual visit by the supervisory consular officer and recommends regular oversight visits by other appropriate personnel. Putting greater emphasis now on quarterly outreach would provide better service in the near term and accustom the section to making time for supervisory travel if an agency is eventually approved.

***Informal Recommendation 5:*** Embassy Panama City should publish an annual schedule of consular outreach visits to the Chiriquí region in advance.

***Informal Recommendation 6:*** Embassy Panama City should conduct quarterly outreach visits to the Chiriquí region.

The federal benefits unit works with retirees in Chiriquí by email, but the consular section has not devised ways to provide other routine services in the provinces remotely. Consular management had not yet considered passport renewal by mail, for example, even though 7 FAM 1362 details how to request authorization for this service. Such an initiative would reduce demand for appointments at the embassy and provide improved service to citizens living in remote areas.

**Recommendation 6:** Embassy Panama City should request authorization from the Bureau of Consular Affairs to initiate a program for passport renewal by mail. (Action: Embassy Panama City)

### ***Efficiency***

The section has both the space and personnel resources to accommodate workload growth. Officer and local staff workstations are commingled, enhancing communication, camaraderie, and oversight. There are sufficient interview windows; waiting room space is adequate; and most services are by appointment.

Several potential efficiencies remain unaddressed. The 2012 consular management assistance team recommended that the embassy consider an interview waiver program for nonimmigrant visa renewal cases, as authorized in 9 FAM 41.102. Consular management is aware of the waiver authority, but it manages its visa workload well and streamlines the process

in other ways. However, with pressures on the waiting room for other services, limited customer parking near the embassy, and growing demand for officer resources in American citizens services, efforts to serve customers more quickly and reduce nonessential interviews are needed.

**Recommendation 7:** Embassy Panama City should implement a nonimmigrant interview waiver program for qualified citizens of Panama and appropriate permanent residents. (Action: Embassy Panama City)

The consular section requires interviews for all applicants, including minor children and elderly persons. According to 9 FAM 41.102 N2, applicants younger than 14 or older than 79 can be exempted from personal appearance. The section requires personal appearances for children to deter applicants from neighboring countries with a history of child smuggling from attempting to use Panama for that purpose. Panamanian citizens, however, do not historically use the visa process to smuggle children to the United States. The section's personal appearance requirement has increased the number of small children in the waiting room unnecessarily and has led to a process to expedite interviews for them and for elderly applicants that delays service to other clients.

**Informal Recommendation 7:** Embassy Panama City should reintroduce the personal appearance waiver for young children, elderly Panamanian citizens, and permanent residents from countries with no history of child smuggling.

Both the American citizens services and the immigrant visa unit refer applicants for DNA testing to confirm relationships, usually when birth registration is delayed. The immigrant visa unit referred 25 cases in FY 2013. All applicants referred for testing completed the test procedures. At the time of the inspection, three cases were still pending results, but only one completed case confirmed lack of relationship, and further investigation in that case revealed that the applicants actually believed they were related and were not attempting to commit fraud. Previous years showed similar results. DNA testing is expensive for applicants and time-consuming for U.S. staff members who oversee DNA collection and chain of custody. The section has not reviewed its processes to determine whether secondary evidence of relationship would suffice in many cases and reduce the numbers of DNA referrals.

**Informal Recommendation 8:** Embassy Panama City should determine what secondary documentation might reduce the number of referrals for DNA testing without compromising the integrity of the visa or citizenship process.

### ***Future Staffing Issues***

The fraud prevention manager is a part-time FAST officer. In light of Panama's low fraud incidence and the resourcefulness of the local fraud investigator, this arrangement has been adequate. When the embassy's first assistant regional security officer for investigations arrives in 2014, that officer will interact regularly with the fraud prevention manager to develop the scope of the new operation. The mid-level visa chief has a broader vision of consular operations and would be a more appropriate interlocutor for the new assistant regional security officer for investigations.

**Recommendation 8:** Embassy Panama City should assign the fraud prevention manager portfolio to the visa chief on the arrival of the assistant regional security officer for investigations. (Action: Embassy Panama City)

**Resource Management**

<b>Agency</b>	<b>U.S. Direct- Hire Staff</b>	<b>U.S. Local- Hire Staff</b>	<b>Foreign National Staff</b>	<b>Total Staff</b>	<b>Total Funding FY 2013</b>
<b>Department of State</b>					
Diplomatic and Consular Programs	36	9	10	55	2,392,076
Consular Affairs	6	8	15	29	1,179,554
ICASS-Traditional	8	21	110	139	8,678,200
ICASS-Bureau of Overseas Buildings Operations	0	0	0	0	252,000
ICASS-Bureau of Diplomatic Security	0	0	1	1	1,597,700
Public Diplomacy	3	3	12	18	1,448,751
Representation	0	0	0	0	76,981
Marine Security	6	0	4	10	147,670
Bureau of Diplomatic Security	2	0	1	3	338,222
Bureau of International Narcotics and Law Enforcement Affairs	4	5	4	13	6,928,113
Bureau of International Security and Nonproliferation	1	0	1	2	
Bureau of Overseas Buildings Operations	0	0	0	0	2,535,926
<b>Department of Agriculture</b>					
Agricultural Research Service	2	0	6	8	275,755
Animal and Plant Health Inspection Service	10	1	10	21	
Foreign Agricultural Service	0	0	2	2	109,529
<b>American Battle Monument Commission</b>	1	0	6	7	740,100
<b>Department of Commerce</b>					
U.S. Commercial Service	1	0	4	5	506,661
<b>Department of Defense</b>					
Department of the Army	2	0	0	2	
Defense Attaché Office	10	1	0	11	584,263
Joint Planning and Assistance Team	12	0	0	12	101,500
Military Information Support Team	0	0	0	0	12,517
Naval Criminal Investigative Service	3	1	0	4	344,600
Office of Defense Cooperation	9	0	6	15	73,111

U.S. Southern Command, Operations and Maintenance, Army	0	0	0	0	67,000
U.S. Southern Command, Tactical Analysis Team	3	0	0	3	18,000
<b>Federal Aviation Administration</b>	2	1	0	3	456,500
<b>Department of Health and Human Services</b>					
Centers for Disease Control and Prevention	0	0	0	0	30,971
<b>Department of Homeland Security</b>					
U.S. Coast Guard	1	0	0	1	52,615
U.S. Customs and Border Protection, Container Security Initiative	8	0	1	9	1,222,470
U.S. Customs and Border Protection, International Affairs	2	1	0	3	200,122
U.S. Immigration and Customs Enforcement	7	1	2	10	495,517
Transportation Security Administration	1	1	0	2	
<b>Department of Justice</b>					
Drug Enforcement Administration	19	2	3	24	176,847
Federal Bureau of Investigation	4	0	0	4	225,934
Office of Overseas Prosecutorial Development, Assistance, and Training	1	0	1	2	
<b>Open Source Center</b>	6	1	23	30	
<b>Peace Corps</b>	3	0	3	6	3,750,698
<b>Department of Treasury</b>					
Internal Revenue Service	2	1	0	3	300,000
<b>Totals</b>	175	57	225	457	35,319,903

## Management Operations

Overall, the management section performs well. Since the embassy's 2007 move to a 23-acre compound in the suburbs of Panama City, the embassy has collocated most personnel in a safe and secure facility that replaced most of the 12 offsite annexes. As part of a long-term effort to address housing quality and traffic concerns, the embassy is negotiating with developers to construct housing on a 40-acre parcel of land adjacent the chancery. Staffing growth and the move have placed pressure on residential maintenance and motor pool services.

For 2012 and 2013, International Cooperative Administrative Support Services (ICASS) scores exceeded 4.0 (on a 1-5 scale) in 27 of 29 management categories. Three services—

residential maintenance, leasing and vouchering—were slightly lower than 4.0. The majority of scores were higher than worldwide averages.

American officers provide strong leadership and oversight. LE staff members are experienced and knowledgeable. Communication and morale are good. The management section has 10 unfilled LE staff positions because of sequestration-related hiring limits.

### ***Implications of Staffing Growth for the Management Platform***

Since the 2006 OIG inspection, U.S. direct-hire staffing has increased by 56 positions: 7 from the Department and 49 from other agencies, placing additional demands on embassy resources. Panama's location, its status as a transshipment center, and its modern infrastructure make the country increasingly attractive to U.S. agencies, particularly those in law enforcement and security. Some have established regional hubs at the mission. The front office requires embassy stakeholders to review National Security Decision Directive 38 (NSDD-38) requests closely and to consider the implications of additional positions on the management platform. During FY 2013, 9 position requests were approved, but several were discouraged or modified. Despite rapid growth, staffing is within parameters approved by the Office of Rightsizing, which reviewed embassy staffing projections in 2010.

Additional growth without an increase in LE staff is likely to outstrip the mission's ability to deliver quality services and lead to lower ICASS scores. The embassy has made good use of administrative tools to capture growth costs, including collection of new position startup expenses, issuance of partial-year ICASS invoices, and conversion by the Ambassador of some long-term temporary duty positions to permanent positions.

Some agencies use a series of temporary duty visits to staff their positions. There is no formal mechanism in place to track those personnel. According to 6 *Foreign Affairs Handbook* (FAH)-5 H-351.2, agencies that use serial temporary duty assignments are considered to have established permanent positions and, in accordance with existing NSDD-38 guidance, the Ambassador may require formal approval for such positions. In the past 3 years, the embassy hosted a yearly average of 2,379 temporary duty visitors, a number of whom may have encumbered positions on a long-term basis. Although the embassy issues invoices for long-term temporary employees, these invoices typically do not include the full cost of providing ICASS services that would be charged to a regular position. Some positions may not have been regularized under the NSDD-38 process and are not paying full ICASS and position startup costs.

**Recommendation 9:** Embassy Panama City should establish a mechanism to identify long-term temporary personnel stationed at the mission and, where appropriate, seek formal approval for them through the National Security Decision Directive 38 process. (Action: Embassy Panama City)

### **Financial Management**

The financial management unit provides good customer service. The inspectors discussed with the financial management officer ways to improve operations, including revising standard operating procedures, outsourcing some of the unit's vendor voucher workload, and work force

planning. ICASS council meetings are professional and collaborative; a working-level budget committee meets regularly.

### ***Post Support Unit***

The embassy may be able to reduce the cost of voucher processing by moving some work to the Post Support Unit that is part of the Bureau of the Comptroller and Global Financial Services. Increased use of the support unit is one of the Department's Top 8 Global Management Priorities to increase efficiency and reduce ICASS costs. The expected departure of two embassy voucher examiners in FY 2014 offers an opportunity to make this transition. The embassy's cost to process a voucher strip code is \$30.01, which is higher than the Post Support Unit's charge of \$12 per strip code. Department guidance makes outsourcing voucher processing optional and an embassy management decision, but outsourcing is likely to be cost effective in Panama.

**Recommendation 10:** Embassy Panama City should prepare a cost-benefit analysis to determine whether outsourcing voucher processing to the Post Support Unit would result in cost savings and share the results with the International Cooperative Administrative Support Services council. (Action: Embassy Panama City)

### ***Voucher Processing Efficiency***

The voucher unit has a light annual workload of 10,548 strip codes. Each of the unit's five-and-a-half local voucher examiners processes about 1,900 strip codes annually, which is below the worldwide average of 2,224 strip codes per examiner. The vouchering unit could achieve greater efficiency by adopting processes and procedures used by more efficient embassies in the region. For example, Embassy Santo Domingo's voucher unit processes almost twice as many strip codes as Embassy Panama City's unit. More efficient processing could save funds.

**Recommendation 11:** Embassy Panama City, in coordination with the Bureau of Western Hemisphere Affairs, should compare its vouchering procedures to those of more efficient vouchering units and revise its procedures accordingly. (Action: Embassy Panama City, in coordination with WHA)

### ***Outstanding Travel Advances***

The open advance report showed 28 outstanding travel advances totaling \$27,235. Twenty-three of these were more than 30 days overdue. Sixteen outstanding travel advances have been in arrears since 2012 and are probably uncollectible. Most of these outstanding travel advances are for invitational travelers who failed to complete necessary documentation. Department guidance requires travelers to submit expenses within 5 business days. A travel advance is treated as a loan subject to interest, penalties, administrative charges, and debt collection 30 days after travel is completed.

**Recommendation 12:** Embassy Panama City should reconcile outstanding travel advances, determine uncollectible amounts, and write off uncollectible amounts. (Action: Embassy Panama City)

### ***Telecommunications Equipment Usage Policies***

The embassy's policies and procedures for use of cellphones and BlackBerry devices do not comply with Department regulations. The embassy's telephone usage policy does not adequately restrict personal use of official cellphones, BlackBerry devices, and office landlines, as required by 5 FAM 511 and 5 FAM 522. For example, the embassy allows personal use of cellphones for amounts below \$25 monthly. Absent a policy that complies with Department guidance, the embassy may be paying for expenses that are properly the personal responsibility of employees.

***Informal Recommendation 9:*** Embassy Panama City should issue a management notice outlining a policy that conforms to Department regulations on the use of government telecommunications equipment for personal calls.

### ***Retention of Obligating Documents***

The financial management unit does not retain copies of all obligating documents and copies of warrants for American contracting and grants officers. Per 4 FAM 223.1-4 and 4 FAH-3 H-423.5, financial management units are to maintain copies of obligating documents.

***Informal Recommendation 10:*** Embassy Panama City should provide the financial management unit copies of all active contracts, grants, contracting officer warrants, and grant officer warrants.

### ***Financial Policies***

Several financial management policies and procedures are outdated and require revision, including policies and procedures for visitors and temporary duty personnel, gifts, and travel.

***Informal Recommendation 11:*** Embassy Panama City should update and reissue financial management policies.

### **Human Resources**

The human resources office is well run. Its coordinates an active FAST program and an effective Equal Employment Opportunity (EEO) program. It has placed 24 eligible family members into embassy jobs. The human resources officer has initiated a program to update all LE staff position descriptions, and the updates are 85 percent complete.

### **Equal Employment Opportunity**

Embassy Panama City's EEO program is effective. Embassy bulletin boards display EEO information prominently. EEO counselors believe the effectiveness of the LE EEO liaisons could be enhanced with additional training. Although formal training for LE staff members is not generally available, the human resources office can provide on-the-job familiarization to assist employees with EEO liaison responsibilities.

***Informal Recommendation 12:*** Embassy Panama City should offer on-the-job training to its locally employed Equal Employment Opportunity liaisons.

## **General Services**

Overall, the general services unit provides good customer service. Two weak areas are residential maintenance and repair, the latter a joint responsibility of the general services and facilities maintenance units. The procurement unit provides good service and partners well with other management units for its \$12 million in annual purchases. A review of a sample of procurement actions found that staff follows competition and documentation regulations. All contracts contain Federal Acquisition Regulation clause 52.222-50, "Combating Trafficking in Persons."

The motor pool operates well but is understaffed, with only eight drivers for a large customer base; two positions currently are vacant. The embassy meets the need for some motor pool services with temporary driver positions and contract companies.

The property management unit manages an inventory with an acquisition value of \$7.85 million. The unit conducts periodic spot checks of expendable and nonexpendable property and follows management controls. The FY 2013 inventory reconciliation identified shortages of \$4,200 for nonexpendable property. The OIG inspector spot checked records and inventory and identified no anomalies.

## ***Housing and Residential Maintenance***

Residential maintenance received below average marks on OIG's questionnaires. Low customer satisfaction stems from the poor construction quality of local residences, unresponsive landlords, an understaffed facilities maintenance unit, and problems related to the Department's introduction of a pilot work order system that makes oversight of ongoing maintenance activities less efficient. The unit had a backlog of 424 work orders and may not be meeting the ICASS standards for residential maintenance, which require resolution of work orders within 7 business days. The embassy cannot readily overcome the limitations inherent in the Department's work order system or landlords' unresponsiveness, but it can reverse a staffing decision that sapped the maintenance office's resources. Under the previous management counselor, the embassy transferred five facilities tradesmen to the housing unit. This improved the housing make-ready process, but at the cost of residential maintenance, which was already struggling to keep pace with the workload.

**Recommendation 13:** Embassy Panama City should establish an appropriate level of staffing to improve residential maintenance services. (Action: Embassy Panama City)

The housing assignments process otherwise functions satisfactorily. The interagency housing board meets regularly, documents its meetings, and follows proper procedures with respect to housing assignments. Despite complaints from some customers about lack of transparency in housing assignments, most employees expressed satisfaction with their housing.

### ***Furniture and Appliance Pool***

The mission did not create a furniture and appliance pool by the October 2013 deadline established in 6 FAH-5 H-512.1.c. The establishment of furniture and appliance pools is a Department Top 8 Global Management Priority to lower costs, increase efficiency, and reduce the need for warehouse space. The ICASS Service Center rejected the mission's draft interagency furniture and appliance pool policy because it did not comply with guidelines. In the absence of a furniture and appliance pool, the embassy is likely to incur higher costs for warehousing, acquisition, and property management.

**Recommendation 14:** Embassy Panama City should submit to the International Cooperative Administrative Support Services' Service Center an updated furniture and appliance pool policy that complies with Department of State guidance. (Action: Embassy Panama City)

### ***Real Property***

The U.S. Government owns 55 acres of undeveloped land adjacent the embassy compound, acquired in 2003. Ten years later, the embassy and the Bureau of Overseas Buildings Operations are engaged in discussions with local real estate developers to sell the property. Under the current proposal, the Bureau of Overseas Buildings Operations will receive cash from the sale. The bureau will also receive title to 50 houses for staff residences, which the developer will build as part of the development.

### **Facilities Maintenance**

The facilities maintenance unit maintains the chancery and government-owned residences. It follows good preventive maintenance practices for the chancery and is attentive to occupational health and safety. The Office of Safety, Health, and Environmental Management conducted a site visit in March 2013 and identified 44 deficiencies; all but six of its recommendations have been closed.

The facilities manager is the contracting officer's representative for the janitorial contract but has not completed required training and certification. In accordance with 14 FAH-2 H-143.1, all contracting officer's representatives and others who assist contracting officers in managing contracts must be certified and maintain valid certifications. The certifications of two other staff members also have expired. Without required training, contracting officer's representatives will lack the technical knowledge necessary to monitor and oversee contractors.

**Recommendation 15:** Embassy Panama City should require all contracting officer's representatives receive mandatory contracting officer's representatives training. (Action: Embassy Panama City)

### **Information Management and Information Security**

The information management program provides effective operational support. It is staffed appropriately for its workload. Major initiatives in the last year included deployment of a new wireless network on the compound and the migration to Windows 7 for about 240 users.

Communication among unit employees is problematic, however, and affects morale. The management counselor has taken steps to mediate interpersonal issues in the unit

[Redacted] (b) (5)

The OIG team counseled personnel on issues such as internal communication, mailroom access control, equipment labeling, employee morale, and training for the network analyzer tool. The classified annex to this report contains recommendations concerning information management physical security.

[Redacted] (b) (5)

[Redacted] (b) (5)

### **Innovative Practice: Use of Windows 7 Deployment Tool**

**Issue/Challenge:** Embassy Panama City faced a tight deadline to upgrade network computers to Windows 7 in the midst of senior-level visits. This process ordinarily would require a month to complete the mission's 245 computers.

**Background:** Network upgrades are necessary but time-consuming.

**Innovative Practice:** The information management team developed a technical solution using the Preboot eXecution Environment (PXE boot), a network-based interface, to perform the upgrade without the use of physical data storage devices.

**Benefit:** Embassy Panama City deployed Windows 7 on 245 workstations in 10 business days, about half the time that usually required for an upgrade of this type. The Department praised the mission's innovative use of technology to achieve this objective.

## Quality of Life

Embassy morale is good. U.S. employees receive a 10 percent cost of living allowance. Panama City has good restaurants, medical care, private schools, and shopping. The region has abundant travel and sightseeing opportunities, cultural activities, and sporting options. Negative factors include a hot and humid climate, heavy traffic, pollution, and crime.

### Community Liaison Office

The embassy's practice of appointing two individuals to serve as part-time community liaison office coordinators works well. The office sponsors morale trips and events, and assigns sponsors to newly arrived mission members. The coordinators attend meetings of the post employment committee, interagency housing board, and the emergency action committee. They also participate in the eligible family member hiring process.

### Health Unit

The health unit provides adequate service. Panama has a modern medical infrastructure, and quality care is available for most medical services. The unit appropriately serves as a liaison between the mission community and the local medical establishment, rather than as a primary care provider. The embassy is considering hiring a Panamanian doctor to work part time in the unit.

### American Employee Recreation Association

The American Employee Recreation Association offers limited services to the embassy community. These include on-compound gasoline sales to U.S. direct-hire employees, operation of a small coffee shop and souvenir store, and an online bill paying service. The association makes a modest profit. During the inspection, the association completed overdue financial statement and audit reporting requirements. Delays in submitting required reports reflect poor practices on the part of the previous association general manager, as well as inadequate oversight of the association by previous boards of directors.

The general manager and two other staffers are independent contractors. These individuals may be considered employees under Panamanian labor law, which could make them eligible for benefits such as severance pay, overtime, or pensions. Guidance in 6 FAM 531.3 describe requirements concerning the need to maintain severance pay accounts in accordance with local labor law. Similarly, under 6 FAM 536, associations must meet local labor law requirements for all employees. If an employer-employee relationship exists, the independent contractor arrangement may violate labor law and expose the association to legal issues.

**Recommendation 20:** Embassy Panama City, in coordination with the Bureau of Administration, should obtain an advisory opinion on whether the American Employee Recreation Association's employment policies comply with local labor laws. (Action: Embassy Panama City, in coordination with A)

## **Management Controls**

The annual chief of mission management controls statement of assurance was signed July 12, 2013. This evaluation of management controls provided reasonable assurance that there were no material weaknesses or reportable conditions. The statement of assurance identified and reported a list of safety, health, and environmental management issues, discussed earlier in this report, that have been addressed satisfactorily.

## List of Recommendations

**Recommendation 1:** Embassy Panama City, in coordination with the Bureau of Western Hemisphere Affairs, should implement a plan to improve administrative support for grants management. (Action: Embassy Panama City, in coordination with WHA)

**Recommendation 2:** Embassy Panama City should request support visits from the U.S. Agency for International Development's regional office to cover the semiannual meetings of the Ecological Trust Fund, the Chagres National Park Fund, and the Darien National Park Fund. (Action: Embassy Panama City)

**Recommendation 3:** Embassy Panama City should submit Mission Activity Tracker reports for all its information and media activities. (Action: Embassy Panama City)

**Recommendation 4:** Embassy Panama City, in coordination with the Bureau of Human Resources, should eliminate the information resource center specialist, position 313201100411. (Action: Embassy Panama City, in coordination with DGHR)

**Recommendation 5:** The Bureau of Consular Affairs should remove Embassy Panama City from the regional consular officer program. (Action: CA)

**Recommendation 6:** Embassy Panama City should request authorization from the Bureau of Consular Affairs to initiate a program for passport renewal by mail. (Action: Embassy Panama City)

**Recommendation 7:** Embassy Panama City should implement a nonimmigrant interview waiver program for qualified citizens of Panama and appropriate permanent residents. (Action: Embassy Panama City)

**Recommendation 8:** Embassy Panama City should assign the fraud prevention manager portfolio to the visa chief on the arrival of the assistant regional security officer for investigations. (Action: Embassy Panama City)

**Recommendation 9:** Embassy Panama City should establish a mechanism to identify long-term temporary personnel stationed at the mission and, where appropriate, seek formal approval for them through the National Security Decision Directive 38 process. (Action: Embassy Panama City)

**Recommendation 10:** Embassy Panama City should prepare a cost-benefit analysis to determine whether outsourcing voucher processing to the Post Support Unit would result in cost savings and share the results with the International Cooperative Administrative Support Services council. (Action: Embassy Panama City)

**Recommendation 11:** Embassy Panama City, in coordination with the Bureau of Western Hemisphere Affairs, should compare its vouchering procedures to those of more efficient vouchering units and revise its procedures accordingly. (Action: Embassy Panama City, in coordination with WHA)

**Recommendation 12:** Embassy Panama City should reconcile outstanding travel advances, determine uncollectible amounts, and write off uncollectable amounts. (Action: Embassy Panama City)

**Recommendation 13:** Embassy Panama City should establish an appropriate level of staffing to improve residential maintenance services. (Action: Embassy Panama City)

**Recommendation 14:** Embassy Panama City should submit to the International Cooperative Administrative Support Services' Service Center an updated furniture and appliance pool policy that complies with Department of State guidance. (Action: Embassy Panama City)

**Recommendation 15:** Embassy Panama City should require all contracting officer's representatives receive mandatory contracting officer's representatives training. (Action: Embassy Panama City)

[Redacted] (b) (5)



**Recommendation 20:** Embassy Panama City, in coordination with the Bureau of Administration, should obtain an advisory opinion on whether the American Employee Recreation Association's employment policies comply with local labor laws. (Action: Embassy Panama City, in coordination with A)

## 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 Panama City should implement missionwide standard operating procedures for small grants programs to document processes applicable to grants award, monitoring, and closeout.

***Informal Recommendation 2:*** Embassy Panama City should update its English- and Spanish-language Web sites in a timely fashion.

***Informal Recommendation 3:*** Embassy Panama City should request grants officer representative certification for the public affairs section administrative assistant.

***Informal Recommendation 4:*** Embassy Panama City should keep separate statistics for 6 months on routine consular services requested from the area that would be served by the proposed consular agency.

***Informal Recommendation 5:*** Embassy Panama City should publish an annual schedule of consular outreach visits to the Chiriquí region in advance.

***Informal Recommendation 6:*** Embassy Panama City should conduct quarterly outreach visits to the Chiriquí region.

***Informal Recommendation 7:*** Embassy Panama City should reintroduce the personal appearance waiver for young children, elderly Panamanian citizens, and permanent residents from countries with no history of child smuggling.

***Informal Recommendation 8:*** Embassy Panama City should determine what secondary documentation might reduce the number of referrals for DNA testing without compromising the integrity of the visa or citizenship process.

***Informal Recommendation 9:*** Embassy Panama City should issue a management notice outlining a policy that conforms to Department regulations on the use of government telecommunications equipment for personal calls.

***Informal Recommendation 10:*** Embassy Panama City should provide the financial management unit copies of all active contracts, grants, contracting officer warrants, and grant officer warrants.

***Informal Recommendation 11:*** Embassy Panama City should update and reissue financial management policies.

***Informal Recommendation 12:*** Embassy Panama City should offer on-the-job training to its locally employed Equal Employment Opportunity liaisons.

## Principal Officials

	<b>Name</b>	<b>Arrival Date</b>
Ambassador	Jonathan D. Farrar	5/2012
Deputy Chief of Mission	John C. Law	8/2011
Chiefs of section:		
Management	Miki Rankin	7/2013
Consular	Kent C. Brokenshire	10/2011
Political	Shelby Smith-Wilson	8/2012
Economic	James Perez	8/2013
Public Affairs	Kristin Stewart	8/2013
Security	Christopher Stitt	8/2011
International Narcotics and Law Enforcement	Ramon Negron	8/2012
<b>Department of Agriculture</b>		
Animal and Plant Health		
Inspection Service	John L. Shaw	2/2013
Foreign Agricultural Service	Arlene Villalaz	4/2009
<b>Department of Commerce</b>		
U.S Commercial Service	John Coronado	7/2013
<b>Department of Defense</b>		
Senior Defense Official	Capt. Jacqueline Renee Finch	6/2011
Defense Attaché	Capt. Jacqueline Renee Finch	6/2011
Naval Criminal Investigative Service	Vacant	
Office of Defense Cooperation	Capt. Jacqueline Renee Finch	6/2011
Tactical Analysis Team	Shane Hoffman	1/2012
<b>Department of Homeland Security</b>		
U.S. Coast Guard	William Mees	7/2013
U.S. Customs and Border Protection	Erik Moncayo	5/2013
Homeland Security Investigations	Edward Dolan	7/2011
Transportation Security Administration	Mariely Loperena	3/2013
<b>Department of Justice</b>		
Drug Enforcement Administration	Daniel C. Mahoney	8/2010
Federal Bureau of Investigation	Neil Donovan	3/2011
<b>Department of Transportation</b>		
Federal Aviation Administration	Daniel Castro	12/2009
<b>Internal Revenue Service</b>	Michael C. Daniels	7/2010
<b>Open Source Center</b>	John Hyp	9/2012
<b>Peace Corps</b>	Peter La Raus	6/2013

## Abbreviations

CA	Bureau of Consular Affairs
DCM	Deputy chief of mission
EEO	Equal Employment Opportunity
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
NSDD-38	National Security Decision Directive 38
USAID	U.S. Agency for International Development



**FRAUD, WASTE, ABUSE,  
OR MISMANAGEMENT  
OF FEDERAL PROGRAMS  
HURTS EVERYONE.**

CONTACT THE  
OFFICE OF INSPECTOR GENERAL  
HOTLINE  
TO REPORT ILLEGAL  
OR WASTEFUL ACTIVITIES:

202-647-3320

800-409-9926

[oighotline@state.gov](mailto:oighotline@state.gov)

[oig.state.gov](http://oig.state.gov)

Office of Inspector General  
U.S. Department of State  
P.O. Box 9778  
Arlington, VA 22219