



OIG

Office of Inspector General

U.S. Department of State • Broadcasting Board of Governors

ISP-I-17-43

Office of Inspections

September 2017

Inspection of Embassy Valletta, Malta

BUREAU OF EUROPEAN AND EURASIAN AFFAIRS

~~IMPORTANT NOTICE: This report is intended solely for the official use of the Department of State or the Broadcasting Board of Governors, or any agency or organization receiving a copy directly from the Office of Inspector General. Due to deliberative information in this report, no secondary distribution may be made, in whole or in part, outside the Department of State or the Broadcasting Board of Governors, by them or by other agencies or organizations, without prior authorization by the Inspector General.~~

September 2017
 OFFICE OF INSPECTIONS
 Bureau of European and Eurasian Affairs

Inspection of Embassy Valletta, Malta

What OIG Found

- The Ambassador and the Deputy Chief of Mission set a positive tone, maintaining open lines of communication, nurturing an inclusive environment, and mentoring both mid-level and First- and Second-Tour officers and specialists.
- The Ambassador pursued bilateral relations with Malta to partner on issues of common concern, further U.S. policy objectives, and advocate U.S. business investments.
- Section leaders across Embassy Valletta generally managed their sections well to pursue Integrated Country Strategy goals, particularly relative to the embassy's limited staffing.
- Embassy contractors lacked worker's compensation insurance, although it is required by U.S. law.
- Embassy Valletta, which moved into a new embassy compound in 2011, lacked a comprehensive preventive maintenance program for two key building systems and stored \$650,000 of surplus materials from the compound's construction.
- The embassy's emergency and evacuation radio network failed to cover all residences.



OIG HIGHLIGHTS

ISP-I-17-43

What OIG Inspected

OIG inspected U.S. Embassy Valletta from May 4 to 19, 2017.

What OIG Recommended

OIG made five recommendations to improve Embassy Valletta's general services, facility management, and information management operations.

In its comments on the draft report, Embassy Valletta concurred with the five recommendations. The embassy's response to each recommendation and OIG's reply can be found in the Recommendations Section of this report. OIG considers the five recommendations resolved. The embassy's formal written response is reprinted in its entirety in Appendix B.

_____ Office of Inspector General _____
 U.S. Department of State • Broadcasting Board of Governors

CONTENTS

CONTEXT	1
EXECUTIVE DIRECTION	2
Tone at the Top and Standards of Conduct	2
Execution of Foreign Policy Goals and Objectives	3
Adherence to Internal Controls	4
Security and Emergency Planning	4
Developing and Mentoring Future Foreign Service Leaders	4
POLICY AND PROGRAM IMPLEMENTATION	5
Public Diplomacy	6
Foreign Assistance and Grants	6
Consular Affairs	6
RESOURCE MANAGEMENT	7
General Services Operations	7
Financial Management	8
Human Resources	9
Facility Management	9
Information Management	10
RECOMMENDATIONS	13
PRINCIPAL OFFICIALS	15
APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY	16
APPENDIX B: MANAGEMENT RESPONSES	17
APPENDIX C: FY 2016 STAFFING AND FUNDING BY AGENCY	20
ABBREVIATIONS	21
OIG INSPECTION TEAM MEMBERS	22

CONTEXT

Malta is a small island nation in the Mediterranean Sea, located south of Sicily and just off the coast of Tunisia and Libya. The archipelago straddles major shipping routes between the Strait of Gibraltar and the Suez Canal. With its strategic location and fine natural harbors, Malta is an important transshipment point for freight.

Malta gained its independence from the United Kingdom in 1964, joined the European Union in 2004, and adopted the Euro currency in 2008. Malta, with slightly more than 400,000 people, has the smallest population of any European Union member. The vast majority of the country's population lives in cities and is Roman Catholic, but the country also has a small Muslim minority, many of whom arrived as migrants from Africa. It has relatively few natural resources and limited rain and fresh water, and it imports many of its manufactured and agricultural goods. Its economy is dominated by the service sector, particularly shipping, tourism, and banking. Malta's constitution prohibits membership in military alliances. This has been a factor in Malta's unwillingness to negotiate a Status of Forces Agreement with the United States, which would facilitate expanding U.S. Navy visits and other military cooperation. However, Malta does participate in the North Atlantic Treaty Organization's Partnership for Peace program.

Embassy Valletta's principal bilateral areas of focus include regional and maritime security, enforcement of non-proliferation regimes, combating trafficking in persons, and commercial promotion. The embassy's May 2016 Integrated Country Strategy (ICS) sets out the following four mission goals:

- Advancing Malta's engagement in addressing global challenges and regional security.
- Improving and increasing U.S.-Malta commercial relationships.
- Advancing U.S. foreign policy by engaging the Maltese public.
- Protecting the lives and serving the interests of U.S. citizens in Malta.

The ICS also includes a management objective to reduce its environmental footprint through energy conservation and on-site alternative energy production. Embassy Valletta is small-sized, with 32 direct hire and 133 local hire staff. The embassy's total estimated operational expenditure for FY 2016 was \$9.05 million. The Department requested \$200,000 in mission foreign assistance funding for Malta in FY 2017, all of it in International Military Education and Training funds.

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 separate classified report. The classified report contains a comprehensive

¹ See Appendix A.

discussion of the conduct of the security program and issues affecting the safety of mission personnel and facilities.

EXECUTIVE DIRECTION

OIG assessed leadership on the basis of 10 interviews that included comments on the Ambassador's and the Deputy Chief of Mission's (DCM) performance; 125 staff questionnaires; and OIG's review of documents and observations of embassy meetings and activities during the course of the on-site portion of the inspection.

Tone at the Top and Standards of Conduct

The Ambassador set a positive tone, consistent with leadership principles contained in 3 Foreign Affairs Manual (FAM) 1214 and Federal standards for internal controls.² She used written notices to set clear expectations that embassy employees should comply with ethical standards of conduct. In OIG's survey and interviews, section and agency heads gave her high marks for modeling integrity. In addition, some section and agency heads noted cases where embassy staff who committed infractions or violations of policy were disciplined, an approach that is consistent with departmental guidance.³

Embassy staff told OIG they had good access to and communication with the Ambassador and the DCM across their range of responsibilities and requirements. They noted that, as a small embassy, there were numerous opportunities to interact with embassy leadership. Locally employed (LE) staff told OIG the Ambassador held an off-site meeting that included LE staff from all sections, and held monthly unclassified "open" country team meetings that LE staff could attend. The embassy staff's interaction with leadership was further enhanced by the DCM's regular walk-throughs of the chancery and compound. LE staff told OIG that these walk-throughs and his practice of frequently joining them for lunch conveyed a sense of open communication and respect.

The embassy's Equal Employment Opportunity program met Department requirements. The embassy appointed, trained and advertised counselors and liaisons for both American and LE staff, in accordance with 3 FAM 1514.2. The counselors and liaisons told OIG that there had been some inquiries and reported incidents, but these had been resolved informally. They also reported that there were no formal cases at the time of the OIG inspection. In addition, the counselors and liaisons stated that the Ambassador and the DCM modeled a civil and inclusive environment. Section and agency heads also told OIG that the embassy generally had a healthy Equal Employment Opportunity environment in which the Ambassador and the DCM did not tolerate discrimination or sexual harassment.

² Government Accountability Office, *Standards for Internal Controls in the Federal Government*, (GAO-14-704G, September 2014). These standards require that management demonstrate a commitment to integrity and ethical values.

³ Cable 2015 State 125440, "Managing Employee Misconduct and Deficient Performance," November 3, 2015.

Execution of Foreign Policy Goals and Objectives

The Ambassador and embassy section heads and staff played an active role in advancing bilateral and multilateral U.S. foreign policy goals and objectives, consistent with ICS goals. OIG interviews and a review of the Ambassador's calendar from May 2016 through April 2017 showed she met regularly with officials from the Maltese Government and other local and regional stakeholders, including top leaders, ministers, and parliamentarians. She also met with representatives from international, regional, and nongovernmental organizations involved in migration, human rights, and women's issues. To advance ICS goals, the embassy forged a partnership with Malta regarding issues related to Libya, a country with which Malta has long-standing relations. The embassy shared information on illegal oil smuggling from Libya, and, as a result, Malta blocked the shipments. The embassy also worked with multilateral partners to include Malta in the May 2016 Ministerial Meeting on Libya, which allowed Malta to share important expertise with other stakeholders.

After Malta became a member of the European Union and, as a result, achieved the status of a relatively wealthy country, it "graduated" from many U.S. assistance programs. As a result, the embassy's previous migration assistance and military education programs are being reduced or eliminated. In this new policy environment, U.S. bilateral relations with Malta have evolved as the embassy worked closely with Malta to advance ICS goals to increase Maltese engagement on global challenges and regional security and to deepen U.S.-Malta commercial relationships. For example, the embassy partnered with Malta to provide U.S. information sharing and technical assistance regarding law enforcement and military matters. The embassy also met with and advocated for U.S. companies, one of which recently announced an investment of approximately \$100 million in Malta. The embassy's use of environmentally friendly technology (such as solar energy) in its daily operations also helped highlight U.S. companies in the alternative energy sector.

Interagency Planning and Coordination

The Ambassador ensured joint planning and coordination among the Department's interagency partners. For example, the embassy developed its ICS consistent with 3 FAM 1214 to plan strategically and collaborate across agencies. Agency heads told OIG they contributed to the ICS, which was a consensus document, and that they understood how their activities fit into the ICS goals and strategy. OIG interviews and a review of the Ambassador's calendar showed that in addition to the weekly country team meetings—which included a sub-group to discuss more sensitive foreign policy and security issues—she met monthly with each agency head. In addition, the embassy's periodic Law Enforcement Working Group meetings included representatives of U.S. law enforcement agencies based in Rome, who also consulted with embassy and Maltese officials during these visits.

In the OIG survey and interviews, agency heads said that interagency coordination was excellent and that the Ambassador and the DCM fully and actively supported their agencies' programs at

post. They also provided examples in which the Ambassador personally intervened on their agencies' behalf or otherwise acted to support their activities.

Adherence to Internal Controls

The Ambassador and the DCM prepared the FY 2016 Chief of Mission Annual Management Control Statement of Assurance in accordance with 2 FAM 022.7, 2 FAM 021.1 and the *Standards for Internal Controls in the Federal Government*.⁴ The embassy used a number of assessments, including annual reviews of inventories, purchase cards, and consular management controls and a survey of management services, in completing the review. Embassy staff told OIG that the Ambassador's and the DCM's extensive management experience helped focus the assessment process. The Ambassador told OIG she used the Statement of Assurance process as a way to understand in detail Embassy Valletta's operations. The Ambassador and the DCM also met with the section heads on a biweekly and weekly basis, respectively, throughout the year to discuss management issues. In addition, the DCM performed 100 percent of nonimmigrant visa adjudication reviews, as required by 9 FAM 403.9-2(D) and 9 FAM 403.10-3(D). The OIG survey of embassy staff found that fewer than 4 percent reported any knowledge of possible waste or fraud. Finally, OIG found that the Management Section complied with Department guidelines, except as noted in the Resource Management section of this report.

Security and Emergency Planning

The embassy's security and emergency operations generally complied with key Department requirements. The Ambassador and the DCM supported Embassy Valletta's security program, consistent with 2 FAM 113.1(c)(5) and the President's Letter of Instruction to Bilateral Chiefs of Missions. The Ambassador and the DCM participated in security drills, which, in turn, encouraged full participation by all embassy staff. The embassy also met emergency action and crisis planning program requirements contained in 12 Foreign Affairs Handbook (FAH)-1 H-031a. The Emergency Action Committee met eight times from January 2016 through April 2017; the Emergency Action Plan was updated April 2017. Embassy staff told OIG the DCM actively followed up with all sections and agencies to ensure their full and timely participation in updating the plan. In OIG's survey of embassy staff, 100 percent reported that they knew what to do in an emergency, and 96 percent reported they knew the location of their safe haven or place of assembly and refuge. In addition, the embassy was working with the Foreign Service Institute to prepare a major crisis management exercise in June 2017. Further details on security are discussed in the related classified inspection report.

Developing and Mentoring Future Foreign Service Professionals

The Ambassador and the DCM used a variety of efforts to develop and mentor mid-level and First- and Second-Tour (FAST) Foreign Service officers and specialists. The Ambassador and the

⁴ GAO-14-704G, September 2014. These standards state that management is responsible for an effective internal control system and should establish and operate activities to monitor the internal control system and evaluate the results. In addition, management should remediate identified internal control deficiencies on a timely basis.

DCM mentored several mid-level officers serving as section heads for the first time, and the Ambassador rotated the Acting DCM role among them to provide additional experience. Section heads told OIG this rotation provided them with a broader perspective on embassy operations.

The DCM carried out his responsibilities in 3 FAM 2242.4 to foster the professional development of the embassy's three FAST employees. The DCM held monthly meetings with the group to discuss embassy operations and life in the Foreign Service. FAST employees told OIG they appreciated the benefits of a small post, where they could meet with the DCM monthly in a relaxed atmosphere and receive individual attention on their daily work issues and their careers. The DCM also worked to provide extra-curricular roles, beyond their daily duties, to expose them to other embassy sections and functions.

POLICY AND PROGRAM IMPLEMENTATION

OIG reviewed the Political-Economic Section's leadership and management, policy implementation, reporting and advocacy, commercial promotion, program implementation, Leahy vetting,⁵ end-use monitoring, and foreign assistance activities. OIG found them to be in compliance with Department standards.

Embassy Met Integrated Country Strategy Responsibilities

OIG found that the embassy fulfilled its advocacy and reporting responsibilities in accordance with ICS goals. The Political-Economic Section worked to achieve its ICS sub-objectives through key activities that included engagement with Maltese Government, nongovernmental, and business community leaders and political parties in keeping with the Department's ICS guidance and instructions.⁶ Washington offices praised the embassy for its access to credible sourcing for its reporting, the quantity of information produced relative to its staffing, and responsiveness to requests. OIG reviewed 7 months of reporting cables and meeting schedules and found them to be relevant to ICS goals. During the inspection, the Political-Economic Section began using record emails to transmit updates to Washington. OIG advised the embassy to continue doing so to ensure key communications are archived and readily retrievable, as described in 5 FAM 1214.3.

Leahy Vetting Conducted in Accordance with Department Guidance

Embassy Valletta's Coast Guard Attaché had lead responsibility for Leahy vetting, although the Political-Economic Section participated in the vetting process and had access to the Leahy vetting system. In 2016, the embassy vetted 31 individuals and security units in accordance with applicable laws and Department requirements and an additional seven individuals and security

⁵ 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 U.S.C. § 2378d.

⁶ "Integrated Country Strategy Guidance and Instructions," 2016, Section VI, pp 9-11.

units from January through May 6, 2017. During the inspection, the Bureau of Democracy, Human Rights and Labor cleared the embassy's updated Leahy Standard Operating Procedures, which the embassy published on its SharePoint site.

Public Diplomacy

Embassy Valletta has one of the smallest public affairs operations in Europe, with one officer and two LE staff members, yet it performed the full range of public diplomacy programs. OIG reviewed the section's strategic planning; section leadership; resource and knowledge management; federal assistance awards; education and cultural affairs programs; and media engagement. OIG found that the section complied with applicable Department standards, with the exception of grants management described below. OIG also found the section worked to implement ICS goals, particularly the promotion of shared societal values, with an emphasis on the environment, women's empowerment, and lesbian, gay, bisexual and transgender rights.

Foreign Assistance and Grants

Public Diplomacy Grants Award Files Incomplete

OIG found that the Public Affairs Section's files for grants issued before September 2016 often lacked required risk assessments, monitoring plans, and closeout documentation. Grants files also lacked the proper funds certification. The section issued 27 grants in FY 2016, totaling \$42,359, and 10 grants in FY 2017 through May 9, 2017, totaling \$12,099. OIG reviewed eight of the FY 2016 grants, including all those over \$2,000, as well as all FY 2017 grants. OIG found the quality and completeness of grants files improved after the section's Grants Officer Representative met with a representative of the Department's Office of Federal Assistance in September 2016. However, the section's standard operating procedures did not require the Financial Management Officer to certify funds were available before grant award, contrary to Department guidance.⁷ This risked creating an unauthorized commitment, although OIG found no evidence this had occurred. The section revised its standard operating procedures during the inspection.

Consular Affairs

OIG reviewed the full range of consular operations, including American citizen services; nonimmigrant visas; management controls; crisis preparedness; and anti-fraud programs. The embassy does not process immigrant visas. With the exception of cash payments discussed below, the Consular Section performed its responsibilities in compliance with applicable law and Department guidance.

⁷ U.S. Department of State Procedural Guide to Grants and Cooperative Agreements, December 31, 2015; Department of State Federal Assistance Policy Directive, 2016.

Embassy Accepted Cash Payments for Offsite Consular Fees

The consular subcashier collected cash payments during quarterly outreach trips to American citizens on the island of Gozo and transported them to the embassy via public transportation and embassy vehicles. Most clients paid for services in cash because of convenience and limited access to non-cash methods. Guidance in 7 FAH-1 H-727.2(b)(1), however, encourages embassies that collect offsite fees to require payment by bank check or money order if possible, and to take all appropriate precautions to safeguard fees received. Moreover, transporting cash payments via public transportation increases the risk of theft or loss. During the inspection, the embassy agreed to eliminate cash payments for consular services during outreach events.

RESOURCE MANAGEMENT

OIG reviewed all major functions of the embassy's management operations, including the General Services, Financial Management, Human Resources and Facility Management Sections. OIG found that they generally complied with Department standards, that internal controls were adequate to mitigate risks, and that oversight and supervision were appropriate. However, OIG found deficiencies in motor pool and preventive maintenance, as noted below.

General Services Operations

OIG reviewed the housing, property management, procurement, and motor pool operations and found that processes and procedures were in place or being developed in accordance with Department standards, Department systems were used as required, and internal controls met Department guidelines, except as noted below.

Contract and Procurement Training Needed

The Regional Procurement Support Office in Frankfurt processes and awards Embassy Valletta's contracts. The embassy told OIG that it would like to execute more contracts locally to have more control over contracting decisions and to save the 1.25 percent contract processing fee the Frankfurt support office charges. However, staff told OIG they lacked sufficient contracting training to do so. OIG suggested a variety of training resources to strengthen the staff's contracting knowledge, such as on-line and classroom courses and shadowing procurement staff at nearby embassies.

Landlord-Provided Furniture and Appliance Expenses Included in Lease Costs

The embassy did not have a furniture and appliance pool because all the short-term leases are fully furnished by the landlord, which is customary in Malta. The embassy, however, did not separate the cost of landlord-provided furniture and appliances—known as building operating expense (BOE)—from the monthly rental charge in these short-term housing leases, as required

by Department cable 2015 State 114976.⁸ The Bureau of Overseas Buildings Operations (OBO) requires separate reporting for each lease so that OBO can directly charge BOE to the agency for which the unit is leased. Because furniture and appliance costs were not reported separately, OBO, rather than the agency or bureau, paid BOE costs rather than allocating these costs to the appropriate agency and bureau. At the time of the inspection, OBO was preparing guidance for embassies worldwide on how to implement the instruction in cable 2015 State 114976 for fully-furnished leased residences. As a result, OIG did not make a recommendation in this report.

Embassy Had Unused Chief of Mission Backup Armored Vehicle

Embassy Valletta's vehicle inventory included an armored vehicle, designated as a backup for the Chief of Mission's primary armored vehicle, which is rarely used but incurred \$26,000 in maintenance and repair costs from January 2016 through May 19, 2017. This vehicle was purchased in 2008, and guidance in 14 FAM 423.2(c) states that posts should replace passenger vehicles after 10 years to ensure that the local fleet offers updated safety technology and fuel conservation. In 2014, the Department recommended that the embassy eliminate this vehicle from its inventory, and OIG notes that at least one newer armored vehicle in the embassy inventory could be used instead as a backup. Disposing of the 2008 vehicle would save the embassy an estimated \$18,000 annually in maintenance costs, funds that could be put to better use.

Recommendation 1: Embassy Valletta should dispose of the Chief of Mission backup armored vehicle according to Department guidelines for disposing of armored vehicles and put \$18,000 to better use. (Action: Embassy Valletta)

Financial Management

OIG found that the Financial Management Office performed accounting, vouchering, and cashiering operations in accordance with Department standards, with the following exception.

Embassy Directly Paid Official Residence Expenses Salaries

The embassy directly paid official residence expenses staff via cash advance from the Class B cashier. This practice violated 3 FAM 3257(a), which requires the principal representative or the household manager to pay the official residence staff. OIG issued a Management Assistance Report in April 2014⁹ 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. However, because the Department did not implement the recommendation in OIG's 2014 report, OIG recently conducted a compliance follow-up review that made two new recommendations to the Department to address the appropriate method of paying official

⁸ Cable 2015 State 114976, "Non-Rent Operating Expenses in Overseas Leased Property," October 2, 2015.

⁹ OIG, *Management Assistance Report – Direct Payment of Official Residence Expenses Staff Salaries* (ISP-I-14-08, April 3, 2014).

residence expenses staff.¹⁰ In response to OIG's new recommendations, the Department reported that direct payments to official residence expenses staff—via post cashier, electronic funds transfers, or in cash directly from a post cashier—will be discontinued and that the Department will update its policy guidance accordingly. As a result, OIG did not make a recommendation in this report.

Human Resources

OIG found the Human Resources Office performed in accordance with Department standards. For example, the embassy introduced Merit Based Compensation¹¹ as required in February 2017; American employee evaluations were tracked and completed on time; and the local compensation plan and local employed staff handbook were both updated in 2017.

Difficulties Recruiting Qualified Local Staff

The embassy had difficulties attracting qualified applicants for its last two LE staff vacancies, due to the strength of the local economy. Malta had one of the lowest unemployment rates in the European Union at the time of the inspection. The dearth of qualified applicants slowed the hiring process and added pressure on the embassy's small staff. OIG suggested that the embassy diversify its employment advertising to expand the potential pool of applicants.

Facility Management

OIG reviewed the Facility Management Section and found that it operated in accordance with Department standards. OBO closed all recommendations from its January 2013 Safety, Health and Environmental Management technical support visit, and the Post Occupational, Safety and Health Officer performed and documented annual inspections of the embassy's work areas. OIG nevertheless found deficiencies in the embassy's preventive maintenance program and in its local contractors' worker's compensation insurance, as noted below. In addition, OIG identified one area where post should work closely with the Department to put funds to better use.

Embassy Lacked a Comprehensive Preventive Maintenance Program

OIG found Embassy Valletta did not have a comprehensive preventive maintenance program for its chiller and water treatment systems, two key building operations. Guidance in 15 FAM 613(a) states that all posts must adequately and properly maintain their facilities. Similarly, 15 FAM 613(b) requires each mission to establish and implement a comprehensive preventive, routine, and special maintenance program for all facilities and major support systems, as described in the 15 FAH-1 Facilities Maintenance Handbook. The embassy lacked these contracts because it

¹⁰ OIG, *Compliance Follow-up Review – Department of State Has Not Implemented Recommendations Pertaining to Official Residence Expense Staff Salaries* (ISP-C-17-32, August 2017).

¹¹ Merit Based Compensation is a performance management approach that seeks to more effectively link LE staff performance and pay with mission goals. Where implemented, Merit Based Compensation replaces within-grade increases in overseas posts' local compensation plans with a variable reward that is directly linked to an employee's level of performance.

believed it would be unable to find local contractors qualified to service the complex systems at its new embassy compound. Notwithstanding these concerns, failure to implement preventive maintenance unnecessarily risks disruptions in operations.

Recommendation 2: Embassy Valletta, in coordination with the Bureau of Overseas Buildings Operations, should implement preventive maintenance programs for all key building systems. (Action: Embassy Valletta, in coordination with OBO)

Surplus Building Materials from New Embassy Compound Construction

The contractor hired to construct the new compound left behind approximately 9,000 items valued at an estimated \$650,000 in building materials, called "owner's stock," after construction was completed in 2011. According to OBO, new embassy compound construction contracts typically require the contractor to leave enough materials behind to act as spare parts. The embassy inventoried these materials and entered them into its inventory as maintenance expendable supplies. However, OIG determined that the items likely can be considered as excess property. Guidance in 14 FAM 411.4 defines excess personal property as that which is no longer needed by the Department to carry out the functions of official duties or programs, and 14 FAM 417.1-2 and 4 FAM 417.2 provide guidance for disposing of excess property. Disposal of excess property would put these funds to better use.

Recommendation 3: Embassy Valletta, in coordination with the Bureau of Overseas Buildings Operations, should identify and dispose of excess property, and put up to \$650,000 to better use. (Action: Embassy Valletta, in coordination with OBO)

Local Contractors Lacked Required Worker's Compensation Insurance

The embassy's local contractors did not have worker's compensation insurance as required by the Defense Base Act.¹² This Act requires workers' compensation protection for employees working outside the United States under a contract with the U.S. Government for public works, which includes all Department service and construction contracts. Although the Department of Labor waived this requirement for some countries, Malta is not on the current waiver list, and the insurance is accordingly mandatory pursuant to Federal Acquisition Regulation 52.228-3.

Recommendation 4: Embassy Valletta should comply with the Defense Base Act requirements for worker's compensation insurance for its local service and construction contracts. (Action: Embassy Valletta).

Information Management

OIG reviewed the Information Management (IM) physical, environmental, and technical security of the classified and unclassified computer networks and dedicated internet networks; radio and

¹² Defense Base Act, 42 U.S.C. § 1651.

telephone systems; communications security; records management; equipment inventories; and emergency operations. OIG found that, overall, these programs met customer needs and complied with Department requirements outlined in 5 FAM 120. OIG advised the embassy regarding minor deficiencies related to communications security procedures, emergency communications, inventory controls, help desk management, telephone operations, and information systems security documentation. The embassy corrected several of these deficiencies during the inspection, including implementing a data port security solution, updating program equipment inventory, establishing procedures at the alternate command center, and updating access list documentation. OIG identified one deficiency in the mission's emergency radio network, as described below.

Emergency and Evacuation Radio Network Lacked Full Reception Coverage

The embassy's emergency and evacuation very high frequency radio network¹³ had limited reception coverage. Due to the local topography, seven embassy residences could communicate with each other but not with the embassy. As a temporary measure, the embassy provided satellite phones to American staff assigned to these residences. However, since the radio network is the primary communications channel, these residences still would experience a delay in receiving directions in an emergency. In July 2016, the Frankfurt Regional Information Management Center also identified this concern and recommended that the embassy move the radio repeater to increase network coverage. The embassy still has not done so, although Department standards in 5 FAH-2 H-741(a, b) require emergency radio equipment to be operationally ready. This issue is important to address, as lack of access to the emergency and evacuation very high frequency radio network puts the safety and security of embassy personnel at increased risk in the event of a crisis.

Recommendation 5: Embassy Valletta, in coordination with the Regional Information Management Center in Frankfurt, should provide an emergency and evacuation very high frequency radio network through which all residences can communicate directly with the embassy. (Action: Embassy Valletta, in coordination with RIMC Frankfurt)

Information Management Position Not Programmed To ICASS

Embassy Valletta failed to convert one IM position to the International Cooperative Administrative Support Services (ICASS)¹⁴ system despite being advised to do so by the Department. The IM section had two Department-funded positions costing an annual average of \$268,419 per position. Despite being funded by the Department, these U.S. direct-hire specialists also provide some IM support services to other agencies at the mission. Unlike other

¹³ Emergency and evacuation very high frequency networks typically consist of base stations, mobile radios in official vehicles, portable or hand-held units, and a repeater. See 5 FAH-2 H-732.2.

¹⁴ ICASS, established in 1997, is the principal means by which U.S. Government agencies share the cost of common administrative support services at more than 250 diplomatic and consular posts overseas. Through ICASS, which operates a working capital fund, service providers recover the cost of delivering administrative support services to other agencies at overseas missions, in accordance with 6 FAM 911 and 6 FAH-5 H-013.2.

U.S. direct-hire management positions—such as human resources and financial management—the cost of IM positions are not distributed among agencies using the services through ICASS.

To ensure the cost of IM services are equitably shared, the Office of Management Policy, Rightsizing, and Innovation in June 2010 advised certain embassies, including Embassy Valletta, to convert one of their U.S. direct-hire IM positions to ICASS as soon as budgetary provisions could be made. At the time of the inspection, the embassy had yet to do so. OIG issued a Management Assistance Report in April 2017¹⁵ that also recommended the conversion of one U.S. direct-hire IM position to ICASS in many embassies, including Embassy Valletta. As a result, OIG did not make a recommendation in this report.

¹⁵ OIG, *Management Assistance Report: Cost of Information Management Staff at Embassies Should Be Distributed to Users of Their Services* (ISP-17-23, April 27, 2017).

RECOMMENDATIONS

OIG provided a draft of this report to Department stakeholders for their review and comment on the findings and recommendations. OIG issued the following recommendations to Embassy Valletta. The embassy's complete response can be found in Appendix B.

Recommendation 1: Embassy Valletta should dispose of the Chief of Mission backup armored vehicle according to Department guidelines for disposing of armored vehicles and put \$18,000 to better use. (Action: Embassy Valletta)

Management Response: In its September 11, 2017, response, Embassy Valletta concurred with the recommendation. The embassy noted that it was engaging with other posts to potentially transfer the vehicle and would explore disposal options.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the embassy has disposed of the backup armored vehicle according to Department guidelines and put the \$18,000 to better use.

Recommendation 2: Embassy Valletta, in coordination with the Bureau of Overseas Buildings Operations, should implement preventive maintenance programs for all key building systems. (Action: Embassy Valletta, in coordination with OBO)

Management Response: In its September 11, 2017, response, Embassy Valletta concurred with the recommendation. The embassy noted that it worked with the Bureau of Overseas Buildings Operations to identify companies to service the embassy's chiller system and water treatment facility. The service contracts were in the final stages of the procurement process.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that preventative maintenance programs have been implemented for all key building systems.

Recommendation 3: Embassy Valletta, in coordination with the Bureau of Overseas Buildings Operations, should identify and dispose of excess property, and put up to \$650,000 to better use. (Action: Embassy Valletta, in coordination with OBO)

Management Response: In its September 11, 2017, response, Embassy Valletta concurred with the recommendation. The embassy noted that it will work with the Bureau of Overseas Buildings Operations to identify items that can be transferred to other regional posts or disposed of at the upcoming embassy auction.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the excess property has been disposed of and put the \$650,000 to better use.

Recommendation 4: Embassy Valletta should comply with the Defense Base Act requirements for worker's compensation insurance for its local service and construction contracts. (Action: Embassy Valletta).

Management Response: In its September 11, 2017, response, Embassy Valletta concurred with the recommendation. The embassy noted that it worked with the Regional Procurement Services Office in Frankfurt to modify the contracts to ensure contractors purchase the required insurance.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the contractors have the required worker's compensation insurance.

Recommendation 5: Embassy Valletta, in coordination with the Regional Information Management Center in Frankfurt, should provide an emergency and evacuation very high frequency radio network through which all residences can communicate directly with the embassy. (Action: Embassy Valletta, in coordination with RIMC Frankfurt)

Management Response: In its September 11, 2017, response, Embassy Valletta concurred with the recommendation. The embassy noted that it is working with the Regional Information Management Center in Frankfurt to test the suitability of a recently identified repeater site. If suitable, a repeater antenna at the site will ensure radio network coverage at all residences.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that all residences are able to communicate directly with the embassy via an emergency and evacuation very high frequency radio network.

PRINCIPAL OFFICIALS

Title	Name	Arrival Date
Chiefs of Mission:		
Ambassador	G. Kathleen Hill	2/2016
Deputy Chief of Mission	Terrence Flynn	8/2014
Chiefs of Sections:		
Management	Hormazd Kanga	7/2016
Consular	Joan Flynn	7/2016
Political/Economic	Adam VanDervort	8/2015
Public Affairs	Susan Ross	7/2015
Regional Security	Barry Hopkins	7/2014
Other Agencies:		
Department of Defense	Carlos Plazas	8/2015
Department of Justice	Robert Strang	8/2014

Source: Embassy Valletta

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 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; as appropriate, circulates, reviews, and compiles the results of survey instruments; conducts onsite interviews; and reviews the substance of the report and its findings and recommendations with offices, individuals, and organizations affected by the review. OIG uses professional judgment, along with physical, documentary, testimonial, and analytical evidence collected or generated, to develop findings, conclusions, and actionable recommendations.

For this inspection, OIG conducted approximately 84 interviews. OIG also reviewed 125 personal questionnaires.

APPENDIX B: MANAGEMENT RESPONSE



*Embassy of the United States of America
Valletta, Malta*

September 11, 2017

UNCLASSIFIED

TO: OIG – Sandra Lewis, Assistant Inspector General for Inspections

THRU: EUR Acting Assistant Secretary Elisabeth Millard

FROM: Embassy Valletta, Malta – Ambassador G. Kathleen Hill

SUBJECT: Response to Draft OIG Report – Inspection of Embassy Valletta

Embassy Valletta has reviewed the draft OIG Inspection report. We provide the following comments in response to the recommendations provided by OIG:

OIG Recommendation 1: Embassy Valletta should dispose of the Chief of Mission backup armored vehicle according to Department guidelines for disposing of armored vehicles and put \$18,000 to better use. (Action: Embassy Valletta)

Management Response: Embassy Valletta accepts the recommendation. Management was working with another agency to

transfer the vehicle to them but this was ultimately unsuccessful. Embassy Valletta will engage other posts and explore disposal options.

OIG Recommendation 2: Embassy Valletta, in coordination with the Bureau of Overseas Buildings Operations, should implement preventive maintenance programs for all key building systems. (Action: Embassy Valletta, in coordination with OBO)

Management Response: Embassy Valletta accepts the recommendation. Embassy Valletta has worked with OBO to identify a U.S. company to service the Embassy chiller system and a company to service the water treatment facility. The contracts are currently in the final stages of the procurement process.

OIG Recommendation 3: Embassy Valletta, in coordination with the Bureau of Overseas Buildings Operations, should identify and dispose of excess property, and put up to \$650,000 to better use. (Action: Embassy Valletta, in coordination with OBO)

Management Response: Embassy Valletta accepts the recommendation. Embassy Valletta will work with OBO to identify items that could be transferred to other regional Posts, or disposed of during the upcoming Embassy auction.

OIG Recommendation 4: Embassy Valletta should comply with Defense Base Act requirements for worker's compensation insurance for its local service and construction contracts. (Action: Embassy Valletta)

Management Response: Embassy Valletta accepts this recommendation. The contracting office for most of these services is the Regional Procurement Services Office (RPSO) in Frankfurt. Embassy Valletta assisted RPSO in modifying contracts as needed to ensure the contractors purchase this insurance.

OIG Recommendation 5: Embassy Valletta, in coordination with the Regional Information Management Center in Frankfurt, should provide an emergency and evacuation very high frequency radio network through which all residences can communicate directly with the embassy. (Action: Embassy Valletta, in coordination with RIMC Frankfurt)

Management Response: Embassy Valletta accepts this recommendation. The site recommended for the repeater antennae by the July 2016 RIMC report was initially willing to allow the antennae. However, they subsequently demanded \$50,000 in annual rent for the 1.1 square meter site, so the Embassy and RIMC resumed the search for an appropriate repeater site at a reasonable cost. The Embassy and RIMC are currently conducting tests at a newly identified repeater site. If successful, a repeater antennae at this site will ensure radio network coverage at all residences.

The point of contact for this memorandum is Management Officer Hormazd J. Kanga.

UNCLASSIFIED

APPENDIX C: FY 2016 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	10	1	5	16	860,800
Consular	2	0	2	4	307,605
ICASS	2	2	100	104	4,975,055
Public Diplomacy	1	0	2	3	140,390
Diplomatic Security	2	1	14	17	583,841
Marine Security	8	0	4	12	146,000
Representation	0	0	0	0	28,600
Overseas Buildings Operations	1	0	0	1	1,280,123
Subtotal	26	4	127	157	8,322,414
Department of Defense					
Defense Attaché Office	5	0	1	6	419,699
Subtotal	5	0	1	6	419,699
Department of Justice					
International Institute of Justice	1	0	1	2	308,148
Subtotal	1	0	1	2	308,148
Total	32	4	129	165	9,050,261

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

^a Authorized positions

ABBREVIATIONS

BOE	Building Operating Expenses
DCM	Deputy Chief of Mission
Department	Department of State
FAH	Foreign Affairs Handbook
FAM	Foreign Affairs Manual
FAST	First- and Second-Tour
ICASS	International Cooperative Administrative Support Services
ICS	Integrated Country Strategy
IM	Information Management
LE	Locally Employed
OBO	Bureau of Overseas Buildings Operations

OIG INSPECTION TEAM MEMBERS

Stephen L. Caldwell, Team Leader

Scott D. Boswell, Deputy Team Leader

Brent Byers

Calvin Carlsen

Eric Chavera

Marc Desjardins

Mark Jeleniewicz

Richard Sypher

Joseph Talsma

Colwell Whitney

UNCLASSIFIED



HELP FIGHT FRAUD. WASTE. ABUSE.

1-800-409-9926

[OIG.state.gov/HOTLINE](https://oig.state.gov/HOTLINE)

If you fear reprisal, contact the
OIG Whistleblower Ombudsman to learn more about your rights:

WPEAOmbuds@stateoig.gov

oig.state.gov

Office of Inspector General • U.S. Department of State • P.O. Box 9778 • Arlington, VA 22219

UNCLASSIFIED