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Inspection of Port Moresby, Papua New Guinea

BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS

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OIG HIGHLIGHTS

January 2017
OFFICE OF INSPECTIONS
Bureau of East Asian and Pacific Affairs

Inspection of Embassy Port Moresby, Papua New Guinea

What OIG Found

What OIG Inspected

OIG inspected the U.S. Embassy Port Moresby from June 9 to 28, 2016.

What OIG Recommended

OIG made 13 recommendations to U.S. Embassy Port Moresby to strengthen internal controls, comply with directives on grant management, and limit the work of the Consular Agency in the Solomon Islands to border security and protection of American citizens.

- Internal control deficiencies adversely affected Embassy Port Moresby operations.
- Embassy managers paid insufficient attention to internal controls for the purchase card program, contracts, property management, and fuel consumption.
- Embassy Port Moresby's management of grants did not comply with Department of State directives.
- The embassy's Integrated Country Strategy was overly ambitious to the detriment of effective internal control.
- The work of the Consular Agency in Honiara, Solomon Islands, exceeded the mandate of a consular agent.
- Embassy Port Moresby personnel told OIG that the recent assignment of an ambassador with strong management experience had been needed, and they expressed appreciation for the Ambassador's and the Deputy Chief of Mission's inclusive and collaborative styles.

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CONTEXT

Papua New Guinea, which gained its independence from Australia in 1975, comprises the eastern half of the island of New Guinea and nearby islands. A 9-year secessionist revolt on Bougainville Island that resulted in 20,000 deaths ended in 1997 with a commitment to hold a referendum on independence between 2015 and 2020. The referendum is scheduled for 2019. Papua New Guinea's indigenous population is one of the most heterogeneous in the world and includes 836 different languages. The country will host the 2018 Asian-Pacific Economic Cooperation summit.

Papua New Guinea's per capita income ranks 192nd out of 267 world entities; 85 percent of the population depends upon subsistence agriculture for their livelihoods. Life expectancy ranks 169th in the world. However, an ongoing \$19 billion investment in liquified natural gas production by a U.S. company has the potential to double the country's gross national product and triple its exports in the near-term. Papua New Guinea ranks 139th of 168 countries in Transparency International's ranking of the perception of corruption in countries.

Embassy Port Moresby's FY 2015-2017 Integrated Country Strategy (ICS) pursues two main policy goals: (1) to strengthen U.S. influence in Papua New Guinea through increased people-to-people exchanges and strategic engagement in government, civil society, press, and the public; and (2) to promote sustainable, transparent, and inclusive economic growth that supports regional stability. U.S. assistance in FY 2015 totaled \$6.45 million, \$6.2 million of which was for programs to combat HIV/AIDS.

Port Moresby is rated as a critical threat post for crime. Embassy personnel receive a 35 percent hardship differential and a 50 percent cost of living allowance. At the time of the inspection, the embassy included 7 U.S. Government agencies with 23 U.S. direct hire and 9 U.S. locally employed staff positions authorized and 95 locally employed (LE) staff positions. The Ambassador is accredited to Papua New Guinea, the Solomon Islands, and Vanuatu, and also is responsible for the Consular Agency in the Solomon Islands and the Peace Corps program in Vanuatu. The Bureau of Overseas Buildings Operations awarded a construction contract for a new embassy compound in 2011 but suspended work in 2014 due to a significant increase in the project's scope. The project was resolicited in 2015 and was scheduled to resume in 2016 and be completed in 2018.

OIG evaluated the embassy's policy implementation, resource management, and management controls consistent with Section 209 of the Foreign Service Act¹. OIG also assessed security, which is covered in a classified annex to this inspection report. The annex discusses the embassy's security program and issues affecting the safety of mission personnel and facilities.

¹ See Appendix A.

EXECUTIVE DIRECTION

OIG based the following assessments of Embassy Port Moresby's leadership on the results of 127 interviews and meetings in Washington and Port Moresby, 109 questionnaires completed by American and LE staff that included comments on Front Office performance, and OIG's review of documents and observations of embassy meetings and activities during the inspection.

Tone at the Top and Standards of Conduct

The Ambassador, who arrived in February 2016, began her Foreign Service career as General Services Officer in Port Moresby and subsequently held many management positions, including Deputy Assistant Secretary for Logistics Management and Co-Chair of the Defense-State Executive Steering Group supporting U.S. activities in Iraq and Afghanistan. The Deputy Chief of Mission (DCM), who arrived in September 2015, had previous Foreign Service assignments as a political and public affairs officer and DCM. Staff consistently told OIG that the assignment of such an ambassador with strong management experience had been needed to address the embassy's management deficiencies, which are described further in this report. The staff also told OIG that the skills and experiences of the Ambassador and DCM complement each other.

American and LE staff consistently told OIG of the Ambassador's and the DCM's inclusive and collaborative styles and approachability, traits that are in keeping with the Department of State's (Department) leadership principles in 3 Foreign Affairs Manual (FAM) 1214. The Ambassador and the DCM met regularly with American and LE staff and traveled to Vanuatu and the Solomon Islands to visit U.S. Government personnel in those countries. Shortly after her arrival, the Ambassador organized a 2-day off-site to discuss the mission's goals and vision with American and LE staff. She followed with a message to all mission personnel stating her intent to continue increasing collaboration, coordination, and communication. As part of that effort, she asked LE staff to deliver brief talks to mission personnel on topics such as the embassy's greening initiative and the making of a film on the oral cancer risk posed by chewing betel nut (a common practice in Papua New Guinea).

The Ambassador and the DCM demonstrated a commitment to integrity and ethical values by adhering to applicable Department standards and to the 3 FAM 1214 requirement that all employees model integrity. Embassy staff told OIG that both the Ambassador and the DCM stressed the importance of integrity and ethical behavior—the first principle of internal control identified in the Government Accountability Office's *Standards for Internal Control in the Federal Government*—in town halls, in country team meetings, and through management notices. The Ambassador stated her expectation that embassy staff exhibit "behavior befitting of the public's trust" in a management notice. She also issued notices related to gifts, consular ethics, and recusal policies.

A review of the Ambassador's and the DCM's representational and official residence expenses found no anomalies. The embassy received and recorded gifts in accordance with 2 FAM 960 and maintained a gift registry as required by 2 FAM 964. The DCM performed non-immigrant

visa adjudication reviews, a required element of consular internal controls prescribed by 9 FAM 403.9-2(D) and 9 FAM 403.10-3(D)(1), for 100 percent of the adjudication days in FY 2016 as of this inspection. The heads of other agencies at the embassy told OIG that the Ambassador and the DCM were aware of their agencies' operations, budgets, workloads, and risks.

Execution of Foreign Policy Goals and Objectives

After her arrival in February 2016, the Ambassador met with the prime ministers and key government officials in Papua New Guinea and the Solomon Islands. This is consistent with the 2 FAM 113c(7) mandate that an ambassador maintain close relations with host government officials. At the time of the inspection, the Ambassador had yet to present her credentials of accreditation to the Government of Vanuatu, although she had visited the country. She also had begun to develop contacts with representatives of non-governmental organizations, opposition figures, and other diplomatic and international missions. The Ambassador achieved success early in her tenure when, working against a deadline for U.S. tuna fleet access to waters of the 12 Pacific island parties to the South Pacific Tuna Treaty, she brokered an interim agreement that continued that access. The U.S. fleet had lost access earlier in 2016 when a previous arrangement expired and negotiations deadlocked.

Overly Ambitious Strategic Plan

Embassy Port Moresby's 2015-2017 ICS, which was developed prior to the current embassy leadership's arrival, was overly ambitious in seeking to transform host countries' institutions, economies, and contributions to regional stability. The ICS set out 95 key activities, most with no timelines. It envisioned extensive engagement with the three host governments, but the embassy encountered obstacles in communicating with all three governments, which often did not respond to requests for appointments or demarches. The ICS was also predicated on receiving additional resources that the embassy did not obtain. For example, it set goals to work with the Papua New Guinea parliament and political parties on electoral reforms and legislation to engage civil society and to increase affordable internet access. The embassy, however, lacked the program resources or staff to achieve these goals.

Guidance in 18 FAM 101.1-1 states that the purpose of strategic planning is to achieve the most effective U.S. foreign policy outcomes. Strategic planning also creates a framework for monitoring progress and measuring results, shaping resource decisions, and ensuring accountability. Further, 18 FAM 101.4-3 requires chiefs of mission to ensure alignment of policy, planning, resources, and program decision-making. The disconnect between the 2015-2017 ICS goals and the resources necessary to achieve those goals is inconsistent with these strategic planning objectives.

The embassy's next ICS planning cycle was to begin in August 2016, with the ICS due in December 2016. OIG advised the Ambassador and the DCM to prepare an ICS that would serve as an effective tool to concentrate efforts on achievable goals and to measure performance.

Adherence to Internal Controls

Embassy Port Moresby's reviews of its internal control processes did not identify or correct the serious deficiencies OIG identified in oversight of the purchase card program, contracting, property management, fuel consumption, and grants. No deficiencies were reported on the 2015 Chief of Mission Statement of Assurance dated August 2015 and submitted prior to the arrival of the current Ambassador and DCM.

The DCM told OIG that he and the previous Ambassador had reviewed the responses to OIG questionnaires submitted in March 2016 with the relevant section heads, who had assured them that internal control processes had been reviewed and complied with Department standards.

In contrast, the current Ambassador reviewed the OIG questionnaires after her arrival and told embassy staff in a town hall meeting in advance of the OIG inspection that she expected employees to be forthcoming about problems in their sections—"no surprises." The Ambassador gave embassy staff a two-page list of internal control issues she wanted all sections to check. She also directed the Management Section to conduct a thorough inventory of non-expendable property to address an excessive variance found in the 2015 inventory, but which had not been included in the 2015 Chief of Mission Statement of Assurance. The inventory was underway at the time of the inspection. After the Ambassador's arrival, the embassy issued management notices dealing with internal control issues such as visa referrals, unauthorized commitments, and motor pool use.

The Ambassador and the DCM told OIG that they were aware of the vulnerabilities created by having inexperienced personnel in key internal control positions in a country with high levels of corruption. Both told OIG that they intended to work with the American and LE staff to build their expertise and to reach out to the Department for support as necessary. OIG suggested that the Ambassador draw on her management background to take the lead in correcting deficiencies. OIG emphasized that the embassy's ambitious ICS policy and program agenda, combined with a lack of staff to manage it, put additional stresses on internal control issues related to travel, conferences, and grants.

Developing and Mentoring Future Foreign Service Leadership

The mission had four participants in its First- and Second-Tour (FAST) Foreign Service officer and specialist program. The DCM oversaw the program as directed by 3 FAM 2242.4. He met monthly with the FAST employees and the Ambassador hosted an event for them. One employee traveled to Accra, Ghana, to participate in a FAST program sponsored by the Under Secretary for Management. FAST employees consistently expressed appreciation for the DCM's interest in their career development, including counseling on evaluation reports and onward assignments. OIG suggested that the DCM expand the scope of the program to provide entry-level personnel with opportunities to practice a wide variety of skills, including drafting reporting cables, participating in public outreach, engaging with different interlocutors, building a network of contacts, and displaying leadership and management.

Security of the Mission

The Ambassador and the DCM were attentive to their security responsibilities as required by the President's Letter of Instruction. The embassy conducted emergency drills as required by 12 Foreign Affairs Handbook (FAH)-1 H-765. The DCM chaired the embassy's Emergency Action Committee, which met in response to security-related developments, such as a confrontation that occurred just before the inspection in which police shot several students. The DCM stressed to embassy staff the importance of participation in emergency and evacuation radio network tests and met weekly with the Regional Security Officer to review the mission's security posture. The embassy submitted to the Department the security memorandum of agreement between the Chief of Mission and the geographic Department of Defense combatant commander as required by 2 FAH-2 H-116.b.

Security and crisis management issues are discussed in more detail in the classified annex.

POLICY AND PROGRAM IMPLEMENTATION

Foreign Assistance

Assistance Awards Do Not Comply with Applicable Directives

Embassy Port Moresby did not comply with the Department's Federal Assistance Policy Directive (FAPD) in managing its assistance awards. At the time of the inspection, the embassy oversaw 44 active awards, with a value of \$1.7 million, in women's health, economic empowerment, and protection against gender based violence. Department and embassy officials told OIG that the embassy had sought assistance funding wherever available. The two Grants Officers and Grants Officer Representatives who oversaw awards all had other responsibilities and failed to devote sufficient attention to ensure the files were completed.

OIG reviewed files for 11 active and expired awards with a value of \$1.5 million and found the following recurring deficiencies:

- Grant files lacked justifications for non-competed awards (FAPD sub-chapter 2.02).
- The embassy did not perform pre-award surveys or screen applicants against the Excluded Parties List (FAPD 2.02-B).
- The embassy did not conduct risk assessments of applicants (FAPD 2.03-A).
- Recipients did not comply with program and financial reporting requirements specified in the award provisions (FAPD 3.01-B and 3.01C).
- The embassy did not conduct consistent monitoring (FAPD 3.01) and did not take corrective action when necessary (FAPD 3.04-A).
- The embassy used Federal Assistance File Folders (Form DS-4012) only to open awards but not to track subsequent actions (FAPD 1.10-B).
- The embassy did not close out all of its expired grants (FAPD 3.07).

Deficiencies in award oversight present risks that ineligible or unsuitable organizations may receive awards and that recipients' poor performance will go undetected, with consequent waste of resources and failure to accomplish award objectives.

Recommendation 1: Embassy Port Moresby should implement a standard operating procedure and monitoring plan for embassy staff to comply with the Department's Federal Assistance Policy Directive. (Action: Embassy Port Moresby)

OIG advised the embassy to limit future awards to a number that the staff can manage, and to reflect those limitations in the embassy's upcoming ICS revision.

Reporting and Advocacy

Mixed Record on Reporting

The Political Section's reporting was relevant and timely, including reporting on a corruption scandal in Papua New Guinea that provoked public demonstrations and a forceful government response. Due in part to the volume of work associated with the annual Women's Forum supervised by the Economic Officer, the Economic Section produced little reporting beyond Department-mandated reporting and contributions to the embassy's daily note to the Department. OIG reviewed 8 months of reporting, during which most of the embassy's stand-alone thematic reports addressed internal political issues. The Economic Section over the same period produced six substantive reports, and its reporting plan was limited to required reports.

Washington end-users said they recognized the limits on small political and economic staffs who are responsible for covering three countries and the autonomous province of Bougainville, and they said the embassy's reporting gave them good information. The demand for political reporting may grow as the mandate for a regional policing mission in the Solomon Islands expires in 2017 and Bougainville prepares for a 2019 referendum on independence.

OIG advised the embassy to link its political and economic reporting plans to the goals of the upcoming ICS and to vet them with Washington consumers to ensure the plans are realistic and responsive to readers' interests.

Gender Programs Are Top Priority

Empowering women was the top strategic goal in the FY 2015-2017 ICS. Papua New Guinea ranked 158th out of 188 countries in the United Nations Development Program's Gender Inequality Index, and gender based violence affected nearly two-thirds of women throughout the country. The embassy employed a mix of foreign assistance and public diplomacy programs of grants, speakers, award nominations, partnerships with other donors, and sponsorship of its annual Women's Forum, a 3-day event with 400 participants from all of Papua New Guinea's provinces. During the inspection, the Department agreed to continue funding a LE staff position dedicated to women's empowerment, health, and combatting gender-based violence.

Washington end-users told OIG they held the embassy's work on women's programs in high regard.

Trafficking in Persons Presents Challenges

Papua New Guinea in 2016 reverted to Tier 3, the lowest category, in the Department's Trafficking in Persons Report. Papua New Guinea had been in Tier 3 in the Department's 2014 report before being upgraded to Tier 2 Watch List in 2015. Moreover, a grant to protect trafficking victims and strengthen government policy was set to expire in 2016. Although the ICS committed the embassy to work with the government to implement legislation to combat trafficking in persons, protect victims, and prosecute offenders, the Department and embassy relied principally on the grant's implementer to engage the government. OIG advised the embassy to consult with the Department on the overall lack of progress in combatting trafficking and the pending grant expiration when revising the ICS.

Leahy Vetting Managed Well Despite Lapses

Embassy Port Moresby in 2015 processed 116 cases in accordance with Leahy laws and policies.² The Bureau of Democracy, Human Rights, and Labor told OIG that the embassy was doing a "very good job" managing Leahy vetting, despite recent slippage in timeliness of submissions, which the embassy began to address during the inspection. In September 2015, a Department-funded implementing organization failed to notify the embassy of a training event that required Leahy vetting of participants. When the embassy learned of the omission, it notified the Department as required, and the implementing organization covered the cost of the training from its own funds.

Use of Record Messaging

The embassy complied with Department Notice 2014-02-169³ on record emails in sending its daily political and economic update to the Department through the State Messaging and Archive Retrieval Toolset. However, OIG identified two non-record messages reporting meetings with foreign officials on a treaty negotiation and on trafficking in persons, both issues of interest to the Department and the public. OIG advised the embassy to circulate a management notice reminding staff of Department policy for retaining records.

² The Leahy Amendment to the Foreign Assistance act of 1961 prohibits the Department of State from furnishing assistance to foreign security forces if the Department receives credible information that such forces have committed gross violations of human rights. See 22 USC 2378d

³ Department notice, "IRM Explanation of SMART Record E-Mails," dated February 27, 2014.

Public Diplomacy

Effective Outreach with Special Challenges

The Public Affairs Section, despite infrastructure and geographic obstacles, advanced ICS priorities of women's empowerment and countering gender-based violence but needed a narrower focus on objectives that could be obtained with its level of staffing. The section provided speakers for the embassy's annual Women's Forum, hosted women's empowerment workshops at the American Corner⁴, and partnered with a U.S. company to provide basic business skills to women. The section was fully integrated into embassy activities, including participation in working groups on health and women's empowerment. However, economic and geographic factors hindered the section's interaction with the public. Less than two percent of the population has access to the internet. More than 80 percent of the population is in remote areas, and roads connect few cities. Port Moresby's isolation also limited the embassy's programs with other U.S. embassies in the region.

American Corner Provides Useful Venue for Engagement

The American Corner in Port Moresby served as a useful platform for the embassy's outreach activities. The corner experienced electrical supply problems in late 2015 and early 2016 that forced extended closures, but OIG encountered a broad cross-section of public users during this inspection. During OIG's site visit, the corner appeared to be the best-maintained section of an otherwise dilapidated National Library building. The two National Library employees who ran the corner both described to OIG their training in American Corner operations and their confidence in running the center. Embassy officials told OIG the American Corner was the only no-cost space available for the embassy to host guest speakers, concerts, and other outreach events.

Embassy officials showed OIG a non-operational, U.S. Government-owned generator that the embassy moved to the library to provide back-up power. The generator had previously been used at embassy housing. Embassy officials told OIG the National Library determined that the building's electrical system could not handle the generator without extensive rewiring to avoid creating a fire hazard. Guidance in 14 FAH-1 H-711 and 14 FAH-1 H-716.1 provide methods to dispose of non-required property. The generator is unusable in its current location

Recommendation 2: Embassy Port Moresby should dispose of the idle American Corner generator. (Action: Embassy Port Moresby)

The Bureau of International Information and Programs provided \$30,465 in FY 2016 funding to install, refurbish and operate the generator at the National Library. Guidance in 4 FAM 052.2 requires that services ordered must fill a bona fide need in the fiscal year in which they are

⁴ American Corners are open-access facilities used to engage foreign audiences overseas.

ordered. Because the National Library determined the generator was unusable at the library, the embassy should return these funds to the Bureau to be put to better use.

Recommendation 3: Embassy Port Moresby should return \$30,465 to the Bureau of International Information and Programs. (Action: Embassy Port Moresby)

Consular Affairs

Embassy Port Moresby's sole Consular Officer is responsible for a 200,000-square-mile consular district covering three countries and oversees a Consular Agency in Honiara, Solomon Islands. Isolated populations, long distances, and often limited infrastructure challenged the provision of consular services. The embassy engaged with American citizens, many of whom were located outside major cities, through frequent travel and regular communication.

OIG reviewed the embassy's full range of consular operations, including visa and American citizens services, the fraud prevention program, and consular management controls, and found they met Department standards and policies, except as noted below. From January-June 2016, the embassy issued seven emergency and security messages to American citizens, including one concerning civil unrest that occurred in Port Moresby immediately before the inspection. The section processed 2,058 nonimmigrant visa applications in FY 2015, with appointment wait times of one day. The Consular Officer periodically conducted visa interviews in the Solomon Islands, saving applicants the cost and time of applying in Port Moresby. Consular management strengthened oversight of consular cashiering operations and internal controls during 2016, which met FAM requirements.

Consular Agency Honiara

The two-person Consular Agency in Honiara⁵ is the only permanent U.S. Government presence in the Solomon Islands. It was established after the U.S. embassy closed in 1992. The Consular Agent, a longtime resident prominent in the local community, was appointed in 1998 and is assisted by one LE staff member. Embassy leadership, the Bureau of Consular Affairs, and resident American citizens reported the agency provided effective services, drawing on the Consular Agent's dense network of contacts throughout the Solomon Islands' government, business community, and civil society.

⁵ Consular agencies play a role in protecting American citizens where the United States does not maintain a full consular presence, usually in locations distant from embassies or consulates where significant numbers of American citizens visit or reside or in cities that previously hosted a consulate or an embassy. Consular agents are local-hire Foreign Service employees, usually United States citizens resident in the city where the consular agency is located.

Majority of Consular Agent's Work Unrelated to Border Security

The majority of the Consular Agent's work was unrelated to border security or the protection of American citizens, which is inconsistent with 8 U.S.C. 1713 and related authorities⁶. The Consular Agent's salary and the agency's operating expenses are funded by Consular and Border Security Programs funds, which must be used for the statutory responsibilities of the Bureau of Consular Affairs as enumerated in 1 FAM 251⁷. OIG found the Consular Agent spent less than 50 percent of her time performing consular work. The agency provided emergency services for American citizens an average of once per month, and in FY 2016 performed only six passport and notarial services for American citizens as of June 2016. There were no reliable means to measure the agency's other activities because it lacked a formal method to track and report its work.

The Consular Agent's work requirements statement required her to assist embassy sections with special projects as requested. The embassy, the Department, and other U.S. Government agencies relied on the Consular Agent to deliver demarches, arrange meetings and official visits, secure host government support for U.S. initiatives, and conduct public diplomacy. Embassy interlocutors acknowledged that this engagement promoted U.S. interests but exceeded a consular agent's mandate. The Consular Agent was paid for and expected to work 20 hours per week, but was in the office 30 to 40 hours per week. The embassy and Consular Agency reported that much of this time was spent performing non-consular work. This situation developed because there was generally less than 20 hours of consular work per week, so the agent offered to take on non-consular tasks. The embassy, however, did not clearly define the special projects and the time it expected from the consular agent. The embassy told OIG it attempted to reduce such assignments, but OIG found evidence such requests continued during the inspection. Use of Consular and Border Security Programs funds for purposes other than providing consular services risks misuse of such funds.

Recommendation 4: Embassy Port Moresby should limit Consular Agency Honiara's work to functions related to provision of consular services. (Action: Embassy Port Moresby.)

RESOURCE MANAGEMENT

Management Operations

OIG reviewed the operations of the Financial Management, Human Resources, General Services, and Facility Management offices and determined they failed to perform in accordance with Department guidance and policies. OIG found a backlog of incomplete internal control-related

⁶ The Consular Affairs Post Allotment Funding Matrix details the consular fee sources for specific consular activities. The Matrix is available on the Budgets and Funding page of the Bureau of Consular Affairs intranet website. "Consular Fees: A Reference Guide for Resource Managers," also available on this site, details the retention and expenditure authorities related to each fee.

⁷ 1 FAM 251.1, "Responsibilities of the Bureau of Consular Affairs"; 1 FAM 251.4, "Authorities"; 1 FAM 251.5. "Delegations of Authority."

tasks. The Management Section lacked standard procedures and management controls and senior managers paid insufficient attention to internal controls for the purchase card program, contracts, property management, and fuel consumption. The Procurement Unit did not operate efficiently nor comply with Federal and Department regulations and guidelines.

This inspection did not include a review of Embassy Port Moresby's IT operations.

Purchase Cards Suspended for Overdue Balances

Embassy Port Moresby did not reconcile and pay purchase card invoices, resulting in a past due balance of \$35,701 and the suspension of all individual purchase card accounts. The embassy's Financial Management Center reconciled purchase card statements during the course of the inspection and determined the embassy failed to make several payments because its purchase agents and voucher examiners did not reconcile invoices. During the inspection, the Financial Management Center paid down the past due balance and the purchase card issuer lifted the suspension.

In FYs 2015 and 2016, the Management Officer failed to conduct annual program reviews, as required by 4 FAM 455.2a (16), and did not evaluate cardholder training, internal controls, and compliance with established procedures. Failure to properly reconcile accounts is a violation of accounting controls and increases the risk of inaccurate financial records and misuse of funds.

Recommendation 5: Embassy Port Moresby should conduct annual purchase card reviews as required by Department standards. (Action: Embassy Moresby)

Financial Management

No Cash Payment Waiver on File

Since the start of FY 2016, the embassy made 31 cash payments in excess of the \$500 limitation stipulated in 4 FAH-3 H-394.2-1(c). Embassy officials stated that local banking conditions did not allow for timely payments via Electronic Funds Transfer. Although the payments were justified and approved, 4 FAH-3 H-394.2-6(a) requires embassies to request a waiver of cash payment limitations if they conclude the limitations are unduly restrictive. By operating without a waiver, the embassy makes cash payments without determining if local conditions actually warrant them.

Recommendation 6: Embassy Port Moresby should request a cash payment waiver from the Bureau of the Comptroller and Global Financial Services. (Action: Embassy Port Moresby)

Accommodation Exchange Provided without Proper Determination

The embassy provided accommodation exchange services without Chief of Mission determination as to whether it was necessary. Financial Management personnel were previously unaware of this requirement but obtained the Chief of Mission determination during the inspection. According to 4 FAH-3 H-361.2(a)-(b)1, a chief of mission should determine whether

accommodation exchange services will be provided, taking into consideration whether adequate, secure, and convenient local banking facilities are available. Providing accommodation exchange can be resource intensive and place additional cash advance liability and risk on embassies.

Official Residence Staff Paid Directly via Electronic Funds Transfer

The embassy paid directly Official Residence Expense staff, contrary to 3 FAM 3257, which states that Official Residence Expense staff members are employees of the principal representative, not of the U.S. Government. The regulation makes it clear that the principal representative is responsible for paying Official Residence Expense staff. In 2014, OIG issued a Management Assistance Report⁸ that addressed this improper practice and recommended that the Department issue a directive that prohibits an embassy's direct payment to the official residence expenses staff. Department management was reviewing this issue at the time of the inspection. OIG is not making a recommendation in this report.

ICASS Operating without a Budget Committee

Embassy Port Moresby's International Cooperative Administrative Support Services (ICASS) Council oversaw the ICASS budget process. Embassy officials told OIG that, due to the embassy's small size, it did not form a Budget Committee and instead made budgetary decisions through the ICASS Council. According to 6 FAH-5 H-012.7, each embassy must form a Budget Committee, which is comprised of a representative from each participating autonomous organization in the mission. OIG advised the embassy to establish an ICASS Budget Committee to ensure member agencies are fully represented in budgetary decisions.

Human Resources

No Training Plan

The embassy did not have an employee training plan. Per Embassy Port Moresby's training policy (revised May 2016), the training program coordinator in the Human Resources Office was to advertise and receive all requests for training, and prepare a post training plan to match requests with available funds. The embassy had yet to implement the policy at the time of the inspection. Failure to develop a training plan that matches available funding with training needs may hinder staff development and the effectiveness of embassy operations.

Recommendation 7: Embassy Port Moresby should develop and implement an employee training plan. (Action: Embassy Port Moresby)

⁸ OIG, *Management Assistance Report - Direct Payment of Official Residence Expenses Staff Salaries* (ISP-I-14-08, April 3, 2014).

Delay in Health Insurance Contract Renewal

Embassy Port Moresby's health insurance contract for LE staff expired September 2015; a contract extension was to expire in September 2016. The embassy began working on contract updates in 2014, but insufficient responses from local comparators delayed the update. The Bureau of Human Resources, Office of Overseas Employment, was to address the issue during an embassy site visit scheduled for July 2016. An outdated health insurance plan may prevent staff from receiving benefits comparable to those prevailing on the local market.

General Services Operations

Procurement Unit Not Properly Using Department System

In FY 2015, the staff of 3 procurement agents processed 1,063 purchase requests with a value of \$3.4 million. However, procurement staff did not correctly use the Department's Integrated Logistics Management System⁹ Ariba Procurement despite having received training in January 2015. The embassy implemented eFiling in June 2015, but did not use it for contracts processed in July and August 2015; the delay in using eFiling was due primarily to users' limited skills. This resulted in incomplete contract files. Prior to the inspection, Embassy Canberra sent a member of its senior LE staff executive corps to provide procurement and contract training to the procurement agents and planned another visit for August 2016.

Unauthorized Commitments Persist at Embassy

Embassy staff made 24 unauthorized commitments in FY 2015 and, as of the time of the inspection, 6 in FY 2016. The embassy ratified the 28 commitments that were less than \$1,000 each and forwarded the other 2 to the Bureau of Administration's Office of the Procurement Executive for ratification under the guidelines in 14 FAM 215(e). These were still pending at the time of the inspection due to missing documents in the contract files.

All of the pending contract ratifications signed by one of the embassy's two Contracting Officers exceeded the officer's \$250,000 warrant limit when the contract option years were included. The officer received a contracting officer appointment after attending the Foreign Service Institute's General Services Officer training but lacked experience in contracting duties and did not comply with Federal Acquisition guidelines. According to 14 FAH-3 H-362.2, the Procurement Executive may take action on any contracting officer appointment at any time if the contracting officer has failed to comply with applicable laws, regulations, or policy in the performance of his or her duties. Not taking action to prevent unauthorized commitments risks potential violations of the Anti-Deficiency Act.

⁹ Integrated Logistics Management System is the Department's enterprise supply chain management system. It is a global logistics platform supporting the requisition, procurement, distribution, transportation and receipt of assets; fleet management; diplomatic pouch and mail; and tracking of goods and services both domestically and overseas.

Recommendation 8: The Bureau of Administration, in coordination with Embassy Port Moresby, should take corrective action as determined by the Procurement Executive to ensure proper procurement procedures are followed, remedial acquisition training is taken, and fiduciary responsibilities are taken seriously to prevent future contract problems from occurring. (Action: A, in coordination with Embassy Port Moresby)

Incomplete and Missing Contract Files

OIG reviewed all five of the embassy's contract files. All were missing the Contracting Officer's letter of designation as well as other documents required by 14 FAH-2 H-517(1), including documents describing the Contracting Officer's Representative's duties and responsibilities. Contract administration is the responsibility of the Contracting Officer, who lacked experience in contracting duties and did not comply with Federal Acquisition guidelines. Inadequate oversight of the Contracting Officer's and Contracting Officer's Representative's files risks lack of clarity in defining authorities and responsibilities.

Recommendation 9: Embassy Port Moresby should implement standard operating procedures for maintaining contract files as required by the Foreign Affairs Handbook. (Action: Embassy Port Moresby)

Warehouse Operations Lack Separation of Duties

Embassy Port Moresby's warehouse supervisor was the sole LE staff employee in the warehouse and performed duties contrary to Department standards regarding separation of duties. The employee received, recorded, and bar-coded all incoming shipments and also was responsible for monitoring the warehouse and requesting the replenishment of expendable supplies. According to 14 FAM 411.2(d), a sound management control system must ensure that no one individual is in a position to control all aspects of any transaction affecting the receipt, storage, or disposition of expendable or nonexpendable personal property. If separation of duties is impossible, the accountable property officer, or authorized designee, must conduct a management review at least twice a year. The duties could not be separated with only one warehouse employee but the embassy also did not conduct management reviews. The lack of internal control weakened safeguards against waste, loss, unauthorized use, and misappropriation of funds, property, and other assets.

Recommendation 10: Embassy Port Moresby should separate receiving, asset recording, and asset bar-coding responsibilities. (Action: Embassy Port Moresby)

No Residential Inventory Records

The embassy did not account for government-provided residential furnishings. OIG found no evidence of embassy-maintained residential files. The embassy had not required, nor had occupants provided, signatures acknowledging receipt of residential inventories. According to 14 FAM 416.3(f), when a residence is inventoried for an incoming occupant, the occupant must sign and date an inventory acknowledging receipt of property. The embassy did not have

procedures in place to hold occupants accountable. Absent proper records, the embassy cannot hold occupants financially liable for missing or damaged items.

Recommendation 11: Embassy Port Moresby should maintain residential inventory files in accordance with Department standards. (Action: Embassy Port Moresby)

Ineffective Oversight of Fuel Controls

The embassy did not have an effective system to monitor fuel consumption. Embassy staff had access to an unlocked fuel pump for refueling vehicles during the day without a system in place to monitor this activity. Moreover, the embassy did not follow its own standard operating procedure for fueling embassy vehicles that required designation of specific individuals to operate the embassy pump. These failures were inconsistent with Department guidance. According to 14 FAH-1 H-815.1b, to prevent theft, tight control should be maintained over pumps used in a bulk-fuel operation. Access to pumps should be restricted to authorized personnel and keys to fuel system locks are to be kept in a secure location. The lack of proper procedures to maintain internal controls raised the potential for theft, fraud, and misuse of U.S. Government property.

Recommendation 12: Embassy Port Moresby should enforce controls on fuel consumption in accordance with Department standards. (Action: Embassy Port Moresby)

Lack of Housing Inspections Puts Personnel at Risk

The Post Occupational Safety and Health Officer and the Regional Security Officer did not complete mandatory inspections of embassy residences or document the safety and health certifications in the residential leasing files. Because of a lack of oversight and prolonged gaps in staffing, the Housing Unit did not request residential inspections during the acquisition process. In accordance with 15 FAM 432.2.9a and b, safety, health, and environmental hazards must be addressed during the selection of housing and documented in the lease files. Without proper inspections and certifications, the Post Occupational Safety Officer and Regional Security Officer could not identify and eliminate critical safety and health hazards or address security vulnerabilities that put U.S. personnel at risk.

Recommendation 13: Embassy Port Moresby should inspect and bring all existing residences into compliance with safety, health, and environmental certification requirements. (Action: Embassy Port Moresby)

RECOMMENDATIONS

Recommendation 1: Embassy Port Moresby should implement a standard operating procedure and monitoring plan for embassy staff to comply with the Department's Federal Assistance Policy Directive. (Action: Embassy Port Moresby)

Recommendation 2: Embassy Port Moresby should dispose of the idle American Corner generator. (Action: Embassy Port Moresby)

Recommendation 3: Embassy Port Moresby should return \$30,465 to the Bureau of International Information and Programs. (Action: Embassy Port Moresby)

Recommendation 4: Embassy Port Moresby should limit Consular Agency Honiara's work to functions related to provision of consular services. (Action: Embassy Port Moresby.)

Recommendation 5: Embassy Port Moresby should conduct annual purchase card reviews as required by Department standards. (Action: Embassy Moresby)

Recommendation 6: Embassy Port Moresby should request a cash payment waiver from the Bureau of the Comptroller and Global Financial Services. (Action: Embassy Port Moresby)

Recommendation 7: Embassy Port Moresby should develop and implement an employee training plan. (Action: Embassy Port Moresby)

Recommendation 8: The Bureau of Administration, in coordination with Embassy Port Moresby, should take corrective action as determined by the Procurement Executive to ensure proper procurement procedures are followed, remedial acquisition training is taken, and fiduciary responsibilities are taken seriously to prevent future contract problems from occurring. (Action: A, in coordination with Embassy Port Moresby)

Recommendation 9: Embassy Port Moresby should implement standard operating procedures for maintaining contract files as required by the Foreign Affairs Handbook. (Action: Embassy Port Moresby)

Recommendation 10: Embassy Port Moresby should separate receiving, asset recording, and asset bar-coding responsibilities. (Action: Embassy Port Moresby)

Recommendation 11: Embassy Port Moresby should maintain residential inventory files in accordance with Department standards. (Action: Embassy Port Moresby)

Recommendation 12: Embassy Port Moresby should enforce controls on fuel consumption in accordance with Department standards. (Action: Embassy Port Moresby)

Recommendation 13: Embassy Port Moresby should inspect and bring all existing residences into compliance with safety, health, and environmental certification requirements. (Action: Embassy Port Moresby)

PRINCIPAL OFFICIALS

Title	Name	Arrival Date
Chiefs of Mission:		
Ambassador	Catherine Ebert-Gray	02/16
Deputy Chief of Mission	Joel Maybury	09/15
Chiefs of Sections:		
Management	Vania Garcia	07/14
Consular	Mike Mitchell	08/15
Political	Christine Buzzard	03/16
Economic	Brad Coley	09/15
Public Affairs	Ed Soltow	10/14
Regional Security	Anthony Fleming	09/14
Other Agencies:		
Centers for Disease Control and Prevention	Steve Perica	02/13
Navy Bureau of Medicine and Surgery	Ken Eisenberg	2015
Department of Defense (resident in Suva)	Commander Dan Balsinger	2015
U.S. Agency for International Development (resident in Suva)	Dick Edwards	07/15
Source: Embassy Port Moresby		

APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY

This inspection was conducted in accordance with the Quality Standards for Inspection and Evaluation, as issued in 2012 by the Council of the Inspectors General on Integrity and Efficiency, and the Inspector's Handbook, as issued by OIG for the Department and the Broadcasting Board of Governors

Objectives and Scope

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

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

Methodology

In conducting inspections, OIG uses a risk-based approach to prepare for each inspection; reviews, circulates, and compiles the results of survey instruments; conducts interviews; and reviews the substance of the report and its findings and recommendations with offices, individuals, organizations, and activities affected by the review.

For this inspection, OIG conducted 127 documented interviews and meetings in Washington and Port Moresby and reviewed 109 surveys and 939 documents. OIG did not conduct an onsite IT inspection.

APPENDIX B: FY 2015 STAFFING AND FUNDING BY AGENCY

Agency	U.S. Direct-hire Staff	U.S. Locally Employed Staff	Foreign National Staff	Total Staff ¹⁰	Funding (\$) ¹¹
Department of State					
Diplomatic & Consular Programs	7	1	9	17	1,143,530
ICASS	3	4	54	61	3,594,300
Public Diplomacy	1	1	5	7	363,743
Diplomatic Security	2	1	6	9	316,092
Representation	0	0	0	0	24,142
President's Emergency Plan for AIDS Relief (PEPFAR)	0	0	0	0	6,200,000
International Military Education and Training (IMET)	0	0	0	0	250,000
Overseas Buildings Operations	7	0	8	15	290,844
Subtotal	20	7	82	109	12,242,651
Department of Defense					
Defense Security Cooperation Agency	0	0	1	1	35,120
Defense POW/MIA Accounting Agency (DPAA)	0	0	1	1	70,000
Navy Bureau of Medicine and Surgery (BUMED)	1	0	2	3	231,350
Subtotal	1	0	4	5	336,470
Department of Health and Human Services					
Centers for Disease Control & Prevention	1	0	4	5	510,786
Department of Homeland Security					
Citizenship and Immigration Services	1	1	2	4	310,519
U.S. Agency for International Development	0	1	3	5	500,237
Total	23	9	95	128	13,840,663

Source: Generated by OIG from data provided by the Department.

¹⁰ Authorized positions

¹¹ Includes operating expenses and U.S. foreign assistance

ABBREVIATIONS

DCM	Deputy Chief of Mission
Department	Department of State
FAH	Foreign Affairs Handbook
FAM	Foreign Affairs Manual
FAPD	Federal Assistance Policy Directive
FAST	First- and Second-Tour
ICASS	International Cooperative Administrative Support Services
ICS	Integrated Country Strategy
LE	Locally Employed

OIG INSPECTION TEAM MEMBERS

Peter Prahar, Team Leader

Jonathan Farrar, Deputy Team Leader

Richard Behrend

Scott Boswell

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