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AND THE BROADCASTING BOARD OF GOVERNORS
OFFICE OF INSPECTOR GENERAL

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Office of Inspections

June 2014

Inspection of Embassy Lima, Peru

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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

Table of Contents

| | |
|---|----|
| Key Findings | 1 |
| Context | 2 |
| Leadership | 3 |
| Policy and Program Implementation | 6 |
| Foreign Assistance | 6 |
| International Narcotics and Law Enforcement Affairs | 8 |
| Political and Economic Sections | 11 |
| Law Enforcement and Visas Viper | 12 |
| Public Diplomacy | 12 |
| Consular Section | 16 |
| Naval Medical Research Unit-6 | 19 |
| Resource Management | 21 |
| Management Overview | 22 |
| Real Property | 22 |
| Financial Management | 22 |
| Human Resources Office | 24 |
| General Services | 25 |
| Facilities Management | 29 |
| Information Management | 29 |
| Quality of Life | 32 |
| Community Liaison Office | 32 |
| Health Unit | 32 |
| Overseas Schools | 32 |
| Employee Association | 33 |
| Management Controls | 35 |
| List of Recommendations | 36 |
| List of Informal Recommendations | 39 |
| Principal Officials | 42 |
| Abbreviations | 43 |

Key Findings

- In the past 3 years, Embassy Lima registered many successes in building a strategic United States-Peru partnership, particularly in counternarcotics, trade promotion, security, law enforcement, good governance, and development.
- The political and economic sections produce relevant and high-quality reporting that is instrumental to Washington policy making.
- The previous Ambassador put into place many processes and practices that had a negative effect on embassy morale. The chargé d'affaires and acting deputy chief of mission hesitated for months to make changes to improve the mission's working environment but began to do so recently.
- The international narcotics and law enforcement affairs section plays a critical coordinating and implementing role, but the Bureau of International Narcotics and Law Enforcement Affairs needs to provide clear and consistent guidance in some areas.
- The public affairs section should establish clearer priorities and exert stronger missionwide leadership on long-term public diplomacy planning.
- The management section can improve its generally good service by emphasizing communication with other agencies and offices that rely on the procurement, motor pool, and travel units.
- The consular workload is growing steadily, and section leadership needs to improve work flow, efficiency, officer training, and the warden system.
- Embassy Lima should make full use of available contact database and SharePoint mechanisms to enhance internal information sharing.

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 January 6 and February 4, 2014, and in Lima, Peru, between February 5 and March 4, 2014. Ambassador Gene Christy (team leader), Leslie Gerson (deputy team leader), Thomas Allsbury, Laurent Charbonnet, Eric Chavera, Leo Hession, Tracey Keiter, Keith Powell, Ashea Riley, Richard Sypher, Alexandra Vega, Steven White, Roman Zawada, and Barbara Zigli conducted the inspection.

Context

Emerging from a past plagued by political, social, and economic instability, Peru is considered a Latin American success story. The United States-Peru bilateral relationship has become a strategic partnership. Embassy Lima's priorities are to support the Government of Peru to defeat narcotics and terrorist organizations; increase trade, investment, economic growth, and social development; and protect the country's unique environmental resources. At the same time that the Bureau for International Narcotics and Law Enforcement Affairs has increased financial and material support for coca eradication, the U.S. Agency for International Development's (USAID) foreign assistance resources for Peru, particularly for alternative development, are decreasing. Peru has recently increased its own contributions to both counternarcotics and alternative development activities as it moves toward ownership of both programs.

Peru is the world's largest producer of cocaine and the second largest cultivator of coca, but the current Peruvian administration has elevated combatting narcotics production and trafficking to a "national security" priority. The Government of Peru has developed a comprehensive counternarcotics strategy that parallels that of the U.S. Government. The Shining Path, a designated terrorist organization, remains a threat, with armed combatants operating in two coca-producing regions. Under the Peru Trade Promotion Agreement, United States-Peru bilateral trade has expanded, contributing to mutual economic expansion. Nevertheless, a significant minority of Peru's population lives in poverty, with economic growth centered in the capital and along the coast. Peru enjoys 84 of the 104 existing ecosystems and 25 of the 32 climates on the planet, including the fourth largest tropical forest in the world, but illicit logging and drug production, informal mining, and related migration threaten Peru's natural resources. Notwithstanding the current alignment of U.S. and Peruvian priorities and strategy, it is not easy to get things done in Peru, and in many cases U.S. engagement is the only impetus for Peruvian interagency coordination. [Redacted] (b) (5)



Mission Peru is a large operation with more than 900 employees as of December 2013. The scope of the bilateral relationship and Lima's increasing role as a platform for regional operations justify this staffing level. Lima hosts a large presence from the Drug Enforcement Administration (DEA), USAID, and the Naval Medical Research Unit (NAMRU-6). The U.S. Secret Service established an office in Lima in 2012 to combat counterfeit currency operations in Peru—the number one producer of counterfeit U.S. currency in the world—and other agencies have expressed interest in beginning or expanding their presence in Peru. This growth has increased the pressure on Embassy Lima's budget and International Cooperative Administrative Support Services (ICASS) providers.

The mission's development assistance budget for FY 2013 was almost \$99 million. This figure does not include approximately \$14 million for Military Assistance Advisory Group (MAAG) projects or NAMRU-6 funding, which is primarily grants-based.

Leadership

Embassy Lima did not have a Senate-confirmed ambassador in place at the time of the inspection. After the previous Ambassador's departure in September 2013, the deputy chief of mission (DCM) became chargé d'affaires, and the head of the mission's international narcotics and law enforcement affairs (INL) section became acting DCM. Under the previous Ambassador, the mission convinced the Department and highest levels of the U.S. Government to work with President Humala, [REDACTED]. Working closely with Peruvian Government, business, and civil society leaders, the mission racked up successes in the pursuit of counternarcotics and antiterrorism goals, in advancing trade growth under the bilateral trade agreement, and in building a strategic partnership. The chargé and acting DCM have sustained this momentum.

Initially, the chargé and acting DCM adopted caretaker roles in anticipation of the Ambassador-designate's quick arrival. Neither of them felt empowered to make significant changes, nor did they want to adopt changes only to make additional ones or reverse others after the new Ambassador's arrival. By November 2013, they realized their new leadership duties would extend for an indeterminate period.

Unfortunately, the previous Ambassador's policy successes were overshadowed within the mission by a leadership style that negatively affected morale. Uncertain about their tenures and in some cases not fully aware of the effects of the previous Ambassador's leadership style, the chargé and acting DCM kept in place most internal processes and a few problematic behaviors. Some of these continued to damage internal communications and morale. For example, many mission staff reported that the former Ambassador occasionally criticized and belittled certain section chiefs and agency heads in front of their peers. Onerous and excessive paperwork processes impeded communication. The amount of time and energy required to move memoranda through the front office, as well as insistence on letter-perfect products—even for materials intended solely for internal use—discouraged initiative and information sharing.

Mission staff noted front office reliance on a group of trusted mission leaders. Others not in the favored category were more likely to receive attention to weaknesses rather than strengths or potential. The President's letter of instruction to chiefs of mission states that one of the Ambassador's most important jobs is "to take care of our diplomatic personnel and to ensure that they have the tools they need to support your efforts." Other Department guidance speaks to the role of Ambassadors and DCMs in establishing a productive workplace. The impact of the negative environment and uneven attention paid to human capital development is evident in lower-than-average scores for mission morale in pre-inspection surveys.

Mission staff told inspectors they had expected the caretaker leaders to eliminate some of the worst practices and processes of the previous 3 years. Comments to the OIG team indicated that those expectations were unmet. Mission staff evaluations of the chargé's and acting DCM's management and leadership skills were significantly below the averages of other recently inspected chiefs of mission and DCMs. By hesitating to make immediate changes, particularly in workflow and decisionmaking, the chargé and acting DCM became targets for employees' frustrations. The OIG team counseled and encouraged mission leaders to institute some changes

in behaviors and practices. Near the inspection's end, the chargé acknowledged leadership shortcomings to the country team and began instituting welcome changes.

Effective Communications

The embassy's meeting lineup does not facilitate decisionmaking and problem solving. Mission leaders told OIG inspectors that the weekly chief of mission-chaired country team meeting was intended to be a decisionmaking and problem-solving session, and a separate DCM-led heads of section meeting was intended to facilitate information-sharing. That distinction was not evident at the time of the inspection. In practice, country team and heads of section meetings are almost identical, used for information sharing and not for problem solving.

In addition, many staff members remarked that the atmosphere at meetings detracted from communication. Public criticism, excessive demand for detail, and primary focus on front office activities stifled information sharing and initiative taking among country team members. Some participants restricted their communication during country team meetings, because new ideas usually generated taskings and the attendant, onerous paperwork requirements. Paperwork served as a barrier to communication, not a facilitator, and stymied the kinds of informal communication and quick, issue-focused meetings common in most embassies. Even before the inspection, the chargé and acting DCM increased their access to mission staff. During the inspection, the chargé announced that the front office would relax requirements for information memoranda and welcome more casual, on-the-spot conversations to facilitate decisionmaking.

To manage the intense paperwork requirements under the former Ambassador, the mission established an informal staff assistant position that drew consular section and USAID first- and second-tour (FAST) employees to the front office for 3-month rotations. Staffing the position put pressure on both the consular section and the USAID mission, especially when they were shorthanded. Moreover, short rotations forced mission staff to adapt to a series of new staff assistants, who were learning on the job. In 2012, the Bureau of Western Hemisphere Affairs denied the embassy's request to establish a full-time staff assistant position. The OIG team discussed with the chargé how other similarly sized missions have relied successfully on experienced Foreign Service office management specialists to take on staff assistant duties.

Informal Recommendation 1: Embassy Lima should conduct a zero-based review of all current meetings, working groups, paperwork demands and processes, as well as the informal staff assistant program and have recommendations that are designed to facilitate communications in the mission ready for the new Ambassador.

Attaché Issues

In 2008, the Department sent to all diplomatic missions a message describing the creation of the senior Defense officer and Defense attaché (SDO/DATT) position and advising chiefs of mission that "the Deputy Secretary of State supports this reform as an important means of streamlining chief of mission management of an increasingly diversified Defense presence overseas." In 2011, the Secretary of Defense appointed a new SDO/DATT and designated him as the principal Department of Defense (DOD) official at the embassy and his representative to the Ambassador and Government of Peru. The previous Ambassador dealt separately and equally with the mission's several different DOD elements and sometimes excluded the SDO/DATT

from meetings with other DOD components. Recently, the mission prepared a briefing book for the Ambassador-designate. The coordinator of the process tasked each DOD element for separate briefing papers. Failure to recognize the Secretary of Defense's designation of a SDO/DATT contravened the instruction of the Deputy Secretary of State and disempowered the SDO/DATT. Before the inspection, the acting DCM began to acknowledge the SDO/DATT's position, and the chargé met with the attaché during the inspection for a discussion of his role.

Informal Recommendation 2: Embassy Lima should take steps to demonstrate recognition of and respect for the Secretary of Defense designation of a senior Defense official and Defense attaché in Peru.

Under the former Ambassador, the Foreign Commercial Service, Foreign Agricultural Service, and Animal and Plant Health Inspection Service attachés routed written communications through the economic counselor. In some cases, they believed they were required to report to the front office through him. That practice was still in effect at the time of the inspection. These procedures diminish the attachés' ability to represent their respective agencies. Per *2 Foreign Affairs Manual* (FAM) 112.1 (b), the chief of mission has the authority to determine the precise structure of a mission but should submit any organizational changes in advance to those agencies' headquarters for concurrence when they affect specialized subordinate elements such as the above-mentioned agencies. The mission did not follow this procedure.

Informal Recommendation 3: Embassy Lima should clarify the mechanism that attachés use to report to or route documents to the front office.

First- and Second-Tour Generalists and Specialists

The Director General of the Foreign Service updated guidance to missions in 2012, giving DCMs the primary responsibility for training, counseling, and evaluating the Department's new Foreign Service employees. Including Foreign Service specialists and FAST USAID mission staff, Embassy Lima has 29 FAST employees¹. Until fall 2013, the FAST program featured the Ambassador's and DCM's facilitation of policy discussions. Only a handful of FAST employees were afforded hands-on professional development opportunities. As a result, at least one section developed its own in-house mentoring program. The acting DCM instituted monthly, free-ranging meetings with these officers, but some did not see value in an unstructured program. After the OIG team met with the embassy's FAST employees, the acting DCM followed up at their request to discuss an enhanced professional development program for all FAST employees that could include elements like drafting cables, note taking, and traveling with senior officers.

¹ The mission has 19 Department first- and second-tour generalists and specialists and 10 USAID development leadership initiative officers.

Policy and Program Implementation

Foreign Assistance

Foreign assistance is one of the pillars of the U.S. Government's Peru strategy. The Office of U.S. Foreign Assistance Resources' operational plan for Peru parallels the embassy's Integrated Country Strategy. Foreign assistance program areas include: stabilization and security, counternarcotics, transnational crime, good governance, education, and environment. DEA and MAAG funds that are not part of the foreign assistance operational plan focus on one or more of those program areas as well. USAID coordinates written products relating to the mission's overall assistance program, but each agency or office runs its own assistance activities. Several interagency working groups, in addition to facilitating strategy development, also serve as coordination mechanisms for foreign assistance programing and implementation. For example, after INL-funded eradicators clear coca plants from a community, USAID introduces alternative development projects, as well as health and educational opportunities, and MAAG undertakes small infrastructure projects and limited commodity purchases such as pharmaceuticals. Eradication and post-eradication efforts take place after detailed consultation and close coordination with the Peruvian Government's counternarcotics agency.

Much of the foreign assistance is administered through grants, contracts, and cooperative agreements with implementing partners, both U.S. and local. In addition to development and military assistance linked to the counternarcotics effort, the embassy informally oversees several grants that contribute to good governance and education goals. Grants officer representatives and program managers expend as much effort monitoring smaller grants made to newer implementing partners as they do overseeing larger grants administered by U.S. entities, but all parties acknowledge the importance of encouraging broad Peruvian participation in development and not just relying on the same implementers. In FY 2013, the Government of Peru contributed \$12 million to INL's eradication program—the first time the Peruvian Government had made a direct financial contribution to the eradication effort and, in the process, taken an important step toward ownership of the program. The Government of Peru has also increased its alternative development² budget significantly—from \$20 million in 2011 to a projected \$62 million for 2014—roughly twice the amount of USAID's alternative development budget.

NAMRU-6 has administered a regional DOD HIV/AIDS Prevention Program since 2009. In FY 2013, NAMRU-6 in Lima received approximately \$2 million in DOD funding that included, for the first time, an additional funding transfer from the Department's President's Emergency Plan for AIDS relief. Last year's total award was for projects throughout Latin America. Funding is limited to equipment, travel, and administrative costs. Both embassy and NAMRU-6 financial management staffs have roles in tracking funds and procuring commodities, but Department and DOD accounting systems are not compatible. Staff members from each agency work well together, however, documenting expenditures manually, if necessary. Oversight for all U.S. Government international HIV/AIDS activities resides with the Department's Global AIDS Coordinator, who is represented at all annual DOD Coordinating Board meetings. DOD also reports to the coordinator on project execution quarterly.

² Alternative development refers to other livelihoods to replace coca cultivation.

Grants Management

Grants officers at the embassy and the Department awarded 64 grants for Peru totaling more than \$26 million in FY 2013. The majority of those grants support counternarcotics and public diplomacy activities. Five Washington-based grants target issues in the political section's sphere of responsibility. In those cases, both the grants officer representatives and the program managers are in Washington—three at the Department of Labor and two in the Department's Bureau of Democracy, Human Rights, and Labor. Thus, the human rights officer coordinates with the program managers but has no official monitoring responsibility; she has not had Department grants management training.

The Department of Labor sends monitors to the field to oversee its programs, totaling \$15 million, and keeps the political section informed of progress and activities. The Bureau of Democracy, Human Rights, and Labor relies on a primary grantee in Geneva, Switzerland, to provide monitoring and oversight of the sub-grantees in Peru. The embassy's human rights officer has some contact with the sub-grantees but has no oversight role.

Recommendation 1: The Bureau of Democracy, Human Rights, and Labor should establish a mechanism to share information with Embassy Lima about grant progress and performance evaluation. (Action: DRL)

Recommendation 2: Embassy Lima should enroll in on-line grants management training political section employees with formal or informal grants oversight responsibilities. (Action: Embassy Lima)

The INL and public affairs sections have grants management resources and program expertise. The INL section uses a team approach to grants management, leveraging program advisors, financial managers, grants officers, and grants officer representatives who collaborate throughout the life cycle of a grant. The INL section communicates diligently with the grantees and submits monthly financial and programmatic reports on time, as required in the monitoring and evaluation plan. In January 2014, it organized and funded regional grants management training to ensure the maximum number of staff have appropriate training and can be certified as grants officer representatives.

All 11 of the public affairs section's grants officer representatives are fully trained and certified. However, the public affairs officer does not have a grants warrant. As a result, for about 6 months, the section had only one grants officer, who was also serving as treasurer of the Fulbright board at a time when the section had several open grants with the Fulbright Commission, posing a potential conflict of interest.

Recommendation 3: Embassy Lima should have at least one public affairs grants officer who is not on the Fulbright Commission board. (Action: Embassy Lima)

The public affairs section funds a variety of activities across the country through grants, including workshops, cultural events, training programs, and equipment purchases. The section specifies financial and program reporting requirements in its grants documents but does not include formal plans for monitoring and site visits as described in Grants Policy Directive 42, which are especially necessary for larger, long-term grants.

Informal Recommendation 4: Embassy Lima should include more detailed monitoring plans in complex grants.

Among the public affairs section grants was a \$272,295 mega-grant to the Fulbright commission that the section had repeatedly extended and augmented with a variety of additional activities until it reached a total of more than \$815,000. The range of this grant made it difficult to administer and monitor. The OIG team cautioned the section to keep grants focused and manageable.

The public affairs section keeps all its grants files in unlocked cabinets. Some files include personally identifiable information, such as names, address, telephone numbers, and email addresses, for U.S. citizens.

Recommendation 4: Embassy Lima should store all grants files with personally identifiable information of U.S. citizens in approved bar lock cabinets or safes. (Action: Embassy Lima)

The public affairs section holds a useful quarterly meeting of its grants officers and grants officer representatives to discuss grants issues, new directives, and procedures. The INL section recently conducted an internal meeting addressing many of the same issues raised in the public affairs section's quarterly meeting. Expanding participation in the public affairs grants meetings to more offices and agencies could improve grants management embassy-wide.

Informal Recommendation 5: Embassy Lima should convene periodic embassy-wide meetings of grants officers and grants officer representatives to discuss grants issues.

International Narcotics and Law Enforcement Affairs

The first objective in the embassy's Integrated Country Strategy is to assist the Government of Peru in the reduction of cocaine production and exportation while strengthening rule-of-law-based mechanisms that ensure democratic institutions. The INL section coordinates the mission's counternarcotics policy in partnership with the front office and with other agencies, like USAID, DEA, and MAAG.

The section's Foreign Service officers have a broad span of control, with four officers managing an FY 2013 budget of more than \$43 million and overseeing the work of 37 locally employed staff and 20 personal services contractors. The latter are technical experts but have, in some cases, limited program management experience, which places greater oversight responsibility on their Foreign Service supervisors. The section chief's assignment as acting DCM since September 2013 has reduced the number of Foreign Service managers by 25 percent.

The INL section has a strategic plan for the use of unsubobligated ("pipeline") funds³ and monitors its pipeline carefully. In 2011, the section had a \$70-million pipeline but had reduced its pipeline to \$40 million at the time of the inspection⁴. Scrupulous pipeline management is

³ In the case of INL funding, those funds that have been obligated by the end of their 2-year lifespan have to be subobligated and spent within the next 5 years. During the intervening period, they are in the "pipeline."

⁴ INL also received and expended its normal FY 2012 budget while reducing pipeline funds.

essential for ensuring seamless operations because timing has become unpredictable, the amount of funding is variable, and each fiscal year's funding includes both programmatic and nondiscretionary administrative expenses. The INL section has received neither the bulk of its FY 2013 nor any FY 2014 funding yet, but it is able to support its commitments because of the pipeline. The section routinely expends its funds for eradication and aviation and rarely develops multi-year pipelines in those areas. Management plans to pay particular attention to strategic planning for police and ports programs and reduce those two pipelines in the next few months. No funds have expired in recent years.

Section Consolidation

The section occupies three separate office suites on two floors in the embassy, challenging oversight and internal coordination. The section chief, deputy, and program managers have offices on the fifth floor. Their support and implementation colleagues, two floors below, are in constant transit between floors. Similarly, the programmatic and financial units, although on the same floor, occupy noncontiguous spaces. Because they work on the same grants and programs, essential documents are rarely in the central file repository but often in transit, contributing to inefficiency.

The embassy has developed a floor plan that will consolidate most INL operations in one space. Consolidation will improve communication, streamline process, and foster a more collaborative environment. However, consolidation depends on relocating two other agencies, and an eventual move will require sustained attention to all the related relocations.

Informal Recommendation 6: Embassy Lima should continue to give priority attention to consolidation of the international narcotics and law enforcement affairs section.

End-Use Monitoring

An integral part of the INL program is the procurement and donation of commodities that enhance the Government of Peru's ability to partner with the United States on a range of law enforcement and counternarcotics activities. Section 484 of the Foreign Assistance Act requires the Bureau of International Narcotics and Law Enforcement Affairs to take all reasonable steps to ensure that equipment donated to foreign countries is used for the purpose for which it was donated. The end-use monitoring program is designed to track donated commodities throughout their useful life.

In FY 2013, the INL section converted its donated commodities inventory from a local computer-based application to the Department-wide Integrated Logistics Management System (ILMS), as required. Prior to 2013, the section maintained separate inventories for in-life-span and out-of-life-span items, which meant that only the former had to be inventoried annually. With the conversion to ILMS, the section had to identify and add to the ILMS inventory approximately 6,000 out-of-life-span items, which, in many cases, had been moved several times from their original locations. The ILMS system is suited to standard inventories, where all items are in a warehouse or an office building. The embassy's earlier system was better suited to INL end-use monitoring and saved time when inventorying in remote locations.

Despite the difficulties of converting to ILMS, the INL logistics unit estimates that it can locate, inventory, and dispose of approximately 5,000 out-of-life-span items in FY 2014, reducing total inventory by nearly 50 percent. The section has not found any instances where commodities have been redirected from their intended use, although items donated to the national police change locations regularly and often require considerable effort to find.

Invitational Travel

The section sends dozens of trainees to the United States or on travel within the region every year. The embassy uses the E2 Solutions Web-based travel management tool for regular invitational travelers and finds E2 a better tool for tracking open travel vouchers than other travel authorization mechanisms. However, for one-time travelers, especially those from rural areas who do not have U.S.-denominated bank accounts, the INL section prefers to use the *Temporary Duty Official Travel Authorization* form (JF-144) to expedite travel.

Grants policy directive 10 states that invitational travel may be processed using either the e-Travel software solution or post-specific travel procedures. Per 09 STATE 108563, questions pertaining to invitational travel fall under the purview of the Bureau of Administration's Office of Logistics Management, but the embassy has not attempted to clarify the circumstances where a non-E2 travel authorization would be preferable, nor has the Bureau of International Narcotics and Law Enforcement Affairs issued clear guidance or coordinated with the Office of Logistics Management about the options for processing one-time travelers expeditiously. As a result, the INL section has experienced delays in finalizing travel and conflicting guidance over invitational travel procedures. The General Services section of this report makes an additional recommendation about embassy travel policies.

Recommendation 5: The Bureau of International Narcotics and Law Enforcement Affairs should coordinate with the Bureau of Administration to establish a clear invitational travel policy that includes options for processing one-time travel authorizations. (Action: INL)

Support for the Drug Enforcement Administration

The INL section and DEA have different but complementary responsibilities. The section administers some of DEA's funding. In addition to pipeline fund management, a 2012 interagency reimbursable agreement between the Bureau of International Narcotics and Law Enforcement Affairs and DEA headquarters committed the INL section in Lima to provide procurement support, travel assistance, facility leasing, and end-use monitoring on DEA Lima's behalf. Because that agreement essentially commits the INL section to provide services to DEA in Lima that it no longer provides for itself, the Bureau of International Narcotics and Law Enforcement Affairs and the Drug Enforcement Administration amended the agreement in October 2013. The amendment includes a provision for Lima's INL section, general services, and financial management offices to delineate the services each will provide for DEA in Lima. However, the parties in Lima have never formalized a delineation of services. Confusion about who is responsible for what services persists.

Recommendation 6: Embassy Lima should formalize the delineation of services between Department of State entities and the Drug Enforcement Administration section to clarify which entity provides which services. (Action: Embassy Lima)

Political and Economic Sections

Embassy Lima's political and economic sections have a total of 11 officer positions. Language-qualified officers fill 10 of those positions, giving the embassy a strong team for reporting and advocacy.

Reporting and Policy Advocacy

Washington's policy and analytic communities praise the embassy's political and economic reporting, which one analyst called "the gold standard." Relevant and high-quality reporting, coupled with front office relationship building and sustained political and economic section advocacy, has contributed to the expansion in the last 3 years of the United States-Peru partnership.

The OIG team reviewed the embassy's political and economic reporting over a 7-month period. Cables were a useful mix of short "breaking news" items and longer analytic or commentary pieces. Some reporting developed from travel outside the capital. Virtually every substantive cable, even if routine, required front office editing and approval. This requirement improved product quality but slowed information flow to Washington. The OIG team discussed greater delegation of authority for message approval with the front office, and the chargé agreed to implement work flow improvements during the inspection.

The political section provides outstanding coverage of Peru's presidency, domestic politics, and interparty wrangling; in the last year, the political section also increased reporting on counternarcotics efforts, synthesizing information from USAID, the INL section, and U.S. military and law enforcement agencies. Reporting on Peru's relations with its neighbors was relatively sparse compared to internal reporting.

Informal Recommendation 7: Embassy Lima should review the political reporting plan and determine whether reporting adequately reflects mission goals beyond domestic politics, counternarcotics, and law enforcement cooperation.

Human Rights

The political section is responsible for six annual reports mandated by law or policy, which it has submitted satisfactorily and on time. The July 2013 loss of a professional associate position with a focus on human rights, trafficking in persons, and Leahy vetting diminished human rights reporting capability. Lima's remaining human rights officer is stretched thin, and reporting on those subjects—outside of the annual reports—has almost ceased. The human rights officer has played an active role, however, in the design and funding of several training and advocacy programs for the Peruvian Government and civil society on trafficking in persons and child labor. No new permanent or stop-gap positions for human rights reporting are likely in the near term.

Informal Recommendation 8: Embassy Lima should adjust political section portfolios to provide adequate reporting for human rights and trafficking issues.

Political-Military Issues and Leahy Vetting

The political/military officer is the Department's working-level link with DOD offices in the embassy and in Washington. For several years, political/military officers had a minimally successful coordination role within the mission. In recent months, coordination between the political section and U.S. military elements improved, largely because of changes the acting DCM suggested to make the monthly political/military meetings a more effective opportunity for information sharing.

Leahy vetting for all military and police trainees is required by U.S. law. Given the vibrant United States-Peru security and law enforcement training partnership and Peru's history of police and military unit involvement in human rights abuses, Leahy vetting is a sensitive and important task. Embassy Lima's vetting processes are thorough and sound.

Environment, Science, Technology, and Health

A regional environment officer works within the economic section and formally reports to the economic counselor, although he travels frequently to other countries in South America. Peru itself is an environmentally strategic country for the U.S. Government. Helping Peru protect its environmental resources is one of the embassy's Integrated Country Strategy objectives, and Peru has undertaken substantial free trade agreement commitments to protect its natural resources. In acknowledgement of this objective, the economic section hired a professional associate who will focus on Peru-specific environmental issues. The Information management narrative makes a recommendation about the regional environment office's Web site.

Law Enforcement and Visas Viper

To assist Peru in fighting narcotics, terrorism, and currency counterfeiting, the United States has expanded its assistance for law enforcement and internal security. The embassy has a substantial law enforcement presence, including the INL section, DEA, and the U.S. Secret Service. On behalf of U.S. Southern Command, military elements contribute to counterterrorism and coca eradication programs and training. Mission leaders facilitate close and effective cooperation among agencies through the law enforcement working group and other mechanisms.

The Visa Viper program is a very active, smoothly functioning example of interagency cooperation. The law enforcement working group covers Visas Viper issues. [Redacted] (b) (5), [Redacted] (b) (7)(E)

Public Diplomacy

The public affairs section runs an extensive set of programs tied to mission themes, but the public affairs officer has been unable to exert strong missionwide leadership on long-term public diplomacy planning. Several factors contributed to this situation—an intimidating atmosphere in embassy meetings resulting in a hesitancy to take ownership of strategic messaging, distractions caused by time-consuming front office demands, and a dearth of experienced officers in the section. The OIG team provided counseling about the need to put forward positive proposals and better direct section efforts to top mission priorities. Some

improvement has occurred recently, and the section produced a comprehensive year-long strategy for the United States-Peru Trade Promotion Agreement's fifth anniversary.

Recognizing a need to give the front office more information about public diplomacy activities, the section began sending a weekly look-ahead email in January. However, no unified public diplomacy calendar existed. Implementing such a calendar would facilitate coordination within the section and with the rest of the embassy.

Informal Recommendation 9: Embassy Lima should create a public diplomacy program and outreach calendar and place it on the internal mission SharePoint site.

Public Advocacy and Outreach

Most embassies make public outreach a missionwide priority. Until recently, the front office, INL, and public affairs staff conducted most of the mission's outreach. Officers from the economic, political, and consular sections engaged in some outreach, but participation was uneven. For example, over a 6-month period, economic officers organized or made remarks at eight widely attended public events, and the human rights officer carried out an extensive public speaking agenda, but the political counselor and deputy counselor had only one speaking role each in public outreach events.

Recommendation 7: Embassy Lima should include public outreach as an ongoing responsibility in work requirements statements and establish a mechanism to monitor participation. (Action: Embassy Lima)

Public diplomacy programs and grant activities take place in far-flung locations within Peru. Officers from other sections have added public diplomacy events when they travel, but a more systematic approach would expand the U.S. public presence, give officers more outreach opportunities, and improve program monitoring. A missionwide travel calendar on which all sections enter their travel would enable the embassy to make better use of its travel funds.

Informal Recommendation 10: Embassy Lima should create a missionwide travel calendar on its internal embassy SharePoint site.

Although the embassy has sent officers to address Peruvian audiences about specific issues such as the U.S. election, it does not have a regular embassy speakers program, a common practice worldwide to increase public outreach. Several FAST officers expressed interest in more speaking opportunities, which would help them develop the oral communication skills required by professional competence and promotion precepts, but it is difficult for them to get away from the office unless the event is arranged well in advance. During the inspection, the public affairs section began to discuss whether to initiate such a program.

Recommendation 8: Embassy Lima should establish an embassy speakers program with an initial focus on first- and second-tour officers. (Action: Embassy Lima)

Cultural and Educational Programs

The public affairs section manages a wide-ranging set of cultural programs and educational exchanges tied to mission goals. Washington offices praised the section's implementation of its large and varied set of programs. However, the section has sometimes allowed the press of immediate program needs and the demands of Washington offices to drive activities rather than set priorities more strategically. The arrival of the first experienced cultural affairs officer in more than 2 years is moving the section in this direction, and the OIG team encouraged these efforts.

Several successful programs target issues of special interest to Peruvians. The United States has received positive publicity for the Ambassador's Fund for Cultural Preservation, where the quality of the embassy's proposals has made Peru one of the top five countries in the world for this grant competition. The presence in Lima of the regional English language officer has enabled the embassy to carry out extensive English language programs supporting other mission goals, such as economic development and social inclusion.

A binational Fulbright Commission carries out academic exchanges and a variety of other public diplomacy programs. Although the Peruvian Government does not provide financial support to the Fulbright Commission, it has supplied a building rent free, and private Peruvian companies and organizations have supported scholarships. The public affairs officer chairs the Fulbright board, and an assistant cultural affairs officer has been serving as board treasurer. Because the Fulbright office is an integral part of public diplomacy programming, the OIG team suggested including the Fulbright executive director, as well as the regional EducationUSA advising coordinator, in section staff meetings. The section started to do so during the inspection.

Among the programs the Fulbright Commission administers is Teaching Excellence and Achievement, which sends Peruvian high school teachers to the United States. The Commission publicized the most recent opportunities through its social media and Web site but received only about a dozen applications for four positions.

Informal Recommendation 11: Embassy Lima should become more involved in the recruitment, selection, and briefing of participants in the Teaching Excellence and Achievement program.

The Fulbright Commission has not always provided complete information about housing and arrival logistics to incoming American grantees. The embassy provides the grantees a security briefing on arrival, but the embassy and commission have not carried out all the guidance on procedures for academic exchange programs in crisis situations listed in 12 State 87602, including incorporating all U.S. Government-sponsored exchange participants in the emergency action plan, sending a copy of this plan to the Fulbright office in Washington, including Fulbright grantees in annex B of the warden system, and developing a Fulbright Commission emergency action plan.

Recommendation 9: Embassy Lima should establish procedures for overseeing the housing and logistical plans for incoming American Fulbright grantees in accordance with Department of State guidance. (Action: Embassy Lima)

Press and Information Outreach

The press office coordinates news media contact by all mission elements and leads an interagency communications meeting that keeps sections informed of each other's activities. Press office staff members brief embassy leadership daily on issues in the news and keep the rest of the embassy and Washington offices informed through a daily news summary. The press office has produced a comprehensive set of media landscape analyses in Peru.

The section uses a comprehensive strategy to direct its digital outreach—an important tool in Peru, where Internet penetration is about 50 percent and growing. Through strong content and promotion, the section has increased the fan base of its 4-year-old Facebook site to 127,000. The section also reaches 26,000 people through a Twitter feed aimed at journalists, commentators, and political and government figures. Although the section frequently updates the social media sites, the top stories in late February on the mission Web site, which remains the chief long-term repository of information, were a month old, and some links did not work.

Informal Recommendation 12: Embassy Lima should update the mission Web site regularly and use it to showcase embassy activities.

Information Resource Center and American Spaces

The Information Resource Center is not open to the public and focuses most of its efforts on working with libraries at binational centers, promoting use of resources such as eLibrary, and conducting webcasts and two webinar series on English teaching and information for businesses about trade with the United States. The webinars are available on a separate YouTube site that does not have a link on the embassy Web site.

Informal Recommendation 13: Embassy Lima should combine its separate YouTube sites or link the embassy Web site to both.

To create a space for webinars and other public outreach programs, the public affairs section obtained about \$40,000 in American Spaces funding from the Bureau of International Information Programs and contributed \$87,000 of its own funds to relocate staff offices from a large first-floor space and refurbish it with furniture and equipment suitable for its new purpose. In its 2006 inspection report, the OIG team recommended moving the Information Resource Center out of this same space because of limited public use. Public diplomacy money funded the current project, so it is important that the embassy use the space regularly for its intended purpose.

Recommendation 10: Embassy Lima should establish a plan for mission public outreach activities in the newly refurbished first-floor public diplomacy space. (Action: Embassy Lima)

Public diplomacy in Peru benefits from the large network of 25 binational center sites, which are private, non-profit entities that support themselves through English teaching but also host EducationUSA advising centers and serve as key partners for public diplomacy activities such as cultural events, seminars, speakers, and English-language programs. They received public affairs section and American Spaces funding for equipment and activities totaling more than \$500,000 in FY 2013. Members of the public affairs staff engage with the centers and meet

informally to discuss activities but lack an overall strategy for making the best use of this asset by prioritizing the centers, establishing a visit schedule, and analyzing the program mix.

Informal Recommendation 14: Embassy Lima should establish a comprehensive plan for working with the binational centers.

Consular Section

The consular section is a medium-sized operation, with steadily increasing visa and American citizens services workloads that reflect both Peru's growing prosperity and its status as a tourist destination. The immigrant visa and fraud prevention units function well, but the nonimmigrant visa unit faces challenges with efficiency and workload management, and the American citizens services unit with emergency preparedness. Consular managers are approachable and emphasize teamwork, but they have not uniformly provided the strategic thinking, procedural guidance, and surge capacity that the section needed to be optimally effective. The consul general and the visa chief have dedicated so much effort responding to detailed front office requests for information that they have not paid enough attention to daily operations. Even absent front office demands, their hands-off management style has prevented them from identifying procedural efficiencies, providing training and feedback for nonimmigrant visa interviewing officers, and modeling interview techniques. The OIG team counseled section managers on ways to address these deficiencies, and they took some steps to improve efficiency immediately.

The program for rotating officers among the several units for cross training promotes good consular officer development. However, the high volume of work makes it difficult for consular officers to participate in events outside the consular section. This situation has contributed to a sense of isolation from the rest of the mission and hindered the professional development of the entry-level officers. The OIG team counseled management on ways to enhance officer development and reach out more often to other parts of the embassy.

Nonimmigrant Visa Unit

In FY 2013, Lima processed more than 100,000 nonimmigrant visa applications, but wait times for visa interviews have approached the 30-day mark. The entire staff is hard pressed to keep up with demand from the traveling public, even though the number of positions available to interview applicants is appropriate for the case load. A series of unanticipated staffing gaps in FY 2013 magnified the problem. Interviewing officers and local staff work hard but are not necessarily efficient. Officers, tired after a minimum of 6 hours of interviewing, make too many simple mistakes that in turn require time-consuming corrections. Too many cases, particularly those awaiting advisory opinion responses, are not processed to conclusion promptly because of lack of oversight and clear standard operating procedures.

The consul general and the visa chief rarely adjudicate visa applications, except for high-profile or referral cases. A recent cable (13 STATE 153746) reminded posts that consular managers are expected to do some interviewing themselves. Not only does the lack of hands-on participation contribute to the long hours that the more junior staff has to spend interviewing, this remoteness from actual processing undermines their credibility as experts. It also reduces the

opportunities for management to train new personnel and to identify potential interview technique and workflow efficiencies.

Recommendation 11: Embassy Lima should require both the consul general and the visa chief to conduct routine visa interviews on a regular basis. (Action: Embassy Lima)

The section is in the process of updating its standard operating procedures, but not all are current, and reference material is scattered in various electronic locations, rather than consolidated on the section's SharePoint site. Written procedures are not dated, making it difficult to be sure which information is current.

Informal Recommendation 15: Embassy Lima should require the consular section to update standard operating procedures and place all procedures, clearly dated, on the SharePoint site.

The nonimmigrant visa unit makes insufficient use of the option to waive visa interviews for many applicants renewing visas, per 9 FAM 41.102. At least 50 cases a day, or 10 percent of the average caseload, involve renewals of current or recently expired visas. A recent validation study confirms an overstay rate for Peruvian tourist and business visa holders of less than 2 percent, which means that a high percentage of all visa applicants respect the terms of their visas. Re-interviewing applicants who have used their visas appropriately in the recent past slows down workflow and contributes to the long interview shifts. Consular management began to plan for implementing an interview visa waiver process during the OIG team's visit, although they had been considering it for some time.

Recommendation 12: Embassy Lima should waive personal interviews for appropriate visa applicants. (Action: Embassy Lima.)

Only three nonimmigrant visa interview windows have fingerprint machines, limiting the options for collecting biometrics. The small number of fingerprint machines means that only eligible family members with appropriate clearances can collect biometrics instead of giving local staff and interviewing officers the flexibility to do so if the need arises. As a result, when bottlenecks occur at the fingerprint stations, management has few options to keep applicants moving through the process.

Recommendation 13: Embassy Lima should request fingerprint machines for all visa interview windows. (Action: Embassy Lima)

The visa waiting room is long and narrow. Applicants have to wait in close proximity to the interview windows. It is noisy, and interviews are audible to other applicants. The embassy has not provided any remediation for this situation.

Informal Recommendation 16: Embassy Lima should install privacy wings and sound-proofing material on the applicant side of the visa interview windows.

American Citizens Services Unit

U.S. tourism to Peru exceeds 370,000 visits annually. The high altitude of major tourist destinations is a challenge for tourists with health conditions. Peru also attracts tourists seeking adventure and easy access to narcotics, who are more likely to meet with accidents and other problems in remote locations. In addition to the growing need for welfare and whereabouts services for American tourists, demand for passport services has also grown. Passport applications exceed 3,500 per year, nearly 13 percent more than the 2011 number. Of that number, about 25 percent are requests for emergency passports—an increase of more than one-third in the last 2 years. The complexity and volume of the American citizens services workload presents challenges for the operation.

The unit operates well and provides good emergency coverage. The unit maintains a consular duty phone so that the embassy duty officer can reach a consular officer at any time. Consular duty rotates among the three officers serving in the American citizens services unit, placing a heavy burden on those officers, who are on call every third week, in addition to being part of the regular embassy duty officer rotation.

Informal Recommendation 17: Embassy Lima should rotate consular duty among all consular section officers with experience in American citizens services.

The American citizens services unit maintains a warden network per 7 FAM 070, but the warden program has only 24 wardens and suffers from lack of attention. The network is designed to connect the consular section to more than 30,000 U.S. citizen residents in Peru, as well as to tourists. Most parts of the country outside the coastal strip near Lima are easily reachable only by air, limiting rapid embassy response, which makes a vibrant warden program even more important. Building ties to long-term residents in remote locations, and convincing them to serve as wardens, involves a sustained effort by the consular section and the support of other parts of the embassy. The embassy has not hosted a general warden meeting or training session in more than a year and a half. It is not clear that the wardens know their responsibilities and resources in the event of an emergency when they might lose communication with the embassy.

Recommendation 14: Embassy Lima should implement an outreach plan to attract new wardens, update existing warden training, and maintain regular contact with the warden network. (Action: Embassy Lima)

The American citizens services unit has a lockable storage closet for the effects of deceased U.S. citizens, per 7 *Foreign Affairs Handbook* (FAH)-1 H-648.3-2. However, the key to this closet is accessible to anyone in the consular section, and the closet is used for other storage as well. Consular management does not restrict access to this room, which means that accountability for the effects is not reliable.

Recommendation 15: Embassy Lima should identify a storage area for the effects of deceased Americans with access restricted to the provisional conservator. (Action: Embassy Lima.)

Consular Agency Cusco

Cusco—the gateway to Machu Picchu and other Incan archeological sites—is Peru’s tourist Mecca. The Cusco consular agency has a heavy workload of death, welfare and whereabouts, and emergency passport cases. The sole consular agent is on call full time. The agent has a good working relationship with the Lima consular section, but the agency’s space and equipment are not sufficient for the volume and complexity of the workload.

Office space is barely large enough for a desk and has no room for storage or additional support staff, although the workload would justify hiring a locally employed assistant. The public space is also quite small, requiring the guard to screen visitors on the street. In addition, the building in which the agency is located has been converted into a hostel, which is noisy and limits privacy.

The Bureau of Consular Affairs recently agreed to lease a new office in a building currently under construction that can be configured to the agency’s needs before it is occupied. However, the new location will not be ready for a year. In the meantime, several procedural deficiencies require attention. The agency accepts passport applications and forwards them to the embassy for processing, but the agent retains copies of those applications, which contain personally identifiable information, until the applicant receives his or her new passport. The agent does not have a bar-lock cabinet to protect personally identifiable information, per 7 FAH-1 H-644.3. Moreover, the agency does not have an impression seal for providing notary services—standard equipment at consular agencies. The Lima consular section has an excess impression seal, which they can transfer to Cusco as soon as the agency has appropriate storage.

Recommendation 16: Embassy Lima should obtain a bar-lock cabinet for the Cusco consular agency. (Action: Embassy Lima)

The agency’s small size imposes limits on its operations. The consular agent can only accept cash payments in local currency for services performed, and walk-in public hours are restricted. This information is not available on the embassy’s public Web site, which results in unmet expectations for service.

Informal Recommendation 18: Embassy Lima should create a space on its public Web site that details office hours, available services, fees payment options, and appointment procedures for the Cusco consular agency.

Naval Medical Research Unit-6

NAMRU-6 employs 20 percent of the mission’s locally employed staff. Their work is specialized, and none of the NAMRU-6 staff work on the embassy compound. Approximately 200 U.S. and local staff work at a Peruvian naval facility about an hour from the embassy, and more than 100 local staff work on a dengue fever project in the Amazon jungle. The embassy provides NAMRU-6 administrative services, including some travel, procurement, leasing, vouchering, disbursing, and human resources. Because NAMRU-6 competes for skilled medical staff with the Peruvian Ministry of Health, their ability to recruit and retain scientific and medical personnel has been especially affected by the wage freeze of the last 3 years.

Most of the research unit's staff, especially the locally employed staff, have had very little interaction with the embassy community. The NAMRU-6 commandant attends the weekly country team meetings, the administrative officer attends biweekly embassy management meetings, and a NAMRU-6 family member is one of the community liaison coordinators. Neither NAMRU-6 nor the embassy has tapped into all the potential synergies between their operations.

Informal Recommendation 19: Embassy Lima should organize regular outreach and exchange visits to the Naval Medical Research Unit-6.

Resource Management

| Agency | U.S. Direct-Hire Staff | U.S. Locally Employed Staff | Foreign National Staff | Total Staff | Total Funding FY 2013 |
|--|-------------------------------|------------------------------------|-------------------------------|--------------------|------------------------------|
| Department of State | | | | | |
| Diplomatic & Consular Programs | 49 | 5 | 17 | 72 | \$3,458,187 |
| Consular | 17 | 9 | 25 | 51 | \$2,429,635 |
| ICASS | 8 | 25 | 147 | 180 | \$13,215,919 |
| Public Diplomacy | 5 | 1 | 20 | 26 | \$2,459,003 |
| Diplomatic Security | 7 | | 25 | 32 | \$2,703,919 |
| Marine Security | 13 | | 4 | 17 | \$223,800 |
| Representation | | | | 0 | \$63,938 |
| Overseas Buildings Operations | 1 | 0 | 0 | 1 | \$4,393,372 |
| Expanded Professional Associate Program | | 2 | | 2 | \$0 |
| Department of Agriculture | | | | | |
| Foreign Agriculture Service | 2 | 0 | 4 | 6 | \$706,507 |
| Animal and Plant Health Inspection Service | 1 | 0 | 1 | 2 | \$351,853 |
| Department of Defense | | | | | |
| Defense Attaché Office | 8 | 0 | 3 | 11 | \$594,884 |
| Naval Medical Research Unit | 23 | 0 | 193 | 216 | \$6,162,173 |
| Military Assistance Advisory Group | 10 | 0 | 8 | 18 | \$14,000,000 |
| Force Protection Detachment | 2 | 0 | 1 | 3 | \$200,000 |
| Technical Advisory Group | 3 | 0 | 0 | 3 | \$0 |
| Army Corps of Engineers | 0 | 0 | 2 | 2 | \$120,000 |
| National Geospatial-Intelligence Agency | 2 | 0 | 1 | 3 | \$106,000 |
| Department of Justice | | | | | |
| Drug Enforcement Administration | 57 | 7 | 12 | 76 | \$8,000,000 |
| Department of Homeland Security | | | | | |
| Citizenship and Immigration Services | 2 | 2 | 1 | 5 | \$407,788 |
| Secret Service | 4 | 0 | 1 | 5 | \$360,000 |
| Foreign Commercial Service | 2 | 2 | 5 | 9 | \$887,116 |
| USAID | 37 | 5 | 79 | 121 | \$6,424,708 |
| INL | 4 | 7 | 36 | 47 | \$2,082,178 |

| | | | | | |
|--|------------|-----------|------------|------------|---------------------|
| INL personal services contractors | 25 | 0 | 0 | 25 | \$15,500,000 |
| Peace Corps | 4 | 2 | 1 | 7 | \$4,900,000 |
| Treasury | 2 | | | 1 | \$0 |
| Totals | 288 | 67 | 586 | 941 | \$89,750,980 |

Management Overview

Customer satisfaction with the management section’s performance is generally good, as reflected in OIG team interviews and 2013 ICASS scores that exceeded the regional and worldwide averages in many areas. A few areas, however, require attention and are discussed below. The embassy recently conducted formal customer service training for management staff to improve internal communication as well as client services.

Real Property

The embassy occupies a 20-acre U.S. Government-owned compound, developed in 1995. Facilities include the chancery, an annex constructed in 2002 to accommodate USAID, a warehouse and commissary building, a recreational field, and the motor pool. A current project will consolidate INL operations and accommodate growth in the Foreign Agricultural Service and the Foreign Commercial Service. The facilities management team has kept the compound attractive, functional, and safe.

The embassy leases an off-site warehouse facility dedicated primarily to storing ICASS furniture pool items not required on the chancery compound. The NAMRU-6, DEA, and INL sections occupy facilities on Peruvian military bases at the port of Callao and the airport under cooperative arrangements with the Government of Peru. A small, short-term leased consular agency in Cusco plans to relocate to more suitable office space in a year.

The U.S. Government-owned chief of mission residence dates back to 1945. The representational, family, and guest spaces are exceptional, and the residence is well maintained and furnished. Other government-owned residences include the DCM and Defense attaché residences and the Marine security guard quarters. Other U.S. direct-hire employees are housed in short-term leased apartments and residences, with the exception of MAAG staff members, who are authorized a living quarters allowance at the direction of the U.S. Southern Command.

Financial Management

The financial management section’s ICASS survey scores were on a par with satisfaction rates at other embassies in the region. Staff morale is low due to the local compensation wage freeze, increasing workloads, the legacy of a former underperforming employee, and the lack of training opportunities. The OIG team proposed ways to improve operations, including rationalizing workload distribution, providing in-house training, and communicating clearly to customers how processes work and expected timeframes for service. The OIG team observed a satisfactory unannounced cash count and found no anomalies in unliquidated obligations, representational vouchers, or the suspense deposit account.

Travel Advances

At the time of the inspection, the embassy had 23 open travel advances, with the oldest dating back 508 days and the majority belonging to INL invitational travelers. Open travel advances are unpaid debts owed to the United States. The embassy cannot close out an advance until travelers submit receipts. On occasion, initial repayment notifications were sent months after travel was completed, and the financial management section does not follow notification and debt collection regulations consistently, in accordance with 4 FAH-3 H-463.4-1. None of the open advances older than 90 days were referred to accounts receivable for collection, as required by 4 FAM 493.1-3.

Recommendation 17: Embassy Lima should implement standard debt collection notification procedures. (Action: Embassy Lima)

Recommendation 18: Embassy Lima should refer any debt delinquent more than 90 days to accounts receivable. (Action: Embassy Lima)

Official Residence Expense

Prior to the inspection, the Class B cashier issued advances for official residence supplies to the chargé d'affaires office management specialist, who then gave the advance to the official residence house manager. At the end of the month, the house manager returned purchase receipts to the Class B cashier to close out the advance. This process was flawed because the office management specialist had not been designated an occasional money holder in accordance with 4 FAH-3 H-394.2-4 and 4 FAH-3 H-394.4 and, therefore, was not authorized to receive an advance. Furthermore, 4 FAH-3 H-394.4 (b) prohibits overseas occasional money holders from holding funds for a period of more than 3 business days. Some cash advances remained open as long as 3 weeks. The embassy rectified this deficiency during the inspection and is now issuing advances directly to the chargé. Not maintaining an up-to-date list of designated occasional money holders could result in money being advanced to unauthorized persons.

Informal Recommendation 20: Embassy Lima should update records of occasional money holders on file with the Class B cashier.

Informal Recommendation 21: Embassy Lima should implement procedures to close advances issued to occasional money holders that are older than 3 business days.

Allowance Overpayments

As of January 7, 2014, the Payroll Employee Action Request List generated by the Bureau of the Comptroller and Global Financial Services shows the embassy has 82 potentially outstanding allowance overpayment actions dating back to FY 2012. Embassy Lima notifies the Bureau of the Comptroller and Global Financial Services when a traveler returns from travel outside of the country so that payroll can be adjusted accordingly. However, the bureau is erroneously including some of these notifications in the Payroll Employee Action Request List as overpayments that have not yet been processed. The embassy does not have the capability to process payroll actions, and it cannot correct any errors on the list.

Recommendation 19: The Bureau of the Comptroller and Global Financial Services should review the validity of Embassy Lima overpayments on the Payroll Employee Action Request List and initiate debt collection procedures to recoup valid overpayments. (Action: CGFS)

Voucher Processing

The general services contracting officer is not complying with Department guidance for signing invoices in cases of deviation among the invoice, obligating document, and receiving report that does not require an amendment to the purchase order. Deviations not requiring amendments include, for example, an invoice amount less than the amount obligated or receiving a different color item than what was ordered. The contracting officer and the financial management office have different interpretations of 13 STATE 57938, which allows the designated billing office to process an invoice for payment if proper obligating and receiving documents exist. However, it also requires that the contracting officer's representative or designated representative sign "Approved for Payment" on the invoice in cases of deviations among the invoice, obligating document, and receiving report that do not require an amendment to the purchase order. The contracting officer's failure to sign invoices as approved for payment could result in an unauthorized commitment.

Recommendation 20: Embassy Lima should require its contracting officers to sign invoices "Approved for Payment" in cases of a deviation among the invoice, obligating document, and receiving report that do not require an amendment to the purchase order. (Action: Embassy Lima)

Human Resources Office

The human resources office scored high on both the ICASS and inspection surveys. A new, more costly health benefits plan, combined with a 3-year salary freeze, has affected local staff morale. The embassy has an eligible family member employment program that provides approximately 35 jobs in the embassy.

The local compensation plan is mostly up to date. Several sections of the plan, including chapters on premium compensation, severance and separation, and benefits for locally employed staff in "when actually employed" status, are awaiting guidance from the Bureau of Human Resources' Office of Overseas Employment.

Recommendation 21: The Bureau of Human Resources should provide the requested guidance to Embassy Lima to allow completion of the updated local compensation plan. (Action: DGHR)

Equal Employment Opportunity

Embassy Lima is compliant with 3 FAM 1500 Equal Employment Opportunity (EEO) program requirements, but management has not given the locally employed staff program sufficient visibility. Although grievance procedures are displayed on some chancery bulletin boards, many locally employed staff indicated that they are unfamiliar with their rights under the program and reluctant to voice their concerns. The former Ambassador's aloofness with regard to locally employed staff and their awareness of the impact of some of her behaviors on American supervisors has also affected willingness to raise workplace issues. Embassy

management does not promote the EEO program sufficiently through town hall meetings, the embassy Web page, or the community newsletter.

Informal Recommendation 22: Embassy Lima should publicize the Equal Employment Opportunity program broadly, both in the chancery and at satellite locations.

The embassy has two designated EEO counselors, one of whom is also the designated Federal Women's Program coordinator. The Office of Civil Rights Web site states that the EEO counselor and the Federal Women's Program coordinator cannot be the same individual. The dual designation blurs the related but distinct purposes of the two programs.

Recommendation 22: Embassy Lima, in coordination with the Office of Civil Rights, should designate a Federal Women's Program coordinator who is not also the embassy's Equal Employment Opportunity counselor. (Action: Embassy Lima, in coordination with S/OCR.)

A single locally employed staff member is designated as an EEO liaison. One liaison is insufficient for a mission of 600 locally employed staff, many working at remote locations. The EEO counselors have shared guidance and information with the EEO liaison over the years, but the liaison has not received targeted training as to her role and responsibilities.

Informal Recommendation 23: Embassy Lima should designate and train additional Equal Employment Opportunity locally employed staff liaisons, including at satellite locations.

Information on the EEO program is displayed in English and Spanish on bulletin boards throughout the chancery. However, the information is not displayed in the USAID annex or at other mission facilities. The bulletin board information includes the names of the two American counselors but not the locally employed staff liaison.

Informal Recommendation 24: Embassy Lima should display Equal Employment Opportunity information prominently at non-chancery sites and on the embassy intranet site.

Informal Recommendation 25: Embassy Lima should include names and contact information for locally employed staff liaisons on the Equal Employment Opportunity bulletin boards.

General Services

The embassy community gave the general services office good scores on both the ICASS and inspection surveys, with motor pool services being the only weak link.

Housing

Identifying acceptable housing is labor intensive because of Lima's dynamic real estate market and the lack of multiple-listing services. The locally employed leasing agents use exclusive agents, the Internet, word of mouth, and even drive-by sightings to secure leases, which total 225. The search for adequate housing was further complicated in 2012, when the

Bureau of Overseas Buildings Operations downgraded Lima to a locality-2 post to reflect improved living conditions, reducing allowable square footage. In 2013, the regional security officer determined that a popular neighborhood close to the American school was becoming less safe because of increased crime, and the housing unit began looking for 18 replacement properties. Workload is likely to remain high until the housing pool stabilizes.

The interagency housing board meets at least monthly and assigns housing appropriately. Apartments and houses are attractive and suitable. New employees generally move directly into permanent housing. Although there may have been some basis in the past for allegations about inequitable housing assignments for certain agencies, the embassy is reducing over-standard leases through attrition.

Motor Pool

The motor pool's 73-vehicle fleet is modern and well maintained. The embassy purchases most vehicles through the General Services Administration to reduce procurement costs. Appropriate internal management controls are in place to track fuel usage, mileage, and maintenance, and a new motor pool policy is in place.

Customers, particularly from agencies and embassy sections that previously operated their own motor pools, complain that the 12-driver motor pool is unable to meet their needs. Both ICASS and inspection survey scores are lower than average. Customers report being dropped off at meetings and events only to be told by the driver that they will have to find their own way back to work. Motor pool management is aware that it is not meeting customer expectations, but until recently it lacked sufficient data to assess motor pool capabilities and resource needs.

Informal Recommendation 26: Embassy Lima should analyze its motor pool operations to improve current service levels while managing customer expectations.

Motor pool staff and drivers are professional and dedicated. However, efforts to assign the drivers administrative functions have created tension. The drivers feel they are being tasked with duties beyond their job description and for which they lack appropriate training, such as entering mileage data into the fleet management information system. Management, however, sees those duties as opportunities for professional development.

Informal Recommendation 27: Embassy Lima should assess which administrative duties can be delegated to the drivers, ensure that such duties are reflected in driver position descriptions and annual performance reviews, and provide the necessary formal training.

The inspectors found the driver down-time room, which also serves as the dispatcher's office, not conducive to efficient operations. The constant flow of traffic through the down-time room is disruptive. Official files are being stored in the drivers' locker room, limiting their personal storage space. Dedicating the down-time room to the drivers, moving the dispatcher to the private office now occupied by the motor pool supervisor, and relocating the supervisor

closer to the assistant general services officer would promote a more efficient and collegial motor pool operation.

Informal Recommendation 28: Embassy Lima should dedicate the motor pool downtime room and locker rooms for the exclusive use of drivers and relocate the dispatcher and motor pool supervisors to more appropriate office space.

Property Management

Accountability procedures for the receipt and distribution of personal property, such as furniture, equipment, and expendable supplies, are good. The property staff is well versed on the use of ILMS. Most procurement items arrive at a central receiving bay at the chancery warehouse. Purchases are then turned over to the appropriate expendable, non-expendable, facilities, and motor pool storekeepers. Warehouses and storerooms are well maintained and orderly. The general services office holds several disposal sales each year, using a contract auction house.

Annual inventory records are in order, and discrepancies are within acceptable norms. However, the inspectors found that the accountable storekeeper conducts storeroom inventories. This practice is an internal control weakness. According to 14 FAM 411.2, whenever possible, duties involving procurement, receiving, payment, property record keeping, and conducting an annual physical inventory are to be separated.

Recommendation 23: Embassy Lima should establish procedures whereby the annual inventories of the expendable, maintenance, and automotive supply warehouses are conducted by property staff not accountable for the property being inventoried. (Action: Embassy Lima)

Customs and Shipping

Last year, the customs and shipping unit suffered a noticeable dip in its ICASS customer satisfaction scores, a departure from its traditionally good performance record. The transfer of the unit's most senior and experienced local employee may have contributed to the poor showing. The inspection team found the local staff to be highly motivated, professional, well trained, and customer oriented. The unit's greatest challenge is the Peruvian bureaucracy, which lacks the capacity to respond to the embassy's heavy demands. If the Ministry of Foreign Affairs certifying official is absent, shipments can be delayed. Most recently, the ministry has denied exceptions for supplemental shipments for no apparent reason. The inspectors advised the general services office to keep the Office of Foreign Missions informed of any issues affecting reciprocity.

Customs and shipping staff are accepting cash from U.S. staff to pay for the certificate required to obtain diplomatic license plates for their personal vehicles. This practice places undue liability on the shipping staff if funds are lost or stolen.

Informal Recommendation 29: Embassy Lima should cease collecting cash from American employees to obtain diplomatic license plates for personally owned vehicles.

Procurement and Contracting

The procurement unit functions well and adheres closely to foreign acquisition regulations and purchase card program policies. Contracts include required language on trafficking in persons, and contracting officer's representatives are cognizant of their responsibility to monitor contractors for evidence of trafficking violations. The U.S. Government credit card is widely accepted by local vendors and used for Internet purchases, which reduces cash transactions. The credit card program coordinator annually reviews cardholder activity to limit the number of cards in circulation. Although the Department commended the embassy in 2012 for its extensive use of bulk purchase agreements, the general services officer has replaced, where appropriate, bulk agreements with indefinite delivery-indefinite quantity contracts and purchase orders to strengthen internal controls. The unit negotiated a new global cell phone contract, mandatory for all agencies, which will reduce cell phone costs by \$715,000 over the 5-year term of the contract.

The procurement unit absorbed much of the administrative and some of the programmatic procurement for the INL section when the latter reduced its procurement staff. The transition has not always been smooth due to the unusual, time-sensitive, and highly technical aspects of some INL procurements and the lack of clarity as to which section is responsible for a particular procurement action. Furthermore, the procurement unit's strict adherence to acquisition regulations at times impedes meeting some of the INL section's non-traditional and urgent procurement needs.

Informal Recommendation 30: Embassy Lima should implement a standard operating procedure that addresses collaboration between the procurement units in the international narcotics and law enforcement section and the embassy's management section and clearly defines their respective procurement responsibilities.

Travel

The travel unit, which consists of two locally employed staff, provides travel services to all ICASS subscribers. The embassy has a contract with the local branch of Carlson Wagonlit Travel to make reservations and issue all tickets. The travel staff mainly processes authorizations and vouchers using the E2 Solutions travel manager system for entitlement travel (educational, rest and recuperation, and home leave travel) that is subject to complex travel regulations. Where applicable, mission offices have designated their own internal E2 travel arrangers to process TDY travel. Elements of DOD use the Defense Travel System to process their official travel.

With more than 15 agencies at the mission, several with nontraditional programmatic funding sources and operations, a standardized approach to authorizing travel is neither feasible nor practical, despite the Department's guidance to the contrary. For example, some offices have found E2 unsuitable for one-time invitational travel for individuals from remote areas, yet no clear guidance exists on when exceptions are acceptable.

Informal Recommendation 31: Embassy Lima should establish a standard operating procedure that clearly states how various types of travel should be authorized and processed.

Facilities Management

The facilities management section's ICASS customer satisfaction and inspection survey scores are in line with regional and worldwide norms. The section is highly automated, and current standard operating procedures are in place for every maintenance process. All maintenance technicians are trained to use the Global Maintenance Management System. The unit's primary challenge is responding to the maintenance and make-ready requirements of the 225 short-term leased properties. Management has established a well-defined process for holding landlords accountable for repairs for which they are responsible. Facilities management is the first embassy section to fund English-language training for its staff to improve customer relations.

Safety, Health, and Environmental Management

The facilities manager is the post occupational safety health officer. The embassy has taken corrective action on all Priority 1 and Priority 2 issues identified in the most recent safety, health, and environment inspection report. The maintenance staff has all essential safety gear and participates in monthly safety training programs. The maintenance workshop spaces are clean and well organized.

The post safety committee, which includes representatives from multiple offices and agencies, enjoys strong front office support. Safety records, inventories, and data bases are detailed and current, and the embassy has an extensive safety program standard operating procedure consisting of 25 written policies covering all aspects of the program.

Information Management

Embassy Lima's information management unit meets the mission's communication needs, despite having minimal staffing in several operational areas. Although shorthanded, the unit has completed several pilot initiatives, notably for consular systems. In his first 6 months in Lima, the information management officer has focused on improving customer service by addressing staffing inadequacies that have limited the unit's ability to provide support. He has also made training a priority, improving morale and allowing individuals to complete training courses required for each technical specialty.

The OIG team identified several areas that require attention, including help desk procedures, the SharePoint program, the Foreign Affairs Network infrastructure, and the switchboard operation. The mission addressed some of the issues during the inspection. Additional details on some of the program's challenges are in the classified annex.

Contact Database

The embassy has no missionwide contact database. The protocol office has started to use the Department's Contact Management Database, but other sections keep their contact information in Outlook folders, Excel spreadsheets, and Microsoft Word documents. This lack of a comprehensive system can lead to duplication of effort, the potential loss of contacts, and difficulties in managing large events. Successful missionwide implementation of the Contact Management Database would require training of staff in all sections and agencies so that they

can configure the database to their needs and input and maintain contact information. The mission has taken the first step by scheduling training sessions with Department-certified trainers.

Recommendation 24: Embassy Lima should establish a comprehensive plan and an implementation timeline for a missionwide contact database. (Action: Embassy Lima)

Information Systems Center

The information systems center manages a help desk operation that lacks a single focal point to interface with customers and manage service requests. Currently, customers contact the information systems center staff directly by phone or submit service requests through eServices. The systems center has no established procedure for managing service requests, which staff coordinate on an ad hoc basis. As a result, eService requests are not always handled in a timely manner and the help desk is vulnerable to service disruptions. Peruvian staff administrator vacancies have compounded the problem, making it difficult for the administrators to complete operational duties while providing help desk support.

The information management officer acknowledges this shortcoming and has started to establish standard operating procedures for a help desk program. The OIG team suggested creating a single procedure for assigning service requests to the systems staff, with the office's administrative assistant coordinating requests and acting as the primary interface with mission users. The team also suggested incorporating a mechanism for soliciting customer feedback as part of the eService process. This approach has been identified as a best practice at other missions.

Recommendation 25: Embassy Lima should establish a standard operating procedure, including a feedback mechanism, for managing the information systems center's eService requests. (Action: Embassy Lima)

SharePoint Program

The embassy's internal SharePoint site is underused, and embassy management had already flagged the program as an area for improvement. Several mission sections have internal SharePoint pages that contain minimal or dated information and are not actively maintained. Furthermore, the overall structure of the site is not organized intuitively to facilitate internal information sharing and communication. A previous initiative to establish SharePoint as the main collaborative platform for mission operations was short lived because the only trained personnel transferred. Information management has plans to resume work on the SharePoint program and establish a training group of subject matter experts in each mission section. The information management officer has submitted a resource request that identifies additional staffing to support the SharePoint initiative. The OIG team supports this approach.

Foreign Affairs Network

Embassy Lima was the first of several missions in the Department to implement the Foreign Affairs Network in response to the Information Technology Transformation Initiative consolidation project. This project, which the Department no longer supports, created a hybrid

network infrastructure with several Foreign Affairs Network workstations that require installation of new system upgrades and enterprise software updates. Systems security issues have necessitated a missionwide notice on appropriate use of the Foreign Affairs Network. Support requirements for the network will continue to be a challenge until the Department issues guidance on managing the Foreign Affairs Network.

Recommendation 26: The Bureau of Information Resource Management, in coordination with the Bureau of Western Hemisphere Affairs, should provide operational guidance to missions designated as Information Technology Transformation Initiative pilots that continue to operate Foreign Affairs Networks. (Action: IRM, in coordination with WHA)

Telephone Operators

Four telephone operators and a receptionist support the switchboard operation during normal business hours. The bulk of the switchboard's call volume occurs between 2:30 p.m. and 4:30 p.m. when the consular section accepts American citizens services calls from the public. Analysis of a sample of the daily calls was inconclusive; however, the ebb and flow in call volume supports the need for additional workload and staffing analysis. A review would allow the information management unit to determine if unnecessary personnel resources could be redirected to higher priority programs.

Informal Recommendation 32: Embassy Lima should review the mission's switchboard call volume and, if warranted, adjust the current information management section staffing pattern.

Regional Environment Office Web Site

The regional environment office has a public Web site with a .com domain and has had technical problems trying to convert it to a .gov domain, as required by 5 FAM 793.3a. In December 2013, the office established a Facebook page but has no link to it from the embassy Web site. Disseminating information about environmental issues will be increasingly important in 2014, as Peru prepares to host the COP 20⁵ international environmental conference.

Recommendation 27: Embassy Lima should convert the regional environment office Web site to a .gov domain in accordance with Department of State guidelines. (Action: Embassy Lima)

Informal Recommendation 33: Embassy Lima should promote the regional environment office's digital outreach sites through the embassy Web site and social media.

⁵ The 20th session of the Conference of the Parties to the United Nations Framework Convention on Climate Change.

Quality of Life

A somewhat dreary climate, chronic traffic jams, air and water pollution, and high levels of street crime all detract from quality of life. The surrounding desert means that air travel is required for any change of scenery. As a result of these and other daily hardships, employees are authorized a 15-percent post differential. They also receive a 30-percent cost-of-living allowance to reflect the high cost of consumer goods. Employees also receive two rest and recuperation trips for a 3-year tour.

At the same time, Lima offers a full range of urban amenities that serve to mitigate the hardships. Cultural and historical sites abound. Embassy families have a choice of several good schools. Consumer goods are readily available. Internet service is dependable. Good restaurants of all kinds are a testament to Peruvians' reputation for good food. Travel to the Andes and Amazon regions provides for once-in-a-lifetime experiences. These positive attributes encourage many employees to extend their tours.

Community Liaison Office

In 2013 the embassy hired two individuals to job share as co-community liaison office coordinators. The office runs a sponsor and orientation program for new employees in addition to organizing community activities throughout the year. The coordinators are well integrated into the embassy operation, serve on the emergency action committee and the interagency housing board, attend section-head meetings with the DCM, and participate in the family member hiring process.

Health Unit

In the past year, the regional medical officer has implemented a number of measures designed to improve customer service and the quality of medical care. In the near term, a reorganization and expansion of the office will increase current staffing from two to four part-time nurse practitioners. This change will allow the unit to handle more patients in-house rather than referring them to local medical providers and, for the first time, will permit the unit to write prescriptions when the regional medical officer is absent from post.

Overseas Schools

 is governed by a nine-member board; the management counselor and a family member, who is an educator, are current board members. The Office of Overseas Schools has provided grants to the school since 1946, and the Bureau of Overseas Buildings Operations has provided soft target funding as needed to enhance school security. Embassy students are given priority placement. The school offers a range of programs for students with special educational needs. Other embassy dependents attend a variety of acceptable schools.

The OIG team found that the management counselor was administering the Office of Overseas Schools' grants for the  school while concurrently serving as a school board

member. According to 2 FAM 613, this conflict of interest is prohibited. During the inspection, the embassy designated another official to administer the school grants.

Employee Association

The American Employees Community Association provides a variety of services (cost centers) that contribute to the morale and welfare of American employees and locally employed staff. The Office of Commissary and Recreation Affairs conducted an internal review of the association in February 2013 and noted that it “was professionally managed and financially sound.” The OIG team agrees with this overall appraisal but identified a number of issues that require remediation.

The association has five employees for whom it pays salary and benefits, including retirement and medical elements of the local social security system and unemployment severance benefits required under Peruvian law. The embassy is careful that benefits for association employees are paid with association funds and that direct-hire U.S. Government staff are paid with U.S. Government funds. Because the association is not registered with local authorities as an employer in its own right, at least partially in order to maintain its ability to import goods duty free, association employees are listed as U.S. Government employees on the benefit payment reports required by and submitted to the Government of Peru. In 6 FAM 536 a., the regulations specify that association employees are not U.S. Government employees and prohibit “giving the appearance that association employees are employees of the U.S. Government.” Inclusion of association employees on the benefit reports submitted for U.S. Government locally employed staff to Peruvian agencies could give such an appearance and could represent a potential liability for the U.S. Government in the event of a grievance or legal dispute involving the association and its employees.

Recommendation 28: Embassy Lima, in coordination with the Office of Commissary and Recreation Affairs, should direct the employee association to engage a local labor attorney to determine whether the current reporting structure represents a potential liability to the U.S. Government under local labor law and, if it does, should implement corrective measures to eliminate that liability. (Action: Embassy Lima, in coordination with A)

In 2012, all the association’s cost centers reported a profit. The Office of Recreation and Commissary Affairs implemented two significant accounting changes during its 2013 inspection. In the first, the Office of Recreation and Commissary Affairs changed the allocation of staff and management overhead among cost centers to a percentage of time spent instead of a percentage of sales. In the second, they broke two services (registration of domestic employees and local/consignment sales) out of general commissary sales and established separate cost centers. In 2013, both of these new cost centers showed a loss. Per 6 FAM 531.5, each cost center must be “financially self-sustaining to ensure that the profits of one cost center are not unduly subsidizing another cost center, as determined by the Office of Commissary and Recreation Affairs.” As a result of the accounting changes made a year ago, the association is no longer compliant with that requirement.

Recommendation 29: Embassy Lima, in coordination with the Office of Commissary and Recreation Affairs, should determine whether the registration of domestic employees and

local/consignment sales cost centers are being subsidized unduly and implement measures to make them financially self-sustaining. (Action: Embassy Lima, in coordination with A)

The association manages a parking pass program for the embassy in which American and local employees pay \$20 per year from their personal funds to park their personal vehicles in two lots located inside the compound but outside the secure compound access control. These funds, less administrative costs, are earmarked for the community liaison office and locally employed staff organizations for activities benefitting the embassy community. The Office of Commissary and Recreation Affairs acknowledged this cost center in its 2013 inspection report and advised the OIG team by email that they had no problem with the parking pass program as a cost center.

Additionally, approximately 45 U.S. Government-owned vehicles used for home-to-office transportation by employees of four agencies are occasionally parked in these outer parking lots. These agencies purchase the parking passes with U.S. Government-appropriated funds. The Office of Commissary and Recreation Affairs advised the OIG team that paying the association directly with official funds violates Federal Acquisition Regulation 3.601, which prohibits the U.S. Government from doing business with organizations “substantially owned or controlled by one or more government employees, which includes employee associations.” The Office of Commissary and Recreation Affairs advised that getting an exemption to this Federal Acquisition Regulation clause is possible.

Recommendation 30: Embassy Lima, in coordination with the Office of Commissary and Recreation Affairs, should either obtain an exemption to Federal Acquisition Regulation 3.601 or eliminate the payment of parking fees to the association with official U.S. Government funds. (Action: Embassy Lima, in coordination with A)

Management Controls

The former Ambassador played an active role in assessing the adequacy of the embassy's internal management controls. Her July 12, 2013, chief of mission annual management controls statement of assurance is thorough and includes certification that mission managers completed risk assessment questionnaires as part of the process. Supporting documentation includes a copy of the mission inventory report, certification that the housing program complies with FAM requirements, and Federal Managers' Financial Integrity Act management control reviews. The evaluation of the systems of management controls provides reasonable assurance that no unidentified potential vulnerabilities or material weaknesses existed.

List of Recommendations

Recommendation 1: The Bureau of Democracy, Human Rights, and Labor should establish a mechanism to share information with Embassy Lima about grant progress and performance evaluation. (Action: DRL)

Recommendation 2: Embassy Lima should enroll in on-line grants management training political section employees with formal or informal grants oversight responsibilities. (Action: Embassy Lima)

Recommendation 3: Embassy Lima should have at least one public affairs grants officer who is not on the Fulbright Commission board. (Action: Embassy Lima)

Recommendation 4: Embassy Lima should store all grants files with personally identifiable information of U.S. citizens in approved bar lock cabinets or safes. (Action: Embassy Lima)

Recommendation 5: The Bureau of International Narcotics and Law Enforcement Affairs should coordinate with the Bureau of Administration to establish a clear invitational travel policy that includes options for processing one-time travel authorizations. (Action: INL)

Recommendation 6: Embassy Lima should formalize the delineation of services between Department of State entities and the Drug Enforcement Administration section to clarify which entity provides which services. (Action: Embassy Lima)

Recommendation 7: Embassy Lima should include public outreach as an ongoing responsibility in work requirements statements and establish a mechanism to monitor participation. (Action: Embassy Lima)

Recommendation 8: Embassy Lima should establish an embassy speakers program with an initial focus on first- and second-tour officers. (Action: Embassy Lima)

Recommendation 9: Embassy Lima should establish procedures for overseeing the housing and logistical plans for incoming American Fulbright grantees in accordance with Department of State guidance. (Action: Embassy Lima)

Recommendation 10: Embassy Lima should establish a plan for mission public outreach activities in the newly refurbished first-floor public diplomacy space. (Action: Embassy Lima)

Recommendation 11: Embassy Lima should require both the consul general and the visa chief to conduct routine visa interviews on a regular basis. (Action: Embassy Lima)

Recommendation 12: Embassy Lima should waive personal interviews for appropriate visa applicants. (Action: Embassy Lima.)

Recommendation 13: Embassy Lima should request fingerprint machines for all visa interview windows. (Action: Embassy Lima)

Recommendation 14: Embassy Lima should implement an outreach plan to attract new wardens, update existing warden training, and maintain regular contact with the warden network. (Action: Embassy Lima)

Recommendation 15: Embassy Lima should identify a storage area for the effects of deceased Americans with access restricted to the provisional conservator. (Action: Embassy Lima.)

Recommendation 16: Embassy Lima should obtain a bar-lock cabinet for the Cusco consular agency. (Action: Embassy Lima)

Recommendation 17: Embassy Lima should implement standard debt collection notification procedures. (Action: Embassy Lima)

Recommendation 18: Embassy Lima should refer any debt delinquent more than 90 days to accounts receivable. (Action: Embassy Lima)

Recommendation 19: The Bureau of the Comptroller and Global Financial Services should review the validity of Embassy Lima overpayments on the Payroll Employee Action Request List and initiate debt collection procedures to recoup valid overpayments. (Action: CGFS)

Recommendation 20: Embassy Lima should require its contracting officers to sign invoices “Approved for Payment” in cases of a deviation among the invoice, obligating document, and receiving report that do not require an amendment to the purchase order. (Action: Embassy Lima)

Recommendation 21: The Bureau of Human Resources should provide the requested guidance to Embassy Lima to allow completion of the updated local compensation plan. (Action: DGHR)

Recommendation 22: Embassy Lima, in coordination with the Office of Civil Rights, should designate a Federal Women’s Program coordinator who is not also the embassy’s Equal Employment Opportunity counselor. (Action: Embassy Lima, in coordination with S/OCR.)

Recommendation 23: Embassy Lima should establish procedures whereby the annual inventories of the expendable, maintenance, and automotive supply warehouses are conducted by property staff not accountable for the property being inventoried. (Action: Embassy Lima)

Recommendation 24: Embassy Lima should establish a comprehensive plan and an implementation timeline for a missionwide contact database. (Action: Embassy Lima)

Recommendation 25: Embassy Lima should establish a standard operating procedure, including a feedback mechanism, for managing the information systems center’s eService requests. (Action: Embassy Lima)

Recommendation 26: The Bureau of Information Resource Management, in coordination with the Bureau of Western Hemisphere Affairs, should provide operational guidance to missions designated as Information Technology Transformation Initiative pilots that continue to operate Foreign Affairs Networks. (Action: IRM, in coordination with WHA)

Recommendation 27: Embassy Lima should convert the regional environment office Web site to a .gov domain in accordance with Department of State guidelines. (Action: Embassy Lima)

Recommendation 28: Embassy Lima, in coordination with the Office of Commissary and Recreation Affairs, should direct the employee association to engage a local labor attorney to determine whether the current reporting structure represents a potential liability to the U.S. Government under local labor law and, if it does, should implement corrective measures to eliminate that liability. (Action: Embassy Lima, in coordination with A)

Recommendation 29: Embassy Lima, in coordination with the Office of Commissary and Recreation Affairs, should determine whether the registration of domestic employees and local/consignment sales cost centers are being subsidized unduly and implement measures to make them financially self-sustaining. (Action: Embassy Lima, in coordination with A)

Recommendation 30: Embassy Lima, in coordination with the Office of Commissary and Recreation Affairs, should either obtain an exemption to Federal Acquisition Regulation 3.601 or eliminate the payment of parking fees to the association with official U.S. Government funds. (Action: Embassy Lima, 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 Lima should conduct a zero-based review of all current meetings, working groups, paperwork demands and processes, as well as the informal staff assistant program and have recommendations that are designed to facilitate communications in the mission ready for the new Ambassador.

Informal Recommendation 2: Embassy Lima should take steps to demonstrate recognition of and respect for the Secretary of Defense designation of a senior Defense official and Defense attaché in Peru.

Informal Recommendation 3: Embassy Lima should clarify the mechanism that attachés use to report to or route documents to the front office.

Informal Recommendation 4: Embassy Lima should include more detailed monitoring plans in complex grants.

Informal Recommendation 5: Embassy Lima should convene periodic embassy-wide meetings of grants officers and grants officer representatives to discuss grants issues.

Informal Recommendation 6: Embassy Lima should continue to give priority attention to consolidation of the international narcotics and law enforcement affairs section.

Informal Recommendation 7: Embassy Lima should review the political reporting plan and determine whether reporting adequately reflects mission goals beyond domestic politics, counternarcotics, and law enforcement cooperation.

Informal Recommendation 8: Embassy Lima should adjust political section portfolios to provide adequate reporting for human rights and trafficking issues.

Informal Recommendation 9: Embassy Lima should create a public diplomacy program and outreach calendar and place it on the internal mission SharePoint site.

Informal Recommendation 10: Embassy Lima should create a missionwide travel calendar on its internal embassy SharePoint site.

Informal Recommendation 11: Embassy Lima should become more involved in the recruitment, selection, and briefing of participants in the Teaching Excellence and Achievement program.

Informal Recommendation 12: Embassy Lima should update the mission Web site regularly and use it to showcase embassy activities.

Informal Recommendation 13: Embassy Lima should combine its separate YouTube sites or link the embassy Web site to both.

Informal Recommendation 14: Embassy Lima should establish a comprehensive plan for working with the binational centers.

Informal Recommendation 15: Embassy Lima should require the consular section to update standard operating procedures and place all procedures, clearly dated, on the SharePoint site.

Informal Recommendation 16: Embassy Lima should install privacy wings and sound-proofing material on the applicant side of the visa interview windows.

Informal Recommendation 17: Embassy Lima should rotate consular duty among all consular section officers with experience in American citizens services.

Informal Recommendation 18: Embassy Lima should create a space on its public Web site that details office hours, available services, fees payment options, and appointment procedures for the Cusco consular agency.

Informal Recommendation 19: Embassy Lima should organize regular outreach and exchange visits to the Naval Medical Research Unit-6.

Informal Recommendation 20: Embassy Lima should update records of occasional money holders on file with the Class B cashier.

Informal Recommendation 21: Embassy Lima should implement procedures to close advances issued to occasional money holders that are older than 3 business days.

Informal Recommendation 22: Embassy Lima should publicize the Equal Employment Opportunity program broadly, both in the chancery and at satellite locations.

Informal Recommendation 23: Embassy Lima should designate and train additional Equal Employment Opportunity locally employed staff liaisons, including at satellite locations.

Informal Recommendation 24: Embassy Lima should display Equal Employment Opportunity information prominently at non-chancery sites and on the embassy intranet site.

Informal Recommendation 25: Embassy Lima should include names and contact information for locally employed staff liaisons on the Equal Employment Opportunity bulletin boards.

Informal Recommendation 26: Embassy Lima should analyze its motor pool operations to improve current service levels while managing customer expectations.

Informal Recommendation 27: Embassy Lima should assess which administrative duties can be delegated to the drivers, ensure that such duties are reflected in driver position descriptions and annual performance reviews, and provide the necessary formal training.

Informal Recommendation 28: Embassy Lima should dedicate the motor pool down-time room and locker rooms for the exclusive use of drivers and relocate the dispatcher and motor pool supervisors to more appropriate office space.

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Informal Recommendation 33: Embassy Lima should promote the regional environment office's digital outreach sites through the embassy Web site and social media.

Principal Officials

| | Name | Arrival Date |
|--|----------------------------|---------------------|
| Chargé d' Affaires | Michael J. Fitzpatrick | 08/11 |
| Acting Deputy Chief of Mission | Jeffrey M. Hovenier | 07/11 |
| Chiefs of Sections: | | |
| Management | Eric A. Flohr | 07/10 |
| Consular | Elizabeth C. Power | 09/11 |
| Political | Philip W. Kaplan | 07/10 |
| Economic | David M. Schnier | 08/11 |
| Regional Environmental Office | Andrew A. Griffin | 08/13 |
| Public Affairs | Mary E. Drake | 10/11 |
| Regional Security | Dean L. DeVilla | 06/13 |
| Acting International Narcotics and Law Enforcement Affairs | Catherine Holt | 07/13 |
| Other Agencies: | | |
| Foreign Agricultural Service | Emiko Purdy | 08/10 |
| Animal and Plant Health Institute Service | George Ball | 03/12 |
| Department of Defense | John Ries | 08/11 |
| Foreign Commercial Service | Ricardo Pelaez | 10/13 |
| Drug Enforcement Administration | Lizette Yrrizary | 12/11 |
| Military Assistance Advisory Group | Carlos G. Berrios | 06/11 |
| Peace Corps | Parmer Heacox | 11/13 |
| National Geospatial-Intelligence Agency | Steven M. Galinski | 01/10 |
| U.S. Citizenship & Immigration Service | William P. Lujan | 02/14 |
| U.S. Secret Service | Frank Romano | 01/13 |
| U.S. Agency for International Development | Deborah K. Kennedy-Iraheta | 11/12 |

Abbreviations

| | |
|----------|---|
| DCM | Deputy chief of mission |
| DEA | Drug Enforcement Administration |
| DOD | Department of Defense |
| EEO | Equal Employment Opportunity |
| FAST | First-and second-tour employees |
| ICASS | International Cooperative Administrative Support Services |
| ILMS | Integrated Logistics Management System |
| INL | International Narcotics and Law Enforcement Affairs |
| MAAG | Military Assistance Advisory Group |
| NAMRU-6 | Navy Medical Research Unit |
| OIG | Office of Inspector General |
| SDO/DATT | Senior Defense officer and Defense attaché |
| USAID | U.S. Agency for International Development |



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OR MISMANAGEMENT
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