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Office of Inspector General
United States Department of State

AUD-MERO-22-23

Office of Audits

March 2022

Audit of the Process To Prepare Residences for New Tenants at U.S. Embassy Cairo, Egypt

MIDDLE EAST REGION OPERATIONS

UNCLASSIFIED



HIGHLIGHTS

Office of Inspector General
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What OIG Audited

Each year, residential properties in the Department of State's (Department) housing pool are reassigned as employees rotate in and out of overseas assignments. The process of preparing these properties for occupancy is called make-ready. In 2020, U.S. Embassy Cairo, Egypt, officials identified concerns with make-ready activities such as the high cost of materials and the frequent use of overtime. Officials stated that they implemented internal controls to address some identified deficiencies but requested that OIG conduct an audit to assess resource management, management controls, and procurement practices involving the make-ready process.

Accordingly, OIG conducted this audit to determine whether implemented internal controls involving the make-ready process at Embassy Cairo were sufficient to safeguard expenditures and whether embassy officials had managed the process of accounting for make-ready costs in accordance with Department requirements. To conduct the audit, OIG reviewed 25 make-ready projects executed at Embassy Cairo in FYs 2019–2021.

What OIG Recommends

OIG made 24 recommendations to Embassy Cairo to improve internal controls and the management of the make-ready process. On the basis of Embassy Cairo's response to a draft of this report, OIG considers all 24 recommendations resolved, pending further action. A synopsis of Embassy Cairo's comments and OIG's reply follow each recommendation in the Results section of this report. Embassy Cairo's response to a draft of this report is reprinted in its entirety in Appendix C.

March 2022

OFFICE OF AUDITS

MIDDLE EAST REGION OPERATIONS

Audit of the Process To Prepare Residences for New Tenants at U.S. Embassy Cairo, Egypt

What OIG Found

OIG confirmed that Embassy Cairo officials took steps to address some known internal control deficiencies impacting the make-ready process; however, OIG found that the controls implemented had not been fully effective in safeguarding expenditures. For example, in OIG's review of 25 make-ready projects executed in FYs 2019–2021, OIG found that embassy officials approved several questionable expenditures including the purchase of 25 outdoor lighting fixtures for \$2,045 in one residence. In another make-ready project, sixteen staff members recorded 501 labor hours and ordered supplies costing \$1,046 without recording any details on the type of work performed. In addition, embassy officials have not determined whether the frequent use of overtime supporting the make-ready process is necessary. For example, OIG found that all 154 staff in one embassy section with make-ready responsibilities claimed overtime in FY 2021. OIG concluded that the primary cause of the deficiencies noted is insufficient internal control measures and that enhanced or additional management controls are needed to promote accountability and improve monitoring practices over the make-ready process. Until such measures are established, Embassy Cairo will have limited assurance that it is appropriately safeguarding expenditures from waste and mismanagement.

Additionally, OIG found that Embassy Cairo officials are not accounting for make-ready costs in accordance with Department requirements. For example, officials incorrectly attributed time for locally employed staff such as welders, truck drivers, and carpenters to post's total make-ready costs even though their work does not directly relate to make-ready efforts. In addition, Embassy Cairo did not record the supplies, tools, and equipment used for make-ready projects as part of post's total make-ready costs. As a result, the reported costs for the embassy are not representative of its actual make-ready costs. Inaccurate budget information will make it challenging for Embassy Cairo officials to meet their daily operational needs because they do not have an accurate picture of the embassy's spending patterns.

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OBJECTIVE

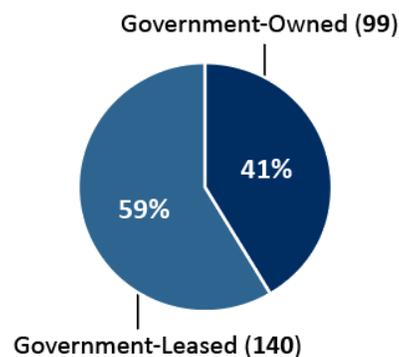
The Office of Inspector General (OIG) conducted this audit to determine whether implemented internal controls involving the make-ready process at U.S. Embassy Cairo, Egypt, were sufficient to safeguard expenditures and whether embassy officials have managed the process of accounting for make-ready costs in accordance with Department of State (Department) requirements. OIG initiated this audit in response to a request from Embassy Cairo.

BACKGROUND

Embassy Cairo is one of the largest and most complex U.S. embassies in the world. According to the Department’s biennial ranking, Embassy Cairo is considered a Category 5 (on a scale from 1 to 5+) embassy. Rankings are based on the “level and type of work required to achieve the Department’s bilateral and multilateral core diplomatic mission.” Specifically, the Department describes a Category 5 embassy as a “very large, comprehensive, and full-service mission” that is in a country of major importance to the United States and that has a global influence on many countries around the world. This significant global influence and active bilateral relationship require the Department to allocate extensive and very experienced in-country U.S. personnel resources.¹

According to Embassy Cairo officials, there were 223 U.S. direct-hire staff working at the embassy representing various U.S. Government agencies as of February 2021. These personnel serve on tours ranging from 2 to 4 years. Some of these personnel are accompanied by their families. The U.S. direct-hire staff and their families live in apartments or single-family residences that are either owned or leased by the U.S. Government. As of January 2021, the embassy’s housing pool consisted of 99 Government-owned properties and 140 leases for a total of 239 units (see Figure 1).

Figure 1: Number of Government-Owned and Leased Residences at Embassy Cairo



Source: OIG generated based on Government-owned and leased residential data provided by Embassy Cairo.

When a U.S. direct-hire staff member completes a tour, vacates assigned housing, and departs post, the post reassigns the property to a new employee arriving at post. Before incoming personnel can move in, however, embassy staff prepare the unit for the new resident. This process is referred to as the make-ready process. According to the Department’s Foreign Affairs

¹ According to the Bureau of Global Talent Management, Office of Organization and Talent Analytics, Workforce Planning’s Overseas Staffing Model, Embassy Cairo is one of 16 embassies ranked as a Category 5 in 2021. In addition, 15 other embassies are ranked Category 5+, which the Department defines as the “very few, largest and most comprehensive missions in the world.”

Handbook (FAH), make-ready activities include painting, cleaning, garden clean-up, changing locks, and verification of safety and security requirements.² The policy warns that make-ready activities should not be confused with maintenance and repair or other activities that may also occur during the vacancy period between residents.

Embassy Cairo’s residential properties are spread out geographically. Some of the residences are in downtown Cairo near the embassy in the districts of Zamalek, Garden City, and Al Duqqi. Residences are also located in a suburb called Maadi, about 6 miles away from the embassy. Additionally, the embassy has two warehouses that store furniture, equipment, and supplies to support the make-ready process and general upkeep of all residential and non-residential properties. One of these, called the Embassy Support Services Annex (ESSA), is in Maadi. The other is located downtown at the embassy. Embassy staff responsible for preparing residences for occupancy draw materials and supplies from these locations. In heavy traffic, trips can often take 45 minutes or longer. Figure 2 shows the locations of the embassy, the residential properties, and the ESSA warehouse.

Figure 2: Location of the Residential Properties in Relation to Embassy Cairo and Supply



Source: OIG generated from information provided by U.S. Embassy, Cairo.

Roles and Responsibilities for Preparing Residences for Occupancy

At the embassy, several offices and entities oversee the make-ready process. These offices report to the embassy’s Management Section and include:

- **The Single Real Property Manager.** The Single Real Property Manager is responsible for managing the consolidated furnished housing program. At Embassy Cairo, the Management Officer is also the Single Real Property Manager.
- **General Services Office.** The General Services Office is responsible for overseeing management services related to the direct physical operation of the embassy. Within the General Services Office, certain offices are responsible for specific tasks.

Housing Office. The Housing Office is responsible for preparing residences for occupancy. The Housing Office proposes housing assignments for incoming

² 6-FAH-5 H-520, “Residential Commissioning and Make-Ready.”

personnel and manages their arrivals and departures. The office also manages the leasing program, which includes negotiating new leases, terminating leases, and negotiating with landlords regarding rent, maintenance, and repairs.

Supply and Property Management Section. The Supply and Property Management Section is responsible for the management of the expendable and non-expendable supplies stored at the embassy's two warehouses.³

Procurement and Contracting Section. The Procurement and Contracting Section is responsible for meeting the embassy's acquisition needs, including purchasing those items needed to prepare residences for occupancy.

- **Facility Management Office.** The Facility Management Office is responsible for ensuring that residences are in a state of good repair and ready for occupancy. Its staff conduct make-ready activities, as well as maintenance and repairs of U.S. Government-owned properties.
- **Financial Management Center.** The Financial Management Center is responsible for managing financial transactions and providing accounting support for the full range of activities in the make-ready process, including tracking the costs incurred. The Financial Management Center is also responsible for certifying petty cash transactions used to buy expendable supplies for make-ready projects.

Like other embassies, Embassy Cairo employs local staff to support its operations. Locally employed (LE) staff support the embassy in all aspects of its operations including preparing residential units for occupancy; maintaining the units during occupancy; and purchasing, accounting for, and storing supplies and materials used to prepare and maintain residential units. In FY 2021, the embassy employed 1,100 LE staff, with 429 staff (38 percent) under the supervision of the Management Section. Within the Management Section, the Facility Management Office employed the most LE staff, with 154 employees. Table 1 and Figure 3 show the number and percentage of LE staff in various offices within the Management Section.

³ Expendable personal property is property that, when used or consumed, loses its identity or becomes a part of another property. Expendable supplies typically used at a post include lightbulbs, batteries, cleaning materials, faucets, and electrical wiring. Non-expendable supplies are permanent items like furniture and appliances and are usually tagged with a bar code.

Table 1: Number of Locally Employed Staff in Embassy Cairo’s Management Section in FY 2021

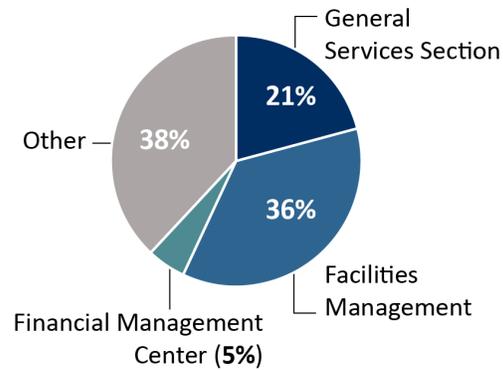
Management Section	Number^a
General Services Office	
Housing	7
Supply and Property Management	74
Procurement and Contracting	9
Facility Management Office	154
Financial Management Center	21
Other ^b	164
Total	429

^a Numbers were recorded in September and October 2021

^b There are nine other offices under the Management Section.

Source: OIG generated from data provided by Embassy Cairo.

Figure 3: Percentage of Locally Employed Staff in Embassy Cairo’s Management Section in FY 2021



Source: OIG generated from data provided by Embassy Cairo.

Embassy Cairo Management Control Statements of Assurance

In the FY 2020 Management Control Statement of Assurance for Embassy Cairo, the Ambassador concluded that management control objectives (operations, reporting, and compliance) were achieved at the embassy.⁴ In his statement, however, he noted “significant deficiencies regarding the lack of management controls within the make-ready activities of the Facility Office.” Specifically, he noted a lack of management controls over expendable supplies and excessive overtime charges by LE staff. The Ambassador stated that embassy management officials put measures in place, and proposed others, to address the identified deficiencies. He reported that, for the weaknesses identified, “the action taken/proposed will adequately correct the weaknesses identified and strengthen this [embassy’s] management controls.”

In addition to reporting these control deficiencies to Department leadership, Embassy Cairo officials also asked OIG to conduct an audit “addressing resource management, management control concerns, and procurement red flags at Embassy Cairo” as they relate to the make-ready process. According to Embassy officials, they wanted OIG to determine the scope and scale of resource abuses as well as management control failures and to recommend corrective

⁴ The Federal Managers’ Financial Integrity Act of 1982 requires that Federal agencies establish internal accounting and administrative controls to prevent waste or misuse of agency funds or property and to assure the accountability of assets. The Act directs the head of each agency to evaluate such controls annually and to submit to Congress and the President either a statement that the controls are adequate or a report on any weaknesses in the controls with a schedule for corrective measures. The Department’s annual process includes obtaining individual statements of assurance from ambassadors assigned overseas.

actions. Because of the seriousness of the identified deficiencies, OIG agreed to initiate an audit.

In the FY 2021 Management Control Statement of Assurance, the Ambassador did not report any material weaknesses or significant deficiencies. Rather, he stated that “the systems of management control....taken as a whole provide reasonable assurance that management control objectives were achieved.”⁵

Standards for Internal Control in the Federal Government

The Government Accountability Office’s *Standards for Internal Control in the Federal Government* provides a framework for establishing and maintaining an effective internal control system.⁶ The Government Accountability Office defines the standards through components and principles and explains why they are integral to an entity’s internal control system. Specifically, the *Standards* identify five components of internal control: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. It also identifies 17 principles that “support the effective design, implementation, and operation of the associated components and represent requirements necessary to establish an effective internal control system.”⁷ Examples of internal control principles include:

- Management should demonstrate a commitment to integrity and ethical values.
- Management should implement control activities through policies.
- Management should use quality information to achieve the entity’s objectives.
- Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

AUDIT RESULTS

Finding A: Management Control Deficiencies Contribute to High Make-Ready Costs

OIG confirmed that Embassy Cairo officials had taken steps to address some known internal control deficiencies impacting the make-ready process. However, OIG also found that the internal controls implemented have not been fully effective in safeguarding expenditures. For example, in OIG’s review of 25 make-ready projects executed from 2019 through 2021,⁸ OIG found that embassy officials had approved several questionable expenditures. OIG concluded that the primary cause of the deficiencies is insufficient or absent internal control measures.

⁵ OIG had not completed its audit or shared its preliminary findings with Embassy Cairo officials when they submitted the FY 2021 Management Control Statement of Assurance.

⁶ Government Accountability Office, *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014).

⁷ GAO-14-704G, September 2014, at 8.

⁸ Appendix A discusses OIG’s methodology for selecting the 25 make-ready projects.

Specifically, enhanced or additional management controls are needed to promote accountability and improve monitoring of the make-ready process. Until such measures are established, Embassy Cairo will have limited assurance that it is appropriately safeguarding expenditures from waste and mismanagement.

Embassy Cairo Took Steps To Reduce Expendable Supplies, but Inventory Levels Remain High

The FAH outlines guidance for managing expendable property. Specifically, according to 14 FAH-1 H-419, “controlling the inventory involves maintaining the desired level of stock on hand, reordering the right quantity of stock, and reordering it in time to arrive before stock on hand is depleted but not early enough to cause a serious overstock problem.”⁹ Furthermore, 14 FAH-1 H-419.2-1 states that an objective of the replenishment cycle is to keep the inventory value as low as possible.¹⁰ Despite this guidance, Embassy Cairo had accumulated approximately \$4 million in expendable supplies by 2020. Moreover, 48 percent of the expendable supplies had not been issued in more than 2 years.

Embassy personnel offered several insights as to how the overstock problem occurred. One senior official stated that a lack of protocols governing when, how, or why expendable supplies are ordered contributed to the overstock problem. Furthermore, the LE staff person in charge of ordering supplies preferred to have a wide variety of items on-hand even if the items were only used on rare occasions. As a result, he sometimes placed multiple orders for infrequently used supplies.

Embassy Cairo officials have taken some corrective actions to address the accumulation and management of expendable supplies. For example, in January 2021, they initiated steps to transfer the management of expendable supplies from the Facility Management Office to the General Services Office (specifically, to the Supply and Property Management Section). According to embassy officials, the action was taken because the General Services Office has more experience with inventory control than the Facility Management Office. Additionally, in June 2021, the General Services Office conducted a review of the expendable supply inventory and identified 79,259 items that were old, unused, or obsolete. The General Services Office auctioned these items. As a result of the disposal, the expendable supply inventory was reduced by almost \$1 million.

In February 2021, Embassy Cairo issued a Management Internal Controls Update which outlined the corrective actions taken by the embassy to address the “waste and abuse of [U.S. Government] resources and possible fraud surrounding Facility make-ready activities and procurement actions.” In the Update, embassy officials outlined plans to provide materials from the embassy’s warehouses to contractors providing make-ready services in leased properties. The Update states, “To avoid the previous pitfalls in purchasing stock already available at exorbitant markup costs from contractors, [the Facility Management Office] also plans to provide [G]overnment-furnished materials for make readies to its contractors and require the

⁹ 14 FAH-1 H-419.2, “Expendable Personal Property: Stock Control.”

¹⁰ 14 FAH-1 H-419.2-1, “Replenishment Cycle.”

contractor to accept receipt, maintain control, and account for its use.” According to embassy officials, providing contractors with Government-furnished materials will enable the embassy to reduce the significant stock that has accumulated in its warehouses. In August 2021, officials reported that they had developed a new make-ready contract that included provisions to provide available Government-furnished materials to contractors. However, Facility Management Office officials also stated that they had not yet established standard operating procedures to ensure the provisions for contractors to accept receipt, maintain control, or account for the use of those materials are implemented and monitored.

OIG found that, despite the steps taken by embassy officials, challenges remain regarding the management of expendable supplies. For example, even after the June 2021 inventory review and sale of unused items, Embassy Cairo still had more than \$3 million worth of expendable supplies in stock. According to Bureau of Administration officials, even at this level, Embassy Cairo still has the second highest expendable supply inventory worldwide. By comparison, the U.S. Embassy in Amman, Jordan—a Category 5+ post in the same geographical region—had \$714,864 in expendable supplies as of November 2021. During audit fieldwork at Embassy Cairo prior to the sale of obsolete inventory, OIG also found expendable supplies in the embassy’s warehouse that not been issued in more than 10 years. (Figure 4 shows a warehouse bin card for stock that had not been issued since 2003.)

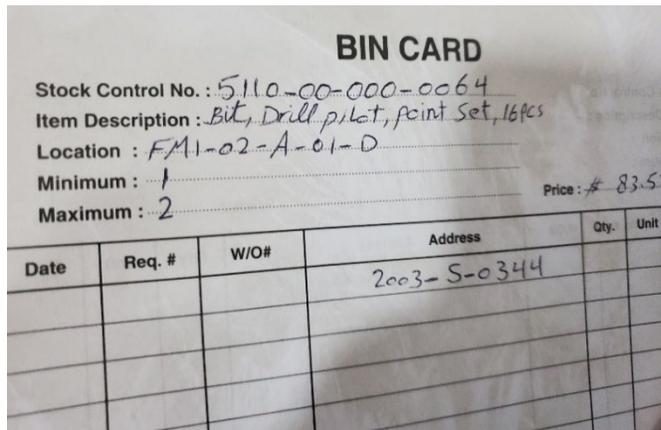


Figure 4: Warehouse bin card for a drill bit that has not been used since 2003 (OIG photo taken on June 21, 2021, at Embassy Cairo).

The General Services Officer (GSO) agreed that more work is needed to further reduce the level of expendable supplies.¹¹ He stated that leadership in other embassy sections should (1) conduct regular inventory reviews to identify and dispose of “slow-moving or dead stock” and (2) regularly collaborate and consult with the Supply and Property Management Section to identify those items that are “fast movers” or that are critical to their work and must be ordered more frequently. He also stated that LE staff in the Supply and Property Management Section should use data

recorded in the Integrated Logistics Management System (ILMS), the Department-wide system used to manage and monitor property, before ordering more supplies. He added that many LE staff are not experienced users of ILMS, and he plans to offer them additional training opportunities. The GSO stated that he plans to institutionalize these and other protocols into a formal standard operating procedure for the Supply and Property Management Section.

¹¹ GSOs are responsible for a range of functions that involve the management of physical resources and logistical functions at diplomatic and consular posts. They develop, plan, implement, and manage an ongoing program of support that includes contracting, inventory/property, physical facilities, space management, travel and transportation, motor pool, and maintenance and repair schedules.

According to the *Standards for Internal Control in the Federal Government*, establishing policies and procedures is an internal control principle that can assist an entity in achieving its goals and objectives. Standard operating procedures, contract provisions, and training requirements are examples of control activities that Embassy Cairo should develop.¹² Accordingly, OIG is making the following recommendations.

Recommendation 1: OIG recommends that U.S. Embassy Cairo, Egypt, develop and implement standard operating procedures to monitor and verify contractor compliance with provisions for accepting receipt, maintaining control, and accounting for the use of Government-furnished materials.

Management Response: Embassy Cairo concurred with the recommendation, stating that “while accountability and oversight frameworks now exist, Post acknowledges that increased supervisory oversight and additional emphasis is necessary to ensure the systematic and effective use of related management controls.” Embassy Cairo also stated that it is identifying additional candidates for Contracting Officer's Representative training, updating all related policies, and reviewing related work-flow processes.

OIG Reply: On the basis of Embassy Cairo’s concurrence with the recommendation and planned actions (see Appendix C), OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that Embassy Cairo developed and implemented standard operating procedures to monitor and verify contractor compliance with provisions for accepting receipt, maintaining control, and accounting for the use of Government-furnished materials.

Recommendation 2: OIG recommends that U.S. Embassy Cairo, Egypt, develop and implement standard operating procedures for managing and monitoring expendable supplies. This should include defining (1) the types of data that should be used by supply managers to inform decisions about ordering new supplies, (2) the respective responsibilities of other sections to collaborate on efforts to identify frequently used or critical items that may need to be ordered on a regular basis, and (3) the requirement to conduct regular reviews of existing stock to identify old or unused items for disposal.

Management Response: Embassy Cairo concurred with the recommendation, stating that “the systemic concerns identified during an internal process review in 2021 have already led to significant corrective actions in make-ready supply management.” In addition, Embassy Cairo cited some of the corrective actions it has taken that OIG referenced in the report. These include transferring accountability of expendable supplies from the Facility Management Office to the General Services Office and implementing a bench stock

¹² *Standards for Internal Control in the Federal Government* defines control activities as “the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity’s information system.”

program to provide inexpensive and frequently used items in central locations. Embassy Cairo also stated that the General Services Office instituted appropriate inventory control methodologies and continues to refine post processes. Finally, Embassy Cairo highlighted continuing initiatives, including stakeholder requirements review, additional codification of improved processes, greater delineation of roles and responsibilities, and staff training and development.

OIG Reply: On the basis of Embassy Cairo’s concurrence with the recommendation and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that Embassy Cairo codified its improved processes for the management and monitoring of expendable supplies, including defining (1) the types of data that should be used by supply managers to inform decisions about ordering new supplies, (2) the respective responsibilities of other sections to collaborate on efforts to identify frequently used or critical items that may need to be ordered on a regular basis, and (3) the requirement to conduct regular reviews of existing stock to identify old or unused items for disposal.

Recommendation 3: OIG recommends that U.S. Embassy Cairo, Egypt, develop and implement a process to provide initial and, as needed, refresher training on the Integrated Logistics Management System (ILMS) to those locally employed staff in the Supply and Property Management Section who regularly use ILMS during their day-to-day responsibilities.

Management Response: Embassy Cairo concurred with the recommendation, stating that “while not every position associated with supply and property management [is] responsible for ILMS data-entry or electronic processing, each should fully understand the underlying precepts and requirements associated with their effective use.” Embassy Cairo further stated that training will be conducted in groups and, for certain designated positions, an emphasis on ILMS will be built into the work and training requirements.

OIG Reply: On the basis of Embassy Cairo’s concurrence with the recommendation and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that Embassy Cairo conducted ILMS training in groups and, for certain designated positions, included an emphasis on ILMS in work and training requirements.

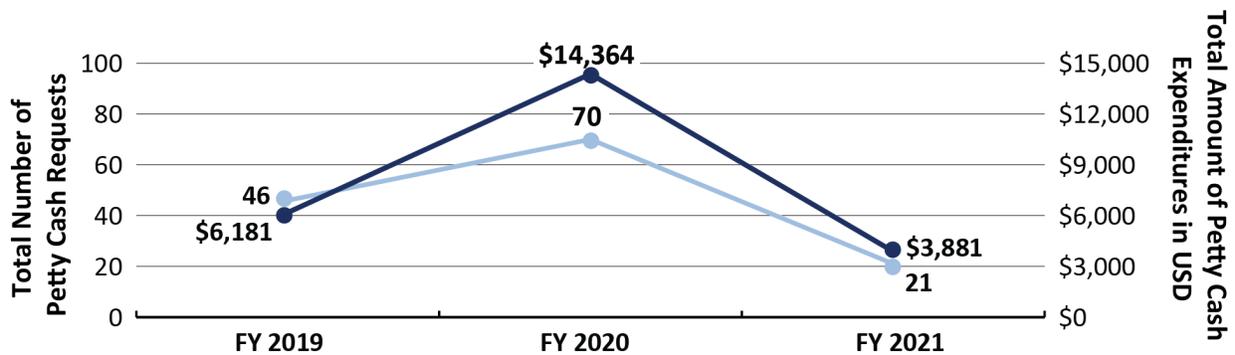
Embassy Cairo Took Steps To Reduce Petty Cash Use, but More Work Is Needed

Embassy Cairo’s petty cash policy states that petty cash “up to the threshold of \$500” is provided to authorized personnel “to carry out U.S. [G]overnment business to make small cash purchases in the local economy.” It states that petty cash should not be used for the “purchase of items already available in the expendable supply stock” and that requests for petty cash must be signed by the appropriate section supervisor. Senior officials in the Facility Management Office told OIG that they have instructed their staff to use petty cash only when

the item is urgently needed.¹³ Facility Management Office staff are required to document the urgent nature of the request on the petty cash request form.

Embassy Cairo officials expressed concerns to OIG about the frequent use of petty cash among staff in the Facility Management Office. OIG reviewed documentation that showed staff in the Facility Management Office made 46 petty cash requests (valued at \$6,181) in FY 2019 and 70 requests (valued at \$14,364) in FY 2020. This equates to a 52 percent increase in number and a 132 percent increase in value over 1 year. However, in FY 2021, the use of petty cash decreased to 21 requests valued at \$3,881. Figure 5 shows the number of petty cash requests and their value in FYs 2019–2021.

Figure 5: Facility Management Office Petty Cash Expenditures



Source: OIG generated from information provided by the Financial Management Center at Embassy Cairo.

LE staff in the Facility Management Office told OIG that they request petty cash because it is convenient and saves them time.¹⁴ Specifically, although the physical distance between the embassy’s warehouses and the residences is between 8 and 12 miles, trips can often take 45 minutes or longer in heavy traffic. Rather than spend time traveling between the residences and the warehouses to pick up supplies needed for a project, staff use petty cash to buy things such as plumbing fixtures or construction materials from nearby stores or markets. Staff told OIG that sometimes, even if the supplies are available at the warehouse, they opt to use petty cash rather than waste time traveling. LE staff also told OIG that due to the large volume of expendable supplies in the warehouses, it is sometimes difficult and time consuming for the warehouse clerks to determine if the needed supplies are even available. In some instances, a warehouse clerk may report that he cannot find a particular item, after spending much time searching for it.

¹³ According to Facility Management Office officials, items that are not available in the warehouse and are not urgently needed should be purchased through the Procurement and Contracting Section using purchase requests.

¹⁴ LE staff in the Facility Management Office did not cite Coronavirus Disease 2019 (COVID-19) as the reason for the increased petty cash use in 2020.

OIG reviewed eight petty cash voucher packages¹⁵ associated with the 25 make-ready projects OIG selected for detailed analysis.¹⁶ OIG found that most packages included the required documentation such as the original receipt in Arabic; a petty cash form translated into English; the signature and date of the requester; and a signature indicating the approval of a cleared American supervisor.¹⁷ The highest amount of petty cash requested was \$21.07 for a floor drain (to make a plumbing repair) and the lowest amount requested was \$2.23 for kitchen cabinet handles. However, seven of the eight vouchers did not include an explanation of why the item was urgently needed. For the one voucher package that did include an explanation, the staff member wrote that he needed \$21.07 to purchase a floor drain, noting that make ready time is tight and [one] floor [drain is] damaged and [needs] to be replaced.”

In the February 2021 Management Internal Controls Update, Embassy Cairo officials stated that the Facility Manager¹⁸ “will enforce the Department’s standards and Post policy for the issuance and use of petty cash . . . which is intended for emergency use and/or special circumstances.” Facility Management Office officials confirmed that, since the issuance of the Update, they have more closely reviewed petty cash requests to ensure that they meet the embassy’s policy. Other planned immediate actions include: (1) moving frequently used supplies from one warehouse to the other so that staff can access them more easily, (2) revising the supply naming conventions used in the warehouse so that staff can more quickly and easily find needed items, and (3) issuing Facility Management Office staff with bench stock — low-cost, frequently-used supplies such as nuts, bolts, washers, and cleaning supplies — to carry with them at all times so that they do not need to travel to warehouses as frequently to pick up supplies.

Another principle of internal controls noted in *Standards for Internal Control in the Federal Government* is that “management should design control activities to achieve objectives and respond to risks.” The actions that Embassy Cairo has taken and plans to take appear to be appropriately designed given that the use of petty cash has decreased in 2021 as shown in Figure 5. However, to ensure the results are sustained, OIG is making the following recommendations.

¹⁵ Ten petty cash requests were associated with the 25 make-ready projects OIG selected for review. Embassy Cairo officials were unable to find supporting documentation for two of the petty cash requests. While likely not of significant value, it is a concern that Embassy Cairo was unable to locate the supporting documentation for these petty cash requests. Each petty cash voucher package consists of the original receipt, the initial petty cash request, a final petty cash form, and a work order (if appropriate).

¹⁶ OIG selected 25 residences that underwent the make-ready process from FY2019 through FY2021 for detailed review. OIG identified the type of work performed, the total costs incurred, the number of staff involved, and materials ordered in support of each project. Appendix A provides additional details on OIG’s sample and methodology.

¹⁷ Two petty cash voucher packages were missing a final petty cash form, two were missing an approval signature from a U.S. direct-hire official, and two were not signed by the person who received the cash.

¹⁸ Facility Managers are accountable for daily administration of maintenance and repair operations at overseas embassies and consulates. Facility Managers administer large holdings of U.S. Government-owned or long-term leased properties and maintain them within U.S. Government standards, in a safe and operable condition.

Recommendation 4: OIG recommends that U.S. Embassy Cairo, Egypt, reinforce the requirement, through actions such as training for Facility Management Office staff and approving officials, to explain why an item is urgently needed on petty cash request forms.

Management Response: Embassy Cairo concurred with the recommendation, stating that the “use of petty cash is discouraged and reserved for acquisitions where other methods are impractical/ impossible; as the report shows, we’ve already drastically reduced our use of the process.” Embassy Cairo added that “Post continues to reinforce cash-use policies and will increase training . . . to ensure justification thresholds are fully met and that cash use decisions are rationalized.” Embassy Cairo further stated that “authorizing officials are reminded that detailed justifications are an essential part of Post's record keeping responsibilities” and that “dual-language attachments for the petty cash forms are being developed for the technicians so they can clearly identify why the petty cash purchase was necessary and what was actually purchased.”

OIG Reply: On the basis of Embassy Cairo’s concurrence with the recommendation and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that Embassy Cairo reinforced the requirement for Facility Management Office staff and approving officials to explain why an item is urgently needed on petty cash request forms.

Recommendation 5: OIG recommends that U.S. Embassy Cairo, Egypt, develop and implement a process to regularly review a sample of approved petty cash voucher packages to determine whether they were approved and processed in accordance with post policy and take actions where necessary to correct instances that do not comply.

Management Response: Embassy Cairo concurred with the recommendation, stating that “all cash transaction requests are reviewed in advance and a more rigorous usage review regime has been implemented.” Embassy Cairo further stated that “performance management processes . . . will be used as necessary to ensure adherence to policy.”

OIG Reply: On the basis of Embassy Cairo’s concurrence with the recommendations and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that Embassy Cairo developed and implemented a regime to regularly review a sample of approved petty cash voucher packages to determine whether they were approved and processed in accordance with post policy and to take actions where necessary to correct instances that do not comply.

Recommendation 6: OIG recommends that U.S. Embassy Cairo, Egypt, execute its plan to move frequently used expendable supplies to existing warehouse locations that are closer to the place where they will be used in order to reduce the need for petty cash requests.

Management Response: Embassy Cairo concurred with the recommendation, stating that the bench stock program it implemented in November 2021 “is designed to rationalize categories, quantities, and stocking locations” and that the program “makes ordering and issuing these items exponentially more efficient and puts the items the technicians need in their hands immediately, so they can do their minor repairs the first time they respond to a work order request.” However, Embassy Cairo acknowledged that local conditions such as traffic and geographic distances will remain a challenge and that periodic reviews and the ability to adjust to evolving requirements will be necessary to ensure sustained success.

OIG Reply: On the basis of Embassy Cairo’s concurrence and stated actions, OIG considers this recommendation resolved, pending further action. While Embassy Cairo’s implementation of the bench stock program has been beneficial, Embassy Cairo recognizes that more must be done to address local conditions and that periodic reviews and adjustments will be necessary to ensure sustained success. This recommendation will be closed when OIG receives documentation demonstrating that Embassy Cairo fully considered local conditions and implemented a process to conduct periodic reviews and make appropriate adjustments to the bench stock program to further reduce the need for petty cash requests.

Use of Overtime by Locally Employed Staff Remains High

The Foreign Affairs Manual (FAM) outlines Department guidance with respect to overtime pay for LE staff. Specifically, 3 FAM 7550, “Premium Compensation,” requires that each post establish a local compensation plan that addresses premium pay rates for work performed outside of the regular workweek schedule and outlines the roles and responsibilities of post officials and employees in implementing the premium pay plan. According to 3 FAM 7553, before approving the work, supervisors should ensure that overtime work is essential to the needs of the mission, is kept to a minimum, and is used as an emergency measure to “avoid serious backlogging of regular work or to meet some temporary crisis.” Furthermore, according to Embassy Cairo’s Overtime Policy, staff are responsible for recording a justification for overtime on the overtime request form.

Senior embassy officials expressed concerns to OIG about the high use of overtime by Facility Management Office LE staff and questioned whether the overtime requests adhered to the requirements outlined in the FAM. Table 2 shows that Facility Management Office LE staff claimed 187,854 overtime hours valued at \$797,656 in FYs 2019, 2020, and 2021.¹⁹

¹⁹ According to some LE staff members, the decrease in the number of overtime hours claimed in 2020 and 2021 was due in part to the COVID-19 pandemic. Specifically, they stated that they have had to periodically postpone non-urgent maintenance and repair work throughout the pandemic to limit contact between staff and the residents.

Table 2: Overtime Claims by Facility Management Office Locally Employed Staff

Year	Number of Employees Claiming Overtime	Percentage of Staff Claiming Overtime	Number of Hours Claimed	Cost of Overtime
2019	177 of 183	97	120,000	\$365,375
2020	168 of 180	93	37,185	\$222,040
2021	154 of 154	100	30,669	\$210,241
Total			187,854	\$797,656

Source: OIG generated based on payroll data provided by the Human Resource Office at Embassy Cairo.

OIG reviewed overtime forms submitted by those Facility Management Office LE staff who worked on each of the 25 make-ready projects OIG selected for review and found that many of the forms were missing clear justifications demonstrating that overtime was used as an emergency measure to avoid backlogging of regular work or to meet a temporary crisis. Specifically, 17 of the 39 overtime requests outlined the type of work to be done during overtime (e.g., electrical, plumbing, or make-ready work) but did not indicate why the work was urgent or could not be completed during normal working hours.

The embassy's 2021 Management Internal Controls Update stated that the Facility Manager will "reestablish overtime controls by enforcing the Department's guidance on overtime, define the tasks or circumstances that regularly require overtime, and ensure equity by rotating overtime opportunities among staff." The Deputy Facility Manager told OIG that he has reiterated to staff that overtime should only be used in limited circumstances when the work is urgent and cannot be completed during normal working hours. The Deputy Facility Manager also said that LE staff supervisors routinely rotate overtime opportunities among staff. He noted, however, that the Facility Management Office had not yet defined the types of tasks or circumstances that regularly require overtime.

Staff gave examples of instances when they may be required to work overtime. One LE staff member said that if the timeframes for completing a particular make-ready project are tight, staff may have to work overtime to get the work done before the new residents arrive. In another example, custodial staff said that their workday typically ends at 3 p.m., but if they are called on to escort contractors who frequently work until 6 p.m., they may need to work overtime to accommodate the contractor's schedule. Staff also told OIG that staffing shortages contributed to the need for them to work overtime.²⁰ For example, custodians, plumbers, and electricians all said they had vacant positions on their teams and that the lack of staff makes it challenging for them to complete their tasks within the regular workweek. Table 3 shows that the Facility Management Office had 31, 41, and 55 staff vacancies in 2019, 2020, and 2021, respectively.

²⁰ Embassy Cairo Human Resource Office officials stated that the Department-wide hiring freeze in 2016 and 2017 contributed to the staffing shortages.

Table 3: Staffing Vacancies in the Facility Management Office

	August 2019		August 2020		August 2021	
	Positions Filled	Vacancies	Positions Filled	Vacancies	Positions Filled	Vacancies
U.S. Direct Hires	2	1	2	1	1	2
Locally Employed Staff	184	24	169	37	152 ^a	50
Eligible Family Member ^b	2	6	5	3	5	3
Total	188	31	176	41	158	55

^a From September to October 2021 Embassy Cairo filled two additional LE staff positions in the Facility Management Office.

^b Eligible Family Members include the immediate family members of a direct-hire foreign service or civil service employee who is assigned to a U.S. mission abroad under Chief of Mission authority. Eligible Family Members may be considered for employment in select positions at overseas posts if they meet hiring and eligibility criteria.

Source: OIG generated based on personnel data provided by the Human Resources Office at Embassy Cairo.

However, senior embassy officials stated that they are uncertain whether the vacancies are the root cause of the frequent use of overtime by staff in the Facility Management Office. They noted that in 2019, the Department's Office of Management Policy, Rightsizing, and Innovation conducted an overseas presence review of staffing levels throughout Embassy Cairo. The report concluded that the staffing levels in the Facility Management Office were appropriate at that time. Senior embassy officials expressed concern that staff may not be working efficiently during normal working hours and cited operational inefficiencies as a potential cause of frequent overtime use. Specifically, they questioned why nearly 100 percent of Facility Management Office staff work overtime year after year regardless of variations in staff vacancies. To determine whether staffing vacancies or operational inefficiencies contributed to the frequent use of overtime, a workforce analysis is needed.²¹ The Deputy Facility Management Officer stated that the Facility Management Office has tried to conduct a workforce analysis on multiple occasions, but the effort has been overtaken by other priorities. Other senior embassy officials agreed that a workforce analysis would provide the Facility Management Office with the necessary data to make staffing decisions and to better determine when and if the use of overtime is justified.

Having quality information and communicating such information to stakeholders are important internal control principles according to the *Standards for Internal Control in the Federal Government*. A workforce analysis would provide Embassy Cairo with such information. Furthermore, sharing that information would not only assist senior officials in their decision-making process but also help staff understand the rationale behind policies. Accordingly, OIG is offering the following recommendations.

²¹ According to the Office of Personnel Management, a workforce analysis provides information regarding the current workforce across mission critical occupations, including demographic and background characteristics of the current workforce, retirement eligibility, turnover, and various workforce management issues (i.e., recruitment and retention).

Recommendation 7: OIG recommends that U.S. Embassy Cairo, Egypt, conduct a workforce analysis of the Facility Management Office to inform staffing needs and to determine if the current amount of overtime used is appropriate.

Management Response: Embassy Cairo concurred with the recommendation, stating that it will conduct a review, utilizing tools such as Integrated Logistics Management System analytics, International Cooperative Administrative Support Service statistics, and all available right-sizing data in consultation with the Bureau of Overseas Building Operations. Embassy Cairo stated that it will also consult with the Department's Office of Management Strategy and Solutions "to inform any future Mission Resource Requests," noting that "fifteen new position descriptions were recently completed to enhance Post's capacity in key, technically proficient, [Facility Management Office] positions."

OIG Reply: On the basis of Embassy Cairo's concurrence and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that Embassy Cairo conducted a workforce review of the Facility Management Office using relevant tools and data to inform staffing needs, including future Mission Resource Requests, and to determine if the current amount of overtime used is appropriate.

Recommendation 8: OIG recommends that U.S. Embassy Cairo, Egypt, using the results of a workforce analysis, develop and communicate guidance on the types of tasks or circumstances that would generally require the use of overtime among Facility Management Office staff.

Management Response: Embassy Cairo concurred with the recommendation, stating that it "will provide personnel and front-line supervisors additional guidelines for gauging the necessity of situational overtime" and that "Premium Compensation Authorization/Approval policies are being carefully enforced." Embassy Cairo further stated that "adjustments to workflows and workhours will be made wherever practicable" and that it will conduct a cost-benefit analysis on related work to determine when overtime is more cost effective than outsourced contracted work.

OIG Reply: On the basis of Embassy Cairo's concurrence and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that Embassy Cairo used the results of a workforce analysis to develop and communicate additional guidelines for gauging the necessity of situational overtime, including the types of tasks or circumstances that would generally require the use of overtime among Facility Management Office staff.

Recommendation 9: OIG recommends that U.S. Embassy Cairo, Egypt, reinforce the requirement, through actions such as training for Facility Management Office staff and approving officials, to include a justification on overtime on request forms in accordance with 3 Foreign Affairs Manual, 7550, "Premium Compensation," which states that

overtime should only be approved as an emergency measure or to meet a temporary crisis.

Management Response: Embassy Cairo concurred with the recommendation, stating that “while the nature of the work and local operating environment prevents eliminating the use of Premium Compensation, situational overtime requests now must include increased rationale and fuller justification.” Embassy Cairo also stated that it has reduced overtime use through increased management controls, but that it will work to lessen the necessity for “urgent” residential make-ready actions and investigate whether charges for avoidable overtime requirements can be passed directly onto tenant agencies. Lastly, Embassy Cairo stated that it is translating overtime policies and approval forms from English into Arabic to increase comprehension.

OIG Reply: On the basis of Embassy Cairo’s concurrence and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that Embassy Cairo reinforced the requirement to include a justification on overtime request forms in accordance with 3 Foreign Affairs Manual, 7550, “Premium Compensation,” which states that overtime should only be approved as an emergency measure or to meet a temporary crisis.

Recommendation 10: OIG recommends that U.S. Embassy Cairo, Egypt, develop and implement a process to regularly review a sample of approved overtime forms to determine whether they were approved and processed in accordance with post policy and take actions necessary to correct instances that do not comply.

Management Response: Embassy Cairo concurred with the recommendation, stating that “sectional supervisors will include regular reviews of overtime costs as part of routine operational discussions.” Embassy Cairo stated that it has also “instituted a secondary approval process for certain functions” and that all “overtime use is monitored by the Deputy Management Counselor.”

OIG Reply: On the basis of Embassy Cairo’s concurrence and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that Embassy Cairo developed and implemented a process to conduct regular reviews of approved overtime forms to determine whether they were approved and processed in accordance with post policy and to take actions necessary to correct instances that do not comply.

Lack of Internal Controls Resulted in Questionable Costs and Labor for Make-Ready Projects

While reviewing 25 selected make-ready projects, OIG noted many instances in which the costs of the materials and labor hours recorded for the projects seemed high or unreasonable.²² For example:

- The Facility Management Office staff pre-emptively replaced (i.e., replaced despite still being functional) between 15 and 103 lightbulbs in multiple residences at costs ranging from \$15 to \$54 per bulb. At one residence, the staff replaced 103 light bulbs costing between \$15 and \$24 each for a total cost of \$2,307. In another residence, staff replaced 25 outdoor lighting fixtures costing \$2,045.
- The embassy paid twice what it had previously paid for the same or similar items. For example, the embassy paid a contractor \$55 for a 3-meter curtain rod and then paid another contractor \$117 for a curtain rod with the same dimensions 1 week later. In another example, it paid a contractor \$111 for a 6-watt LED lightbulb and it paid the same contractor \$21 for an 8-watt LED lightbulb 2 months later.
- The embassy paid for several cleanings in a single make-ready project although the standard is typically one cleaning. In one make-ready project, one cleaning was billed as the “initial” cleaning and two additional cleanings were each billed as the “final” cleaning.²³
- Facility Management Office staff recorded 96 labor hours for painting a government-owned residence. One day later, Embassy Cairo submitted a task order for a contractor to paint the same residence.
- Facility Management Office staff recorded hundreds of hours on make-ready projects without details on the tasks they completed. One work order listed the type of activity or work performed as “[m]ake-ready [air conditioning]” with no information on specific tasks to be completed. Nonetheless, five LE staff recorded 960 hours of labor on the work order.

The costs for the 25 selected make-ready projects totaled \$172,867. Table B.1 in Appendix B provides a summary of OIG’s analysis of each make-ready project reviewed for this audit. There are several explanations for the deficiencies identified, which OIG attributes to insufficient or absent internal control measures.

²² OIG’s purpose in this audit was to determine whether implemented internal controls involving the make-ready process at Embassy Cairo were sufficient to safeguard expenditures. Nevertheless, OIG determined that the deficiencies noted increase the risk for fraud to occur. OIG plans to continue examining the issue.

²³ Embassy officials told OIG that have they stopped this practice and are now approving only one cleaning per make-ready project.

Lack of Guidance on the Type of Work To Be Completed During the Make-Ready Period

The Facility Management Office does not have guidance that outlines the types of work that should and should not be performed for each make-ready project. Although routine maintenance and repairs may be done during the vacancy period, Embassy Cairo does not have a standard operating procedure that outlines the minimum types of work that should be done in each make-ready project beyond painting, cleaning, and garden clean-up. For example, there is no guidance that indicates when items like curtain rods and light bulbs should be replaced. Embassy officials stated that enforcing a standardized procedure may pose a challenge given that the work performed in each residence varies depending on the condition of the unit. Nevertheless, general guidelines with respect to the minimum types of work to be performed and the conditions that would require additional work is a type of control activity that could help control costs. Accordingly, OIG offers the following recommendation.

Recommendation 11: OIG recommends that U.S. Embassy Cairo, Egypt, develop and implement a standard operating procedure outlining the minimum type of work that should be performed for each make-ready project and the conditions that should be considered before completing additional work or if further approval is required before completing the work.

Management Response: Embassy Cairo concurred with the recommendation, stating that “a review of Post’s Make-Ready/Residential Commissioning & Decommissioning Policies is under way and updates/revisions will be made as necessary.” The Embassy also stated that the Facility Management Office “has developed comprehensive pre-lease and pre-departure inspection checklists” that include specific requirements and instructions for both leased and Government-owned residences. Additionally, Embassy Cairo stated that the scope-of-work for contracted make-ready services has been revised for clarity and responsible Contracting Officer’s Representatives have been provided with additional instructions and guidance.

OIG Reply: On the basis of Embassy Cairo’s concurrence and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that Embassy Cairo developed inspection checklists that include specific requirements and instructions for the minimum type of work that should be performed for make-ready projects in both leased and Government-owned residences, as well as the conditions that should be considered before completing additional work.

Inadequate Information Recorded in Work Orders for Make-Ready Projects

As part of its analysis of the 25 selected make-ready projects, OIG reviewed 96 work orders that Facility Management Office staff had entered in the Global Maintenance Management System

(GMMS).²⁴ OIG found that 80 of 96 listed “MR” or “make-ready” as the task but did not include any other details on the type of work performed. According to officials from the Bureau of Overseas Building Operations (the bureau responsible for ensuring that overseas posts have safe and functional facilities), GMMS is the primary source of information for Facility Management Offices worldwide to evaluate the effectiveness of their operations; the more detailed and accurate the data, the more posts will be able to effectively manage operations.²⁵

Some of the work orders that OIG reviewed included a little more information. For example, some listed the kind of technicians (such as plumbers, electricians, or carpenters) who performed the work.²⁶ However, OIG found that these work orders also lacked details. For example, one work order showed that plumbers had worked on a make-ready project. However, there was no information on whether they had repaired a leaky faucet, replaced a toilet, or installed new plumbing fixtures. In several other work orders, OIG noted that staff had collectively spent hundreds of hours on individual make-ready projects with no further explanation about the type of work performed. Table 4 shows some examples of the types of information recorded in the work orders OIG reviewed.

Table 4: Examples of Make-Ready Work Orders Embassy Cairo Recorded in GMMS

Address	Tasks Listed on Work Order	Notes and Comments	Number of Staff Assigned	Number of Labor Hours Recorded
16 Road 12 Unit 6	“MR”	None recorded	6	74
39 Road 19	“Make-ready”	None recorded	17	540
14 El Nahda House	“Make-ready”	None recorded	13	296
11 Road 252	“Make-ready”	None recorded	9	300

Source: OIG generated from data U.S. Embassy Cairo staff entered in GMMS. OIG queried the address and the property number of the residences that underwent the make-ready process between FY 2019 and FY 2021.

Facility Management Office staff told OIG that poor data quality in GMMS can be attributed to a lack of requirements or standards for the types of information that should be recorded on each work order. Specifically, staff told OIG that the technicians (e.g., plumbers, painters, carpenters) often submit work orders with varying degrees of detail. One technician may provide detailed descriptions of work to be performed while another technician may simply write “make-ready,” as OIG found. Establishing additional control activities such as standard operating procedures to

²⁴ GMMS is the Department-wide system used to record work related to make-ready projects, maintenance and repairs, and renovation projects conducted by Facility Management Offices in posts worldwide. Posts also record the number of hours staff spend working on a project as well the number of staff assigned to a given project in GMMS.

²⁵ The Bureau of Overseas Buildings Operations sets worldwide priorities for the design, construction, acquisition, maintenance, use, and sale of real properties and the use of sales proceeds. The Bureau of Overseas Buildings Operations’ Office of Facility Management oversees the day-to-day operations and maintenance needs of posts worldwide and provides management, engineering, and technical expertise to posts regarding the operation and maintenance of facilities abroad.

²⁶ These work orders were recorded “Make Ready – Plumbing” or “Make Ready – Carpentry.”

address the deficiency would help Embassy Cairo monitor the work performed by Facility Management Office staff, improving its ability to control costs. Accordingly, OIG offers the following recommendation.

Recommendation 12: OIG recommends that U.S. Embassy Cairo, Egypt, in collaboration with the Bureau of Overseas Buildings Operations (OBO), develop and implement a standard operating procedure describing the steps for completing and entering work orders in the Global Maintenance Management System (GMMS), including identifying the minimum types of information and level of detail that must be recorded in each work order.

Management Response: Embassy Cairo concurred with the recommendation, stating that “all available OBO GMMS User Training has been given a new emphasis and Cairo Facilities Management has created Cairo-specific Task/Directive/Action training materials.”

OIG Reply: On the basis of Embassy Cairo’s concurrence and stated actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that Embassy Cairo developed and implemented training materials which describe the steps for completing and entering work orders in GMMS, including identifying the minimum types of information and level of detail that must be recorded in each work order.

Inadequate Monitoring of Make-Ready Data Recorded in Department Data Systems

LE staff also told OIG that their U.S. direct-hire supervisors do not regularly review and monitor information on make-ready projects in GMMS and ILMS. With respect to GMMS, the Facility Manager and Deputy Facility Manager are copied via email on all GMMS work orders, but, due to time constraints, they do not review them closely unless there is a question about a particular work order. Due to the time constraints faced by senior staff, Bureau of Overseas Buildings Operations officials said it may be in the Facility Management Office’s interest to hire a “Facility Management Data Analyst” to collect and analyze data and to implement quality management systems to improve the Office’s efficiency and effectiveness. Specifically, Bureau of Overseas Buildings Operations officials told OIG that they are encouraging posts to hire these analysts to improve the quality of data recorded in GMMS and to enhance posts’ ability to use the data for operations and workforce planning. The officials said that by improving data quality, Embassy Cairo could conduct in-depth reviews of work orders and better monitor the number, type, and costs of supplies and the number of staff and labor hours recorded for a given project.

One former senior embassy official noted that the lack of U.S. direct-hire oversight over LE staff’s use of supplies is of particular concern because there has been limited accountability for the types and quantities of supplies used in make-ready projects. To address these concerns, in its 2021 Management Internal Controls Update Embassy Cairo stated that the Facility Manager and Deputy Facility Manager will address the issue by “reviewing on a regular basis the ILMS

report on materials and costs utilized for make-ready at each residence.” However, the Deputy Facility Manager stated that he is not familiar with the ILMS report referenced in the Update and that he does not currently review any ILMS reports. Officials in the Bureau of Administration’s Office of Logistics Management told OIG that there are several ways that Embassy Cairo could query ILMS for purchases related to specific residences to better understand trends and patterns in materials and costs for each make-ready project.²⁷

GMMS and ILMS are systems that the Department uses to track and record its work worldwide. As such, they should be viewed as internal controls that the Department established to ensure that its operations are documented. According to *Standards for Internal Control in the Federal Government*, ongoing monitoring of internal controls will ensure that they “remain aligned with changing objectives, environment, laws, resources, and risks.”²⁸ Accordingly, OIG offers the following recommendations.

Recommendation 13: OIG recommends that U.S. Embassy Cairo, Egypt, develop and implement standard operating procedures that include a process for conducting periodic spot checks of information recorded in the Global Maintenance Management System (GMMS) to verify that the information recorded is reasonable, complete and in compliance with established standards as outlined in Recommendation 12.

Management Response: Embassy Cairo concurred with the recommendation, stating that, as outlined in its response to Recommendation 12, the Facility Management Office has implemented periodic GMMS reviews using a combination of guidelines provided by the Bureau of Overseas Buildings Operations and local process improvement initiatives.

OIG Reply: On the basis of Embassy Cairo’s concurrence and stated actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that Embassy Cairo developed and implemented standard operating procedures for conducting periodic GMMS reviews to verify that the information recorded is reasonable, complete, and in compliance with established standards as outlined in Recommendation 12.

Recommendation 14: OIG recommends that U.S. Embassy Cairo, Egypt, (1) evaluate the feasibility of hiring a Facility Data Analyst, and (2) collaborate with the Bureau of Overseas Buildings Operations to determine how to use the position to improve the collection and analysis of data recorded in the Global Maintenance Management System if it decides to hire a Facility Data Analyst.

²⁷ The Bureau of Administration’s Office of Logistics Management oversees Department-wide supply chain activities and logistics policies and procedures. ILMS is managed by the Office of Program Management and Policy within the Office of Logistics Management.

²⁸ GAO-14-704G, September 2014, at 8 defines monitoring as “activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.”

Management Response: Embassy Cairo concurred with the recommendation, stating that “additional human resources will assist in meeting the significant challenges associated with maintaining and improving Post's aging infrastructure.” Embassy Cairo stated that, in the interim, data analysis responsibilities will be assigned to a highly effective member of the Expanded Professional Associates Program currently working in the Facility Management Office. Embassy Cairo added that it will also “identify [Eligible Family Member] candidates who are proficient in data analysis.”

OIG Reply: On the basis of Embassy Cairo’s concurrence and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that Embassy Cairo (1) evaluated the feasibility of hiring a Facility Data Analyst, and (2) collaborated with the Bureau of Overseas Buildings Operations to determine how to use the position to improve the collection and analysis of data recorded in the Global Maintenance Management System in the event that it decides to hire a Facility Data Analyst.

Recommendation 15: OIG recommends that Embassy Cairo, Egypt, establish and implement a process to (1) track materials used, and costs associated with the make-ready process in the Integrated Logistics Management System, (2) conduct periodic reviews of the information to determine whether materials used, and costs associated with the make-ready process are reasonable, and (3) take corrective actions, as appropriate, when they are not.

Management Response: Embassy Cairo concurred with the recommendation, stating that it is “improving purchase order naming and numbering conventions to better detail the specific project or property labor/materials are allocated to.” Embassy Cairo also stated that Facility Management Office and General Services Office Housing are “reinforcing proper use of work-load count reporting methods with both clerical and technical staff” and that “an annual policy review that includes estimating average Make-Ready costs” will serve as an additional price rationalization exercise.

OIG Reply: On the basis of Embassy Cairo’s concurrence and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that Embassy Cairo established and implemented a process to (1) track materials used and costs associated with the make-ready process in the Integrated Logistics Management System, (2) conduct periodic reviews of the information to determine whether materials used and costs associated with the make-ready process are reasonable, and (3) take corrective actions, as appropriate, when they are not.

Inadequate Due Diligence in the Procurement Process

According to Federal Acquisition Regulations (FAR) Part 13.2, “Actions at or Below the Micro-Purchase Threshold,” purchases under \$10,000 may be awarded without soliciting competitive quotations if the contracting officer considers the price reasonable. One method of determining

whether a price is reasonable is to review historical data. However, OIG found that Embassy Cairo did not consistently determine whether prices were reasonable using their own recorded historical data. In one example, in October 2018, Embassy Cairo paid 75 Egyptian Pounds (EGP) for 9-watt light bulbs. Then, in November 2018, Embassy Cairo paid 160 EGP for very similar, lower wattage (6-watt) bulbs.²⁹ In another example noted previously, Embassy Cairo purchased a 3-meter curtain rod for more than twice the price it had paid another vendor one week earlier.

The Assistant GSO in charge of the Procurement and Contracting Section could not fully explain why staff did not consistently review historical data when making new purchases. He stated, however, that prior to his arrival in August 2020, the embassy had established a practice of acquiring supplies and services outside of the scope of existing contracts from established contractors. Because the costs of these additional supplies and services were not specified in the established contracts, contractors could charge whatever they wanted. Specifically, in addition to using its Facility Management Office staff, Embassy Cairo also uses the services of contractors to acquire make-ready, repair, and renovation services.³⁰ These contractors, under the terms and conditions of their indefinite delivery, indefinite quantity (IDIQ) contracts, provide specific supplies and services at pre-determined costs. However, those supplies and services that were outside the scope of the IDIQ contracts could be charged at a different rate. According to embassy officials, when needed, Procurement and Contracting Section staff would request additional supplies and services from the contractor already performing the work rather than soliciting bids from other contractors and making decisions based on the lowest-cost and most technically acceptable offer. Embassy officials explained that the goal of acquiring all goods and services from a single contractor was to increase efficiency of the make-ready process by limiting the number of contractors working in the same residence at the same time. According to the Assistant GSO, the failure to seek competitive bids may have contributed to high material costs in some instances. However, when embassy officials discovered they were paying much higher prices for “out of scope” services and supplies, they discontinued the practice.

The Assistant GSO further stated that, prior to his tenure, staff in the Procurement and Contracting Section were not consistently completing pre-award reviews and checklists, uploading documentation such as invoices and receipts in support of purchase decisions, or following guidance with respect to e-Filing.³¹ The Assistant GSO stated that he has undertaken

²⁹ According to Embassy Cairo staff, there was a major devaluation of the Egyptian Pound in November 2016 which may have impacted the prices paid for some goods and services. However, in these examples, the lightbulbs were purchased in October and November 2018.

³⁰ The contractors primarily provide make-ready services in leased residences but may also perform work in Government-owned residences when needed.

³¹ ILMS e-Filing is an electronic document repository. Department personnel are required to use ILMS e-Filing to store documentation associated with purchase card transactions. See also 4 FAM 455.3, “Roles and Responsibilities of Purchase Card Participants.” A purchase card is a government-issued credit card that enables cardholders to make and pay for purchases of supplies, services, or construction. This includes micro-purchases of up to \$10,000, placing a task for delivery order, and making payments when the contractor agrees to accept payment by card.

several corrective actions to address the identified deficiencies in the Procurement and Contracting Section. For example, he continues to “scrutinize the contract bid process and establish clarity with standard activities under make-ready, construction, and renovation.” He has also been “conducting foundational reviews to include proper recordkeeping, clearing of ILMS procurement system back-logs, ensuring the division of work among staff is appropriate, assessing staff skills, and sharing the findings with management.” He stated that he also serves as the first reviewer for all purchase requests and reviews all micro-purchase prices to ensure that they are reasonable. To further advance this effort, OIG offers the following recommendation.

Recommendation 16: OIG recommends that U.S. Embassy Cairo, Egypt, develop and implement a standard operating procedure for the Procurement and Contracting Section that outlines steps to be taken when procuring goods and services, including determining price reasonableness, completing pre-award reviews and checklists, and adhering to e-Filing requirements for storing documentation associated with purchase card transactions.

Management Response: Embassy Cairo concurred with the recommendation, stating that it “is fully committed to the precepts prescribed in Foreign Acquisition Regulation (FAR) and adherence to all [Foreign Affairs Manual], [Foreign Affairs Handbook], and [Office of the Procurement Executive] requirements.” Embassy Cairo acknowledged that some requirements, such as e-filing and contract closeout actions, were previously neglected but stated that corrective and remedial actions continue. For example, the embassy discontinued the practice noted in OIG’s report of acquiring supplies and services outside the scope of existing contracts from established contractors. Embassy Cairo also stated that the procurement staff now check the indefinite delivery, indefinite quantity (IDIQ) contract for agreed-upon pricing. In addition, Embassy Cairo stated that it is establishing a new IDIQ contract for make-ready services based on the Office of the Procurement Executive’s model contract and is cross-referencing the Purchase Card Program Annual Review with other related make-ready controls. Finally, Embassy Cairo stated that it will draft the standard operating procedures when the new IDIQ contract is completed to ensure consistency between the standard operating procedures and the contract.

OIG Reply: On the basis of Embassy Cairo’s concurrence and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that Embassy Cairo developed and implemented a standard operating procedure for the Procurement and Contracting Section that outlines steps to be taken when procuring goods and services. These steps include determining price reasonableness, completing pre-award reviews and checklists, and adhering to e-Filing requirements for storing documentation associated with purchase card transactions.

Inadequate Contract Management

As discussed previously, Embassy Cairo uses IDIQ contracts with four different contractors to acquire make-ready, repair, and renovation services, in addition to using its own staff. Each IDIQ contract lists the types of services contractors are expected to provide along with the price the contractors are expected to charge. Each type of service is listed in the contract as a contract line-item. For example, a contract might specify that a contractor will charge 17 EGP for each square meter of painting completed. Once the Government and the contractors agreed on the contract costs, the Government then awards the contracts. Embassy Cairo then issues individual task orders to each contractor to complete needed work at specific residences. The price each contractor charges to complete work is outlined in the task order based on the terms negotiated in the underlying IDIQ contract.

The FAR outlines guidance for evaluating and awarding contracts for supplies and services. According to FAR 15.404-1, the Contracting Officer is responsible for assessing the reasonableness of offered prices when evaluating contract proposals. When assessing whether a price is reasonable, the FAR advises Contracting Officers to consider the potential problem of “unbalanced pricing.” Specifically, FAR 15.404-1 (g) states that “unbalanced pricing exists when, despite an acceptable total evaluated price, the price of one or more contract line items is significantly overstated or understated as indicated by the application of cost or price analysis techniques.” Awarding IDIQ contracts without determining the price reasonableness of individual line items can lead to significant price discrepancies, which in turn, could result in the Government paying more for goods and services. For example, when bidding on a solicitation, contractors can charge more for frequently used items and less for infrequently used items.

OIG found examples of unbalanced pricing in the IDIQ contracts used by Embassy Cairo. Specifically, the prices of some services differed significantly between contractors. For example, Table 5 shows that Contractor B charges 17 EGP for each square meter of painting completed, while Contractor A charges twice as much – charging 35.20 EGP for each square meter of painting completed. As a result, Embassy Cairo is paying significantly more for painting completed by Contractor A than it is for work completed by Contractor B. Embassy Cairo staff stated the existing make-ready contracts were awarded before their tenure, but speculated that little attention was paid, and few questions were asked regarding the individual line-item pricing when the contracts were awarded. Table 5 shows other examples of differences in line-item pricing between Contractor A and Contractor B.

Table 5: Price Comparison Between Contractors Providing Make-Ready Services, in Egyptian Pounds (EGP)

Contract Line-Item: Description	Unit of Measurement	Price Contractor A Charged	Price Contractor B Charged
1: Carpentry work (adjusting all wooden doors, windows, shutters, closets, kitchen cabinets, bathroom vanities, and fixed furniture pieces, for proper operation)	Item	16.50	38.00

5: Aluminum work (inspect & perform minor repairs of aluminum doors and windows, including adjusting of hardware items)	Item	44.00	30.00
13: Painting work (walls and ceilings, minimum of two coats of latex paint, following surface preparation)	m ²	35.20	17.00
14: Painting work (wooden surfaces, minimum of two coats following surface preparation)	m ²	38.50	40.00
15: Varnish Existing Wooden Surfaces	m ²	33.00	30.00
16: Check and Routine Maintenance of Plumbing	Item	33.00	50.00

Note: Carpentry, aluminum work, and plumbing is priced per item repaired while painting and varnishing work is priced per square meter.

Source: OIG generated based on review of task orders Embassy Cairo awarded to two contractors in 2019.

To further evaluate the issue of unbalanced pricing, OIG compared two task orders the embassy awarded to Contractor A and Contractor B in 2019. Each task order was similar in terms of the type and total quantity of work to be performed. However, the total price for the task order issued to Contractor A was 31,702 EGP while the task order issued to Contractor B totaled 21,185 EGP. Even though the number and type of services provided by each contractor was similar, the total price paid by Embassy Cairo to Contractor A was significantly more because of the difference in the previously negotiated contract prices for individual services between the two contractors.³² This illustrates how unbalanced pricing can negatively affect the total costs incurred by Embassy Cairo for comparable make-ready projects.

Embassy Cairo staff stated that “there are variations in contract line-item prices for just about every contract line-item across every company. Some are more dramatic than others, but generally where one company is high, another company is low and it all evens out so long as contractors are awarded proportional work.” Embassy Cairo staff also stated that individual contract line-item pricing was likely deemed acceptable as long as the total initial estimated value of each contract was similar at the time it was awarded. However, OIG found that the total estimated value of each of the four IDIQ contracts was not similar. Rather, the total contract value for each contractor ranged from 7.5 million EGP to 11.6 million EGP.³³ Table 6 shows the differences in the initial contract value for each of the four contractors providing Embassy Cairo with make-ready and other services.

Table 6: Total Contract Value for Contractors Providing Embassy Cairo With Make-Ready and Other Services

Contractor	Contract Value (in EGP) ^a	Contract Value (in USD) ^b
Contractor A	11,600,602	\$738,679
Contractor B	9,873,050	\$628,676

³² The task order for Contractor A contained a total of 6 services (898 units) while the task order for Contractor B contained a total of 7 services (1052 units).

³³ Embassy Cairo officials told OIG that they are preparing to award a new IDIQ make-ready contract and agreed that, as they complete the new version of the make-ready contract, Procurement and Contracting staff will pay particular attention to the issue of unbalanced pricing and those contract line items that are used more frequently than others.

Contractor C	8,626,200	\$549,281
Contractor D	7,575,000	\$482,345

^a Total contract value is for 1 base year plus 4 option years.

^b Based on exchange rate as of November 15, 2021.

Source: OIG generated from its review of contracts Embassy Cairo awarded for make-ready and other services.

OIG also found that Embassy Cairo does not routinely consider price when determining which of the contractors will be awarded a task order to complete work at a specific residence. Instead, Embassy Cairo staff stated that they rotate opportunities for make-ready projects among contractors, giving each of the four established IDIQ contractors a “turn” and keeping track in a logbook maintained by Procurement and Contracting Section staff. However, the FAR does not require Embassy Cairo to rotate opportunities among IDIQ contractors in every case. Specifically, according to FAR 16.505(b)(1), “Orders Under Multiple-Award Contracts,” Contracting Officers must only provide each contractor with an opportunity to be considered for those task orders that exceed the micro-purchase threshold of \$10,000. Further, FAR 16.505(b)(1)(ii)(E) states that the Contracting Officer should consider price as a factor in the selection decision when awarding individual task orders.

Because many of Embassy Cairo’s make-ready task orders fall below the micro-purchase threshold, it is not necessary for Embassy Cairo to rotate task orders equally among each of the four contractors. Instead, Embassy Cairo can strengthen its control environment by requiring its Procurement and Contracting Section staff to consider price as a factor when deciding which contractor to use for an individual task order.³⁴ For example, using the example in Table 5, if the embassy knows that work at a given residence will require a lot of painting and minimal carpentry work, it could award the task order for that residence to Contractor B because Contractor A charges nearly twice as much for painting. If adopted, this approach could lower the total cost of make-ready and other maintenance and renovation projects at the embassy. Accordingly, OIG offers the following recommendation.

Recommendation 17: OIG recommends that U.S. Embassy Cairo, Egypt, establish procedures to ensure compliance with Federal Acquisition Regulation 16.505(b)(1)(ii)(E) which states that cost should be considered as one of the selection factors when making decisions about awarding task orders for make-ready and other services below the micro-purchase threshold.

Management Response: Embassy Cairo concurred with the recommendation, stating that “unit price is a primary factor when determining overall best value” but that, “while cost is the most dominant factor for determining price reasonableness, other factors (availability and/or lead-times; the operational necessity to develop and maintain a pool of qualified and trusted service providers) can also influence ‘overall best-value’ decisions.” Embassy

³⁴ *Standards for Internal Control in the Federal Government* defines a control environment as “the foundation for an internal control system.” It further states that a control environment “provides the discipline and structure to help an entity achieve its objectives.”

Cairo stated that “while the [Contracting Officer] retains the final authority to determine price reasonableness, Ordering Offices, Procurement Agents, Occasional Money Holders, and authorized Blanket Purchase Order” users share a degree of fiduciary responsibility for the effective use of U.S. Government assets.” Finally, Embassy Cairo stated that it “will reinforce this best-practice through policy directives, refresher training, and initiatives such as strategic buy-plans.”

OIG Reply: On the basis of Embassy Cairo’s concurrence and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that Embassy Cairo established policy directives, refresher training, or other initiatives to ensure compliance with Federal Acquisition Regulation 16.505(b)(1)(ii)(E), which states that cost should be considered as one of the selection factors when making decisions about awarding task orders for make-ready and other services below the micro-purchase threshold.

Conclusion

Embassy Cairo has made efforts to establish an internal control system that reflects the requirements outlined in *Standards for Internal Control in the Federal Government*. For example, as noted throughout this report, the embassy distributed a Management Internal Controls Update in February 2021 that outlined several planned steps to improve accountability for its make-ready process, including the following:

- With respect to petty cash, the Update states that “the Facility Manager will enforce the Department’s standards and Post policy for the issuance and use of petty cash . . . which is intended for emergency use and/or special circumstances.”
- With respect to overtime, the Update states that “the [Facility Management Office] Manager will reestablish overtime controls by enforcing the Department’s guidance and standards in obtaining pre-approvals before permitting overtime. He will ensure accountability by [U.S. direct-hire] and LE staff supervisors to ensure work efficiency during regular work hours, define tasks or circumstances that would regularly require overtime, and ensure equity by rotating overtime opportunities among staff.”
- With respect to make-ready costs, to avoid the previous pitfalls in purchasing stock already available at marked-up costs, the [Facility Management Office] plans to provide Government-furnished materials for make-readies to its contractors.

Embassy officials also took actions to address known deficiencies prior to the issuance of the Management Internal Controls Update. However, OIG concludes that the primary cause of the deficiencies noted throughout this report is insufficient or absent internal control measures. Specifically, enhanced or additional management controls are needed to promote accountability and improve monitoring of the make-ready process. Until such measures are established, Embassy Cairo will have limited assurance that it is appropriately safeguarding expenditures from waste and mismanagement.

In addition to weak and absent internal controls contributing to potential waste and mismanagement, Embassy Cairo also risks fraudulent activities going undetected and unaddressed. OIG reviewed indicators of potential fraud such as misappropriation of assets, evidence of staff intentionally overriding controls, and evidence of collusion. While OIG did not identify fraud during this audit, our findings with respect to internal control deficiencies and questionable transactions including duplicative and excessive orders of make-ready supplies leads OIG to determine that the potential for fraud exists. OIG plans to continue examining this issue.

Finding B: Embassy Cairo Is Not Managing the Process of Accounting for Make-Ready Costs in Accordance With Department Requirements

OIG found that embassy officials incorrectly attributed time for LE staff such as welders, truck drivers, and carpenters to post's total make-ready costs even though their work did not directly relate to make-ready efforts. In addition, Embassy Cairo did not record the supplies, tools, and equipment used for make-ready projects as part of post's total make-ready costs. As a result, the costs that the embassy reports are not representative of its actual make-ready costs. Inaccurate budget information will make it challenging for Embassy Cairo officials to plan to meet their daily operational needs because they do not have an accurate picture of post's spending patterns.

Embassy Cairo Incorrectly Attributed Time of Other Staff to Make-Ready Costs

The International Cooperative Administrative Support Service (ICASS) system is the principal means by which the U.S. Government provides and shares the cost of common administrative support needed to ensure effective operations at overseas embassies and consulates. Common administrative support may include motor pool services, travel services, purchasing services, security guard services, building operations, and make-ready services. The costs of these shared services are pooled together and attributed to specific cost centers and sub-cost centers. Information recorded in cost centers and sub-cost centers is used to track the usage of specific services and the costs are ultimately charged to the Government agencies using these services at post.

According to 6 FAH-5 H-341.15-11(C) "Residential Make-Ready – Time Allocation," only those LE staff who perform make-ready services (e.g., painting, cleaning, and minor garden clean-up) may allocate time to the make-ready sub-cost center.³⁵ The guidance further notes that while other staff, such as the housing coordinator or escorts, may assist with the make-ready process, they should not allocate time to the make-ready sub-cost center. OIG reviewed Cairo's staff time allocation reports, which were provided by the ICASS Service Center, and found that Embassy Cairo recorded 40 LE staff members as having some portion of their time dedicated to the make-ready sub-cost center. However, OIG estimates that Embassy Cairo officials incorrectly attributed time for 27 of these employees whose primary duties did not meet the Department's definition of make-ready to the sub-cost center. These 27 employees included welders, truck drivers, and

³⁵ 6-FAH-5 H-341.15-11(C), "Residential Make-Ready – Time Allocation."

carpenters. Furthermore, as noted previously, OIG reviewed work orders in which the primary activity or work performed was listed as “make-ready” in GMMS even though the teams assigned to perform the work included electricians, plumbers, carpenters, and HVAC technicians.

The supplies, tools, and equipment that staff use for make-ready projects should also be accounted for in the make-ready sub-cost center. Specifically, according to 6 FAH-5 H-341.15-11, “Residential Make-Ready,” posts should account for supplies, tools, and equipment related to cleaning and grounds care in the make-ready sub-cost center.³⁶ However, according to ICASS officials, Embassy Cairo is currently budgeting for these supplies and equipment using carryover funds.³⁷ ICASS officials explained that this approach limits Embassy Cairo’s ability to properly track all its make-ready costs. They stated that “to ensure proper management of make-ready costs, it would be advisable for a post to budget all of [its] make-ready costs against targeted [make-ready] funds . . . Carryover funds, by contrast, are [not] budgeted to a cost center or sub-cost center, and do not allow for the same tracking.”³⁸

To address the outstanding deficiencies impacting Embassy Cairo’s ability to accurately track and record make-ready costs, OIG is making the following recommendations:

Recommendation 18: OIG recommends that Embassy Cairo, Egypt, establish controls to attribute time of only those staff who directly perform make-ready services under the make-ready sub-cost center, in accordance with the guidance outlined in 6 Foreign Affairs Handbook-5, H-341.15-11(C), “Residential Make-Ready – Time Allocation.”

Management Response: Embassy Cairo concurred with the recommendation, acknowledging that sub-cost center accounting errors can adversely affect [International Cooperative Administrative Support Service] Agencies. Embassy Cairo further stated that its personnel “have received additional work-load count reporting training” and that it has reinforced “the importance of properly accounting for both labor and materials.” Embassy

³⁶ 6-FAH-5 H-341.15-11(B), “Budgeted Costs,” states that “bulk maintenance supplies, tools, and equipment related to painting (e.g., paint, brushes, rollers, drop cloths, etc.) are funded by the Bureau of Overseas Buildings Operations,” but supplies related to cleaning and grounds care (e.g., cleaning supplies/tools, yard supplies/tools) are funded by ICASS under the make-ready sub-cost center.

³⁷ According to 6-FAH-5 H-451.1-2, “Carryover/Recoveries,” ICASS carryover and recovery funds are those ICASS funds unobligated or deobligated as of September 30 for all prior fiscal year ICASS operating allowances. Unobligated balances are not immediately available to the post. Rather, they must be withdrawn from post’s operating allowance(s) and returned to post the following fiscal year, after reconciliation of the year-end obligated balances and reapportionment by the Office of Management and Budget. Once the Bureau of Budget and Planning verifies the amounts as available in the Department’s accounting system, the funds will be returned to post as an increase to post’s current year ICASS operating allowance.

³⁸ OIG also found that Embassy Cairo officials did not consistently segregate make-ready costs from maintenance, repair, and renovation costs in 2019 and 2020. Specifically, the task orders that provided the basis for the embassy’s make-ready sub-cost center in those years included activities that were not make-ready activities as defined by the Department. However, the task orders that provided the basis for the embassy’s make-ready sub-cost center in 2021 appeared to be consistent with the Department’s definition of make-ready, indicating that Embassy Cairo is now accurately segregating make-ready from maintenance and repair costs.

Cairo further stated that the abbreviations MR (Make-Ready) and M&R (Maintenance & Repair) had been used interchangeably in work orders and that this practice has been corrected.

OIG Reply: On the basis of Embassy Cairo’s concurrence and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that Embassy Cairo established controls to attribute time of only those staff who directly perform make-ready services under the make-ready sub-cost center, in accordance with the guidance outlined in 6 Foreign Affairs Handbook-5, H-341.15-11(C), “Residential Make-Ready – Time Allocation.”

Recommendation 19: OIG recommends that Embassy Cairo, Egypt, discontinue the practice of using carryover funds for make-ready projects, and that it accounts for supplies, tools, and equipment used in support of its make-ready projects under the make-ready sub-cost center, consistent with the guidance outlined in 6 Foreign Affairs Handbook-5 H-341.15-11(B), “Residential Make-Ready – Budgeted Costs.”

Management Response: Embassy Cairo concurred with the recommendation, stating that the Facility Management Office and the General Services Office responsible for housing, in consultation with the Financial Management Office, have “implemented improved management controls to ensure proper residential make-ready sub-cost center accounting.” Embassy Cairo stated that it is also “reviewing use of ICASS carryover funds to ensure full compliance with Department regulations.”

OIG Reply: On the basis of Embassy Cairo’s concurrence and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that Embassy Cairo discontinued the practice of using carryover funds for make-ready projects and that it accounts for supplies, tools, and equipment used in support of its make-ready projects under the make-ready sub-cost center, consistent with the guidance outlined in 6 Foreign Affairs Handbook-5 H-341.15-11(B), “Residential Make-Ready – Budgeted Costs.”

Embassy Cairo Does Not Consistently Distinguish Make-Ready Activities From Maintenance, Repair, and Renovation Activities

In 2018, the Department developed 6-FAH-5 H-520, “Residential Commissioning and Make-Ready,” which provides current definitions for make-ready processes and outlines the need to distinguish make-ready activities from other activities. Specifically, as OIG has noted throughout this report, 6-FAH-5 H-524, defines make-ready activities as painting, cleaning, garden clean-up, changing locks, and verification of safety and security requirements.³⁹ The policy warns that make-ready activities should not be confused with maintenance and repair or other activities that may also occur during the vacancy period between residents. However, OIG found that

³⁹ 6-FAH-5 H-520, “Residential Commissioning and Make-Ready.”

both the Facility Management Office and the Procurement and Contracting Section had been recording maintenance, repairs, and major renovation projects as make-ready activities, contravening the policy.

Specifically, OIG noted that many of the purchase requests processed by the Procurement and Contracting Section for each the 25 make-ready projects selected for review were titled “MR” or “Make-ready” even when they included maintenance and repair services and supplies such as replacing curtain rods, replacing lightbulbs, replacing outdoor outlet covers, replacing outdoor light fixtures, and installing air conditioning branch circuits. Similarly, as noted previously, many work orders recorded in GMMS by Facility Management Office staff were recorded as “Make-Ready” even when they included maintenance, repair, and renovation work.

Finally, the Department requires that posts “establish a policy for both residential commissioning and make-ready that outlines the typical process for each activity at post, including any unique factors, and identifies the average cost for each.”⁴⁰ The FAH then provides an example of a post make-ready policy that includes a definition of make-ready activities, information on who funds make-ready costs, security requirements, responsibilities for maintaining make-ready conditions in vacant residences, maintenance and repair requirements, and rules for changing housing assignments.⁴¹ However, Embassy Cairo’s make-ready policy does not provide information on who funds make-ready costs, tenant responsibilities for maintaining their residences, or the rules regarding changing housing assignments.

Because Embassy Cairo is not accurately distinguishing make-ready activities from maintenance, repair, and renovation activities, it will continue to face challenges in effectively monitoring make-ready activities and controlling make-ready costs. Similarly, the failure to establish a make-ready policy in accordance with Department requirements may make it difficult to ensure that all stakeholders at post have a clear understanding of the make-ready process at Embassy Cairo. Establishing control activities through standard operating procedures and policies in accordance with *Standards for Internal Control in the Federal Government* would assist Embassy Cairo in addressing the deficiencies. Accordingly, OIG offers the following recommendations:

Recommendation 20: OIG recommends that Embassy Cairo, Egypt, develop and implement a policy requiring staff to distinguish make-ready activities from those related to maintenance, repair, and renovation activities as defined in 6-FAH-5, H-520, “Residential Commissioning and Make-Ready,” and direct staff to record only those activities (e.g., painting, cleaning, gardening, changing locks, and verifying safety and security requirements) as make-ready activities.

⁴⁰ 6-FAH-5 H-521 (d), “Post Policy.”

⁴¹ 6-FAH-5 Exhibit H-524.

Management Response: Embassy Cairo concurred with the recommendation, stating that, as noted in its response to Recommendation 18, there was confusion in the past over the use of abbreviations in reporting, an issue that has been corrected. Specifically, Embassy Cairo stated that “the need to differentiate between Maintenance and Repair (M&R) and Make-Ready (MR) works conducted at both Government Owned (GO) and Leased (OL) Residences creates opportunity for error that Post will correct via detailed policy revisions.” Lastly, Embassy Cairo stated that additional guidance in Arabic will be provided to technicians and clerical staff “to improve understanding, requirements, and expectations.”

OIG Reply: On the basis of Embassy Cairo’s concurrence and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that Embassy Cairo made policy revisions requiring staff to distinguish make-ready activities from those related to maintenance, repair, and renovation as defined in 6-FAH-5, H-520, “Residential Commissioning and Make-Ready,” and that the Embassy directed staff to record only those activities (e.g., painting, cleaning, gardening, changing locks, and verifying safety and security requirements) as make-ready activities.

Recommendation 21: OIG recommends that Embassy Cairo, Egypt, revise its make-ready policy to comply with the requirements outlined in 6 Foreign Affairs Handbook-5 H-521(d), “Post Policy.”

Management Response: Embassy Cairo concurred with the recommendation, stating that its Commissioning & Decommissioning (Residential Make-Ready) policies and the Mission Housing Handbook are under review “to ensure continuity-of-process and adherence to [Foreign Affairs Handbook] directives.” Embassy Cairo also stated that it will continually refine section-specific standard operating procedures and that supervisors will be responsible for ensuring overlapping processes “are collated where appropriate and deconflicted where necessary.” Lastly, Embassy Cairo stated that “a newly created Customer Service Liaison position includes evaluation [and] analysis duties that will add additional management control mechanisms and assist in ensuring adherence to policy.”

OIG Reply: On the basis of Embassy Cairo’s concurrence and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that Embassy Cairo revised its make-ready policy to comply with the requirements outlined in 6 Foreign Affairs Handbook-5 H-521(d), “Post Policy.”

OTHER MATTERS

During OIG’s field work, several LE staff told OIG that although they had observed questionable actions among their colleagues and supervisors with respect to the make-ready process, they did

not feel comfortable reporting them to senior embassy officials.⁴² Examples of observed questionable actions reported to OIG include:

- Replacing appliances, plumbing and electrical fixtures even though they were still in good working order.
- Placing duplicative orders for make-ready and related projects (e.g., ordering items through purchase requests and requesting the same items from the embassy's warehouses).
- Ordering excessive supplies or placing orders for additional supplies after the make-ready process was complete.
- Procrastinating or taking care of personal business during regularly scheduled work hours to later claim overtime.

The LE staff cited cultural norms and lack of fluency in the English language among the reasons they do not report their concerns to their U.S. direct-hire supervisors or senior management (who are U.S. citizens). The LE staff explained that in their local culture, there is a strong belief in hierarchy and an expectation that they should defer to immediate supervisors' judgment and follow their orders without asking questions. They stated that this means that most of their communications must go through their immediate LE staff supervisors and that it is not considered acceptable to circumvent the process by raising concerns to a U.S. direct-hire supervisor, even when they observe questionable behavior or wrongdoing. Lastly, the staff told OIG that because the LE supervisors tend to speak more fluent English than the junior staff, U.S. direct-hire supervisors may rely more heavily on LE supervisors for updates on day-to-day operations.⁴³

Senior embassy officials stated that they have attempted to address some of these long-standing issues. For example, Embassy Cairo Office of Human Resources has held regular Equal Employment Opportunity and Harassment trainings in Arabic with more than 850 LE staff, dismissed those LE staff found to be involved in malfeasance or wrongdoing, and required some Human Resources staff to work from the warehouse in Maadi three days a week to make themselves more available to staff. Since her arrival at post, the Deputy Chief of Mission has also initiated efforts to educate staff about the Equal Employment Opportunity complaint process, inform LE staff supervisors about the consequences of bullying and Equal Employment Opportunity violations, and identify ways to make LE staff feel comfortable coming forth with complaints without fearing retribution. She has sent emails to the embassy community that emphasize the embassy's zero tolerance for bullying, harassment, and discrimination as well as the availability of Equal Employment Opportunity counselors and liaisons; met one-on-one with staff who have raised concerns about malfeasance; and met with Human Resource Office officials to reiterate that staff who raise concerns about wrongdoing would be taken seriously and that

⁴² For the purposes of this report, references to "senior embassy officials" are specific to those staff in the Management Section who are involved with the make-ready process.

⁴³ The Deputy Chief of Mission stated that she is exploring the possibility of designating at least one position in the Management Section as requiring language proficiency in Arabic to better address these issues.

retaliation against staff who speak up would not be tolerated. Finally, the Deputy Chief of Mission stated that she has the full support of the Ambassador for these measures.

Despite these efforts, some LE staff continue to feel unsupported when they raised concerns. For example, in instances where LE staff did voice their concerns to U.S. direct-hire supervisors and submitted complaints to the Human Resource Office, LE staff told OIG that they felt unsupported and that “nothing changed” after they reported their concerns. One LE staff person stated that she has not received any support from her U.S. direct-hire supervisors since she reported her concerns and added, “I’m disappointed in my [U.S. direct-hire] supervisors for not even coming to check on me after I spoke up.” Similarly, another LE staff member voiced concerns to his U.S. direct-hire supervisors about staff placing duplicative and potentially wasteful orders for supplies. He also told OIG that he did not receive any response from his U.S. direct-hire supervisors after raising the complaints.

Senior embassy officials explained that the long-standing problems are perpetuated by several ongoing challenges. They told OIG that because of the heavy workload, they do not have time to interact more closely with junior LE staff and must rely on the LE supervisors to ensure that work is completed. Furthermore, when U.S. direct-hire supervisors pursue disciplinary actions, the approach is not always consistent. One official cited an example of an LE staff member who was caught stealing and was only given a 3-day suspension as punishment. In another instance, a U.S. direct-hire supervisor felt that a staff member accused of stealing had been “humiliated enough” during the investigation, and no further disciplinary action was taken. Another official noted that “a more consistent approach to disciplinary action would go a long way to sending a clear message to the staff about what behavior will and will not be tolerated.”

An official from the Bureau of Global Talent Management—the bureau responsible for recruiting, retaining, and sustaining the Department’s workforce—told OIG that, in addition to management taking the lead through strong and consistent leadership, “there needs to be consistent and frequent communication up and down the chain of command.” An official from the Foreign Service Institute’s Center of Excellence in Foreign Affairs Resilience—an office that specializes in helping missions address issues impacting collaboration, morale, and interpersonal relationships—told OIG that the problems facing Embassy Cairo are not unique and that the Center could provide Embassy Cairo, as it does with other missions, with resources, education, and support to address their challenges.

The FAM offers guidance on addressing communication between personnel serving at overseas posts. Specifically,

- 2 FAM 111.1-1, “Openness in Post Operations and Management,” states that the Chief of Mission, Deputy Chief of Mission, and Principal Officer of an overseas post should encourage and support the free exchange of ideas and criticism throughout the mission.
- 3 FAM 1214, “Leadership and Management Principles for Department Employees,” highlights the need for leadership to foster constructive relationships with all post

elements through collaboration and manage conflict by encouraging an atmosphere of open dialogue and trust.

- 3 FAM 4329, “Limitations on Use of Disciplinary Action,” mandates protection to Department employees who disclose information on potential violations of what he or she reasonably believes to be a violation of any law, rule, or regulation; a gross waste of funds; or an abuse of authority.⁴⁴
- 3 FAM 7150, “LE Staff Employee – Management Relations,” states that missions “shall establish open lines of communication with LE staff to better facilitate effective and secure operations at posts.”

Moreover, *Standards for Internal Control in the Federal Government* state that management is responsible for “reinforcing the commitment to doing what is right, not just maintaining a minimum level of performance necessary to comply with applicable laws and regulations.”⁴⁵ A strong internal control environment enables individuals to report issues such as those identified by LE staff at Embassy Cairo through various methods, such as regular staff meetings, upward feedback processes, a whistle-blowing program, or an ethics hotline.⁴⁶

Continuing to pursue ways to foster a free exchange of ideas and criticism consistent with the FAM provisions and *Standards* previously referenced will not only enable Embassy Cairo to improve the management of the make-ready process, but also to improve staff morale in the Management Section. As one LE staff told OIG, “[The embassy] is our safe zone, and we need to protect it. I believe that if we don’t speak up, the situation will not change and may even become much worse.” Accordingly, OIG is offering the following recommendations.

Recommendation 22: OIG recommends that U.S. Embassy Cairo, Egypt, continue to develop and implement additional mechanisms to encourage and support the free exchange of ideas and criticism in the Management Section in accordance with 2 Foreign Affairs Manual 111.1-1, “Openness in Post Operations and Management” and *Standards for Internal Control in the Federal Government*. Such mechanisms could include regular one-on-one meetings between U.S. direct-hire supervisors and their locally employed staff, with the assistance of an American translator to identify specific areas of concern when feasible; the use of anonymous drop boxes; or other appropriate, confidential, feedback processes.

Management Response: Embassy Cairo did not agree or disagree with the recommendation offered. Rather, the embassy highlighted actions taken to address the

⁴⁴ The FAM also states that a supervisor or other employee who is found to have committed a reprisal against employees who make such disclosures is subject to serious sanctions, including, but not limited to, removal, reduction in grade, and debarment from Federal employment.

⁴⁵ GAO-14-704G, September 2014, at 32, 22-23.

⁴⁶ In discussions with OIG, LE staff shared more detailed explanations for their reticence in sharing their observations of questionable actions with respect to the make-ready process as well as their reasons for submitting complaints to the Human Resource Office. Because of the nature of the information, OIG plans to address them separately.

issues identified and emphasized that the issues were isolated to the Management Section. The embassy also highlighted the ongoing efforts of the Deputy Chief of Mission (DCM). These include encouraging and supporting the free exchange of ideas and criticism throughout the mission; fostering constructive relationships; messaging the importance of teamwork, community, and open dialogue; reminding employees of the Department prohibition against retaliation for disclosing wrongdoing; and strengthening collaboration, morale, and interpersonal relationships at the embassy. The embassy also stated that “since her arrival, the DCM has frequently emphasized the necessity of enhancing communication between American supervisors and Local Staff and has mandated that [U.S. direct-hire] supervisors set time aside specifically for this purpose.” Embassy Cairo additionally stated that the DCM’s prioritization of this issue led to the decision to have U.S. direct-hire Human Resource Officers spend time at the Embassy Support Services Annex (ESSA) warehouse weekly to give LE staff direct access to American Human Resource Officers and to encourage them to raise concerns.

Embassy Cairo also stated that, “while the ratio of U.S. direct-hire to LE staff in certain Management sections . . . poses recognizable challenges, Post will try to encourage greater one-on-one communication with Local Staff below the supervisor level with the use of an American interpreter.” Furthermore, Embassy Cairo cited staffing challenges, noting that the current Facilities Manager is stretched thin, covering for senior staffing shortages in the Facility Management Office while simultaneously responsible for supervising 152 LE Staff, including many at the ESSA warehouse which is an hour away. To address this, Embassy Cairo stated that it will place an officer with extensive management sector background in charge of Facilities operations at ESSA for two to three months until the new Facilities Manager arrives in the summer. Embassy Cairo also highlighted the fact that it dissented when the Department previously abolished a Facilities Manager position at the embassy, stating that its dissention was based on the “tremendous needs of Embassy Cairo's aging buildings and its sprawling location over multiple locations around Cairo.”

Finally, Embassy Cairo acknowledged that “the inability of American staff in the Management section to communicate with their large non-English speaking LE staff is a very real impediment to active engagement below the LE supervisor level.” To address this, the DCM recommended having an officer with Arabic language skills based at the warehouse to better facilitate communication with Management Section LE staff.

OIG Reply: OIG acknowledges the steps that Embassy Cairo has taken to encourage and support the free exchange of ideas and criticism but maintains that more will need to be done by embassy officials to sustain “Openness in Post Operations and Management,” as described in 2 Foreign Affairs Manual 111.1-1. In addition, in response to communications with embassy officials and the Ambassador following the issuance of a draft of this report, OIG modified the recommendation and other relevant sections of the report to emphasize the fact that the recommendation and the findings presented focus on the Management Section of the embassy. More specifically, they relate to senior embassy officials and staff

directly involved in the make-ready process. Therefore, on the basis of Embassy Cairo's response to the recommendation offered and in consideration of stated actions underway and planned, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that Embassy Cairo fully implemented its stated and planned mechanisms to encourage and support the free exchange of ideas and criticism throughout the Management Section in accordance with 2 Foreign Affairs Manual 111.1-1, "Openness in Post Operations and Management" and *Standards for Internal Control in the Federal Government*.

Recommendation 23: OIG recommends that senior leaders in the Management Section at U.S. Embassy Cairo, Egypt, work with U.S. direct-hire supervisors to (1) take additional steps to foster constructive relationships in accordance with 3 Foreign Affairs Manual 1214, "Leadership and Management Principles for Department Employees" by messaging the importance of teamwork, community, and open dialogue, and (2) remind employees of the Department prohibition against retaliation for disclosing wrongdoing in accordance with 3 Foreign Affairs Manual 4329, "Limitations on Use of Disciplinary Action."

Management Response: Embassy Cairo did not agree or disagree with the recommendation but highlighted several ongoing efforts to foster constructive relationships and prohibit retaliation for disclosing wrongdoing. For example, Embassy Cairo highlighted Equal Employment Opportunity and Harassment trainings in Arabic and the Deputy Chief of Mission's "Weekly Notes" to the embassy community emphasizing the embassy's zero-tolerance policy for bullying, harassment, and discrimination. Embassy Cairo also stated that "Weekly Notes" have now been translated into Arabic and distributed to LE staff in the Management Section via WhatsApp Messenger, a third-party messaging service. Embassy Cairo stated that it has also posted "Weekly Notes" to the community on video monitors at the ESSA warehouse and via hardcopy in shared spaces. Embassy Cairo stated that Human Resources Officers will meet weekly with LE supervisors in the Management Section to ensure they are briefing LE staff on the contents of these messages and that the Human Resources Office is also producing a document in Arabic "demystifying" the hiring, firing, and promotion process so LE staff understand that "their fate is not in the hands of the LE Staff supervisor." In addition, Embassy Cairo stated that Management Section supervisors will be reminded, via existing performance management platforms and counseling sessions, of their own individual, associated workplace responsibilities. Embassy Cairo stated that OIG Hotline and Whistleblower Protection information, Mission EEO Program details, and Office of Civil Rights contact information are shared in public spaces and on Mission SharePoint sites.

Finally, Embassy Cairo stated that it reviewed its records and concluded that disciplinary actions "are in fact consistent." Specifically, Embassy Cairo stated that one of the thefts referenced by OIG was found not to be of U.S. Government property but rather of a household item abandoned by a departing officer. In addition, the incident was fully investigated and determined to be more of a policy violation than theft with criminal intent. Embassy Cairo noted that "while serious enough to earn suspension, it was not

deemed cause for termination.” The second incident involved the movement of a household item belonging to an employee from one location to another. According to Embassy Cairo, this incident was fully investigated, and the employee was suspended for lying about taking the item. Embassy Cairo provided OIG with a record of post’s disciplinary actions “in order to demonstrate that reports of misconduct or malfeasance are vigorously investigated and adjudicated by Post’s Human Resources professionals consistently and according to Department policy.”

OIG Reply: OIG reviewed the additional information provided by Embassy Cairo and considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that Embassy Cairo worked with U.S. direct-hire supervisors to implement actions that will (1) foster constructive relationships in accordance with 3 Foreign Affairs Manual 1214, “Leadership and Management Principles for Department Employees” by messaging the importance of teamwork, community, and open dialogue, and (2) remind employees of the Department prohibition against retaliation for disclosing wrongdoing in accordance with 3 Foreign Affairs Manual 4329, “Limitations on Use of Disciplinary Action.” Finally, based on the additional information and evidence provided by the embassy showing that it employed a consistent approach to addressing employee misconduct, OIG determined that this part of the draft recommendation is no longer necessary. Accordingly, it has been removed from the final report.

Recommendation 24: OIG recommends that U.S. Embassy Cairo, Egypt, collaborate with the Foreign Service Institute to identify additional resources and support to address issues impacting collaboration, morale, and interpersonal relationships in the Management Section at post.

Management Response: Embassy Cairo did not agree or disagree with the recommendation. Rather, it stated that it supports the recommendation “while noting that an increase in training would be beneficial but no panacea, particularly in light of Egyptian hierarchical culture. Continuing to get rid of bad actors, creating ways for Management’s [direct-hire] supervisors to communicate with Local Staff (below the LE supervisor level), and ensuring Management [direct-hire] personnel prioritize such efforts will make the most meaningful difference.”

OIG Reply: On the basis of Embassy Cairo’s response to the recommendation offered and its recognition that additional training would be beneficial, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that Embassy Cairo collaborated with the Foreign Service Institute to identify additional resources and support to address issues impacting collaboration, morale, and interpersonal relationships in the Management Section at post.

RECOMMENDATIONS

Recommendation 1: OIG recommends that U.S. Embassy Cairo, Egypt, develop and implement standard operating procedures to monitor and verify contractor compliance with provisions for accepting receipt, maintaining control, and accounting for the use of Government-furnished materials.

Recommendation 2: OIG recommends that U.S. Embassy Cairo, Egypt, develop and implement standard operating procedures for managing and monitoring expendable supplies. This should include defining (1) the types of data that should be used by supply managers to inform decisions about ordering new supplies, (2) the respective responsibilities of other sections to collaborate on efforts to identify frequently used or critical items that may need to be ordered on a regular basis, and (3) the requirement to conduct regular reviews of existing stock to identify old or unused items for disposal.

Recommendation 3: OIG recommends that U.S. Embassy Cairo, Egypt, develop and implement a process to provide initial and, as needed, refresher training on the Integrated Logistics Management System (ILMS) to those locally employed staff in the Supply and Property Management Section who regularly use ILMS during their day-to-day responsibilities.

Recommendation 4: OIG recommends that U.S. Embassy Cairo, Egypt, reinforce the requirement, through actions such as training for Facility Management Office staff and approving officials, to explain why an item is urgently needed on petty cash request forms.

Recommendation 5: OIG recommends that U.S. Embassy Cairo, Egypt, develop and implement a process to regularly review a sample of approved petty cash voucher packages to determine whether they were approved and processed in accordance with post policy and take actions where necessary to correct instances that do not comply.

Recommendation 6: OIG recommends that U.S. Embassy Cairo, Egypt, execute its plan to move frequently used expendable supplies to existing warehouse locations that are closer to the place where they will be used in order to reduce the need for petty cash requests.

Recommendation 7: OIG recommends that U.S. Embassy Cairo, Egypt, conduct a workforce analysis of the Facility Management Office to inform staffing needs and to determine if the current amount of overtime used is appropriate.

Recommendation 8: OIG recommends that U.S. Embassy Cairo, Egypt, using the results of a workforce analysis, develop and communicate guidance on the types of tasks or circumstances that would generally require the use of overtime among Facility Management Office staff.

Recommendation 9: OIG recommends that U.S. Embassy Cairo, Egypt, reinforce the requirement, through actions such as training for Facility Management Office staff and approving officials, to include a justification on overtime on request forms in accordance with 3

Foreign Affairs Manual, 7550, "Premium Compensation," which states that overtime should only be approved as an emergency measure or to meet a temporary crisis.

Recommendation 10: OIG recommends that U.S. Embassy Cairo, Egypt, develop and implement a process to regularly review a sample of approved overtime forms to determine whether they were approved and processed in accordance with post policy and take actions necessary to correct instances that do not comply.

Recommendation 11: OIG recommends that U.S. Embassy Cairo, Egypt, develop and implement a standard operating procedure outlining the minimum type of work that should be performed for each make-ready project and the conditions that should be considered before completing additional work or if further approval is required before completing the work.

Recommendation 12: OIG recommends that U.S. Embassy Cairo, Egypt, in collaboration with the Bureau of Overseas Buildings Operations (OBO), develop and implement a standard operating procedure describing the steps for completing and entering work orders in the Global Maintenance Management System (GMMS), including identifying the minimum types of information and level of detail that must be recorded in each work order.

Recommendation 13: OIG recommends that U.S. Embassy Cairo, Egypt, develop and implement standard operating procedures that include a process for conducting periodic spot checks of information recorded in the Global Maintenance Management System (GMMS) to verify that the information recorded is reasonable, complete and in compliance with established standards as outlined in Recommendation 12.

Recommendation 14: OIG recommends that U.S. Embassy Cairo, Egypt, (1) evaluate the feasibility of hiring a Facility Data Analyst, and (2) collaborate with the Bureau of Overseas Buildings Operations to determine how to use the position to improve the collection and analysis of data recorded in the Global Maintenance Management System if it decides to hire a Facility Data Analyst.

Recommendation 15: OIG recommends that Embassy Cairo, Egypt, establish and implement a process to (1) track materials used, and costs associated with the make-ready process in the Integrated Logistics Management System, (2) conduct periodic reviews of the information to determine whether materials used, and costs associated with the make-ready process are reasonable, and (3) take corrective actions, as appropriate, when they are not.

Recommendation 16: OIG recommends that U.S. Embassy Cairo, Egypt, develop and implement a standard operating procedure for the Procurement and Contracting Section that outlines steps to be taken when procuring goods and services, including determining price reasonableness, completing pre-award reviews and checklists, and adhering to e-Filing requirements for storing documentation associated with purchase card transactions.

Recommendation 17: OIG recommends that U.S. Embassy Cairo, Egypt, establish procedures to ensure compliance with Federal Acquisition Regulation 16.505(b)(1)(ii)(E) which states that cost

should be considered as one of the selection factors when making decisions about awarding task orders for make-ready and other services below the micro-purchase threshold.

Recommendation 18: OIG recommends that Embassy Cairo, Egypt, establish controls to attribute time of only those staff who directly perform make-ready services under the make-ready sub-cost center, in accordance with the guidance outlined in 6 Foreign Affairs Handbook-5, H-341.15-11(C), “Residential Make-Ready – Time Allocation.”

Recommendation 19: OIG recommends that Embassy Cairo, Egypt, discontinue the practice of using carryover funds for make-ready projects, and that it accounts for supplies, tools, and equipment used in support of its make-ready projects under the make-ready sub-cost center, consistent with the guidance outlined in 6 Foreign Affairs Handbook-5 H-341.15-11(B), “Residential Make-Ready – Budgeted Costs.”

Recommendation 20: OIG recommends that Embassy Cairo, Egypt, develop and implement a policy requiring staff to distinguish make-ready activities from those related to maintenance, repair, and renovation activities as defined in 6-FAH-5, H-520, “Residential Commissioning and Make-Ready,” and direct staff to record only those activities (e.g., painting, cleaning, gardening, changing locks, and verifying safety and security requirements) as make-ready activities.

Recommendation 21: OIG recommends that Embassy Cairo, Egypt, revise its make-ready policy to comply with the requirements outlined in 6 Foreign Affairs Handbook-5 H-521(d), “Post Policy.”

Recommendation 22: OIG recommends that U.S. Embassy Cairo, Egypt, continue to develop and implement additional mechanisms to encourage and support the free exchange of ideas and criticism in the Management Section in accordance with 2 Foreign Affairs Manual 111.1-1, “Openness in Post Operations and Management” and *Standards for Internal Control in the Federal Government*. Such mechanisms could include regular one-on-one meetings between U.S. direct-hire supervisors and their locally employed staff, with the assistance of an American translator to identify specific areas of concern when feasible; the use of anonymous drop boxes; or other appropriate, confidential, feedback processes.

Recommendation 23: OIG recommends that senior leaders in the Management Section at U.S. Embassy Cairo, Egypt, work with U.S. direct-hire supervisors to (1) take additional steps to foster constructive relationships in accordance with 3 Foreign Affairs Manual 1214, “Leadership and Management Principles for Department Employees” by messaging the importance of teamwork, community, and open dialogue, and (2) remind employees of the Department prohibition against retaliation for disclosing wrongdoing in accordance with 3 Foreign Affairs Manual 4329, “Limitations on Use of Disciplinary Action.”

Recommendation 24: OIG recommends that U.S. Embassy Cairo, Egypt, collaborate with the Foreign Service Institute to identify additional resources and support to address issues impacting collaboration, morale, and interpersonal relationships in the Management Section at post.

APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

The objective of this audit was to determine whether implemented internal controls involving the make-ready process at U.S. Embassy Cairo, Egypt, were sufficient to safeguard expenditures and whether embassy officials had managed the process of accounting for make-ready costs in accordance with Department of State (Department) requirements.

The Office of Inspector General (OIG) conducted this audit from May 2021 to December 2021 in accordance with generally accepted government auditing standards. OIG relied on information provided by numerous embassy personnel including locally employed staff and senior embassy officials, as well as data that OIG obtained from Department databases. OIG conducted audit fieldwork at Embassy Cairo in June 2021. Generally accepted government auditing standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. OIG faced challenges in completing this work because of the Coronavirus Disease 2019 (COVID-19) pandemic, including limitations on in-person meetings and related difficulties within the Department that affected its ability to respond to OIG requests for information in a timely manner. Despite the challenges, OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions presented in this report.

To obtain background information, including criteria, OIG reviewed the Foreign Affairs Manual; the Foreign Affairs Handbook; the Federal Acquisition Regulation; and policies, procedures, and guidance established by the International Cooperative Administrative Support Services (ICASS) Center. OIG also conducted interviews with the ICASS Center and Bureau of Overseas Buildings Operations officials on the residential commissioning and make-ready process.

To determine the extent to which internal controls that Embassy Cairo implemented were sufficient to safeguard expenditures involving the embassy's make-ready process, OIG conducted interviews with post officials, observed ongoing make-ready projects, reviewed make-ready cost data provided by post, and reviewed make-ready data recorded in the Integrated Logistics Management System (ILMS) and the Global Maintenance Management System (GMMS). OIG also reviewed the embassy's indefinite delivery, indefinite quantity make-ready contracts and task orders.

To determine whether Embassy Cairo officials managed the process to prepare residences for new tenants in accordance with Department requirements, OIG conducted interviews with embassy officials, the Bureau of Overseas Buildings Operations, and the ICASS Center. OIG also talked with officials from the Bureau of Administration's Office of Logistics Management. OIG reviewed and analyzed documentation provided by these entities, including decision memoranda, guidance on the residential commissioning and make-ready process, cables, PowerPoint presentations, budgetary data, excerpts from GMMS, and other related documentation.

Data Reliability

OIG used computer-processed data to determine the number of make-ready projects to review. OIG obtained a list of leased residences and Government-owned properties that underwent the make-ready process in FY 2019, FY 2020, and FY 2021 from Embassy Cairo. After selecting a sample of make-ready projects, OIG then reviewed purchase requests obtained from ILMS for each project. OIG also used data recorded in GMMS to identify information such as the type of work completed in each project; the number, type, and cost of materials ordered; and the total number of staff and labor hours dedicated to each project. Lastly, OIG used data on overtime hours recorded in the Department's Time and Attendance system to identify trends in frequency of use. OIG conducted data reliability assessments for each of the datasets, which included reviewing existing information, conducting electronic testing of the data, and tracing data elements back to source data, where applicable. OIG determined that the documentation obtained from these systems was sufficiently reliable to support the findings and recommendations contained in this report.

Sampling Methodology

OIG selected 25 residences that Embassy Cairo had prepared for occupancy in FY 2019, FY 2020, and FY 2021 for review. OIG used a judgmental sampling method to select the residences for review. The residences were selected based on reported size (in square meters), type (Government-owned or leased), and estimated total cost of the make-ready project. The sample was taken from a universe of 361 residences that underwent the make-ready process during the scope period. Table B.1 in Appendix B provides information about the 25 selected residences.

In addition, OIG used a judgmental sampling method to select 30 purchase requests (10 from each fiscal year in the scope period) to test whether the services and materials to be procured met the criteria outlined in the Department's guidance regarding how to record make-ready costs. Embassy Cairo provided OIG with a total of 129 purchase requests that they stated constituted the contracted portion of their make-ready costs for all residences that underwent the make-ready process during the scope period. OIG then selected and reviewed 10 purchase orders processed in FY 2019, 10 processed in FY 2020, and 10 processed in FY 2021. OIG judgmentally selected the first 10 purchase requests from each year to identify any anomalies in purchase requests processed during corresponding periods.

Lastly, OIG reviewed 39 overtime forms submitted by LE staff to determine whether the staff completed them in accordance with established policy. Using data recorded in GMMS, OIG determined that 39 LE staff from the Facility Management Office worked on at least one of the 25 residences in OIG's sample of make-ready projects. Using a judgmental sampling method, OIG identified staff who had worked on one of the selected make-ready projects in each of the identified fiscal years. Specifically, OIG selected 13 staff members who had worked on make-ready projects in FY 2019, 13 staff members who had worked on make-ready projects in FY 2020, and 13 staff members who had worked on make-ready projects in FY 2021. OIG then reviewed the most recently completed overtime form for each of the identified staff members in the fiscal year selected.

Work Related to Internal Control

After reviewing the components and principles in the *Standards for Internal Control in the Federal Government*,¹ OIG concluded that of the five internal control components, four — Control Environment, Control Activities, Information and Communication, and Monitoring — were significant to the audit objective. The Control Environment component is the foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives. The Control Activities component includes the actions management establishes, through policies and procedures, to achieve objectives and respond to risks in the internal control system. The Information and Communication component relates to the use of quality information and effective communication to support the internal control system. The monitoring component relates to activities that management establishes and operates to assess the quality of performance over time and to promptly resolve the findings of audits and other reviews. OIG also concluded that four principles related to the selected components were significant to the audit objective as described in Table A.1.

Table A.1: Internal Control Components and Principles Identified as Significant to the Audit Objective

Components	Principles
Control Environment	Principle 1 – The oversight body and management should demonstrate a commitment to integrity and ethical values.
Control Activities	Principle 12 – Management should implement control activities through policies.
Information and Communication	Principle 13 – Management should use quality information to achieve the entity’s objectives.
Monitoring	Principle 16 – Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

Source: Government Accountability Office, *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014).

OIG interviewed embassy officials and reviewed documents and policies to obtain an understanding of the internal controls related to the components and principles identified as significant for this audit. OIG performed procedures to assess the design, implementation, and operating effectiveness of key internal controls. Specifically, OIG:

- Evaluated Department and post guidance, process, and procedures applied to the make-ready process.
- Evaluated Department and post guidance regarding the use of overtime for LE staff.
- Interviewed Department and post officials to obtain an understanding of control activities and monitoring procedures.
- Reviewed purchase requests, petty cash voucher packages, and overtime forms to determine compliance with Department and post policies.

¹ Government Accountability Office, *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014).

Prior Office of Inspector General Reports

Inspection of Embassy Cairo, Egypt (ISP-I-16-15A, April 2016). OIG reported that the Management Section at Embassy Cairo had made progress on strengthening oversight of internal controls, but that senior managers paid insufficient attention to management controls for the purchase card program and contracts. During FY 2015, the General Service Office staff made 73 unauthorized commitments, primarily in housing for residential make-ready projects. Embassy Cairo officials stated that the staff made these unauthorized commitments because they were not properly trained. Accordingly, embassy officials reissued guidance and provided training on the procurement process to avoid further unauthorized commitments. OIG also reported that the Procurement Unit did not operate efficiently, nor did it fully comply with Federal and Department regulations and guidelines. OIG reported that staff did not have adequate skills to maximize the benefits of ILMS's Ariba Procurement module. OIG made 20 recommendations and, as of December 2021, all had been implemented and closed.

Audit of U.S. Department of State Use of Short-Term Leases Overseas (AUD-HCI-13-02, December 2012). OIG reported that about 97 percent of the Department's real property operating leases were leased on a short-term basis and that rental costs for these leases in FY 2011 totaled about \$459 million. OIG also reported that personnel at the posts audited were not tracking and reporting make-ready costs specific to each property in OIG's sample. This occurred because the Department had not established guidance and procedures requiring posts to track and report costs associated with each property. Without adequate accounting and reporting of these property costs, the Department could not (1) ensure that make-ready costs specific to a property did not exceed the Foreign Affairs Manual limitation, (2) verify that funds were used for legitimate make-ready costs, or (3) determine the full cost of leasing overseas properties to make fully informed decisions about whether to renew or terminate lease agreements. OIG made six recommendations and, as of December 2021, all six recommendations had been implemented and closed.

APPENDIX B: SUMMARY OF SELECT MAKE-READY PROJECTS

The Office of Inspector General (OIG) selected 25 residences that underwent the make-ready process in FY 2019, FY 2020, and FY 2021 for detailed review. For each residence, OIG reviewed all data on supplies purchased and work performed during the vacancy period between occupants. Specifically, OIG reviewed purchase requests processed for each residence in the Department of State's (Department) Integrated Logistics Management System. OIG also used data recorded in the Global Maintenance Management System to identify: the type of work completed in each residence during the vacancy period; the number, type, and cost of materials ordered; and the total number of staff and labor hours dedicated to each project.¹ In addition, OIG recorded observations regarding the supplies, services, or labor documented for each residence. Table B.1. shows OIG's findings for each of the selected residences.

Table B.1: Summary of OIG's Review of Select Make-Ready Projects at Embassy Cairo

Residence	Square Feet	Ownership	Year	Total Costs Incurred During the Vacancy Period
8 Road 204 #4	2,389	Leased	2019	\$7,148
Observations: Staff replaced 103 lightbulbs at costs ranging from \$15 to \$25 per bulb for a total cost of \$2,307; staff completed three "final cleanings" costing between \$375 and \$425 during the make-ready period.				
8 Road 204 #3	1,700	Leased	2019	\$2,892
Observations: Staff replaced 21 lightbulbs at costs ranging from \$20 to \$54 per bulb for a total cost of \$743.				
5 Road 19 #32	1,776	Leased	2019	\$5,886
Observations: Six staff members recorded more than 1,000 labor hours on five work orders with no detailed information on the work completed; staff ordered 1,000 yards of cheesecloth, 25 cables, 40 hoses, and 54 light bulbs costing between \$17 and \$50 each.				
53 Road 83 #5	1,679	Leased	2019	\$5,528
Observations: Seventeen staff members recorded 161 labor hours and ordered supplies costing \$1,518 on six work orders with no information on the work completed other than "make-ready;" staff ordered electrical, plumbing, and carpentry supplies, indicating that the tasks performed exceeded the Department's definition of make-ready activities; staff completed four "final cleanings" during the vacancy period at a total cost of \$824.35.				
59 Road 82 Villa	3,563	Owned	2019	\$9,925
Observations: Two staff members recorded 295 hours for unspecified carpentry work; staff ordered 42 light bulbs at costs ranging from \$27 to \$32 per bulb for a total cost of \$1,087.				

¹ In calculating the total costs for each project, OIG did not include the costs of in-house labor.

Residence	Square Feet	Ownership	Year	Total Costs Incurred During the Vacancy Period
39 Road 78 Villa	2,446	Owned	2019	\$49,420
Observations: Nine staff members recorded 275.5 hours and ordered supplies costing \$7,136 on four work orders with no information on the type of work done other than “make-ready;” staff ordered electrical, air conditioning, carpentry and plumbing supplies, indicating that the tasks performed exceeded the Department’s definition of make-ready activities; staff ordered 25 chrome toilet handles, 25 hoses, 300 6mm copper wires, and 189 light bulbs.				
11 Road 11 #24	1,216	Owned	2019	\$13,161
Observations: Staff ordered 20 spotlights totaling \$129.				
11 Road 11 #27	1,432	Owned	2019	\$462
Observations: Staff completed two cleanings in 3 days at a total cost of \$462.18.				
44A Road 81 #1	3,207	Leased	2020	\$7,211
Observations: Eleven staff members recorded 159.5 hours and ordered supplies costing \$2,692 on six work orders with no information on the work performed other than “make-ready;” staff ordered electrical, carpentry, and plumbing supplies indicating that the tasks performed exceeded the Department’s definition of make-ready activities.				
6 Road 22 #22	2,249	Leased	2020	\$3,572
Observations: Three staff members recorded 7 labor hours and ordered supplies costing \$483 on two work orders with no information on the work performed other than “make ready;” staff ordered carpentry supplies indicating that the tasks performed exceeded the Department’s definition of make-ready activities.				
8 Road 19 #401	2,249	Leased	2020	\$6,013
Observations: Five staff members recorded 56 labor hours and ordered supplies costing \$1,799 on three work orders with no information on the work performed other than “make ready;” staff completed three “final cleanings” in three consecutive months (two cleanings occurred 11 days apart); staff ordered 17 locks, 6 toilet seats, and 7 smoke alarms for the 4-bedroom residence; staff ordered plumbing and electrical supplies indicating that the tasks performed exceeded the Department’s definition of make-ready.				
53 Road 83 #10	1,582	Leased	2020	\$2,273
Observations: A cleaning contractor completed two cleanings in 1 week.				
41 El Nahda Street #501	1,668	Leased	2020	\$4,086
Observations: Thirteen staff members recorded 191.66 labor hours and ordered supplies costing \$1,647 on seven work orders with no information on the work performed other than “make ready;” staff ordered plumbing and electrical supplies indicating that the tasks performed exceeded the Department’s definition of make-ready activities.				

Residence	Square Feet	Ownership	Year	Total Costs Incurred During the Vacancy Period
28 Road 15 #4	1,808	Leased	2020	\$4,113
Observations: Fourteen staff members recorded 120 labor hours and ordered supplies costing \$2,740 on six work orders with no information on the work performed other than “make-ready;” staff ordered air conditioning and electrical supplies indicating that the tasks performed exceeded the Department’s definition of make-ready activities.				
14 El Nahda	2,809	Owned	2020	\$14,872
Observations: Staff recorded 96 hours for painting by embassy staff on September 13, 2020; staff also requested painting services from a contractor on September 14, 2020; seven staff members requested 12,100 yards of cheesecloth.				
39 Road 19 Villa	1,432	Owned	2020	\$14,213
Observations: Seventeen staff members recorded 540 labor hours and ordered supplies costing \$2,785 on eight work orders with no information on the type of work done other than “make ready;” staff ordered air conditioning and electrical supplies indicating that the tasks performed exceeded the Department’s definition of make-ready activities.				
55a Road 15 #5	2,411	Lease	2021	\$2,560
Observations: Nine staff members recorded 120 labor hours and ordered supplies costing \$558 on two work orders with no information on the type of work done other than “make-ready;” staff replaced 30 LED light bulbs costing \$82.				
16 Road 12 #6	2,390	Leased	2021	\$3,149
Observations: Staff processed two purchase requests for deep cleaning for the same day.				
26 Road 12 #9	1,991	Leased	2021	\$1,858
Observations: 5 staff members recorded 20 labor hours and ordered supplies costing \$715 on 1 work order with no information on the type of work done other than “make ready.”				
46 Road 83 #12	1,485	Leased	2021	\$2,144
Observations: No observations noted; make-ready costs and labor appeared to be reasonable.				
11 Road 252	3,315	Owned	2021	\$3,789
Observations: Nine staff members recorded 300 labor hours and ordered supplies costing \$2,407 on one work order with no information on the work performed other than “make ready;” staff ordered 25 outdoor lighting fixtures costing \$2,045.				
14 Abdallah El Katteb Street	2,820	Owned	2021	\$6,768
Observations: Sixteen staff members recorded 501 labor hours and ordered supplies costing \$1,046 on eight work orders with no information on the work performed other than “make-ready.”				
11 Road 11 #12	1,399	Owned	2021	\$344
Observations: No observations noted; make-ready costs and labor appeared to be reasonable.				

Residence	Square Feet	Ownership	Year	Total Costs Incurred During the Vacancy Period
11 Road 11 #31	1,163	Owned	2021	\$314
Observations: Five staff members recorded 20 labor hours and ordered supplies costing \$244 on one work order with no information on the work performed other than "make-ready."				
8 Road 19 #101	2,594	Leased	2021	\$1,157
Observations: No observations noted; make-ready costs and labor appeared to be reasonable.				
Total				\$172,867

APPENDIX C: U.S. EMBASSY CAIRO RESPONSE



Embassy of the United States of America

February 7, 2022

Dear Assistant Inspector General Brown:

When Embassy Cairo requested the OIG's inspection of waste and potential fraud and abuse in Embassy Cairo's Management section, we knew your efforts would help us address these challenges. I would like to thank your team for their efforts, which I believe will assist us in trying to put an end to the problems. The audit results reinforce areas of concerns identified by Post and highlight additional opportunities for improving our Management operations. We look forward to implementing what is outlined in your draft report.

I would also like to inform you, separately but relatedly, that an investigation carried out at Post over the past six months in a Management section not inspected by the OIG has uncovered extensive waste, fraud and abuse. This investigation relied on having an American Entry-Level officer (ELO) at Post with Arabic language skills (the only one in the section) and deep familiarity with local culture. It will lead to [...] to undermine Cairo's Management operations for years. The ELO who took on the enormous challenge of investigating these operations received extensive support from Post's HROs and has stated that what inspired her to take on and persist in her investigation was the guidance she received directly from the Deputy Chief of Mission last August about the priority the Front Office places on getting to the bottom of and addressing problems in the Mission related to waste, malfeasance, harassment, discrimination and abuse. Attached is a draft cable on this investigation and its findings.

The catalyst for Post's request for OIG assistance was the discovery of egregious cost overruns, abuse of overtime, misuse of petty cash and disregard for policies in Post's Make-Ready process. It is important, in this regard, for the OIG to consider that ***Cairo's Management section is unique among the 37 sections and agencies that make up our large Mission*** for the following reasons:

- *The ratio of American USDH to Local Staff is exceptionally low.*
 - *In Facilities, this ratio is 1 USDH to 152 Local Staff – with an 03 FAC Manager stretched into an 02 position while covering for an 01 position for the past year and until the summer. (Attached is Post's dissent to the Department's previous decision to abolish an FS-03 Facilities Manager position based on the tremendous needs of Cairo's aging buildings and its sprawling location over multiple locations around Cairo.)*
- *Facilities' sole USDH supervisor is located one hour away from his LE staff working at the ESSA warehouse in Maadi.*
- *Most Local Staff in Facilities do not speak English and their American supervisor does not speak Arabic.*

- *Most LE staff in Management are non-desk employees who do not have access to email.*

These structural characteristics present major and unique challenges when it comes to oversight and communication between American supervisors and Local Staff that do not exist in any other section of Embassy Cairo.

This is why it is important – in order for the report to be accurate, fair and useful – that the OIG target its recommendations to that section and not impute shortcomings in the Management section to the rest of the Mission. The OIG did not inspect any other section at Post. Moreover, *it has received extensive evidence of consistent, deliberate and active Front Office leadership on the very issues flagged in the “Other Matters” section of the report.*

Specifically, the OIG has seen and heard evidence of the Front Office’s regular communication with the community when it comes to encouraging and supporting the free exchange of ideas and criticism throughout the mission, fostering constructive relationships, messaging the importance of teamwork, community, and open dialogue, reminding employees of the Department prohibition against retaliation for disclosing wrongdoing, and strengthening collaboration, morale and interpersonal relationships at Post.

The OIG has heard from Mission personnel and seen written records attesting to the fact that, since the day she arrived at Post, DCM Shampaine has consistently messaged the priority our Front Office places on the issues noted above throughout the community and, importantly, invested personal time in fostering greater communication within this large Mission and addressing such issues. DCM Shampaine launched Embassy Cairo’s first ever Arabic-language, culturally-targeted EEO training for our 1200 LE staff. She repeatedly instructed American supervisors at Country Team to increase direct communication with LE staff of all ranks to foster greater teamwork and transparency so that problems could be brought to the surface. This led Post’s HROs to start spending time weekly out at the ESSA warehouse in order to encourage LE staff there to raise concerns and receive answers to their questions, something never done before. The DCM also initiated sending written weekly updates to our LE staff so they would feel included in the mission’s work (one LE staff told the DCM he was so appreciative of these notes that he shares them with his family). As soon as problems related to LE staff, harassment and malfeasance are brought to her attention, the OIG is aware that DCM Shampaine immediately follows up on them, investing significant personal time in this regard and engaging directly with LE staff. At a mission of this size, with the highly demanding and complex policy matters the Front Office is tackling daily, we and the Department are fortunate to have a DCM who is passionately committed — *both in word and in deed* — to addressing harassment, bullying and malfeasance, who has prioritized intra-Mission communication, and who has implemented unprecedented efforts and invested significant amounts of time to ensure Front Office zero-tolerance for, and commitment to addressing harassment, bullying and malfeasance is appreciated in the Mission and that communication across the Mission is enhanced. Having been DCM three times, including in Baghdad, I know how important and hard this is, and attest that DCM Shampaine has been superb in this regard. Furthermore, as the DCM told the OIG, everything the DCM does and has done on these matters has had my strong support.

Given this reality, by repeatedly using the phrase “senior leaders” in the “Other Matters” section and its recommendations, without specifying that the OIG only inspected the Management section and that the Management section has a highly unique profile making it vulnerable to the very problems referenced in this section of the report, the draft report inaccurately implicates the section heads of all 37 agencies and sections on our Country Team and the Front Office, when in fact, the problem is nested in, and your inspection focused on, one section only. Without specifying the Management section, the takeaway is that the deficiencies rest with the Front Office and other section and agency heads, which they do not, which were not inspected, and which do not share the unique communication and oversight challenges of Cairo’s Management section. Again, the OIG has received e-mail exchanges and other evidence and heard from LE Staff that the Front Office is and has been doing the very things recommended in the “Other Matters” section of the draft report.

Cairo’s Management section has, and has had for many years, profound challenges. This is why we requested the OIG’s help in carrying out an inspection of its operations. If you do not make clear that it is the Management section to which you are referring, you are drawing implications that are inaccurate, unfair, and that will therefore demoralize a Front Office and broader mission leadership that is working hard and successfully to address the very issues you highlight. What’s more, the lack of section specificity makes the report less valuable in addressing the specific problems it is designed to fix. As currently written, the message that comes through in the “Other Matters” section and recommendations is that the Front Office does not encourage or support the free exchange of ideas or raising problems to supervisors throughout the mission - something which your team is aware is untrue. In your report, the DCM should be commended for her efforts.

When it comes to collaboration, teamwork and morale within the mission, had the OIG inspected the rest of Embassy Cairo, it would have discovered, for instance, that one of the major changes DCM Champagne has instituted at Post was breaking down stovepipes among many of our sections. This increased teamwork and collaboration strengthened our public diplomacy efforts by integrating the work of our Public Affairs team with that of USAID’s public affairs team -- empowering the USG to raise awareness among the Egyptian population of the \$30 billion in assistance the United States has provided to Egypt over the past 40 years. It has also strengthened USG commercial and economic policy advocacy by integrating the work of five USG agencies working on these issues -- one major American software company won a contract to digitize Health Ministry records because, as a result of the DCM’s initiative, FCS and USAID began collaborating, enabling FCS for the first time to successfully put this U.S. firm in contact with officials in the Ministry of Health. The DCM’s integration of effort among FCS, USAID, ECON, DHS and FAS also empowered Embassy Cairo to formulate valuable recommendations related to Egyptian customs laws – one of the major barriers to U.S. trade and investment in Egypt – that were incorporated into Egyptian legislative amendments. DCM Champagne conceptualized and launched this collaboration and enhanced communication within the Mission.

Targeting the focus of the challenges raised under “Other Matters” to the Management section, in contrast, provides valuable opportunities to address the vulnerabilities related to the “Other Matters” section that are inherent in the Management section. For example, following are steps

we have identified in this regard, some of which we have already started implementing, that would get at the issues highlighted in the “Other Matters” section:

Having a USDH American supervisor based at the ESSA warehouse full time to engage with LE staff below the LE supervisor level.

- We have decided to place an 02 officer with extensive management sector background prior to DoS as well as 6 years directly running or overseeing FAC and GSO operations at two separate Embassies in charge of ESSA Facilities operations for two to three months. (This individual is currently our HRO.)
- When the Facilities supervisor arrives in the summer, ending a year and a half gap, we will relocate the 03 Facilities officer to the ESSA warehouse.
- For Arabic interpretation, we will seek to hire one of the Yemeni Local Staff currently evacuated to Egypt.

Having an Arabic-speaking HRO, or language-designating a position at the ESSA warehouse, would enable communication between Americans and Management’s non-English speaking LE staff.

- This is something the DCM has previously recommended.

Finding ways of distributing to the Management section’s non-English speaking LE staff the DCM’s Weekly Note to the Community as well as other important Mission messages.

- The DCM’s messages and other key messages to the community are now being translated into Arabic for Management’s non-English speaking LE staff and circulated via WhatsApp to their staff who do not have computer access.
- Post has started posting the DCM’s Weekly Message to the community on video monitors at the ESSA warehouse and posting hard copies in shared spaces.
- The HRO will meet weekly LE supervisors in the Management section to ensure they are briefing LE staff on the contents of these messages and communicating these Mission-wide messages to all LE staff who do not have access to computers.

Increasing the ratio of USDH American supervisors to LE staff in Facilities.

- Per the attached cable, even with the arrival this summer of a Facilities supervisor, Post will have challenges given the scale of the building maintenance needed on the Embassy’s old towers and the sprawling location of Mission operations. (The EPAP to fill the gap of the third FAC Manager has been consumed by Post projects.)

In order to reflect the facts above, I urge the OIG to consider the following updated language to the “Other Matters” section *based on the information they received corroborating it:*

Senior embassy officials stated that they have attempted to address some of these long-standing issues. Since her arrival, the Deputy Chief of Mission has initiated efforts to educate staff about Equal Employment Opportunity requirements and the consequences of bullying and EEO violations, including launching Post’s first Arabic-language EEO

training program -- which more than 850 LE staff have taken so far; encouraged greater communication between Americans and LE staff, which led Human Resource officers, for the first time, to work out of the ESSA warehouse in Maadi in order to make themselves more available to the large LE staff located an hour away from the Embassy; included LE staff on distribution of her Weekly Notes to the Community; used her messaging to the community to emphasize the Front Office's zero tolerance for bullying, harassment, discrimination and retaliation; and met one-on-one with staff who have raised concerns about malfeasance. *[NOTE: All facts for which the OIG has evidence.]* The DCM told the OIG she has the full support of the Chief of Mission for these measures. The Human Resource Office has also dismissed LE staff found to be involved in malfeasance or wrongdoing *[NOTE: The OIG is aware that this was done prior to their inspection and, as noted above, we have just completed another major investigation in the Management section].*

Despite these efforts, OIG found that problems in the Management section remain and that some management LE staff continue to feel unsupported when they raised concerns. For example, in several instances where LE staff did voice their concerns to U.S. direct-hire supervisors and submitted complaints to the Human Resource Office, LE staff told OIG that they felt unsupported and that "nothing changed" after they reported their concerns. One LE staff person stated that she has not received any support from her U.S. direct-hire supervisors since she reported her concerns and added, "I'm disappointed in my [U.S. direct-hire] supervisors for not even coming to check on me after I spoke up." Similarly, another LE staff member voiced concerns to his U.S. direct-hire supervisors about staff placing duplicative and potentially wasteful orders for supplies. He also told OIG that he did not receive any response from his U.S. direct-hire supervisors after raising the complaints, though he did receive responses and support from the Front Office *[the OIG has received evidence to support this].*

Senior Management officials explained that the long-standing problems are perpetuated by several ongoing challenges. They told OIG that because of the heavy workload, they do not have time to interact more closely with junior LE staff and must rely on the LE supervisors to ensure that work is completed. They do not share a common language with most LE staff under their supervision. Moreover, much of the Management LE staff is located an hour away from the Embassy.

For the reasons explained above, the segment below should reference the Management section that was inspected, as follows in bold:

An official from the Bureau of Global Talent Management—the bureau responsible for recruiting, retaining, and sustaining the Department's workforce—told OIG that, in addition to management taking the lead through strong and consistent leadership, "there needs to be consistent and frequent communication up and down the chain of command." An official from the Foreign Service Institute's Center of Excellence in Foreign Affairs Resilience—an office that specializes in helping missions address issues affecting resilience such as poor collaboration among staff, low morale, and interpersonal conflict—told OIG that the problems facing Embassy Cairo's **Management section** are

not unique and that the Center could provide Embassy Cairo, as it does with other missions, with resources, education, and support to address their challenges.

Moreover, *Standards for Internal Control in the Federal Government* state that management is responsible for “reinforcing the commitment to doing what is right, not just maintaining a minimum level of performance necessary to comply with applicable laws and regulations.”⁴⁵ A strong internal control environment enables individuals to report issues such as those identified by LE staff in **Embassy Cairo’s Management section** through various methods, such as regular staff meetings, upward feedback processes, a whistle-blowing program, or an ethics hotline.⁴⁶

Continuing to pursue ways to foster a free exchange of ideas and criticism consistent with the FAM provisions and *Standards* previously referenced will not only enable Embassy Cairo to improve the management of the make-ready process, but also to improve **Management section** morale and the operation of the **section**. As one LE staff told OIG, “[The embassy] is our safe zone, and we need to protect it. I believe that if we don’t speak up, the situation will not change and may even become much worse.” Accordingly, OIG is offering the following recommendations.

Regarding the FAM reference cited below in the draft report, the OIG has received both written and testimonial evidence of ongoing efforts by the Front Office to encourage and support the free exchange of ideas and criticism throughout the mission, including the DCM’s launching of Post’s first ever EEO training in Arabic to educate Local Staff about their rights, protections, and obligations when it comes to speaking up about inappropriate behavior; her inclusion of such expectations in her weekly message to the community; and her direct engagement with Local Staff raising concerns and immediate follow up on such matters. At Embassy Cairo, the DCM and I decidedly and actively support and encourage openness, free exchange of ideas and criticism. That is why DCM Champagne has been working so hard on these issues since her arrival. Given this proven track-record, I request the following reference either be modified per below to reflect this by adding “as the Front Office does at Embassy Cairo,” to the end of the sentence or deleted altogether.

[• 2 FAM 111.1-1, “Openness in Post Operations and Management,” states that the Chief of Mission, Deputy Chief of Mission, and Principal Officer of an overseas post should encourage and support the free exchange of ideas and criticism throughout the mission, **as the Front Office does at Embassy Cairo.**]

The “Other Matters” section also alleges that Post’s disciplinary actions are inconsistent. Post reviewed its records in this regard and based on this review can confirm that disciplinary actions are in fact consistent and that the two cases cited in the report based on the allegations of one source are incomplete and therefore misleading. Specifically, the theft reported in the draft report was found *not to be of USG property* but rather of household items (i.e., a power surge protector) abandoned by a departing officer. The incident was fully investigated, determined to be more policy violation than theft with criminal intent. And while serious enough to earn suspension, it was not deemed cause for termination. The second incident involved the *movement of a portable heater belonging to an employee, not the USG, from one location to another*. Again, this incident was fully investigated and the employee was suspended for lying

about his having taken it. In order to demonstrate that reports of misconduct or malfeasance are vigorously investigated and adjudicated by Post's Human Resources professionals consistently and according to Department policy, I have attached Post's record of disciplinary actions. Should the OIG have questions or need further information, Post's Human Resources Officers are available to discuss these matters further. In the meantime, given the above facts, the following assertion contained in the draft report should be deleted:

"Furthermore, when U.S. direct-hire supervisors pursue disciplinary actions, the approach is not always consistent. One official in Embassy Cairo's Regional Security Office cited an example of an LE staff member who was caught stealing and was only given a 3-day suspension as punishment. In another instance, a U.S. direct-hire supervisor felt that a staff member accused of stealing had been "humiliated enough" during the investigation, and no further disciplinary action was taken.⁴³ The same official noted that "a more consistent approach to disciplinary action would go a long way to sending a clear message to the staff about what behavior will and will not be tolerated."

⁴³ In these instances, the embassy's Regional Security Office investigated the allegations and reported its results to the LE staff's senior U.S. direct-hire supervisor. The senior U.S. direct-hire supervisor made decisions with respect to disciplinary actions based on the information provided.

Regarding the recommendations in the "Other Matters" section, I strongly request you add the language in bold below (and delete the allegation regarding the lack of consistent approach to misconduct):

Recommendation 22: *OIG recommends that **the Management section** of U.S. Embassy Cairo, Egypt, continue to develop and implement additional mechanisms to encourage and support the free exchange of ideas and criticism throughout the mission in accordance with 2 Foreign Affairs Manual 111.1-1, "Openness in Post Operations and Management" and Standards for Internal Control in the Federal Government. Such mechanisms could include regular one-on-one meetings between U.S. direct-hire supervisors and their locally employed staff, with the assistance of an American translator to identify specific areas of concern when feasible; the use of anonymous drop boxes; or other appropriate, confidential, feedback processes.*

Recommendation 23: *OIG recommends that senior leaders **in the Management section** at U.S. Embassy Cairo, Egypt, work with U.S. direct hire supervisors to (1) take additional steps to foster constructive relationships in accordance with 3 Foreign Affairs Manual 1214, "Leadership and Management Principles for Department Employees" by messaging the importance of teamwork, community, and open dialogue, ~~(2) establish a consistent approach to addressing employee misconduct,~~ and (2) remind employees of the Department prohibition against retaliation for disclosing wrongdoing in accordance with 3 Foreign Affairs Manual 4329, "Limitations on Use of Disciplinary Action."*

Recommendation 24: *OIG recommends that U.S. Embassy Cairo, Egypt, collaborate with the Foreign Service Institute to identify additional resources and support to address issues impacting collaboration, morale, and interpersonal relationships **in the Management section.***

Thank you for your consideration of the requests above. Below are Post's responses to the recommendations in the draft report:

***Recommendation 1:** OIG recommends that U.S. Embassy Cairo, Egypt, develop and implement standard operating procedures to monitor and verify contractor compliance with provisions for accepting receipt, maintaining control, and accounting for the use of Government-furnished materials.*

Post Response: Post Concur. While accountability and oversight frameworks now exist, Post acknowledges that increased supervisory oversight and additional emphasis is necessary to ensure the systematic and effective use of related management controls. Post is identifying additional candidates for Contracting Officer's Representative (COR) training and an update of all related policies, and all related work-flow processes are under review. Accountable Property Officer designations and duties that might overlap with the Make-Ready process have been identified and additional guidance is being provided.

***Recommendation 2:** OIG recommends that U.S. Embassy Cairo, Egypt, develop and implement standard operating procedures for managing and monitoring expendable supplies. This should include defining (a) the types of data that should be used by supply managers to inform decisions about ordering new supplies, (b) the respective responsibilities of other sections to collaborate on efforts to identify frequently used or critical items that may need to be ordered on a regular basis, and (c) the requirement to conduct regular reviews of existing stock to identify old or unused items for disposal.*

Post Response: Post concurs. Please note that systemic concerns identified during an internal process review in 2021 have already led to significant corrective actions in Make-Ready supply management. Remedial actions taken to date include a transfer of accountability from Facilities to GSO Property Management and comprehensive inventory stocking-level assessments. Maintenance and Repair (M&R) supplies, materials, and spare-parts - traditionally managed via Facilities personnel - are currently managed by, and are under the supervision of, an USDH (and subject-matter-expert) A/GSO. GSO/PMO has instituted appropriate inventory-control methodologies to include those listed above and continues to refine Post processes in the near term. A Bench-Stock Program, created with both FM and Facilities Technician inputs, will identify and stock inexpensive, repeatedly used items in practical, centralized locations. Continuing initiatives include stake-holder requirements review, additional codification of improved processes, greater delineation of roles and responsibilities, the training and development of an appropriate number of staff, etc.

***Recommendation 3:** OIG recommends that U.S. Embassy Cairo, Egypt, develop and implement a process to provide initial and, as needed, refresher training on the Integrated Logistics Management System to all locally employed staff in the Supply and Property Management Section.*

Post Response: Post Concur. While not every position associated with supply and property management are responsible for ILMS data-entry or electronic processing, each should

fully understand the underlying precepts and requirements associated with their effective use. Review training will be conducted in groups and, for certain designated positions, an ILMS emphasis will be built into their Work Requirements (WRS) and individual training continuums. Concurrently, training programs for the distinct, but related, data management platform - OBO's Global Maintenance Management System (GMMS) - are being reviewed.

Recommendation 4: OIG recommends that U.S. Embassy Cairo, Egypt, reinforce the requirement, through actions such as training for Facility Management Office staff and approving officials, to explain why an item is urgently needed on petty cash request forms.

Post Response: Post concurs. Use of petty cash is discouraged and reserved for acquisitions where other methods are impractical / impossible; as the report shows, we've already drastically reduced our use of the process. Given the variables associated with individual make-ready requirements and local market conditions, use of cash to some degree is both a necessity and in the best interest of the USG. Post continues to reinforce cash-use policies and will increase training to all Occasional Money Holders (OMH) to ensure justification thresholds are fully met and cash use decisions rationalized. Authorizing officials are being reminded that detailed justifications are an essential part of Post's record keeping responsibilities. The audit also revealed that many of FAC's technicians' English skills regressed with disuse. Dual-language attachments for the petty cash forms are being developed for the technicians so they can clearly identify why the petty cash purchase was necessary, and what was actually purchased.

Recommendation 5: OIG recommends that U.S. Embassy Cairo, Egypt, develop and implement a process to regularly review a sample of approved petty cash voucher packages to determine whether they were approved and processed in accordance with post policy and take actions where necessary to correct instances that do not comply.

Post Response: Post Concur. All cash transaction requests are reviewed in advance and a more rigorous usage review regime has been implemented. Performance Management processes (counseling, performance improvement plan, suspension of authorities, etc.) will be used as necessary to ensure adherence to policy.

Recommendation 6: OIG recommends that U.S. Embassy Cairo, Egypt, execute its plan to move frequently used expendable supplies to locations that are closer to the place where they will be used in order to reduce the need for petty cash requests.

Post Response: Post concurs. The FAC Bench-Stock program, implemented at the end of November 2021, as reflected in Post Response to Recommendation 2, is designed to rationalize categories, quantities, and stocking locations. The program makes ordering and issuing these items exponentially more efficient and put the items the technicians need in their hands immediately, so they can do their minor repairs the first time they respond to a work order request. Local conditions (notorious Cairo traffic, geographic distances, situational scarcity of proficient technical labor, etc.) will however remain a constant

challenge. Periodic reviews and ability to adjust to evolving requirements will be necessary to ensure sustained success.

***Recommendation 7:** OIG recommends that U.S. Embassy Cairo, Egypt conduct a workforce analysis of the Facility Management Office to inform staffing needs and to determine if the current amount of overtime used is appropriate.*

Post Response: Post concurs. Post, in consultation with OBO, will conduct a review utilizing tools such as ILMS analytics, ICASS statistics, and all available Right-Sizing data. Post will also consult with the Office of Strategy & Solutions (M|SS) (M&A) to inform any future Mission Resources Requests. Fifteen new position descriptions were recently completed to enhance Post's capacity in key, technically proficient, Facilities positions. Requests for changes to current staffing and funding levels will be submitted via the ICASS Council.

***Recommendation 8:** OIG recommends that U.S. Embassy Cairo, Egypt, using the results of a workforce analysis, develop and communicate guidance on the types of tasks or circumstances that would generally require the use of overtime among Facility Management Office staff.*

Post Response: Post concurs. Post will provide personnel and front-line supervisors additional guidelines for gauging the necessity of situational overtime. Premium Compensation Authorization / Approval policies are being carefully enforced; overtime work-hours are already reduced to 25% of 2019's levels. Adjustment to workflows and workhours will be made wherever practicable. Post will also conduct cost v. benefit analysis on related works to determine when (if) USG overtime is situationally more cost effective than out-sourced contracted work.

***Recommendation 9:** OIG recommends that U.S. Embassy Cairo, Egypt, reinforce the requirement, through actions such as training for Facility Management Office staff and approving officials, to include a justification on overtime on request forms in accordance with 3 Foreign Affairs Manual, 7550, "Premium Compensation," which states that overtime should only be approved as an emergency measure or to meet a temporary crisis.*

Post Response: Post Concurr. While the nature of the work and local operating environment prevents eliminating the use of Premium Compensation, situational overtime requests now must include increased rationale and fuller justification. Through increased management controls, related OT has been reduced dramatically since the peak of the 2019 transfer season. Post will also work with Housing Program ICASS subscribers to ensure advance assignment and arrival notifications are received in good order, lessening the requirement for "urgent" related residential make-ready actions. Post will consult with the ICASS Working Group to investigate if "avoidable" overtime requirements, such as those resulting from an Agency's individual urgent, expedited requirement, may be passed on to them via a direct charge. OT policies and approval forms are being translated into Arabic to increase comprehension.

***Recommendation 10:** OIG recommends that U.S. Embassy Cairo, Egypt, develop and implement a process to regularly review a sample of approved overtime forms to determine whether they were approved and processed in accordance with post policy and take actions necessary to correct instances that do not comply.*

Post Response: Post concurs. Sectional supervisors will include regular reviews of overtime costs as part of routine operational discussions. Post has instituted a secondary approval process for certain functions and all ICASS overtime use is monitored by the Deputy Management Counselor.

***Recommendation 11:** OIG recommends that U.S. Embassy Cairo, Egypt, develop and implement a standard operating procedure outlining the minimum type of work that should be performed for each make-ready project and the conditions that should be considered before completing additional work or if further approval is required before completing the work.*

Post Response: Post concurs. A review of Post's Make-Ready / Residential Commissioning & Decommissioning Policies is under way and updates / revisions will be made as necessary. The FAC Team has already developed comprehensive pre-lease and pre-departure inspection checklists, with a "final walk through" checklist in draft. The checklists include very specific requirements and provide clear instructions for landlord (leased) or FAC Team (Government-owned) residences. The team has also been field-testing the free version of an application that automates the checklists. Additionally, the Scope-of-Work for contracted Make-Ready services has been revised for clarity with associated COR's receiving additional instruction and guidance.

***Recommendation 12:** OIG recommends that U.S. Embassy Cairo, Egypt, in collaboration with the Bureau of Overseas Buildings Operations, develop and implement a standard operating procedure describing the steps for completing and entering work orders in the Global Maintenance Management System, including identifying the minimum types of information and level of detail that must be recorded in each work order.*

Post Response: Post concurs. All available OBO GMMS User Training has been given new emphasis and Cairo Facilities Management has created Cairo-specific Task / Directive / Action training materials. The Microsoft Teams based platform shares links to central OBO FAC guidance - to include GMMS Reporting Guidelines, OBO Benchmarking data, Work Order Directives database, OBO Operational Scorecard data, Maintenance & Repair Funding Matrix and OBO/CFSM/FAC Facility Management Performance (FMP) platform, etc. - and has been made available to Cairo FAC FMs and senior supervisors.

***Recommendation 13:** OIG recommends that U.S. Embassy Cairo, Egypt, develop and implement standard operating procedures that include a process for conducting periodic spot checks of information recorded in the Global Maintenance Management System to verify that the information recorded is reasonable, complete and in compliance with established standards as outlined in Recommendation 11.*

Post Response: Post concurs. Per Recommendation / Response #12, FAC has implemented periodic GMMS reviews using a combination of OBO provided guidelines and local process improvement initiatives.

Recommendation 14: OIG recommends that U.S. Embassy Cairo, Egypt, in collaboration with the Bureau of Overseas Buildings Operations, evaluate the feasibility of hiring a Facility Data Analyst to improve the collection and analysis of data recorded in the Global Maintenance Management System and to implement quality management systems to improve the Facility Management Office's efficiency and effectiveness.

Post Response: Post Concurr. Additional human resources will assist in meeting the significant challenges associated with maintaining and improving Post's aging infrastructure. Note: a highly effective OBO/FM EPAP has become an integral part of Facilities efforts and, as an interim step, data-analysis duties will be included in that portfolio going forward. Post will seek continuation of this vitally important position going forward and will also identify EFM's candidates proficient in data analysis.

Recommendation 15: OIG recommends that Embassy Cairo, Egypt, in collaboration with the Bureau of Administration, establish and implement a process to (1) track materials used, and costs associated with the make-ready process in the Integrated Logistics Management System, (2) conduct periodic reviews of the information to determine whether materials used, and costs associated with the make-ready process are reasonable, and (3) take corrective actions, as appropriate, when they are not.

Post Response: Post Concurr. Post is improving purchase order naming and numbering conventions to better detail the specific project or property labor / materials are allocated to. FAC and GSO Housing are reinforcing proper use of work-load count reporting methods with both clerical and technical staff. An annual policy review that includes of estimating average Make-Ready costs – will serve as an additional price rationalization exercise. Contracting Officer follows all FAR guidelines when awarding Make-Ready purchase orders and certain tiered-pricing structure for expedited service has been abandoned.

Recommendation 16: OIG recommends that U.S. Embassy Cairo, Egypt, develop and implement a standard operating procedure for the Procurement and Contracting Section that outlines steps to be taken when procuring goods and services, including determining price reasonableness, completing pre-award reviews and checklists, and adhering to e-Filing requirements for storing documentation associated with purchase card transactions.

Post Response: Post concurs. Post is fully committed to the precepts prescribed in Foreign Acquisition Regulation (FAR) and adherence to all FAM, FAH, and A/OPE requirements. Post acknowledges that obligatory clerical works (e*filing / contract-close-out actions) had been sorely neglected in the Residential Make-Ready related lanc-of-effort and corrective, remedial actions continue. A key element of this problem has already been resolved – the inappropriate purchasing mechanism called “Service Level II” was eliminated as soon as the Management Team learned of its existence. The mechanism duplicated the work

required in the Make-Ready IDIQ contract. The remaining element: The Procurement staff did not always check the IDIQ contract for the agreed-to pricing on make-ready materials and labor costs; they are now. A new IDIQ, based on A/OPE's model contract for make-ready services is in its final review with A/OPE. The SOP will be written when the new IDIQ is completed to ensure consistency between the contract and the SOP.

Additionally, the Purchase Card Program Annual Review - overseen by the Purchase Card Program Coordinator (PC), coordinated by designated Approval Officials (AO) with individual card holders – will be cross referenced with other related Make-Ready management controls such as ILMS MyServices data and the ARIBA Purchase Card module.

Recommendation 17: OIG recommends that U.S. Embassy Cairo, Egypt, establish procedures to ensure compliance with Federal Acquisition Regulation 16.505(b)(1)(ii)(E) which states that cost should be considered as one of the selection factors when making decisions about awarding task orders for make-ready and other services below the micro-purchase threshold.

Post Response: Post concurs. Unit price is a primary factor when determining overall best-value to the USG, to include micro-purchase level acquisitions. Post USDH Contracting Officer (CO) retains sole authority for acquisition approvals to ensure Post compliance to the FAR. While the CO retains the final authority to determine price reasonableness, Ordering Offices, Procurement Agents, Occasional Money Holders, and authorized Blanket Purchase Order (BPA) users, all share a degree of fiduciary responsibility for the effective use of USG assets. Post will reinforce this best-practice through policy directives, refresher training, and initiatives such as strategic buy-plans. Post also recognizes that, while cost is the most dominant factor for determining price reasonableness, other factors (availability and/or lead-times; the operational necessity to develop and maintain a pool of qualified and trusted service providers) can also influence "overall best-value" decisions.

Recommendation 18: OIG recommends that Embassy Cairo, Egypt, establish controls to attribute time of only those staff who directly perform make-ready services under the make-ready sub-cost center, in accordance with the guidance outlined in 6 Foreign Affairs Handbook-5, H-341.15-11(C), "Residential Make-Ready – Time Allocation."

Post Response: Post concurs and acknowledges sub-cost center accounting errors can adversely affect ICASS Serviced Agencies. Personnel have received additional work-load count reporting training and the importance of properly accounting for both labor and materials has been reinforced. Corrective action to a work-order tracking naming convention has also proved beneficial: the abbreviations MR (Make-Ready) and M&R (Maintenance & Repair) had been used - erroneously - as interchangeable terms in some cases, leading to incorrect cost-accounting. This too has been corrected.

Recommendation 19: OIG recommends that Embassy Cairo, Egypt, discontinue the practice of using carryover funds for make-ready projects, and that it accounts for supplies, tools, and equipment used in support of its make-ready projects under the make-ready sub-cost center, as

consistent with the guidance outlined in 6 Foreign Affairs Handbook-5 H-341.15-11(B), "Residential Make-Ready – Budgeted Costs."

Post Response: Post concurs. FAC, GSO Housing, in consultation with the Financial Management Office has implemented improved management controls to ensure proper residential make-ready sub-cost center accounting. Post is also reviewing use of ICASS carryover funds to ensure full compliance with Department regulations.

***Recommendation 20:** OIG recommends that Embassy Cairo develop and implement a policy requiring staff to distinguish make-ready activities from those related to maintenance, repair, and renovation activities as defined in 6-FAH-5, H-520, "Residential Commissioning and Make-Ready," and direct staff to record only those activities (e.g., painting, cleaning, gardening, changing locks, and verifying safety and security requirements) as make-ready activities.*

Post Response: Post concurs. Fuller delineation / demarcation coupled with consistent and regular review is required. As noted in the above Post Response to Recommendation 18, there has/ had been confusion over the use of English abbreviations in reporting and has since been corrected. The need to differentiate between Maintenance and Repair (M&R) and Make-Ready (MR) works conducted at both Government Owned (GO) and Leased (OL) Residences creates opportunity for error that Post will correct via detailed policy revisions. Additional guidance in Arabic is to be provided to both technicians and clerical staff to improve understanding, requirements, and expectations.

***Recommendation 21:** OIG recommends that Embassy Cairo revise its make-ready policy to comply with the requirements outlined in 6 Foreign Affairs Handbook-5 H-521(d), "Post Policy."*

Post Response: Post concurs. Post Commissioning & Decommissioning (Residential Make-Ready) policies, Mission Housing Handbook are under review to ensure continuity-of-process and adherence to FAH directives. Aforementioned "Check-Lists" add specificity and increased accountability. Policy updates will be published regularly. Concurrently, Post is improving coordination between the ILMS MyServices platform and FAC work-order systems via direct, daily communication between Facilities and GSO Housing personnel. Sectional SOPs are to be continually refined and developed in coordination stakeholders performing related functions. Supervisors are responsible for ensuring overlapping processes are collated where appropriate and deconflicted where necessary. A newly created Customer Service Liaison position includes evaluation & analysis duties that will add additional management control mechanisms and assist in ensuring adherence to policy.

***Recommendation 22:** OIG recommends that the Management section of U.S. Embassy Cairo, Egypt, continue to develop and implement additional mechanisms to encourage and support the free exchange of ideas and criticism throughout the mission in accordance with 2 Foreign Affairs Manual 111.1-1, "Openness in Post Operations and Management" and *Standards for Internal Control in the Federal Government*. Such mechanisms could include regular one-on-one meetings between U.S. direct-hire supervisors and their locally employed staff, with the*

assistance of an American translator to identify specific areas of concern when feasible; the use of anonymous drop boxes; or other appropriate, confidential, feedback processes.

Post response: Since her arrival, the DCM has frequently emphasized the necessity of enhancing communication between American supervisors and Local Staff and has mandated that USDH supervisors set time aside specifically for this purpose. Her prioritization of this led Post's USDH HROs to spend time at the ESSA warehouse weekly, something never done before, in order to give Local Staff there access to American HROs and encourage them to raise concerns. While the ratio of USDH to LE Staff in certain Management sections (Motor Pool, Facilities, Property Management, for example) poses recognizable challenges, Post will try to encourage greater one-on-one communication with Local Staff below the supervisor level with the use of an American interpreter. Having a USDH American supervisor based at the ESSA warehouse full time is required for there to be engagement between USDH and LE staff below the LE supervisor level at ESSA. At present, Post's sole Facilities manager is an 03 FAC Manager stretched into an 02 position who is also covering for an 01 position (for the past year and until the summer) supervising 152 Local Staff, including many at the ESSA warehouse an hour away. For the next two to three months, we have decided to place an 02 officer with extensive management sector background prior to DoS as well as 6 years directly running or overseeing FAC and GSO operations at two separate Embassies in charge of Facilities operations at ESSA. (This individual is currently our HRO.) When the Facilities supervisor arrives in the summer, ending a year and a half gap, we will locate the 03 Facilities officer to the ESSA warehouse. NOTE: Post dissented when the Department abolished an FS-03 Facilities Manager position, based on the tremendous needs of Embassy Cairo's aging buildings and its sprawling location over multiple locations around Cairo. (The EPAP to fill the gap of the third FAC Manager has been consumed by Post projects.) The inability of American staff in the Management section to communicate with their large non-English speaking LE staff is a very real impediment to active engagement below the LE supervisor level. Having an HR officer with Arabic language or a Facilities or GSO position at the warehouse with Arabic would enable communication with the Management section LE staff. This is something the DCM has previously recommended.

Recommendation 23: OIG recommends that senior leaders in the Management section at U.S. Embassy Cairo, Egypt, work with U.S. direct hire supervisors to (1) take additional steps to foster constructive relationships in accordance with 3 Foreign Affairs Manual 1214, "Leadership and Management Principles for Department Employees" by messaging the importance of teamwork, community, and open dialogue, ~~(2) establish a consistent approach to addressing employee misconduct~~, and (2) remind employees of the Department prohibition against retaliation for disclosing wrongdoing in accordance with 3 Foreign Affairs Manual 4329, "Limitations on Use of Disciplinary Action."

Post Response: Mission Cairo wishes to highlight our current and continuing programs. Of note is a newly developed, Post-specific, Arabic-language EEO (Harassment) Training program, developed and implemented by our Mission Human Resources Office at the instruction of the DCM. Tailored for LE Staff in non-desk positions, this initiative has expanded the reach and impact of the course via in-person instruction and local-language

discussion. More than 850 Local Staff have taken this training program so far. Post has started distributing the DCM's Weekly Note to the Community, where she communicates the Front Office's zero tolerance for EEO violations, harassment and bullying, as well as other important Mission messages to the Management section's large non-English speaking Local Staff at the ESSA warehouse who do not have computer access, including by translating them into Arabic and circulating them via WhatsApp. Post has also started posting the DCM's Weekly Message to the community on video monitors at the ESSA warehouse and in hard-copy in shared spaces. The HRO will meet weekly LE supervisors in the Management section to ensure they are briefing LE staff on the contents of these messages and communicating these Mission-wide messages to all LE staff who do not have access to computers. The HR Office is also producing a document in Arabic demystifying the hiring, firing and promotion process so Local Staff understand their fate is not in the hands of the Local Staff supervisor. Management section leads and line-supervisors will be reminded via existing performance management platforms and counseling sessions of their own individual, associated work-place responsibilities. OIG Hotline and Whistleblower Protection information, Mission EEO Program details, and S/OCR contact information are shared in public spaces and on Mission SharePoint sites.

[If the decision is made not to delete the allegation regarding inconsistent disciplinary actions:] Post reviewed its records in this regard and based on this review can confirm that disciplinary actions are in fact consistent and that the two cases cited in the report based on the allegations of one source are incomplete and therefore misleading. Specifically, the theft reported in the draft report was found *not to be of USG property* but rather of household items (i.e., a power surge protector) abandoned by a departing officer. The incident was fully investigated, determined to be more policy violation than theft with criminal intent. And while serious enough to earn suspension, it was not deemed cause for termination. The second incident involved the *movement of a portable heater belonging to an employee, not the USG, from one location to another*. Again, this incident was fully investigated and the employee was suspended for lying about his having taken it. In order to demonstrate that reports of misconduct or malfeasance are vigorously investigated and adjudicated by Post's Human Resources professionals consistently and according to Department policy, I have attached Post's record of disciplinary actions. Should the OIG have questions or need further information, Post's Human Resources Officers are available to discuss these matters further.

Recommendation 24: OIG recommends that U.S. Embassy Cairo, Egypt, collaborate with the Foreign Service Institute to identify additional resources and support to address issues impacting collaboration, morale, and interpersonal relationships in the Management section.

Post Response: Post supports while noting that an increase in training would be beneficial but no panacea, particularly in light of Egyptian hierarchical culture. Continuing to get rid of bad actors, creating ways for Management's USDH supervisors to communicate with Local Staff (below the LE supervisor level), and ensuring Management USDH personnel prioritize such efforts will make the most meaningful difference.

Embassy Cairo wishes to thank the OIG again for its support of Post's efforts to dig into, understand and address long-standing problems facing Embassy Cairo's Management operations. We look forward to implementing systemic changes to help put an end to them.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Cohen', with a long horizontal flourish extending to the right.

Ambassador Jonathan Cohen

ABBREVIATIONS

EGP	Egyptian Pounds
ESSA	Embassy Support Services Annex
FAH	Foreign Affairs Handbook
FAM	Foreign Affairs Manual
FAR	Federal Acquisition Regulations
GMMS	Global Maintenance Management System
GSO	General Services Officer
ICASS	International Cooperative Administrative Support Services
IDIQ	indefinite delivery, indefinite quantity
ILMS	Integrated Logistics Management System
LE	Locally Employed
OIG	Office of Inspector General

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