



Office of Inspector General

United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

Semiannual Report to the Congress

April 1, 2005 to September 30, 2005



Summary of OIG Accomplishments

Financial Results:

Questioned costs	
Issued during the reporting period	\$ 6,340,000
Management decision during the reporting period	\$ 0
Recommendations for funds to be put to better use	
Issued during the reporting period	\$ 0
Management decision during the reporting period	\$ 0
Investigative recoveries	\$ 2,177,574

Investigative Results:

Cases opened	22
Cases closed	18
Judicial actions	37
Administrative actions	15
Hotline and complaint activity	220

Reports Issued: 88

Pictured on the front cover: Embassy Singapore

Requests for additional copies of this publication
should be addressed to:

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DEPARTMENT OF STATE



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

Inspector General

October 31, 2005

MEMORANDUM

TO: The Secretary

FROM: OIG – Howard J. Krongard *HJK*

SUBJECT: Semiannual Report to Congress, April 1 to September 30, 2005

I am pleased to transmit to you the Office of Inspector General's (OIG) Semiannual Report to the Congress for the period ending September 30, 2005. This report is required by the Inspector General Act of 1978, as amended, and covers the work of this office during the period indicated. The Act requires that you transmit the report to the appropriate committees of the Congress by November 30, together with any comments you may wish to make.

This is my first Semiannual Report since taking up responsibilities as Inspector General in May 2005. As explained herein, the auditors, inspectors, investigators, and other professionals in OIG have made an important contribution to the successful implementation of U.S. foreign policy by developing recommendations to improve leadership and management at U.S. missions abroad and in domestic Department bureaus. Their work addressed such important issues as U.S. Government activities in Iraq, the war against terrorism, the President's Emergency Plan for AIDS Relief, and public diplomacy.

During the reporting period, inspectors reviewed the management, including security, of more than a dozen missions abroad and several policy-implementing bureaus in Washington and made recommendations to improve operations substantially. OIG investigators' work resulted in seven convictions, three new felony indictments or misdemeanor informations, as well as the recovery of \$2.2 million. Our auditors alerted the Department to a potentially material understatement of extensive aircraft and spare parts inventory apparently not included in a previous financial statement; we are pleased that the Department has developed a plan to resolve the issue.

These and other achievements are summarized in the enclosed report.

EXECUTIVE SUMMARY

The auditors, inspectors, investigators, and other professionals in the Office of Inspector General (OIG) promote effective management, accountability, and positive change in the Department of State (Department), the Broadcasting Board of Governors (BBG), and the foreign affairs community. They provide leadership to:

- promote integrity, efficiency, effectiveness, and economy;
- prevent and detect waste, fraud, abuse, and mismanagement;
- identify vulnerabilities and recommend constructive solutions;
- offer expert assistance to improve Department and BBG operations;
- communicate timely, useful information that facilitates decision-making and achieves measurable gains; and
- keep the Department, BBG, and the Congress fully and currently informed.

OIG's accomplishments in audits, inspections, investigations, and other reviews during this period include the following:

- **OIG Reviews Programs in Iraq.** OIG, along with the Department of Defense Office of Inspector General, found the Iraqi Police Training Program to be a qualified success in addressing the need for a sizable Iraqi police force. In its review of the staffing process for Embassy Baghdad's planned new compound, inspectors found that the methods for determining the staffing level had been effective, rigorous, and transparent. In looking at security programs, inspectors concluded that current funding for protecting facilities and personnel in Iraq is inadequate in relation to the very high costs, that more positions are needed, and that improvements are needed in informing mission employees of security threats and incidents. OIG's inspection of the Bureau of International Narcotics and Law Enforcement Affairs disclosed the Bureau's solid record of achievements in Iraq, as well as Afghanistan, in the face of extraordinary challenges.
- **OIG Examines Counterterrorism Efforts.** In OIG's inspections of 19 missions abroad, inspectors included an emphasis on missions efforts against terrorism. OIG found that the U.S. mission to Pakistan provides critical support to American counterterrorism efforts. OIG auditors, in cooperation with the Offices of Inspectors General in five other agencies, conducted a review of the export licensing process in the Bureau of Political-Military Affairs to evaluate selected safeguards used to ensure that chemical and biological weapons are

not transferred to terrorists or other entities of national concern. OIG found that the Bureau consistently executed its export licensing responsibilities in accordance with established policies and procedures and that its decisions were fully documented. Auditors also reviewed procedures for procurement, control, and use of equipment provided to Kazakhstan, Kyrgyzstan, and Uzbekistan and made several recommendations to improve tracking, marking, controlling, and transferring equipment.

- **Auditors Find Unreported Property and Assets.** OIG auditors alerted the Department to a potentially material understatement of extensive aircraft and spare parts inventory under the aegis of the Bureau of International Narcotics and Law Enforcement that apparently was not included in a previous financial statement. The Department has developed a plan to resolve the issue. OIG continues to monitor the situation and is prepared to assist the Department in providing adequate controls over property and inventory.
- **Investigations Get Results.** During the six months' period of this report, the work of OIG investigators recovered \$2,177,575 and resulted in seven convictions as well as three new felony indictments. The investigators made 19 referrals for prosecution. Personnel actions resulted in three suspensions, two reprimands or admonitions, and three reimbursements.
- **OIG Tracks Implementation of the President's Emergency Plan for AIDS Relief.** OIG auditors conducted a survey of the Office of the U.S. Global AIDS Coordinator (S/GAC), which is responsible for all resources and activities related to the President's Emergency Plan for AIDS Relief (PEPFAR), to identify the FY 2004 funding for the initiative, to ascertain how the funds were transferred to other agencies, and to determine auditing responsibilities. OIG will use the results to plan future audits and to inform other inspectors general of their auditing responsibilities. Embassies in Africa are expanding their participation in PEPFAR, and OIG explored the implications. OIG inspectors concluded that this program requires more operational resources in Zambia and more direction and oversight of the global health agenda in Malawi. In Botswana, OIG found that the embassy in Gaborone needed to establish a full-time coordinator for this program.
- **Inspectors Focus on Public Diplomacy.** OIG's inspections of 19 missions included an emphasis on public diplomacy. Public diplomacy efforts in Singapore and Syria had achieved notable successes. Public diplomacy efforts in Pakistan, an overwhelmingly Muslim nation, suffered from the lack of public access to embassy and consulate compounds. OIG also made recommendations to improve public diplomacy efforts in Malaysia.

- **Inspectors Cite Needed Improvement in Regional Information Management Centers.** The Regional Information Management Centers (RIMC) in Pretoria (South Africa), Bangkok (Thailand), Frankfurt (Germany), and Fort Lauderdale are responsible for providing telegraphic, telephonic, e-mail, and onsite maintenance support for information systems deployed at all posts in their assigned regions. Information technology inspectors reviewed RIMCs and found management to be effective. However, the centers lacked the standardization that could improve efficiency and customer support, were deficient in the number of operations officer positions, and needed to take steps to ensure long-term technical workforce quality.
- **Auditors Question \$1.6 Million in Costs.** OIG auditors regularly examine external organizations receiving Department grants and contracts to ensure that resources are accurately accounted for and that expenditures are made in accordance with their intended purposes. During this period, auditors reviewed grants related to the Refugee Settlement and Placement Program and a public diplomacy grantee. As a result, the auditors made recommendations to improve the management of the grants and questioned \$1,636,178 in costs that were inadequately documented.
- **Investigation Reveals Alleged Embezzlement of Government Funds.** After an investigation conducted jointly with the Office of Inspector General at the U.S. Agency for International Development, a Mozambican national was arrested and charged with embezzling more than \$200,000 in government funds while employed as a cashier for USAID and the Department at the American Embassy in Maputo.
- **Inspectors Examine Leadership and Executive Direction.** Every inspection includes evaluations of the effectiveness of such senior executives as the Ambassador, Assistant Secretary of State, and others in positions of leadership. OIG found particularly effective leadership at the U.S. missions in Israel. The Ambassador in Harare, OIG concluded, had been effective in triggering a senior-level review of U.S. policy toward Zimbabwe. OIG noted that the Ambassador and Deputy Chief of Mission had made exemplary efforts to implement OIG recommendations promptly in Singapore. Shortcomings in leadership were found at missions in Hong Kong and Taiwan. Following a critical inspection of the U.S. International Boundary and Water Commission, the Commissioner resigned from his position.
- **Inspectors Identify Needed Improvements in Information Security Programs.** An evaluation of the Department's Information Security Program found that, although the Department had taken several actions to improve the effectiveness of its information security program and the program continues to evolve under

the leadership of the acting Chief Information Officer, several areas require senior management attention, including the lack of complete inventory of systems and the failure to implement fully the Department's certification and accreditation process. OIG's report led to increased coordination between the Bureaus of Diplomatic Security and Information Resource Management.

- **Inspectors Assess Rightsizing.** OIG inspectors focused on rightsizing — ensuring that missions are staffed at the proper level -- in all their reviews. Consulate General Hong Kong was found to be successful in reducing its size to reflect its changed mission goals. OIG concluded that staffing was too generous at the American Embassy in Harare (Zimbabwe) and recommended a rightsizing review. Rightsizing meant a need for increased staffing in Santo Domingo (Dominican Republic) and filling existing embassy positions in Dili (East Timor). The Bureau of International Narcotics and Law Enforcement Affairs needed to correct deficiencies created by long-term inadequate staffing.
- **Inspectors Review Financial Management.** A comprehensive review of the U.S. India Fund and Interim Fund identified nearly \$15 million in additional resources (whose original source was nonconvertible Indian rupees) that would be a valuable resource for furthering U.S.-India relations. Inadequacies in operating budgets threatened to force Embassy Lusaka (Zambia) to reject additional programming to implement the President's Emergency Plan for AIDS Relief. The Bureau of International Narcotics and Law Enforcement Affairs needed to strengthen its mechanisms for oversight of procurement, contract compliance, and property management.
- **Auditors Identify Improvements Needed in Financial Management.** OIG auditors oversee the Department's financial statement audits. In addition, the auditors conduct audits of the Department's management of more than \$7.5 billion in annual appropriations and more than \$23 billion in assets. An audit of the International Cooperative Administrative Support Services financial statements resulted in an unqualified opinion, but brought to management's attention concerns about information security and inadequacies in the Department's financial and accounting system. A separate management letter identified other internal control weaknesses. An audit of the U.S. International Boundary and Water Commission financial statements resulted in an unqualified opinion. A separate management letter identified numerous internal control weaknesses. The auditors conducted a survey of the Department's guidance to track and manage value-added taxes applicable in many foreign jurisdictions. The auditors found that the Department did not have adequate oversight of Value-Added Tax reimbursements and made recommendations to improve the process.
- **Impersonation of an Ambassador Results in Arrest.** Following an OIG investigation, OIG agents and agents from the Bureau of Diplomatic Security and the Department of Homeland Security, arrested a resident of the U.S. Virgin Islands for impersonating a U.S. ambassador and using fraudulent Department credentials. Prosecution is pending.

- **Inspectors Assess Progress in Regionalization.** OIG evaluated opportunities to cut costs by consolidating some embassy functions into regional centers in keeping with the Department's initiatives in regionalization. Positive results from regionalization were demonstrated in the inspections of the mission in the Dominican Republic, and OIG recommended regionalization of functions to support the mission in Brunei.
- **Information Technology Inspectors Recommend Improvements at Embassies.** Information Technology inspectors conducted inspections at 19 missions over the six-month period. There were numerous positive findings, but they also found a wide variety of problems and made recommendations regarding inadequate training, incomplete systems documentation, inaccurate patch management reports, inadequate information security, unsystematic procedures, and inadequate IT contingency planning.
- **Inspectors Recommend Improvements in Consular Management.** OIG made recommendations to realign staffing, require training, and improve supervision in the Office of Children's Issues of the Bureau of Consular Affairs. In the Bureau's Office of Policy Review and Interagency Liaison, OIG identified needed program improvements and found that Bureau management needed to better define procedures for the new employees who worked on The Hague Adoption Convention. OIG also developed recommendations for improvements needed in Consular Affairs' Office of the Executive Director, including necessary staff increases, improved oversight of contracts, better controls over U.S. passports and visa foils, and designation of a Chief Information Officer for the Bureau. Consular Affairs acted promptly to implement OIG recommendations to strengthen the Nonimmigrant Visa Process.
- **OIG Seeks Improvements in Organizational Structures.** OIG found competition and confusion, and even potential duplication of effort, resulting from a failure to define roles in the Office of the Science and Technology Adviser and the Bureau of Oceans and International Environmental Scientific Affairs. The Bureau of International Narcotics and Law Enforcement Affairs, OIG concluded, was plagued by strains resulting from poor organization and overtaxed resources; OIG made recommendations to correct these shortcomings.
- **Investigators Uncover Contracting Irregularities.** OIG investigators found that a company under contract to the Bureau of Overseas Buildings Operations had double-billed the Department for equipment costs on approximately 96 task orders. OIG's work resulted in the company's refunding \$44,000 and reducing its equipment prices by \$1.3 million. The Bureau also took steps to ensure that internal management procedures prevented similar problems in the future. Another investigation resulted in a contractor's crediting an embassy with \$137,564 for overcharges.

- **Investigation Leads to Guilty Pleas in Labor Visa Fraud.** As a result of an OIG investigation, seven individuals have pleaded guilty to charges of conspiracy to commit immigration fraud and related offenses in a scheme involving at least 1,400 fraudulent applications. Two of the defendants have been sentenced, and three other defendants were required to pay monetary judgments amounting to 585,000.
- **OIG Reviews Mission Safety and Building Security.** OIG identified important issues related to mission safety in Lebanon. An OIG investigation revealed that the web site of an approved vendor disclosed Department certification standards for forced-entry, ballistic-resistant structural systems, critical data that would be useful to a terrorist or other person planning an attack. The Department, at OIG's insistence, asked the company to remove this information from its web site.
- **Inspectors Assess Information Technology Management Fragmentation in the Bureau of International Narcotics and Law Enforcement Affairs.** Information Technology inspectors concluded that fragmentation of IT management in the Bureau of International Narcotics and Law Enforcement Affairs and the lack of central IT leadership and oversight reduced the effectiveness of IT facilities and use in the bureau.
- **Inspectors Assess Personnel Management.** OIG found that one-year Foreign Service assignments in Lebanon and Pakistan have resulted in lack of planning and problems in continuity of leadership, program management, and maintaining contacts. Inspectors made recommendations on tour-of-duty policies for the embassy in Lebanon.
- **Inspectors Find Inadequacies in the Integration of the Department's Networks.** Information technology inspectors determined that the integration of the Public Diplomacy global network (PDNet) into the OpenNet Plus (ONP) network, although generally successful, had failed to identify alternate mechanisms for PDNet services that were no longer provided and that the Department had failed to address remaining issues from the integration.
- **Investigators Confront Identity Theft.** OIG initiated a program to determine whether individuals have fraudulently obtained U.S. passports using false identities. To ensure a comprehensive law enforcement approach, OIG works in cooperation with the Bureaus of Consular Affairs and Diplomatic Security, the Department of Homeland Security, and other law enforcement agencies. The "Passport Sentinel" initiative addresses key aspects of the 2004 Intelligence Reform bill dealing with passport security. During the reporting period, investigators made three arrests and referred other cases for possible investigation or prosecution.

SECURITY

During this period, OIG conducted 19 security management inspections and reviews, one security compliance follow-up review, two special reviews, and one security audit. With the exception of the *Creekbed Renovation Report*, these reports are summarized in a separate, classified annex to this report. (See Appendix 2 of this report for a complete list of the reports issued during this semiannual period.)

Review of the Creekbed Renovation Project (SIO-A-05-02)

OIG reviewed the Department's project to renovate the facilities at the Creekbed site in Frankfurt, Germany, where the consulate general and regional support center will be located. The Department has taken important steps to address current and future Creekbed project requirements since the facilities were acquired in 2002. A particularly notable initiative is the establishment of a working group that is providing an ongoing review of the project's plan and addressing funding issues that arise. The working group operates under the leadership of the Under Secretary for Management and its membership includes the Bureaus of Administration, Diplomatic Security, European and Eurasian Affairs, Overseas Buildings Operations, and Resource Management and other organizations representing tenants in the renovated facilities.

The Creekbed facility was designed and constructed to 1937 standards, with the exception of Wing N, which was built in the 1970s to current standards at that time, to function as a German air force hospital. Planning and construction of U.S. diplomatic facilities overseas is subject to requirements of the Foreign Relations Authorization Act for Fiscal Year 1988 and 1989. That Act requires the Department, in consultation with the Director of Central Intelligence Agency, to certify that appropriate and adequate steps have been taken to ensure the security of the construction projects. By policy, the Department applies Overseas Security Policy Board (OSPB) security standards to renovations of newly acquired buildings, to ensure the resulting facilities provide protection for classified information, personnel, and national security-related activities.

OIG recommended that the Department identify all OSPB security standards deficiencies pertaining to the Creekbed project and either incorporate corrections into project renovation plans or seek approval for exceptions to the security standards for these deficiencies. OIG also recommended that the Department seek the funding needed to ensure the floor-loading requirements of Creekbed's post communication center are addressed before the facilities are occupied.

AUDITS

CONTRACTS AND GRANTS DIVISION

Quality Control Review of Grant Thornton LLP (AUD/CG-05-41)

As the cognizant federal funding agency for Meridian International Center, OIG performed a quality control review of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Grant Thornton, LLP performed the audit for the fiscal years ended September 30, 2003, and September 30, 2004. The objectives of the review were to: (1) ensure that the Meridian FY 2003 and FY 2004 A-133 audits were conducted in accordance with applicable standards and met the single audit requirements; (2) identify any follow-up audit work needed; and (3) identify issues that may require management attention. OIG determined that Meridian's A-133 audit reports and associated Grant Thornton LLP working papers met the applicable auditing guidance and regulatory requirements specified in OMB Circular A-133, its related compliance supplement, government auditing standards, and generally accepted auditing standards. Therefore, no follow-up action is required.

Agreed-Upon Procedures Applied to the Claim Submitted by Kullman Industries, Inc. Under Contract No. SELMEC-02-C-0025 (AUD/CG-05-35)

At the request of the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), OIG performed agreed-upon procedures to a claim totaling \$3,728,359 submitted by Kullman. The primary purpose of OIG's procedures was to determine whether amounts claimed: (1) were substantiated as having been incurred; and (2) were reasonable, allocable, and otherwise allowable in accordance with the terms and conditions of the contract and with the cost principles set forth in Part 31 of the Federal Acquisition Regulation.



Model of new embassy compound, Dushanbe
(Source: Kullman Industries, Inc.)

OIG found adequate support for costs tested and noted no exceptions. However, OIG did not determine whether Kullman was entitled to the amount claimed because this has not been resolved and is within the purview of the General Services Administration Board of Contract Appeals.

Agreed-Upon Procedures Applied to the American Institute in Taiwan Procurement Practices and FY 2003 Indirect Cost Rate (AUD/CG-05-34)

At the request of the Bureau of East Asian and Pacific Affairs, OIG applied agreed-upon procedures to the indirect costs reported by the American Institute in Taiwan (AIT) for the fiscal year ended September 30, 2003. OIG's primary purpose was to determine whether the indirect cost rate structure complied with applicable regulations and to recommend a final rate for the stated period. OIG found that the indirect cost rate reported by AIT for FY 2003 was mathematically correct, and the methodology and rate structure were logical and acceptable. However, AIT did not always comply with applicable regulations regarding preparing and submitting indirect cost rate proposals and rate presentation categories. OIG recommended that the A/LM/AQM finalize AIT's indirect cost rate for the stated period using the recommended rate and require AIT to comply with applicable regulations or, if AIT is unable to comply, seek a waiver from OMB on AIT's behalf.

Agreed-Upon Procedures Review of Indirect Rates Proposed by Mainstreet Technologies, Inc. (AUD/CG-05-31)

At the request of the Bureau of Public Affairs, OIG conducted agreed-upon procedures to review the proposed indirect rates for compliance with cost principles set forth in the Federal Acquisition Regulation Part 31. OIG recommended that the Department use the recommended rates set forth in its audit report for purposes of pricing delivery orders to be performed in 2005 or shortly thereafter.

Agreed-Upon Procedures Review of Indirect Rates Proposed by National Strategy Information Center, Inc. (AUD/CG-05-30)

At the request of INL, OIG conducted agreed-upon procedures to review the proposed indirect rates for the final settlement of costs incurred in fiscal year ended October 31, 2003, and provisionally for fiscal year ended October 31, 2004. OIG recommended that the Department use the proposed rates for the final settlement of costs incurred in fiscal year ended October 31, 2003, and provisionally for fiscal year ended October 31, 2004, until amended, as appropriate.

Review of Lutheran Immigration and Refugee Service's Reception and Placement Program (AUD/CG-05-28)

At the request of the Bureau of Population, Refugees, and Migration (PRM), OIG conducted a review of the Lutheran Immigration and Refugee Service's (LIRS) Reception and Placement Program for FYs 2000, 2001, and 2002. The objectives of OIG's review were to determine whether LIRS adequately accounted for federal funds and specifically to ascertain whether spending increased in the fourth quarter of FY 2002. In addition, OIG reviewed LIRS's compliance with applicable federal laws and regulations related to the terms and conditions of the agreements.

OIG found that, generally, LIRS adequately accounted for federal funds; however, it needs to increase monitoring of its subrecipients to ensure that they are properly accounting for federal funds and using them for their intended purpose. As a result of the deficiencies noted, OIG questioned costs totaling about \$655,000. Of that amount, \$49,000 was unauthorized or unallowable under terms and conditions of the agreements, and \$606,000 was classified as unsupported because of either inadequate or a lack of documentation. OIG recommended that PRM require LIRS and its subrecipients to reimburse the Department for unallowable costs and provide additional documentation for the unsupported costs.

Review of Selected Grants Awarded to Institute for the Study and Development of Legal Systems (AUD/CG-05-26)

At the request of the Bureau of Educational and Cultural Affairs (ECA), OIG assessed the grantee's operations and financial capacity as a "going concern" and reviewed costs claimed under selected grants. OIG questioned costs totaling \$981,178 claimed by the grantee as (1) unexpended grant funds not returned to the Department (\$83,460), (2) charges made to expired grants (\$8,260), and (3) unsupported grant expenditures (\$889,458). OIG also noted that the grantee relied heavily on grants from the Department and that without these funds, it may cease to exist as a "going concern."

OIG recommended that ECA require the grantee to reimburse the Department for unspent funds and unsupported and unallowable costs. Also, the grantee should be required to maintain general ledger classifications that are consistent with grant budgets; maintain adequate support for loans payable, payroll, payroll tax payable, and accounts payable; and develop and apply indirect cost rates consistently. Because of the pervasiveness of the identified deficiencies, OIG recommended that ECA withhold or restrict future funding until the grantee has corrected these deficiencies.

Application of Agreed-Upon Procedures for Export Control and Related Border Security Assistance Program Kazakhstan, Kyrgyzstan, and Uzbekistan (AUD/CG-05-25)

At the request of the Bureau of Nonproliferation, Office of Export Control Cooperation, OIG conducted agreed-upon procedures of the procurement, control, and use of equipment provided to the countries of Kazakhstan, Kyrgyzstan, and Uzbekistan under the Export Control and Related Border Security Assistance Program. OIG determined that equipment was procured in accordance with the Federal Acquisition Regulation and with Department procurement policies and procedures. However, several nonprocurement issues presented opportunities for improvement, and OIG made recommendations to improve tracking, marking, controlling, and transferring equipment.

FINANCIAL MANAGEMENT DIVISION

Application of Agreed-Upon Procedures for Retirement, Health Benefits, and Life Insurance (AUD/FM-05-44)

Under OIG's direction, an independent external auditor performed the procedures enumerated in OMB Bulletin No. 01-02, Audit Requirements for Federal Financial Statements. These procedures were performed solely to assist the Office of Personnel Management (OPM) in assessing the reasonableness of the Retirement, Health Benefits, and Life Insurance withholdings and contributions as well as semiannual headcount information submitted by the Department. The contractor did not identify any differences in the amount for withholdings and contributions in the Department's payroll file and the amount submitted to OPM. However, the contractor found that some employees' official personnel files did not contain the required forms, and there were reportable differences between the amounts the contractor calculated for retirement and life insurance withholdings and the amounts submitted.

Department's Oversight of the Foreign Affairs Recreation Association (AUD/FM-05-43)

The Foreign Affairs Recreation Association, Inc. (FARA) is a private, nonprofit organization that provides recreational and other activities for the welfare and convenience of its members, the majority of whom are Department employees. FARA manages

the Department's parking facilities at some Department locations and operates a fitness facility, shops, and other services in space that the Department provides to FARA at no charge. A memorandum of agreement (MOA) between FARA and the Department governs the Department's relationship with FARA.

In response to questions raised by Department employees, OIG audited aspects of the Department's oversight of FARA's operations. The specific objectives of the audit were to determine whether:

- the Department had an effective process to monitor compliance with the MOA; and
- the Department and FARA had effective processes to ensure that FARA's services met member needs and expectations.

OIG found that the Department did not have an effective process to monitor FARA's compliance with the MOA. Noncompliance had occurred and been allowed to continue. In addition, OIG questioned whether the requirements in the MOA were adequate to protect the Department from risks related to FARA's activities. OIG also found that neither the Department nor FARA had effective processes to ensure that FARA's services were beneficial for Department employees and, therefore, the best use of Department resources. OIG recommended that the Department develop and implement written policies and procedures to monitor FARA's compliance and determine whether the existing MOA requirements were sufficient.

Concerns About Changes in Cyber Security Roles and Responsibilities (AUD/FM-05-40)

During the audit of the Department's FY 2004 financial statements, an external contractor, working at OIG's direction, identified concerns related to the Department's plans to restructure cyber security roles and responsibilities. The contractor indicated that the restructuring could cause the Department to lose the momentum it generated during its initial certification and accreditation effort. OIG plans to monitor the Department's reorganization of cyber security responsibilities during the FY 2005 Financial Information Security Management Act review and the audit of the Department's FY 2005 financial statements. Considering the potential risk to the Department's financial management systems, the Department needs to continue making progress in information technology security.

Management Letter Related to the Audit of the International Cooperative Administrative Support Services' FY 2003 and FY 2002 Financial Statements (AUD/FM-05-39)

During an audit of the International Cooperative Administrative Support Services' (ICASS) 2003 and 2002 financial statements, an independent external auditor identified internal control weaknesses relating to ICASS' timeliness of financial reporting, computer security, accounts receivable, personal property, and accounts payable. The auditor recommended that ICASS take appropriate action to address these weaknesses. The auditor provided a management letter for this internal control weakness in accordance with generally accepted auditing standards.

Audit of the International Cooperative Administrative Support Services' FY 2003 and FY 2002 Financial Statements (AUD/FM-05-38)

Under OIG's direction, an independent external auditor audited the ICASS financial statements as of September 30, 2003 and September 30, 2002, in order to report on whether the financial statements fairly presented ICASS' financial position and results of financial operations in accordance with generally accepted accounting principles; to determine whether ICASS had an internal control structure that provided reasonable assurance of achieving internal control objectives; and to determine whether ICASS complied with applicable laws and regulations.

The independent external auditor issued an unqualified opinion on ICASS' financial statements as of September 30, 2003. However the report brought to management's attention concerns about information system security and the inadequacy of the Department's financial and accounting system, which is both an internal control weakness and an issue of noncompliance with several laws and regulations.

Management Letter Related to the Audit of the International Boundary and Water Commission's 2004 and 2003 Financial Statements (AUD/FM-05-37)

During an audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section's (USIBWC) 2004 and 2003 financial statements, an independent external auditor identified internal control weaknesses relating to USIBWC's internal audit function, property and equipment, use of credit cards, information

security, suspense accounts, deferred maintenance, accounts receivable, contract accruals, and financial reporting. The auditor recommended that USIBWC take appropriate action to address these weaknesses. The auditor provided a separate management letter for this internal control weakness in accordance with generally accepted auditing standards.

Audit of the International Boundary and Water Commission's 2004 and 2003 Financial Statements (AUD/FM-05-36)

Under OIG's direction, an independent external auditor audited the USIBWC financial statements as of September 30, 2004 and September 30, 2003, in order to report on whether the financial statements fairly presented USIBWC's financial position and results of financial operations in accordance with generally accepted accounting principles; to determine whether USIBWC had an internal control structure that provided reasonable assurance of achieving internal control objectives; and to determine whether USIBWC complied with applicable laws and regulations. USIBWC is charged by a series of treaties between the governments of the United States and Mexico with the application, regulation, and exercise of the provisions of such agreements for the solution of water and boundary problems along the U.S. and Mexico boundary. The independent external auditor issued an unqualified opinion on USIBWC financial statements as of September 30, 2004, and did not identify any material weaknesses or material instances of noncompliance.

Assessment of Value-Added Tax Exemption and Reimbursement Efforts (AUD/FM-05-33)

The OIG conducted a survey to determine the extent to which the Department had established guidance and mechanisms to track and manage value-added tax (VAT) exemptions, expenditures, and reimbursements. OIG found that the Department did not have adequate oversight of the VAT process; its financial management systems were not flexible enough to identify and track VAT reimbursements; and it had not developed the necessary policies, procedures, and controls related to VAT.

- The Bureau of Diplomatic Security, Office of Foreign Missions (DS/OFM), had not created guidance on how posts should handle reciprocity issues and was not always involved in reciprocity negotiations at post. In addition, the bureau had not developed and disseminated formal policies and procedures on how bureaus and posts should manage negotiating and processing VAT reimbursements.

- The Bureau of Resource Management (RM) had not established a financial system for easily accounting for VAT payments and reimbursements in accordance with the Department's Foreign Affairs Manual and had not provided policies, procedures, and training needed for effective and efficient administrative control of VAT reimbursements. Posts had to develop and implement their own manual and automated "cuff" records.

OIG recommended that DS/OFM provide guidance and training to bureaus and posts on managing reciprocity issues and seeking VAT exemptions and reimbursements. In addition, RM should expand the financial management systems, policies and procedures, and training for accounting for and reporting VAT payments and reimbursements at each post as required by policy and law.

INTERNATIONAL PROGRAMS DIVISION

Survey of the Office of the U.S. Global AIDS Coordinator (AUD/IP-05-32)

In May 2003, legislation established the Office of the U.S. Global AIDS Coordinator (S/GAC) within the Department. S/GAC is responsible for all resources and international activities of the U.S. government to combat the worldwide HIV/AIDS pandemic, including U.S. contributions to the Global Fund to Fight AIDS, Tuberculosis, and Malaria, and to advance the HIV/AIDS prevention, care, and treatment goals under the President's Emergency Plan for AIDS Relief (PEPFAR). The primary objectives of this survey were to (1) identify and quantify FY 2004 funding under the PEPFAR initiative; (2) ascertain the funding allocation mechanisms used to convey such funds to other federal agencies and organizations; and (3) determine the audit responsibility of the Inspectors General of agencies receiving funding under PEPFAR. OIG found that S/GAC transferred or allocated about 98 percent of the \$488 million received in FY 2004 to other federal agencies through interagency arrangements authorized by Section 632(a) of the Foreign Assistance Act.

During OIG's survey, S/GAC was establishing policies and procedures and hiring staff. OIG will use the results of this survey as well as the responses to the questionnaire provided by the U.S. Agency for International Development OIG in August 2005 to select activities for future audits. In addition, OIG will advise the Inspectors General of agencies receiving FY 2004 PEPFAR funding under Section 632(a) authority of their respective audit responsibilities. FY 2004 was the first year of operation for S/GAC; therefore, OIG did not make recommendations at this time.

Export Licensing of Chemical and Biological Commodities (AUD/PR-05-29)

This report is part of a cooperative effort by the following OIGs:

Central Intelligence Agency
Department of Commerce
Department of Defense
Department of Energy
Department of Homeland Security
Department of State

This review evaluated selected safeguards used by the Department's Bureau of Political-Military Affairs, Directorate of Defense Trade Controls (PM/DDTC) to ensure that chemical and biological weapons are not transferred to entities of national concern. The National Defense Authorization Act for 2000 (Pub. L. No. 106-65) requires Offices of Inspectors General to submit annual reports to Congress on the transfer of

militarily sensitive technology and entities of national concern. The Department registers and licenses companies and universities to participate in the export of defense articles and services on the U.S. Munitions List. In addition, the United States has renewed its attention on the importance of U.S. export controls to further nonproliferation of weapons after terrorist attacks on September 11, 2001.

OIG found that PM/DDTC consistently executed its export licensing responsibilities in regard to chemical and biological commodities in accordance with established policies and procedures. OIG also found that the conclusions reached by PM/DDTC personnel were fully supported by file documentation. OIG did not make any recommendations as the process was working effectively.

PROPERTY, PROCUREMENT AND ADMINISTRATION SUPPORT DIVISION

Review of Department's Compliance With State First Policy for Acquisitions (AUD/PP-05-42)

OIG conducted a review of Department interagency agreements (IAA) to determine: (1) whether domestic bureaus and offices complied with the May 2002 State First Policy for Acquisitions, which requires bureaus to determine the most cost-effective means of procuring the goods and services, and (2) whether internal controls for monitoring IAAs were adequate. Since May 2002, 84.2 percent of domestic bureaus and offices have not complied with the State First policy, and many entered into IAAs without first obtaining a Department waiver. During FYs 2003-04, domestic bureaus and offices entered into 381

IAAs, yet they could only identify surcharges for 101 of them (26.5 percent), with a value of about \$434 million and about \$7.7 million additional service fees and charges. The remaining 280 IAAs (73.5 percent), with contract values of about \$209.4 million, had servicing costs that the Department pays to other agencies but could not identify.

OIG found limited but significant examples of cost-savings achieved by shifting the procurement of goods and services from IAAs to open market competition administered by the Department. However, the Department's internal controls need strengthening to justify the use of IAAs and to monitor and evaluate contactor performance. OIG's review of an IAA in the Bureau of Information Resource Management (IRM), with a contract value of \$126 million, identified unallowable costs of \$350,000 for passthrough fees paid to the prime contractor; a substantial increase in award fees from \$2.4 million to \$9 million within the same contract dollar level; and significant labor rate changes, increasing by over 40 percent.

OIG recommended that the Bureau of Administration's Office of the Procurement Executive (A/OPE) and A/LM/AQM ensure greater compliance with the State First policy by refining guidance and providing standardized procedures and forms for processing IAAs. A/OPE agreed with the recommendation and proposed to dedicate a page on its website to the State First Policy and provide additional guidance, including how to prepare IAAs. In addition, IRM concurred with OIG's recommendation to audit the \$126 million IAA, including recovery of \$350,000 in passthrough charges OIG questions as not eligible under the contract.

IRM Actions To Monitor and Justify Interagency Agreements (IAAs)

OIG's report found that IRM aggressively complied with the Department's State First Policy for Acquisitions, whose primary purpose is to require bureaus to determine the most cost-effective means of procuring the goods and services, either in-house or through another agency. During 2003, IRM established a Procurement Support Division with oversight responsibility for acquisition. The division's functions are to:

- maintain a log of all IAAs;
- establish, develop, and manage all procurement activities;
- plan and develop strategies and standards for program offices to comply with State First policy and evaluate individual transactions;
- coordinate development of the bureau acquisition plan;
- coordinate management and feasibility studies, plan and develop requests for proposals to meet requirements, and develop standard operating procedures to ensure conformance with regulatory requirements government-wide;
- manage and coordinate the bureau's Two-Year Advanced Acquisition Plan; and
- administer the bureau's participation in the Department's Smart Pay purchase card program.

As a result, IRM has shifted a significant number of requirements from IAAs to an open market competition. Bureau officials cited lower contract costs as the predominant reason for rescinding IAAs, with the added benefit of saving IAA fees and surcharges. An IRM official believes that lower contract costs for multiyear procurements were the result of these changes, including multiple IAA actions where about \$1.2 million was saved in avoidance of fees.

Unreported Property and Inventory



In August 2005, during a survey of the Bureau of Narcotics and Law Enforcement Affairs Air Wing, OIG found unreported aircraft and spare parts inventory. OIG auditors immediately alerted the Department to the potentially material understatement of property and inventory that apparently was not included in a previous financial statement. OIG met with Department officials and the independent auditors to discuss the impact upon its financial

statements. On August 29, 2005, the Department notified users of a potential material understatement of assets affecting its FY 2004 comparative financial statements, which were issued on November 15, 2004. The Department has developed a plan to resolve this issue expeditiously, in consultation with OIG. Further, OIG and the independent auditors are performing additional steps related to property in the audit of the 2005 principal financial statements. OIG will continue to monitor this matter and stands ready to assist the Department to ensure that it has adequate controls over property and inventory.

BETTER USE OF FUNDS

Review of Security Upgrade Construction Project in Havana, Cuba (AUD/PPA-05-15)

OIG recommended that, after settlement of the Havana security construction upgrade project contract termination claim, the Department use the remaining funds for other security upgrade projects. On August 5, 2005, OBO provided OIG a copy of a contract modification, dated April 29, 2005, deobligating \$3,526,067.23 from the contract. Additional funds may be put to better use upon project completion and the final settlement under the contract.



Cubans protesting U.S. Presence in Havana Interests Section

BEST PRACTICES

Strengthening Internal Controls Over Personal Property at Overseas Posts

During the *Review of Procurement and Property Operations at Embassy Bamako* (AUD/PPA-05 -03), OIG evaluated actions the post took to remedy internal control weaknesses over personal property, including shortages caused by employee theft. The post said it had taken corrective actions, including “renewed emphasis on frequent spot checks.” However, OIG’s examination of property records indicated that the accountable property officer (APO) had delegated the duty of periodically spot-checking expendable and nonexpendable property to the supply supervisor, a Foreign Service National employee who had daily oversight of the post’s property operations. Although Department regulations permitted delegation of this required task, OIG’s findings on property management weaknesses warranted more direct APO involvement and a complete accounting for all expendable and nonexpendable property.

OIG expressed its concern that under current policy, an APO may delegate the duty of periodically spot-checking personal property. In OIG’s opinion, requiring APOs to conduct spot checks would reduce the risk of property mismanagement and help strengthen management controls Department-wide. Property Management Branch officials agreed and on August 1, 2005, notified OIG that both the Asset Management Regulation and accompanying Foreign Affairs Handbook were revised to require all overseas APOs to personally conduct periodic property spot checks. OIG commends the action taken to strengthen internal controls over personal property at overseas posts as a best practice.

DCAA Audits

As requested by OIG, the Defense Contract Audit Agency conducted the following audits.

Report Title	Contractor	Report Number	Date Issued	Questioned Costs
Review of Allowances for Hazard Pay and Post Differential for Contract Number S-OPRQ-96-C-0547	DynCorp International	03311-2005D17900	April 11, 2005	N/A
Report on Audit of Travel Cost in Cost-Plus Contract for Police Training	DynCorp International	03311-2005D17900022	May 11, 2005	N/A
Report of Audit of Cost-Plus Contract for Police Training	DynCorp International	03311-2005D17900009	May 11, 2005	N/A
Review of Allowances for Hazard Pay and Post Differential for Cost-Plus-Fixed-Fee Contract Number S-LMAQM-03-C-0028	DynCorp International	03311-2005D1790016	May 18, 2005	N/A
Report on Application of Agreed-Upon Procedures to Calculate Daily Life Support Rates under LOGCAP Task Order 0100	Kellogg Brown & Root	03311-02005K17900015	July 22, 2005	N/A
Report on Audit of Billed Costs on Task Order Nos. 03-131, 03-140 and 04-153 Under Integrated Mine Action Services (IMAS) Contract No. S-LMAQM-99-D-0144	RONCO Consulting Corp.	04141-2005B17900005	August 9, 2005	\$377,976

INSPECTIONS

IRAQ INSPECTIONS

Interagency Assessment of Iraq Police Training (ISP-IQO-05-72)

The Inspectors General of the Departments of Defense and State established an interagency team to assess the Iraqi police training program (IPS). The review focused on evaluating U.S. government-funded programs that train and equip the Iraqi police service and assessing the effectiveness of the coordination and cooperation between the Department of State and the Department of Defense activities for developing, implementing, and conducting training for the IPS.

The review found that, although the IPS is not yet capable of independently meeting the security challenges, relevant Coalition training efforts have resulted in a qualified success. However, the review noted several concerns with the program, including the design and execution of training programs. The OIGs also found that the emphasis on creating a sizeable police force has overshadowed the need for attention to the qualitative performance of those trained.

Review of the Staffing Process for Embassy Baghdad's New Embassy Compound (ISP-IQO-05-61)

Responding to congressional interest, the OIG reviewed the process for requesting, reviewing, and approving the staffing level of the new embassy compound of Embassy Baghdad in 2010. In general, OIG found that the Department's process had been rigorous, transparent, and effective.

OIG reviewed whether the process used to project Embassy Baghdad staffing was a suitable model for rightsizing efforts elsewhere and determined the process may be relevant to setting up new high-priority missions, such as that in Tripoli. Furthermore, although it may be difficult to get officials at the highest levels of relevant agencies to make projections for lower priority U.S. missions, the Embassy Baghdad staffing experience may hold lessons regarding the offshore location of administrative functions and the interagency sharing of administrative support. These objectives are among the Department's long-term goals.

Review of Security Programs at U.S. Embassy Baghdad (ISP-IQO-05-60)

OIG reviewed the security programs serving Embassy Baghdad to determine the funding requirements and to identify areas that are particularly challenging and costly.

The cost of protecting U.S. diplomatic personnel and facilities in Iraq is very high. The Bureau of Diplomatic Security (DS) program will cost approximately 74 percent of the total funds available for embassy operations in FY 2005. Current funding is insufficient, and the Department needs additional supplemental appropriations to continue mission operations. Security costs are expected to rise in future years as the U.S. military presence diminishes and Embassy Baghdad assumes more responsibility for securing its facilities and personnel. The budget requirements for FY 2005 and beyond may be considerably greater than anticipated.

Managing such an extensive and expensive program challenges the mission and the Department. DS is establishing a global contract for protective security services that will contain costs and involve services that have more uniformity. In addition, DS has identified the need for seven additional headquarters positions to manage protective security contracts and monitor contract compliance. OIG believes the positions are urgently needed.

OIG surveyed a sample of mission employees and found that most respondents were pleased with the security programs and with mission management's actions to inform employees of security situations and policies. However, a significant number of current employees are dissatisfied with access control procedures and emergency preparedness. Many employees wanted more timely information about security threats and incidents.

CONSULAR AFFAIRS

Inspection of the Bureau of Consular Affairs, Office of Overseas Citizens Services, Office of Children's Issues (ISP-CA-05-68)

The Bureau of Consular Affairs' (CA) Directorate of Overseas Citizens Services, Office of Children's Issues, provides service to children abducted from the United States, to their left-behind parents, and to American citizens who seek to adopt children abroad. The Abduction and Prevention units operate efficiently and effectively but have inadequate staff to meet all the demands on these units. The Adoption unit plays a key role in the complex process that will, in the near future, permit the United States to adhere formally to The Hague Adoption Convention. OIG made recommendations to realign staffing, require training, and improve supervision.

Inspection of the Bureau of Consular Affairs, Office of Policy Review and Interagency Liaison (ISP-CA-05-62)

CA's Office of Policy Review and Interagency Liaison (PRI) has multiple roles, including providing legal advice to the Assistant Secretary and serving as the principal drafting office for key regulations to implement the new Hague convention on international adoptions. A separate operational unit provides assistance to victims of crime or terrorism abroad. PRI successfully meets its responsibilities, but resources are barely adequate and future requirements are not entirely clear.

OIG noted needed program improvements, including relocating the victims assistance unit to the Office of American Citizens Services, to allow PRI to focus on its core services. OIG also found that CA management needed to define better Department procedures for new employees working on implementing regulations related to The Hague Adoption Convention, and PRI attorney advisers need additional staff resources to free them from time-consuming support tasks.

Inspection of the Bureau of Consular Affairs, Office of the Executive Director (ISP-CA-05-05)

The Bureau of Consular Affairs, Office of the Executive Director (CA/EX) is one of the largest executive offices in the Department. It supports three directorates and 4,500 consular staff at over 200 overseas posts, and also provides a range of services to some 1,900 direct-hire employees at 18 domestic visa and passport operations countrywide. The office is customer-focused but has only recently begun to evaluate its own structure and capacity in light of changing priorities after September 11, 2001. The Department's extensive role in supporting the border security program is funded in large measure by the over \$600 million collected and retained from consular fees and allocated through CA to all regional bureaus and seven functional bureaus. CA/EX's role in the management and allocation of the consular fees gives it an unusually high profile in the Department.

CA/EX's Consular Systems Division's remarkable efforts to upgrade consular automated systems, both pre-September 11, 2001, and even more significantly post-September 11, 2001, have had a positive effect on the Department's technology capability as a whole.

OIG identified areas for improvement during the inspection, including needed staffing increases in the human resources division, improved oversight of contracts, better controls over U.S. passports and visa foils, and most importantly, designation of the Consular Systems Division's director as the Bureau's Chief Information Officer.

OIG Report Strengthens Nonimmigrant Visa process

Acting quickly and aggressively to comply with five recommendations in an OIG review of nonimmigrant visa adjudications, (ISP-CA-05-56), the Bureau of Consular Affairs on June 23, 2005, cabled all visa-issuing posts with instructions that will further strengthen already strong guidance on the visa referral process. The OIG report called for improved consistency and oversight of visa referrals, which in the past have been vulnerable to abuse and internal malfeasance. Under the new guidance, each post must submit annually its visa referral policy for review by the Bureau's Directorate for Visa Services.

Generally, initial reviews of the referral policies submitted by the posts were found to be comprehensive and clear. Some posts, however, were found to be deficient in their instructions to mission officers referring visa applicants to the consular section. These referral policies were returned to posts for correction. As called for by OIG, the new instructions clarify the role of the Chief of Mission as being responsible for the implementation and supervision of the post's Mission Referral Policy. This guidance also responds to those infrequent instances when visa officers encounter real or perceived pressure to issue visas exerted on them outside the visa referral system by senior officers. For such cases, OIG recommended establishing a new mechanism that allows the visa officer to discuss these cases with an experienced neutral party in the Department: a visa program ombudsman. CA designated the managing director of the Visas Services as the new ombudsman.

POST INSPECTIONS

Inspection of Consulate General Hong Kong (ISP-I-05-59)

Hong Kong is significant for its diplomatic importance and the large physical size of the consulate general. Consulate General Hong Kong's outreach and public diplomacy programs are effective and reflect U.S. policy. The consulate general's outreach and substantive reporting and visitor-support efforts were particularly highly rated by those in Washington that use these services. Visiting delegations are effectively helping to advance U.S. priorities, and law enforcement cooperation is particularly strong and well coordinated.

Consulate General Hong Kong's success has been diminished by a failure to attend to basic mission management. Many mission employees see the consulate general's front office as being aloof and not open to alternate viewpoints. However, there are no visible, substantive shortcomings in the solid performance of most of the consulate general's sections and agencies and the general effectiveness of section leaders as managers.

Rightsizing Flexibility: The Example of Consulate General Hong Kong

OIG commended Consulate General Hong Kong for successfully managing the change in that post's profile from a China-watching post in the early 1990s to a smaller, more focused mission in 2005. Total American staffing levels for the mission had declined by about one-third over a 15-year period at the time of OIG's visit, consistent with the Department's rightsizing priorities.

Inspection of Embassy Dili, East Timor (ISP-I-05-30)

Embassy Dili is thinly staffed and suffers from personnel gaps. The Ambassador, who has strong human rights and regional experience, receives exceptional support from the deputy chief of mission, who functions also as the management and security officer, a workload that OIG questions. OIG recommended that the embassy fill three American staff positions to correct the staffing problems.

OIG found that reporting to Washington had improved since OIG's last visit, but that economic and social factors were missing. Other concerns included lack of training, construction challenges, and needed improvements in information technology.

Inspection of Embassy Hanoi and Consulate General Ho Chi Minh City, Vietnam (ISP-I-05-28A)

The U.S. relationship with Vietnam is undergoing bilateral developments that were unimaginable when the war in Vietnam ended in 1975, and Embassy Hanoi appears determined to help spur Vietnam's transformation, as indicated by the top ranking it gave to economic growth and development in its Mission Performance Plan.

The consulate general at Ho Chi Minh City is well led and has good morale. Although relationships between the embassy and consulate general have greatly improved, the embassy must engage in a more proactive effort to integrate the consul general into the country team.

The mission has been very productive, but OIG found some weaknesses. Consular services require improved coordination, although most work is satisfactory. The chancery is overcrowded and unsafe, and the embassy should elicit fuller Vietnamese government support for acquiring a site for a new compound.

Inspection of Embassy Jakarta and Consulate General Surabaya, Indonesia (ISP-I-05-29A)

Embassy Jakarta experienced perhaps its finest hour during the December 2004 tsunami crisis, when the entire mission responded immediately and the public affairs section, in particular, made an all out effort that enhanced Indonesians' view of the United States. The Ambassador plays a crucial leadership role at an embassy under a critical threat from terrorism and has correctly assessed counterterrorism as the embassy's top goal, engaging the combined efforts of the full mission.

Political and economic reporting is timely, sufficient, and analytical and administrative operations for the past three years have been managed well by a senior management counselor. OIG found some shortcomings, including problems with consular management, space, and staffing, management control weaknesses especially in contracting for health insurance, and needed investment in the information technology structure.

Inspection of Embassy Santo Domingo, Dominican Republic (ISP-I-05-32A)

Through effective leadership and influence, Embassy Santo Domingo skillfully managed to keep U.S.-Dominican bilateral relations on a steady and positive course in the transition to a new government in 2004. The embassy now has important, strategic, and helpful contacts in the new government. The embassy also succeeded in advancing negotiations for the Central America Free Trade Agreement, one of the top U.S. foreign policy priorities for the region, by encouraging the Dominican legislature to remove legal impediments to a free trade agreement.

Consular officers and their Dominican colleagues process over 75,000 nonimmigrant and over 42,000 immigrant visas (third largest in the world) annually and collect \$12 million in annual revenues. OIG made recommendations to increase consular staff appropriately. OIG also identified other concerns in administrative support, particularly in the housing and maintenance units.

Positive Results From Regionalization: The Experience at Embassy Santo Domingo, Dominican Republic

The Florida Regional Center (FRC) in Fort Lauderdale provides significant regional support to Embassy Santo Domingo, primarily for management operations such as human resources, medical services, training, procurement, and information technology. Regional officers schedule visits to the embassy for one week, with no more than 60 days between visits. FRC also offers regional administrative teams to posts. In March 2005, an FRC administrative team addressed property and inventory problems in Santo Domingo. The FRC is willing to expand its support to the embassy in other areas and is planning a visit by the regional contract and procurement staff. The embassy saves money by regularly using the expanded FRC training program and facility as training in Fort Lauderdale, and it may make expanded use of financial management support as FRC broadens the range of services it offers.

Inspection of Embassy Islamabad, Pakistan, and Constituent Posts (ISP-I-05-35A)

The U.S. mission to Pakistan provides critical support for the U.S. antiterrorism efforts in Pakistan and for Operation Enduring Freedom in Afghanistan. The embassy faces challenges from staffing gaps and unaccompanied tours. One-year assignments result in lack of continuity in leadership, program management, and contacts. Access to the embassy and consulate compounds is limited, posing particular problems for public diplomacy efforts to provide people in this overwhelmingly Muslim nation with increased access to accurate information about the United States.

A majority of mission personnel are from other agencies, but the Department pays the majority of costs for administrative services. The proposed expansion of other agency positions at this post will further strain support services.

Inspection of the American Institute in Taiwan (ISP-I-05-24A)

Taiwan's recent political changes, its tensions with Beijing, and its continued strong trade connections with the United States, all necessitate careful and strong engagement on the part of the American Institute in Taiwan (AIT). The Institute has effectively apprised Washington officials of key developments in Taiwan and conveyed American positions to local authorities. AIT's reporting officers in Taipei and Kaohsiung have provided

exemplary coverage of recent developments. AIT's director has used his considerable expertise to advance U.S. interests.

However, OIG determined the director's leadership had some shortcomings and that AIT's facilities are substandard, prompting operational concerns. Construction of a new office building should be a top priority, although AIT has taken commendable steps to improve office space in the interim.

OIG also determined that AIT's Washington headquarters is a well-run, efficient operation. The office's biggest need is for more guidance on how to interpret U.S. policy toward Taiwan. The Department could assist AIT and other agencies by updating and reissuing to all relevant agencies the helpful guide to U.S. policy that was last issued in 2002.

Inspection of Embassy Gaborone, Botswana (ISP-I-05-38A)

Embassy Gaborone effectively manages bilateral relations between the United States and Botswana. One embassy focus is implementing the President's Emergency Plan For AIDS Relief (PEPFAR). Interagency coordination to implement PEPFAR is good and is overseen by the regional environment and health officer. However, the embassy should seek funding from the Office of the Global AIDS Coordinator to establish a full-time PEPFAR coordinator position and fill it locally.

The mission has proposed the implementation of shared services between the Department and the USAID, under the ICASS system. The embassy should also review with the Centers for Disease Control and Prevention (CDC) ways to minimize duplication in services provided by CDC and ICASS.

Inspection of Embassy Harare, Zimbabwe (ISP-I-05-37A)

Embassy Harare effectively focuses on the two main U.S. goals in Zimbabwe, promoting democratic systems and practices and addressing the crisis associated with HIV/AIDS. The Ambassador has effectively spurred a senior-level Washington review of the U.S. policy toward Zimbabwe and has actively participated in that review.

American staffing is generous in comparison with other African posts. The embassy should conduct a rightsizing review in preparation for the move to a new embassy compound to determine whether some American and local-hire positions could be eliminated. Although the mission provides comprehensive administrative support services to the Department and other agencies at post, OIG believes there may be more scope for sharing interagency services, particularly with USAID.

Inspection of Embassy Lusaka, Zambia (ISP-I-05-39A)

Embassy Lusaka has rapidly expanded its activities under PEPFAR. Interagency coordination on this health crisis is exceptional, and a collegial approach characterizes the U.S. agencies involved in supporting the mission's goals. However, the budgets for operational support at Embassy Lusaka have not kept pace with the surge in program resources flowing into Zambia. Without increases in its operating budgets, the embassy will inevitably need to reject additional programming so as not to eliminate current activities.

Regional human resources support from Embassy Harare has been limited, and several key personnel issues require immediate attention. The embassy has asked the Department to establish and fill a human resources position urgently and OIG supports this request.

Inspection of Embassy Lilongwe, Malawi (ISP-I-05-36A)

Embassy Lilongwe has serious staffing gaps that began with the departure of the Ambassador in 2004 and include long-term vacancies in the political section, general services office, and information management section. Despite these gaps, and high staff turnover in the past 12 months, the interagency team at Embassy Lilongwe has worked with skill and commitment to implement mission goals.

The embassy has identified Malawi's qualifications for a threshold program under the Millennium Challenge Account (MCA) and galvanized interagency economic reform and democracy and governance teams to help Malawi turn a corner in its development. The reward for Malawi could be an allocation of up to \$20 million under the MCA. Embassy Lilongwe is reviewing staffing implications of such substantial funding.

This year, Malawi began participating in PEPFAR, and this will require robust direction by embassy leadership. However, the embassy's executive office has exercised minimal oversight of the global health agenda that has dominated the work of the technical agencies at this post for years.

Compliance Follow-up Review of Embassy Kathmandu, Nepal (ISP-C-05-22)

OIG conducted a compliance follow-up review of Embassy Kathmandu. The new management team of Ambassador, deputy chief of mission, and management officer, which the Department sent to Kathmandu in response to the January 2004 inspection, has improved post morale, the visa referral program, and the mentoring program for entry-level officers.

Inspection of Embassy New Delhi, India (ISP-I-05-21A)

Embassy New Delhi and its constituent posts skillfully manage the complex and growing U.S.-Indian relationship and appropriately focus on potential U.S. benefits from expanding economic ties and cooperation in space, civilian nuclear energy, high-technology trade, and missile defense. The growth in U.S.-Indian relationships presents several management challenges. If Mission India is to address the rapid growth in demand for consular services, all mission elements and the Department must focus on consular support. Without a creative response to this growth, the mission risks focusing on visa services to the detriment of all other matters.

The Department must also plan for the opening of a new consulate in a fifth Indian city very soon. OIG concurs with the embassy's choice of Hyderabad and believes preliminary planning must begin now. Staffing will need to increase in India, but the mission's request for more than 30 additional positions is unrealistic. The embassy must prioritize its staffing requirements, focusing on shortages in diplomatic security, consular affairs, and public diplomacy.

U.S. India fund and the Interim Fund

At the Ambassador's request before OIG's arrival, Embassy New Delhi's financial management officer conducted a comprehensive study of the U.S. India Fund and the Interim Fund. The study showed that the U.S. India Fund had ten U.S. government agencies with programs still active and the Interim Fund had six U.S. government agencies with programs still active and had outstanding funding obligations of approximately \$5.9 million. More surprisingly, there was approximately \$3.4 million in the U.S. India Fund accounts from expired programs and \$11.2 million in the Interim Fund from expired programs and unobligated interest. This nearly \$15 million represents a valuable resource for furthering U.S.-India relations and should be used. OIG recommended that the Department establish a sunset date for active U.S. India Fund and Interim Fund projects that still have obligated but undisbursed balances and inform the relevant U.S. government agencies of this action. Following completion of the projects, any remaining obligated monies should be consolidated into the appropriate fund.

U.S. Government Presence in Hyderabad

In its FY 2006 Mission Performance Plan, Embassy New Delhi asked for the creation of an American presence post in Hyderabad. As proposed, one American public diplomacy officer and one local-hire employee would focus on Muslim outreach, provide limited American citizens services, and boost U.S. exports.

India's sixth largest city, Hyderabad has a population of nearly six million and is the capital of Andhra Pradesh, one of the most economically progressive states in India. The city is also the generic drug manufacturing center of the world and has major biotechnology and pharmaceutical research facilities. As a result of the information technology, commercial, and research activity, Hyderabad is home to a growing number of American companies, such as Microsoft, and a private international school catering to expatriates. A growing number of high-level U.S. officials have visited Hyderabad. A world-class, international airport is now under construction in Hyderabad and is to open in 2008. Consulate General Chennai reports that residents of Andhra Pradesh, including Hyderabad, account for 35 percent of the consulate general's heavy and growing nonimmigrant visa workload.

In light of the need for expanded visa processing facilities, the heavy future U.S. involvement in India's high-technology industries, and the desirability that public diplomacy efforts reach a sizable influential Muslim population, OIG believes establishing an American presence post in Hyderabad will not be enough and recommended that the Department establish a full-service consulate there no later than 2008.

Inspection of Embassy Bandar Seri Begawan, Brunei (ISP-I-05-20A)

Embassy Bandar Seri Begawan management advocates energetically for U.S. policy in a predominantly Malay Islamic nation. Although there are few American businesses in Brunei, embassy management has maximized regional opportunities to promote U.S. trade and business opportunities in the country.

OIG determined that Embassy Bandar Seri Begawan should transfer almost all of its administrative services to regional centers. Although there have been continual staffing problems at the embassy, there is a good communications infrastructure in the region, and strong regional support is available. Were the embassy's administrative services to be provided elsewhere in the region, the embassy could serve as a model for rightsizing a small mission.

Protection and American citizens services is needed for the small number of Americans who live and visit Brunei, but OIG could not justify the amount of resources required to provide nonimmigrant visa services in a country that participates in the Visa Waiver program. OIG recommended transferring Embassy Bandar Seri Begawan's nonimmigrant visa processing to Embassy Singapore, where the immigrant visa workload is currently processed.

Inspection of Embassy Kuala Lumpur, Malaysia (ISP-I-05-19A)

The Malaysian government and the embassy's leadership are in transition. Overall, the post performs well, considering the complexity and challenges of the local political environment. The embassy has been effective in policy advocacy and has the highest commitment to protecting U.S. economic interests and promoting U.S. exports.

The embassy seeks to maximize public diplomacy opportunities. OIG encouraged embassy management and the public affairs officer to translate this dynamic into balanced, long-range, mutual understanding programs for groups such as Malaysian students.

OIG made several recommendations related to public diplomacy, including to convert the Lincoln Resource Center to a smaller information resource center, to revise the BiNational Agreement on educational exchanges to ensure uninterrupted operation of its board of directors, and to seek guidance from the Department on accounting practices for Fulbright commissions.

Inspection of Embassy Singapore (ISP-I-05-18A)

Embassy Singapore is important to U.S. interests in Southeast Asia. Embassy Singapore's high quality of life, adequate office space, and sufficient ICASS funds make it a good regional base for many other federal agencies. The volume and complexity of this regional work outweigh the important though small bilateral dimension of the embassy's workload.

The office of public affairs conducts robust, model public diplomacy programs and has made major inroads in reaching key Muslim audiences. The OIG report singled out Public Affairs support to the National Library Board's partnership with Singapore's Ministry of Education, saying this support allows the office to cut through bureaucratic procedures to gain easy access to several junior colleges that have a large number of students interested in higher education in the United States. In addition to promoting U.S. educational information to Singaporean students and educators, the office of public affairs uses the partnership to promote other U.S. educational exchange programs.

Exemplary Compliance Efforts

After OIG's departure from Embassy Singapore, the Ambassador directed that the deputy chief of mission (DCM) establish an embassy mechanism for immediate compliance with OIG's recommendations. The DCM forwarded the first report to OIG at its new inspection site within two working days of OIG's departure from the mission. Most of the recommendations were in advanced stages of compliance. The DCM reported compliance or near-compliance with formal recommendations and informal recommendations before OIG had returned to Washington.

Inspection of Embassy Damascus, Syria (ISP-I-05-17A)

Embassy Damascus is performing admirably and has superb interagency cooperation and coordination. However, the sanctions imposed on Syria by the Syria Accountability and Lebanese Sovereignty Restoration Act and other U.S. policies are creating costs and barriers for embassy operations and programs. The embassy has adjusted well to these circumstances and is effectively promoting the tougher, sharply focused U.S. policy objectives.

The Ambassador has invigorated the embassy's public diplomacy programs. She is enhancing the embassy's insight into high-priority issues in Syria by using the public affairs section's access to important Syrian audiences among the media, Islamic groups, nongovernmental organizations, and human rights groups. The embassy's Fulbright and other exchange programs as well as English-teaching programs enable it to reach a diverse Syrian audience.

Inspection of Embassy Beirut, Lebanon (ISP-I-05-16A)

Lebanon has the attention of policy makers, who see developments in that nation as potentially helpful in achieving and spreading democracy in the Middle East. Following the United Nation's Security Council Resolution 1559 in September 2004, which calls for Syrian withdrawal from Lebanon, the embassy made submission of a revised Mission Performance Plan a priority.

Embassy Beirut's tour of duty policy has advantages and disadvantages. One-year tours attract bidders and are short enough to prevent the employee from chafing under the security restrictions, but they negatively affect continuity and planning. Moving to a two-year tour of duty would help improve performance and management, but could adversely affect morale. OIG recommended gradually reducing the number of rest and recuperation breaks and continuing tours of less than two years for some positions.

Inspection of Consulate General Jerusalem (ISP-I-05-15A)

Consulate General Jerusalem is responsible for the policy relationship with the Palestinian Authority and for contact with 2.1 million Palestinians in Jerusalem and the West Bank. It also serves roughly 90,000 American citizens, but is neither a subordinate post of Embassy Tel Aviv nor a post that has been accredited to Israel. Nonetheless, the consulate general is fast becoming a full-fledged mission.

OIG made recommendations regarding the impact of the peace process on mission operations. For instance, responding to Israel's planned disengagement from Gaza in mid-2005, the Bureau of Near Eastern Affairs, Embassy Tel Aviv, and Consulate General Jerusalem should develop a plan to transfer responsibility for the Palestinian territories from Tel Aviv to Jerusalem and for the placement of Gaza in Jerusalem's consular district. The consulate general will also soon face a serious security resource challenge owing to increased U.S. support for the truce between the Palestinian Authority and Israeli forces. The mission has asked for additional armored vehicles and resources to support the anticipated resumption of travel to the West Bank. The Bureaus of Diplomatic Security and Near Eastern Affairs must address these requests expeditiously.

Inspection of Embassy Tel Aviv, Israel (ISP-I-05-13A)

Executive policy direction and the management of Embassy Tel Aviv operations are excellent, as are interagency coordination and cooperation. However, the embassy must address its space problems. The revival of the Middle East Peace process presents serious resource and management issues, such as the need to resume travel and operations in the dangerous Gaza and West Bank areas. The embassy should work with other agencies at post and with Consulate General Jerusalem to develop a unit that supports official visitor travel, which will provide efficiencies and cost-savings.

The embassy's in-country language immersion program, which brings students to fluency before they arrive for duty in Tel Aviv, is excellent; it should expand and be emulated elsewhere.

DOMESTIC BUREAUS

Inspection of the Bureau of Oceans and International Environmental and Scientific Affairs (ISP-I-05-40)

The Bureau of Oceans and International Environmental and Scientific Affairs (OES) implements U.S. commitments in a multitude of international forums and promotes U.S. foreign policy through an array of partnerships. However, a lack of clarity about

the roles of OES and the Science and Technology Adviser to the Secretary of State has caused confusion in Washington and abroad. OIG recommended that the Department define the roles, responsibilities, authority, and accountability of OES and the Science Adviser.

Generally, other U.S. agencies respect and appreciate OES's work and leadership in coordinating and promoting U.S. foreign policy in the areas of science, technology, and the environment. However, OES leadership should improve the executive office management, human resources operations, and management controls. In addition, the bureau needs to clarify the goals and procedures of its grants program and make its grants process more transparent to OES staff and embassies interested in submitting grant proposals.

Inspection of the Office of Science and Technology Adviser to the Secretary (ISP-I-05-42)

The Department established the position of Science and Technology Adviser to the Secretary (STAS) to ensure the Department's awareness of the nation's science resources and improve its ability to draw upon the American scientific community for advice and counsel. OIG recommended that the Department define the roles, responsibilities, authority, and accountability of OES and STAS to eliminate existing competition and confusion.

STAS has expanded some of its activities, such as its science fellows program, and created several innovative programs. At the same time, this small office is overstretched in trying to manage so many complex initiatives. OIG recommended that STAS establish a mechanism to evaluate its initiatives, manage donated funds, and eventually transfer the projects to appropriate, willing operational bureaus.

Compliance Follow-up Review of the Bureau of Democracy, Human Rights, and Labor (ISP-C-05-41)

OIG conducted a compliance follow-up review of the September 2003 inspection of the Bureau of Democracy, Human Rights, and Labor (DRL). OIG made a recommendation on an unresolved problem regarding the functioning of the joint Office of Oceans and International Environmental and Scientific Affairs-DRL executive office. In addition, OIG found that DRL had not resolved problems in the Office of Country Reports and Asylum Affairs and the Office of International Labor Affairs, and made recommendations for those offices.

Inspection of the Bureau of International Narcotics and Law Enforcement Affairs (ISP-I-05-14)

In a period of extraordinary challenges, the Bureau of International Narcotics and Law Enforcement Affairs (INL) has a solid record of achievement in Iraq, Afghanistan, and elsewhere. INL does an effective job of planning and coordinating counternarcotics programs in Latin America, including the Andean Counterdrug Initiative. However, INL needs to address its overtaxed resources and organizational weaknesses, and more promptly to restructure itself to deal effectively with its policy-sensitive Iraq and Afghanistan programs. As an interim step, OIG recommended that INL immediately establish individual working groups to manage its programs in Iraq and Afghanistan. INL must also proceed with its long-delayed reorganization and needed personnel increases to relieve the strains within the bureau caused by long-term inadequate staffing and new pressing demands. With the major growth of its programs, INL must strengthen its mechanisms for oversight of procurement and contract compliance and property management.

BEST PRACTICES

Consulate General Jerusalem

Best Practice: Combined Mission Contact Database

Issue: Following the outdated practice of most overseas missions, Consulate General Jerusalem maintained two separate and incompatible contact database systems, one for the public affairs section and a second for all other mission elements. The flow of information between the two lists was minimal. Public affairs information and programs relied heavily on the public affairs list and other mission programs relied almost exclusively on the list maintained by the protocol assistant.

Response: Consulate General Jerusalem enlisted the assistance of the Regional Support Center in Frankfurt to install the “contacts” database system that was developed for use by missions overseas. Mission personnel were trained in its use and urged to use the system in their contact and representational work. The database was installed on the OpenNet server and is being made available to all mission personnel on their desktops.

Result: Consulate General Jerusalem has successfully converted to one contact database for all mission public diplomacy and representational functions. Records for all individual mission contacts are maintained by a public affairs Foreign Service national and the mission’s protocol assistant based on input from individual staff members. All mission employees use the system for contact management.

Embassy Singapore

Best Practice: American Connection, U.S. – Singapore an Outreach Project to Diverse Audiences

Issue: Embassy Singapore needed to gain direct access to a broad cross-section of Singaporeans through a wide variety of programming options and through materials promoting information about the United States.

Response: The National Library Board's unique partnership with the Ministry of Education allows the embassy office of public affairs to cut through bureaucratic procedures to gain easy access to several junior colleges that have a large number of students interested in pursuing their higher education in the United States. In addition to promoting U.S. educational information to Singaporean students and educators, the office of public affairs will use the National Library Board-Ministry of Education partnership to promote other U.S. educational exchange programs.

Result: The embassy's office of public affairs sees this partnership as an excellent opportunity that will help convince a future generation of leaders to continue a strategic partnership that is now important for the United States. In addition, the office has access to reach out to a non-elite, multiracial group of young Singaporeans, including young Malay and Indian students who would be outside of the normal reaches of the programs.

Best Practice: Consular Outreach-Predeparture Orientation Seminar

Issue: A U.S. bank's student banking division recognized that Singaporean students interested in attending foreign schools needed to know what to expect if they chose a school in the United States.

Response: As a part of consular outreach, the embassy's nonimmigrant visa unit, the U.S. Education Information Center, the Department of Homeland Security's Citizenship and Immigration Services regional officer, and local international student networking groups provide speakers. Topics include the student visa and I-20/Student and Exchange Visitor Information System program, driver's licenses, safety and security issues, residence on- or off-campus, good study habits, and tax and financial responsibility in the United States. The embassy's handout contains frequently asked questions and answers about the student visa application and optional practical training. Attendees and their parents are able to ask questions at the end of each segment.

Result: This popular and innovative seminar was given twice in one day to accommodate the demand. Recruitment by U.S. universities has increased; the issuance of student visas is increasing and exceeds pre-September 11, 2001, numbers. After Australia, the United States is the most popular destination for Singaporean students.

Embassy Tel Aviv

Best Practice: Hebrew Language Immersion Program

Issue: Students tend to depart from the Foreign Service Institute's School of Language Studies with less than adequate fluency, vocabulary, and familiarity with Hebrew as spoken in Israel. It takes several months for them to develop language skills adequate to manage the visa interview workload or other assigned duties.

Response: Embassy Tel Aviv, together with the Foreign Service Institute and an Israeli government institute famous for teaching Hebrew to immigrants, developed an intensive, four-week language immersion program designed for the needs of Foreign Service officers.

Result: Officers in language-designated positions enter on duty with substantially enhanced language skills and are able to perform at a significantly higher level. Participants are consistently rated as among the most productive members of the embassy staff.

Best Practice - Electronic Tracking of Motor Pool Operations

Issue: The Department lacks an efficient system of managing the motor pool program. Procedures and recordkeeping are tedious and cumbersome.

Response: Embassy Tel Aviv procured an electronic tracking system that streamlines procedures and organizes pertinent data for fleet management.

Result: The motor pool has become effective in managing its complex operations electronically, without paper. Management controls are enhanced.

Significant management success in resolving and implementing recommendations

One of the benefits of an inspection is that the process promotes effective and accountable management at post. Where posts suffer from poor management, inspections can affect staffing at the highest levels. One example was OIG's inspection of the U.S. International Boundary and Water Commission, where the inspection found that internal management problems had engulfed the Commission, threatening its essential responsibilities for flood control and water management in the American Southwest. Following the OIG inspection, the commissioner announced that he would resign in August 2005 and an acting commissioner was appointed.

In its inspection of Embassy Paris, OIG recommended that the mission develop a joint management structure that provides full services for the U.S. Mission to the Organization for Economic Cooperation and Development and the U.S. Mission to the United Nations Educational, Scientific, and Cultural Organization, through International Cooperative Administrative Support Services. This will reduce overall administrative costs for the Department by an estimated \$600,000 annually, and further rightsize local staff in Paris.

INFORMATION TECHNOLOGY

OIG evaluates IT information management and information system security in the Department through a program of evaluations, inspections, and reviews. During this reporting period, OIG completed its annual evaluation of the Department's information security practices, completed one memorandum report summarizing issues found at the four Regional Information Management Center (RIMC) operations, completed another report that evaluated the Department's integration of the public diplomacy network into the Department's network, and inspected embassies to determine the effectiveness of the comprehensive information management and information system security program promulgated by the Department. Additional security concerns are reported in the classified semiannual report.

FEDERAL INFORMATION SECURITY MANAGEMENT ACT EVALUATION

Review of the Information Security Program at the Department of State (IT-I-05-09)

OIG found that the Department's information security program and practices continue to evolve under the leadership of the acting Chief Information Officer. The Department has taken several actions to improve the effectiveness of the Department's information security program since last year's independent evaluation. The Department is upgrading the information technology application baseline to strengthen the connections between enterprise architecture, e-Authentication, privacy, systems authorization, the plan of action and milestone (POA&M) process, and the capital planning process. To standardize management of self-assessments, POA&Ms, and performance measures, all system owners and information system security officers (ISSO) are to use the Department's automated web-based tool. Another Department web-based training tool provides all employees with an annual information security awareness briefing.

Additionally, the Department has initiated a project to be completed within the next three years to identify the number of contractor services or facilities performing work for the Department using their own systems or connecting to the Department networks.

The Department has taken a proactive approach to improve patch management operations and customer service. The Department continues to operate a successful and robust cyber incident response program.

However, OIG found several areas that require senior management attention. The Department still does not have a complete inventory of systems that includes major applications, minor applications, and general support systems. The Department's certification and accreditation process has not been fully implemented. All general support systems and major applications were certified and accredited during the 18-month special project, and the next phase was to include the post operations, which most Department officials believe are the weakest link in the layered security approach that the Department has implemented. Not all aspects of this project have been incorporated into the current evaluation and verification process, and the chief information security officer (CISO) has not provided formal guidance.

The separation of the cyber security roles and responsibilities continues to affect the Department's information security program. The August 2004 Cyber Security Roles and Responsibilities Matrix assigns to the DS many operational responsibilities including the systems-related site evaluation and verification function. OIG found that the meetings between DS and the Bureau of Information Resource Management (IRM) generally do not result in clear statements of work, assignment of responsibilities, and establishment of milestones. As reported last year, the Department has no effective coordinating or monitoring mechanism to ensure that assigned responsibilities are accomplished.

Furthermore, implementation of information security at overseas posts and domestic bureaus continues to require Department attention. OIG observed problems with ISSO duties, patch management, contingency planning, and inappropriate use at many of the 36 sites visited.

Evaluations

Summary Evaluation of the Regional Information Management Centers (IT-I-05-05)

Although OIG found RIMC management to be effective, and constituent posts rated customer support as satisfactory, the types of service provided and the organizational structures that provide it will have to change to adapt to changing needs within the Department. The IRM strategic plan is moving toward centralized system administration, maintenance, and software application support, as well as reduced overseas storage of electronic data and applications. The role of onsite IT professionals will have to adapt from that of actively managing networks to being an extension of the central

management system, with functions, such as exchanging equipment as necessary, based on central direction. While such centralization changes the requirements for full-time IT professionals at post, it also affects the need for regional support personnel in both technical disciplines and operational oversight. Such changes require remodeling the RIMC concept to one of smaller, more widely dispersed regional support centers with more direct oversight responsibility and accountability for smaller sets of posts. IRM's Information Technology Working Group has recently begun to discuss how the RIMCs will fit into the changing IT landscape.

OIG identified several areas where changes in operations would improve overall Department performance. Currently, each RIMC operates under a different organizational and reporting structure, with varying support responsibilities and resources. Standardizing the operations, organization, and staffing of the RIMCs can improve the overall efficiency and customer support provided through the centers. Additional operations officer positions are necessary to provide adequate operational assistance for constituent posts. IRM needs to take steps to ensure the long-term viability and quality of its technician workforce. Digital technicians at the RIMCs do not have any administrative authority within the Department's network architecture, which creates difficulties in performing remote diagnostics when troubleshooting problems over the phone. Few RIMC technicians use the Universal Trouble Ticket system consistently, which hampers the collection of aggregate data. The Department's lack of a telephone switch maintenance contract that allows RIMC telephone technicians direct access to the Nortel help desk hampers their ability to provide timely customer service. Finally, there are no memoranda of agreement between IRM and the Foreign Service Institute FSI as to how training centers located at two of the RIMCs are supposed to operate.

Evaluation of Department of State's Public Diplomacy Network to OpenNet Plus (IT-I-05-08)

The deployment of OpenNet Plus (ONP) fulfilled the former Secretary of State's highest information technology priority: to create a computer network providing Internet access for all Department employees. The Under Secretary for Management mandated that the merger of the U.S. Information Agency be completed by eliminating the Public Diplomacy global network (PDNet) and enhancing the functionality of ONP to meet the business needs of the public diplomacy employees. The Chief Information Officer and the Under Secretary for Public Diplomacy and Public Affairs signed an agreement in October 2003 stating that all domestic and overseas PDNet services be integrated into the ONP network and that alternative mechanisms be found to provide PDNet services that could not be supported by ONP.

By June 30, 2004, the Department completed the consolidation of PDNet users into ONP and enhanced the functionality of the network for meeting the essential business needs of the public diplomacy employees. Department officials believed the project was

successful in meeting its goals by streamlining equipment upgrades, increasing ONP speed, and enhancing e-mail attachment capabilities. However, OIG found that the Department did not adequately identify alternative mechanisms to provide PDNet services that could not be supported by ONP. The Department experienced an increase in the number of Dedicated Internet Networks (DINs) that have been deemed necessary by posts to support business processes that are not satisfied through the implementation of ONP. With more than 190 DINs awaiting final approval from the Information Technology Change Control Board (ITCCB), the Department has not adequately addressed the remaining issues from the PDNet conversion.

OIG recommended that the Department design and implement a plan for resolving remaining concerns with DIN waiver requests, including the deployment of a development network for the testing and development of applications and programs worldwide. Furthermore, OIG recommended that the Department perform an analysis to determine additional costs and benefits for DINs, while establishing clear procedures to be used by ITCCB for the approval of waiver requests.

POST IT INSPECTIONS

Embassy Tel Aviv (ISP-I-05-13A)

Under the leadership of the information management officer and the diligent work of the information program center and information systems center staff, the information management (IM) and information security program operations have improved considerably in recent months. However, OIG identified some key areas where further improvement is needed. Specifically, Embassy Tel Aviv does not provide sufficient support to the consular section and is not adequately performing information system security responsibilities because of insufficient IM staff resources. The IM staff needs technical training to ensure continued satisfactory IT support for the embassy. Finally, the embassy's software security patch management status is not reported accurately by the Department's automated system.

Consulate General Jerusalem (ISP-I-05-15A)

The mission in Jerusalem operates a comprehensive IM and information security program for more than 230 users. OIG identified some key areas where IM and information security must be improved. Specifically, the IM staff has insufficient technical training to ensure continued satisfactory IT support. The IM staff also is not properly cross-trained to ensure continued satisfactory IT support. The IM help desk does not adequately track and resolve service calls. The mission has inadequately maintained hardware and software inventory records. Finally, ISSO responsibilities are not being performed adequately, and the mission's software security patch management status is not reported accurately by the Department's automated system. Consulate general management must engage more directly in overseeing and benchmarking IM performance in the near future.

Embassy Beirut (ISP-I-05-16A)

Embassy Beirut has an adequate IM program to support its approximately 160 authorized users. Several areas require management attention, such as the incomplete information systems documentation and inappropriate material on the unclassified network. Web site modifications are also necessary. Furthermore, embassy information security has several security shortcomings, including deficiencies in the ISSO program.

Embassy Damascus (ISP-I-05-17A)

Embassy Damascus has a good information management program to support approximately 215 authorized users. OIG, however, found some areas requiring management attention, such as an inadequate telephone system, inappropriate use of the unclassified diplomatic pouch and mail service, inaccurate patch management reports, and the lack of a trained alternate ISSO.

Embassy Singapore (ISP-I-05-18A)

Embassy Singapore has a comprehensive IM program to support approximately 213 authorized users. OIG found some areas requiring attention including the overseas dedicated Internet. Information security at Embassy Singapore could be improved in the areas of the ISSO program and network intrusion detection systems.

Embassy Kuala Lumpur (ISP-I-05-19A)

Embassy Kuala Lumpur maintains a comprehensive IM program to support its 201 authorized users. The public diplomacy website and storage location of unclassified computers with sensitive but unclassified (SBU) information resident on the equipment requires management attention.

Embassy Bandar Seri Begawan (ISP-I-05-20A)

Embassy Bandar Seri Begawan's IM and information security program generally meets the needs of its approximately 30 authorized users in most areas. Embassy Bandar Seri Begawan's software security patch management status is incorrectly reported by the Department's automated system.

Embassy New Delhi (ISP-I-05-21A)

Embassy New Delhi and its constituent posts operate extensive IM programs that include system administration of unclassified and classified networks, diplomatic and classified pouch, radio and telephone maintenance, and telecommunication support. They also provide regional support to other posts in the Bureaus of Near Eastern and South Asian Affairs. All locations in India scored below average on most IM issues in OIG's management operations questionnaires, particularly on oversight, additional local area networks, and implementation of the ISSO program.

American Institute in Taiwan (ISP-I-05-24A)

AIT has an extensive IM and information systems security program that operates and maintains classified and OpenNet Plus networks; a radio program; and mail, pouch, and telephone operations. AIT also maintains four offsite locations and a branch office in Kaohsiung. AIT's IM received good scores on OIG's workplace and quality of life questionnaires, but there were problems with the satellite system, the ISSO responsibilities, and patch management.

Embassy Hanoi and Consulate General Ho Chi Minh City (ISP-I-05-28A)

Embassy Hanoi's IM office currently meets the IT needs of 178 users at multiple locations (chancery, Rose Garden Annex, and general services warehouse) and provides the appropriate level of IT security. However, top IM attention must focus on the infrastructure issues of staffing; software; documentation, including policies and procedures; patch management; the use of IT; and web sites.

The functional management questionnaire completed by the embassy presents a better picture of post operations than is justified although the post has actively tried to come into compliance with Department IM policies and procedures. The lack of depth in the management section required the IM officer to assume duties in other management areas, resulting in inadequate attention and focus on implementing and institutionalizing necessary IM policies and procedures. The lack of depth in the IM section itself is exacerbated by staffing gaps.

Embassy Dili (ISP-I-05-30A)

Embassy Dili's IM procedures are not systematic and rigorous enough for either the current IM operation or as the operation expands to include classified processing. Embassy management must implement a more structured framework to achieve Department objectives.

Embassy Santo Domingo (ISP-I-05-32A)

Embassy Santo Domingo's IM unit adequately meets the needs of 300 users at the embassy compound and four other locations in the city, while satisfying most of the Department's IM and IT security requirements. OIG found that the office performs well, providing a high level of customer service and maintenance over all IM areas. OIG made formal recommendations for post to improve its reporting of actions to correct system weaknesses and deficiencies, and to improve its training IM office staff. The post's information security program is very organized, and appropriate documentation is up to date.

Embassy Islamabad and Constituent Posts (ISP-I-05-35A)

Despite no increase in staff, IM programs within Pakistan have been effectively managed and met the rapidly expanding IM support needs as the mission became a major hub after the September 11, 2001, terrorist attacks. IM services rated better than average in most workplace and quality of life questionnaire categories, but there are opportunities to streamline operations through improved help desk automation and greater documentation of planning and processes. In addition, end users identified many areas for improvement, but these would require additional resources. The information systems security program is effectively managed.

Embassy Lilongwe (ISP-I-05-36A)

Embassy Lilongwe's IM office meets the needs of the 94 users at the embassy compound and the public affairs section and provides regional systems support to Embassy Luanda while meeting most Department IM and IT security guidelines. OIG provided the post with several formal and informal recommendations to address issues pertaining to facilities, training, and managing the overseas dedicated Internet local area network in the public affairs section. Also, OIG found weaknesses and recommended actions to ensure that post's unclassified and classified networks remain secure. Specifically, these recommendations address patch-management procedures, implementation of the ISSO program, IT contingency planning, and security configuration management.

Embassy Lusaka (ISP-I-05-39A)

Embassy Lusaka's IM office meets the needs of the 229 users at the chancery compound, general services warehouse, and public affairs section and meets most Department IM and IT security guidelines. OIG made two formal recommendations to address security deficiencies on both networks.

Consulate General Hong Kong (ISP-I-05-59)

Consulate General Hong Kong has a well-managed, customer-oriented IM office that received high scores on the OIG workplace and quality questionnaire. Nevertheless, there are several problem areas requiring attention.

Consulate General Hong Kong has developed 18 applications, including 14 that other posts download for their own use. These applications have neither gone through the systems authorization process, nor been approved by the Department ITCCB. All custom-built applications must be placed into the Information Technology Application Baseline and be approved by the Local Change Control Board. Consulate General Hong Kong maintains an overseas dedicated network of 32 connections. Most of the connections are used to host 26 posts that use locally developed appointment systems for visas, passports, and birth certificates. Personnel resources are used to maintain these applications, taking staff time that could be used to address other local needs.

DOMESTIC IT INSPECTIONS

Bureau of Consular Affairs, Office of Executive Director (ISP-CA-05-05)

Domestically, CA has an effective IM operation that supports over 500 servers and 5,000 workstations. OIG noted improvements in help desk operations and configuration management. However, OIG identified that management attention is needed for web sites, patch management, and ISSO functions.

CA manages three major web sites: the bureau site, domestic operations site, and the travel site. The travel site is the most visited among all the Department sites, receiving over 171 million page views annually. Currently, CA has no standard operating procedure for managing and updating content on the web pages. No one has overall responsibility for managing and maintaining the content of the web sites. Each office has a different process for keeping the web content up-to-date, and each web site has a different appearance and ambiance. Specific guidance on monitoring content would ensure that information is current, the security level of the information is identified, and access controls are established appropriately.

Bureau of International Narcotics and Law Enforcement Affairs (ISP-I-05-14)

The fragmentation of IT management, without central IT leadership and oversight, reduces IT effectiveness. INL recognizes this and has requested a new position, chief of the Information Systems Division, to manage and oversee IT programs in Washington and Florida.

During the inspection, INL used the Department's analytic tool to verify the configuration settings of its servers and workstation. Compliance with audit policies ranged from six percent to 83 percent. Also, the Department's software security patch management status report does not accurately reflect the status of INL workstations and servers.

INVESTIGATIONS

PRESS RELEASE

Mozambican Arrested for Embezzlement of Government Funds

WASHINGTON –The Inspectors General for the U.S. Agency for International Development (USAID), and the Department announced the arrest of a Mozambique national in Charleston, SC, following an indictment on charges of theft of government funds totaling over \$200,000. OIG special agents for USAID and the Department arrested the individual upon his arrival in Charleston from Mozambique on September 16, 2005. The acting USAID Inspector General stated that “This indictment and arrest serves as notice by this office that fraud will not be tolerated and that we will aggressively pursue and seek to prosecute those who attempt to commit acts of fraud, regardless of where they may be located or what nationality they might be.” It should be noted that criminal charges are not evidence of guilt; a defendant is presumed to be innocent until proven guilty.

The arrest resulted from a joint investigation by the two OIGs. USAID had begun an investigation of the individual for embezzlement of funds during his tenure as cashier at USAID Mozambique Mission. This individual left USAID employment in 2003 to become the cashier at Embassy Maputo. USAID notified the Department of its findings leading to this individual’s being placed on administrative leave and triggering an internal audit and investigation by the Department’s OIG. The indictment charges two counts of theft under Title 18, Section 641, of the U. S. Criminal Code. The indictment alleges that on or about July 2, 2003, through October 10, 2003, and then again on or about October 13, 2003, through June 6, 2005, this individual engaged in a sophisticated fraud scheme within the cashiering operations of both U.S. government locations, which resulted in the theft of more than \$200,000 from the U.S. government.

The Department’s Inspector General stated: “This type of collaborative investigative and enforcement effort helps to ensure that U.S. taxpayer dollars are safeguarded, and not exploited for personal gain.”

MISCONDUCT

Conflict of Interest

OIG conducted an investigation into allegations that a Foreign Service officer stationed overseas accepted gifts from a company having business contracts with the Department. The investigation determined that the officer accepted two free hotel stays while on personal travel. The hotel that offered the free stays was part of the same chain that provided leased office space to the mission where the officer was assigned. OIG referred the matter to the Bureau of Human Resources (HR) for adjudication. On April 20, 2005, HR issued a letter of admonition to the employee.

Privacy Act Violation

OIG conducted an investigation into allegations that a senior Department manager violated the Privacy Act by releasing the name, address, and telephone number of employees assigned under him to a real estate company in North Carolina. The real estate company then used the information to send solicitation packages to the employees. The investigation determined that the senior manager provided an internal telephone book to the company. OIG referred the matter to HR for adjudication. On April 22, 2005, HR issued a letter of reprimand to the employee.

Misuse of Diplomatic Pouch

OIG conducted an investigation into misuse of an unclassified diplomatic pouch by a Foreign Service officer to ship approximately 70 boxes of household effects to her new post. The investigation confirmed the allegations and additionally determined that the officer owed \$6,625 in overweight and storage fees for her regular household effects shipment. OIG referred the matter to HR for adjudication. On April 7, 2005, HR issued a three-day suspension for the officer.

Failure To Pay Financial Obligations/Social Security Taxes

OIG conducted an investigation of a Foreign Service officer for failure to pay \$3,130 in social security taxes for a foreign national servant for whom he helped obtain an employment visa. The officer also allowed the servant to work for another employer in the United States, which caused the servant to be in violation of her work visa and thereby subject to deportation. OIG referred the matter to HR for adjudication. On June 22, 2005, HR issued a three-day suspension for the employee.

Absent Without Leave

OIG conducted an investigation into allegations that a Department employee was sleeping on the job during work hours. The investigation determined the employee was working full-time as a contract employee for the Department during the day and full-

time as a regular Department employee at night. The investigation determined the employee was absent without leave from his regular Department duties for a total of 502 hours from January 2002 until May 2003. The cost of his salary for those hours was \$15,362. OIG referred the matter to HR for adjudication. On July 13, 2005, HR proposed that the employee be terminated from his Department employment.

PROTECTION OF PEOPLE AND FACILITIES

OIG's investigation of alleged product substitution of security doors installed in embassies globally disclosed that Department certification standards for forced entry, ballistic-resistant structural systems were posted on an approved vendor's web site on the Internet. Thus, anyone seeking to harm U.S. entities domestic or abroad had access to critical information useful in planning an attack. **Result:** On the basis of OIG's recommendation, the Department asked the company to remove this critical-sensitive information from its web site.

CONTRACTING IRREGULARITIES

OIG conducted several investigations involving financial matters affecting different areas of the Department. For example, a private company under contract to the Bureau of Overseas Buildings Operations (OBO) double-billed the Department for work provided. The investigation confirmed that the company double-billed for equipment costs on approximately 96 task orders. The double-billing occurred when the company developed a new inventory tracking form after OBO changed the contract terms from a time and materials to a firm, fixed-price procurement. **Result:** OIG's investigation garnered the full cooperation of the company. The company took appropriate administrative actions to reduce its equipment prices by \$1.3 million and refunded \$44,000 to OBO. Additionally, per OIG's recommendations, OBO took steps to ensure that proper internal management controls were in place to prevent similar problems in the future.

OIG conducted an investigation into allegations that a program manager for a local security guard contractor at a U.S. embassy overseas was billing the embassy for local guard contract hours not performed. **Result:** The contractor fired the program manager and performed an internal audit of the contract. The contractor subsequently issued the embassy a credit in the amount of \$137,564 for overcharges to the contract.

IMPERSONATION OF AN AMBASSADOR

OIG conducted an investigation concerning allegations that a resident of the U.S. Virgin Islands was impersonating U.S. government officials; illegally obtaining services includ-

ing motorcades and police protection; and attempting to obtain diplomatic passports and other official U.S. government credentials unlawfully. On September 6, 2005, OIG and agents from DS and the Department of Homeland Security OIG arrested the subject for impersonating a U.S. ambassador and using fraudulent Department credentials. The subject was charged in federal court with one count of impersonating a U.S. government official and one count of misuse of an official passport or permit. Prosecution is pending.

FALSE CLAIMS

OIG conducted an investigation into allegations that a Foreign Service officer was committing significant time and attendance fraud during a detail to two different congressional offices. The investigation determined the officer claimed zero hours of annual and sick leave during her two-year detail from 2001 to 2003. Airline and hotel records obtained by OIG revealed that she took numerous personal trips away from work during this time period and used her diplomatic passport on at least one of the personal trips. OIG referred the matter to HR for adjudication. On June 30, 2005, HR proposed a 90-day suspension for the officer.

OIG conducted an investigation into allegations that a Foreign Service officer submitted a false claim for Separate Maintenance Allowance (SMA) payments, claiming that her spouse was residing in the United States while she was stationed overseas. The investigation determined her spouse was in fact employed by an international organization in another country. As a result of the false claim, the officer received \$7,284 in SMA payments to which she was not entitled. OIG referred the matter to HR for adjudication. On May 27, 2005, HR proposed that the employee be terminated from her employment with the Department.

OIG conducted an investigation into allegations that a Foreign Service officer submitted false statements to the Department to receive SMA payments for ineligible family members. The officer was also alleged to have made false statements on a nonimmigrant visa application for a family member. The investigation determined that the officer submitted a false Foreign Service Residence and Dependency Report claiming the ineligible family members as dependents and received \$7,847 in SMA payments to which she was not entitled. OIG referred the matter to HR for adjudication. On April 14, 2005, HR proposed that the employee be terminated from her employment with the Department.

FOLLOW-UP ACTIONS

Labor Visa Fraud

A joint investigation with the Department of Labor OIG, the Internal Revenue Service, the Federal Bureau of Investigation, and Immigration and Customs Enforcement (ICE)

has resulted in guilty pleas from a total of seven individuals in U.S. District Court, Eastern District of Virginia, on charges of conspiracy to commit immigration fraud through an employment-based visa scheme, conspiracy to encourage an alien to enter the United States unlawfully, money laundering, and misprision of a felony. One defendant remains a fugitive in China.

Government records showed the firm filed at least 1,400 fraudulent applications as part of the scheme. Illegal immigrants were charged as much as \$120,000 each to obtain visas under false pretenses. The company conducted much of its business in cash, and evidence was found documenting the firm structured its cash deposits at its bank in amounts less than \$10,000 to avoid triggering a currency transaction report by the bank. The firm also failed to file federal income-tax returns and failed to report any income during the four-year conspiracy, although the firm had revenues of \$3.2 million.

Two defendants were sentenced for their role in the case. On May 20, 2005, one was sentenced to two years' imprisonment and two years' supervised release and fined \$1,500. On August 12, 2005, the other was sentenced to two years' imprisonment and two years' probation and fined \$750.

On July 22, 2005, one of the remaining defendants was required to pay a monetary judgment of \$500,000, which was determined to be the amount of his illegal proceeds from the scheme. On August 29, 2005, two of the other defendants were required to pay monetary judgments determined to be the amount of their illegal proceeds from the scheme. One was required to pay \$45,000 and the other \$40,000. These defendants have not yet been sentenced. The remaining codefendants are to be sentenced in December 2005. (See OIG, Semiannual Report, October 1, 2004, to March 31, 2005, p. 52.)

False Claim

OIG conducted an investigation into allegations that a former Department employee was paid for five months of sick leave at the end of her tenure with the Department despite the fact that she had begun employment at a new job. The investigation determined that the former employee was paid \$28,161 during the period that she was on sick leave. When interviewed by OIG, the employee confirmed the allegations, but stated she sought approval from Department management and was never told she could not take sick leave and work at another job at the same time. The former employee was willing to repay the money to the government. OIG referred the matter to the Bureau of Resource Management (RM) for collection action. On May 4, 2005, RM notified OIG a collection action for the entire amount had been initiated. (See OIG, Semiannual Report, October 1, 2004, to March 31, 2005, p. 51.)



A BORDER SECURITY INITIATIVE: PASSPORT SENTINEL

OIG established the proactive Passport Sentinel identity theft initiative and formed the Passport Sentinel Alliance to ensure a comprehensive law enforcement approach to identifying passport fraud and prosecuting violators. The initiative helps to determine whether individuals have fraudulently obtained U.S. passports using false identities obtained through identifying theft. Passport Sentinel addresses systemic aspects relating to the subversion of the nation's passport system by individuals, terrorists, and domestic or transnational criminal organizations.

This initiative addresses key aspects of the 2004 Intelligence Reform bill, which requires issuance standards for federal recognition and the establishment of a visa and passport security program in the Department. It addresses the management challenges for counterterrorism and border security, information security, and protection of people and facilities and is in line with OIG's role to identify vulnerabilities and inherent weaknesses in Department programs.

Passport Sentinel works to ensure that the Department stays in the forefront of designing interagency data-mining links with other agencies, both federal and state, involved in border security and terrorism. The Passport Sentinel Alliance consists of the Department's OIG, CA, DS, and the Department of Homeland Security's OIG and ICE, as well as several other federal and state law enforcement and licensing agencies.

Result: During the reporting period, OIG made three arrests under the Passport Sentinel initiative, of whom two were illegal aliens. Another three OIG cases have been referred for prosecution consideration. OIG referred other investigative leads to both DS and ICE. DS made two arrests independently from the referrals; one of a man, a Canadian national wanted since 1977 for child molestation, and one of a female illegal alien. A common factor in the arrests made to date has been that the individuals had all been living under the assumed identities for a significant number of years.

PUBLIC DIPLOMACY INITIATIVE

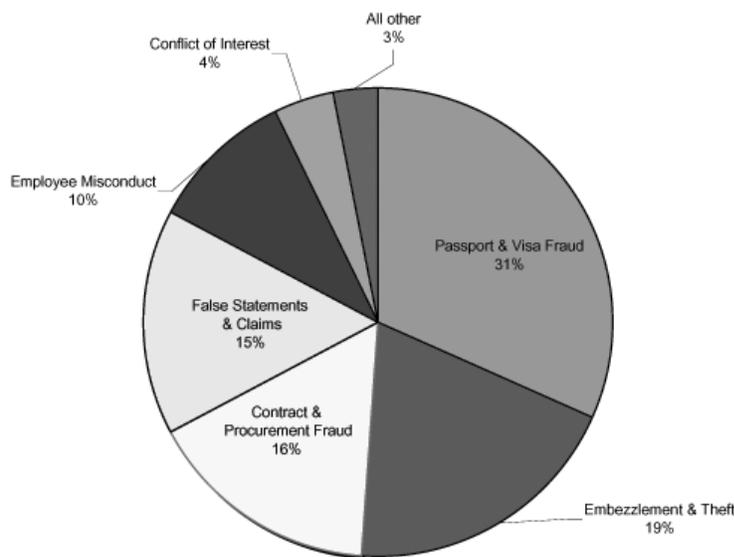
The J-VISA Program

The Department's Bureau of Educational and Cultural Affairs (ECA) administers the Exchange Visitors Designation (J-Visa) Program. The purpose of this program is to further the foreign policy interests of the United States and people of other countries by

means of mutual educational and cultural exchanges. The Department has designated approximately 1,500 private sector sponsors in the United State to facilitate the entry and provide programs for more than 150,000 foreign nationals annually on a fee basis. Several of these sponsors hold designations in more than one category of exchange.

OIG has investigated the J-Visa Program for misuse and exploitation. The Department's Management Control Steering Committee established a Reportable Condition during the previous reporting period on the Oversight of Exchange Visitor Designation Program. During the current reporting period the Office of Inspector General worked with ECA and other bureaus to develop a plan for ECA to provide effective oversight of the sponsors and their programs. In addition, the Office of Inspector General took the initiative to create a law enforcement subcommittee to develop practical and effective methods for the Department to vet sponsors to ensure they are not associated with criminal or terrorist elements. When implemented this will strengthen the Department's ability to ensure the integrity of the J-Visa program and add another link to the protection of the U.S. borders.

Types of Cases



Hotline

Held for action within OIG	19
Referral to other offices for action	154
No action necessary	47
Total allegations received	220

APPENDIX 1: INVESTIGATIVE ACTIVITIES

Criminal Investigative Activities

Indictments/Informations	3
Convictions	7
Sentencings	
- Imprisonment	48 Months
- Probation	48 Months
Referrals for Prosecution	19
Referrals for Prosecution Declined	8
Criminal Judgments/Restitutions	\$587,250.00

Civil Investigative Activities

Civil Referrals	1
Civil Declinations	2
Civil Recoveries	\$0

Administrative Investigative Activities

Administrative Referrals	4
Personnel Actions	
- Removals	3
- Suspensions	3
- Reprimands/Admonishments	2
- Reimbursements	3
Administrative Recoveries	\$1,590,324.57
Total Investigative Recoveries (Judicial and Administrative)	\$2,177,574.57

Investigative Workload

Cases Pending (3/31/05)	60
New Cases Opened	20
Cases Closed	16
Cases Pending (9/30/05)	64
Preliminary Inquiries Pending (3/31/05)	78
Preliminary Inquiries Opened	24
Preliminary Inquiries Closed	66
Preliminary Inquiries Converted to Cases	8
Preliminary Inquiries Pending (9/30/05)	28

APPENDIX 2: REPORTS ISSUED

Audits

AUD/CG-05-41	Quality Control Review of Grant Thornton LLP	09/2005
AUD/CG-05-35	Agreed-Upon Procedures Applied to the Claim Submitted by Kullman Industries, Inc.	08/2005
AUD/CG-05-34	Agreed-Upon Procedures Applied to the American Institute in Taiwan Procurement Practices and RY 2003 Indirect Cost Rate	09/2005
AUD/CG-05-31	Agreed- Upon Procedures Review of Indirect Rates Proposed by Mainstreet Technologies, Inc.	06/2005
AUD/CG-05-30	Agreed-Upon Procedures Review of Indirect Rates Proposed by national Strategy Information Center, Inc.	06/2005
AUD/CG-05-28	Review of Lutheran Immigration and Refugee Service's Reception and Placement Program	06/2005
AUD/CG-05-26	Review of Selected Grants Awarded to Institute for the Study and Development of Legal Systems	09/2005
AUD/CG-05-25	Application of agreed-Upon Procedures for Export Control and Related Border Security Assistance Program Kazakhstan, Kyrgyzstan, & Uzbekistan	06/2005
AUD/FM-05-36	Audit of the International Boundary and Water Commission's 2004 and 2003 Financial Statements	08/2005
AUD/GM-05-33	Assessment of Value-Added Tax Exemption and Reimbursement Effort	08/2005
AUD/FM-05-37	Management Letter Related to the Audit of the International Boundary & Water Commission's 2004 & 2003 Financial Statements	08/2005
AUD/FM-05-38	Audit of the International Cooperative Administrative Support Services' FY 2003 & FY 2002 Financial Statements	08/2005
AUD/FM-05-39	Management Letter Related to the Audit of the International Cooperative Administrative Support Services' FY 2003 & FY 2002 Financial Statements	08/2005
AUD/FM-05-40	Concerns About Changes in Cyber Security Roles & Responsibilities	09/2005
AUD/FM-05-43	Department's Oversight of the Foreign Affairs Recreation Association	09/2005
AUD/FM-05-44	Application of Agreed-Upon Procedures for Retirement, Health Benefits & Life insurance	09/2005

AUD/PP-05-42	Review of Department's Compliance with the State First Policy for Acquisitions	09/2005
AUD/PPA-05-15	Review of Security Upgrade Construction Project in Havana, Cuba	06/2005
AUD/PR-05-29	Export Licensing of Chemical and Biological Commodities	04/2005
AUD/IP-05-32	Survey of the Office of the U.S. Global AIDS Coordinator	09/2005

Inspections

ISP-C-05-22	Compliance Follow-up Review of Embassy Kathmandu, Nepal	07/2005
ISP-C-05-41	Compliance Follow-up Review of Bureau of Democracy, Human Rights, and Labor	09/2005
ISP-CA-05-68	Bureau of Consular Affairs, Office of Overseas Citizens Services, Office of Children's Issues	09/2005
ISP-CA-05-06	Inspection of the Bureau of Consular Affairs, Office of the Executive Director	09/2005
ISP-CA-05-62	Inspection of the Bureau of Consular Affairs, Office of Policy Review & Interagency Liaison	09/2005
ISP-I-05-13A	Inspection of Embassy Tel Aviv, Israel	08/2005
ISP-I-05-14	Inspection of the Bureau of International Narcotics & Law Enforcement Affairs (INL)	07/2005
ISP-I-05-15A	Inspection of Consulate General Jerusalem	07/2005
ISP-I-05-16A	Inspection of Embassy Beirut, Lebanon	07/2005
ISP-I-05-17A	Inspection of Embassy Damascus, Syria	08/2005
ISP-I-05-18A	Inspection of Embassy Singapore	08/2005
ISP-I-05-19A	Inspection of Embassy Kuala Lumpur, Malaysia	07/2005
ISP-I-05-20A	Inspection of Embassy Bandar Seri Begawan, Brunei	07/2005
ISP-I-05-21A	Inspection of Embassy New Delhi, India	08/2005
ISP-I-05-24A	Inspection of the American Institute in Taiwan	07/2005
ISP-I-05-28A	Inspection of Embassy Hanoi & Consulate General Ho Chi Minh City, Vietnam	09/2005
ISP-I-05-29A	Inspection of Embassy Jakarta & Consulate General Surabaya	09/2005
ISP-I-05-30	Inspection of Embassy Dili, East Timor	09/2005
ISP-I-05-32A	Inspection of Embassy Santo Domingo, Dominican Republic	09/2005
ISP-I-05-35A	Inspection of Embassy Islamabad, Consulate General Karachi, & Consulates Lahore & Peshawar, Pakistan	09/2005
ISP-I-05-36A	Inspection of Embassy Lilongwe, Malawi	09/2005
ISP-I-05-37A	Inspection of Embassy Harare, Zimbabwe	09/2005
ISP-I-05-38A	Inspection of Embassy Gaborone, Botswana	09/2005
ISP-I-05-39A	Inspection of Embassy Lusaka, Zambia	09/2005
ISP-I-05-40	Inspection of Bureau of Oceans & International Environmental & Scientific Affairs	09/2005

ISP-I-05-42	Inspection of the Science & Technology Adviser to the Secretary	09/2005
ISP-I-05-59	Inspection of Consulate General Hong Kong	08/2005
ISP-IQO-05-60	Review of Security Programs at U.S. Embassy Baghdad	08/2005
ISP-IQO-05-61	Review of Staffing Process for Embassy Baghdad's New Embassy Compound	07/2005
ISP-IQO-05-72	Review of Iraqi Police Training (joint State/DOD report) Report published and issued by DOD, #IE-2005-002.	07/2005

Security Reviews

ISP-S-05-13A	Security Management Review of Embassy Tel Aviv, Israel	08/2005
ISP-S-05-15A	Security Management Review of Consulate General Jerusalem	07/2005
ISP-S-05-16A	Security Management Inspection of Embassy Beirut, Lebanon	07/2005
ISP-S-05-17A	Security Management Inspection of Embassy Damascus, Syria	08/2005
ISP-S-05-18A	Security Management Review of Embassy Singapore, Singapore	08/2005
ISP-S-05-19A	Security Management Review of Embassy Kuala Lumpur, Malaysia	07/2005
ISP-S-05-20A	Security Management Review of Embassy Bandar Seri Begawan, Brunei	07/2005
ISP-S-05-21A	Security Management Inspection of Embassy New Delhi, India	08/2005
ISP-S-05-24A	Security Management Inspection of American Institute in Taiwan	07/2005
ISP-S-05-28A	Security Management Review of Embassy Hanoi & Consulate General Ho Chi Minh City, Vietnam	09/2005
ISP-S-05-29A	Security Management Review of Embassy Jakarta, Indonesia, & Constituent Posts	09/2005
ISP-S-05-32A	Security Management Inspection of Embassy Santo Domingo, Dominican Republic	09/2005
ISP-S-05-35A	Security Management Inspection of Embassy Islamabad, Pakistan, & Constituent Posts	09/2005
ISP-S-05-36A	Security Management Inspection of Embassy Lilongwe, Malawi	09/2005
ISP-S-05-37A	Security Management Inspection of Embassy Harare, Zimbabwe	09/2005
ISP-S-05-38A	Security Management Inspection of Embassy Gaborone, Botswana	09/2005
ISP-S-05-39A	Security Management of Embassy Lusaka, Zambia	09/2005
ISP-S-05-71	Review of New Embassy Construction – Embassy Beijing	08/2005

SIO-A-05-02	Review of the Creekbed Renovation Project	04/2005
SIO-I-05-14	Special Review of the Rosslyn Ridge Residential Housing Compound, Embassy Nairobi, Kenya	07/2005

Information Technology Reviews

IT-I-05-05	Summary Evaluation of the Regional Information Management Centers	09/2005
IT-I-05-07	Review of the Information Security Program for Sensitive Compartmented Information Systems at the Department of State (FISMA)	08/2005
IT-I-05-08	Evaluation of Department of State's Public Diplomacy Network Conversion to OpenNet Plus	09/2005
IT-I-05-09	Review of the Information Security Program at the Department of State (FISMA)	09/2005
IT-IQO-05-04	Survey of Iraq IT Waivers	06/2005

APPENDIX 3: SAVINGS AND MORE EFFECTIVE USE OF RESOURCES

Table I

Inspector General Issued Audit Reports With Questioned Costs

	Number of Reports	(Dollars in Thousands)	
		Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period	18	12,779	21,491
B. Which were issued during the reporting period	4	6,340	938
C. For which a management decision was made during the reporting period - based on formal administrative or judicial appeal (i) dollar value or disallowed (ii) dollar value of costs not allowed			
D. For which no management decision has been made by the end of reporting period	22	27,831	12,807
Reports for which no management decision was made within 6 months of issuance	18	12,491	12,779

Table 2

**Inspector General Issued Audit Reports with
Recommendations That Funds Be Put To Better Use**

	Numbers of Reports	Dollar Value (in thousands)
A. For which no management decision has been made by the commencement of the reporting period	4	22,423
B. Which were issued during the reporting period.	0	0
Subtotals (A+B)	4	22,423
C. For which a management decision was made during the reporting period.	0	0
(i) dollar value of recommendations that were agreed to by management –based on proposed management action –based on proposed legislative action		
(ii) dollar value of recommendations that were not agreed to by management		
D. For which no management decision has been made by the end of the reporting period.	4	22,423
Reports for which no management decision was made within 6 months of issuance	4	22,423

BROADCASTING BOARD OF GOVERNORS



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

Inspector General

October 31, 2005

MEMORANDUM

TO: Mr. Kenneth Y. Tomlinson, Chairman
Broadcasting Board of Governors

FROM: Howard J. Krongard 
Inspector General

SUBJECT: Semiannual Report to Congress, April 1 to September 30, 2005

I am pleased to transmit to you the Office of Inspector General's (OIG) Semiannual Report to the Congress for the period ending September 30, 2005. This report is required by the Inspector General Act of 1978, as amended, and covers the work of this office during the period indicated. The Act requires that you transmit the report to the appropriate committees of the Congress by November 30, together with any comments you may wish to make.

This is my first Semiannual Report since taking up responsibilities as Inspector General in May 2005. During this reporting period, OIG reviewed and monitored programs, activities, and operations of the Broadcasting Board of Governors (BBG) in order to make a positive impact by strengthening the management of the BBG. We have done this primarily through audits, inspections, and investigations that provide independent, objective, and professional assessments of the operations and activities and recommend ways to strengthen and improve them.

During this period, OIG made recommendations to improve program management and performance and management controls at the International Broadcasting Bureau's Greenville, North Carolina, transmitting station; operations in and broadcasting to Pakistan; operations in India; operations in Hong Kong; and the Botswana transmitting station. OIG also reviewed the Voice of America's digital upgrade program and the BBG information security program.

These and other achievements are summarized in the enclosed report.

EXECUTIVE SUMMARY

The auditors, inspectors, investigators, and other professionals in the Office of Inspector General (OIG) promote effective management, accountability, and positive change in the Department of State (Department), the Broadcasting Board of Governors (BBG), and the foreign affairs community. They provide leadership to:

- promote integrity, efficiency, effectiveness, and economy;
- prevent and detect waste, fraud, abuse, and mismanagement;
- identify vulnerabilities and recommend constructive solutions;
- offer expert assistance to improve Department and BBG operations;
- communicate timely, useful information that facilitates decision-making and achieves measurable gains; and
- keep the Department, BBG, and the Congress fully and currently informed.

OIG's accomplishments during this period include the following:

- **OIG Finds That Broadcasting Contributes to Public Diplomacy in War on Terror.** Inspectors found that the BBG, through the efforts of the International Broadcasting Bureau (IBB) and the Voice of America (VOA), is making contributions to the global war on terror and U.S. interests in Pakistan in a difficult and challenging environment. VOA has “gone local” in content and presence and has applied “formatics” principles of modern radio, with a resulting growth in audience and credibility.
- **OIG Reviews IBB Transmitting Stations.** OIG's inspection of the IBB's Greenville, NC, Transmitting Station revealed security and safety issues with its mail handling. IBB acted quickly to implement OIG recommendations to ensure the station continues to function should it receive hazardous substances through the mail. OIG recommended, in the interest of wise use of the taxpayers' money, that IBB review its current twin operations in Greenville and decide whether to close one site. OIG noted that the transmitting station faced preventive and scheduled maintenance challenges that IBB has now taken steps to address.
- **OIG Identifies Needed Improvements in Information Security.** An evaluation of BBG's Information Security Program found that, although BBG had taken several actions to improve the effectiveness of its information security program, several areas require senior management attention. BBG's organization allows system managers too much discretion in implementing security requirements and has not completed the development of agency-wide enterprise architecture.

- **OIG Investigates Unemployment Fraud of IBB Employee.** Based on a referral from BBG management, OIG investigated an IBB employee and determined that the employee received a total of 14 unemployment checks in the amount of \$6,994 while employed by IBB. The employee pleaded guilty, and sentencing is tentatively scheduled for early October 2005.

INSPECTIONS

Security Issues at the International Broadcasting Bureau's Greenville, North Carolina, Transmitting Station (ISP-IB-05-70)

Greenville Transmitting Station comprises two locations, site A and site B. Both sites are near Greenville, NC. This inspection assessed security at the Greenville Transmitting Station and the station manager's oversight of the transmitting station's security program. In assessing security at the station, OIG reviewed overall security management, perimeter security, surveillance system capabilities, the guard contract, and mail handling.

OIG made one recommendation, which addressed mail handling. After this inspection ended, the International Broadcasting Bureau (IBB) reviewed and improved its mail-handling procedures. Then, station management trained the mail handlers in those procedures in a way that ensures the safety and viability of the facility.

The International Broadcasting Bureau's Greenville, North Carolina, Transmitting Station (ISP-IB-05-69)

OIG assessed the operations of the IBB Greenville Transmitting Station, including its program management, program performance, and management controls. The current station manager deserves praise for his decisions, initiatives, and style of management. These have moved the station forward and have positively affected morale, despite the January 2005 announcement of planned budget and staff reductions.

Additional work remains to be done to maintain and upgrade station facilities. The reductions being made by the Broadcasting Board of Governors (BBG) could mothball or close site A or site B. To avoid wasting taxpayers' money upgrading a facility that may be put out of service, IBB needs to decide soon about the future of the two sites. Sites A and B face preventive and scheduled maintenance challenges, but site A has had much more wear and tear. Furthermore, much of the maintenance at both sites is corrective, not preventive.

Inspection of Broadcasting Board of Governors' Operations in and Broadcasting to Pakistan (ISP-IB-05-67)

In the difficult and challenging setting posed by the environment in Pakistan, BBG, through the efforts of IBB and the Voice of America (VOA), is making a contribution to

U.S. interests in Pakistan and the region and in doing so, is making a positive contribution to the global war on terrorism. VOA launched its Urdu initiative on May 10, 2004, with the introduction of Radio Aap ki Dunyaa, a new brand meaning “your world” in Urdu. VOA has applied the objectives in the BBG strategic plan of adopting the principles and practices of modern radio formats and going local in content and presence. This has paid off with audience growth and growing credibility.

Recognizing that Pakistan is on the frontline in the global war on terrorism and that VOA broadcasts are a potentially powerful tool of public diplomacy, Embassy Islamabad believes that VOA broadcasts to Pakistan also need to be in Pashto for Pashto-speaking Pakistanis. Embassy Islamabad also believes that VOA needs more capacity to reach a larger audience in Pakistan. BBG and VOA are proceeding with a significant technical upgrade. In conjunction with that, IBB needs to establish a performance measurement objective for signal strength and audience in and around Karachi with a timetable for achieving those objectives. Finally, the management controls at the VOA Islamabad News Bureau are good; however, the bureau does need to make changes in its contract for guard services.

Inspection of Broadcasting Board of Governors’ Operations in India (ISP-IB-05-66)

In New Delhi, BBG has a VOA news bureau, and IBB has a regional technical monitoring office (TMO). These offices have separate functions and do not interact. The New Delhi TMO is supervised from Washington, DC, and is one of six such offices worldwide. The VOA news bureau is supervised by the VOA news bureau in Hong Kong and serves as VOA’s South Asia office, covering India, Sri Lanka, Nepal, Bangladesh, the Maldives, and Bhutan. The bureau carries out its responsibilities well.

OIG found that the VOA South Asia office does not have a full video editing setup. This prevents the transmission of broadcast-quality video via the Internet to VOA Washington and restricts the correspondent’s video journalism. The TMO is a lean, cost-effective operation that plays an active role in ensuring that U.S. nonmilitary radio broadcasting reaches southern Asia. OIG found that it provides excellent monitoring services.

The Review of the Voice of America’s Digital Upgrade Program (ISP-IB-05-65)

OIG reviewed VOA’s digital upgrade effort. Although the upgrade was not completed, OIG found that much had been accomplished since the start of the program. VOA’s transformation to a digital organization supports BBG’s strategic objective to accelerate

multimedia development through the convergence of traditional broadcasting and telecommunications technologies. Because most of the major digital projects were completed, OIG focused on the last remaining major initiative, the Integrated Digital Audio Production System (IDAPS). Building on the earlier digital upgrade projects, the

deployment of IDAPS brought commercial radio broadcasting technology standards to VOA. OIG found that project planning and execution issues slowed the completion of IDAPS but that IDAPS was in place and the VOA language services were using the new digital audio system in program production and broadcasting.

Inspection of the Broadcasting Board of Governors' Operations in Hong Kong (ISP-IB-05-64)

BBG operates three establishments in Hong Kong: VOA and Radio Free Asia (RFA) news bureaus and an IBB technical monitoring office. These offices have separate functions and do not interact. The VOA Hong Kong news bureau supervises VOA English correspondents in all of Asia, including Jakarta, Seoul, Beijing, Islamabad, and New Delhi. The bureau carries out its responsibilities well, and OIG found it is appropriate, productive, and effective for VOA to maintain two senior editors in the bureau.

At the TMO, a locally employed staff member works with the one at the TMO in New Delhi assisting or leading in coordination of radio frequency use at the annual High Frequency Coordination Conference, held under the auspices of the Asia Pacific Broadcast Union. OIG believes the use of TMO Foreign Service nationals at this conference is an acceptable intergovernmental process that helps to avoid anarchy on high-frequency radio bands regulated by the International Telecommunications Union.

Inspection of the International Broadcasting Bureau's Botswana Transmitting Station (ISP-IB-05-63)

The Botswana Transmitting Station has been fighting a losing battle in its effort to recruit and retain competent technical and administrative staff. A wage and benefit review is needed, and a possible exceptional pay rate may be in order. More broadly, the station faces the government of Zimbabwe's opposition to the special VOA programs the station transmits to Zimbabwe. So far, Embassy Gaborone has successfully intervened to avoid possible changes in VOA programming or its transmission from the Botswana Transmitting Station, despite Zimbabwe's pressure on the government of Botswana.

Security Issues at the International Broadcasting Bureau's Delano, California, Transmitting Station (IBO-S-05-06)

This security inspection assessed security at the International Broadcasting Bureau's (IBB) Transmitting Station in Delano, California. It also examined the station manager's oversight of the security program. In 2004, there were two other inspections at the site. In January 2004, the Safety Officer of IBB's Office of Administration visited the facility to assess safety guidelines, in accordance with the BBG/IBB Manual of Administration, Occupational Safety and Health Administration regulations, and Executive

Order 12196 guidelines. The site visit's report commended the station for the special attention it gives to safety and to the measures it takes to follow all guidelines. OIG found that to be the case. In addition, a member of the IBB Office of Security visited in September 2004 to perform setup, acceptance, and training of the new security surveillance system that was being installed.

INFORMATION TECHNOLOGY

Review of the Information Security Program at the Broadcasting Board of Governors (IT-I-05-10)

OIG's evaluation of BBG information security program concluded that BBG has made progress in the past year in meeting Federal Information Security Management Act (FISMA) requirements and is adjusting well to last year's reorganization of information technology (IT) operations. BBG added a 25th system to its major systems inventory and categorized all of the systems based on risk impact levels as required by Federal Information Processing Standards Publication 199. BBG completed certification and accreditation for 28 percent (7 of 25) of its major systems. Ninety-two percent (23 of 25) of the major systems have risk assessments, system security plans, and plans of action and milestones (POA&M). Also, BBG developed agency-wide POA&Ms to address findings reported in previous OIG FISMA reviews and site inspections. Lastly, BBG deployed a new IT security awareness training program for FY 2005 that has had positive reviews.

Despite this progress, BBG's organization allows system managers too much discretion in making risk determinations, creating and implementing plans to mitigate vulnerabilities, reporting on progress in meeting FISMA requirements, and implementing systems security configurations. BBG's method of tracking POA&Ms is cumbersome and has resulted in lapsed milestones. Finally, BBG has not completed development of an agency-wide enterprise architecture, a recommendation from last year's OIG report and a requirement since 2002. BBG concurred with OIG's recommendations and is moving forward to implement the recommendations.

IBB Botswana Transmitting Station (ISP-IB-05-63)

OIG found several deficiencies in both information management and IT security, which should be dealt with to ensure a secure and reliable network. The local systems manager should correct the security deficiencies and the majority of other identified weaknesses, and the BBG Chief Information Officer should address the overall policy and procedural concerns identified by OIG. The issues pertaining to general BBG security policy and procedures will be the focus of OIG's 2005 Federal Information Security Management Act evaluation.

OIG identified two human resource areas that should be addressed by the transmitting station management. First, the position description for the systems LES is inaccurate and does not include key elements for securing the network. The position description

should include network security responsibilities as key elements. Second, an internal control weakness exists because the systems administrator is the only person at the facility with the knowledge and ability to perform network operations, maintenance, and security. Also, no alternate or back-up administrator has been trained or designed if the primary systems administrator is unavailable to perform required duties.

IBB Botswana's approach to IT security regarding its network needs improvement. Some of the issues found included security configurations, security documentation, and patch management implementation. OIG found that many of these problems stem from lack of IT security training, systems personnel inattention, and inadequate direction from BBG IT management.

INVESTIGATIONS

OIG opened an investigation based upon a referral from BBG management that an IBB employee was receiving unemployment benefits from Department of Employment Services, Washington, DC. The investigation determined that the employee received a total of 14 unemployment checks in the amount of \$6,994 from August 2004 through January 2005 while employed by IBB. On July 19, 2005, OIG agents arrested the subject at her workplace. On August 8, 2005, the subject pleaded guilty in D.C. Superior Court to one count of first degree fraud. Sentencing is tentatively scheduled for early October 2005. (05-058)

APPENDIX 1: INVESTIGATIVE ACTIVITIES

Workload	Number
Cases pending 3/31/05	2
New cases opened	2
Cases closed	2
Cases pending 9/30/05	2
Preliminary inquiries pending 3/31/05	0
Preliminary inquiries opened	0
Preliminary closed	0
Preliminary inquiries converted to cases	0
Preliminary inquiries pending 9/30/05	0
Total Judicial Actions	0
Referrals for Prosecution	1
Referrals for Prosecution Declined	0
Criminal Indictment/Arrest	1
Criminal Conviction	0
Criminal Sentencing	0
Time Probation	0 months
Court Ordered Fine	\$0
Court Ordered Restitution	\$0
Total Investigative Recoveries	\$0

APPENDIX 2: REPORTS ISSUED

ISP-IB-05-63	The International Broadcasting Bureau's Botswana Transmitting Station	8/2005
ISP-IB-05-64	Inspection of the Broadcasting Board of Governors' Operations in Hong Kong	8/2005
ISP-IB-05-65	Review of the Voice of America's Digital Upgrade Program	8/2005
ISP-IB-05-66	Inspection of the Broadcasting Board of Governors' Operations in India	8/2005
ISP-IB-05-67	The Broadcasting Board of Governors' Operations in and Broadcasting to Pakistan	9/2005
ISP-IB-05-69	Inspection of the International Broadcasting Bureau's Greenville, North Carolina Transmitting Station	8/2005
ISP-IB-05-70	Security Issues at the International Broadcasting Bureau's Greenville, North Carolina Transmitting Station	8/2005
IBO-S-05-06	Security Issues at the International Broadcasting Bureau's Delano, California, Transmitting Station	5/2005
IT-I-05-10	Review of the Information Security Program at the Broadcasting Board of Governors	9/2005

APPENDIX 3: SAVINGS & MORE EFFECTIVE USE OF RESOURCES

Table I
Inspector General Issued Audit Reports
With Questioned Costs

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

Table 2

**Inspector General Issued Audit Reports With
Recommendations That Funds Be Put To Better Use**

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

CONGRESSIONAL ACTIVITIES AND OUTREACH

Testimony

On June 15, 2005, Inspector General Howard J. Krongard testified before the Subcommittee on Immigration, Border Security, and Claims of the House Judiciary Committee regarding OIG's September 2003 report on the Diversity Visa Program (ISP-CA-03-52). His testimony updated previous OIG testimony on this subject by describing the current status of the Department's actions in response to OIG's recommendations and by highlighting major changes, such as electronic filing.

On September 13, 2005, Deputy Inspector General John E. Lange testified before the Subcommittee on National Security, Emerging Threats, and International Relations of the House Government Reform Committee regarding OIG's observations about the Department's progress since 2002 in strengthening the visa process as an antiterrorism tool. The testimony highlighted substantial measures taken by the Department when compared to the findings and recommendations made in OIG's December 2002 report on Nonimmigrant Visa Issuance Policy and Procedures (ISP-I-03-26), including updated OIG work that was reported in July 2005: Nonimmigrant Visa Adjudication: the Visa Referral Process (ISP-CA-05-56) and Nonimmigrant Visa Adjudication: Standards for Refusing Applications (ISP-CA-05-58).

Congressional Mandates and Requests

In response to legislative mandates and requests from Congress, OIG conducted the following reviews during this semiannual period:

- As mandated by the Federal Information Security Management Act of 2002, OIG conducted independent assessments of the Department's and BBG's information security systems by reviewing the overall effectiveness of each agency's information security programs. (IT-I-05-09 and IT-I-05-10)
- As mandated by Section 1402 of the National Defense Authorization Act of 2000, OIG conducted an audit of Export Licensing of Chemical and Biological Commodities. (AUD/PR-05-29)
- As mandated by the Chief Financial Officers Act, as amended, OIG directed and monitored the following financial statement audits and other work conducted by an independent public accountant:

- *Audit of the International Boundary and Water Commission's 2004 and 2003 Financial Statements (AUD/FM-05-36)*
- *Management Letter Related to the Audit of the International Boundary and Water Commission's 2004 and 2003 Financial Statements (AUD/FM-05-37)*
- *Audit of the International Cooperative Administrative Support Services' FY 2003 and FY 2002 Financial Statements (AUD/FM-05-38)*
- *Management Letter Related to the Audit of the International Cooperative Administrative Support Services' 2003 and 2002 Financial Statements (AUD/FM-05-39)*
- *Concerns About Changes in Cyber Security Roles and Responsibilities (AUD/FM-05-40)*
- *Application of Agreed-Upon Procedures for Retirement, Health Benefits, and Life Insurance (AUD/FM-05-44)*

The Inspector General and OIG staff met with congressional staff to review and comment on a variety of issues regarding OIG as well as the OIG work on the operations and programs of the Department and Broadcasting Board of Governors. Committees included the Senate Appropriations Subcommittee on State, Foreign Operations, and Related Programs; the House Appropriations Subcommittee on Science, the Departments of State, Justice, and Commerce and Related Agencies; the Senate Select Committee on Intelligence; the House Government Reform Committee; and the Congressional Border Caucus.

Outreach and Media Assistance

During this reporting period, OIG participated in two Foreign Service officer orientations and two Ambassadorial Seminars as well as other courses offered by the Foreign Service Institute (FSI) to inform Department employees about the role, mission, and services provided by OIG. A senior consular inspector also addressed FSI's Fraud Prevention Manager Class regarding OIG's consular reviews.

As a part of OIG's anticorruption outreach, the Inspector General met with Iraqi delegations to discuss the role of government oversight. The Inspector General participated in OIG's annual inspector's training.

Members of the media inquired about several OIG reviews, including passport execution fees, Iraqi police training program, the U.S. International Boundary and Water Commission, public diplomacy, and OIG work in Taiwan.

Legislation Monitored

Some of the bills reviewed and monitored by OIG legislative staff include:

- H.R. 1268 – Fiscal Year 2005 Emergency Supplemental Appropriations for Iraq and Afghanistan, Tsunami Relief
- H.R. 2862 – Fiscal Year 2006 Appropriations Bill for Science, the Departments of State, Justice, and Commerce, and Related Agencies, including House Report 109-118
- H.R. 3057 – Fiscal Year 2006 Appropriations for Foreign Operations, and Export Financing, including Senate Report 109-96
- S. 600 and H.R. 2601– the Foreign Relations Authorization Act, Fiscal Years 2006 and 2007, Providing for the Department of State and International Broadcasting Activities
- S. 1371 – a Bill to Extend the Termination Date of the Office of the Special Inspector General of Iraq Reconstruction and to Provide Additional Funds
- H.R. 2863 – Fiscal Year 2006 Appropriations Bill for the Department of Defense
- H.R. 2475 – Fiscal Year 2006 Authorization Bill for Intelligence and Intelligence-Related Activities of the U.S. Government
- H.R. 1817 – Fiscal Year 2006 Appropriations Bill for the Department of Homeland Security

Implementation of the Government Performance and Results Act and the President's Management Agenda

One element of the President's Management Agenda since 2001 is rightsizing. A number of Department initiatives related to rightsizing are under way; including reviews by the Office of Rightsizing the USG Presence Overseas (M/R) rightsizing reviews, a regionalization working group, State-USAID Joint Management Council efforts, and hard-to-fill staffing incentives. OIG focused on the Department's progress in rightsizing overseas missions and domestic bureaus. Rightsizing, including regionalization and consolidation, was an area of emphasis of all overseas and domestic inspections. Overall, OIG found that the Department has made positive but only limited progress in address rightsizing issues. The most recent OMB scorecard gives the Department a yellow light in assessing its progress toward key rightsizing milestones, a judgment with which OIG concurs.

OIG found numerous untapped regionalization opportunities overseas that could reduce costs and security vulnerabilities or improve operations. Most administrative functions in Bandar Seri Begawan, for example, could be provided at more secure locations and more effectively from a regional center. Missions with light consular workloads often assigned the work to an inexperienced officer on a part-time basis, increasing consular vulnerabilities. OIG recommended that Embassies Bandar Seri Begawan, Maseru, Mbabane, and Pretoria and Consulate General Chiang Mai transfer specific visa functions to different missions or regional centers.

Duplicative administrative structures continue to exist overseas and in Washington. OIG found redundant administrative structures in Paris and recommended that Embassy Paris and the U.S. Missions to the Organization for Economic Cooperation and Development and the United Nations Educational, Scientific, and Cultural Organization share a joint management structure. OIG also recommended that a number of like functions be consolidated in Frankfurt, including functions in the Vienna Regional Program Office, Paris Financial Service Center, and Embassy Berlin to provide more cost-effective training and support and free up limited space in Berlin. OIG noted duplicate ICASS structures in Amman, Paris, Gaborone, Harare, and Lilongwe.

Although OIG supports Department regionalization efforts, OIG found that regional center growth has not been planned or managed effectively. During inspections of some of the Department's largest regional centers, including those in Thailand, Germany, and South Africa, growth occurred in a piecemeal fashion in some cases straining existing resources and structures. All reports also cited weaknesses in the National Security Decision Directive (NSDD) 38 process to effectively manage regional center growth owing to the inherent inability of chiefs of mission to judge institutional implications of hosting regional support services. At one embassy, OIG recommended that the M/R review NSDD-38 authorities with a view to centralizing responsibility for initial regional center determinations within the Department. Although M/R took responsibility for "coordinating" that regional center's staffing, the lack of a Department-wide master plan for regional centers calls into question whether such coordination would be effective. Other agency regional center growth adds an additional level of complexity to rightsizing and will likely require changes to the NSDD-38 authorities and other legislative changes.

ABBREVIATIONS

ACS	American citizen services
AIT	American Institute in Taiwan
BBG	Broadcasting of Governors
CA	Bureau of Consular Affairs
CA/EX	CA's Office of the Executive Director
CIO	Chief Information Officer
DS	Bureau of Diplomatic Security
ECA	Bureau of Educational and Cultural Affairs
FISMA	Federal Information Security Management Act
HR	Bureau of Human Resources
IAA	Interagency agreements
ICASS	International Cooperative Administrative Support Services
INL	Bureau of International Narcotics and Law Enforcement Affairs
IRM	Bureau of Information Resource Management
ISSO	Information system security officer
IT	Information Technology
OBO	Bureau of Overseas Buildings Operations
OIG	Office of Inspector General
ONP	OpenNet Plus network
PDNet	Public Diplomacy global network
PERFAR	The President's Emergency Plan for AIDS Relief
RIMC	Regional Information Management Center
S/GAC	Office of the U.S. Global AIDS Coordinator
USIBWC	International Boundary and Water Commission U.S. and Mexico, U.S. Section
VAT	Value-added tax

INDEX OF REPORTING REQUIREMENTS INSPECTOR GENERAL ACT OF 1978, AS AMENDED

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Section 5(a)(11)	Significant revised management decisions	none
Section 5(a)(12)	Significant management decisions with which OIG disagreed	none

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