United States Department of State

Office of Inspector General

Semiannual Report to the Congress

October 1, 1991 to March 31, 1992

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The Inspector General

Washington, D C. 20520

April 30, 1992

MEMORANDUM

TO: The Secretary

FROM: OIG - Sherman M. Funk

SUBJECT: Semiannual IG Report, October 1, 1991-March 31, 1992

Because so much of our work is necessarily *ex post facto*, it is widely perceived that the mission of an Office of Inspector General is not to enter the field until after the smoke of battle has cleared, at which time we shoot the wounded.

I suspect that this perception reflects our pursuit of accountability.

When our auditors or inspectors report significant mismanagement, waste, or abuse and when our investigators or auditors find fraud, we try to identify both the vulnerabilities that allowed the problems to develop and, if appropriate, the parties responsible. In the latter case, depending upon our findings, we may refer the matter to the Director General of the Foreign Service and Director of Personnel for possible administrative action or to the Department of Justice for possible criminal and/or civil action. That is what accountability is all about. If this is "shooting the wounded," so be it.

But the Inspector General Act requires that we *prevent* as well as *detect* waste, fraud, and abuse. I take both parts of our job very seriously. If we can prevent problems from arising, indeed, if we can do no more than keep little problems from becoming big ones, we make a contribution to the Department that may well be every bit as important as our other work.

To be sure, there are no arrests in preventive activity, no convictions, no suspensions. Because funds usually have not been committed when we look at something up front, there rarely are even any savings. Prevention therefore doesn't produce statistics; at least not the kind of statistics that look good in a report.

What it does produce, based on the evidence, is more efficient and effective operations. Which is why we are increasing our efforts to "prevent."

Our new Special Operations Review Team approach, described on page 3, is one case in point.

The subject report is required by the Inspector General Act of 1978, as amended, and covers the work of my office during the period indicated. The Inspector General Act requires that you transmit this report to the appropriate committees of the Congress within 30 days of its receipt, together with any comments you may wish to make.

Attachment

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Major Problems in the Department of State

Since publication of the last semiannual report, I have identified three additional issues that merit inclusion among the Department's most serious management and operational problems.

1. Changing foreign policy priorities in a post-cold-war world. The dissolution of the Soviet Union, the growing economic power of the Pacific Rim and Western Europe, the democratization efforts in Africa, and the move by many countries to market economies present a new international environment to which the Department must adapt at a time when budget constraints have limited its ability to react. It needs to readjust its cold-war priorities toward greater emphasis on trade and investment issues and toward nontraditional areas of diplomacy, such as human rights and humanitarian needs, nonproliferation, narcotics, refugees, the environment, and terrorism. The Department recognizes the need for changes in focus as well as the limited resources it will have available. To adapt, it will need to demonstrate greater flexibility in reducing costs through closure of some posts, reduced staffing at others, and additional reallocations of resources, especially toward more extensive and rigorous training of its personnel to deal with the new priority issues.

2. Managing an expanding consular workload. Changes in U.S. immigration laws, unchecked demand worldwide for consular services, and deteriorating consular facilities abroad confront the Department with a critical management problem. The Bureau of Consular Affairs has been aggressive and imaginative in trying to meet the growing workload with current resources. It needs to do more, however, in such areas as greater geographic centralization of consular services, an enhanced role for consular agents, greater use of Civil Service personnel in overseas visa work, preventing and detecting visa fraud, and expanded employment of American family members in consular operations at posts.

3. Managing interagency overseas administrative support costs. Since World War II, the Department has provided administrative support services to other U.S. Government agencies at U.S. missions overseas. In 1977, the Foreign Affairs Administrative Support (FAAS) system was established as the principal mechanism for providing such support to more than 50 Federal agencies on a reimbursable basis. The FAAS system requires large investments of time and effort to administer, management controls are weak, regulations are outdated, some high-cost administrative activities are provided without charge, and there is no adequate accounting methodology in place to capture the costs of individual reimbursable services. As a result, in some cases the Department is insufficiently reimbursed; in others, tenant agencies have estabished duplicative administrative support systems. The Department so far has been unsuccessful in obtaining legislation that would permit distribution of the entire cost of all overseas support services to participating agencies.

In addition to these three new issues, the major problems identified in the last semiannual report continue to represent vulnerabilities that need the Department's priority attention. They are:

4. Defense trade controls. The Department's control of munitions exports—required by the Arms Export Control Act—is deficient in several critical aspects.

5. The State Department personnel system. Serious shortcomings include excessive staffing gaps overseas, deficiencies in training, forced retirement of needed officers, a poorly integrated Civil Service component, and flawed procedures for setting Foreign Service National (FSN) employee salaries.

6. Financial management systems. They are duplicative and do not provide adequate data on which to base funding decisions and to control effectively the allocation of funds. The Department has recognized these shortcomings and is giving them aggressive attention.

7. Managing the security of U.S. personnel, information, and facilities overseas. An imbalance remains between resource availability and security requirements. Changes such as the dissolution of the Soviet Union and increasing crime rates call for reassessments of the nature of security threats and for reconsideration of the types of protection needed at posts abroad.

8. Repair and maintenance of overseas real property. Years of neglect have allowed too many U.S. facilities abroad to fall into serious disrepair.

9. Visa and passport fraud. Management controls and oversight must be strengthened in consular sections abroad and in passport agencies at home to reduce pervasive fraud.

10. Major systems acquisitions. Improved procedures are needed to define system requirements; to establish internal controls; and to evaluate the necessity, feasibility, and priority of major systems acquisitions.

Sherman M. Funk
Inspector General

I. Executive Summary

During this period, the Office of Inspector General (OIG) concentrated much of its audit work on areas identified by the Inspector General as major vulnerabilities of the Department, while inspection work focused largely on Europe and the Pacific Ocean area. OIG issued reports based on 16 audits, 21 inspections, and 8 compliance followup reviews, of which 2 audits, 4 inspections, 2 followup inspections, and 1 followup audit were completed by the Office of Security Oversight. The Office of Investigations closed 97 cases and opened 74, and investigations resulted in 24 indictments, 15 convictions, and governmentwide suspension of a contractor.

Most Significant Inspector General Findings

Interagency cooperation. Inspections of the Republic of the Marshall Islands and of the Federated States of Micronesia, former trust territories of the United States, found that massive injections of U.S. funds (to total approximately $2 billion between 1986 and 2001) in grants and other assistance are producing little progress toward self-sufficiency. Part of the problem has been the absence on the scene of a full-time representative of the Department of the Interior, the agency charged by legislation with monitoring the use of U.S. funds. The Department of the Interior proposed assigning a resident representative, but it structured the position in a manner that conflicted with the ambassador's statutory responsibilities as chief of mission. In a meeting with senior Department of Interior officials, the Inspector General found that Interior was willing to place its representative's position clearly under the authority of the ambassador, providing that the Department of State concurrently would reduce some of its reporting requirements; together, these steps would ease the bureaucratic impasse. Similarly, in New Zealand, inspectors urged correction of a potential extent-of-authority problem involving the ambassador in Wellington and the National Science Foundation operation at the Antarctic support base in Christchurch. A third interagency issue arose during inspections in several other small Pacific island states. Inspectors found a need for better coordination between the regional office of the Agency for International Development (AID) and the embassies in the area in establishing and pursuing development objectives.

Defense trade controls. Auditors examined the effectiveness of the Office of Defense Trade Controls in carrying out the provisions of the Arms Export Control Act of 1986; i.e., registering exporters of military items and technology, approving or denying export license applications, monitoring the end use of exports to ensure compliance with the law, and imposing penalties when violations occur. The audit found marked improvement in the office's registration of exporters and in its handling of export applications. It disclosed, however, that the office's monitoring and control responsibilities were not being adequately performed. It found further that the office had not told senior Department officials of alleged violations of the act so that they might inform Congress as required by law.

Antinarcotics programs. An audit of the Department's drug control activities in Bolivia found that the Bureau for International Narcotics Matters (INM) needs to improve interagency coordination at the field level,

Awards for Management Excellence

OIG is pleased to note those instances in which the Department is performing with special distinction. In March the Secretary congratulated four embassies selected by the Inspector General as the best managed posts among those inspected during the past 12 months:

Embassy Dar Es Salaam for trimming costs, motivating staff, and reordering U.S. priorities and development assistance efforts in Tanzania to reflect current realities and for its dedication to excellence;

Embassy Helsinki for demonstrating how a thinly staffed overseas mission should manage resources in a time of scarcity and for its excellent administrative support to U.S. posts in the former Soviet Union during a period of turmoil and transition;

Embassy Manila for effective policy management, for running a tightly managed organization, and for reacting with consummate professionalism to natural disasters, terrorist assassinations, and attempts to overthrow the host government; and

Embassy Panama City for developing a well-conceptualized embassy work plan, for improving post morale, and for fostering exceptionally close coordination and cooperation among the embassy's various agency components in assisting in the reconstruction of post-Noriega Panama.

clarify the role of the Bolivian army, and reconsider plans to acquire additional helicopters for the program. The auditors recommended that the Department closely monitor Bolivian organizations receiving U.S. funding and assess the quality of human rights training for U.S. and Bolivian counternarcotics personnel. The Inspector General subsequently testified before two committees of the Congress on the findings of this audit (see sidebar, page 13).

Financial management. Several OIG audits disclosed continuing financial management deficiencies in the Department. A followup to a 1988 study found that despite improved controls and procedures, the Department's domestic cashier operations remain susceptible to loss and misappropriation. Examining the domestic vendor payment process, auditors found that weak internal controls and faulty invoice payment systems resulted in estimated late payment interest penalties of $1.6 million, owed but not paid, over and above the $1.8 million in penalties reported paid by the Department in 1990. An audit found that, because of faulty pay policies and billing practices, the Department paid, and was reimbursed by the Arms Control and Disarmament Agency, about $708,000 for language services that were never provided. Lapses in operational controls over FSN compensation by the Regional Administrative Management Center (RAMC) in Paris resulted in $2.8 million in questionable payments at six posts serviced by the center; auditors concluded that the $291-million FSN payroll paid through the Paris center was vulnerable to fraud and erroneous payments. OIG inspectors in Germany found a number of financial management irregularities, including the Financial Management Center's handling of FSN insurance benefits.

Information resource management. A 1990 audit questioned the Department's decision to develop a new Foreign Affairs Information System to improve the management of and access to information within the Department at a cost estimated by the Department at $220 million and by OIG at $355 million. During this semiannual period, the Department cancelled further development of the program.

Procurement and property management. Reviewing procedures for shipping employee household effects to overseas posts, auditors found, among other questionable practices, that for one sample period the Department had paid 70 percent more for transportation and packing services than it would have paid using the "international through government bill of lading" method favored by the Department of Defense.

An audit of the Department's management of overseas real estate found inadequate procedures to determine real property needs worldwide; a lack of systematic accounting of the proceeds of sales; and no consistent policy for disposing of surplus, underused, and uneconomical properties. OIG inspectors found work seriously impaired by inadequate office facilities at embassies in Fiji and Papua New Guinea.

Security. During this semiannual period, OIG completed an audit of the process whereby the Bureau of Diplomatic Security determines security threat levels at U.S. diplomatic and consular posts worldwide, levels which, in turn, determine the application of security standards and the allocation of security resources to those posts. While the bureau had improved the process, described as essentially sound, the security auditors found areas where further improvements were desirable, including broader sharing of the threat information that is developed.

Inspector General Establishes Special Operations Review Team

In February 1992, the Inspector General established a new unit within OIG, the Special Operations Review Team (SORT). Its charter: to react rapidly on a worldwide basis to management and operational issues needing quick assessment and resolution to avert, if possible, their developing into critical problems.

The team is comprised of a small group of experienced auditors selected for their broad knowledge of the Department's operations. As circumstances warrant, it may be supplemented from time to time by attorneys, investigators, inspectors, program analysts, and retired State Department personnel with specialized knowledge.

Partial impetus for the creation of the new team was an appeal to the Inspector General in the winter of 1991 by an American ambassador in Europe for help in improving the management of the embassy's resources. The result was a highly successful visit to the post by one of OIG's most experienced senior officers. The officer helped post leadership identify both systemic and specific management problems and work out an action agenda to resolve them. In a message of appreciation to the Inspector General, the ambassador described the visit as invaluable in assisting the post to redefine priorities and to make better use of its talented American and FSN staff. The ambassador suggested that the Inspector General might want to offer the same assistance to other posts.

In its brief existence, the SORT has already been asked to help set up effective management controls systems at nine new posts in the Commonwealth of Independent States; to assist Embassy Port-au-Prince, Haiti, in dealing with emergency evacuation issues; and to review longstanding administrative problems at Embassy Maputo, Mozambique. In addition, it has responded to a request from Congress to the Inspector General to review the hiring of U.S. citizens by international organizations to which the United States makes large contributions.

II. Investigations

Office of Investigations activities during this period included several innovations by the Office of Inspector General. For the first time, Department of Justice attorneys used the Hobbs Act in prosecuting a major visa fraud case, arguing that consular FSN employees had extorted money from the families of prospective immigrants under color of official right. Convictions under the Hobbs Act carry a maximum prison sentence of 20 years, in contrast to visa fraud convictions, which carry a maximum penalty of 5 years. Another significant investigation called on the Bureau of Alcohol, Tobacco, and Firearms (BATF), the Drug Enforcement Administration (DEA), and the Naval Investigative Service (NIS) for assistance in a case involving theft of weapons and narcotics by Department employees. Precedent was set in another case, involving overbilling, submission of false claims, and other abuses of regulations, when the Department suspended a contractor and three codefendants. This was the first suspension of a contractor undertaken by the Department that would preclude sales by the contractor to the U.S. Government. Debarment proceedings are now under way following the criminal conviction of the defendants.

During this period, OIG investigators opened 74 cases and closed 97, resulting in 50 administrative and 80 judicial actions and $200,719 in fines and recoveries.

Visa Fraud

South Asia: A task force consisting of Immigration and Naturalization Service special agents and deputized OIG agents completed an investigation during this semiannual period of a nationwide visa fraud ring, which resulted in the arrests of six persons in four states. The investigation determined that three former or current FSN employees at a U.S. embassy in South Asia were involved in supplying information obtained from visa applications to conspirators in the United States, who would then demand cash payments from the applicants' relatives before the visas were issued.

With technical assistance from the DEA, the investigating team videotaped one suspect in Virginia accepting $10,000 to ensure issuance of a fraudulent visa. The suspect was arrested and agreed to plead guilty to one count of racketeering and to assist in the investigation in return for dismissal of other charges. The suspect provided valuable information, but fled the United States after being released on bond. Extradition proceedings have been initiated.

The information provided resulted in a videotaped payoff in New York City and the arrest of a second suspect for racketeering. This suspect provided information that led to a third videotaped payoff in Florence, South Carolina, and the arrest of a former FSN consular investigator, who accepted $7,000 for a fraudulent visa. At the same time, OIG agents in California arrested another former FSN consular investigator, implicated in the scheme through telephone calls monitored with the consent of other suspects.

The investigation culminated in October 1991, when a third FSN consular investigator, then employed by the embassy, was arrested upon entry into the United States and indicted on four counts of conspiracy, corruption, and visa fraud. Three of the suspects, including the third FSN consular investigator, pleaded guilty to violations of the Hobbs Act (interference with commerce by threats, under color of official right). Sentencing is pending.

Theft and Embezzlement

Africa: An FSN personnel specialist was dismissed and has agreed to repay stolen funds through withholding of all entitlements due from the Department after an OIG investigation confirmed the theft of employment tax payments to the local national health care and retirement system. The payments were made to the FSN in cash by embassy employees on behalf of their domestic workers. The FSN retained the cash rather than passing the payments on to the host government. The full amount of the theft is being determined by the embassy with the cooperation of local authorities.

Europe: In late 1988, OIG was notified of a possible embezzlement of funds by an FSN cashier at a small U.S. consulate. Investigation determined that more than $19,000 was missing. A complaint was forwarded to the local police, and judicial action was instituted. In November 1991, following a 3-year court case, the employee was convicted of embezzlement, and full restitution was ordered. Because of an unusual facet of the host country's judicial system, the defendant has one year in which to make restitution before the criminal sentence is handed down.

Southeast Asia: At the request of the Office of Inspector General of the United States Information Agency, OIG initiated an investigation into a loss of embassy cashier funds. The investigation disclosed that an FSN cashier had stolen funds and property in the amount of $3,892 by negotiating financial instruments provided to the embassy as payment for the sale of U.S. Government property. The cashier also altered expenditure receipts and records to increase the amount of money reimbursed for official expenditures and removed a refrigerator from the principal officer's residence during the officer's absence. OIG recovered $2,462 and referred the matter to local authorities for prosecution.

Alexandria, Virginia: A Department employee, entrusted with time-and-attendance records, pleaded guilty to one misdemeanor count of theft after an OIG investigation disclosed that the employee had submitted fraudulent time-and-attendance claims worth $5,400. The employee agreed to resign from the Department, make full restitution, and pay any fines assessed by the court. Sentencing is pending.

OIG Pamphlet on the Investigative Function

The Office of Inspector General has a long history in the Department of State, dating back to 1906. Prior to legislation enacted in 1986, its role was limited to carrying out periodic inspections of the conduct of foreign relations by posts abroad and an occasional audit of some financial management issues. The 1986 legislation not only enhanced greatly the audit function of the office, it also added a new investigative function, one not traditionally associated with the Department's Inspector General and, as a result, less well understood by employees.

To explain its investigative activities, in March 1992 the OIG issued for wide distribution to employees in the United States and abroad a pamphlet on the investigative process. The pamphlet is designed to acquaint employees with the manner in which investigations are conducted, the types of situations that may warrant investigation, and the ways in which employees may assist OIG in this process. To allay employee fears of the new function, the pamphlet places great emphasis on spelling out OIG's commitment to protecting the rights of employees, to carrying out its investigations with minimal intrusion into their privacy, and to safeguarding the confidentiality of complainants. The pamphlet informs employees that they can expect equal treatment from the Office of Investigations regardless of rank or position in the Department, and it highlights the Inspector General's promise that:

. . .my staff and I are committed to the concept of accountability. If we find that someone has knowingly violated a law or standards of ethical conduct. . .we will recommend prosecution or disciplinary action. We will, with equal vigor, work to clear the name of any employee who is improperly accused.

Employee Rights and Responsibilities in an OIG Investigation

Employee Rights

Employees who become involved in an OIG investigation have the right to expect the investigator to behave with integrity and impartiality and to be polite, tactful, and considerate during any questioning. Anyone interviewed also has the right:

- to be informed whether he or she is the subject of a criminal investigation or is being interviewed simply as a witness;
- to be informed of the nature of the inquiry being conducted; to be told whether the investigation could lead to criminal, civil, or administrative action; and to have an attorney or union representative present;
- to be advised of his or her Federal constitutional rights and any rights as an employee of the Department of State; and
- to furnish a voluntary statement free from promises, threats, pressure, or coercion of any kind or, if the subject of a criminal investigation, to make no statement at all.

Employee Responsibilities

Employee cooperation is essential to the success and fairness of OIG investigations. By assisting OIG in carrying out its investigative function, employees help to maintain public confidence in the integrity and efficiency of Department operations. The Foreign Affairs Manual (2 FAM 135) describes employee and management responsibilities with respect to OIG investigations. They include:

- promptly reporting information concerning possible violations of laws or regulations or instances of waste and mismanagement and refraining from initiating independent inquiry into such matters;
- providing assistance and information requested by OIG special agents in the conduct of official investigations and special inquiries; and
- avoiding discussion or disclosure of investigative information to unauthorized parties or to the subjects of inquiries.

Washington, D.C.: Information from an anonymous informant alleged that a Department employee was embezzling funds through misuse of a government credit card and was receiving drugs at work. The employee's duties included delivering narcotics samples to the DEA laboratory, and an OIG investigation revealed that a number of the samples were missing. OIG special agents subsequently observed the subject transferring several boxes from a U.S. Government vehicle to a private vehicle driven by a Department contract employee. Investigators discovered that the boxes contained automatic weapons used by the Department for dignitary protection and embassy security programs.

The U.S. Attorney's office was notified, and OIG agents were appointed as special deputy U.S. marshals. Other agencies, including BATF, DEA, and NIS, assisted in an elaborate "sting" operation employing sophisticated electronic tracking devices. Both suspects were arrested by OIG agents and subsequently were charged in a 32-count indictment for conspiracy, theft of government property, possession of stolen and unregistered firearms, and possession of narcotics. On January 21, 1992, the contract employee pleaded guilty to three counts of the indictment; sentencing is pending, as is trial of the second subject.

- On December 18, 1991, OIG received information that a Department employee had been involved in a theft from an Arlington, Virginia, store. The investigation determined that the employee had fled the scene in a U.S. Government vehicle. OIG had conducted an investigation of the same employee in 1988 for misuse of a motor vehicle, which resulted in a 30-day suspension without pay. An arrest warrant was issued by Arlington County, and, on December 20, 1991, OIG special agents assisted police in arresting the employee. The employee's security clearance was suspended, and the employee was subsequently placed on administrative leave. On January 23, 1992, the employee pleaded guilty in Arlington County General District Court to one count of petty larceny. The court issued a second arrest warrant on March 3, when the employee failed to appear for sentencing. OIG forwarded a recommendation for administrative action to the Director of Personnel, and the employee was discharged from Federal service on March 6.

- In October 1991, OIG received information that a laptop computer capable of processing classified information was for sale at a pawn shop in Woodbridge, Virginia. The machine was recovered and identified as belonging to the Department of State. Investigation disclosed that the machine had been pawned by the spouse of a Department contract employee. The case was referred for prosecution to the U.S. Attorney for the Eastern District of Virginia, and arrest warrants were issued for the employee and spouse based on a complaint filed by OIG special agents. The spouse was arrested by U.S. marshals on November 6, 1991, and the employee surrendered the next day. On March 4, 1992, each was indicted by a Federal grand jury on a single count of theft. Trial is pending.

Employee Crime

Europe: A regional security officer notified OIG that an FSN supervisory procurement specialist was suspected by local police of soliciting a bribe from a local business representative in return for embassy business. OIG investigation disclosed that the employee had received approximately $2,000 as a "loan" from the business representative after the employee had made it clear that there would be no procurement orders from the embassy unless the money was paid. Further investigation determined that the subject had similar arrangements with other vendors conducting business with the embassy. During an interview with investigators, the employee acknowledged having financial arrangements with various vendors, but denied that they were related to the employee's position at the embassy. Local authorities declined to prosecute the case, but in October 1991, the embassy dismissed the employee for cause.

Near East: Assisted by the regional security officer, OIG investigators determined that a Foreign Service communicator at an overseas post had used embassy telephones to make $11,300 worth of unauthorized, personal long-distance calls, using technical expertise to obscure responsibility for the calls. The employee pleaded guilty to three counts of theft and was sentenced to three years' supervised probation, fined $500, and ordered to make full restitution. As part of the plea agreement, the employee resigned from the Department.

South Asia: An OIG investigation of alleged improprieties on the part of an FSN maintenance supervisor and other FSN administrative employees disclosed a criminal conspiracy to defraud the U.S. Government. With assistance from a vendor, the employees would purchase expensive, high-quality lumber using embassy purchase orders and would then replace it with inferior stock. The quality lumber was then used for private jobs by a local contractor. The maintenance supervisor and the contractor were dismissed for cause, and stolen property worth approximately $8,500 was recovered. Prosecution of the contractor and the vendor was pursued with the assistance of local law enforcement authorities;

An OIG agent with laptop computers, printers, video and other equipment seized during recent investigations. (Photo: Edward Anderson) prosecution of the maintenance supervisor was declined. The contractor pleaded guilty to three counts of theft and three counts of aiding and abetting and making a false instrument and was sentenced to one year of probation. Prosecution of the local vendor on one count of theft of property and one count of false accounting is pending.

Fraud

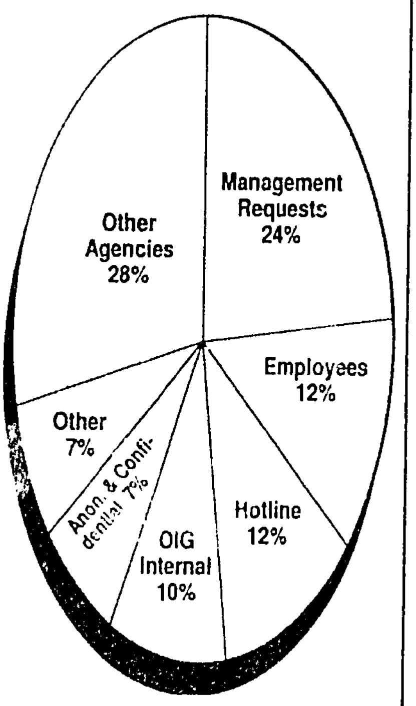
Alexandria, Virginia: A special agent of the Bureau of Diplomatic Security (DS) pleaded guilty in U.S. District Court to a misdemeanor charge involving false travel vouchers. The officer claimed to have paid $1,500 per month for temporary lodging while, in fact, staying with relatives. Under the terms of the plea agreement, the officer made restitution of $5,135.38, was placed on probation for 1 year, and was fined $500. On March 10, 1992, the officer received a 60-day disciplinary suspension notice.

• Information received from the Department's Office of the Legal Adviser alleged that a Department contractor had offered bribes and gratuities to Department employees involved in procurement activities and had submitted false statements to conceal violations of the terms of the contracts. OIG investigation disclosed that the contractor had submitted false documentation to conceal use of foreign flag air carriers in violation of the Fly America Act, as well as false vouchers charging inflated weights for overseas shipments, resulting in overpayments of $65,000. No evidence of bribery was found.

On December 1, 1991, the U.S. Attorney's Office for the Eastern District of Virginia handed down a 51-count indictment charging the contractor and three officers of the corporation with conspiracy to defraud and with submitting false claims and false statements. The Department's Office of the Procurement Executive subsequently suspended the company from U.S. Government contracting and subcontracting, pending the completion of legal proceedings.

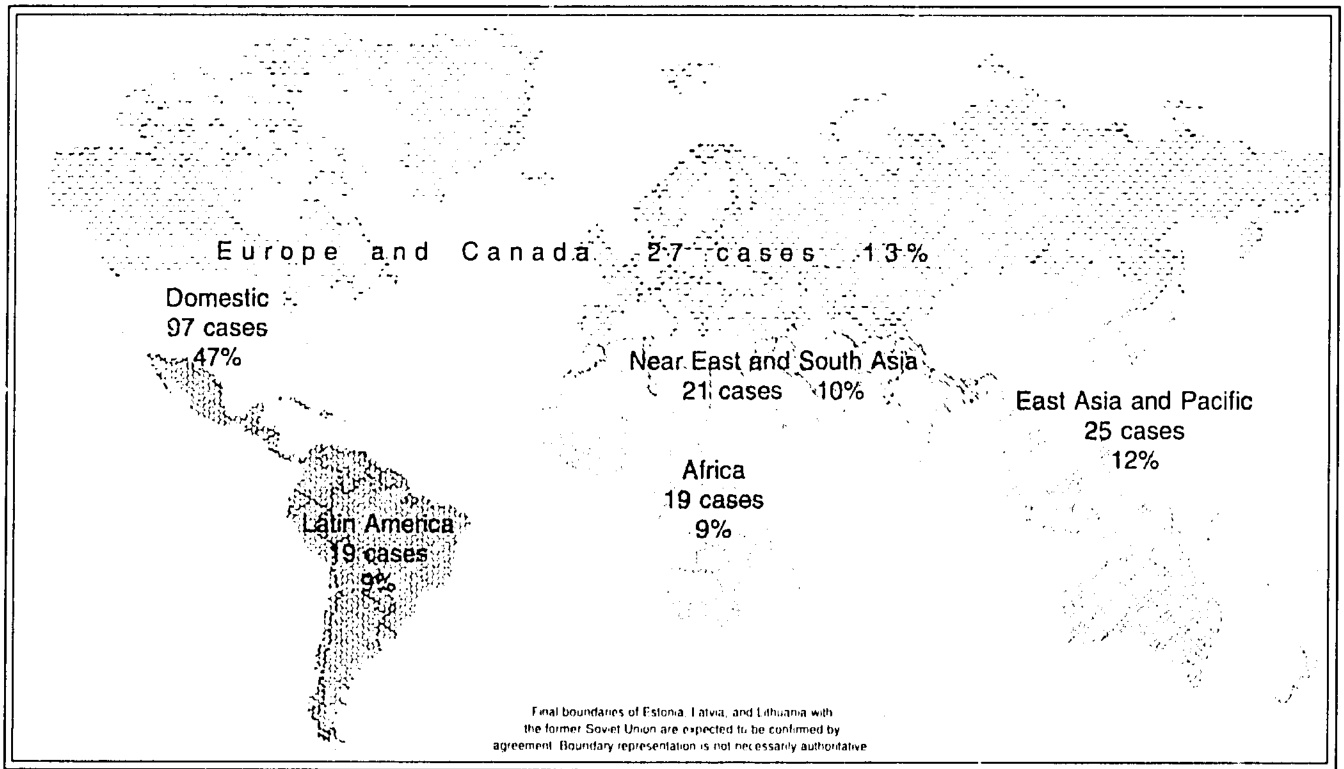
On March 4, 1992, the company, its vice president, and its secretary-treasurer each pleaded guilty to a single count of conspiracy to defraud the U.S. Government. As part of the negotiated plea agreement, the company agreed to make restitution totaling $174,859, including $21,859 in damages and $29,000 in compensation for the costs of the investigation. Charges were dismissed against the president, who agreed to guarantee full restitution by the company. Formal sentencing is pending. Based on the convictions, the Office of the Procurement Executive has agreed to initiate full debarment proceedings against the company and its officers.

Sources of OIG Allegations



Near East: In May 1990, OIG received allegations that several FSN administrative supervisors, as well as some of their subordinates, were accepting kickbacks from local vendors. A review of embassy receipts forwarded to the RAMC in Paris for payment confirmed that FSN employees were certifying invoices that were filled out in the same handwriting, although purportedly from different businesses, and were repeatedly certifying the same type and quantity of goods for purchase by the embassy. During the OIG investigation, conducted in September 1991, local vendors admitted having paid "commissions" to FSN employees, and the employees subsequently admitted having knowingly certified invoices for goods not received by the embassy. As a result of the investigation, six FSN employees were dismissed for cause.

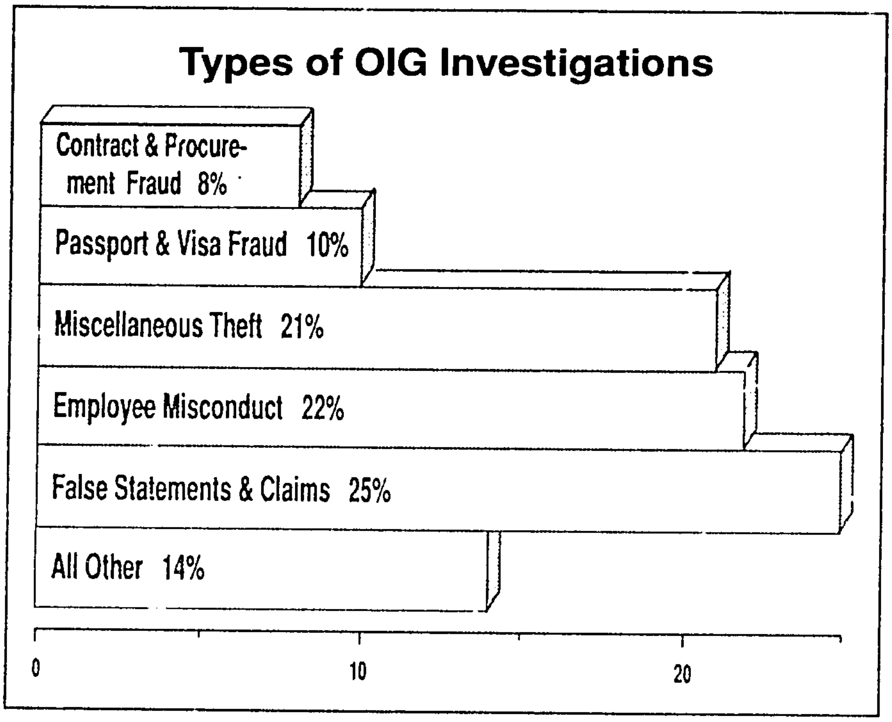
Geographic Distribution of Investigations



Fayetteville, North Carolina: An unemployed, 25-year-old civilian contacted more than 30 corporations and businesses throughout the United States, claiming to be a representative or purchasing agent for the U.S. Department of State. A joint investigation by OIG, BATF, and the Federal Bureau of Investigation found that more than $200,000 worth of products, ranging from weapons to automobiles, furniture, and appliances, were successfully solicited by telephone under the pretext that they were to be evaluated for eventual purchase by the Department of State. The calls were "confirmed" by facsimile transmission, using stationery bearing a counterfeit Department letterhead and seal. Under a plea agreement, the civilian pleaded guilty to all counts relating to weapons violations, impersonation, and wire fraud, with a maximum penalty of $1 million in fines and 25 years' imprisonment. Sentencing has been scheduled for May 18, 1992, at the U.S. District Court for the Eastern District of North Carolina, Fayetteville Division.

False Claims

Europe: A contract local guard supervisor was dismissed and a demand for refund was made to the contractor after an OIG investigation determined that the supervisor had submitted false daily time reports, concealing the absences of guards. Under the terms of the contract, accurate reports would have resulted in amounts withheld from contract payments for services not provided. The demand for refund included credit for 336 hours of guard services. Additional hours, yet to be determined, were charged for nonexistent employees who, according to the claims submitted by the subject, worked from 16 to 24 hours a day. Embassy staff is calculating the full amount to be recovered.



Washington, D.C.: Undertaken in response to information that a Foreign Service officer at a diplomatic post in Asia had submitted false claims in applying for separate maintenance allowance benefits, an OIG investigation revealed questionable and complex custody arrangements and false statements submitted to support the employee's claim. The U.S. Attorney's Office declined prosecution because the statute of limitations was about to expire. The case was referred to the Department's Office of Finance and Management Policy (FMP), which determined that the employee was not entitled to benefits received totaling $16,340. The employee, by then retired, appealed the FMP decision, which was reaffirmed by FMP's Committee of Inquiry on Fiscal Irregularity. The Department initiated collection procedures to recover the loss from the employee's lump sum retirement annuity. A grievance against this action, filed by the employee, was recently referred by FMP to the General Accounting Office for a decision by the Comptroller General.

Employee Misconduct

South Asia: During an unrelated investigation at an embassy in South Asia, information surfaced indicating that an FSN supervisor in the embassy's general services office might have awarded casual labor contracts to a nonexistent construction company. An investigation disclosed that the FSN had awarded five contracts, worth approximately $1,000, to a plumbing company owned and operated by a family member. The contracts were awarded without post management's approval by circumventing the required bidding process and were paid from the embassy's petty cash fund. The embassy relieved the employee of all supervisory duties and issued a letter of reprimand; the employee will be mandatorily retired in June 1992.

Sentencings from Previously Reported Investigations

The following judicial actions have taken place in connection with investigations reported in last period's semiannual report.

Caribbean: On January 17, 1992, a former regional security officer was sentenced in U.S. District Court to 27 months in a Federal prison and 2 years' probation following conviction for violations of the Arms Export Control Act (AECA) and acceptance of bribes.[1] After the conviction in September 1991, OIG had recommended that the Department immediately suspend the officer without pay. Despite an earlier position that the officer could not be placed in nonpay status prior to sentencing, the Department's Legal Adviser informed the Bureau of Personnel in November 1991 that amendments to the Foreign Service Act now permitted suspension of Foreign Service officers upon conviction. In January 1992,

[1] See page 17, *Office of Inspector General Semiannual Report to the Congress, April 1 to September 30, 1991.*

however, OIG learned that the Bureau of Personnel still had not acted on the matter. Finally, on March 30, the bureau initiated action to place the employee in nonpay status, pending discharge proceedings.

Pacific: An FSN employee convicted of theft of government funds from the post imprest account[2] was sentenced to 5 years' probation, a $100 fine, and 100 hours of community service. Prior to sentencing, the employee repaid the $1,675 loss and was dismissed from the cashier position.

OIG Hotline

The OIG Hotline, operated by the Office of Investigations, is a prompt, effective, confidential channel for Department employees and others to report incidents of waste, fraud, abuse, and mismanagement to the Inspector General. The Hotline number is (202) 647–3320. Sensitive or classified information can be reported on Model III secure telephones. Written information may be sent to: Office of Inspector General Hotline, U.S. Department of State, P.O. Box 19392, Washington, D.C. 20036–9392. Cables to the Inspector General should be slugged "OIG Channel—State" to ensure confidentiality. Further details on the Hotline, including a list of other Department offices to contact in resolving administrative problems, are provided in a Hotline brochure available from the Office of Inspector General. Offices and individuals may request copies of the brochure by calling (202) 663–1996 or by writing to Hotline Pamphlet, OIG/PPM/PRA, Room 1434, SA–1.

Significant Investigations Resulting from Hotline Allegations

Rosslyn, Virginia: A Hotline-initiated investigation resulted in the arrest in October 1991 of a Department employee and a civilian accomplice for theft of U.S. Treasury checks and conspiracy to defraud. The defendants entered guilty pleas in U.S. District Court for the Eastern District of Virginia. On December 6, the former employee was sentenced to 18 months' imprisonment, 3 years of supervised release, a $50 special assessment, and restitution of $20,023; the accomplice received a sentence of 10 months' imprisonment, 3 years of supervised release, a $50 special assessment, and restitution of $15,494.

Washington, D.C.: The Department reprimanded an employee for creating the appearance of a conflict of interest by using professional position for personal gain. The employee, a licensed real estate agent, denied using an office database to identify and locate Department employees as potential clients, but did acknowledge assisting employees temporarily assigned to the Washington, D.C., area in obtaining housing. Initiated by a Hotline complaint, the investigation disclosed that the employee had referred and rented to Department employees residential properties personally owned or managed by the employee. The case was declined for prosecution by the Department of Justice in favor of administrative remedies available to the Department. On December 2, 1991, the Bureau of Personnel proposed a 30-day suspension, but reduced it to a letter of reprimand on appeal.

• A September 1991 investigation resulting from a Hotline complaint found that a contract employee was using Department equipment and materials to counterfeit and sell Metro transportation passes. The case was referred for prosecution to the U.S. Attorney for the District of Columbia, but was declined in favor of administrative action. The employee was dismissed from the contract.

Hotline Activities

The following table provides a summary of Hotline activity during this semiannual reporting period.

Total allegations received	**91**
Held for action within OIG	81
Referred to other offices for action	3
Not substantiated	7

OIG's office of Plans, Reports, and Analysis responded to 38 additional appeals to the Inspector General for assistance in reviewing or resolving problem situations.

[2] See page 20, *Office of Inspector General Semiannual Report to the Congress, April 1 to September 30, 1991.*

III. Audits

During this reporting period, the Office of Audits reexamined several of the Department's major problem areas, as reported by the Inspector General in previous semiannual reports. In the area of financial management, for example, auditors reported again on the Department's cashier operations, on its compliance with the Prompt Payment Act, and on the payment of compensation to FSN employees and contract language instructors. In the consular area, the Office of Audits continued its review of U.S. domestic passport agencies. It also issued reports on antinarcotics activities, on the Department's defense trade controls, and on its procedures for acquiring and disposing of real property overseas, all serious problem areas of the Department. One important earlier audit initiative came to fruition in this reporting period when the Department reported that it was cancelling further development of a multimillion dollar program questioned by OIG in a May 1990 report (see sidebar, p. 22). The Office of Audits visited 40 locations and issued 14 audit reports during the 6-month period under review. External auditors completed 21 audits.

Consular and International Programs

Defense Trade Controls

The Bureau of Politico-Military Affairs, Office of Defense Trade Controls, (PM/DTC) administers provisions of the AECA involving the control of commercial exports of certain U.S. munitions. PM/DTC is responsible for registering exporters; granting, denying, suspending, and revoking export licenses; monitoring end use and compliance with other AECA-related regulations; and imposing penalties where violations occur.

An audit of PM/DTC operations showed that procedures relating to the registration of exporters and the timely disposition of export license applications have been markedly improved. However, the audit found significant problems in procedures for monitoring the end use of arms exports. For example, the auditors found that guidance and information provided to overseas posts to assist them in carrying out end-use checks is inadequate and that the full effectiveness of end-use checks is compromised by a policy, applied to one country, of accepting government-to-government assurances.

In addition, PM had received many intelligence reports of alleged violations of the AECA and of the International Traffic in Arms Regulations by one major recipient country, but did not initiate reports of these to Congress as required by the AECA. The Inspector General discussed this matter with the Secretary, who immediately directed the Deputy Secretary to:

- verify the audit findings;
- issue a new policy directive governing reports of violations to Congress; and
- inform Congress of the reported violations.

The audit report contains recommendations intended to resolve problems associated with PM/DTC's end-use monitoring operations and to address PM's failure to perform its reporting responsibilities under the AECA. Given the continuing problems in PM/DTC operations, the Inspector General continues to list defense trade controls among the major management problems of the Department.

Drug Control Program in Bolivia

The Bureau for International Narcotics Matters has primary responsibility for developing, carrying out, and monitoring U.S. international drug policy and for coordinating the activities of all Federal agencies involved in narcotics control overseas. A March 1991 OIG audit of INM's drug control activities in Bolivia, issued in both classified and unclassified versions, found that INM had significantly improved its oversight of such activities since an earlier (1988) audit. However, at the working level there were continuing deficiencies in the program. The auditors found:

- fragmentation and lack of coordination among U.S. law enforcement and intelligence agencies in field operations, resulting in reduced program effectiveness;
- insufficient Department and embassy management controls over inventory, vehicles, and personnel;
- unclear links between program objectives and riverine drug interdiction efforts in the field;
- unclear mission for the Bolivian military in the drug fight;
- underuse of Department-owned helicopters (causing OIG to question the acquisition of additional helicopters scheduled to arrive over the following 18 months); and
- little progress as yet in economic assistance programs designed to move farmers away from coca production, although these programs were just beginning to take effect at the time of the audit.

The auditors made recommendations to address these deficiencies.

Domestic Passport Operations

The 13 domestic passport agencies under the Department's Bureau of Consular Affairs, Office of Passport Services (CA/PPT), are responsible for issuing passports to U.S. citizens for travel abroad and as proof of identity and nationality. In FY 1990, the agencies issued more than 3.7 million passports and collected more than $127 million in passport fees.

An OIG audit of domestic passport operations at five of the agencies (New Orleans, Philadelphia, Los Angeles, Washington, D.C., and New York[1]) and at the central passport supply vault in Washington, D.C., found deficiencies in controls and accountability for passports and passport fees. For example, OIG auditors identified 185,000 more blank passports in the central vault than were accounted for by inventory records. Guidance for cashiering operations

[1] Because of the seriousness of the deficiencies found, the results of the reviews of the Washington, D.C., and New York offices were issued in separate reports, which were discussed in the last semiannual report (April 1 to September 30, 1991, page 24).

Inspector General Testifies on Antinarcotics Program in Bolivia

In appearances before the House Committee on Government Operations (October 1991) and the Senate Subcommittee on Terrorism, Narcotics, and International Operations (February 1992), the Inspector General reported on OIG's audit of the effectiveness of the Department's antinarcotics program in Bolivia. In prepared statements, Mr. Funk noted OIG's concern over:

- the long-standing fragmentation and lack of coordination among U.S. agencies in field operations in Bolivia (despite improved coordination at interagency and Embassy La Paz levels);
- the cross-border expansion of illicit cultivation, processing, and trafficking of drugs and the need for a more comprehensive regional approach to combat it;
- the need for the Departments of State and Defense to clarify the role and function of Defense Department personnel in supporting the counternarcotics program in Bolivia; and
- the need for improvements in Bolivian infrastructure projects, for reduced impediments to Bolivian exports into the United States, for more effective narcotics eradication activities in the field, and for provision of more realistic credit and other financial incentives to persuade Bolivian farmers to turn to alternative crops.

was incomplete, misinterpreted, and carried out inadequately; controls at some agencies failed to ensure that all fees collected were deposited; rejected and spoiled passports were not properly accounted for; and examiners did not always follow correct procedures for passport adjudication. As a result, passports and fees were vulnerable to loss, misuse, and theft, with little likelihood of detection.

The audit also found insufficient CA bureau management oversight of the agencies, deficiencies in the quality and type of training provided to passport examiners, and insufficient attention to providing travel advisory information to the public. The report recommended that CA reassign to CA/PPT the responsibility and authority for oversight of the agencies' cashiering function and that CA perform periodic reviews of passport operations at the agencies. It also suggested improvements by the bureau in the information, guidance, and training opportunities provided to passport personnel.

The audit cited several matters that will require long-term solutions or significant additional resources, including a reconciliation of fees collected and passports issued and automated checks to avoid multiple passport issuance. Because these issues are already being addressed by CA management, they were not the subject of formal recommendations.

Audit Reports Issued

Consular and International Programs

Defense Trade Controls
Domestic Passport Operations
Drug Control Activities in Bolivia
Eagle Aviation Services and Technology, Inc.
Hebrew Immigrant Aid Society's Accounting Controls and Reporting
Politico-Military Affairs Automated Data Processing Upgrade Project

Departmental Support Programs

Review of FY 1991 Advisory and Assistance Services

Financial Management

Contract Language Services for Geneva Arms Control Delegations
Domestic Cashiering Audit
Domestic Vendor Payments and Compliance with the Prompt Payment Act

Information Management

Managing FSN Compensation at RAMC Paris and Serviced Posts

Property Management and Procurement

Acquisition and Disposition of Real Estate Overseas
Review of Lobbying Activities
Shipment of Household Effects Overseas

Bureau of Politico-Military Affairs Automated Data Processing Upgrade Project

This audit examined the management and effectiveness of improvements to PM's automated data processing system. These upgrades were initiated to improve the efficiency of the Department's arms control licensing system, which has been cited by Department management as a material weakness and by the Inspector General as one of the major management problems of the Department of State

In 1988, PM accepted a proposal from Wang Laboratories, Inc., to develop software for a new export licensing system. However, the bureau failed to evaluate the proposal in accordance with Department standards and guidelines for software procurement and used an improper funding source to pay for the software. Despite an expenditure of $947,215 in development costs, the software package provided by the contractor failed to meet the bureau's needs, resulting in a waste of Department funds and delays in improving licensing procedures. Following failure of the contractor-designed system, PM and Department systems specialists developed a new software system that proved effective in improving the Department's export licensing operations.

The audit report criticized the bureau for failure to conduct the initial procurement in keeping with Department guidelines and for the resulting waste of funds. It also recommended that use of the funding source be limited to authorized purposes, that some of the unused equipment purchased from Wang be returned for a credit or refund, and that PM properly document its software program.

Hebrew Immigrant Aid Society

An OIG audit evaluated selected aspects of the accounting and financial reporting systems of the Hebrew Immigrant Aid Society (HIAS) and organizations that assisted HIAS in resettling refugees in the United States. The audit found that because the Bureau for Refugee Programs (RP) had not provided adequate guidance, HIAS did not accurately report the funds expended by the organization. Its financial reports attributed to the RP program nearly all costs of the HIAS office in New York, although the office also performed services not related to RP programs. HIAS also did not comply with the terms of the cooperative agreements that required its officials to use bureau funds solely for resettling refugees in the United States, to assign a fair share of overhead costs to each of its activities, to submit reports on unspent funds at the end of each fiscal year, and to obtain written approval from RP prior to traveling outside the United States. The audit further found that RP lacked the data on overhead expenses to determine if HIAS's costs equaled or exceeded the funding provided by RP and to establish a sound basis for per capita payments to HIAS. As a result, the Department had little or no assurance that the funds provided to HIAS and associated agencies were being used for the purposes intended by the Congress.

The auditors recommended that RP:

- clarify the purpose of its financial reports and issue specific guidance to private voluntary agencies on the information to be included in them;
- reiterate to HIAS the terms of the cooperative agreements;
- require HIAS to provide reports that would permit comparison of its overhead costs to the RP per capita payment; and
- develop a cost allocation method that identifies expenses incurred for activities unrelated to RP programs.

Department Support Programs

Review of FY 1991 Advisory and Assistance Services

As required by Office of Management and Budget (OMB) Circular A–120 and 31 U.S.C. 1114, OIG completed its annual evaluation of the Department's progress in establishing management controls over the use of advisory and assistance services, valued at $23 million in FY 1991, and in improving the accuracy and completeness of contract information provided to the General Services Administration's Federal Procurement Data System. The auditors concluded that the Department has continued to decrease its reliance on appointed experts and consultants. It also has formulated new policies and procedures to control the use of contracted advisory and assistance services, but it has not always adhered to them. In addition, because of errors in the accounting system, the Department does not have an accurate account of the amounts obligated and expended for advisory and assistance services, and the costs reported to Congress of services for appointed experts and consultants have been significantly inflated. Development of the Department's worldwide procurement database should substantially improve its reporting capabilities. The auditors also recommended that the Department ensure use of correct object codes so that accounting records would accurately reflect expenditures for advisory services.

Financial Management

Contract Language Services for the Geneva Arms Control Delegations

The Department of State's Office of Language Services (A/OPR/LS) pays the contractors that provide language services for arms control delegations in Geneva, Switzerland, and then bills the Arms Control and Disarmament Agency (ACDA) for these services. During this semiannual period, OIG auditors issued a report disclosing that the Department had a long-standing, unwritten policy of paying language contractors working for the Geneva arms control delegations for weekend days on which they did not work, although the contracts stipulated that payment would be made only for services rendered. As a result, from October 1988 to December 1990, the Department paid, and was reimbursed by ACDA, about $708,000 for services it did not receive. Furthermore, contractors were paid on the basis of documents prepared by A/OPR/LS, rather than being required to submit signed invoices for their services as stipulated in their contracts.

If these management controls weaknesses are not corrected, the Department and ACDA will continue to pay for services not rendered, costing the government as much as $475,000 a year.[1] The auditors recommended that the terms of all contracts be stated clearly in writing and conform to Federal Acquisition Regulation requirements, that contractors be required to submit invoices for their services in order to receive payment, and that internal controls over time-and-attendance procedures and records be strengthened. They also recommended that the Department and ACDA prepare an interagency agreement to govern payment and other arrangements for contract language services.

Domestic Cashiering Audit Followup

A followup audit of domestic cashiering operations evaluated Department action on recommendations from previous audits and assessed the effectiveness of Department efforts to correct deficiencies.

The audit found that less than 17 percent of the required verifications of the imprest fund were being performed. Cash advances of the cashiers reviewed were $143,000 (340 percent) in excess of levels needed, and travelers check inventories also were excessive. Furthermore, management controls and record keeping were inadequate to safeguard Department funds and travelers checks. The accountability of several cashiers for the funds under their control could not be determined because of inaccurate, incomplete, and disorganized records; and there were inadequate controls to ensure that all funds collected were deposited. In addition, fewer than half of the Department's domestic cashiers had received formal training. As a result of these deficiencies, Department resources continue to be susceptible to embezzlement, fraud, and misuse.

The auditors recommended:

- revisions to the Foreign Affairs Manual (FAM) to define responsibility for unannounced imprest fund verifications and to require formal training and examinations for Department cashiers; and
- improvements in management controls and record keeping for cashier advances, collections, and travelers check inventories.

[1] The amount of $475,000 does not appear in the audit report on contract language services issued to the Department of State. It was drawn from ACDA audit report 2-FM-002, *Overseas Resources Management*, which was the basis for the State Department report.

Domestic Vendor Payments and Compliance with the Prompt Payment Act

This audit evaluated the Department's procedures for processing domestic vendor payments to determine if controls were adequate to prevent duplicate payments, overpayments, and payments in excess of amounts obligated and to review procedures for tracking compliance with the Prompt Payment Act. The audit found a variety of weaknesses including failure to record the date that invoices were received, to match invoices with contracts and receiving reports, to return defective invoices, and to train staff on requirements of the act. During FY 1990, these deficiencies resulted in:

- duplicate payment of vendor invoices;
- payment of approximately $450 million without appropriate documentation;
- payment of approximately $757,000 in interest penalties that could have been avoided had defective invoices been properly returned to the vendors;
- payment of $1.8 million in unnecessary interest payments and an estimated $1.6 million in additional interest owed but not paid; and
- erroneous payment of $73,000 to the Department of the Navy.

OIG recommended that FMP expedite its conversion to a single automatic vendor payment operation, train staff to identify and return defective invoices, require that procedures are followed for matching invoices with contracts and receiving reports, and pursue the recovery of monies erroneously paid.

Information Management

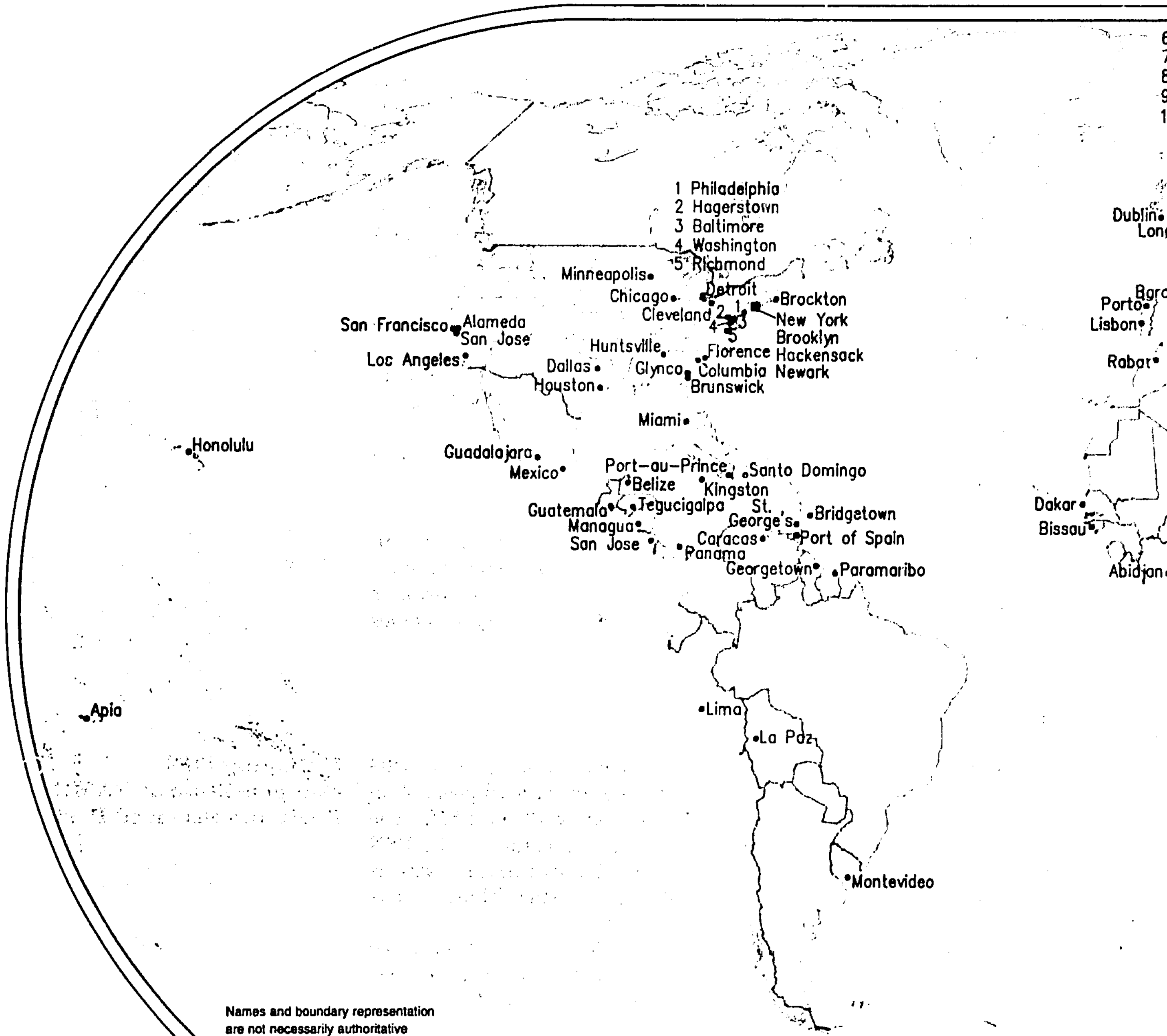
Managing FSN Compensation at RAMC Paris and Serviced Posts

In the first of a series of audits of the FSN compensation process, OIG reviewed the management by RAMC Paris and its serviced posts of an estimated payroll of $291 million for approximately 17,000 FSNs. The audit evaluated the effectiveness, efficiency, and accuracy of the FSN compensation process and determined that the administrative infrastructure was inadequate to manage the payroll process at RAMC Paris and its serviced posts.

The absence of adequate policies and procedures at RAMC Paris led to significant lapses in operational controls that left the FSN payroll system vulnerable to fraud. This resulted in erroneous payments including issuance of paychecks to FSNs no longer employed; incorrect implementation of a post compensation plan, resulting in overpayments of at least $175,000; and overpayment of social security contributions to a foreign government.

Serviced posts were cited for not managing payroll operations effectively and for establishing compensation plans that did not reflect prevailing local practice and that were inadequate, ambiguous, and difficult to interpret. Ineffective payroll management had resulted not only in improper payments to FSNs, but also in inequitable treatment of third-country nationals (TCNs) and inadequately controlled cash payments to FSNs and daily hires. The audit identified $2.8 million in improper payments at six posts.

The audit recommended that the Department establish documentation for the RAMC Paris compensation system before making further enhancements or installing the system at other RAMCs.



Names and boundary representation are not necessarily authoritative

Locations of OIG Activities, (

Algeria, Algiers
Australia, Brisbane
Canberra
Melbourne
Perth
Sydney
Austria, Vienna
Bahrain, Manama
Barbados, Bridgetown
Belgium, Antwerp
Brussels
Belize, Belize
Bolivia, La Paz
Bulgaria, Sofia
Burma, Rangoon
Burundi, Bujumbura
Central African Republic, Bangui
China, Beijing
Guangzhou
Shanghai
Costa Rica, San Jose
Cote d'Ivoire, Abidjan
Czechoslovakia, Prague
Dominican Republic, Santo Domingo
Egypt, Cairo
Fiji, Suva
Finland, Helsinki
France, Paris
Germany, Berlin
Bonn
Frankfurt
Hamburg
Munich
Stuttgart
Ghana, Accra
Greece, Athens
Grenada, St. George's
Guatemala, Guatemala
Guinea-Bissau, Bissau
Guyana, Georgetown
Haiti, Port-au-Prince
Honduras, Tegucigalpa
Hong Kong
Hungary, Budapest
India, Agra
Bombay
New Delhi
Indonesia, Jakarta
Ireland, Dublin
Italy, Rome
Jamaica, Kingston
Japan, Tokyo
Laos, Vientiane
Luxembourg, Luxembourg
Malawi, Lilongwe
Marshall Islands, Majuro
Mexico, Guadalajara
Mexico
Micronesia, Kolonia
Morocco, Rabat
Netherlands, The Hague
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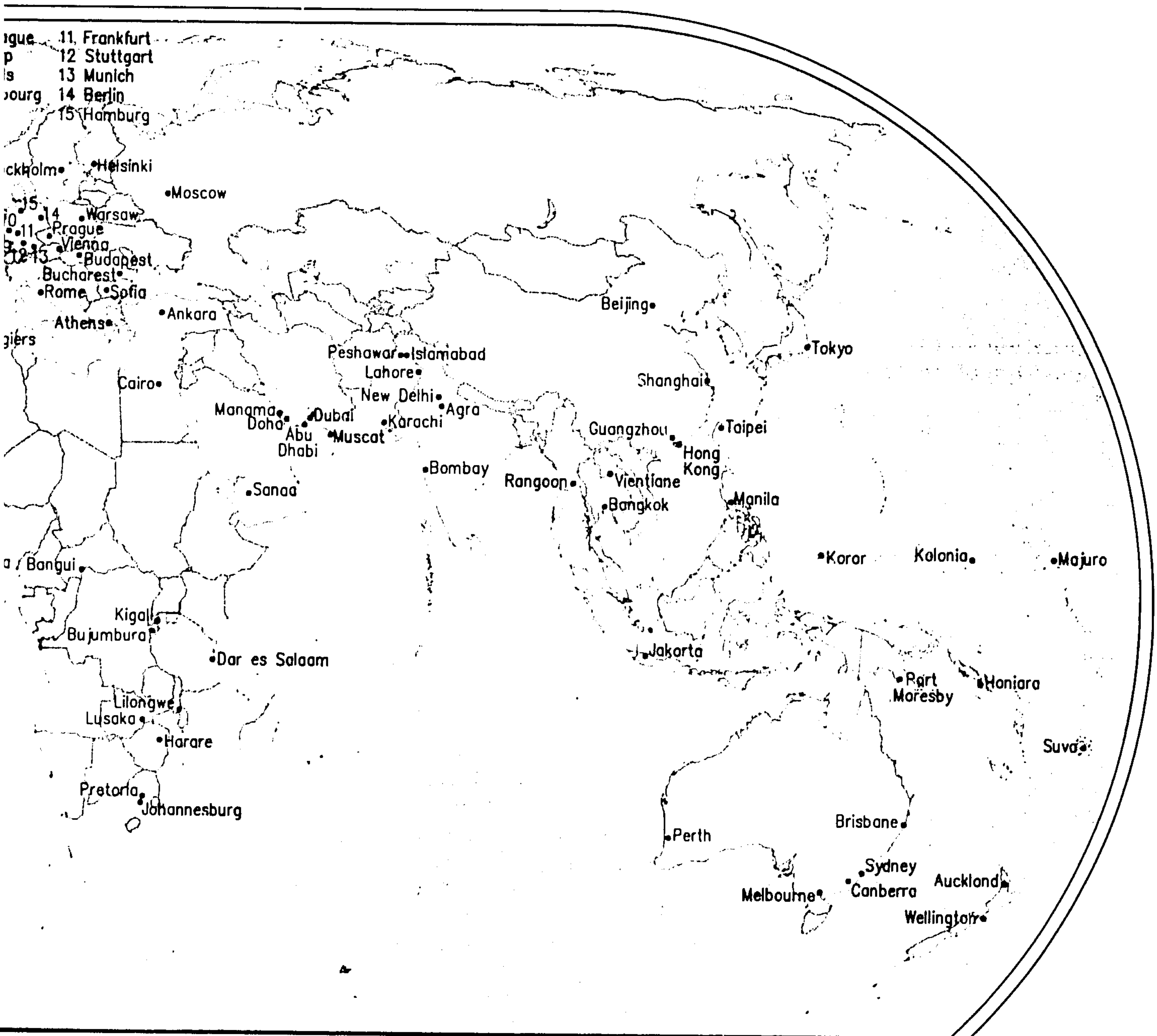

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Suriname, Paramaribo
Sweden, Stockholm
Taiwan, Taipei
Tanzania, Dar es Salaam

Thailand, Bangkok
Trinidad and Tobago, Port of Spain
Trust Territory of the Pacific Islands (Palau), Koror
Turkey, Ankara
United Arab Republic, Abu Dhabi
Dubai
United Kingdom, London
United States, Alameda, CA
Baltimore, MD
Brockton, MA
Brooklyn, NY
Brunswick, GA
Chicago, IL
Cleveland, OH
Columbia, SC
Dallas, TX
Detroit, MI
Florence, SC
Glynco, GA
Hackensack, NJ
Hagerstown, MD
Honolulu, HI
Houston, TX
Huntsville, AL
Los Angeles, CA
Miami, FL
Minneapolis, MN
New York, NY
Newark, NJ
Philadelphia, PA
Richmond, VA
San Francisco, CA
San Jose, CA
Washington, DC
Uruguay, Montevideo
Venezuela, Caracas
Western Samoa, Apia
Yemen, Sanaa
Zambia, Lusaka
Zimbabwe, Harare

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Other recommended corrective actions included:

- promulgating policies and procedures to control access to the system, to ensure the accuracy of data entered into the system, and to administer payments made to FSNs, TCNs, and daily hires;
- establishing effective processes for quality assurance; and
- developing a standard format for FSN compensation plans.

Property Management and Procurement

Acquisition and Disposition of Real Estate Overseas

An audit of the Department's acquisition and disposition of overseas real estate determined that Department funds were not directed to the highest real property needs in every case and that the Department may have paid more than necessary for some property or may have sold other property for less than market value. They also found that the spending authority of the Office of Foreign Buildings Operations (A/FBO) had been misstated, and that A/FBO had been vulnerable to exchange rate fluctuations and delayed access to funds.

The auditors recommended that the Department:

- require posts to identify and prioritize real property needs;
- take appropriate action with respect to surplus, uneconomical, or underused properties;
- justify acquisition prices that exceed appraised values;
- ensure the accuracy of A/FBO's spending authority; and
- review questionable transactions in light of the Anti-Deficiency Act and make appropriate accounting adjustments.

Shipment of Household Effects to Overseas Locations

OIG conducted an audit to determine whether the international through government bill of lading (ITGBL) method, which is the primary moving method used by the Department of Defense, would be an efficient and cost-effective means of shipping Department of State employees' household effects (HHE) from Washington, D.C., to overseas posts. The Department currently uses the more expensive direct procurement method, gives only a 10-percent weight to cost in awarding packing and storage contracts, and allows employees to select from among the Department's 10 approved contractors without regard to cost.

Differences in standards, practices, and volume of business between the Departments of State and Defense did not allow precise projection of cost savings. However, analysis of 62 of the more than 5,000 overseas shipments by the State Department in FY 1990 found that the Department paid up to 70 percent more for HHE transportation and packing services than the Defense Department would have paid for similar moves. Furthermore, by allowing employees to select contractors without regard to cost, the Department paid $438,500 more for packing costs during a 3-month period than it would have if the lowest cost contractor had been used.

Special Review of Paris Employee Association Thefts

In 1990 the Embassy Paris Employee Association experienced an unusually large inventory loss and a corresponding decrease, quantified at $78,000, in its gift shop profits, resulting from employee fraud and theft. At the embassy's request, a special review was undertaken by OIG to document how the thefts had occurred and how the association's vulnerabilities might be reduced. OIG found that the thefts had most likely taken place when the primary suspect did not ring up transactions (special order deposits and sales) in the cash register and kept the money. OIG found further that the association needed to strengthen internal controls, including more employee training, better cash management, frequent surprise cash counts, and restricted employee access to safes. OIG advised embassy and association officials to comply with the sections of 6 FAM 500 pertaining to the operations of employee associations. The embassy is taking corrective action on these issues, and the theft has been referred to French law enforcement authorities.

The auditors recommended that the Department:

- adopt, as soon as possible, an ITGBL approach for overseas shipments of HHE;
- rebid its domestic packing and storage contracts on the basis of price competition;
- discontinue allowing employees to select their domestic packing and storage contractors; and
- begin selecting companies from its current contractors on the basis of lowest cost.

The Department has begun a test program of the ITGBL approach, which would eliminate employee selection of contractors, and has agreed to begin assigning contractors for individual moves on the basis of cost and other relevant factors.

Review of Lobbying Activities

This congressionally mandated annual audit evaluated the Department's compliance with and the effectiveness of the statutory provisions for "Limitation on Use of Appropriated Funds to Influence Certain Federal Contracting and Financial Transactions" (31 U.S.C. 1352, *et. seq.*). The audit found that offerers and awardees of several of the Department's real property acquisition and other contracts are not executing required certifications and, thus, are in technical violation of the law. Auditors had no basis for concluding that the law had been effective in bringing about the disclosure of lobbying activities related to the Department's contracts, grants, and cooperative agreements.

The report recommended that the Department:

- disseminate guidance to all procurement personnel, explaining the legislation and specifying that its disclosure requirements apply to real property acquisition contracts;
- require heads of contracting activities to implement additional controls to ensure compliance with the law and to obtain appropriate certifications for ongoing actions executed after the law's effective date; and
- revise the model contracts in the FAM and the Overseas Procurement and Contracting Handbook to incorporate the required certifications.

Audit Recommendations Without Management Decision

Financial Management

One recommendation remains unresolved from the January 1990 audit report *Expenditures from the Appropriation for Emergencies in the Diplomatic and Consular Services for Fiscal Years 1986, 1987, and 1988.* It called on the Department to establish a separate checking account for funds collected from members of the diplomatic corps in Washington, D.C., for services provided by the Department's Office of Protocol; e.g., transportation to special events. It stated further that excess funds collected for such services should either be refunded or be turned over to the Treasury as miscellaneous receipts. The Office of Protocol has informed OIG that it does not intend to refund the excess funds or to deposit them to the Treasury. It plans to use the excess collections to pay for future activities of the diplomatic corps. OIG is continuing to work with management officials to resolve this disagreement.

OIG Audit Leads to Cancellation of Expensive Program

In a May 1990 audit report,[2] OIG questioned whether the Foreign Affairs Information System (FAIS) program, then under development, offered a cost-effective solution to the need for a centralized storage and quick retrieval system to handle the huge amounts of information that the Department receives and transmits. The auditors found that the Department had seriously understated the full cost of the program and, at the same time, had overstated its expected benefits. The audit recommended that the Department suspend the project, validate the need for it, and perform a new cost-benefit analysis, using proper methodology.

In November 1991, the Department notified OIG that it had cancelled further development of the FAIS program. The Department estimates that this will free $220 million for better use. Based on estimates developed during the audit, OIG believes the amount will be closer to $355 million.

[2] See pages 7–8. *Office of Inspector General Semiannual Report to the Congress, April 1 to September 30, 1990.*

Five recommendations remain unresolved from the September 1990 audit report *Foreign Currency Management.* Two called for the Department to enforce a Treasury Department requirement that foreign currency investments be deposited to operating accounts before additional foreign currency is purchased. The Department maintains that Treasury has waived this requirement but has not provided documentation to support its claim. Three other recommendations in the report had previously been resolved, but were changed to unresolved during this reporting period. They proposed that the Department establish a central database of foreign currency information, that it consolidate foreign currency procurement, and that it establish an automated cash management system wherever foreign currency banking accounts are used. Despite the Department's earlier agreement with the recommendations, its recent responses to OIG reveal that no progress has been made on these issues; scheduled completion dates have been moved years into the future for reasons that have not been fully explained. OIG is working with management officials to resolve these recommendations.

One recommendation remains unresolved from the December 1990 audit report *Compliance with Appropriation Law for Temporary Duty Travel Overseas.* It proposed that the Department change the way funds from one fiscal year can be used for travel in the next. The recommendation is unresolved because of disagreement over the definition of what constitutes commencement of travel. OIG requested a ruling from the Comptroller General on August 13, 1991. When that decision is received, OIG will transmit it to FMP and seek to resolve the recommendation.

Four recommendations remain unresolved from the September 1991 audit report *Accounts Receivable Function Within the Department of State.* They urge the establishment of a quality control process over data incorporated into the accounts receivable system, verification of salary advances each pay period, review of employee files for complete and accurate information, and logging and reconciling certifications of deposits. FMP's response, issued January 30, 1992, did not address these recommendations adequately. OIG has asked FMP to provide additional information by April 1992 in order to resolve the recommendations.

One recommendation remains unresolved from the September 1991 audit report *Overseas Cashiering Operations Audit Followup.* It called on the Department to provide cashiers automated programs or cash registers to expedite collections, generate prenumbered receipts, and produce collection activity reports. Management subsequently obtained copies of computer-based, automated cashiering programs already in use at some posts abroad and produced a summary analysis of these programs. It has not, however, taken any further action on the recommendation, explaining that it has inadequate resources to do so and promising to revisit the issue in FY 1993. OIG holds that, as an interim measure, the Department should draw on its previous analysis and make the most efficient and economical automated program now in use available to all cashiers.

Information Management

One recommendation remains unresolved from the February 1990 audit report *Computer Equipment Maintenance.* It proposed that authority for budget and management control over computer maintenance be delegated to information systems managers at posts. The Under Secretary for Management is continuing to negotiate with the geographic bureaus and with the Office of Information Management in the Bureau of Diplomatic Security to carry out the recommendation. Resolution is expected in July 1992.

Two recommendations remain unresolved from the November 1990 audit report *Information Management Training*. One called on the Bureau of Personnel to establish a goal of informing information manager trainees of their onward assignments prior to the midterm of the course being attended. The other called for the bureau to obtain formal clearance from the geographic bureaus and other relevant offices for its revised system manager assignment procedures. The Bureau of Personnel has not responded to OIG's compliance followup on these two recommendations.

Three recommendations remain unresolved from the June 1991 audit report *Management of Major Systems Acquisitions*. They dealt with the need for written policies and procedures for carrying out major systems acquisitions, including a description of selection criteria and the role and responsibilities of major system acquisition program managers. They also urged revision of the Department's acquisition regulations to describe the roles of the Deputy Secretary and the Under Secretary for Management in managing major acquisitions. OIG has received no indication that the Department has taken any action to address these recommendations.

External Audits

During the reporting period, 21 contract audits were completed for OIG by external auditors: 17 by the Defense Contract Audit Agency and 4 by public accounting firms (see Appendix 3). The auditors reviewed $11 million of the total contract value of $11.3 million, questioned $1.9 million in cost proposals or claims, and found $0.67 million in unsupported costs.

Property Management and Procurement

Two recommendations remain unresolved from the August 1990 audit report *Embassy Dakar Procurement Practices*. They would correct the post's accounting records for deficiencies resulting from the improper obligation of $90,000 in FY 1988 for purchases that should have been charged to FY 1989. The Department is instructing Embassy Dakar to execute OIG's recommended accounting adjustments and to report any resulting overobligation. OIG has recently reminded the Bureau of African Affairs of the need for action to resolve these recommendations.

All five recommendations are unresolved from the April 1990 audit report *Year-End Spending (Phase II–Overseas)*. They would correct year-end procurement practices at overseas posts that could result in wasteful purchases. OIG has not received responses from two of the five regional bureaus to whom the recommendations were directed and has recently informed these bureaus that responses are overdue.

Eleven of the 26 recommendations remain unresolved from the September 1991 audit report *Contract Closeout Process*. They were designed to improve the Department's contract closeout procedures and could result in the deobligation of millions of dollars in unliquidated balances. OIG is analyzing the responses received from the various offices of the Department to whom the recommendations were addressed.

One recommendation remains unresolved from the July 1991 audit report *Defense Base Act Insurance Costs*. OIG recommended that the Department refrain from waiving Defense Base Act insurance coverage for contracts that involve only limited work overseas until it receives a legal opinion on whether such coverage should be waived. The Department has informed OIG that it has requested a legal opinion, but it did not indicate that it was refraining from issuing waivers in the interim.

IV. Security Oversight

In continuation of its program of security audits, inspections, and compliance followup reviews, the OIG Office of Security Oversight (OSO) during this period visited 20 embassies and constituent posts and issued two audit reports. One audit evaluated the Department's threat assessment process; the other examined the impact on posts abroad of the security inspections carried out by various U.S. agencies. In the course of its inspection activities, OSO identified security vulnerabilities at the posts it visited and recommended corrective action to eliminate or reduce them.

OSO security inspection reports are classified and are distributed on a need-to-know basis because they discuss specific security weaknesses of the Department and its posts. Their findings, therefore, are not included in this report.

Audit of the Threat Assessment Processes

Under authority of the Omnibus Diplomatic Security and Antiterrorism Act of 1986, the DS issues a semiannual (formerly quarterly) list assessing the levels of threat, in four broad categories, to the security of overseas posts. The threat levels assigned to posts are the basis for important planning and operational decisions, such as the applicability of security standards and the allocation of security resources. An OSO audit found that DS had made important advances in its threat assessment processes in recent years. The processes are essentially sound, and all participants, including overseas posts, generally agree with the threat levels DS assigns. The auditors, nonetheless, found areas where the threat assessment processes could be improved, including wider sharing of relevant threat information among the participants. The report and details of its findings are classified.

Audit of Security Inspections at Overseas Posts

This audit was undertaken to examine the quantity of inspections conducted abroad by various Federal agencies, the efficiency with which they are conducted, and the burden they place on posts. The auditors found the number of overseas security inspections not as large as often assumed. For example, security inspectors accounted for less than 15 percent of all official visits to posts in 1990. Officials at many posts considered security inspections an unjustified burden, while others considered neither the number of inspections nor the workload they imposed to be burdensome. Review of an extensive sample of security inspections found duplication of effort. Based on interviews with security officials at several agencies, the

Security Oversight Reports issued

Security Oversight Audits

The Threat Assessment Processes
Security Inspections at Overseas Posts

Security Oversight Inspections

American Embassy, Belize City, Belize
American Embassy, Algiers, Algeria, and its constituent post
American Embassy, Manama, Bahrain
American Embassy, Rabat, Morocco, and its constituent posts

Compliance Followup Reviews

American Embassy, Abidjan, Cote d'Ivoire
American Embassy, Jakarta, Indonesia
Construction Security Certification

auditors concluded that multiple security inspections will continue, because each agency considers its own security office responsible for that agency's personnel and programs at posts. The auditors recommended that the Department reduce the adverse effect of duplicative inspections by improving interagency coordination of inspections, by monitoring other agencies' security recommendations, and by encouraging agencies to share relevant information. This report is also classified.

Security Oversight Inspections

At the five embassies and their constituent posts inspected during this semiannual period, OSO found senior officials to be playing a supportive and active role in all areas of security. In fact, the principal reason for OSO's visit to one mission was a request by the ambassador for an inspection. Overall, inspectors found progress in the protection of classified and sensitive materials. However, posts need to give more attention to establishing areas in which such material may be processed, stored, and discussed. Concurrently, access into these areas needs to be more effectively controlled; in some cases, the work space of uncleared employees should be relocated.

OSO's main overseas focus this period was on posts in North Africa, the Persian Gulf area, and the Far East. Overall, physical security and general security awareness were good, reflecting both the residual effects of the Persian Gulf war and the posts' own recognition of the need to maintain strong security measures. The inspectors found effective access controls, extensive security briefings for employees and dependents, and a high state of physical preparedness at post facilities. Technical security at the inspected posts was satisfactory; only minor issues needed attention; e.g., repair and maintenance of alarms and associated systems and establishment of secure conference rooms. With crime becoming more of a problem overseas, residential security has become critical. Although residential security programs have improved, many posts need to pay greater attention to staff housing, local guard training, and emergency communications.

Compliance

Analysis of compliance with 1,372 formal recommendations in the 68 OSO reports open during this semiannual period showed that:

- final action has been completed on 496 recommendations (or 36 percent);
- management decisions have been made but final action is not completed (e.g., equipment ordered but not yet installed) on 498 recommendations (or 37 percent);
- management has not responded to 264 recommendations (or 19 percent), primarily those from recently issued reports;
- management responses are currently being analyzed on 99 unresolved recommendations (or 7 percent); and
- management responses to 15 recommendations (or 1 percent) were unsatisfactory, and these recommendations remain unresolved.

To verify compliance, OSO inspectors conducted two compliance followup reviews during this reporting period. The followup reviews found that 62 (or 85 percent) of the 73 formal recommendations made in the original inspections were carried out and, therefore, closed. The review teams offered alternative solutions for the remaining 11 recommendations and also identified 11 vulnerabilities that had arisen since the initial inspections. The posts and the Department agreed to act on the newly issued recommendations addressing these vulnerabilities.

Followup Audit on Construction Security Certifications

This followup audit addressed the issues and recommendations reported in the OSO audit report dated January 24, 1990. Unlike the situation at the time of that report, the Department currently is in general compliance with the December 1987 law, as amended in February 1990, that requires construction security certifications to the Congress. Consequently, the followup report closed the January 1990 report and its seven recommendations; it made no additional recommendations.

V. Inspections

During this semiannual period, OIG's Office of Inspections focused largely on Europe and the Pacific Ocean area. In total, it issued 15 reports on the operations of 29 overseas posts, one report on a domestic office of the Department, and a special report on the administration of the Blair House. In addition, the office reported on followup inspections carried out at five posts to assess the quality of compliance with recommendations made during prior inspections.

Overseas Inspections

Policy Implementation and Coordination

Inspections of posts in the small island republics of the South Pacific found that issues of coordination and cooperation among the U.S. agencies charged with varying responsibilities in the region needed high-level attention. The problem was most pronounced in the Federated States of Micronesia and the Republic of the Marshall Islands (both inspected in October 1991), with a combined population of around 150,000 and where the United States is injecting billions of dollars of economic assistance under the terms of the pacts of free association establishing the independence of the two former U.S. trusteeship territories. The inspectors were concerned that this assistance is doing little to move the two states toward self-sufficiency, and they confirmed the need for the Department of the Interior, the agency responsible for overseeing U.S. aid, to establish a local representative to monitor the host countries' use of U.S. funds. Interior had agreed to establish a position at Embassy Majuro, but with representational authorities that the ambassador found unacceptable. Subsequent intervention by the Inspector General with Department of Interior officials found willingness to place the new position clearly under the ambassador's authority, thereby ensuring a consistent U.S. policy voice, easing the bureaucratic impasse, and opening the way to more vigorous oversight of U.S. assistance in the area. Similarly, in New Zealand, inspectors urged resolution of a potential dispute over the extent of the ambassador's authority between Embassy Wellington and the National Science Foundation's Antarctic support station at Christchurch.

Inspections Reports Issued

Domestic Inspection

Permanent Mission of the United States to the Organization of American States

Overseas Inspections

Embassy Apia, Western Samoa
Embassy Bonn, Germany, and its Constituent Posts
Embassy Canberra, Australia and its Constituent Posts
Embassy Dublin, Ireland
Embassy Honiara, Solomon Islands
Embassy Kolonia, The Federated States of Micronesia
Embassy Lisbon, Portugal, and its Constituent Posts
Embassy Luxembourg, Luxembourg
Embassy Madrid, Spain, and its Constituent Posts
Embassy Majuro, The Republic of the Marshall Islands
Embassy Port Moresby, Papua New Guinea
Embassy Stockholm, Sweden
Embassy Suva, Fiji
Embassy Wellington, New Zealand, and its Constituent Posts
U.S. Liaison Office, Koror, Palau

Special Inspection

Management Issues at Blair House

Compliance Followup Reviews

Embassy Bogota, Colombia, and Consulate Barranquilla
U.S. Delegation to Negotiations on Confidence- and Security-Building Measures
U.S. Delegation to Negotiations on Conventional Forces in Europe
U.S. Mission to United Nations Organizations in Vienna
Embassy Vienna, Austria, and Consulate General Salzburg

Inspectors reviewing operations at Embassies Apia (September 1991), Honiara (October 1991), Port Moresby (November 1991), and Suva (October 1991) were concerned by a lack of dialogue between the regional office of AID in Suva and the four inspected embassies. In each case, mission program plans all but ignored AID's role in economic development, and there was a perception among the posts that the AID office was not coordinating its planning with the State Department. The inspectors recommended that the Department, in consultation with AID, take steps to improve cooperation in the region.

In November 1991, an inspection team spoke highly of Embassy Bonn's imaginative and task-oriented leadership in framing the U.S. response to events that have transformed Germany from a divided nation threatened by a powerful Soviet Union into a strong unified power destined to play a dominant economic and political role in the new Europe. The team noted a continued heavy emphasis on political-military staffing at the mission at a time when national security issues may be giving way to other U.S. interests. It recommended that the post give greater emphasis to its economic and commercial functions.

Inspectors at Embassy Canberra (October 1991) commented on the post's sophisticated, well-conceived, and well-executed strategy to contain the damage to U.S.-Australian relations caused by the negative Australian reaction to the U.S. export enhancement program, which is seen by Australians as undercutting their export markets, especially in agricultural areas. They gave good marks to the embassy's political and diplomatic reporting, but considered its economic reporting diffuse and too reactive. Overall, the inspectors felt that the embassy's constituent consulates could contribute much more to the mission's reporting if given closer guidance and coordination by the embassy. At Embassy Wellington (November 1991), inspectors inquired whether the U.S. approach toward New Zealand on security issues should be reexamined in the post-cold war environment and whether a different policy emphasis might prove more productive.

In Port Moresby, the inspectors criticized the Department and other U.S. Government agencies for bureaucratic neglect in failing to provide the embassy the personnel and material resources needed in a country that, because of its size and wealth, is destined to become a leader in the South Pacific. In the Republic of the Marshall Islands, inspectors recommended that responsibility for U.S. representation in Kiribati, Tarawa, be shifted from the ambassador in Suva to the ambassador in Majuro. Both proximity and cultural ties between the Marshallese and the Kiribatis suggest that this change would make U.S. representation efforts both logistically easier and more effective.

Support for Congressional Delegations

OIG inspectors found that Embassy Dublin had spent significant resources, including funds budgeted for other purposes, to support the several congressional delegations that visited Ireland in FY 1991. Included in the $8,000 cost to the embassy of one 5-day congressional visit in June was $1,125 for the administrative officer to spend 4 days on advance visits to two locations outside Dublin on the congressional itinerary. Subsequently, six embassy officers and FSNs accompanied the delegation to these sites. This pattern was repeated before and during a congressional visit in September. The inspectors noted that the embassy spent over $18,000 in overtime costs, alone, in support of the two visits.

Their report commented that the embassy's lack of standard operating procedures for the support of high-level visits may result in post management and escort officers doing more than is necessary to ensure that such visits go smoothly. The inspectors stated that the development of such guidelines and greater use of local tourism professionals for advice could reduce such expensive practices as lengthy advance trips to sites outside the capital, overstaffing of control rooms, and maintaining numerous post personnel immediately available to respond to unscheduled support requests.

Trade Promotion

At Embassy Bonn, inspectors saw a need for closer cooperation among the economic section and representatives of the Department of the Treasury, the Foreign Commercial Service, and the Foreign Agricultural Service in pursuit of economic and commercial goals, although, in general, the post was praised for doing a good job in supporting American business. Inspectors at Embassy Lisbon noted that representatives of both the Foreign Commercial Service and the Foreign Agricultural Service had been effective in identifying opportunities for expanded U.S. exports. Both offices commented favorably on the strong support the Ambassador gives to commercial programs and to American business in Portugal. In Sweden (October 1991), inspectors noted that the embassy had done an excellent job in promoting U.S. business interests and was energetic in supporting programs arranged by the Foreign Commercial Service. In Australia, inspectors commented that the Ambassador and Embassy Canberra staff were committed to furthering U.S. business interests and were enthusiastic supporters of business promotion activities sponsored by the U.S. Foreign Commercial Service. Inspectors praised Embassy Port Moresby for its vigor in promoting U.S. trade and investment opportunities and for its frequent contacts with U.S. business representatives and with the local government officials able to facilitate U.S. commercial activities. They noted that the embassy had intervened effectively to help promote a $17-million sale of U.S. communications equipment.

Consular Programs

During this semiannual period, OIG inspectors were particularly alert to the effects of recent changes in immigration legislation on consular section workloads and staffing at the overseas posts they visited. In Dublin, Ireland (October 1991), for example, inspectors found that the primary resource issue facing the embassy was staffing the consular section adequately to handle the heavy workload that will result from the Immigration Act of 1990. The post has asked for a number of additional consular positions, and the inspectors were able to identify one FSN position at post that could be shifted to the consular section. Nonetheless, if the Department is unable to provide the other positions requested for FY 1993, the embassy will be unable to process the large numbers of new immigrant visa applicants the law has authorized.

By contrast, in Sweden inspectors found an 80 percent consular workload drop as a result of the visa waiver pilot program implemented at Embassy Stockholm in 1989. Even after a staff reduction of one officer and three FSN positions, the embassy is well positioned to absorb any workload increase resulting from the Immigration Act of 1990. Similarly, Embassy Luxembourg was included in the visa waiver program in October 1991, and an inspection of the post found a 58 percent reduction in the nonimmigrant visa workload. The inspectors felt even greater reductions could result if the post were more active in promoting the new program among the Luxembourgers. As a world banking capital, Luxembourg has become a center for money laundering by narcotics traffickers and others. Support for joint U.S.-Luxembourg prosecution of money-laundering cases (e.g., letters rogatory) is becoming an important dimension of the consular section's work.

Although inspectors found that Embassy Canberra and its constituent consulates were dealing imaginatively with the problem, nonimmigrant visa applications have become a major burden in Australia, and no additional personnel resources are available to help cope with it. Inspectors found that consular operations in Australia will face an additional shock when the machine-readable visa (MRV) system is introduced at the end of 1992. According to CA estimates, the fraud reduction advantages of the MRV system are offset by a need for about 11 per cent more officer time and 22 percent more FSN time in issuing the new visas than the present system requires. The inspectors recommended that the Department increase the validity period of the business and tourist visas for Australian citizens from 5 to 10 years and that the MRV system not be installed in Australia until either additional consular personnel can be provided or a visa waiver can be negotiated for Australian citizens.

At Embassy Bonn, inspectors found that the reduction of U.S. forces in Germany, the reduced workload resulting from the visa waiver program,

Reducing U.S. Overseas Presence

In the last semiannual report to Congress, the Inspector General reported that inspectors reviewing the consular operations of the Department had recommended the use of family members of U.S. employees at posts abroad to adjudicate nonimmigrant visa applications. The recommendation was based on earlier findings in the Dominican Republic and the Philippines that the adjudication process contributed significantly to the strain on overseas consular resources and that the use of American family members would free career consular officers for management duties and, at the same time, reduce costs and the number of U.S. Government employees stationed abroad.

The Department has subsequently published in the Federal Register a rule giving the Deputy Assistant Secretary for Visa Services the authority to designate Civil Service employees working abroad as "consular officers" for the purpose of adjudicating immigrant and nonimmigrant visa applications. The new rule will also give posts and the Department the ability to designate other categories of persons, including American family members and other Americans abroad, as "nontraditional consular employees" to adjudicate visa applications. In addition, the Department is currently reviewing the possibility of using such nontraditional employees abroad for citizenship adjudications (i.e., reports of birth and passport applications) and notarial services.

and the decision to move the embassy to Berlin have set the stage for further streamlining of the post's consular operations. They recommended that the embassy develop a comprehensive plan for further consolidation of consular services in Germany (the immigrant visa function was already consolidated at Consulate General Frankfurt in 1991). The inspection of Embassy Madrid found that the extension of the visa waiver program to Spanish citizens in October 1991 promised to reduce the embassy's visa workload substantially. At the same time, however, other events in Spain in 1992, including the summer Olympics in Barcelona, could overwhelm the mission with additional work demands (see sidebar).

Inspectors continued to look carefully at management controls and other procedures at posts to reduce visa and passport fraud and to safeguard funds and property. At the U.S. Liaison Office in Koror, Palau, and at Embassies Kolonia, Port Moresby, and Suva, inspectors found adequate control systems in place. An unusually large number of applications to replace lost and stolen American passports are forwarded by Embassy Apia to Consulate General Auckland, where the passports are issued. The inspectors recommended fraud detection training for the Apia consular staff and closer coordination with Consulate General Auckland on fraud prevention. At Consulate General Melbourne, inspectors found a need for written nonimmigrant visa issuing procedures and for a daily internal control check of visa numbers. The inspection report on Embassy Dublin expressed concern that the consular section's Federal benefits unit distributes over $30 million annually to qualified recipients, but exerts little effort to detect fraud, especially the possibility of persons collecting the benefits of deceased claimants.

A related issue is the need for improved training of consular personnel at some inspected posts. At Embassy Majuro, inspectors found that the officer performing consular work had received no consular training prior to the assignment. Consulate General Sydney had no training program for its consular FSN employees, many of whom were new to the consular section.

U.S. Mission in Spain Gears up for Olympics, Worlds Fair

This summer's events in Spain—the summer Olympic games in Barcelona and the EXPO 92 world's fair in Seville—represent special challenges to Embassy Madrid and its constituent posts. Dignitaries, business representatives, athletes, and thousands of American tourists are expected to place heavy demands on the mission for support and citizen services.

Inspectors reviewing the operations of the embassy and its constituent posts in October 1991 expressed concern over the state of the planning by Embassy Madrid and Consulate General Barcelona for the Olympics. They noted that whereas contingency planning for security issues appeared to be well in hand, preparations for nonsecurity-related operations are less satisfactory. The team stated that the small, relatively inexperienced, and increasingly overburdened staff at the consulate general risks being overwhelmed with responsibilities and work as the games approach. The embassy and the consulate general need to reach decisions promptly on what logistic and emergency services it will provide to support the games and then determine what additional staffing the consulate general will require. The inspectors questioned Embassy Madrid's operating assumption that the Department will be able to provide the necessary personnel and financial resources. They urged the post to inform the Department promptly of any additional staffing needs. The mission's only other option is to provide the necessary support from within its own resources. The inspectors pointed out, however, that those resources may be stretched thin in meeting the additional support demands of EXPO 92 and of the year-long activities associated with Madrid's designation as the "Cultural Capital of Europe" in 1992.

Personnel Management

Several of the posts inspected during this period were small and only recently established. Inspectors found a recurring need for these posts to place much greater emphasis on improving the skills and abilities of their FSN workforce. Because professional training was often inadequate for the FSN staff, overall post performance suffered noticeably. This was particularly true for the seven South Pacific posts that were inspected.

Inspectors commented that Embassy Madrid should give greater emphasis to the training and development of its staff. They left recommendations that the post seek funds from the Department to revitalize its language training program, that it develop an interagency rotational assignment policy for its junior officers, and that it establish an incentive awards program for FSNs. Post management at Embassy Canberra was criticized for insensitive handling of FSN issues. Although some embassy decisions on compensation and leave were arguably justified, they were presented in an arbitrary way. Morale suffered as a result.

At Embassy Bonn, inspectors noted that the transfer of the German capital (and the U.S. Embassy) to Berlin will offer a good opportunity to use the ambassador's authority under National Security Decision Directive (NSDD) 38 to carry out a zero-based staffing review of all agencies represented at this, one of the U.S. Government's largest diplomatic posts. The inspection of Embassy Lisbon noted that the ambassador had made use of NSDD–38 review procedures to achieve the phasing out of the Portugal office of the Agency for International Development. Moreover, the ambassador had made NSDD–38 proposals for further reductions that the inspectors described as radical, but well-reasoned, in the State Department complement and in the staffs of other agencies at the embassy. The inspection report recommended that the Department support the ambassador's NSDD–38 proposals.

The inspection of Embassy Stockholm found a severe morale crisis among the FSN staff, caused by pay problems. The Department's freeze on adjustments to FSN wages was imposed just as complex revisions in Swedish tax laws took effect. The result was a significant reduction in the FSN staff's actual, disposable income. Because of a commitment by the Bureau of European Affairs to settle the issue as soon as possible, the inspectors did not make a formal recommendation on this problem. Morale problems caused by the freeze on salary adjustments and step increases are also widespread at U.S. posts throughout Germany. In addition, weaknesses in the mission's wage plan have made it hard to recruit qualified staff at lower levels. An apparent disparity exists in wage rates from one area of the country to the other, while the U.S. Government still uses a single, nationwide wage scale. The inspectors recommended a new salary survey that would take into account locality-based rates.

At every post in Germany, inspectors found that personnel services were weak. Unresponsiveness, a lack of service orientation, and passive leadership were the principal complaints. Moreover, personnel operations are too understaffed to provide services promptly. Personnel office employees in Bonn and at the consulates general have no backup. When there is an illness or vacancy, no one has been trained to fill in, and staffs are so thin that no opportunity exists to provide supervised cross-training.

Finally, as a result of the inspection of Embassy Madrid, the inspectors concluded that the post's six consular agents are a cost-effective extension of the provision of services, primarily to American citizens and businesses, by the U.S. Embassies in each country (see sidebar).

Consular Agents Undervalued

The six U.S. consular agencies in Seville, Malaga, La Coruna, Valencia, Palma de Mallorca, and Las Palmas are highly effective extensions of the U.S. Government in Spain. Inspectors evaluating Embassy Madrid and its constituent posts concluded that the consular agents were underpaid for the services they provide American citizens, including assistance in arrest cases, death and estate matters, passport applications, and notarials. The consular agency in Palma de Mallorca, for example, handles an average of 25 visits or inquiries by clients per workday. The agent, a Spanish national, must also deal with 80-90 U.S. Navy ship visits each year and devotes personal time and money to carrying out consular agency activities in the Balearic Islands. Having served in this position for 29 years, the agent is an invaluable resource for the U.S. Navy, Consulate General Barcelona, and Embassy Madrid. Several of the other consular agents have served as such many years; yet they are authorized only three within-grade salary raises. The highest paid consular agent in Spain earns but $17,928 per year, and, in terms of total benefits, four of the six earn less than their clerks or assistants.

The inspectors called on Embassy Madrid to ascertain if setting the compensation rates for its consular agents at the highest level permitted by the salary table would be justified. They also recommended that a Department committee review the pay situation of the consular agents in Spain and that the Department then revise its regulations to provide for career progression of consular agents based on length of service and merit.

Real Property

Inspectors at some overseas posts continue to find evidence of the deteriorating state of U.S. official facilities overseas and continue to express concern that they convey a poor impression of the United States. During this semiannual period, for example, inspectors found in Papua New Guinea that Embassy Port Moresby's operations are seriously impaired by its inadequate office facilities. Their report urged the Department to move quickly to conclude a lease agreement for an alternative building that the post had identified as suitable. Inspectors described the chancery in Apia, Western Samoa, as a poorly maintained building with insufficient air-conditioning and unlit stairwells. The inspectors recommended that Embassy Apia coordinate with other building tenants and ask the landlord to clean and paint the building and to repair the lights in the stairwells. The chancery in Suva, Fiji, was not designed as a diplomatic establishment. It contains inadequate space for consular work, and the public waiting areas provide standing room only. The inspectors also found the embassy's warehouse cramped and insufficiently air-conditioned, subjecting its contents to mold and mildew. On the other hand, inspectors complimented Embassy Canberra for its aggressive and effective real property management.

In Portugal, inspectors found the ambassador's and deputy chief of mission's U.S.-owned residences to be highly valuable properties demanding costly maintenance budgets. They proposed that the Department study the possibility that sale of these properties might produce funds sufficient to purchase equally suitable but lower maintenance replacement residences as well as housing units for other mission staff. In light of plans to reduce the staffing of Consulate General Barcelona from 10 to 5 American staff after the summer Olympics, inspectors in Spain recommended that the Department review the need to retain the $10.4-million office building acquired in 1990. Similarly, they asked that the Department conduct a survey in Seville to see if there is a lower cost alternative to the currently leased building, which is to be used after 1992 to house a U.S. consular agency.

One of the Department's largest real property challenges will be the relocation of the U.S. Embassy complex from Bonn to Berlin. The inspection of Embassy Bonn noted the excellent planning being carried out by the embassy and by Embassy Office Berlin for the acquisition and modification of real property in Berlin to meet the needs of the next decade and beyond. The inspectors noted, however, that Consulate General Hamburg occupies a maintenance-intensive building that exceeds space needs by approximately 40 percent. They proposed that the Department and Embassy Bonn either provide the funds for the upkeep of the building or sell it and find more modest quarters for the consulate general.

The Mission Program Plans Process

Inspections in the fall of 1991 at three U.S. Embassies in Europe—two of which, Embassy Luxembourg and Embassy Lisbon, were pilot participants in the program when it started in FY 1990—gave rise to positive comments on the usefulness of the Department's newly instituted Mission Program Plans (MPP) process. The MPP process was begun in an effort to provide posts abroad a more structured and effective method of identifying and prioritizing mission objectives and allocating resources to achieve those objectives.

Inspectors visiting Embassy Lisbon found that, although more staff members should have been involved, the embassy had used the MPP process effectively to review its responsibilities, examine its assumptions, and develop operational objectives. The process also helped the Ambassador to identify positions that could be eliminated in support of the President's policy on reductions in U.S. personnel overseas. The inspectors concurred in the post's view that more needed to be done in the Department to relate funding and resource decisions to posts' MPP efforts. Embassy Luxembourg was similarly praised by inspectors for using the MPP process effectively to organize the mission's workload, to assign priorities, and to mobilize available resources in pursuit of U.S. interests. Inspectors remarked that Embassy Madrid had developed a mission program plan that was coherent, consistent with U.S. interests, and achievable; they indicated further that the post had been remarkably successful in advancing U.S. policies and interests.

Financial Management

At the Financial Management Center in Bonn in November 1991, inspectors noted that a $1.2-million liability for FSN employee insurance benefits had accrued for several years without recognition or recording, causing the embassy to become deficient in its merged-year salaries and expenses account when the liability and subsequent payment was recorded. This deficiency had not been reported to the Department as required by Department regulations. In Bonn, the inspectors also discovered that reimbursements from the Department of Defense totaling about $442,000 were deposited in an unauthorized checking account and were disbursed and accounted for in violation of regulations. Additionally, the inspectors found that Embassy Bonn had augmented its appropriations by depositing funds collected from a variety of sources directly to the post allotment or suspense account and by using them for post expenses, contrary to regulations. Funds totaling $102,007 should have been returned to the Department's appropriation or the Treasury's general fund.

Inspectors found that internal controls weaknesses and insufficient management oversight were important factors leading to the embezzlement of post funds by the former cashier at the U.S. Liaison Office in Koror. At Embassy Kolonia, they found that local guards and an embassy gardener were being paid improperly from the post's imprest fund.

Embassy Lisbon was praised by inspectors for the way it responded to the Department's warning that FY 1991 would be a lean budget year with stringent conservation of resources, effective planning, and the development of various cost-cutting options.

Procurement

At Embassy Dublin, inspectors found that improper delegation of contracting authority and failure to train contracting employees in Federal acquisition regulations had created a major vulnerability. Because of the resulting lack of oversight of the procurement process, Embassy Dublin had made questionable procurements, had awarded a "cost plus a percentage of cost" contract in violation of regulations, and had permitted the selection of embassy contractors by a person who was not an employee of the embassy. The inspectors recommended that the embassy correct its contract negotiating procedures and reorganize its administrative chain of command to provide for more effective checks and balances. In Portugal, inadequate recordkeeping and oversight were responsible for the embassy's concluding a contract for services in excess of $100,000 without prior review by the Department as required by regulations. In another instance, the post made cash payments for services, although the value of the services exceeded the level permitted for cash payments

The Value-Added Tax and Reciprocity

In the course of inspections carried out in the autumn of 1991, OIG teams found that the value-added taxes (VAT) applied to the cost of goods and services purchased in Ireland and Sweden represented a drain on the resources of the U.S. Embassies in those countries. Although both the Irish and Swedish Governments had agreed to refund to Embassy Dublin and Embassy Stockholm, respectively, the taxes paid on some official purchases, they had, so far, refused to exempt electricity, gas, water, and telephone charges from the VAT. Irish and Swedish diplomatic establishments and personnel assigned in the United States pay no such taxes. At the time of the inspections, both embassies were engaged in negotiations with their host governments to resolve the problem, but if negotiations are unsuccessful, the Department is prepared to levy reciprocal taxes or surcharges on Irish and Swedish officials in the United States.

and for which competitive bidding should have been solicited. Inspectors commented that Embassy Stockholm did not seek the most competitive prices in making acquisitions.

Inspectors gave the U.S. regional procurement and support office in Bonn, Germany, high marks for observing regulations and for obtaining the best possible procurement prices through competition and consolidating orders. Nonetheless, they found that the office had no clear mission statement and no written operating procedures or standard fee structures. At Embassy Lisbon, inspectors estimated that with structural improvements in the embassy warehouse and installation of an alarm system for a one-time cost of $10,000, the post could save the $37,000 per year it has been paying for warehouse guards.

Domestic Inspections

Permanent Mission of the United States to the Organization of American States

An inspection completed in August 1991 praised the leadership of the U.S. Mission for its role in stimulating and reinforcing a revitalization of the Organization of American States (OAS) as a positive factor in the politics and diplomacy of the hemisphere. The mission had done an extraordinary job of advancing U.S. interests in OAS forums, but its more activist role in the OAS had spread the staff thin, especially overburdening the economic section. The inspectors recommended the addition of a junior economic officer position. Finding morale low among the mission's technical and clerical personnel, the inspectors proposed that the mission's leadership give more attention to such areas as training, orientation, equitable distribution of work, and automation of information processing. They also recommended that the mission expand its staff meeting agenda beyond foreign policy issues to include matters related to mission morale and productivity.

Blair House

A special inspection of management issues at Blair House, concluded in October 1991, confirmed the spectacular success of the 6-year restoration effort. The inspectors described the decor, cuisine, and service at the President's guest house as reflecting the finest in American values. Blair House functions, in effect, both as a hotel and a museum, with the responsibility for the two functions divided between two entities. Past disputes between the Department's Office of the Curator and the Blair House Restoration Fund and between the former and the Office of the Chief of Protocol have threatened effective overall management of the Blair House. Those tensions have eased, however, and OIG has, therefore, recommended no change in the bifurcated management structure. The inspectors suggested changes to clarify Blair House property and insurance arrangements and recommended increases in the maintenance budget to ensure continuation of the facility's current standard of excellence. They recommended further that the Department establish a Blair House Fine Arts Committee, chaired by the Chief of Protocol, to ensure that any future renovations of Blair House take into account its status as a national historic site.

VI. OIG Management

OIG staffing levels increased about two percent during this semiannual period, with personnel occupying or selected for 96 percent of OIG's 264 positions. Work continues on the development of a bureauwide management information system, with the help of an independent contractor and the General Services Administration. During the next semiannual period, OIG will relocate all but the Inspector General and OIG's assistant inspectors general from their current space to Rosslyn, Virginia.

Budget

FY 1993 Request. OIG's request would bring staffing and funding to 267 positions and $24,672,000, the levels required to conduct audits, investigations, and inspections of the Department's worldwide operations. This increase of $1,635,000 over FY 1992 includes $1,018,000 in mandatory wage and price increases. It also includes $117,000 to fund three new positions and $500,000 for contract support to fulfill the audit requirements of the Chief Financial Officers (CFOs) Act of 1990.

The CFOs Act requires that Inspectors General audit their agencies' financial statements for all revolving and trust funds and the accounts of offices, bureaus, and activities that perform substantial commercial functions. In FY 1993, OIG plans to audit financial statements for the Department's Working Capital Fund, the Unconditional Gift Fund, the Conditional Gift Fund, the Foreign Service Retirement and Disability Fund, and the International Boundary and Water Commission–Construction Fund. Beyond FY 1993, OIG will be auditing financial statements of the Department, including, among others, those of the Bureau of Consular Affairs, the Foreign Service Institute, the Office of Medical Services, the Office of Foreign Buildings Operations, and the Office of Language Services.

FY 1992 Funding. The Department's 1992 appropriation legislation provided $23,037,000 for OIG, a 5.5 percent increase over FY 1991. This $1.2-million increase will allow OIG to provide essentially the same level

OIG Counsel Analyses of Legislation and Regulations

During this semiannual period, OIG's Office of Counsel provided comment on the following significant legislation and executive branch initiatives:

• Three legislative bills, S. 392, H.R. 1833, and H.R. 17, that would broaden the scope of whistleblower protection to personnel of government corporations and to employees of financial institutions.

• An alternative amendment to the *Qui Tam* statute. In the event that legislation is not approved that would proscribe monetary awards altogether for current or former Federal employees, this amendment would restrict such awards to a $25,000 maximum and would make Federal auditors, investigators, attorneys, and procurement officials ineligible for such awards.

• OMB Circular A-50 revisions that would change the title of the circular from "Audit Followup" to "Compliance Followup." This would permit inclusion of OIG inspections in the A-50 process and provide OIGs greater flexibility in their compliance followup work.

• A proposed Executive order on the restructuring of the President's Council on Integrity and Efficiency and the Coordinating Conference.

• Proposed Department of Justice procedures concerning the "Reporting and Use of Information on Federal Crimes" for intelligence agencies.

In addition, the Office of Counsel reviewed and commented on a wide range of proposed new Department regulations and the Department's authorization and appropriations legislation.

Congressional Requests for OIG Reviews

The Office of Inspector General (responsible for both the Department of State and the Arms Control and Disarmament Agency) finds that its personnel and other resources are increasingly occupied in carrying out audits and other studies in response to new statutory and other special requests from Congress. These requests have merit and represent valid use of inspector general staff; nonetheless, the OIG finds its resources under increasing pressure as it attempts to respond adequately to all of these requests and still carry out its substantial responsibilities under the Inspector General Act of 1978, as amended.

The following is a list of studies requested by statute since the passage of the Inspector General Act:

Study of technical security and counterintelligence capabilities. Two separate studies mandated by Section 193 of the Foreign Relations Authorization Act, FY 1992–93.

Study of international organization employment of U.S. citizens. This study was "strongly urged" by the Conference Report accompanying the Commerce, Justice, State Appropriations Act, FY 1992–93.

Report on delays in the Department's study of sexual harassment. Required by Section 194 of the Foreign Relations Authorization Act, FY 1992–93.

ACDA function and performance review. Required by the Arms Control and Disarmament Agency Authorization Act, FY 1992.

Annual report of advisory and assistance services. Separate annual reports for the Department and for ACDA are required by 31 U.S.C. 1114.

Annual report of compliance with the antilobbying statute. Separate reports for the Department and for ACDA are required by 31 U.S.C. 1352.

Annual report of program fraud activity. Required by 31 U.S.C. 3810.

Annual audits of financial statements issued by the Department. Required by the Chief Financial Officers Act of 1990. The Department has identified 14 components that will issue financial statements, which will require annual audits in compliance with this legislation.

Periodic reports of audits of the housing program of the U.S. Mission to the United Nations. Required by the United Nations Participation Act of 1945, as amended by Public Law 100-459.

A report on the composition of the Department's workforce. Required by the Foreign Relations Authorization Act of FY 1988–89.

In addition to these requirements mandated by statute, OIG receives frequent direct requests from individual members of Congress for special reports. The following are some recent examples:

A special report on the Department's handling of nuclear nonproliferation issues with Pakistan. Senator Boren, October 1991.

A special report on the 10 major problems of the Department of State. Congressman Conyers, December 1991.

A special report on the Department's Management of the Federal Employees' Compensation Act, Senator Sasser, January 1992.

A special report on the Department's role in the Nicaraguan Exile Relocation Program. Senators Dodd and Helms, February 1992.

A special report on OIG's fulfillment of the Chief Financial Officers' Act. Senators Glenn and Roth, February 1992.

of services as in FY 1991. It will, at best, cover mandatory and uncontrollable operating cost increases such as the 4.2 percent general pay raise, the 3.5 percent senior pay raise, the special pay provisions for law enforcement officers under the Federal Employees Pay Comparability Act, rising health benefit costs, and other effects of inflation. It did not provide increases requested by OIG, including funding to carry out CFOs Act audit requirements, additional compliance followup and review personnel, and more administrative support staff.

OIG Outreach

The Office of Inspector General issued two new publications during this period as part of its effort to inform Department employees about OIG activities and related issues.

Program Fraud Civil Remedies Act describes penalties and procedures for administrative recourse under the act in situations involving false claims and statements with a value of less than $150,000.

Office of Inspector General Investigative Process is discussed in detail in the sidebars on pages 5 and 6.

Copies of these publications may be requested from OIG/PPM/PRA, Room 1434, SA–1, or by calling (202) 663–1996.

Appendix 1: OIG Statistical Summary by PCIE Category

Successful Prosecutions	15
Administrative Sanctions	50
Suspensions	7
Terminations	13
Other	30
Allegations of Waste, Fraud, Abuse, and Mismanagement	91

Investigative Recoveries	**$200,719**
Settlements	123,802
Court Ordered	76,917
Other Recoveries and Restitutions of Funds	**$1,582,000**
Funds To Be Put to Better Use	**$223,665,000**

Appendix 2: Investigative Actions

Workload

Cases pending 3/31/91	231
New cases opened	74
Cases closed	97
Cases pending 9/30/91	208
Overseas: 111	
Domestic: 97	

Administrative Actions	**50**
Admonishments	0
Counseling	0
Curtailment	0
Demotions	0
Reimbursements	2
Reprimands	1
Resignations	1
Suspensions	7
Terminations	13
Administrative Referrals	25
PFCRA Referrals	0
PFCRA Declinations	0
Savings	1
Total Administrative Recoveries $123,802	

Judicial Actions	**80**
Prosecutive Referrals	23
Prosecutive Declinations	11
Prosecutive Dismissal	0
Civil Referrals	0
Indictments[1]	24
Convictions	15
Sentencings	7
Years sentenced	4 yrs., 7 mos.
Years suspended	0
Years probation	18
Court-ordered fines	$2,109
Court-ordered restitutions	$74,808
Total Judicial Recoveries	*$76,917*

Total Investigative Recoveries	**$200,719**

[1]Indictments include formal criminal charges brought against a subject. The manner in which charges are brought varies from country to country.

Appendix 3: Contract Audits Completed

Vendor	Audit Number	Type
Adsystech, Inc.	6221-91B28000015.426	Labor Hour Rates
Advanced Consulting Engineering, Ltd.	6331-91A28000011	Labor Hour Rates
American Communications Company	PA-CC-PP-91-14	Incurred Cost
Applied Management Systems, Inc.	6221-91B16990008.290	Incurred Cost
C.S. Santos & Associates	PA-CC-PP-91-17	Labor Hour Rates
Chemical & Engineering Specialty, Inc.	6301-91C28000.004	Labor Hour Rates
Corporate Jets, Inc.	6381-92B23000001-043	Indirect Rates
CRS Sirrine, Inc.	3521-91J17200001	Claim
CRSS Architects, Inc.	1101-91N28000015-2-004	Labor Hour Rates
Cygna Consulting Engineers	4141-92B23000002	Labor Hour Rates
Dyncorp (System Services Division)	6151-88N16990485/585	Indirect Rates
Entech, Inc.	1101-91J28000012-1-669	Indirect Rates
Fysko Contracting Ltd.	2191-92I17200421	Claim
Global Associates, Patrick Support Div.	1301-92M17700042	Accounting System Survey
Hellmuth, Obata and Kassabaum, P.C.	PA-LB-PP-92-17	Labor Hour Rates
Louis Berger International, Inc.	6201-92G28000087-103	Labor Hour Rates
Metrica, Inc.	3521-92B16990013	Indirect Rates
Systems Software Standards Limited	1661-91H21000091-004	Preaward
United Dominion Industries, Inc.	1641-92L17200001 & S1	Claim
Virginia Cable Specialties	PA-CC-PP-91-15	Claim
Westco Automated Systems & Sales	6221-91B21000071.007	Preaward

Appendix 4: Savings and More Effective Use of Resources

Recommended Position Reprogrammings and Reductions

Overseas	U.S.	FSN
Bonn	17	24
Canberra	1	0
Lisbon	4	1
Madrid	4	0
Melbourne	1	0
Ponta Delgada	1	2
Total	**28**	**27**

Inspection Recommendations Involving Savings or More Effective Use of Resources[1]

Bonn
- Discontinue improper use of monies collected
- Dispose of receipts properly; discontinue post checking account

Lisbon
- Improve asset management

Madrid
- Improve asset management at Consulate Barcelona

[1]Illustrative examples. Many recommendations (particularly in the area of real property) are difficult to quantify. However, if fully implemented, these would lead to larger efficiencies over time.

Table I

Inspector General Issued Audit Reports[1] With Questioned Costs[2]

		Number of Reports	Dollars (In thousands) Questioned Costs	Unsupported Costs
A.	For which no management decision has been made by the commencement of the reporting period	9	8,211.973	[1,008.388]
B.	Which were issued during the reporting period	2	1,582.000	[0.000]
	Subtotals (A + B)	11	9,798.973	[1,008.388]
C.	For which a management decision was made during the reporting period	5[3]	7,604.973	[327.388]
	(i) dollar value of disallowed costs	5	7,582.973	[327.388]
	(ii) dollar value of costs not disallowed	1	22.000	[0.000]
D.	For which no management decision has been made by the end of the reporting period	6	2,194.000	[681.000]
	Reports for which no management decision was made within 6 months of issuance	5	1,056.000	[681.000]

[1] Includes audit reports issued by the Office of Audits and by the Office of Security Oversight.

[2] Questioned costs are costs that are questioned by the OIG because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; a finding that, at the time of the audit, such costs are not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

[3] One of these reports involves both disallowed costs and costs not disallowed.

Table II

Inspector General Issued Audit Reports With Recommendations That Funds Be Put to Better Use[4]

		Number of Reports	Dollar Value (In thousands)
A.	For which no management decision has been made by the commencement of the reporting period	5	$234,897[5]
B.	Which were issued during the reporting period	6	3,665
	Subtotals (A + B)	11	238,562
C.	For which a management decision was made during the reporting period	2	221,139
	(i) dollar value of recommendations that were agreed to by management	2	221,139
	— based on proposed management action	2	221,139
	— based on proposed legislative action	0	0
	(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 this reporting period	8	17,376
	Reports for which no management decision was made within 6 months of issuance	4	$14,897

[4] A "recommendation that funds be put to better use" is a recommendation by the OIG that funds could be used more efficiently if Department management took actions to implement and complete the recommendation, including: reductions in outlays; deobligation of funds from programs or operations; withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; costs not incurred by implementing recommended improvements related to the operations of the Department, a contractor, or a grantee; avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or any other savings which are specifically identified.

[5] This includes $220 million from audit report 0-IM-017, *Foreign Affairs Information System*, issued in May 1990, based on the Department's decision during this reporting period to discontinue the project.

Recommendations in Reports More Than 6 Months Old for Which a Management Decision is Still Pending

	9/30/91 Reports	9/30/91 Recommendations	3/31/92 Reports	3/31/92 Recommendations
Audits	13	36	12	37
Inspections	2	10	14	44
Security	22	214	15	122
Total	**37**	**260**	**41**	**203**

Current Inventory

Open Reports

	Final Action Pending 9/30/91	Current Period[1] *Issued*	Current Period[1] *Closed*	Final Action Pending 3/31/92
Audits	57	14	7	64
Inspections	66	22	24	64
Security	52	16	10	58
Total	**175**	**52**	**41**	**186**

Active Recommendations[2]

	Active 9/30/91	Current Period *Issued*	Current Period *Final Action*	Active 3/31/92
Audits	491	212	151	552
Inspections	443	161	264	340
Security	1,125	247	496	876
Total	**2,059**	**620**	**911**	**1,768**

[1]Some reports that were opened during this semiannual reporting period were also closed during this period.
[2]Active recommendations include those for which there is no management decision and those on which final action has not been completed.

Management decision occurs when management informs OIG of its intended course of action in response to a recommendation and OIG determines that the proposed course of action is acceptable. In some cases, a management decision will be recorded as pending because management has not responded to the recommendation; in others, management will have responded, but OIG has not yet determined whether to accept the proposed course of action or to raise the matter to higher levels of management.

Final action is recorded when a proposed course of action in response to a recommendation has been accepted by OIG and completed by management to OIG's satisfaction.

Open reports are those containing one or more recommendations for which a management decision is pending or for which final action has not been completed.

Active recommendations are recommendations for which no management decision has been recorded or for which final action still is pending.

Appendix 6: List of Abbreviations

A/FBO	Office of Foreign Buildings Operations, Bureau of Administration
A/OPR/LS	Office of Language Services, Operations Division, A
ACDA	U.S. Arms Control and Disarmament Agency
AECA	Arms Export Control Act
AID	U.S. Agency for International Development
BATF	Bureau of Alcohol, Tobacco, and Firearms, Department of the Treasury
CA	Bureau of Consular Affairs
CA/PPT	Office of Passport Services, CA
CFO	Chief Financial Officer
DEA	Drug Enforcement Administration
DS	Bureau of Diplomatic Security
FAAS	Foreign Affairs Administrative Support
FAIS	Foreign Affairs Information System
FAM	Foreign Affairs Manual
FMP	Bureau of Finance and Management Policy
FSN	Foreign Service national
HHE	Household effects
HIAS	Hebrew Immigrant Aid Society
INM	Bureau of International Narcotics Matters
ITGBL	International through government bill of lading
MPP	Mission program plan
MRV	Machine-readable visa
NIS	Naval Investigative Service
NSDD	National Security Decision Directive
OAS	Organization of American States
OIG	Office of Inspector General
OMB	Office of Management and Budget
OSO	Office of Security Oversight, OIG
PM	Bureau of Politico-Military Affairs
PM/DTC	Office of Defense Trade Controls, PM
RAMC	Regional Administrative Management Center
RP	Bureau for Refugee Programs
TCN	Third-country national
VAT	Value-added tax