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Inspection of Embassy Rangoon, Burma

BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS

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OIG HIGHLIGHTS

ISP-I-17-05A

What OIG Inspected

OIG inspected U.S. Embassy Rangoon from May 11 to June 7, 2016.

What OIG Recommended

OIG made nine recommendations to U.S. Embassy Rangoon to correct weaknesses in earthquake response plans, tighten internal control, and reallocate public diplomacy resources.

December 2016

OFFICE OF INSPECTIONS

Bureau of East Asian and Pacific Affairs

Inspection of Embassy Rangoon, Burma

What OIG Found

- Embassy Rangoon engaged effectively to advance goals of credible general elections and a peaceful government transition in Burma.
- The embassy contributed to Washington policy deliberations on multiple issues, shaped high-level U.S. Government representations, and advanced U.S. goals in Burma.
- The Ambassador and the Deputy Chief of Mission set an inclusive and professional tone for the embassy consistent with Department of State leadership principles.
- Rapid mission growth and a capital city 240 miles from the embassy pose internal control risks.
- Embassy internal review processes did not identify deficiencies in inventory, invoicing, cashiering, motor pool, and grants management.
- The embassy's management of grants lacked effective monitoring and closeouts of expired grants.
- The Public Affairs Section produced five daily media products, but had not surveyed end users to determine whether each product had an audience.
- Embassy emergency preparedness did not encompass response to earthquakes.
- The embassy's Assistance Working Group managed a coherent foreign assistance portfolio and may be a useful model for other embassies to coordinate assistance.

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CONTEXT

Burma is a country in Southeast Asia of 56 million people in a territory slightly smaller than the state of Texas. It borders China, India, Bangladesh, Laos, and Thailand; China and Thailand are Burma's largest trading partners. Two-thirds of the population is ethnic Burman, 89 percent are Buddhist, and 4 percent are Muslim. Burma has 938,000 "stateless persons," mainly Muslims stripped of their Burmese nationality under a 1982 citizenship law. Burma officially recognizes 135 ethnic groups within the country. Government military offensives against armed ethnic minority groups near Burma's borders with China and Thailand resulted in up to 644,000 internally displaced persons and roughly 150,000 refugees in 9 official camps on the Thai-Burma border.

For many years, the United States and other countries maintained sanctions against Burma's military government because of its widespread human rights abuses. Beginning in 2010, the government initiated a series of reforms to lead to a transfer of power to a civilian government. These reforms included the release of many political prisoners and child soldiers, the signing of a ceasefire agreement with eight ethnic armed groups, and greater freedom of expression. National elections in November 2015 resulted in a landslide victory by the National League for Democracy party. Burma's first civilian government after more than five decades of military dictatorship took office in the new administrative capital of Naypyitaw on March 30, 2016.

Embassy Rangoon's FY 2015-17 Integrated Country Strategy (ICS) for Burma identified five main policy goals: support for national reconciliation, support for democracy and human rights, increased trade and investment, improved standards of living for Burmese communities, and a more active international role for Burma. The United States employed a calibrated engagement strategy to recognize positive steps and incentivize further reform in Burma. This strategy included restoring full diplomatic relations and easing economic and investment sanctions. President Obama's trip to Burma in November 2012 was the first by a sitting U.S. President.

Burma is one of the poorest countries in Asia, with 26 percent of the population living in poverty. Ninety-three percent of the \$97 million budgeted for U.S. assistance in FY 2015 was concentrated in investments in people, humanitarian, economic growth, and governance programs.

The embassy includes 11 U.S. Government agencies with 127 U.S. direct-hire (USDH) positions and 388 Locally Employed (LE) staff positions. The United States Agency for International Development (USAID) is the second largest agency in the embassy. The Peace Corps program was beginning at the time of the inspection and expected its first volunteers to arrive in summer 2016. USDH employees receive a 25 percent hardship differential. The new embassy compound was completed in 2007. The former consul general's residence in Mandalay is used as a center for public diplomacy programming.

OIG evaluated the embassy's policy implementation, resource management, and management controls consistent with Section 209 of the Foreign Service Act.¹ 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.

EXECUTIVE DIRECTION

OIG based the following assessments of the embassy's leadership on the results of 184 interviews and meetings in Washington and Rangoon, 31 of which elicited comments on the Ambassador and Deputy Chief of Mission (DCM); 211 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 course of the on-site inspection.

Tone at the Top and Standards of Conduct

The Ambassador, who arrived in March 2016 and presented his credentials on April 27, 2016, has considerable experience in the region. He previously served as Principal Deputy Assistant Secretary in the Bureau of East Asian and Pacific Affairs and as Ambassador to Indonesia and the Association of Southeast Asian Nations. The DCM, who arrived in July 2015, served as DCM with the Ambassador in Indonesia.

The Ambassador and the DCM set a positive, inclusive, and professional tone for the embassy consistent with Department of State (Department) leadership principles in 3 Foreign Affairs Manual (FAM) 1214. All of the DCM's scores in OIG's pre-inspection survey, which evaluates DCMs on 13 leadership attributes, were higher than the average range seen in embassy inspections over the past five years. The embassy staff consistently told OIG they held their leadership in high regard and expressed pride in the role the embassy played in supporting Burma's democratic transition; these comments were reflected in interviews, questionnaires, and observations. Embassy staff reported that the Ambassador and the DCM worked as a team and engaged in formal and informal meetings with embassy staff. Employees told OIG that the embassy's 24 working groups and committees, including 10 chaired by the DCM, resulted in unity of effort across the mission. The Ambassador hosted two town hall meetings during the inspection: one to explain changes in U.S. sanctions policy and provide feedback on the Secretary's May 22, 2016, visit and a second to present awards to LE staff.

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 these principles. Shortly after the Ambassador's arrival, he sent messages to all staff on his high expectations regarding ethical behavior and Equal Employment Opportunity, and the embassy reissued management notices on anti-harassment and gifts. The embassy

¹ See Appendix A.

received and recorded gifts in accordance with 2 FAM 960 and maintained a gift registry as required by 2 FAM 964. A review of Front Office representational and official residence expenses found no anomalies.

Equal Employment Opportunity Program Active

The DCM was attentive to the Equal Employment Opportunity program. She met quarterly with the embassy's two Equal Employment Opportunity Counselors and four LE staff liaisons, all of whom had received Equal Employment Opportunity training mandated by 3 FAM 1514.1. The DCM established a Gender and Women's Working Group in September 2015 and held quarterly events at the DCM residence for the group. Events included Women in Business, Women in Education, Women in Health, and Women in Education. Typically, approximately 40 people attended each event. In February 2016, the group conducted focus group discussions within the embassy with 78 American and LE staff members to explore perspectives on gender issues to shape internal and external programing.

Execution of Foreign Policy Goals and Objectives

During 2015, Embassy Rangoon advanced its ICS goal of transparent, credible, and inclusive general elections and a peaceful transition by engaging directly with host nation officials and monitoring elections, and by providing grants to civil society groups to promote voter education. The embassy developed policy options for U.S. sanctions, participated in interagency deliberations, and maintained a dialogue on the transition with the incoming government. During the inspection, the U.S. Government narrowed its sanctions to support economic growth and democratic reforms and to facilitate commercial engagement by U.S. businesses. OIG observed a coordinated embassy rollout of the policy that entailed briefings to Burmese officials, release of public affairs materials, and the Ambassador's separate briefings to the press and to the embassy staff in a town hall meeting.

During 2015 and 2016, the embassy also used a mix of engagement with governmental authorities, a multilateral initiative with other diplomatic missions, public diplomacy, and USAID programs to advance its ICS goal to reduce intercommunal tensions and counter violent extremism.

Majority of Language Trained Officers Not Using Burmese Professionally

The embassy had 21 Burmese language designated positions and told OIG it intended to request that the Department add 2 positions to the list. In accordance with 13 FAM 221.2 (a), operational need is the determining criterion for language designated positions—positions in which language proficiency is essential, rather than merely helpful or convenient, to enhancing U.S. effectiveness abroad. However, 13 of the 21 American officers who had received 30 to 44 weeks of Burmese language training at the National Foreign Affairs Training Center told OIG that while they found their training useful for introductions and informal conversation, they only occasionally or never used it professionally. As an explanation, they cited a lack of sufficient competence in the language or the lack of any need for it. No officers told OIG that they felt qualified to conduct meetings and negotiations in Burmese, and none read material in the

language regularly, relying instead on LE staff members to translate and interpret. Fifteen officers in language designated positions did not participate in the Post Language Program, most often citing lack of time. OIG advised the Ambassador and the DCM that failure to use and further develop language skills represented a financial and professional loss to the Department, and that they should ensure that incumbents of language designated positions be given time and opportunity to study and use the language. During the inspection, the DCM instructed supervisors to include use of Burmese in the work requirements of employees in language designated positions.

Adherence to Internal Controls

The Ambassador and the DCM demonstrated a commitment to internal controls in accordance with principles for internal control in the Federal Government.² The DCM met regularly with section and agency heads to stay informed of their activities, programs, and risks. She also performed nonimmigrant 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)(U), for 100 percent of the adjudication days in FY 2016 as of the inspection.

The management officer, the DCM, and the former Ambassador produced the 2015 Annual Chief of Mission Management Control Statement of Assurance through a review process based on a risk assessment to fulfill the 2 FAM 022.7 requirement that chiefs of mission develop and maintain appropriate systems of management controls. The DCM later briefed the newly arrived Ambassador on the Statement of Assurance and the embassy's actions to correct a deficiency identified in the statement. This evaluation reasonably assured that the embassy achieved its management control objectives. However, OIG found, and the Resource Management section of this report details, six areas where the embassy did not comply with Department management control procedures.

Distance from Capital Poses Internal Control Risks

The Government of Burma established a new capital city in Naypyitaw in 2005. As a result, the seat of government is located 240 miles (386 kilometers) and five hours by car or one hour by plane from Embassy Rangoon. Naypyitaw now hosts the full range of Burmese government agencies as well as a 664-seat elected parliament with extensive legislative powers. The rapid normalization of U.S. government relations with Burma since 2012 increased U.S. interaction with executive and legislative branch interlocutors based in Naypyitaw. Embassy staff from all sections logged 731 trips to Naypyitaw in 2015 and 338 in 2016 (through May 31, 2016), to conduct official business with Burmese government officials and support visits of senior U.S. Government officials. The Ambassador made 12 trips there in his first 2 months in country. Burma received attention at senior levels in Washington, including, since November 2011, two presidential visits, four Secretary of State visits (including one during the on-site inspection), and

² U.S. Government Accountability Office *Standards for Internal Control in the Federal Government*, (GAO-14-704G, September 2014).

five congressional delegations (two during the on-site inspection). During the inspection, the Under Secretary for Management approved establishing a diplomatic liaison office in Naypyitaw. However, embassy personnel continued to require travel to Naypyitaw to conduct official business and support visits. The Ambassador and the DCM told OIG they were aware that the need for embassy personnel to travel regularly to the capital Naypyitaw created an internal control vulnerability by drawing managers away from their sections and their supervisory responsibilities.

Mission Growth Poses Internal Control Risks

Since 2010, the Embassy Rangoon approved 56 additional positions (52 USDH and 4 non-Department LE staff), including 4 new U.S. Government agencies. The USDH staff increased 65 percent from 2013 to May 2016 due to the mission's increased operational tempo in support of Burma's democratic transition. The number of residential leases increased from 22 in 2010 to 71 in 2015, and the value of procurement orders increased from \$3,400,000 in 2012 to \$10,708,000 in 2015. However, only 2 of the 56 new positions were for USDH management support. To cope with the additional workload and influx of new personnel, the embassy instituted a mission-wide training week and newcomer orientation. The embassy also included requests for additional USDH management support staff in its FY 2018 Mission Resource Request to support the recent growth. OIG advised the Ambassador and the DCM to consider internal control issues when reviewing requests for increased presence and activities; to review programs, personnel, and funding levels regularly; and to ensure that all agencies attached to the mission do likewise, as directed in the President's Letter of Instruction to bilateral chiefs of mission.

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 meets in response to security-related developments, such as a cyclone threat during the on-site inspection. OIG observed that the DCM gave all participants in Emergency Action Committee meetings the opportunity to comment and clearly summarized the committee's decisions. The DCM also stressed the importance of participation in the emergency and evacuation radio network. The embassy submitted to the Department the security memorandum of agreement between the Chief of Mission and the Department of Defense geographic combatant commander as required by 2 FAH-2 H-1164b.

Reaching beyond the official community as required by 2 FAM 113.1 c.(14) to advise, protect, and assist U.S. citizens, embassy leadership held town hall meetings for the American communities in Rangoon and Mandalay, Burma's second largest city, to explain U.S. foreign policy and to prepare for the possibility of civil unrest stemming from the November 2015 elections.

Security and crisis management issues, including earthquake preparedness, are discussed in more detail below and in the classified annex.

Earthquake Emergency Preparedness is Incomplete

Embassy management placed priority on emergency preparedness to respond to a natural disaster from the effects of cyclones. However, Burma also is located on the eastern edge of the India tectonic plate, and earthquakes are a regular occurrence. According to the United States Geological Survey, 38 earthquakes with a Richter magnitude scale of 6 or greater occurred in Burma in the last century. The Bureau of Overseas Buildings Operations (OBO) Natural Hazards Program lists Rangoon in the highest risk category for earthquakes.

No Earthquake Specific Exercises or Drills

OIG reviewed the documented emergency drills from January 2015 through May 2016 but found no earthquake drill or training. OIG also reviewed the embassy's emergency action plan, which contained a Department-approved, earthquake-specific annex that defines the process to respond to an earthquake. OIG found only one management notice, dated March 2005, related to earthquake preparedness. During the inspection, the embassy began a review of its readiness for an earthquake. The embassy previously focused emergency preparations on cyclones because of the devastating effects on Burma of Cyclone Nargis in 2008, which killed 84,500 people and left another 53,800 missing. Guidance in 12 FAH-1 H031a. requires posts to conduct periodic drills and exercises to regularly review and refine the emergency action plan. Drills and exercises are an important part of emergency preparedness and failure to conduct scenario-specific training increases the risk of confusion during an actual emergency.

Recommendation 1: Embassy Rangoon, in coordination with the the Foreign Service Institute, should conduct a post-led earthquake tabletop exercise to identify and correct weaknesses in earthquake response plans. (Action: Embassy Rangoon, in coordination with FSI)

Residential Seismic Surveys not Done

Embassy Rangoon had no seismic surveys for any buildings in its residential housing pool. According to OBO and embassy management, an OBO seismic survey team was scheduled to visit Rangoon in March 2016, but the visit was cancelled. Guidance in 15 FAM 252.6 d.(3) requires that posts in high-seismic areas address the seismic adequacy of residential units. Not evaluating the seismic safety of residences increases the risk of serious injury to embassy employees in the event of an earthquake.

Recommendation 2: Embassy Rangoon, in coordination with the Bureau of Overseas Buildings Operations, should evaluate the seismic safety of residential buildings in the residential housing pool and relocate residents occupying any seismically sub-standard housing. (Action: Embassy Rangoon, in coordination with OBO)

Developing and Mentoring Future Foreign Service Leadership

All 10 First- and Second-Tour (FAST) Foreign Service specialists and generalists participated in the FAST program The Department intends the FAST program to give entry-level personnel a

wide variety of skills, including drafting reporting cables, leading public outreach, engaging with different interlocutors, building a network of contacts, and developing leadership and management techniques. The DCM oversaw the program as directed by 3 FAM 2242.4. She met monthly with them and held eight events for them since her arrival, including dinners and receptions, a brown bag lunch with the British embassy's DCM, and digital video conferences with FAST employees in the Southeast Asia region. All FAST employees told OIG they appreciated the DCM's interest in their career development, including counseling on evaluation reports and onward assignments.

POLICY AND PROGRAM IMPLEMENTATION

Advocacy and Reporting

The combined Political-Economic Section supported embassy leadership's engagement with the host government and produced reporting relevant to ICS goals. Staff told OIG that although the workload was at times excessive, they welcomed service in Embassy Rangoon as a rare opportunity to support Burma's democratic transition and build bilateral relations. The section chief implemented a staff professional development plan with training activities in all Foreign Service competencies contained in Department Form DS-1829 Decision Criteria for Tenuring and Promotion in the Foreign Service.

Positive Impacts in Washington and Burma

Embassy Rangoon contributed to Washington policy deliberations on multiple issues, shaped high-level U.S. Government representations, and advanced U.S. goals in Burma. According to senior U.S. officials, the embassy contributed significantly to the U.S. Government policy formulation.

OIG identified several examples of the embassy's impact on peace and reconciliation, elections, governmental transition, and adjustment of U.S. sanctions. The Political-Economic Section drafted a statement that the Department spokesman issued to support the National Ceasefire Agreement, urging compliance with the Agreement to promote political dialogue. Embassy staff told OIG that the promise of a U.S. statement helped secure the Agreement. Following the 2015 elections, for which the embassy deployed monitors throughout the country, the Secretary sent a message thanking LE and American staff for contributing to "a milestone event for the people of Burma" through work that, "exemplified the highest standards of State Department observation and reporting." In the post-election period, the Political-Economic Section drafted points for senior level visitors to deliver in meetings with officials of the outgoing and incoming governments to support an orderly, peaceful transition, which occurred with the March 2016 transfer of power.

Reporting Meets Washington's Needs

Washington consumers expressed high opinions to OIG of the embassy's reporting. OIG reviewed reporting for the 6 months prior to the inspection and found it was balanced across

political and economic issues and relevant to embassy goals, often multi-sourced, with interpretive commentary and biographical notes on incoming government officials. The section's detailed reporting plan aligned with the embassy's strategic goals.

Foreign Assistance

Small Grants Provide Lessons for Risk Management

Embassy staff told OIG that, over the last decade, the Small Grants Program³ had been an effective tool to support nascent civil society movements throughout Burma, helping to build organizational capacity, provide services, influence local policy, and consolidate democratic gains. According to the embassy's Performance Plan and Report, the program provided civic education training to 7,724 people in FY 2015, which was above the embassy's target. The Small Grants Program issued its final grant in 2015, but embassy staff told OIG they were planning a new grants program to promote intercommunal peacebuilding.

The number of grants exceeded the staff's capacity to exercise oversight. A staff of 3 managed 38 active grants throughout Burma, in addition to their other responsibilities. Most recipients operated outside of Rangoon, and embassy staff rarely performed site visits to remote locations. OIG reviewed 10 grants from the program, only 2 of which documented a site visit. Six of the 10 work plans OIG reviewed either lacked performance indicators or contained indicators too vague to assess whether the grant achieved its objectives. Work plans identified the subject matter, such as human rights or governance, but did not contain curriculum or information on what skills the training would impart. The embassy's announcement soliciting proposals also did not specify performance indicators. OIG advised the embassy to use the Department's Performance Management Guidebook,⁴ which contains guidance on selecting performance indicators that enable managers to analyze performance and implement corrective action as necessary to achieve desired outcomes.

The Department's 2016 Federal Assistance Policy Directive (FAPD) (sub-chapter 2.03-A – Policy) "requires that all Bureaus, offices and posts involved in the awarding of Federal financial assistance take a proactive approach to detecting early warning signs of potential risks and mitigating the probability of impact." The embassy designated its grants as "high risk" because of recipients' limited capacity, the political nature of the work, and the need to make cash payments to recipients. OIG advised managers to limit the number of small grants under a

³ The Small Grants Program promoted the development of civil society by addressing service and advocacy organizations' capacity and skill needs and the impediments to broad citizen participation in the programs subject to the grants. All grants from FY 2006 to FY 2013 had ended by the time of the inspection, while some FY 2014 and FY 2015 grants still were active.

⁴ The Performance Management Guidebook defines a framework that supports accountability for results and Department reporting of performance information as required by the Government Performance and Results Act (GPRA 1993), the GPRA Modernization Act (2010), and Federal Performance Management Framework (OMB Circular A-11, Section 200).

future program to the staff's capacity manage them, and to include performance indicators that met the standards in the Performance Management Guidebook.

Embassy Did Not Close Out All Expired Grants

The embassy did not close out 27 of 54 expired small grants from FY 2013 and FY 2014, representing an expenditure of \$418,554, and 6 of 32 FY 2015 public diplomacy grants reviewed by OIG, valued at \$123,327. FAPD sub-chapter 6.07G requires close-out consistent with applicable Federal regulations. OIG found the portfolio of the small grants program had grown too large for embassy staff to manage. Absent closeouts, the embassy does not have essential information to determine whether a grantee was in compliance with requirements and cannot perform proper risk assessments for future applications from grantees.

Recommendation 3: Embassy Rangoon should complete grants closeouts. (Action: Embassy Rangoon)

Grant Files Need More Attention to Detail

OIG reviewed 10 of the small grant files (worth \$195,275 out of a total of \$900,160) and 32 public diplomacy grants files (worth \$870,000 out of a total of \$1,028,387). Nineteen public diplomacy grants files were missing both risk assessments and monitoring plans (required by FAPD sub-chapter 2.03). Six small grants files did not contain the completed pre-award survey, although the embassy's Risk Assessment Framework and Monitoring Plan, introduced in 2015, covered some of these elements. Staff told OIG that they did screen applicants against the Excluded Parties List⁵. All files contained the Federal Assistance Award document (Form DS-1909), and Request for Advance or Reimbursement (Form SF-270) in accordance with FAPD sub-chapter 1.08. Each small grant had separate electronic and paper files for different documents, which made it difficult to track compliance. OIG advised staff to observe proper procedures on documentation.

Leahy Vetting

The embassy processed 238 vetting cases in 2015, in accordance with Leahy laws and policies.⁶ However, the embassy had not cleared its Leahy vetting process with the Bureau of Democracy, Human Rights, and Labor, as the bureau's Guide to Vetting Policy and Process requires. The embassy obtained the bureau's clearance during the inspection.

Spotlight on Success: Effective Coordination of U.S. Government Assistance

Embassy Rangoon's Assistance Working Group (AWG) vets proposals for all assistance programs

⁵ This is a list of parties excluded or disqualified from Federal procurement and nonprocurement programs. It was consolidated into the General Services Administration's System for Award Management in 2012.

⁶ 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.

from Department bureaus and U.S. Government agencies—including those not represented at the embassy or carried out by third party implementing organizations—to ensure the programs support the embassy’s strategic goals and meet U.S. legal and policy requirements. The AWG is a tool for the Chief of Mission to exercise authority under 18 FAM 005.1-6(B) to ensure the coherence and coordination of development cooperation across U.S. agencies. U.S. assistance to Burma also must comply with legal restrictions beyond those pertaining to most other countries.

The DCM and USAID Mission Director co-chair the AWG, which meets bi-weekly to review assistance proposals. It is open to all embassy offices and brings together policy and program perspectives. In March 2016, the embassy sent a cable to Washington that explained the AWG’s rationale and mandate, defined steps for program agencies to seek AWG concurrence, presented Frequently Asked Questions to help navigate the process, and included a questionnaire to solicit program information that the AWG needed to evaluate any proposal. The Department’s Burma desk and USAID in Washington assist the embassy by making U.S. Government agencies aware of the process.

The AWG offers a mechanism to manage a coherent foreign assistance portfolio that supports embassy strategic goals, and enables the embassy to de-conflict similar programs and comply with U.S. law. Embassy employees across agencies expressed to OIG their full support for the AWG.

Public Diplomacy

Effective Outreach

The Public Affairs Section (PAS) advanced ICS priorities of strengthening democratic institutions, promoting national reconciliation, and supporting inclusive economic development. The section was integrated into a full range of embassy activities, participating in 11 working groups and chairing the working group on countering communal violence. PAS’ main platforms for outreach were the American Center in Rangoon and the Jefferson Center in Mandalay. The embassy’s social media program included 916,000 Facebook followers. The section’s English language program enrolled 360 students in 9 different regions of the country.

American Centers Well-Utilized

Burma hosts two tier one American Spaces⁷—the American Center Rangoon and the Jefferson Center Mandalay—that played critical roles in Embassy Rangoon’s efforts to foster Burma’s transition to democracy. OIG found the American Center in Rangoon to be popular among Burmese; in FY 2015, it received the third most visitors of any American Center worldwide. During the inspection, OBO was building a new American Center, scheduled for completion in 2017, closer to the embassy. The DCM chaired an American Center working group with

⁷ According to Department cable 15 State 109098, each regional bureau identifies 10 American Spaces as “tier one,” a designation that indicates the most strategically important venues to accomplish foreign policy goals.

representatives from the Public Affairs, Management, Regional Security, and Political-Economic Sections, as well as from USAID and the Foreign Commercial Service, to review progress and planning for the center. OIG also inspected the Jefferson Center in Mandalay, another tier one American Center that is housed in a U.S.-owned property. OIG observed 150 students in classes at the Jefferson Center (including a class of deaf students studying civic education via sign language) and an audience listening via Skype to the Ambassador's first speech in Rangoon on U.S.-Burma relations.

Excessive Media Monitoring Detracts from Other Priorities

The daily production of five media products plus weekly items (such as thematic reports and a news digest) was an inefficient use of resources that instead could be used to advance other program priorities. Three U.S. embassies of comparable size in the region told OIG they produced one media reaction product per day. PAS had not solicited feedback from end users, and OIG found no recipients in Washington or in the embassy who read all five embassy products. Guidance in 3 FAM 7313.1(3) requires that managers of LE staff determine the work that needs to be performed and to add, remove, or change duties accordingly. PAS told OIG that 5 LE staff each spent 5 hours per day to produce the reports, which the Information Officer then edited. The embassy had requested two new PAS LE staff positions in its FY 2018 Mission Resource Request to address unmet needs in social media, translations, and alumni engagement. OIG found those needs could be better met by realigning LE staff responsibilities.

Recommendation 4: Embassy Rangoon should realign existing Public Affairs Section staff work assignments to meet high priority public diplomacy program requirements. (Action: Embassy Rangoon)

Consular Affairs

Meeting Growing Workload With Good Service

The Consular Section's workload rose as more Burmese sought to travel to the United States and Burma attracted more U.S. tourists and businesses. Between FY 2014 and FY 2015, demand grew 27 percent for passport services, 25 percent for immigrant visas, and 11 percent for nonimmigrant visas.. Notwithstanding the growing workload, consular management focused on customer service. It kept wait times for consular services within Bureau of Consular Affairs standards, opened a second consular cashier window, and published customer service tenets.

The embassy engaged proactively with the American citizen community in Burma. It organized three public town halls on security issues before the November 2015 elections, and issued an emergency message to American citizens to advise of an approaching cyclone during the course of the inspection.

Continued Work Needed on Management and Training

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. OIG advised consular management to make minor improvements in storing financial records, limiting access to the subcashiers' work spaces during working hours, and transmitting completed passport application files to the Department. OIG further advised the embassy to encourage consular staff to complete online crisis management training, and make use of available crisis management planning tools offered by the Department.

RESOURCE MANAGEMENT

Management Operations

The Management Section was challenged with supporting the increase in embassy staff and family members, which included 52 USDH and 4 non-Department LE staff positions in the past 6 years. Only two of these positions were for USDH management support. The embassy also lost 8 LE management support staff over the last 2 years and told OIG this reduced productivity and continuity.

OIG's review determined that the Financial Management, Human Resources, Facility Management, and General Services offices were performing in accordance with Department standards and policies, with the exception of the areas noted below.

Financial Management Operations

Financial Management Office not Receiving All Invoices

While some vendors correctly submitted invoices directly to the Financial Management Office, others habitually submitted invoices to the General Services Office. Department cable 13 State 57938 requires the Financial Management Office to be the Designated Billing Office. Guidance in 4 FAM 422(d) requires the Designated Billing Office to receive and stamp invoices for payment. Receiving invoices by the General Services Office does not allow for an appropriate separation of duties among the ordering, receiving, billing, approval, and payment processes, which creates a vulnerability to fraud.

Recommendation 5: Embassy Rangoon should require all vendors to submit invoices to the Designated Billing Office. (Action: Embassy Rangoon)

Subcashier Supervisors Not Conducting Unannounced Cash Verifications

Supervisors of the embassy's nine subcashiers did not conduct unannounced cash verifications at the required monthly or quarterly intervals. This occurred because of extended gaps in supervisor assignments, travel to Naypyitaw by subcashier supervisors, and the lack of a process for the Class B Cashier to alert supervisors and the Financial Management Officer to missed verifications. Subcashier advances ranged from \$300 to \$6,800. In accordance with 4 FAH-3 H-397.2-3, an unannounced verification of subcashier funds is required at least monthly when the

advance amount is \$1,000 or greater, or quarterly if the amount is less than \$1,000. Failure to conduct unannounced cash verifications could result in the misuse or loss of funds.

Recommendation 6: Embassy Rangoon should require subcashier supervisors to complete unannounced cash verifications. (Action: Embassy Rangoon)

Human Resources

Local Compensation Plan Outdated

Sections of Embassy Rangoon's Local Compensation Plan, including premium pay, maternity leave, and medical benefits, were outdated. The embassy submitted updates to the Office of Overseas Employment for approval in January 2016, and submitted updates of the Standard Medical Plan in March 2016. The Office of Overseas Employment told OIG that staffing shortages in its office had prevented review of the updates. An outdated Local Compensation Plan may not accurately reflect conditions of employment.

General Services Operations

Lack of Separation of Duties

The receiving clerk received, recorded, and tagged all incoming assets, which did not represent a proper separation of duties. This occurred because embassy management had assigned additional duties to the receiving clerk that were not included in the position description due to staffing gaps in the property and inventory section. According to 14 FAH-1 H-112.2j, 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. According to 14 FAM 411.2d, if a separation of duties is impossible, the accountable property officer or authorized designee must conduct a management review at least twice a year. The lack of internal controls over government resources weakens safeguards against waste, loss, unauthorized use, and misappropriation of funds, property, and other assets.

Recommendation 7: Embassy Rangoon should establish internal control procedures for inventory management in accordance with Department standards. (Action: Embassy Rangoon)

Contract and Contracting Officers Representative Files Incomplete

Embassy contracting officer and contracting officer's representative files were incomplete. OIG reviewed all six contracting officer and contracting officer's representative files and found that they lacked the contracting officer's letter of designation. The contracting officer did not ensure the files were completed. According to 14 FAH-2 H-517a(1), and 14 FAH-2 H-143.2b, each file must contain a copy of the contracting officer's letter of designation and other documents describing the duties and responsibilities of the contracting officer's representative. Contract administration is the responsibility of the contracting officer. Inadequate oversight of contract

and contracting officer's representative files risks a lack of clarity in defining authorities and responsibilities. During the inspection, the embassy completed the letters of designation and placed them in the appropriate files.

Embassy Staff Not Billed for "Other Authorized Use" of Government Vehicles

The embassy did not collect charges for "other authorized use" of government vehicles for 2015 and the first half of 2016, but on May 9, 2016, issued a revised motor vehicle policy to begin charging for such use. Staff reported that competing priorities and a lack of clarity on calculating charges had prevented billing for "other authorized use." According to 14 FAM 433.4(a), the motor vehicle accountable officer or designee will collect a charge for all "other authorized use," with a few exceptions. Without a cost-effective system of management controls to ensure U.S. Government resources are managed effectively, efficiently, economically, and with integrity, the embassy risks mismanagement of motor pool resources.

Recommendation 8: Embassy Rangoon should collect charges for "other authorized use" of government vehicles. (Action: Embassy Rangoon)

Unauthorized Use of Official Vehicles for Home-to-School Shuttle Services

The embassy motor pool provided five vehicles and five drivers to support home-to-school shuttle services without billing for the transportation of students. The embassy provided this service to the U.S.-sponsored school and two non-sponsored schools. Embassies may provide shuttle service only to U.S.-sponsored schools and only when justified by the chief of mission, according to 14 FAM 433.3-1. Providing motor pool resources for home-to-school transportation to non-sponsored schools is contrary to the Department's guidance on the most efficient use of Government resources.

Recommendation 9: Embassy Rangoon should discontinue all home-to-school shuttle services that have not been justified in accordance with Department of State guidance. (Action: Embassy Rangoon)

RECOMMENDATIONS

Recommendation 1: Embassy Rangoon, in coordination with the the Foreign Service Institute, should conduct a post-led earthquake tabletop exercise to identify and correct weaknesses in earthquake response plans. (Action: Embassy Rangoon, in coordination with FSI)

Recommendation 2: Embassy Rangoon, in coordination with the Bureau of Overseas Buildings Operations, should evaluate the seismic safety of residential buildings in the residential housing pool and relocate residents occupying any seismically sub-standard housing. (Action: Embassy Rangoon, in coordination with OBO)

Recommendation 3: Embassy Rangoon should complete grants closeouts. (Action: Embassy Rangoon)

Recommendation 4: Embassy Rangoon should realign existing Public Affairs Section staff work assignments to meet high priority public diplomacy program requirements. (Action: Embassy Rangoon)

Recommendation 5: Embassy Rangoon should require all vendors to submit invoices to the Designated Billing Office. (Action: Embassy Rangoon)

Recommendation 6: Embassy Rangoon should require subcashier supervisors to complete unannounced cash verifications. (Action: Embassy Rangoon)

Recommendation 7: Embassy Rangoon should establish internal control procedures for inventory management in accordance with Department standards. (Action: Embassy Rangoon)

Recommendation 8: Embassy Rangoon should collect charges for "other authorized use" of government vehicles. (Action: Embassy Rangoon)

Recommendation 9: Embassy Rangoon should discontinue all home-to-school shuttle services that have not been justified in accordance with Department of State guidance. (Action: Embassy Rangoon)

PRINCIPAL OFFICIALS

Title	Name	Arrival Date
Chiefs of Mission:		
Ambassador	Scot Marciel	03/16
Deputy Chief of Mission	Kristen Bauer	07/15
Chiefs of Sections:		
Management	Lisa Povolni	08/14
Consular	Lea Rivera	07/14
Political/Economic	Joshua Huck	07/14
Public Affairs	Satrajit Sardar	08/13
Regional Security	Jessica Moore	07/15
Regional Affairs	Eric Mentz	08/14
Overseas Buildings Operations	Peter Pham	12/14
Other Agencies:		
Centers for Disease Control and Prevention	Dora Warren	01/15
Department of Defense	James McAden	07/15
Drug Enforcement Administration	John Hoke	10/14
Foreign Agricultural Service (resident in Bangkok)	Bobby Richey	07/14
Library of Congress (resident in Jakarta)	Carol Mitchell	03/14
Peace Corps	Maura Fulton	10/15
Foreign Commercial Service	Manoj Desai	11/15
U.S. Agency for International Development	Thomas Milligan	09/12

Source: Embassy Rangoon

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 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 pertinent records; reviews, circulates, and compiles the results of survey instruments, as appropriate; 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 202 documented interviews and reviewed 211 surveys and 1,283 documents. OIG did not conduct an onsite review of information management operations as part of this 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 ^a	Funding (\$)
Department of State					
Diplomatic & Consular Programs	25	5	21	51	2,501,507
International Cooperative Administrative Support Services (ICASS)	12	13	158	183	7,780,000
ICASS – Local Guard Program	0	0	96	0?	1,221,790
Public Diplomacy	5	3	41	49	1,467,238
Diplomatic Security	5	1	7	13	312,174
Marine Security	9	0	3	12	101,500
International Narcotics and Law Enforcement (INL)	1	0	1	2	3,000,000
Nonproliferation, Anti-terrorism, Demining, & Related Programs (NADR)	0	0	0	0	2,000,000
Overseas Buildings Operations	2	0	4	6	3,839,543
Subtotal	59	22	331	412	22,223,752
Department of Agriculture					
Foreign Agriculture Service	1	0	2	3	11,814
Subtotal	1	0	2	3	11,814
Department of Defense					
Defense Attaché Office	5	0	2	7	873,982
Defense POW/MIA Accounting Agency (DPAA)	0	0	1	1	
Subtotal	5	0	3	8	873,982
Department of Justice					
Drug Enforcement Administration	5	0	1	6	400,208
Subtotal	5	0	1	6	400,208
Department of Commerce					
Foreign Commercial Service	2	0	4	6	343,775
Subtotal	2	0	4	6	343,775
USAID	25	1	30	56	91,700,000
Peace Corps	4	0	14	18	1,290,000
Library of Congress	0	0	1	1	42,442

Agency	U.S. Direct-hire Staff	U.S. Locally Employed Staff	Foreign National Staff	Total Staff ^a	Funding (\$)
Treasury	1	0	0	1	146,481
Centers for Disease Control & Prevention (CDC)	2	0	2	4	173,000
Subtotal	32	1	47	80	93,351,923
Total	104	23	388	515	117,205,454

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

ABBREVIATIONS

AWG	Assistance Working Group
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
ICS	Integrated Country Strategy
LE	Locally Employed
OBO	Bureau of Overseas Buildings Operations
PAS	Public Affairs Section
USAID	United States Agency for International Development
USDH	U.S. Direct Hire

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