



UNITED STATES DEPARTMENT OF STATE  
AND THE BROADCASTING BOARD OF GOVERNORS  
*OFFICE OF INSPECTOR GENERAL*

# SEMIANNUAL REPORT TO THE CONGRESS

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*October 1, 2012 to March 31, 2013*



# Summary of OIG Accomplishments

## Financial Results

### Questioned costs

Issued during the reporting period	\$1,775,727
Management decision during the reporting period	\$373,282

### Recommendations for funds to be put to better use

Issued during the reporting period	\$392,474,000
Management decision during the reporting period	\$392,833,793

<b>Investigative monetary recoveries</b>	\$235,563
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## Investigative Results

Cases opened	28
Cases closed	32
Judicial actions	10
Administrative actions	3
Contractor/grantee suspension and debarment actions	23
Hotline and complaint activity	635
<b>Reports Issued:</b>	54

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Office of Inspector General

*Cover photo: Embassy Bandar Seri Begawan, Brunei  
Photo provided by the Bureau of Overseas Buildings Operations*

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## **Sherman Funk (1925-2013)**

One of the most influential, well-known, and beloved inspectors general in our history, Sherman Funk, passed away in February.

Sherman Funk served as the first statutory inspector general for the U.S. State Department from 1987 to 1994. He was appointed under President Reagan to be the first independent Inspector General of the U.S. Department of Commerce in 1981, and also served under Presidents Bush and Clinton.

For all who had the pleasure of knowing and working with Sherman, his enthusiasm, energy, courage, imagination, eloquence, and initiative were an inspiration in enhancing the oversight role. He was a mentor to many senior OIG officials throughout the inspector general community. He was our mentor and our dear friend.

Friends called him “brilliant, feisty, and fiercely independent.” He was known, as well, for his kindness and sense of humor.

Sherman Funk was born in 1925 in Brooklyn, NY and grew up in Far Rockaway, NY. During World War II, he was a combat infantryman with the 42nd (Rainbow) Division, where his battalion received a Presidential Unit Citation for holding off a panzer division in Alsace. He was severely wounded in that battle, taken as a prisoner of war, and lost the use of his left arm.

Sherman went on to attend Harvard University and did graduate work in American Government at Columbia University and the University of Arizona. He worked as a teacher and wrote a weekly, award-winning column for a Maryland newspaper. He began his government career in 1958 working for the United States Air Force at the Pentagon.

# MESSAGE FROM THE DEPUTY INSPECTOR GENERAL

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**Deputy Inspector General  
Harold W. Geisel**

I am pleased to present to Congress the Office of Inspector General (OIG) Semiannual Report for the Department of State (Department) and the Broadcasting Board of Governors (BBG). This report covers the period ending March 31, 2013, as required by the Inspector General Act of 1978, as amended.

These times are troubling for many, including those working in public service. With the sequestration in effect, the review and evaluation of programs is essential to the health and longevity of our work, and of our government. However, I am confident that strong programmatic oversight, paired with sustained congressional support, will help us to navigate these challenges. We in OIG are doing our part to well position the Department and BBG to maximize the efficiency and effectiveness of their operations. We do some of our best work by first asking, “How can we help?”

We help by identifying ways to run programs more efficiently, and to save money in an era where all of government must learn to do its job with fewer resources. For example, our strong recommendation that BBG coordinate with the Office of Management and Budget and its congressional oversight committees to propose new legislation to appoint a chief executive officer would directly resolve BBG’s gaps in programmatic structure and enable it to focus on its strategic oversight and direction goals.

During this reporting period, our inspections yielded many findings that will substantially improve Department employee training and security. The Foreign Service Institute has enjoyed rapid growth in its programs due to increased demand, but also has incurred costs for additional instruction to help students reach their target language level. OIG recommended the Department reinstitute language aptitude screening and consider employees’ prior success in language learning when making assignments. OIG also reported additional opportunities for cost savings by reevaluating language designations for specific positions. In our review of the Department’s worldwide security measures, OIG recommended that the Bureau of Overseas Buildings Operations provide compound emergency sanctuaries for employees who work in buildings that do not have an approved safe area, or request an increase in funding for compound emergency sanctuaries if current resources are inadequate to do so.

Our audit of a Worldwide Protective Services (WPS) contract should save the Department approximately \$362 million. OIG determined that the contractor exceeded actual staffing needs as a result of the Department's failure to conduct a needs analysis before the task order was awarded. The contractor charged the Department for services that were not necessary, and these costs were not properly verified. To address these issues, OIG recommended that the Department conduct a needs-based analysis and further adjust WPS staffing as needed, while collecting unallowable or unsupported costs erroneously paid to the contractor. The Department immediately accepted our recommendation.

In our investigative work, we have seen a steady increase in procurement fraud and public corruption investigations which has resulted in a subsequent rise in suspensions and debarments of Department contractors and grantees. Since 2008, when there were no suspensions or debarments issued by the Department, this number has risen steadily, resulting in 18 suspensions and 24 debarments in 2012. This integral part of the investigative mission highlights how our procurement oversight work can result in increased accountability for the Department as a whole.

Our statute requires that we uphold the highest standards of efficiency and integrity. In these critical times, we pursue the most relevant concerns in the most volatile environments, and make valuable contributions by generating ideas to promote efficiency and objectivity. Lord Justice Denning's profound observation—*be you never so high, the law is above you*—serves as reminder that we are honored to serve the law and our nation's taxpayers.



Harold W. Geisel  
Deputy Inspector General

# EXECUTIVE SUMMARY

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The auditors, inspectors, investigators, and other professionals in OIG promote effective management, accountability, and positive change in the Department, BBG, and the foreign affairs community. During this reporting period, OIG issued 54 reports with recommendations to improve Department and BBG programs and operations, and identified more than \$394 million in cost efficiencies, including funds to be put to better use, questioned costs, fines, and recoveries. A full list of reports issued during this period can be found in Appendix 2 of each agency section of this report. This *Semiannual Report to the Congress* summarizes work carried out by OIG during the period October 1, 2012, through March 31, 2013. OIG addresses classified issues in the *Classified Annex to the Semiannual Report to the Congress*.

## OIG RECIPIENTS OF THE 2012 COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY (CIGIE) AWARDS FOR EXCELLENCE

The 2012 CIGIE Awards, presented in October 2012 in Washington, DC, recognize outstanding achievements by OIG employees in the performance of their official duties. Recipients were selected from nominees across the entire inspector general community, and OIG employees from its audits, inspections, and investigative teams received the following awards:

- **Audit Award for Excellence:** For outstanding achievements in improving the integrity, efficiency, and effectiveness of both Department of Defense and Department of State agencies responsible for the administration of the Afghan National Police Training Program.
- **Multiple Discipline Award for Excellence:** In recognition of contributions made to enhance the public's confidence in the Department's handling of the Presidential permit application for TransCanada's Keystone XL oil pipeline.
- **Multiple Discipline Award for Excellence:** In recognition of the inspectors and investigators whose exceptional work during the inspection of the Department's Bureau of Educational and Cultural Affairs, resulted in much needed improvements in exchange programs.
- **Law and Legislation Award for Excellence:** In recognition of the significant contributions made to assist Congress in strengthening legislation to combat human trafficking and abusive labor practices in U.S. Government contracts overseas.

## AUDITS

In its audit of the Worldwide Protective Services (WPS) contract, Task Order 5, OIG determined that the contractor movement security staffing requirements for Baghdad, Iraq, exceeded actual staffing needs. Specifically, only 49 percent of the contractor-provided movement security personnel were used, on average, to conduct daily movement missions. The overstaffing occurred because the Department did not conduct a needs analysis for staffing requirements before it awarded the task order and it unnecessarily exercised an optional program, which added more movement security personnel to the task order. Further, the Department did not adequately monitor the actual number of security personnel being used during performance. As a result, the Department paid, at a minimum, \$20.6 million during the base year to retain contractor security personnel who were not needed for the optional program, an amount that the Department could have used to address other security needs. Based on OIG's audit briefings, the Department initiated actions to reduce the number of contractor staff required, which should save the Department about \$362 million over the lifecycle of the contract. OIG also determined that the contracting officer's representative (COR) approved contractor invoices totaling about \$1,775,727 that included unallowable, unsupported, or erroneous costs because the COR did not verify the contractor's invoices against supporting documentation or verify that contract goods and services had been received. OIG recommended that the Department conduct a needs-based analysis and further adjust WPS staffing as needed. OIG also recommended that the Department collect any unallowable or unsupported costs erroneously paid to the contractor.

Few corporations and Federal agencies have financial operations that are located in more than 170 countries. The Department, with \$80 billion in assets and \$50 billion in annual resources, provides an administrative platform for 45 other U.S. Government entities overseas and pays personnel using hundreds of pay plans. The Department's FY 2012 and FY 2011 financial statements audit resulted in an unqualified opinion on both years' financial statements. OIG's external auditor had previously qualified its opinion on the Department's FY 2011 financial statements because of significant issues related to the Department's ability to manage and account for after-employment benefits (AEB) provided to local employees, such as unrecorded assets and liabilities related to defined benefit pension plans, lump-sum retirement payments, and separation benefits to local employees who had voluntarily resigned or had otherwise left the workplace. The Department also did not have an accurate listing of which posts provided AEBs or what these benefits entailed at each post. Even though these benefits created a long-term and sometimes significant financial burden on the Department, the Department did not have a centralized, formal process in place for authorizing AEB benefits to local employees. The Department also did not have processes to centrally oversee or monitor the pension plans. Instead, oversight of the plans was provided by post officials, many of whom did not have the specialized investment and pension knowledge essential to managing retirement funds. Because

the Department was unable to address these pervasive issues in FY 2011, the financial statement opinion was negatively impacted. In FY 2012, OIG and its external auditor worked extensively with Department officials to address many of the AEB-related deficiencies identified during FY 2011. For example, because of external auditor efforts, the Department performed reviews to confirm the nature of AEBs existing at posts. The Department also requested and reviewed updated actuarial reports for significant retirement plans. For FY 2012, the Department recognized a net liability of \$459 million in its financial statements related to AEBs for local employees. Although the Department made improvements in controls over AEBs during FY 2012, some deficiencies, such as inaccurate personnel data for local employees were not addressed, which could result in funding shortfalls, noncompliance with local employment regulations, or the disbursement of improper benefit payments.

The Secretary of State is granted authority, by legislation, to lease or rent overseas properties for “the use of the Foreign Service” and for “residential and office space” to other agencies abroad whose employees are under the authority of the chief of mission. The Bureau of Overseas Buildings Operations (OBO) acts as the single real property manager for all nonmilitary U.S. Government property overseas. In December 2012, OIG reported that OBO was utilizing short-term leases for overseas real property operating leases to fulfill the Department’s long-term requirements rather than securing leases with longer durations. Neither OBO nor posts were inclined to secure leases longer than 10 years because of a Department-imposed regulation prohibiting the sharing of operating lease costs with other Federal agencies for leases that were for 10 years or longer. As a result, most of the Department’s real property operating leases were for less than 10 years, and the Department may be missing opportunities to secure more preferable lease durations and reduce the vulnerability of losing leased properties, which could lead to higher lease costs. In addition, because personnel at the posts OIG audited were not tracking and reporting make-ready costs specific to each property, the Department could not verify that the funds were used for legitimate make-ready costs, nor determine the full cost of leasing overseas properties to make fully informed decisions about whether lease agreements should be renewed or terminated. OIG made recommendations to enhance real property leasing options and better control lease costs. In response to OIG’s audit, an OBO senior official stated that OIG’s recommendations would change the Department’s approach to real property leasing and save the Department money. In anticipation of the policy changes and the subsequent advantages, OBO instructed leasing agents to secure leases with durations longer than 10 years when appropriate. For example, the Department recently secured a lease in Vienna, Austria, for more than 10 years, which resulted in savings that would not have been realized if the Department had been restricted to a term of less than 10 years.

## INSPECTIONS

OIG issued reports on inspections of three domestic bureaus/entities and six overseas missions, seven classified reports, three compliance followup reviews, and six special reviews. Recommendations in these reports could potentially result in savings or funds to be put to better use of approximately \$30 million. OIG also documented several innovative practices as models for other embassies and bureaus to use to promote efficiency and effectiveness.

OIG conducted special reviews of the Department's ability to adequately secure overseas posts. OIG reviewed the Department's implementation of a Jeddah Accountability Review Board recommendation to consider remote safe areas at missions worldwide and recommended that the Department request more funding to provide compound emergency sanctuaries for employees who work in buildings that do not have an approved safe haven or safe area. In its review of Overseas Security Policy Board exceptions and Secure Embassy Construction and Counterterrorism Act of 1999 waivers, OIG recommended that the Department track and confirm posts' adherence to exceptions and waivers to security standards for collocation and setback. OIG made a recommendation, during its inspection of Embassy Bangui, that the Department assess the risk of maintaining a presence in country. (Embassy Bangui subsequently suspended its operations.) OIG also made recommendations to improve operations in Embassy Abuja's high-fraud and deteriorating security environment and at Embassy Manila as it managed a major construction project to address security and emergency preparedness.

During the reporting period, OIG continued to focus on identifying cost savings in areas such as staffing, space, and lease costs. OIG determined that 80 percent of the Regional Information Management Centers' deployed workforce should be relocated to the United States for an estimated savings of about \$18 million a year. OIG also made recommendations to redesignate or eliminate language training at overseas posts, including in Buenos Aires and Phnom Penh. OIG recommended consolidation of housing to reduce operating costs, of about \$1.5 million, and security vulnerabilities in Phnom Penh, and recommended, in its review of voucher processing, that the Department analyze the benefits of outsourcing voucher processing to the Department's Post Support Unit rather than hiring more local staff overseas. In its compliance followup review of Embassy Berlin, OIG reissued a recommendation to sell government-owned space in Hamburg to significantly reduce maintenance, staffing, and security costs and recommended analyzing the cost benefits of relocating Consulate General Leipzig.

OIG emphasized training requirements in several inspections. A review of oversight and management of security programs and operations revealed that security was generally well managed. However, OIG recommended that the Department address problematic regional security officer performance by training deputy chiefs of mission and principal officers on the full range of regional security officer

programmatic responsibilities. OIG's inspection of the Foreign Service Institute (FSI) revealed that it was successfully managing a rapid increase in enrollment but needed to reinstitute language aptitude screening to reduce costs—over \$8 million in FY 2012—to help students reach target language proficiency levels. In addition, OIG found that FSI had effectively linked Department and congressional requirements and priorities to training but needed to expand those efforts to more functional areas. In the review of the President's Emergency Plan for AIDS Relief (PEPFAR) training, OIG recommended that FSI include PEPFAR in senior leadership courses.

## INVESTIGATIONS

During the reporting period, OIG investigative work included adjudicative results in an investigation involving an attempted \$500,000 bribe, and in another investigation of a \$20,000 a month kickback scheme. Overall, our work resulted in more than \$235,563 in monetary fines and recoveries, including \$180,101 in reimbursement from a contractor whose employees were involved in a scheme to embezzle funds from a Department contract. OIG investigations also resulted in a total of 23 suspension and debarment actions being taken against Department contractors and grantees this period, to include 13 debarments just related to firms involved in a kickback scheme in Afghanistan at Embassy Kabul. Additionally, the OIG Hotline processed 635 complaints from Department and BBG employees, contractors, grantees and members of the general public. OIG also provided 14 fraud awareness presentations to approximately 650 Department and BBG employees during this reporting period.

## BROADCASTING BOARD OF GOVERNORS

During this reporting period, OIG issued four audit reports pertaining to BBG operations: an audit report on BBG's Information Security Program, a report and management letter on BBG's 2012 and 2011 financial statements, and a report on FY 2012 compliance with improper payments requirements.

OIG also conducted three inspections and one compliance followup review of BBG operations overseas as well as an inspection of the BBG Board itself. OIG found the Board to be dysfunctional due to flawed legislative structure, internal dissent, and chronic absences among its part-time members. OIG recommended that BBG create a chief executive officer position in order for the Board to focus on issues of strategic importance and its mandated legislative duties rather than on operational management.

OIG determined that the BBG entities inspected were generally well run with no major management or security problems despite operating in sometimes challenging environments. The Voice of America (VOA) Khmer Service and Radio Free Asia

(RFA) news operations were threatened with legal sanctions for dealing with issues that criticize the government. These broadcasting entities were also exploring the possibility of sharing space to save lease costs. The BBG marketing representative in Abuja was securing new programming affiliations as the only way to communicate with the population of an increasingly dangerous and violent country. The International Broadcasting Bureau was adequately managing administrative operations while awaiting congressional authorization to close the Poro transmitting site to reprogram funds to Chinese and Tibetan target markets.

# DEPARTMENT OF STATE





# OFFICE OF AUDITS

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## CONTRACTS AND GRANTS

### ***Audit of Department of State Oversight and Reporting of U.S. Government Contributions to the Global Fund (AUD-CG-13-05)***

The audit was conducted to determine the extent to which the Department fulfilled its obligations to oversee and report on contributions to the Global Fund to Fight AIDS, Tuberculosis, and Malaria (Global Fund) in accordance with the withholding and reporting requirements contained in the United States Code and in other relevant laws and regulations.

OIG found that the Department had completed all required Global Fund-related reports but had published oversight information reports for FYs 2009, 2010, and 2011 on average approximately 9 months after the required 120-day timeframe. The timeframes were not met because officials from the Office of the U.S. Global AIDS Coordinator (S/GAC) awaited certain financial information from the Global Fund, which is based in Geneva, Switzerland, before they compiled and disseminated the oversight reports.

Also, the Department withheld the correct amounts for each of the five withholding requirements for FYs 2009–2011. The amounts withheld for each of these years averaged approximately \$48.4 million, or approximately 4.7 percent of the amounts available each year for the U.S. Government’s contributions to the Global Fund.

OIG recommended that S/GAC establish deadlines and interim benchmarks to govern its reporting processes and incorporate these deadlines and benchmarks into its standard operating procedures.

## FINANCIAL MANAGEMENT

### ***Independent Accountant’s Report on the Application of Agreed-Upon Procedures: Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management (AUD-FM-13-01)***

Under OIG’s direction, an independent external auditor performed agreed-upon procedures as required by an Office of Management and Budget Bulletin criterion. These procedures were performed to assist the Office of Personnel Management (OPM) in assessing the reasonableness of retirement, health benefits, and life insurance withholdings

and contributions, as well as enrollment information submitted via the Semiannual Headcount Report to OPM by the Department. The procedures were also performed to assist OPM in identifying and correcting errors relating to processing and distributing Combined Federal Campaign (CFC) payroll deductions. In general, the auditor identified no reportable differences as a result of applying the majority of the procedures. However, the auditor reported some differences as a result of applying procedures relating to life insurance elections, contributions, and withholdings; the Semiannual Headcount Report; and the official duty stations of employees with CFC deductions.

***Independent Auditor's Report on the U.S. Department of State 2012 and 2011 Special-Purpose Financial Statements (AUD-FM-13-07)***

In its audit of the Department's special-purpose financial statements as of and for the years ended September 30, 2012 and 2011, an independent external auditor qualified its opinion on the reclassified balance sheets and related reclassified statements of changes in net position based on a scope limitation related to after-employment benefits provided to locally employed overseas staff. The Department addressed these issues and restated its 2011 special-purpose financial statements. Accordingly, the auditor's opinion on the 2011 reclassified balance sheet and related reclassified statement of changes in net position was different from that expressed in its previous report.

In its audit of the Department's FY 2012 and FY 2011 special-purpose financial statements, the auditor found that the reclassified balance sheets, reclassified statements of net cost and changes in net position, and accompanying notes present fairly, in all material respects, the financial position of the Department as of September 30, 2012 and 2011 and its net cost of operations and changes in net position for the years then ended, in conformity with accounting principles generally accepted in the United States of America and the presentation pursuant to Department of the Treasury requirements.

The auditor identified no material weaknesses in internal control over the financial reporting process for the special-purpose financial statements, and its tests of compliance with Department of the Treasury requirements disclosed no instances of noncompliance that were required to be reported.

***Independent Auditor's Report on the U.S. Department of State 2012 and 2011 Financial Statements (AUD-FM-13-08)***

In its audit report of the Department's financial statements as of and for the years ended, September 30, 2012 and 2011, an independent external auditor qualified its opinion on the 2011 consolidated balance sheet and consolidated statement of changes in net position based on a scope limitation related to after-employment benefits provided to locally employed overseas staff. The Department addressed these issues and restated its 2011 financial statements. Accordingly, the auditor's opinion on the 2011 consolidated balance sheet and consolidated statement of changes in net position was different from that expressed in its previous report.

In its audit of the Department's FY 2012 and FY 2011 financial statements, the auditor found that the consolidated balance sheets and the related consolidated statements of net cost and changes in net position and combined statements of budgetary resources present fairly, in all material respects, the financial position of the Department as of September 30, 2012 and 2011, and its net cost of operations, changes in net position, and budgetary resources for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The auditor found certain reportable deficiencies in internal control: a material weakness relating to financial reporting and significant deficiencies in the internal control over Foreign Service National after-employment benefits, property and equipment, budgetary accounting, unliquidated obligations, and information technology. The auditor also found instances of noncompliance with certain provisions of laws and regulations, including instances in which the Department's financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act.

***Management Letter Related to the Audit of the U.S. Department of State 2012 and 2011 Financial Statements (AUD-FM-13-09)***

During the audit of the Department's 2012 financial statements, an independent external auditor identified matters involving internal controls that it brought to the Department's attention related to documentation, funds with the Department of the Treasury, accounts payable, accounts receivable, revenue, financial transactions with the U.S. Agency for International Development, and reporting deferred maintenance. The external auditor recommended that the Department take appropriate action to address these weaknesses.

***Independent Auditor's Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2012 Financial Statements (AUD-FM-13-10)***

In its audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC), financial statements as of, and for the year ended, September 30, 2012, an independent external auditor found that the consolidated balance sheet and the related consolidated statements of net cost and changes in net position and combined statement of budgetary resources present fairly, in all material respects, the financial position of USIBWC as of September 30, 2012, and its net cost of operations, changes in net position, and budgetary resources for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The auditor found certain significant deficiencies in internal control over property and equipment, budgetary accounting, and information technology.

***Management Letter Related to the Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2012 Financial Statements (AUD-FM-13-11)***

During the audit of USIBWC's 2012 and 2011 financial statements, the independent external auditor identified internal control weaknesses or instances of noncompliance with selected provisions of applicable laws and regulations relating to the analysis and review of financial data, the presentation of the Statement of Net Cost, and vendor payments. The external auditor recommended that USIBWC take appropriate action to address these weaknesses.

***Audit of Nonproliferation and Disarmament Fund Controls Over Contracting and Project Management and Integrity of Financial Data (AUD-FM-13-17)***

The Bureau of International Security and Nonproliferation, Nonproliferation and Disarmament Fund (ISN/NDF), requested that an independent external auditor, acting on behalf of OIG, perform an audit to assess ISN/NDF's controls over contracting and project management and determine whether the data recorded in NDF's internal financial and project management system was sufficient to prepare auditable financial reports for external users.

The independent external auditor found that ISN/NDF's controls over the contracting process were sufficient to meet many objectives but needed improvement to ensure compliance with all Federal and Department requirements. Specifically, controls over contract initiation and modification, invoice approval, and contract closeout were well designed but were not consistently executed, and ISN/NDF did not have sufficient controls over unliquidated obligations, a control to close out contracts in a timely manner, or a process to document the projects for which NDF's authority to waive Federal requirements is used.

Also, ISN/NDF had successfully executed projects around the world to achieve nonproliferation goals, and the project managers effectively managed the statuses of their projects. However, the project managers had not managed projects consistently and had not always used the project management functionality of NDF's financial and project management system.

Further, the financial and project management system contained accurate and complete information on funds received from appropriations and donations as well as the amounts approved for each project. However, obligations and expenses in the system were not always accurate, complete, or entered in a timely manner, and the system lacked key reporting functionality. Because of the data inaccuracies and reporting limitations, the auditor concluded that the system would not have had the capability to produce auditable financial reports.

Additionally, although ISN/NDF had some controls to protect the data in the system, it had not implemented certain application level controls; for example, ISN/NDF did

not have a comprehensive application security plan and had not formally approved or implemented its draft contingency plan.

OIG recommended that ISN/NDF take actions to improve its controls over contracting and project management and improve the reliability of the data in its financial and project management system.

***Independent Review of the U.S. Department of State Accounting of FY 2012 Drug Control Funds and Related Performance Report (AUD-FM-13-21)***

OIG independently reviewed the assertions made in the Department's accounting of FY 2012 drug control funds and related performance report, which was submitted to the Director of the Office of National Drug Control Policy (ONDCP) in compliance with ONDCP guidance. Nothing came to OIG's attention that caused it to believe that the management assertions included in the report were not fairly stated, in all material respects, based upon the guidance.

***Audit of Department of State FY 2012 Compliance With Improper Payments Requirements (AUD-FM-13-23)***

In compliance with the Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010, an independent certified public accounting firm acting on OIG's behalf conducted an audit of the Department's FY 2012 compliance with improper payments requirements.

The public accounting firm determined that the Department had performed program-specific risk assessments for programs that experienced significant changes and also had developed risk assessment policies and procedures and expanded and refined its risk assessment methodology to include the qualitative risk factors included in applicable guidelines. Although the Department made improvements in its risk assessment methodology during FY 2012, the methods it used to identify significant changes and perform qualitative assessments needed additional improvement. Further, although the Department had not performed a baseline risk assessment of all programs, a Department official indicated that the risk assessments would be performed during FY 2013. However, before the Department performs those baseline risk assessments, it should improve its definition of a "program" as well as its process for identifying programs.

The public accounting firm also found that the Department had implemented a program of internal control to prevent, detect, and recapture improper payments and identified improper payments of \$11.1 million during FY 2012. However, the Department excluded a significant amount of payments from its recapture audits, and the audits were focused on payments rather than programs. Although the Department was analyzing ways to perform recapture audits over excluded payment types, it had not completed that analysis at the time of this audit. In addition, the Department had included most of the required improper payments disclosures in its FY 2012 Agency Financial Report; however, some disclosures were omitted or were inaccurate.

OIG recommended that the Department improve its risk assessment process, expand recapture audits, and disclose all required improper payments information.

## HUMAN CAPITAL AND INFRASTRUCTURE

### ***Audit of U.S. Department of State Use of Short-Term Leases Overseas (AUD-HCI-13-02)***

As of September 30, 2011, about 97 percent of the Department's real property operating leases were leased on a short-term basis, with annual rental costs for these leases in FY 2011 totaling about \$459 million. OIG conducted the audit to determine whether the Bureau of Overseas Buildings Operations (OBO) was using short-term leases for Department long-term needs rather than securing leases with longer durations.

OIG found that OBO and the four posts audited rarely utilized real property operating leases with durations longer than 10 years because neither OBO nor the posts had an incentive to secure longer lease durations. There was no incentive because a Department-imposed regulation prohibited the sharing of operating lease costs with other Federal agencies when the lease duration was 10 years or longer. As a result, the duration of most of the Department's real property operating leases was less than 10 years, and the Department may be missing opportunities to secure more preferable lease durations and reduce the vulnerability of losing leased properties that could lead to higher lease costs.

Also, personnel at the posts audited were not tracking and reporting make-ready costs specific to each property in the audit sample. Without adequate accounting of these property costs, the Department could not determine the full cost of leasing overseas properties to make fully informed decisions about whether lease agreements should be renewed.

OIG made recommendations intended to enhance real property leasing options and better control lease costs.

### ***Audit of Office of Medical Services Contracting Practices for Continuing Medical Education (AUD-HCI-13-19)***

OIG found that the Office of Medical Services (MED) had a valid requirement to sponsor Continuing Medical Education (CME) conferences from 2007 to 2011 to fulfill training requirements for medical personnel. These conferences provided overseas staff required training in a cost-effective manner that could not be derived by other means. Also, the contracting practices for conveying CME curricula were completed in accordance with applicable regulations.

However, OIG could not determine whether the process for selecting CME conference locations was completed in accordance with regulations because MED did not have procedures to document its site selection process. Also, OIG could not determine whether contracts for logistical support for the venues for conferences held prior to the 2011 conferences, except for the 2009 conference held in Hawaii, were awarded in accordance with applicable regulations. This occurred because, before 2011, contracts for logistical support for the venues were awarded at posts that had hosted the conferences or at a regional procurement center, and MED did not maintain contract documentation for those contract awards in a central location.

OIG recommended that MED implement procedures that require documentation and retention of site selection for CME conferences, as specified in regulations. Since December 2010, the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, has awarded the contracts for logistical support for the venues for the CME conferences, and these contracts were sufficiently documented and complied with applicable regulations. Therefore, OIG did not make a recommendation on this issue.

***Outline for Action: Physical Security Concerns at Embassy Addis Ababa, Ethiopia (AUD-HCI-13-26)***

As part of an overall audit of the Department's compliance with physical security standards and measures at selected posts within the Bureau of African Affairs, OIG conducted a physical security survey at Embassy Addis Ababa to determine the embassy's compliance with current standards. OIG identified physical security areas that required the embassy's immediate attention and made recommendations for the embassy to enhance its security posture.

## INFORMATION TECHNOLOGY

***Audit of Department of State Information Security Program (AUD-IT-13-03)***

In response to the Federal Information Security Management Act of 2002 (FISMA), OIG had an independent public accountant review the Department's Information Security Program to evaluate the Department's progress in addressing FISMA information management and information security program requirements. The independent public accountant found that the Department, since the FY 2011 review, had taken actions to improve management controls, but the accountant identified control weaknesses that significantly impacted the Information Security Program. Collectively, the control weaknesses identified represented a significant deficiency, as defined in Office of Management and Budget guidance.

Overall, the Department had continued its efforts to further develop its Information Security Program. However, for the Department to improve and bring the program into compliance with applicable requirements, the independent public accountant made recommendations for the Department to address control weaknesses in the risk management program, security configuration management, security awareness and role-based training, plans of action and milestones, vulnerability and compliance scanning, account and identity management program, user provisioning process, continuous monitoring, remote access policies and procedures, the continuity of operations plan, information security contingency planning, oversight of contractor systems, and capital planning.

***Audit of International Boundary and Water Commission, United States and Mexico, U.S. Section, Information Security Program (AUD-IT-13-15)***

In response to FISMA, OIG conducted an audit of the United States Section, International Boundary and Water Commission, Information Security Program to evaluate USIBWC's progress in addressing FISMA information management and information security program requirements.

Overall, USIBWC had continued its efforts to further develop its information security program. However, for USIBWC to improve and bring the program into compliance with applicable requirements, OIG made recommendations for USIBWC to address control weaknesses in the system inventory, risk management program, configuration management, security training, plan of action and milestones, remote access, continuous monitoring, contingency planning, oversight of contractor system, security capital planning, personnel security, and physical and environmental protection.

## MIDDLE EAST REGION OPERATIONS

***Compliance Followup Review of Department of State Internal Controls Over the J. William Fulbright Scholarship Fund in Pakistan (AUD-MERO-13-18)***

In its May 22, 2009, report *Limited-Scope Review of Management and Internal Controls Over the J. William Fulbright Scholarship Fund in Pakistan* (MERO-I-09-07), OIG reported on the adequacy of management and internal controls over the funds provided to the United States Educational Foundation in Pakistan (USEFP) to administer the Fulbright program. The report made 11 recommendations to the Bureau of Educational and Cultural Affairs (ECA) for improving management and internal controls in coordination with USEFP and Embassy Islamabad. The objective of this compliance review was to verify the Department's actions to implement the 11 recommendations.

OIG determined that 10 recommendations were closed because USEFP had improved financial reporting, had integrated grants management with its accounting system, and had hired a controller.

The remaining recommendation was not closed because ECA had not ensured that USEFP had instituted an adequate internal control system, as required by the J. William Fulbright Foreign Scholarship Board and the *USEFP Finance and Accounting Manual*. Therefore, OIG reissued Recommendation 1 to ECA, requesting that it develop a process to ensure that USEFP institutes adequate internal controls over its accounting system.

***Evaluation of Emergency Action Plans for U.S. Mission Afghanistan***  
**(AUD-MERO-13-20)**

OIG conducted an evaluation to determine whether U.S. Mission Afghanistan had comprehensive, up-to-date, and adequately tested Emergency Action Plans (EAP).

OIG determined that the five annexes of the plan selected for evaluation were approved by the Bureau of Diplomatic Security (DS) in May 2011 and that Embassy Kabul had made personnel aware of the EAP and had held the required EAP drills. However, Embassy Kabul, Consulate Herat, and the Provincial Reconstruction Team in Qala-e-Naw lacked certain resources, services, and capacities to respond to some emergencies.

OIG recommended that Embassy Kabul and Consulate Herat ensure that their EAPs were updated and that their resources, services, and capacities were sufficient to respond to emergencies. OIG also recommended that DS validate the adequacy of EAPs at high-threat posts, such as Embassy Kabul.

***Audit of Bureau of Diplomatic Security Worldwide Protective Services***  
***Contracts – Task Order 5 for Baghdad Movement Security*** (AUD-MERO-13-25)

The Department awarded the Worldwide Protective Services (WPS) contract, Task Order 5, to provide movement security in Baghdad, Iraq. OIG determined that the contractor movement security staffing requirements exceeded the actual staffing needs. Specifically, only 49 percent of the contractor-provided movement security personnel were used, on average, to conduct daily movement missions. The overstaffing occurred because the Department did not conduct a needs analysis for staffing requirements before it awarded the task order and it unnecessarily exercised an optional program, which added more movement security personnel to the task order. Further, the Department did not adequately monitor the actual number of security personnel being used during performance. As a result, the Department paid, at a minimum, \$20.6 million during the base year to retain contractor security personnel for the optional program who were not needed. The Department could have used the \$20.6 million to address other security needs. Based on OIG's audit briefings, the Department initiated actions to reduce the number of staff required, which could save the Department about \$362 million over the lifecycle of the contract. OIG also determined that the contracting officer's representative (COR) approved contractor invoices totaling about \$1,775,727 that included unallowable, unsupported, or erroneous costs

because the COR did not adequately verify the contractor's invoices against supporting documentation or verify that contract goods and services had been received. OIG recommended that the Department conduct a needs-based analysis and further adjust WPS staffing as needed. OIG also recommended that the Department collect any unallowable or unsupported costs erroneously paid to the contractor.

## SECURITY AND INTELLIGENCE

***Outline for Action: Physical Security Concerns at Consulate General Istanbul (AUD-SI-13-06), Outline for Action: Physical Security Concerns at Embassy Dar es Salaam (AUD-SI-13-14), and Outline for Action: Physical Security Concerns at Embassy Kampala (AUD-SI-13-16)***

As part of an overall audit of the Department's compliance with physical security standards and measures at overseas posts, OIG conducted a physical security survey at Consulate General Istanbul, Embassy Kampala, and Embassy Dar es Salaam to determine the entities' compliance with current standards. OIG identified physical security areas that required the entities' immediate attention and made recommendations for all of the entities to enhance their respective security posture.

***Evaluation of Department of State Implementation of Executive Order 13526, Classified National Security Information (AUD-SI-13-22)***

OIG conducted an evaluation of the Department's implementation of Executive Order 13526, Classified National Security Information, in response to the requirements of the Reducing Over-Classification Act, dated October 2010.

OIG found that the Department generally adopted the classification policies, procedures, rules, and regulations prescribed by the executive order but that the Department did not effectively follow and administer proper classification policies and procedures. Also, tools that assist Department employees on proper classification for emails and telegrams required updating. Further, the Department's self-inspection report did not fully follow requirements, and the Department significantly overstated, by as many as 2.4 million decisions, the classification decisions reported in its annual submission to the Information Security Oversight Office.

OIG made recommendations for the Department to comply with the requirements of the executive order, including revising applicable regulations to enforce training requirements, updating tools that facilitate compliance with classification standards, implementing a methodology to select a representative sample of classified documents for the annual self-inspection, and establishing a process to validate required submissions of data by Department bureaus.

# OFFICE OF INSPECTIONS

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## DOMESTIC INSPECTIONS

### *Inspection of the Bureau of Diplomatic Security, Office of Investigations and Counterintelligence, Divisions of Special Investigations, Criminal Investigations, and Computer Investigations and Forensics (ISP-I-13-18)*

Personnel in the three inspected Bureau of Diplomatic Security, Office of Investigations and Counterintelligence divisions were professional and dedicated to their jobs. However, the Special Investigations Division lacked an essential investigative standard— independence from undue influence by Department and Diplomatic Security authorities in investigations of criminal and administrative misconduct. DS lacked adequate quality assurance measures and guidance on conducting investigations. Frequent agent turnover had reduced long-term, specialized expertise and hampered complex criminal investigations.

OIG recommended that the Department restructure the Special Investigations Division's investigative responsibilities and staffing and analyze the feasibility of physically relocating the division. OIG also recommended that DS use peer reviews to help correct flaws and identify best practices.

### *Inspection of the Foreign Service Institute (ISP-I-13-22)*

The rapid growth of Foreign Service Institute (FSI) staff, students, courses, and facilities reflected the Department's commitment to professional training. Enrollment more than quadrupled over the past decade, in part because of distance learning. FSI management successfully managed this rapid growth. In the School of Language Studies (SLS) only 60 percent of students were reaching target proficiency levels on time. The cost of additional instruction in FY 2012 to help students reach their target exceeded \$8 million. The Department needed to reinstitute language aptitude screening and assign employees who lack demonstrated prior success in language learning or tested language aptitude to hard or super hard language training only if there are no other qualified bidders. SLS needed to make organizational and programmatic changes to strengthen pedagogy, coordination, and strategic planning. Outside review of a portion of language tests and other steps were required to address the inherent conflict of interest of having SLS instructors serve as testers.

The School of Professional and Area Studies responded effectively to Department and congressional requirements for new courses. Consular, public diplomacy, and economic training were linked to policymakers' priorities, but other functional areas were not. The Leadership and Management School's courses received high praise, but

the school faced leadership deficiencies and demand for courses outstripped capacity. The School of Applied Information Technology successfully delivered technical training but needed to determine the cost effectiveness of using commercial vendors for industry-standard courses.

Deficiencies in FSI's project management, contracting, and budgeting practices resulted in inadequate tracking of major application development costs and timelines. Although FSI and other Department entities will require new resources to carry out all OIG's recommendations, some of the expense should be offset by the resulting medium- and long-term savings to the Department.

## OVERSEAS MISSIONS

### Bureau of African Affairs

#### *Inspection of Embassy Bangui, Central African Republic (ISP-I-13-13A)*

Embassy reporting was excellent and appreciated by Washington consumers; however, the Department's inability to adequately staff Embassy Bangui had prevented it from functioning as an effective mission. The embassy lacked sufficient permanent staff to properly support and manage its management, security, and information systems security functions.

OIG recommended that if the Department could not adequately staff and protect the embassy, it needed to consider whether the risks to personnel in Bangui were justified or develop an alternate strategy to maintain diplomatic representation in the Central African Republic, such as regional accreditation and support from nearby embassies.

Note: Embassy Bangui temporarily suspended operations on December 28, 2013, as a result of the security situation in the Central African Republic.

#### *Inspection of Embassy Abuja, Nigeria (ISP-I-13-16A)*

The Ambassador and deputy chief of mission (DCM) were effectively managing mission responsibilities and the staff's welfare in Nigeria's deteriorating and increasingly violent security environment. The regional security office led a well-coordinated program. The mission suffered significant staffing gaps due to the lack of a recruitment strategy. A heavy visitor load and travel constraints had reduced reporting quantity and quality. Improving physical plant in both Abuja and Lagos were front office priorities, and construction of a new office annex was proceeding close to schedule. Consular officers were operating in a challenging environment with pervasive fraud, critical crime and terror threats, unreliable civil institutions, and burgeoning workloads.

OIG recommended that Mission Nigeria address its staffing gaps, increase analytical reporting, and enhance management controls in Nigeria's high-fraud environment.

## **Bureau of East Asian and Pacific Affairs**

### ***Inspection of Embassy Phnom Penh, Cambodia (ISP-I-13-08A)***

The Ambassador strongly supported economic policy reforms, strengthening bilateral economic ties, promoting U.S. exports, and improving interagency coordination and oversight for all U.S. assistance to Cambodia. The embassy had begun work toward strengthening its commercial advocacy and economic reporting activities. Embassy Phnom Penh successfully managed an unusually high volume of senior visitors associated with Cambodia's 2012 chair of the Association of Southeast Asian Nations (ASEAN).

OIG identified opportunities for cost savings in overtime, language-designated positions, and the residential security program, which accounted for more than 70 percent of the mission's FY 2013 security budget of \$3.9 million. OIG recommended consolidation of single-family houses into apartments and cluster housing, which could reduce operating costs by \$1.5 million annually as well as costs for security personnel. OIG also recommended introducing controls to reduce overtime costs of more than \$400,000 and elimination of language training that costs approximately \$200,000.

### ***Inspection of Embassy Manila, the Philippines (ISP-I-13-10A)***

The Ambassador's "One Mission, One Team" approach had contributed to excellent interagency collaboration. In keeping with the U.S. Government's emphasis on strengthening engagement in Asia, the mission's foreign assistance programs have been recalibrated appropriately to increase Philippine defense capabilities and development. Commercial, agriculture, and economic offices worked effectively but needed to develop a strategy to meet National Export Initiative goals.

The mission could reduce costs by \$1.2 million annually by eliminating two positions and reducing costs in other areas. The embassy also faced other management challenges, including the completion of construction projects totaling more than \$300 million and a comprehensive examination of the 23-acre Seafront compound to make better use of this property. In addition, Global Publishing Solutions Manila was financially unstable, with losses of \$3.9 million from FYs 2007 to 2012 and a declining U.S. Government customer base. Although the consular section provided excellent service to American citizens and visa applicants, OIG found shortcomings in consular management controls, fraud prevention measures, and adherence to the worldwide referral policy.

OIG recommended that the Bureau of Administration prepare a plan to restructure operations at Global Publishing Solutions Manila to eliminate working capital fund operating losses. The embassy also needed to improve office facilities at the U.S. consular agency in Cebu and to provide better support and oversight to the agency, a key regional resource.

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### **INNOVATIVE PRACTICE: Consular Battle of the Brains**

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**Issue:** With one of the largest consular operations in the world, Embassy Manila needs well-trained staff. The large size of each consular unit promotes independent functioning, affording staff members little opportunity to work closely with others outside their operational unit. Officers, locally employed (LE) staff, and eligible family members tend to circulate in separate subgroups. Equal Employment Opportunity, ethics, cyber security, and consular-specific training tend to be categorized separately, and required training is conducted independently for the most part.

**Response:** An organizing committee made up of officers and LE staff members from several consular units developed a Jeopardy-like game called “Consular Battle of the Brains.” Unit chiefs allocated time on the training day for the competition. Seven teams, each composed of personnel working in all consular units and from all employment categories, from the consul general to the contract greeters, competed. The organizing committee developed a series of questions emphasizing different areas of training and expertise, including Equal Employment Opportunity, No Fear Act, personally identifiable information, the Privacy Act, consular leadership tenets, Philippine culture, facts about the mission, and consular online training.

**Result:** The dynamics of the Battle of the Brains promoted team building across all consular units and staff. Large groups of individuals formed into tight interactive circles, putting their heads together and laughing as they collaborated on answers to questions. This format broke down barriers between people, and the teams enthusiastically enjoyed competing against one another. The variety and changing format of the questions and answers made the review of material, conveyed primarily through online training, both fun and relevant.

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### **INNOVATIVE PRACTICE: Broad Range Communication**

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**Issue:** Embassy Manila employees work in a variety of locations, which makes it difficult for them to participate in embassywide forums.

**Response:** The information management office deployed a videoconferencing application, Vbrick, which allows the office to broadcast four channels to every computer on the unclassified system. Vbrick also supports filming and live broadcasts, including those from the Secretary of State and Ambassador, and customizes content to a large display in the lobby.

**Result:** Broadcasts reach audiences in many locations around the embassy. The system has allowed the embassy to terminate a significant number of cable television subscriptions, resulting in cost savings.

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## **Bureau of European and Eurasian Affairs**

### ***Compliance Followup Review of Embassy Luxembourg, Luxembourg (ISP-C-13-05)***

The new Ambassador was effectively advancing U.S. Government goals and objectives for Embassy Luxembourg. The staff was working closely with the Government of Luxembourg on issues such as combating illicit financial transactions and seeking Luxembourg's support for key U.S. policy positions in the North Atlantic Treaty Organization (NATO), particularly Luxembourg's military presence in Afghanistan. Rightsizing efforts were underway to relocate all staff members to the chancery, estimated to save \$500,000 annually in lease costs.

Embassy Luxembourg had complied with all but one formal and one informal recommendation from the 2011 inspection. OIG reissued a recommendation to provide grants training to local employees and recommended that the embassy execute outstanding grants agreements. OIG reissued a recommendation requiring the embassy to properly dispose of improperly purchased wine and liquor, and issued a new recommendation for the embassy to collect funds that were inappropriately reimbursed from representational funds.

### ***Compliance Followup Review of Embassy Berlin, Germany (ISP-C-13-19)***

Coordination and communication between Embassy Berlin and the consulates general had greatly improved. Recommendations in 2011 to downsize and reduce staff at Consulates General Dusseldorf, Hamburg, and Leipzig had been implemented. OIG determined that Consulate General Leipzig should remain open but a cost-benefit study of relocating the consulate general to smaller space was needed. The Bureau of Overseas Buildings Operations and Embassy Berlin had not sold the Hamburg office facility or identified replacement commercial office space, and the recommendation was reissued. Consulate General Frankfurt provided information technology support missionwide and was chosen as a pilot hub for the Classified Network Regionalization project, which could support 150 missions at full implementation. Staff at Consulate General Frankfurt had been reduced due to a pilot passport program whereby U.S. military acceptance agents handle about 50 percent of all passport applications in Germany. An agreement between the Departments of Defense and State on duties and responsibilities of military passport acceptance agents worldwide was put in place in September 2012.

OIG recommended that the Department make the pilot passport program permanent in Germany and at other missions with substantial U.S. military assets.

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### **INNOVATIVE PRACTICE: Domestic Issuance of Military Fee Passports Accepted Abroad**

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**Issue:** Consulate General Frankfurt has managed a successful pilot passport acceptance program since 2009, whereby accredited U.S. military acceptance agents accept passport applications from military personnel on bases in Germany and send them directly to the National Passport Center in the United States for processing and return to the bases for distribution. The consulate general is no longer an intermediary in the process unless there is a complication with the application or an emergency. Consulate staff provides training and guidance, as necessary, to the agents. The consular section in Consulate General Frankfurt has reduced both LE and officer staff as a result of this pilot program. The program's success and demonstrated savings in personnel costs indicate it could be applicable to other posts with substantial U.S. military assets. The recent conclusion of a formal agreement between the Departments of Defense and State about the roles and responsibilities of acceptance agents should facilitate the program's expansion to other countries.

**Response:** The program has demonstrated its success. Approximately 50 percent of passport applications are now forwarded by acceptance agents in Germany directly to the National Passport Center for processing. By one estimate, since the beginning of the program, approximately 30,000 applications have been handled successfully in this way.

**Result:** By expanding the program to other countries where there are large U.S. military facilities, the reduction in the overseas passport workload could result in substantial savings for the Department in personnel and processing costs abroad.

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## INNOVATIVE PRACTICE: Establishing Consular Systems Connectivity at Evacuation Points

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**Issue:** Consulate General Frankfurt set up a link at Frankfurt's airport to provide consular officers access to consular databases to assist evacuees from crisis posts. This process was first used for the 2012 evacuation of Tunis. Evacuees often arrive without documents, funds, or identification. Before the establishment of this data link, special permission was needed from German authorities to allow the evacuee to enter Germany to visit Consulate General Frankfurt and apply for replacement passports and financial aid. This process was time consuming and required a German escort and a parole for each evacuee.

**Response:** The information program officer and consular employees teamed up to establish an Internet link at the airport where the consular officers and staff can access Department consular systems to confirm an evacuee's identity, process new documents, and provide other assistance as needed. It includes Wi-Fi so that evacuees can communicate directly with family and others via the Internet. This link is located at the terminal gate where evacuation aircraft usually arrive. Other temporary assistance such as supplies and beds are also made available at that site. When the link is not in service at the airport, it is stored at the consulate general to ensure the integrity of the equipment. The estimated cost of setting up the link was \$6,000.

**Result:** This link allows evacuees one-stop shopping for services they need to move on to their final evacuation destination. The German authorities are pleased because they do not need to tie up resources escorting the evacuees to the U.S. consulate general. Consular staff can provide quicker and more customer friendly service at the airport.

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## Bureau of Western Hemisphere Affairs

### *Inspection of Embassy Santiago, Chile (ISP-I-13-12A)*

Embassy Santiago had effectively managed the bilateral relationship with Chile on regional and global issues. The United States had held regular, high-level consultations with Chile on defense and political cooperation. The embassy's Integrated Country Strategy was solid, but use of travel and representational funds, reporting, and the public diplomacy plan needed to be keyed to the mission's strategic priorities. Embassy staff increases in recent years had begun to strain available office space.

OIG recommended that the embassy establish a semiannual review to determine its progress in meeting the objectives of the Integrated Country Strategy. OIG also recommended that OBO conduct a space survey to better use available space and accommodate future growth.

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## **INNOVATIVE PRACTICE: Trafficking in Persons Working Group**

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**Issue:** To enhance Chile's efforts to combat trafficking in persons, the economic/political section organized a trafficking in persons working group comprised of 20 entities representing the Chilean Government, the United Nations, nongovernmental organizations, and foreign embassies. The group creates partnerships between relevant departments of the Chilean Government, nongovernmental organizations, and other embassies. Together they plan strategies, share information, and coordinate funding to help implement Chile's new antitrafficking legislation.

**Response:** The working group meets regularly to discuss ways to support Chile's antitrafficking efforts. A seven-organization steering committee was created to institutionalize the group and tie it to organizations rather than individuals, with a view toward creating long-term sustainability. Upon hearing of the group, the Chilean Minister of Women's Affairs asked to attend a meeting. Other relevant sections of the government, including those tasked with border control, migration, and child protection, are now involved. During the inspection another European Union member country joined the group.

**Result:** The working group enhances antitrafficking awareness among journalists and the general public. The Ministries for Women's Affairs and the Interior are using the group's ideas to craft a strategic plan on trafficking. Information exchanges maximize the knowledge base for the Department's Trafficking in Persons report and for other countries and organizations that share our concerns about human trafficking.

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## **INNOVATIVE PRACTICE: New Technology Use for Property Inspections**

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**Issue:** In the past, facility management employees expended several hours per day driving back and forth to employee residences to inspect, evaluate, and schedule repairs.

**Response:** The unit uses a software application, to which it made some modifications, to report on residential and maintenance inspections, make-readies, and departure assessments. The report includes the condition of the properties and photos, which can be immediately sent to the E-Services coordinator to schedule a maintenance crew.

**Result:** The software application saves 3 to 4 work hours per service call and reduces transportation costs, resulting in estimated cost savings of \$65,000 per year.

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### ***Inspection of Embassy Buenos Aires, Argentina (ISP-I-13-15A)***

Embassy Buenos Aires had reduced its staff by 14 positions in the last 2 years and still ranked among the top 10 visa processing posts worldwide. Persistent high inflation rates in Argentina had corroded the embassy budget and eroded locally employed staff earnings. Argentine import restrictions made it difficult for the embassy to procure goods and import employee vehicles and household effects. The chancery building contained crowded work areas that presented health hazards and other areas that were less crowded.

OIG recommended that the Office of Foreign Missions remedy reciprocity inequities between the Argentine and U.S. embassies concerning import and export procedures. OIG also recommended that OBO conduct an office space survey and prioritize funding for the embassy's heating, ventilation, and air conditioning. OIG identified two positions in the information programs center to be redesignated as language preferred, saving the Department approximately \$210,000.

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#### **INNOVATIVE PRACTICE: Trafficking in Persons Awareness Training for Teamsters**

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**Issue:** To combat trafficking in persons through expanded civic cooperation with Argentine law enforcement and victim assistance organizations.

**Response:** The political section labor officer and an LE staff member used contacts to foster partnerships between two antitrafficking nongovernmental organizations and the Argentine Federation of Trucking Companies. Knowing that the federation conducts mandatory annual training required for teamsters to retain their licenses, the embassy and nongovernmental organizations jointly asked the federation to add an antitrafficking component to the training. The embassy contributed to training content at no direct cost to the U.S. Government. Volunteers from the two nongovernmental organizations created a YouTube video entitled Roads of Trafficking, posters, and wallet cards detailing how to recognize trafficked victims and how to call for help. The posters and wallet cards carry the logos of the U.S. embassy, the Federation of Trucking Companies, and the two nongovernmental organizations. With approval from the Argentine Government, the Federation of Trucking Companies antitrafficking training reaches 20,000 teamsters a month in over 200 classrooms all over Argentina.

**Result:** Together with nongovernmental organizations and the Federation, the Ambassador launched the program in September 2012. The event attracted wide press coverage and attendance by over 150 representatives from national and foreign governments, union representatives, legislators, and nongovernmental organizations. Following the launch, a representative of the taxi industry contacted the embassy to express interest in a similar program for taxi drivers. The Argentine video, posted on the embassy Facebook site, was viewed nearly 9,000 times in just 5 days.

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## INNOVATIVE PRACTICE: Automated Mail Logging System

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**Issue:** The Embassy Buenos Aires local guard force receives and screens, on a daily basis, a large volume of mail at the main pedestrian access control area. The embassy received 93 packages, for example, on November 1, 2012, from various carriers including DHL, Federal Express, and the local Argentine postal service. The majority of these deliveries were destined for the consular section via the Diplomatic Post Office located in the chancery. Manual logging of each piece of mail by security guards is both time-consuming and prone to human error.

**Response:** Concerned about the amount of time security guards spend with this administrative duty, the regional security office, working in tandem with a local staff member in the information management section, produced a simple and replicable computer application. The system allows local guards to electronically scan nearly all incoming mail with a \$200 commercially available barcode reader—a model compatible with the reader used by the embassy Diplomatic Post Office. Embassy mail handlers sign for each day’s mail on reports produced through the new computer application.

**Result:** This innovative practice saves time, enhances security, and improves the integrity and timeliness of mail processing.

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## INTERNATIONAL ORGANIZATIONS, PROGRAM REVIEWS, AND SPECIAL REPORTS

### *Review of Voucher Processing (ISP-I-13-01)*

OIG conducted a survey of voucher processing to assess the Department’s use of the Bureau of the Comptroller and Global Financial Services (CGFS)/Post Support Unit (PSU), determine the potential for expanded use of CGFS/PSU throughout the Department, and identify related issues and best practices. This survey was part of a broader, ongoing OIG review of regionalization and rightsizing in the Department.

OIG found that use of CGFS/PSU in the Department was largely voluntary and varied among the regional bureaus. Analysis of International Cooperative Administrative Support Services data and post inspection field work revealed that it is more economical to outsource vouchering than to hire or replace local staff.

Accordingly, OIG has made formal recommendations to outsource a portion of post voucher workload to CGFS/PSU. Despite this finding, the Department had no immediate plans to centralize transactional vouchering processing to take advantage of the probable cost containment and savings, economies of scale,

knowledge gained as a result of repetitive processing, and improved internal controls. CGFS believed that all posts should consider outsourcing to CGFS/PSU as part of their workforce planning and should conduct a cost-benefit analysis of CGFS/PSU use as attrition occurs or as vouchering workload increases. Some of the regional bureaus had already instituted this requirement. OIG recommended that the Department make such a cost-benefit analysis a required part of annual workforce planning for posts.

### ***Oversight and Management of Security Programs and Operations (ISP-I-13-02)***

Over the past 2 years, OIG inspections revealed that security programs were generally well managed; however, a few inspection reports highlighted problematic regional security officer (RSO) performance. The reasons behind substandard RSO performance varied. In some cases RSOs were poorly prepared for their positions, but the reports showed that not all DCMs and principal officers understood the responsibilities of RSOs. In addition, lack of familiarity with security programs hampered the ability of DCMs or principal officers to effectively lead and supervise RSOs and to evaluate their performance. OIG recommended that FSI, in coordination with the Bureau of Diplomatic Security, provide a comprehensive block of instruction to address these issues.

### ***Review of Consular Leadership (ISP-I-13-03)***

OIG inspections of 34 posts, from May 2010 through June 2011, found that consular leadership was generally good; however, the DCM or principal officer reviews of nonimmigrant visa adjudications by the consular chief were uneven and conducted in a pro forma manner. OIG informally recommended that the Bureau of Consular Affairs conduct an evaluation of the adjudication review process and a review of Department guidelines to address this issue.

### ***Review of President's Emergency Plan for AIDS Relief (PEPFAR) Training (ISP-I-13-04)***

FSI had successfully developed courses on how U.S. embassies can support PEPFAR and integrate it with other assistance programs in support of overall foreign policy goals. It dealt with PEPFAR in a number of different courses rather than a single one, a strategy that helped it focus on specific needs and issues such as policy coordination or administrative support. FSI did not, however, adequately include the subject in its courses for ambassadors and DCMs, creating a risk of insufficient oversight of this important program. OIG recommended that the Office of the Global AIDS Coordinator and FSI develop a handbook and conduct briefings to address this issue.

***Review of Overseas Security Policy Board Exceptions and Secure Embassy Construction and Counterterrorism Act of 1999 Waivers (ISP-I-13-06)***

DS did not adequately track exceptions granted to the Overseas Security Policy Board's (OSPB) physical security standards or Secure Embassy Construction and Counterterrorism Act of 1999 (SECCA) waivers of colocation and setback. OIG recommended that DS track and confirm posts' adherence to exceptions and waivers and update annually its exception and waiver files.

***Inspection of Regional Information Management Centers (ISP-I-13-14)***

The Regional Information Management Centers (RIMC) deployed approximately 100 people overseas. However, a majority of the work that staff members performed was not time sensitive and did not require their presence overseas. RIMC management controls required strengthening. The RIMCs did not have a comprehensive quality management program for their most frequent activity of rendering assistance to posts. They also lacked a standardized system to manage and account for equipment valued at approximately \$3.3 million. In addition, RIMC personnel assigned to repair radio, telephone, and digital equipment overseas did not receive sufficient training.

OIG determined that moving 80 percent of the RIMC positions back to the United States would reduce the exposure of American personnel to security risks overseas and would save as much as \$18.3 million a year in recurring administrative support costs. Leaving 20 percent of the RIMC workforce deployed overseas would be sufficient to provide timely support for repairs or crises. OIG also made recommendations to address management controls.

***Review of Department of State Implementation of Jeddah Accountability Review Board Recommendation to Consider Remote Safe Areas at Missions Worldwide (ISP-I-13-23)***

OIG reviewed the Department of State's worldwide compliance with the 2005 Jeddah Accountability Review Board recommendation to consider remote safe areas at compounds where employees outside office buildings can seek immediate refuge during an armed attack. The Department concurred with the recommendation, stating that over the short term, posts with critical and high terrorism threat levels would be the first priority for safe area construction projects. However, in recent inspections, OIG found that more than half of the posts did not provide a safe area for employees working outside the main office buildings. In addition, funding for compound security upgrades had declined over the past 5 years.

OIG recommended that OBO provide compound emergency sanctuaries for employees who work in buildings that do not have an approved safe haven or safe area and request an increase in funding for compound emergency sanctuaries.

# OFFICE OF INVESTIGATIONS

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## BRIBERY

OIG conducted an investigation into allegations that the president and CEO of a company that provides security services offered a \$500,000 bribe to a Department contract specialist in order to receive a guard forces contract at a U.S. embassy overseas. In addition to the attempted bribe, the investigation determined that the company submitted materially false statements as part of its contract proposal. On January 29, 2013, the Office of the Procurement Executive (OPE) issued a letter to the company CEO notifying him of a proposed 3 year debarment from all government contracting. (C2012-003)

## THEFT AND EMBEZZLEMENT

OIG conducted an investigation based on self-disclosure by a Department contractor performing work for the Department in Afghanistan stating that some of its employees were engaged in a scheme to embezzle contract funds. On January 13, 2013, as part of its cooperation with the investigation, the company agreed to reimburse the Department \$180,101.11 in stolen funds. (C2009-119)

OIG conducted an investigation which determined that two third-country national employees working for a Department contractor in Afghanistan stole three government-owned armored vehicles valued at approximately \$120,000 and sold them to a local national. Upon learning of the thefts, the contract company repurchased the three vehicles and had them returned to the Department and also terminated the two employees. The investigation determined that because of the company's actions in recovering the stolen property, there was no monetary loss to the government. On January 14, 2013, OPE debarred both former contract employees from any future participation in U.S. government contracting. (C2012-027)

## FALSE CLAIMS

OIG conducted an investigation based on information that a Department employee committed fraud by submitting false time and attendance records and fraudulent claims for overtime pay. The investigation determined that as a result of the fraud the employee was paid \$7,245.68 in wage compensation to which she was not entitled. The case was

referred to Superior Court for the District of Columbia, and on January 29, 2013, the employee was arrested for theft. On March 12, 2013, the employee was convicted and sentenced to 180 days' confinement (which was suspended), 3 years' probation, ordered to pay full restitution in the amount of \$7,245.68, and to pay a \$50 fine. (C2012-031)

OIG conducted an investigation of a Foreign Service officer who submitted two travel vouchers in connection with Medevac travel that he knew contained false information. As a result of the false claims, the officer received \$14,630.83 in travel expense reimbursements to which he was not entitled. On March 28, 2012, the Bureau of Resource Management initiated collection action against the officer. On December 10, 2012, the Bureau of Human Resources proposed a 20-day suspension of the officer for making the false claims. (C2011-07)

## **GRANT FRAUD**

OIG conducted an investigation based on allegations received from a Department grantee that a subgrantee made fraudulent charges against the grant. The investigation determined that the subgrantee had submitted a total of \$4,140 in false invoices against the grant. On October 12, 2012, OPE issued debarment notices to both the subgrantee firm and its executive director. (C2010-047)

## **EMPLOYEE MISCONDUCT**

OIG conducted an investigation into numerous allegations of misconduct by a DCM serving at an overseas embassy. The investigation determined that the DCM repeatedly used his government resources for non-official purposes. The investigation also determined that the DCM improperly accepted gifts without the required approval. He then used his official position for the benefit of those who provided him gifts. On February 13, 2013, the Bureau of Human Resources (HR) issued a proposal to terminate the DCM's employment with the Department. (C2011-097)

OIG conducted an investigation of a passport specialist who used her official position to access personal information of personal acquaintances from official Department passport databases. She then used the information to send threatening and harassing letters to personal acquaintances using envelopes designated for official Department correspondence. On February 27, 2013, HR notified the employee that her initial proposed removal had been mitigated to a 45-day suspension without pay. (C2011-054)

OIG conducted an investigation involving misuse of grant funds by a foreign grantee overseas. The investigation determined that the grantee received 67 grants totaling approximately \$1,000,000 over a three year period, and that the Foreign Service officer responsible for award and oversight of the grants failed to follow OPE grant policy

requiring the grantee to document and report the expenditure of the grant funds. Consequently, much of the grant money was unaccounted for. On November 20, 2012, the Bureau of Human Resources issued a proposed 10-day suspension to the officer for her failure to follow OPE policy. (C2010-030)

OIG conducted an investigation of a Department employee who was overpaid for workers' compensation leave (WCL) after a work-related injury. The employee claimed continuation of regular pay for the injury and used WCL leave from 2008 through 2011 despite only being entitled to WCL leave for 45 days. The investigation determined the employee received \$45,067.16 of WCL benefits to which the employee was not entitled. On November 20, 2012, the Department's Comptroller's Office notified OIG that a full monetary recovery would be initiated against the employee. Additionally, on January 2, 2013, HR notified OIG that a proposed three day suspension was issued to the employee for failure to follow established procedures resulting in an overpayment. (C2012-066)

## **FOLLOWUP ACTIONS**

### **Embezzlement**

OIG conducted an investigation of a Department employee who approved two voucher payments to a fictitious company. When interviewed by OIG agents, the subject confessed to embezzling nearly \$59,000. The subject was immediately placed on suspension and on April 16, 2012, paid a reimbursement to the Department totaling \$58,681.92. On August 6, 2012, the subject pleaded guilty in U.S. District Court to a Criminal Information charging him with Theft of Government Property. On January 4, 2013, the employee was sentenced to 12 months' home detention, 36 months' probation, and a \$3000 fine. (See *OIG Semiannual Report to the Congress, April 1, 2012 to September 30, 2012*, p 44) (C2012-048)

### **Contract Fraud**

OIG conducted an investigation based on a referral from the Federal Bureau of Investigation alleging that a Locally Employed Staff member working at Embassy Kabul as a procurement supervisor solicited a kickback. The investigation uncovered a large number of irregularities in the procurement process related to the procurement supervisor. On November 17, 2011, the Department's Office of the Procurement Executive issued contractor suspensions to 17 firms that had suspicious interactions with the procurement supervisor. During this most recent reporting semi-annual reporting period, OPE additionally issued 13 debarments in connection with the case. Those debarred included six contract firms, five contract company owners or employees, one Department employee and one relative of a Department employee. (See *OIG Semiannual Report to the Congress, October 1, 2011, to March 31, 2012*, p 28) (C2011-023)

OIG conducted a joint investigation with the Special Inspector General for Iraq Reconstruction (SIGIR) of a United States Institute of Peace (USIP) official for conspiring to enrich himself by having USIP award a security contract at a fraudulently inflated price in exchange for a purported monthly consulting fee of \$20,000 paid by the contractor. On August 7, 2012, the Department of Justice announced that the subject had entered into a plea agreement after admitting to his fraudulent activities. After the subject entered into the plea agreement, an indictment against the contractor was unsealed in U.S. District Court, which included eight counts of bribery, conspiracy and wire fraud. On March 14, 2013, OPE suspended both the contractor and his company from being involved in government contracting. (See *OIG Semiannual Report to the Congress, April 1, 2012 to September 30, 2012*, p 43) (C2009-101)

## DATA AND INVESTIGATIVE ACTIVITIES

### Hotlines

<b>Total Complaints Received</b>	<b>635</b>
<b>Referral To Other Offices for Action</b>	<b>507</b>
<b>Held for Action Within OIG</b>	<b>48</b>
<b>No Action Necessary</b>	<b>80</b>

### Types of Cases



Note: May not equal 100% due to rounding.

# APPENDIX 1: INVESTIGATIVE ACTIVITIES

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<b>Preliminary Inquiries</b>	
Opened	25
Closed	21
<b>Investigations</b>	
Opened	27
Closed	32
Pending (3/31/13)	133
<b>Criminal Actions</b>	
Referrals for Prosecution	10
Indictments/Informations	2
Convictions	1
Sentencings (Months Imprisonment)	6
Sentencings (Months Probation)	72
Declinations	12
<b>Civil Actions</b>	
Civil Referrals	12
Civil Judgments	0
Civil Declinations	1
<b>Administrative Referrals</b>	
Referrals for Personnel Action	3
Suitability Referrals to DS	0
Contractor Suspensions/Debarment Referrals to OPE	7
<b>Administrative Actions</b>	
Removals	1
Suspensions	5
Reprimand/Admonishments/Warning Memorandum	6
Contractors/Grantees Suspended	3
Contractors/Grantees Debarred	20
Contractors/Grantees High Risk	0
<b>Monetary Recoveries</b>	
Criminal Fines/Recoveries	\$10,395.68
Civil Recoveries	\$0
Administrative Recoveries	\$225,168.27
<b>Total Investigative Recoveries</b>	<b>\$235,563.95</b>



## APPENDIX 2: REPORTS ISSUED

<b>Report Number</b>	<b>Report Title</b>
AUD-CG-13-05	<i>Audit of Department of State Oversight and Reporting of U.S. Government Contributions to the Global Fund</i>
AUD-FM-13-01	<i>Independent Accountant's Report on the Application of Agreed-Upon Procedures: Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management</i>
AUD-FM-13-07	<i>Independent Auditor's Report on the U.S. Department of State 2012 and 2011 Special-Purpose Financial Statements</i>
AUD-FM-13-08	<i>Independent Auditor's Report on the U.S. Department of State 2012 and 2011 Financial Statements</i>
AUD-FM-13-09	<i>Management Letter Related to the Audit of the U.S. Department of State 2012 and 2011 Financial Statements</i>
AUD-FM-13-10	<i>Independent Auditor's Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2012 Financial Statements</i>
AUD-FM-13-11	<i>Management Letter Related to the Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2012 Financial Statements</i>
AUD-FM-13-17	<i>Audit of Nonproliferation and Disarmament Fund Controls Over Contracting and Project Management and Integrity of Financial Data</i>
AUD-FM-13-21	<i>Independent Review of the U.S. Department of State Accounting of FY 2012 Drug Control Funds and Related Performance Report</i>
AUD-FM-13-23	<i>Audit of Department of State FY 2012 Compliance With Improper Payments Requirements</i>
AUD-HCI-13-02	<i>Audit of U.S. Department of State Use of Short-Term Leases Overseas</i>
AUD-HCI-13-19	<i>Audit of Office of Medical Services Contracting Practices for Continuing Medical Education</i>
AUD-HCI-13-26*	<i>Outline for Action: Physical Security Concerns at Embassy Addis Ababa</i>
AUD-IT-13-03	<i>Audit of Department of State Information Security Program</i>
AUD-IT-13-15	<i>Audit of International Boundary and Water Commission, United States and Mexico, U.S. Section, Information Security Program</i>
AUD-MERO-13-18	<i>Compliance Followup Review of Department of State Internal Controls Over the J. William Fulbright Scholarship Fund in Pakistan</i>
AUD-MERO-13-20	<i>Evaluation of Emergency Action Plans for U.S. Mission Afghanistan</i>
AUD-MERO-13-25	<i>Audit of Bureau of Diplomatic Security Worldwide Protective Services Contracts – Task Order 5 for Baghdad Movement Security</i>
AUD-SI-13-06*	<i>Outline for Action: Physical Security Concerns at Consulate General Istanbul</i>
AUD-SI-13-14*	<i>Outline for Action: Physical Security Concerns at Embassy Dar es Salaam</i>
AUD-SI-13-16*	<i>Outline for Action: Physical Security Concerns at Embassy Kampala</i>

<b>Report Number</b>	<b>Report Title</b>
AUD-SI-13-22	<i>Evaluation of Department of State Implementation of Executive Order 13526, Classified National Security Information</i>
ISP-I-13-01	<i>Review of Voucher Processing</i>
ISP-I-13-02	<i>Oversight and Management of Security Programs and Operations</i>
ISP-I-13-03	<i>Review of Consular Leadership</i>
ISP-I-13-04	<i>Review of President's Emergency Plan for AIDS Relief (PEPFAR) Training</i>
ISP-I-13-06	<i>Review of Overseas Security Policy Board Exceptions and Secure Embassy Construction and Counterterrorism Act of 1999 Waivers</i>
ISP-I-13-08A	<i>Inspection of Embassy Phnom Penh, Cambodia</i>
ISP-I-13-10A	<i>Inspection of Embassy Manila, the Philippines</i>
ISP-I-13-12A	<i>Inspection of Embassy Santiago, Chile</i>
ISP-I-13-13A	<i>Inspection of Embassy Bangui, Central African Republic</i>
ISP-I-13-14	<i>Inspection of Regional Information Management Centers</i>
ISP-I-13-15A	<i>Inspection of Embassy Buenos Aires, Argentina</i>
ISP-I-13-16A	<i>Inspection of Embassy Abuja, Nigeria</i>
ISP-I-13-18	<i>Inspection of the Bureau of Diplomatic Security, Office of Investigations and Counterintelligence, Divisions of Special Investigations, Criminal Investigations, and Computer Investigations and Forensics</i>
ISP-I-13-22	<i>Inspection of the Foreign Service Institute</i>
ISP-I-13-23	<i>Review of Department of State Implementation of Jeddah Accountability Review Board Recommendation to Consider Remote Safe Areas at Missions Worldwide</i>
ISP-C-13-05	<i>Compliance Followup Review of Embassy Luxembourg, Luxembourg</i>
ISP-C-13-19	<i>Compliance Followup Review of Embassy Berlin, Germany</i>

\* Sensitive content related to these reports have been included in the Classified Annex to the Semiannual Report to the Congress.

## CLASSIFIED REPORTS ISSUED

<b>Report Number</b>	<b>Report Title</b>
ISP-S-13-08A	<i>Classified Annex to the Inspection of Embassy Phnom Penh, Cambodia</i>
ISP-S-13-10A	<i>Classified Annex to the Inspection of Embassy Manila, the Philippines</i>
ISP-S-13-12A	<i>Classified Annex to the Inspection of Embassy Santiago, Chile</i>
ISP-S-13-13A	<i>Classified Annex to the Inspection of Embassy Bangui, Central African Republic</i>
ISP-S-13-15A	<i>Classified Annex to the Inspection of Embassy Buenos Aires, Argentina</i>
ISP-S-13-16A	<i>Classified Annex to the Inspection of Embassy Abuja, Nigeria</i>
ISP-S-13-21	<i>Classified Annex to the Third On-Site Review of the Guangzhou New Consulate Compound Construction Site</i>

# APPENDIX 3: SAVINGS AND MORE EFFECTIVE USE OF RESOURCES

**TABLE 1: INSPECTOR GENERAL ISSUED REPORTS WITH QUESTIONED COSTS**

<b>Type of Report</b>	<b>Number of Reports</b>	<b>Questioned Costs (Dollars in Thousands)</b>	<b>Unsupported Costs (Dollars in Thousands)</b>
A. For which no management decision had been made by the commencement of the reporting period	9*	\$129,408*	\$40,079*
B. Which were issued during the reporting period			
<b>Audits</b>			
<i>Bureau of Diplomatic Security Worldwide Protective Services Contract – Task Order 5 for Baghdad Movement Security (AUD-MERO-13-25)</i>	1	\$1,776	\$1,643
<b>Evaluations</b>			
	0	\$0	\$0
<b>Total issued during the reporting period</b>	<b>1</b>	<b>\$1,776</b>	<b>\$1,643</b>
<b>Subtotals (A+B)</b>	<b>10</b>	<b>\$131,184</b>	<b>\$41,722</b>
C. For which a management decision was made during the reporting period			
(i) dollar value of disallowed costs	2	\$373	\$0
(ii) dollar value of costs not disallowed	0	\$0	\$0
D. For which no management decision has been made by the end of the reporting period	10	\$130,810	\$41,722
Reports for which no management decision was made within six months of issuance	9	\$129,035	\$40,079

\* Final amounts in the previous SAR were adjusted based on updated information and an analysis of open recommendations.

**TABLE 2: INSPECTOR GENERAL ISSUED REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE**

Type of Report	Number of Reports	Dollars (in Thousands)
A. For which no management decision had been made by the commencement of the reporting period	30*	\$130,954*
B. Which were issued during the reporting period		
<b>Audits</b>		
<i>Bureau of Diplomatic Security Worldwide Protective Services Contract – Task Order 5 for Baghdad Movement Security (AUD-MERO-13-25)</i>	1	\$362,000
<b>Evaluations</b>		
	0	\$0
<b>Inspections</b>		
<i>Compliance Followup Review of Embassy Berlin, Germany (ISP-C-13-19)</i>	1	\$10,500
<i>Inspection of Embassy Phnom Penh, Cambodia (ISP-I-13-08A)</i>	1	\$360
<i>Inspection of Embassy Manila, Philippines (ISP-I-13-10A)</i>	1	\$1,314
<i>Inspection of IRM/OPS/SIO – Systems Integration Office and RIMC (ISP-I-13-14)</i>	1	\$18,300
<b>Total issued during the reporting period</b>	<b>5</b>	<b>\$392,474</b>
<b>Subtotals (A+B)</b>	<b>35</b>	<b>\$523,428</b>
C. For which a management decision was made during the reporting period		\$392,834
(i) dollar value of recommendations that were agreed to by management	14	\$375,509
– based on proposed management action		
– based on proposed legislative action		
(ii) dollar value of recommendations that were not agreed to by management	4	\$17,325
D. For which no management decision has been made by the end of the reporting period	34	\$130,629
Reports for which no management decision was made within six months of issuance	30	\$100,155

\* Final amounts in the previous SAR were adjusted based on updated information and an analysis of open recommendations.

**TABLE 3: DEFENSE CONTRACT AUDIT AGENCY (DCAA) AUDITS\***

The following information pertains to audits of contracts awarded by the Office of Acquisitions Management (AQM). AQM’s Business Operations Division, Quality Assurance Branch, in collaboration with the Office of Inspector General, is responsible for initiating and coordinating audits with the Defense Contract Audit Agency (DCAA) in support of the contracting officers. Documented below are the questioned costs and management decisions pertaining to the October 1, 2012, to March 31, 2013, reporting period. The questioned costs represent the total of all questioned dollars in DCAA audit reports issued during this reporting period. The management decision captures the resolution of audit reports made by the contracting officer during this reporting period to allow or disallow questioned costs.

<b>Financial Results</b>	<b>Dollars</b>
A. Questioned Costs Issued During the Reporting Period	\$40,980,496
B. Management Decision During the Reporting Period	
<b>Total Allowed</b>	<b>\$2,080,439</b>
<b>Total Disallowed</b>	<b>\$15,038,398</b>
<b>Total Management Decision</b>	<b>\$17,118,837</b>
<b>Total Pending</b>	<b>\$56,035,043</b>

\*The Department of State’s Office of Acquisitions Management, Business Operations Division, Quality Assurance Branch provided OIG with the information. OIG did not verify the values shown.



# APPENDIX 4: RESOLUTION OF REPORTS AND RECOMMENDATIONS

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## SIGNIFICANT OFFICE OF AUDITS RECOMMENDATIONS PENDING FINAL ACTION

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
AUD/IQO-07-20		<i>Review of DynCorp International, LLC, Contract Number S-LMAQM-04-C-0030, Task Order 0338, for the Iraqi Police Training Program Support (Joint Audit With the Special Inspector General for Iraq Reconstruction)</i>	1/07
	2	OIG recommended the Office of Acquisitions Management seek reimbursement from DynCorp for the improperly authorized payment of \$4.2 million that represents contractually unauthorized work directed by the Iraqi Ministry of Interior. This work included the relocation of the residential camp, the manufacture of additional VIP trailers, and the construction of an Olympic-size swimming pool.	
AUD/IQO-07-48		<i>Accounting for Government-Owned Personal Property Held by Selected Contractors in Afghanistan</i>	9/07
	1	OIG recommended the Department develop and implement policies and procedures to achieve compliance with Federal Acquisition Regulation requirements for reviewing a contractor's property control system.	
	5	OIG recommended the Department evaluate its current structure for monitoring government property held by contractors, assess the benefits of creating a property administrator function, and use this evaluation to clearly define the authority and responsibility for property oversight for each member of its contract administration team.	
AUD/IQO-09-25		<i>Audit of the Design and Construction of the New Embassy Compound in Baghdad, Iraq</i>	10/09
	1	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover \$4.6 million from First Kuwaiti Trading and Contracting for the infrastructure contract to make the necessary corrections to the safe areas in the New Embassy Compound.	

<b>Report Number</b>	<b>Rec. No.</b>	<b>Report Title Recommendation Summary</b>	<b>First Reported</b>
	2	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover \$14 million for the housing, infrastructure, support facilities, and the chancery contracts from First Kuwaiti Trading and Contracting to perform the necessary design and retrofit of seismic bracing in the New Embassy Compound.	
	4	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover \$1.7 million for contracts from First Kuwaiti Trading and Contracting for the housing, infrastructure, support facilities, and the chancery contracts so that the necessary repairs to the exterior walls and walkway and road surfaces can be made.	
	6	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover approximately \$500,000 from First Kuwaiti Trading and Contracting for the infrastructure contract to increase the penthouse size and air flow through the louvers of the Utility Building.	
	7	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover approximately \$11 million from First Kuwaiti Trading and Contracting for the infrastructure contract to compensate the Department for additional operating costs that will be incurred because the configuration of the Utility Building/Generator Plant was changed from the 10 2-megawatt configuration to 18 1-megawatt generators.	
	8	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover between \$4.2 million and \$4.4 million from First Kuwaiti Trading and Contracting for the infrastructure contract to correct all deficiencies to the electrical wiring, control, and distribution systems at the New Embassy Compound.	
	9	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover an estimated \$500,000 from First Kuwaiti Trading and Contracting for the infrastructure contract so that the necessary functions can be added to the building automation system at the New Embassy Compound.	
	10	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover \$4.6 million from First Kuwaiti Trading and Contracting to correct fire system deficiencies for the staff diplomatic apartments (\$3.5 million for the housing contract) and repair the water main distribution system joints (\$1.1 million for the infrastructure contract).	

<b>Report Number</b>	<b>Rec. No.</b>	<b>Report Title Recommendation Summary</b>	<b>First Reported</b>
	11	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover approximately \$1.5 million from First Kuwaiti Trading and Contracting for the infrastructure and housing contracts to correct deficiencies in the plumbing traps at the New Embassy Compound.	
	12	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover approximately \$33 million that was paid to First Kuwaiti Trading and Contracting to perform and document the required design work for the New Embassy Compound Baghdad contracts.	
	13	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover approximately \$38 million for the housing, infrastructure, support facilities, chancery, and pre-engineered buildings to compensate the U.S. Government for the higher future maintenance costs and negotiate a settlement with First Kuwaiti Trading and Contracting to fund the additional long-term maintenance costs.	
	14	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover approximately \$3.8 million for the housing, infrastructure, site facilities, and chancery contracts that First Kuwaiti Trading and Contracting did not perform or that it performed incorrectly related to commissioning activities.	
MERO-I-11-02		<i>Performance Evaluation of Pacific Architects and Engineers (PAE) Operations and Maintenance Support for the Bureau of International Narcotics and Law Enforcement Affairs' Counternarcotics Compounds in Afghanistan</i>	2/11
	3	OIG recommended that the Bureau of International Narcotics and Law Enforcement Affairs ensure that a sufficient number of dedicated contracting officer's representatives are physically present in Afghanistan to provide proper oversight of the contracts for operation and maintenance support at the counternarcotics compounds.	
	6	OIG recommended that the Bureau of International Narcotics and Law Enforcement Affairs, in coordination with Embassy Kabul and in consultation with the Drug Enforcement Administration, evaluate the physical security requirements at the Kabul counternarcotics compound.	

<b>Report Number</b>	<b>Rec. No.</b>	<b>Report Title Recommendation Summary</b>	<b>First Reported</b>
	7	OIG recommended that the Office of Acquisitions Management require PAE to incorporate engineering data into the maintenance and operations support plan for the counternarcotics compound in Kunduz, resolve construction deficiencies in the laundry facility and kitchen, and assess the electric power needs of the compound before purchasing new diesel generators.	
	9	OIG recommended that the Bureau of International Narcotics and Law Enforcement Affairs ensure all guards at the counternarcotics compound in Kunduz are familiar with standard operating procedures for security and that guards are getting sufficient rest and days off.	
MERO-I-11-05		<i>Performance Evaluation of PAE Operations and Maintenance Support at Embassy Kabul, Afghanistan</i>	1/11
	2	OIG recommended that the of Administration seek reimbursement of \$193,600 from PAE for award fees paid for all four quarters of the base year of the contract (September 2005–September 2006), since performance criteria had not yet been established or authorized for that year.	
	3	OIG recommended that the Bureau of Administration seek reimbursement of \$41,730 from PAE for award fees granted based on points earned for training in option years 1–3 (September 2006–September 2009), since all training-related work was completed at the end of the base year (September 2005–September 2006).	
	4	OIG recommended that Embassy Kabul stop payment of labor fees to PAE for repairs and other unexpected tasks when this work is performed by PAE personnel during routine duty hours under the firm fixed-price portion of the contract.	
	12	OIG recommended that the Bureau of Administration seek reimbursement of \$248,820 from PAE for escort services invoiced and paid for, but not rendered, from March 2009 through June 2010.	
	16	OIG recommended that the Bureau of Administration modify the PAE contract to include Federal Acquisition Regulation clause 52.222-50 (Combating Trafficking in Persons).	

<b>Report Number</b>	<b>Rec. No.</b>	<b>Report Title Recommendation Summary</b>	<b>First Reported</b>
AUD/CG-11-30		<i>DOD and the Department Need Better Procedures To Monitor and Expend DOD Funds for the Afghan National Police Training Program</i>	7/11
	A.1	<p>OIG recommended that the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the Chief Financial Officer, Bureau of Resource Management, return DOD funds of \$15.56 million that were outside the scope of the reimbursable agreement by August 31, 2011. Specifically, return and document the following amounts:</p> <ul style="list-style-type: none"> <li>a. \$2.59 million potentially moved to Department of State administrative costs.</li> <li>b. \$1.15 million obligated for the Department of Justice Federal Prosecutors Program.</li> <li>d. \$11.81 million obligated for a DynCorp equitable adjustment for contract task order S-AQMPD-04F-0460, awarded in 2004 before the 2006 agreement.</li> </ul>	
	A.2	<p>OIG recommended that the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the Contracting Officer, Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management:</p> <ul style="list-style-type: none"> <li>a. Determine how much of the \$68.21 million of unexpended obligations remaining on task order S-AQMPD-05F-4305 can be deobligated. As part of the review, include the DOD obligation amount that DynCorp certified as available for deobligation, as well as an analysis on the remaining unexpended obligation amounts. In addition, provide the Department of State, Office of Inspector General, supporting documentation for the remaining amount of the \$68.21 million that the Bureau of International Narcotics and Law Enforcement Affairs identifies as still valid.</li> <li>b. Determine how much of the \$23.04 million of DOD unexpended obligations remaining on the in-country air support contract (S-AQMPD-05-C-1103) can be deobligated. In addition, provide the Department of State, Office of Inspector General, supporting documentation for the remaining amount of the \$23.04 million that the Bureau of International Narcotics and Law Enforcement Affairs identifies as still valid.</li> </ul>	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
	A.3	<p>OIG recommended that the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs, provide supporting documentation to the Department of State Inspector General by July 29, 2011, for the \$2.25 million of unsupported obligations identified in this report or return the \$2.25 million to DOD by August 30, 2011. Specifically, the Executive Director should review and, if necessary, deobligate the following amount:</p> <ul style="list-style-type: none"> <li>a. \$1.65 million obligated for Department of State salaries using DOD funds provided in the 2006 reimbursable agreement.</li> </ul>	
	A.5	<p>OIG recommended that the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs (INL):</p> <ul style="list-style-type: none"> <li>a. Return to DoD and properly record the \$3.99 million of unobligated DoD funds by August 31, 2011, unless INL provides documentation to the Under Secretary of Defense for Policy and the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DOD, and DOD officials agree that the obligations were within the scope of the reimbursable agreements.</li> <li>b. Develop, implement, and document adequate controls to ensure that the Bureau of International Narcotics and Law Enforcement Affairs uses DOD funds for specific purposes in accordance with laws and documents the appropriate use. Specifically, officials should: <ul style="list-style-type: none"> <li>1. Designate the appropriate offices responsible for ensuring that the obligation directly relates to the requirements in the reimbursable agreements.</li> <li>2. Retain documentation supporting that the obligation is in compliance with the reimbursable agreement requirements.</li> </ul> </li> </ul>	
	A.6	<p>OIG recommended that the Director, Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, require all contracting officers and supporting staff to take an appropriations law training class.</p>	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
	A.9	<p>OIG recommended that the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs; Under Secretary of Defense for Policy; and Under Secretary of Defense (Comptroller)/Chief Financial Officer, DOD, reach an agreement as to whether the \$9.50 million obligation for a United Nations Law and Order Trust Fund–Afghanistan contribution was appropriately obligated. If officials do not reach an agreement, the Bureau of International Narcotics and Law Enforcement Affairs should return the \$9.50 million of DOD funds obligated for a United Nations Law and Order Trust Fund–Afghanistan contribution.</p>	
	C.2.b	<p>OIG recommended that the Assistant Secretary of State, Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the contracting officer, Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, for the Civilian Police contract, review the approximately \$9.4 million in questioned costs identified by the Defense Contract Audit Agency and take action to recover those costs.</p>	
AUD/CG-11-44		<p><i>Afghan National Police Training Program Would Benefit From Better Compliance With the Economy Act and Reimbursable Agreements</i></p>	8/11
	1	<p>OIG recommended that the Assistant Secretary of State, Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the Assistant Secretary of State, Bureau of Resource Management and Chief Financial Officer:</p> <ul style="list-style-type: none"> <li data-bbox="634 1230 1182 1415">b. Review all available supporting documentation related to the Corrections System Support Program (CSSP) security salaries and recover any overpayments related to the \$0.37 million paid to DynCorp for CSSP security salaries and identify and recover any additional payments made for CSSP security salaries on task orders 4305 and 5375.</li> <li data-bbox="634 1436 1182 1646">c. Determine whether the Bureau of International Narcotics and Law Enforcement Affairs improperly obligated DOD-provided Afghanistan Security Forces Fund appropriations for any other INL programs that were receiving support on the DOD-funded task orders. If so, identify and return to DOD the applicable Afghanistan Security Forces Fund appropriations by September 30, 2011.</li> </ul>	

<b>Report Number</b>	<b>Rec. No.</b>	<b>Report Title Recommendation Summary</b>	<b>First Reported</b>
	3	OIG recommended that the Assistant Secretary of State, Bureau of Resource Management and Chief Financial Officer, and the Director, Defense Security Cooperation Agency, perform a joint investigation of the potential Antideficiency Act violations for the \$1.05 million of funds obligated for Personal Services Contracts and the estimated \$75.60 million of funds obligated without considering Economy Act and reimbursable agreement limitations.	
AUD/IP-12-02		<i>Audit of Bureau of East Asian and Pacific Affairs Compliance With Trafficking in Persons Requirements</i>	10/11
	1	OIG recommended that the Office to Monitor and Combat Trafficking in Persons include, in the Foreign Affairs Manual, the U.S. Government policy regarding trafficking in persons (TIP) to include the definition of TIP activity and information on the prohibition against involvement in acts of TIP for Department personnel and contractors, the associated penalties for violations, and the mechanism to report such violations.	
	2	OIG recommended that the Office to Monitor and Combat Trafficking in Persons, in consultation with the Office of the Legal Advisor and the Director General of Human Resources, develop and include a trafficking in persons policy in the Department of State Standards of Conduct.	
	3	OIG recommended that the Office to Monitor and Combat Trafficking in Persons, in consultation with the Department of State's Office of Inspector General, Office of Investigations, the Bureau of Diplomatic Security, the Office of the Procurement Executive, and the Under Secretary for Management, designate an office within the Department for establishing and implementing an effective mechanism for employees to report trafficking in persons violations.	
	4	OIG recommended that the Office to Monitor and Combat Trafficking in Persons, in consultation with the Foreign Service Institute and the Director General of Human Resources, expand trafficking in persons (TIP) training to all Department employees, to include increasing awareness of the U.S. Government's zero tolerance policy towards TIP and reducing the incidence of TIP activity involving contractor personnel and employees who represent the United States abroad.	

<b>Report Number</b>	<b>Rec. No.</b>	<b>Report Title Recommendation Summary</b>	<b>First Reported</b>
AUD/IP-12-03		<i>Improved Contract Documentation and Monitoring by the Regional Procurement Support Office Are Needed for Construction Projects Associated With the President's Emergency Plan for AIDS Relief (PEPFAR)</i>	11/11
	3	OIG recommended that the Regional Procurement Support Office in Frankfurt, Germany, review existing PEPFAR construction contracts and reclaim any contingency costs inappropriately included in contracts as practicable.	
	5	OIG recommended that the Regional Procurement Support Office in Frankfurt, Germany, require posts with substantial planned costs for PEPFAR construction projects to obtain a technical advisor with construction expertise for monitoring construction contracts.	
AUD/HCI-12-30		<i>Audit of Department of State Drug-Free Workplace Program Plan</i>	2/12
	1	OIG recommended that the Bureau of Human Resources develop and implement drug testing procedures for Department employees serving in sensitive positions overseas.	
	2	OIG recommended that the Bureau of Human Resources, in coordination with the Office of Medical Services and the Office of the Legal Adviser, develop a random sampling methodology, obtain approval from the Interagency Coordinating Group Executive Committee to employ the methodology, and implement random drug testing as prescribed by the Department Drug-Free Workplace Program Plan.	
	3	OIG recommended that the Bureau of Human Resources, in coordination with the Office of Medical Services and the Office of the Legal Adviser, develop procedures and controls to ensure that all aspects of drug testing are conducted in accordance with the Department Drug-Free Workplace Program Plan, including establishing the frequency and timing of random sample testing, reconciling random sample selection with drug tests taken and ensuring deferrals are appropriate and followup testing occurs, establishing controls to ensure employees with positive drug test results receive followup testing, notifying employees of the option to be voluntarily drug tested, and developing procedures and controls over program reporting and recordkeeping.	
	4	OIG recommended that the Bureau of Human Resources, in coordination with the Office of Medical Services, devote appropriate program oversight, management emphasis, and resources to ensure that the Department is achieving a drug-free workplace.	

## SUMMARY OF OFFICE OF AUDITS REPORTS WITHOUT MANAGEMENT DECISION FOR MORE THAN SIX MONTHS

**Report Number:** AUD/CG-11-30

**Subject:** *Department of Defense Funds Provided to Department of State for the Afghan National Police*

**Date Issued:** July 11, 2011

**Reason for not being resolved:** OIG recommended that the Department perform a joint investigation with the Defense Security Cooperation Agency of potential Antideficiency Act violations of funds obligated outside the scope of the reimbursable agreements. The Bureau of Comptroller and Global Financial Services was requested to respond to recommendations by February 6, 2012. However, OIG had not received a response as of the end of this reporting period. Therefore, six recommendations (Nos. A.8.a, b, c, d, e, and f) remain unresolved.

**Projected date of resolution:** August 2013

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**Report Number:** AUD/CG-11-44

**Subject:** *Afghan National Police Training Program Would Benefit From Better Compliance With the Economy Act and Reimbursable Agreements*

**Date Issued:** August 25, 2011

**Reason for not being resolved:** OIG recommended that the Department of State identify and return funds to the Department of Defense that were improperly obligated; develop and implement policies and procedures to ensure that any appropriation limitations on funds transferred to other U.S. Government agencies were taken into account before obligating funds for personal services contracts; and develop policies and procedures to ensure that before obligating funds under an Economy Act order, the Department validated that the ordering agency had the necessary authority to obligate funds for those purposes. The Bureau of International Narcotics and Law Enforcement Affairs was requested to respond to the recommendation by January 9, 2012. However, OIG had not received a response as of the end of this reporting period. Therefore, three recommendations (Nos. 1. a, d, and e) remain unresolved.

**Projected date of resolution:** August 2013

**Report Number:** AUD/SI-12-36

**Subject:** *Limited-Scope Audit of Department of State Management of the Afghanistan Civilian Uplift*

**Date Issued:** May 31, 2012

**Reason for not being resolved:** OIG recommended that the Department codify, in the Foreign Affairs Manual, the practice of updating the Global Employment Management System for all Department personnel by changing the organization code to the code for the newly assigned posts effective on the date that the personnel leave post and direct overseas posts and domestic offices that have civilian personnel being assigned to Afghanistan or to another post where restricted funds are being used to immediately update the Global Employment Management System by changing the organization code to the code of the newly assigned posts for incoming and departing Afghanistan civilian uplift personnel. The Bureau of Human Resources was requested to respond to the recommendation by July 2, 2012. However, OIG had not received a formal response as of the end of this reporting period. Therefore, two recommendations (Nos. 1 and 3) remain unresolved.

**Projected date of resolution:** July 2013.

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**Report Number:** AUD-MERO-12-43

**Subject:** *Evaluation of Invoices and Payments for the Embassy Baghdad Operations and Maintenance Contract*

**Date Issued:** August 9, 2012

**Reason for not being resolved:** OIG recommended that the Department direct the contracting officer to conduct a comprehensive review of all contractor invoices before the Embassy Baghdad operations and maintenance contract is closed to ensure that all unallowable transportation costs, including the approximately \$2.7 million identified in this report, are recovered from the contractor. The Department responded that despite the wording in the contract, it was never the intent or the desire of the Department to burden the contractor with the costs of transporting equipment and materials into Iraq during a contingency operation and that the appropriate Federal Acquisition Regulation (FAR) clauses which would have specifically allowed reimbursement of transportation costs were erroneously not included in the contract or in the subsequent task orders. OIG noted, however, that regardless of the Department's stated intent, the language in the contract does not allow for the reimbursement of the transportation costs and such costs should be recovered from the contractor. Or, if the Department believes that the clause that was included is incorrect and/or that other clauses allowing for the reimbursement of transportation costs are applicable, the Department should modify the contract to include

the appropriate FAR clauses and language. Therefore, Recommendation 1 remains unresolved.

**Projected date of resolution:** July 2013.

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**Report Number:** AUD/MERO-12-47

**Subject:** *Compliance Followup Review of Department of State Actions To Reduce the Risk of Trafficking in Persons Violations in Four States in the Cooperation Council for the Arab States of the Gulf*

**Date Issued:** September 24, 2012

**Reason for not being resolved:** OIG recommended that Embassy Riyadh establish and implement a monitoring process for service contracts to ensure that contractors comply with host country labor laws and contractor-provided housing plans. OIG also recommended that Embassy Riyadh establish a process to ensure that statements of work for service contracts include requirements that contractors should provide the following: (1) detailed descriptions of housing accommodations for foreign workers, workers with standard contracts in English and workers' native languages that include policies on wages, overtime rates, allowances, salary increases, the contract terms, leave accrual, and other personnel matters; (2) workers with written information, in workers' native languages, on relevant Saudi Arabia labor laws; and (3) workers with written information, in workers' native languages, about the U.S. Government's zero tolerance policy toward trafficking in persons. The Embassy should also inform the janitorial contractor in Dhahran that keeping workers in unsafe housing is unacceptable to the U.S. Government. Embassy Riyadh was requested to respond to the recommendation by October 25, 2012. However, OIG had not received a response as of the end of this reporting period. Therefore, three recommendations (Nos. 7, 8, and 9) remain unresolved.

**Projected date of resolution:** September 2013.

## REVISED MANAGEMENT DECISIONS

None.

## MANAGEMENT SUCCESS IN RESOLVING AND IMPLEMENTING RECOMMENDATIONS

### ***DOD and DOS Need Better Procedures To Monitor and Expend DOD Funds for the Afghan National Police Training Program (DOD Project No. D-2011-080 & DOS Project No. AUD/CG-11-30)***

In July 2011, a joint audit by the OIGs for the Department of Defense (DOD) and the Department of State (Department) reported that the Department did not properly obligate or return to DOD approximately \$124 million of DOD funds provided for the Afghan National Police Training program. In November, 2012, the Department informed OIG that it had returned almost \$77 million to DOD to date and was in the process of evaluating and deobligating other funds for return to DOD in 2013.

### ***Review of Controls and Notification and Access to Passport Records in the Department of State's Passport Information Electronic Records System (PIERS) (AUD/IP-08-29)***

In July 2008, OIG identified many control weaknesses relating to the prevention and detection of unauthorized access to passport and applicant information and the subsequent response and disciplinary processes when unauthorized access occurs. This review was performed in response to media reports of March 2008 that the passport files of three U.S. Senators who were also presidential candidates had been improperly accessed by Department employees and contract staff. OIG closed the last of the report's 22 recommendations based on evidence that the Department's Bureau of Consular Affairs had revised and strengthened the control weaknesses identified in the report.

## SUMMARY OF INSPECTION REPORTS WITHOUT MANAGEMENT DECISION FOR MORE THAN 6 MONTHS

None.

## REVISED MANAGEMENT DECISIONS

None.

## MANAGEMENT SUCCESS IN RESOLVING AND IMPLEMENTING RECOMMENDATIONS

### ***Inspection of Embassy Conakry, Guinea (ISP-I-11-44A)***

In the 2011 inspection report of Embassy Conakry, OIG recommended that the mission reduce its motor pool inventory from 67 to 40 vehicles or less. Embassy Conakry reported that it has implemented OIG's recommendation, resulting in funds put to better use of \$179,760.

### ***Inspection of Embassy Seoul, South Korea (ISP-I-11-55A)***

In the 2011 inspection report of Embassy Seoul, OIG recommended that the embassy develop and implement a plan to reduce the size of the International Cooperative Administrative Support Services (ICASS) vehicle fleet and motor pool staff through attrition. Embassy Seoul reported that it has reduced the ICASS motor pool staff by three positions, and in FY 2013 two additional staff positions will be vacated due to retirement and will not be filled, for a total of five positions. Additionally, the ICASS fleet was reduced by three vehicles, and two additional vehicles will not be replaced in FY 2013. The total estimated cost savings is approximately \$360,000.

### ***Inspection of Embassy Caracas, Venezuela (ISP-I-12-09A)***

In the 2012 inspection report of Embassy Caracas, OIG recommended that the embassy resolve claims from the former local guard contractor and deobligate any remaining Diplomatic Security funds. Embassy Caracas reported that final payment was made resulting in the deobligation of the remaining balance of approximately \$586,000.

### ***Inspection of San Jose, Costa Rica (ISP-I-12-23A)***

In the 2012 inspection report of Embassy San Jose, OIG recommended the elimination of an information management specialist position. Embassy San Jose abolished an FP-05 information management specialist position and plans to hire an eligible family member (EFM) to fill an FP-07 information management assistant position in fall 2013, resulting in recurring savings of approximately \$521,000.

### ***Inspection of Embassy Vienna, Austria (ISP-I-12-16A)***

In the 2012 inspection report of Embassy Vienna, OIG recommended that Embassy Vienna eliminate a locally employed staff position in the Federal Benefits Unit when that unit's operations close in FY 2012. Embassy Vienna reported the recommendation was implemented for recurring savings of \$140,726.

***Inspection of Embassy Nassau, the Bahamas (ISP-I-12-08A)***

In the 2012 inspection report of Embassy Nassau, OIG recommended that an office manager position be converted to an EFM position. Embassy Nassau reported that it is converting the position and will fill it with an EFM during the 2013 bidding cycle, resulting in recurring savings of approximately \$492,000 annually.

***Inspection of the U.S. Mission to the Organization for Economic Cooperation and Development (USOECD) (ISP-I-12-27)***

OIG recommended that the mission eliminate the language requirement for three entry-level positions, as proficiency in French was not essential to the work. USOECD agreed to remove the language requirement during the next bidding cycle, which will result in potential costs savings of \$234,000.

**SIGNIFICANT INSPECTIONS RECOMMENDATIONS PENDING FINAL ACTION**

<b>Report Number</b>	<b>Rec. No.</b>	<b>Report Title Recommendation Summary</b>	<b>First Reported</b>
ISP/I-11-57	6	<i>Inspection of the Office of the Director of U.S. Foreign Assistance</i> OIG recommended that the Office of the Director of U.S. Foreign Assistance, in coordination with the Bureau of Resource Management, should prepare a study to determine whether there are cost effective solutions for collecting timely data on budget execution and making the data accessible to the Office of the Director of U.S. Foreign Assistance, its operating units, and stakeholders.	08/2011
ISP/I-11-11	3	<i>Inspection of Department-Required and Congressionally Mandated Reports: Assessment of Resource Implications</i> OIG recommended that the Office of Management Policy, Rightsizing and Innovation, in coordination with the Bureau of Budget and Planning (formerly the Bureau of Resource Management, should direct all missions to document the approximate costs (to reflect time and pay scales of personnel involved) that are devoted to the preparation of congressionally mandated and Department reports, and include this data in annual budget requests.	10/2010

<b>Report Number</b>	<b>Rec. No.</b>	<b>Report Title Recommendation Summary</b>	<b>First Reported</b>
ISP/I-11-55A		<i>Inspection of Embassy Seoul, Korea</i>	08/2011
	12	OIG recommended that the Bureau of Overseas Buildings Operations should identify and evaluate the costs associated with the United States Forces Korea's departure from the Yongsan Garrison and accelerate the construction of Embassy Seoul's new embassy compound project on the Capital Security Construction Program schedule.	

# APPENDIX 5: AUDITS PERFORMED BY CONTRACTORS

<b>Report Number</b>	<b>Report Title</b>	<b>Contractor</b>	<b>Type of Engagement</b>
AUD-FM-13-01	<i>Independent Accountant's Report on the Application of Agreed-Upon Procedures: Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management</i>	Kearney & Company	Financial Statement
AUD-FM-13-07	<i>Independent Auditor's Report on the U.S. Department of State 2012 and 2011 Special-Purpose Financial Statements</i>	Kearney & Company	Financial Statement
AUD-FM-13-08	<i>Independent Auditor's Report on the U.S. Department of State 2012 and 2011 Financial Statements</i>	Kearney & Company	Financial Statement
AUD-FM-13-09	<i>Management Letter Related to the Audit of the U.S. Department of State 2012 and 2011 Financial Statements</i>	Kearney & Company	Financial Statement
AUD-FM-13-10	<i>Independent Auditor's Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2012 Financial Statements</i>	Kearney & Company	Financial Statement
AUD-FM-13-11	<i>Management Letter Related to the Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2012 Financial Statements</i>	Kearney & Company	Financial Statement
AUD-FM-13-17	<i>Audit of Nonproliferation and Disarmament Fund Controls Over Contracting and Project Management and Integrity of Financial Data</i>	Kearney & Company	Performance Audit
AUD-FM-13-23	<i>Audit of Department of State FY 2012 Compliance With Improper Payments Requirements</i>	Kearney & Company	Performance Audit
AUD-IT-13-03	<i>Audit of Department of State Information Security Program</i>	Williams, Adley & Company-DC, LLP	Independent Audit



# APPENDIX 6: PEER REVIEWS OF OIG OPERATIONS

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During this semiannual reporting period, the Department of the Interior (DOI) OIG reviewed the system of quality control for OIG's Office of Audits. Based on its review, DOI determined that the Office of Audits system of quality control in effect for the year ended September 30, 2012, was suitably designed to provide reasonable assurance that the Office of Audits is performing and reporting in conformity with applicable professional standards in all material respects. The Office of Audits received a peer review rating of pass.

The report's accompanying letter of comment contained one recommendation that, while not affecting the overall opinion, was designed to further strengthen the system of quality control in the Office of Audits.

The report is available on OIG's Web site at [www.oig.state.gov](http://www.oig.state.gov).

The OIG Office of Investigations (INV) did not have an external peer review of its investigative operations during this reporting period. The last review conducted in September 2011 by the Railroad Retirement Board, Office of Inspector General found the Office of Investigations to be in compliance with the internal safeguards and management procedures standards set by the Council of Inspectors General on Integrity and Efficiency, and did not make any formal recommendations in its report. INV's next peer review will be conducted by the Tennessee Valley Authority in 2014.

In March 2013, INV conducted a peer review of the Office of Personnel Management, Office of Inspector General.



# **BROADCASTING BOARD OF GOVERNORS**





# OFFICE OF AUDITS

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## ***Audit of the Broadcasting Board of Governors Information Security Program (AUD-IT-IB-13-04)***

In response to the Federal Information Security Management Act of 2002 (FISMA), OIG had an independent public accountant review BBG's Information Security Program to evaluate BBG's progress in addressing FISMA information management and information security program requirements. The independent public accountant found that BBG, since the FY 2011 review, had taken the following actions to improve management controls: completed security tests and evaluations and developed risk assessments and system security plans for its major systems, implemented a more robust security incident response tracking process, and developed password management policies and procedures to reduce the risk of unauthorized access.

Overall, BBG had continued its efforts to further develop its information security program. However, for BBG to improve and bring the program into compliance with applicable requirements, the independent public accountant made recommendations for BBG to address control weaknesses in its security standards and procedures, system inventory, security configuration management, security awareness training, plans of action and milestones, remote access program, user account management controls, enterprise-wide and system-specific contingency plans, and incident response.

## ***Independent Auditor's Report on the Broadcasting Board of Governors 2012 and 2011 Financial Statements (AUD-FM-IB-13-12)***

In its audit of BBG's financial statements as of and for the years ended September 30, 2012 and 2011, an independent external auditor found that the consolidated balance sheets and the related consolidated statements of net cost and changes in net position and combined statements of budgetary resources present fairly, in all material respects, the financial position of BBG as of September 30, 2012 and 2011, and its net cost of operations, changes in net position, and budgetary resources for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The auditor found significant deficiencies in internal control over property, unliquidated obligations, the liability for Foreign Service National after-employment benefits, and accounts payable.

***Management Letter Related to the Audit of the Broadcasting Board of Governors 2012 and 2011 Financial Statements (AUD-FM-IB-13-13)***

During the audit of BBG's 2012 and 2011 financial statements, the independent external auditor identified internal control weaknesses or instances of noncompliance with selected provisions of applicable laws and regulations relating to personal services contractors employment taxes, American payroll—time and attendance, information technology security, reconciliation of transactions recorded in suspense accounts, financial reporting process, contingent liabilities, and Statement of Net Cost—indirect cost allocation. The external auditor recommended that BBG take appropriate action to address these weaknesses.

***Audit of Broadcasting Board of Governors FY 2012 Compliance With Improper Payments Requirements (AUD-FM-IB-13-24)***

In compliance with the Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010, OIG conducted this second annual audit to assess BBG's FY 2012 compliance with improper payments requirements. OIG found that BBG had complied with improper payments requirements. Specifically, BBG conducted an improper payments risk assessment of its significant programs; implemented a program of internal control to prevent, detect, and recapture improper payments; and reported the required improper payments information in its FY 2012 Performance and Accountability Report.

# OFFICE OF INSPECTIONS

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## ***Inspection of the Broadcasting Board of Governors (ISP-IB-13-07)***

OIG found the nine-member Broadcasting Board of Governors to be committed to the goals of U.S. international broadcasting, characterized by journalism of the highest caliber and a commitment to supporting democracy and freedom; however, the Board was failing in its mandated duties, including implementation of key aspects of its 5-year strategic plan. The Board's dysfunction stemmed from a flawed legislative structure; acute internal dissension; chronic vacancies and absences of members; and a part-time schedule that did not allow for effective supervision of broadcasting. The system that allowed Governors to serve concurrently on the BBG Board and the corporate boards of the broadcast entities created conflicts of interest and confusion regarding roles and responsibilities. BBG also lacked a comprehensive travel policy for both domestic and international official trips.

OIG recommended that BBG coordinate with the Office of Management and Budget and the congressional oversight committees to propose new legislation for international broadcasting that includes enhancing authority for the Board Chairman in Board governance and focusing the Board on its strategic oversight and direction roles; appointing a chief executive officer to coordinate operational aspects of the broadcast entities and their support structure; removing Governors from the corporate boards of the broadcast entities; and implementing a mechanism for censure or removal of Governors for actions that impede the Board's execution of its duties. OIG also made recommendations for BBG to implement a comprehensive travel policy that relates Board travel to strategic objectives and followup actions and to strengthen internal Board governance.

## ***Review of the Broadcasting Board of Governors' Operations in Phnom Penh, Cambodia (ISP-IB-13-09)***

OIG's review of BBG operations in Cambodia focused on the Voice of America (VOA) Khmer Service and Radio Free Asia (RFA) news operations, neither of which had resident American staff. OIG found no serious management or security issues at either organization and thus made no recommendations. At the time of the inspection, both organizations were facing the possibility of legal sanctions on the part of the Royal Government of Cambodia, which had summoned representatives of VOA and RFA to complain about reporting produced by both organizations.

***Inspection of the International Broadcasting Bureau's Philippines Transmitting Station (ISP-IB-13-11)***

OIG inspected the International Broadcasting Bureau's (IBB) Philippines Transmitting Station, which provides shortwave and mediumwave broadcasting support to China and Southeast Asia and supports satellite relay service for VOA and other BBG operations. Although the station was operating efficiently and meeting IBB performance standards, the inspectors observed weaknesses in property management and cashier operations and made recommendations to address these issues. Long-standing community outreach and land use programs had built goodwill with the IBB Philippines Transmitting Station's local neighbors but posed potential conflict-of-interest risks. At the time of the inspection, the transmitting station was managing these risks adequately.

BBG had tentative plans to close the Poro transmitting site, a step that would reduce operating costs annually by \$650,000, allow IBB to reprogram funds to China and Tibet broadcasting, and add a VOA satellite broadcasting component to these target markets. However, IBB was awaiting authorization from Congress and resolution of the President's FY 2013 Budget Request before formally communicating instructions to close the site or making plans to implement closure. The main transmitting station at the Tinang site had assumed responsibility for remote control operations in the Poro, Saipan, and Tinian sites, which allowed staff reductions and cost savings. Overall staffing levels had declined by 12 positions since the last OIG inspection in 2006.

***Review of the Broadcasting Board of Governors' Operations in Nigeria (ISP-IB-13-17)***

In a country where 88 percent of the population relied on radio broadcasts as their main source of news and information, VOA radio broadcasts to the region via affiliate stations were one of the few ways of maintaining communication with Nigerian populations. Despite increasing Islamic extremist violence in the country, the BBG marketing representative was pursuing an aggressive marketing strategy that had produced several new programming affiliations. A regional VOA representative was exploring the possibility of establishing an office in Abuja to develop new markets in the region.

***Compliance Followup Review of International Broadcasting Bureau Germany Transmitting Station (ISP-IB/C-13-20)***

The IBB Germany Transmitting Station had complied with recommendations to improve the procurement process and send a *démarche* to the German Ministry of Foreign Affairs regarding tax exemption procedures. All recommendations from the 2011 security annex report had been complied with and closed. The OIG team reissued two recommendations to establish standard operating procedures for the administrative network and develop training for locally employed staff in the information technology section.

# APPENDIX 1: INVESTIGATIVE ACTIVITIES

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<b>Preliminary Inquiries</b>	
Opened	0
Closed	0
<b>Investigations</b>	
Opened	1
Closed	0
Pending (3/31/13)	4
<b>Criminal Actions</b>	
Referrals for Prosecution	0
Indictments/Informations	0
Convictions	0
Sentencings (Months Imprisonment)	0
Sentencings (Months Probation)	0
Declinations	0
<b>Civil Actions</b>	
Civil Referrals	0
Civil Judgments	0
Civil Declinations	0
<b>Administrative Referrals</b>	
Referrals for Personnel Action	0
Suitability Referrals to DS	0
Contractor Suspension/Debarment Referrals to OPE	0
<b>Administrative Actions</b>	
Removals	0
Suspensions	0
Reprimand/Admonishments	0
Contractor/Grantees Suspended	0
Contractor/Grantees Debarred	0
Contractor/Grantees High Risk	0
<b>Monetary Recoveries</b>	
Criminal Fines/Recoveries	\$0
Civil Recoveries	\$0
Administrative Recoveries	\$0
<b>Total Investigative Recoveries</b>	<b>\$0</b>



## APPENDIX 2: REPORTS ISSUED

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<b>Report Number</b>	<b>Report Title</b>
AUD-FM-IB-13-12	<i>Independent Auditor's Report on the Broadcasting Board of Governors 2012 and 2011 Financial Statements</i>
AUD-FM-IB-13-13	<i>Management Letter Related to the Audit of the Broadcasting Board of Governors 2012 and 2011 Financial Statements</i>
AUD-FM-IB-13-24	<i>Audit of Broadcasting Board of Governors FY 2012 Compliance With Improper Payments Requirements</i>
AUD-IT-IB-13-04	<i>Audit of the Broadcasting Board of Governors Information Security Program</i>
ISP-IB-13-07	<i>Inspection of the Broadcasting Board of Governors</i>
ISP-IB-13-09	<i>Review of the Broadcasting Board of Governors' Operations in Phnom Penh, Cambodia</i>
ISP-IB-13-11	<i>Inspection of the International Broadcasting Bureau's Philippines Transmitting Station</i>
ISP-IB-13-17	<i>Review of the Broadcasting Board of Governors' Operations in Nigeria</i>
ISP-IB/C-13-20	<i>Compliance Followup Review of International Broadcasting Bureau Germany Transmitting Station</i>



# APPENDIX 3: SAVINGS AND MORE EFFECTIVE USE OF RESOURCES

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**TABLE 1: INSPECTOR GENERAL ISSUED REPORTS WITH QUESTIONED COSTS**

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

**TABLE 2: INSPECTOR GENERAL ISSUED REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE**

<b>Type of Report</b>	<b>Number of Reports</b>	<b>Dollars (in Thousands)</b>
A. For which no management decision has been made by the commencement of the reporting period	0	\$0
B. Which were issued during the reporting period	0	\$0
<b>Subtotals (A + B)</b>	<b>0</b>	<b>\$0</b>
C. For which a management decision was made during the reporting period		
(i) dollar value of recommendations that were agreed to by management	0	\$0
– based on proposed management action		
– based on proposed legislative action		
(ii) dollar value of recommendations that were not agreed to by management	0	\$0
D. For which no management decision has been made by the end of the reporting period	0	\$0
Reports for which no management decision was made within 6 months of issuance	0	\$0

# **APPENDIX 4: RESOLUTION OF REPORTS AND RECOMMENDATIONS**

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## **SIGNIFICANT AUDIT RECOMMENDATIONS PENDING FINAL ACTION**

None.

## **SUMMARY OF OFFICE OF AUDITS REPORTS WITHOUT MANAGEMENT DECISION FOR MORE THAN SIX MONTHS**

None.

## **REVISED MANAGEMENT DECISIONS**

None.

## **MANAGEMENT SUCCESS IN RESOLVING AND IMPLEMENTING RECOMMENDATIONS**

None.



# APPENDIX 5: AUDITS PERFORMED BY CONTRACTORS

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<b>Report Number</b>	<b>Report Title</b>	<b>Contractor</b>	<b>Type of Engagement</b>
AUD-IT-IB-13-04	<i>Audit of the Broadcasting Board of Governors Information Security Program</i>	Williams, Adley & Company-DC, LLP	Independent Audit
AUD-FM-IB-13-12	<i>Independent Auditor's Report on the Broadcasting Board of Governors 2012 and 2011 Financial Statements</i>	Clark Leiper, PLLC	Financial Statement
AUD-FM-IB-13-13	<i>Management Letter Related to the Audit of the Broadcasting Board of Governors 2012 and 2011 Financial Statements</i>	Clark Leiper, PLLC	Financial Statement



# CONGRESSIONAL AND PUBLIC AFFAIRS ACTIVITIES

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## TESTIMONY AND BRIEFINGS

During this reporting period, OIG's briefings to congressional staff included the following:

### *Senate Committee on Foreign Relations*

- On November 21, 2012, a briefing provided by the Office of Audits, Middle East Region Operations (MERO), on the directorate's report *Evaluation of Local Guard Force Contract for Embassy Islamabad and Consulates General Karachi, Lahore, and Peshawar* (AUD-MERO-12-46) focused on "best value contracting" and its benefits when awarding local guard force contracts for high threat posts.
- On March 4, 2013, the Assistant Inspectors General (AIGs) from the Offices of Audits, Inspections, and Investigations briefed committee oversight staffers on OIG priorities and resource allocations for 2013. The AIGs provided a followup briefing for several personal staff representatives of Committee members on April 4, 2013.

### *Senate Committee on Homeland Security and Government Affairs*

- On October 18, 2012, the AIGs for the Offices of Audits and Inspections provided committee staffers with a briefing on OIG oversight of the Department's post-Benghazi mission security issues—both ongoing and planned. The discussion focused on issues of physical security and intelligence sharing.
- On January 8, 2013, the AIGs of Audits, Inspections, and Investigations briefed staffers for the Subcommittee on Financial and Contracting Oversight on products OIG was planning to issue in 2013, major challenges expected, and how the Subcommittee could be helpful. A followup briefing for new staffers was scheduled for April 5, 2013.
- Representatives from Audit's Financial Management Division are expected to brief staffers for the Financial and Contracting Oversight Subcommittee on the *Audit of the Broadcasting Board of Governors 2012 and 2011 Financial Statements* on April 3, 2013.

- On March 1, 2013, the AIG of the Office of Audits and the Director, Security and Intelligence, Office of Inspections, provided a followup briefing to new committee staffers on oversight of the Department's post-Benghazi mission security initiatives. A range of issues were discussed, including OIG's evaluation of Department security standards and the Department's analysis, dissemination, and utilization of threat intelligence.

### ***House Committee on Foreign Affairs***

- On February 12, 2013, a briefing was provided by the Director, Security and Intelligence, Office of Inspections on the report, *Review of Overseas Security Policy Board Exceptions and Secure Embassy Construction and Counterterrorism Act of 1999 Waivers* (ISP-I-13-06), in which OIG sought to compare the Bureau of Diplomatic Security's records with those of overseas posts to determine whether posts had complied with stipulations under which exceptions or waivers were granted.
- On February 13, 2013, a briefing was provided by the Coordinator for International Broadcasting in the Office of Inspections on OIG's report *Inspection of the Broadcasting Board of Governors* (ISP-IB-13-07). The briefing focused on the reports methodology and recommendations.
- In March 2013, OIG provided a series of briefings to Committee staffers on a range of reports, including OIG's *Inspection of the Bureau of Diplomatic Security, Office of Investigations and Counterintelligence, Divisions of Special Investigations, Criminal Investigations, and Computer Investigations Forensics* (ISP-I-13-18); *Inspection of Regional Information Management Centers* (ISP-I-13-14); and *Inspection of Embassy Bangui, Central African Republic* (ISP-I-13-13A).
- On March 26, 2013, the AIGs participated, along with representatives from DOD OIG, USAID OIG and Special Inspector General for Afghanistan Reconstruction, in a briefing on the transition between U.S. military and civilian leadership in Afghanistan. The briefing was in preparation for the Committee's April 10, 2013 hearing titled, "U.S. Foreign Assistance: What Oversight Mechanisms Are in Place to Ensure Accountability?"

### ***Senate Select Committee on Intelligence***

- On February 19, 2013, a briefing was provided by members from the Office of Audits to staffers on the Audits and Oversight subcommittee who were concerned about Department documents they believe to have been overclassified. OIG's review of the Reducing Over-Classification Act (Public Law 111-258) was discussed.

### ***Congressional Delegation (CODEL)***

- On November 19, 2012, at U.S. Embassy Kabul, Afghanistan, the Deputy Assistant Inspector General for MERO, staff from MERO and the Office of Investigations, and representatives from the Office of Inspector General for the U.S. Agency for International Development briefed U.S. Representatives Jason Chaffetz, Mike Coffman, Jeff Duncan, and Erik Paulsen on ongoing and planned OIG projects in Afghanistan.

## **CONGRESSIONAL MANDATES AND REQUESTS**

On October 24, 2012, OIG received a request from Representative Bill Posey for a list of major activities in which OIG was involved, including the total amount of funding expended carrying out these activities, the number of “activity units” and the unit cost of each activity. Similar letters were sent to all 73 Federal inspectors general. In its response, OIG provided a breakdown of expenditures in FY 2012 by office, as well as those in the Middle East by country.

On November 2, 2012, OIG received a request from Senator Rand Paul to investigate allegations of staff misconduct at the U.S. Consulate General in Naples, Italy. In its response, OIG noted that the complaints were referred to the appropriate offices in the Department and that the complainants were provided contact information for the offices to which the complaints were referred.

As mandated by the Chief Financial Officers Act of 1990 (Public Law 101-576, as amended), OIG directed and monitored the following financial statement audits:

- *Independent Accountant’s Report on the Application of Agreed-Upon Procedures: Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management* (AUD-FM-13-01)
- *Independent Auditor’s Report on the U.S. Department of State 2012 and 2011 Special-Purpose Financial Statements* (AUD-FM-13-07)
- *Independent Auditor’s Report on the U.S. Department of State 2012 and 2011 Financial Statements* (AUD-FM-13-08)
- *Management Letter Related to the Audit of the U.S. Department of State 2012 and 2011 Financial Statements* (AUD-FM-13-09)
- *Independent Auditor’s Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2012 Financial Statements* (AUD-FM-13-10)

- *Management Letter Related to the Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2012 Financial Statements* (AUD-FM-13-11)
- *Independent Auditor's Report on the Broadcasting Board of Governors 2012 and 2011 Financial Statements* (AUD-FM-IB-13-12)
- *Management Letter Related to the Audit of the Broadcasting Board of Governors 2012 and 2011 Financial Statements* (AUD-FM-IB-13-13)

As mandated by the Federal Information Security Management Act of 2002 (44 U.S.C. § 3545), OIG issued the following reports:

- *Audit of International Boundary and Water Commission, United States and Mexico, U.S. Section, Information Security Program* (AUD-IT-13-15)
- *Audit of Department of State Information Security Program* (AUD-IT-13-03)
- *Audit of the Broadcasting Board of Governors Information Security Program* (AUD-IT-IB-13-04)

In compliance with the Improper Payments Elimination and Recovery Act of 2010, OIG issued the following reports:

- *Audit of Department of State FY 2012 Compliance With Improper Payments Requirements* (AUD-FM-13-23)
- *Audit of Broadcasting Board of Governors FY 2012 Compliance With Improper Payments Requirements* (AUD-FM-IB-13-24)

To fulfill its responsibilities under the William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008 (Public Law 110-457), OIG submitted a summary of activities and findings related to trafficking in persons for the period January 1, 2012, to December 31, 2012, to the Committee on Armed Services of the Senate, the Committee on Foreign Relations of the Senate, the Committee on Armed Services of the House of Representatives, and the Committee on Foreign Affairs of the House of Representatives.

As requested by the House Oversight and Government Reform Committee, OIG provided information about the five highest priority, unimplemented recommendations made by our office—both short-term and long-term—as well as the manner in which the U.S. Department of State and the Broadcasting Board of Governors solicit our input to improve efficiency and reduce waste.

## LEGISLATION MONITORED

OIG monitored the following legislation during the reporting period:

- *Continuing Appropriations Act, FY 2013 – H.J. Res. 117*
- *Department of State, Foreign Operations, and Related Programs Appropriations Act, 2013, S.3241*
- *Department of State, Foreign Operations, and Related Programs Appropriations Act, 2013, H.R.5857*
- *Senate Foreign Relations Authorization Act for Fiscal Years 2012-13, Section 406, S. 1426*
- *Foreign Relations Authorization Act, Fiscal Year 2013, Section 201, H.R. 6018*
- *Trafficking Victims Protection Reauthorization Act*
- *National Defense Authorization Act for FY 2013, S. 3254, Blumenthal Amendment on Trafficking in Persons and Section 860, Wartime Contracting Reform Act of 2012*
- *End Trafficking in Government Contracting Act of 2012, H.R. 4259*

## MEDIA RELATIONS AND OUTREACH

During this semiannual period, OIG made its reports available to the media and other interested parties both directly and online through regular postings on its public Web site (<http://oig.state.gov>). OIG sent out over 50 announcements through its Twitter account, “tweeting” to a base of more than 1,450 “followers” when new reports or jobs were posted or when OIG participated in a congressional hearing. OIG also has more than 6,400 users signed up to receive alerts when new material is posted.

OIG continues to improve its Web sites, responding to user feedback to enhance utility and performance. Recent enhancements include providing user-friendly instructions on submitting Freedom of Information Act requests and reformatting the homepage. OIG added a new webpage established by the OIG Whistleblower Protection Ombudsman for the purpose of educating agency employees on whistleblower protection in accordance with the Whistleblower Protection Enhancement Act of 2012.

Internal SharePoint site enhancements included the addition of several new Innovative Practice (IP) case studies; an additional IP category highlighting “Green Initiative” achievements; and the posting of OIG’s “Global Inspection Prioritization Questionnaire,” used to assist inspectors in evaluating the performance of U.S. missions worldwide.

Media expressed interest in a broad range of OIG activities and initiatives, resulting in 23 direct responses to 15 different issues.

Listed in order of interest, the issues that drew the greatest number of media inquiries and subsequent reports were the following:

- *Inspection of the Broadcasting Board of Governors* (ISP-IB-13-07)
- OIG's response to a congressional request from Senators Lieberman and Collins to "conduct a thorough investigation of the Department's development of security requirements for the Benghazi consulate, as well as the resource decision-making process to provide security for this post."
- *Review of Overseas Security Policy Board Exceptions and Secure Embassy Construction and Counterterrorism Act of 1999 Waivers* (ISP-I-13-06)
- *Review of Best-Value Contracting for the Department of State Local Guard Program and the Utility of Expanding the Policy Beyond High-Threat Posts in Iraq, Afghanistan, and Pakistan* (AUD/CG-12-27)
- *Evaluation of Local Guard Force Contract for Embassy Islamabad and Consulates General Karachi, Lahore, Peshawar* (AUD-MERO-12-46)
- *Summary of the OIG Report on the Department's Implementation of Mantraps* (ISP-I-09-29)

Additional inquiries and media coverage included the status and findings of OIG's "FY 2013 OIG Work Plan"; *Inspection of the Bureau of Diplomatic Security, Office of Investigations and Counterintelligence, Divisions of Special Investigations, Criminal Investigations, and Computer Investigations and Forensics* (ISP-I-13-18); *Inspection of the Bureau of Administration, Global Information Services, Office of Information Programs and Services* (ISP-I-12-54); *Inspection of Embassy Madrid, Spain, and Constituent Posts* (ISP-I-12-52A); *Inspection of Embassy Luxembourg, Luxembourg* (ISP-I-11-17A)/ *Compliance Followup Review of Embassy Luxembourg, Luxembourg* (ISP-C-13-05); *Audit of Department of State Information Security Program* (AUD-IT-13-03); inquiries regarding the contractor suspension and debarment process; and several inquiries about possible OIG investigations.

**Foreign Delegations:** OIG regularly meets with officials from around the world to discuss a range of issues related to government oversight. During this SAR period, OIG met with representatives from the Jiangsu Provincial Supervision Department (China). Topics of discussion included the following: key responsibilities of OIG; OIG's organizational structure and staffing; report methodology and compliance; transparency; and reporting responsibilities to Congress and the Department.

# ABBREVIATIONS

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<b>Abbreviation</b>	<b>Full Name</b>
AEB	after-employment benefits
AQM	Office of Acquisitions Management
ASEAN	Association of Southeast Asian Nations
BBG	Broadcasting Board of Governors
CFC	Combined Federal Campaign
CGFS/PSU	Bureau of the Comptroller and Global Financial Services, Post Support Unit
CME	Continuing Medical Education
COR	contracting officer's representative
CSSP	connections system support program
DCAA	Defense Contract Audit Agency
DCM	deputy chief of mission
Department	Department of State
DOD	Department of Defense
DOI	Department of the Interior
DS	Bureau of Diplomatic Security
EAP	emergency action plans
ECA	Bureau of Educational and Cultural Affairs
EFM	eligible family member
FAR	Federal Acquisition Regulation
FISMA	Federal Information Security Management Act of 2002
FOIA	Freedom of Information Act
FSI	Foreign Service Institute
Global Fund	Global Fund to Fight AIDS, Tuberculosis, and Malaria
HR	Bureau of Human Resources
IBB	International Broadcasting Bureau
ICASS	International Cooperative Administrative Support Services
INV	Office of Investigations
IP	Innovative Practice
ISN/NDF	Bureau of International Security and Nonproliferation, Nonproliferation and Disarmament Fund
LE	locally employed
MED	Office of Medical Services

<b>Abbreviation</b>	<b>Full Name</b>
NATO	North Atlantic Treaty Organization
OBO	Bureau of Overseas Buildings Operations
OIG	Office of Inspector General
ONDCP	Office of National Drug Control Policy
OPE	Office of the Procurement Executive
OPM	Office of Personnel Management
OSPB	Overseas Security Policy Board
PEPFAR	President's Emergency Plan for AIDS Relief
RFA	Radio Free Asia
RIMC	Regional Information Management Centers
RSO	regional security officer
S/GAC	Office of the U.S. Global AIDS Coordinator
SECCA	Secure Embassy Construction and Counterterrorism Act of 1999
SIGAR	Special Inspector General for Afghanistan Reconstruction
SIGIR	Special Inspector General for Iraq Reconstruction
SLS	School of Language Studies
TIP	trafficking in persons
USAID	United States Agency for International Development
USEFP	United States Educational Foundation in Pakistan
USIBWC	International Boundary and Water Commission, United States and Mexico, U.S. Section
USIP	United States Institute of Peace
USOECD	U.S. Mission to the Organization for Economic Cooperation and Development
VOA	Voice of America
WCL	workers' compensation leave
WPS	Worldwide Protective Services

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UNITED STATES DEPARTMENT OF STATE  
AND THE BROADCASTING BOARD OF GOVERNORS  
*OFFICE OF INSPECTOR GENERAL*