UNITED STATES DEPARTMENT OF STATE
AND THE BROADCASTING BOARD OF GOVERNORS

OFFICE OF INSPECTOR GENERAL

SEMIANNUAL REPORT TO THE CONGRESS

April 1, 2013 to September 30, 2013

SUMMARY OF OIG ACCOMPLISHMENTS

Financial Results	
Questioned costs	
Issued during the reporting period	$22,000
Management decision during the reporting period	$2,734,000
Recommendations for funds to be put to better use	
Issued during the reporting period	$215,807,000
Management decision during the reporting period	$84,018,000
Investigative monetary recoveries	$10,530,000

Investigative Results	
Cases opened	25
Cases closed	35
Judicial actions	4
Administrative actions	9
Contractor/grantee suspension and debarment actions	16
Hotline and complaint activity	732

Reports issued	57

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MESSAGE FROM THE ACTING INSPECTOR GENERAL

Harold W. Geisel

I am pleased to present to Congress the Office of Inspector General (OIG) Semiannual Report for the Department of State (Department) and the Broadcasting Board of Governors (BBG). This report covers the period ending September 30, 2013, as required by the Inspector General Act of 1978, as amended.

During this reporting period, OIG has emphasized security of U.S. diplomatic missions overseas, and has also looked to improve the integrity of the entire procurement and grant processes. Addressing security vulnerabilities is a top priority for the Department and OIG. The OIG Offices of Audits and Inspections have examined physical, procedural, communications, staffing, technical, and construction aspects of security. We have also devoted considerable resources to information systems security where shortcomings can potentially have disastrous consequences. OIG emphasized the importance of current certification, accreditation, and monitoring to prevent network crashes, unauthorized access, and other forms of hacking.

During this period, OIG issued its *Special Review of the Accountability Review Board* [ARB] *Process*. OIG determined that the ARB process operated as intended—independently and without bias—to identify vulnerabilities in the Department's security programs; however, the Department lacked a conceptual framework or risk management process to determine if the strategic value of a program outweighed associated risks. OIG also determined that implementation of ARB recommendations required sustained oversight by Department principals to ensure long-term security program improvements and to avoid reissuing recommendations for vulnerabilities identified in previous ARBs. The Department was making progress implementing the Benghazi ARB recommendations, but action on many of them remained to be fully institutionalized. OIG made recommendations to address key Benghazi ARB recommendations and deficiencies in the ARB process.

OIG was also active during this period in overseeing Department and BBG contracting and grant activity. Our work in this area is not only important for the money we recover or save; the integrity and good name of the U.S. Government are at risk when agencies do not effectively spend the taxpayers' funds. OIG investigations, audits, and inspections staffs all found weaknesses, and made recommendations covering all aspects of procurement, contracting, and the award of grants. OIG repeatedly

identified the single biggest weakness as a lack of sufficient and adequately trained oversight personnel. Contracting and grants officer representatives, particularly those located in conflict areas, were often overwhelmed with work—so much that they could do little more than provide a "rubber stamp" approval of payment requests. OIG did find that the Department has made some progress in training and testing employees involved with this work. However, our auditors found they could not verify many actions because files were incomplete or were even missing.

This Semiannual Report will be the last one signed by me. Steve A. Linick took charge of the OIG on September 30, 2013. My service here and and my work with the dedicated public servants in OIG have been the highlight of my 43 years in the U.S. Government and I hope and expect that one day, Steve Linick will say the same.

Harold W. Geisel
Acting Inspector General

EXECUTIVE SUMMARY

The auditors, inspectors, investigators, and other professionals in OIG promote effective management, accountability, and positive change in the Department, BBG, and the foreign affairs community. During this reporting period, OIG issued 57 reports with recommendations to improve Department and BBG programs, and operations, and identified more than $362 million in cost efficiencies, including funds to be put to better use, questioned costs, fines, and recoveries. A full list of reports issued during this period can be found in Appendix 2 of each agency section of this report. This Semiannual Report to the Congress summarizes work carried out by OIG during the period April 1 through September 30, 2013. OIG addresses classified issues in the Classified Annex to the Semiannual Report to the Congress.

OFFICE OF AUDITS

In a December 18, 2012, letter to the Chairman of the Committee on Foreign Relations, then Secretary of State Hillary Rodham Clinton sent a copy of the Department's December 2012 Accountability Review Board report on the September 2012 attacks on various compounds in Benghazi, Libya. In that letter, the Secretary cited the "serious, systemic challenges" identified in the report and presented actions that were being taken and would continue to be taken to implement the recommendations contained in the report. Specifically, the Secretary stated that she had ordered "a worldwide review" of the Department's "overall security posture, with particular scrutiny for high-threat posts" and further stated that the Department would "have to take a harder look" at "how we support our diplomats and development experts in places where national security forces are fragmented and political will may be weak."

In alignment with the Secretary's review of the Department's overall security posture, the Office of Audits issued several reports during this semiannual period on the subject. In one report, OIG determined to what extent new embassy compounds and consulate compounds at five high-threat level posts complied with current physical and procedural security standards, finding that posts were not always in compliance with current standards. In another report, OIG determined to what extent seven posts under the purview of the Bureau of African Affairs (AF) had complied with current physical security standards.

OIG also issued a report on a program designed to assist the Afghan Government in building a prison system that "meets international standards and Afghan cultural requirements." OIG determined that the Department was not effectively managing the program and had not met congressional requirements to ensure that the Afghans could sustain the prison system once international contributions to the program

were reduced. OIG recommended that the Department immediately evaluate the effectiveness and sustainability of the program and take action as necessary based on that evaluation, to include determining whether the program is viable and should be continued.

OFFICE OF INSPECTIONS

OIG issued reports on inspections of 8 domestic bureaus/entities and 11 overseas missions, 11 classified annexes, 3 compliance followup reviews, and 4 special reviews. Recommendations in these reports could potentially result in monetary benefits or funds to be put to better use of approximately $187 million. The Office of Inspections also continued to document the Department's innovative practices, which are used to improve its efficiency and effectiveness.

OIG conducted four special reviews during the reporting period, including a special review of the Accountability Review Process Board to evaluate the Department's compliance followup process and its progress implementing recommendations from the Benghazi Accountability Review Board. OIG determined that the process operated as intended but lacked sustained oversight by Department principals. OIG conducted a review of the Department's Ethics Program in response to a report from the Office of Government Ethics, which concluded that the Department had an extremely limited capacity to respond to the increased demands on its ethics program during post-election periods. OIG found that the Office of Ethics and Financial Disclosure had made a number of improvements to the ethics program but needed to address shortcomings in training and to better identify and track financial disclosure filers. OIG also reviewed the Department's process for establishing language designated positions and made recommendations to improve oversight of the program. The Department spent approximately $195 million in language training in FY 2012 and $11.4 million in language incentive pay in 2012. OIG's review of 21 overseas missions' compliance with the William Wilberforce Trafficking Victims Protection Reauthorization Act found that the missions were properly implementing Wilberforce protections regarding visa processing.

During the reporting period, OIG identified lack of sufficient oversight and monitoring of contracts and programs as a significant deficiency facing many inspected entities. Mission Iraq faced daunting challenges in monitoring and overseeing several programs and projects. These challenges included completion of construction projects valued at approximately $500 million, many plagued by delays and disagreements between the embassy and Washington; U.S. assistance to Iraq ($572 million planned for FY 2014); Department-funded grants assistance ($70 million planned in FY 2014); and the transition from huge legacy Department of Defense contracts to Department contracts. OIG recommended that the embassy develop and implement a plan to oversee the more than $5 billion in contracts and recommended urgent Department action to recruit and train qualified personnel to oversee those contracts. OIG found that the Bureau of Information

Resource Management, Office of Information Assurance, lacked adequate management controls and procedures to monitor its contracts, task orders, and blanket purchase agreements, which had an approximate value of $79 million. OIG made recommendations to assign qualified personnel to monitor contracts and to maintain and track contract files. The growth in Border Security Program funding from approximately $700 million in FY 2005 to $2.5 billion in FY 2012 constituted new challenges for the Bureau of Consular Affairs, Office of the Comptroller, including the lack of a program manager. OIG recommended that the bureau establish a program manager to oversee this large and complex program. OIG also made recommendations in several reports to address lack of adequate oversight and monitoring of contracts, grants, and programs in other offices.

OIG identified several opportunities for the Department to realize monetary benefits. Regional Service Center (RSC) Frankfurt was providing administrative support visits throughout Europe that were no longer essential. Termination of these visits could result in savings of $1.25 million in U.S. direct-hire and locally employed staff salaries and an estimated $230,000 annually in airfare and per diem costs. The Bureau of Overseas Buildings Operations and Embassy Kyiv were considering reconverting the former Marine House into a new residence for the deputy chief of mission. The project would cost approximately $2.5 million. OIG recommended a cost-benefit analysis to determine whether the former Marine House should be converted into multiple apartment units instead, a move that could yield cost savings of $200,000 to $300,000 annually. OIG also determined that Embassy Moscow could save $2.7 million annually by leasing or selling units at a remote compound and better managing its inventory of leased properties. During the inspection of Embassy Rabat, OIG determined that construction of a new consulate compound in Casablanca would not be a cost-effective or efficient use of financial and human resources. In addition, OIG found no compelling policy or programmatic reasons to keep Consulate General Casablanca open and determined that closing it could also eliminate five U.S. direct-hire positions for a savings of more than $2.5 million annually. Offsetting the savings of closing Casablanca, however, would be the cost to construct a new consular annex in Rabat, which would have to be on property adjacent to the new embassy compound. OIG also identified a direct-hire position that could be performed by either an eligible family member or a locally employed staff member, thereby putting to better use $570,000 in funding.

OFFICE OF INVESTIGATIONS

During this reporting period, OIG conducted numerous investigations involving procurement fraud, which continues to be INV's primary investigative focus. One investigation involved allegations of improper activities being committed by a major contractor that provides services to the Department and other agencies. OIG took the lead on a multi-agency investigation, which resulted in the contractor agreeing to a $10.5 million civil settlement for improperly inflating Department and U.S. Mint

contract prices and engaging in prohibited employment negotiations with a Federal Emergency Management Agency official.

OIG conducted a joint INV investigation with the Internal Revenue Service following a hotline complaint and media reports that a Department contract specialist steered more than $39 million in contracts to a company she and her husband controlled. The investigation confirmed the allegations and both the contract specialist and her husband pleaded guilty to major fraud against the United States, conspiracy to commit illegal monetary transactions, and illegal monetary transactions. They also agreed to a criminal forfeiture judgment in the amount of $7.9 million.

Another investigation conducted with the OIG for the U.S. Agency for International Development, involved allegations that two foreign real estate companies paid bribes to two locally employed staff members at the U.S. Embassy in order secure U.S. Embassy lease agreements. During the investigation, two company presidents admitted to paying the bribes and both employees were terminated from employment at the Embassy. The Office of the Procurement Executive issued six contracting debarments for a period of three years in connection with this investigation, two for the former employees, two for the companies, and two for the company presidents.

INTERNATIONAL BROADCASTING

During this reporting period, OIG conducted six inspections of Broadcasting Board of Governors (BBG) operations overseas; four were issued as separate reports and BBG operations in Juba and Minsk were reported in the respective embassy inspection reports. Despite significant personnel reductions, program cuts, and government restrictions on free media, OIG found that the inspected BBG entities were generally successful in implementing a number of goals of the BBG Strategic Plan 2012-2016, including *Impact through Innovation* and *Spur Development through Targeted Media Initiatives and Training*. In Iraq, Radio Free Iraq trained Iraqi journalists in multimedia reporting; Alhurra TV trained and provided internships for journalism students; and the Middle East Broadcast Network trained women who were political candidates in Erbil. Radio Free Europe/Radio Liberty in Kyiv had incorporated social media interaction with its radio broadcasts and initiated an intern program that was complimented by the Ukrainian Government. Amidst increased government censorship and encroachments on press freedom in several countries, the Latin American Division's Spanish Service had expanded its audience to 26.7 million in Latin America's sophisticated and competitive media market, and the Creole Service remained the most used international news organization in Haiti, reaching one-quarter of the Haitian population. In Russia's increasingly hostile environment for foreign broadcasters, the Voice of America (VOA) Russian Service had shifted focus and resources to digital platforms, and the International Broadcasting Bureau, Office of Strategy and Development, had creatively pioneered affiliate relationships to expand VOA Russian Service reach to

Russian audiences. The Radio Free Europe/Radio Liberty Russian Service adopted the same approach; however, the strategy was costly and significantly flawed. Radio Free Europe/Radio Liberty management, International Broadcasting Bureau staff, and the Broadcasting Board of Governors all bore responsibility for the missteps. OIG recommended that the inspected BBG operations implement strategies to enhance collaboration, budget, staffing, and international broadcasting. Radio Free Europe/Radio Liberty Belarusian Service had carried out a research-driven review of transmission effectiveness, which led to the elimination of 4 hours of repeat shortwave and mediumwave radio. The service was also maximizing distribution of news coverage by encouraging viewers of its social media sites to rebroadcast stories—one report was reposted to more than 17,000 sites. In Juba, BBG installed a radio transmitter on the embassy residential compound grounds to broadcast VOA programs in English to an estimated population of 400,000 in the greater Juba area.

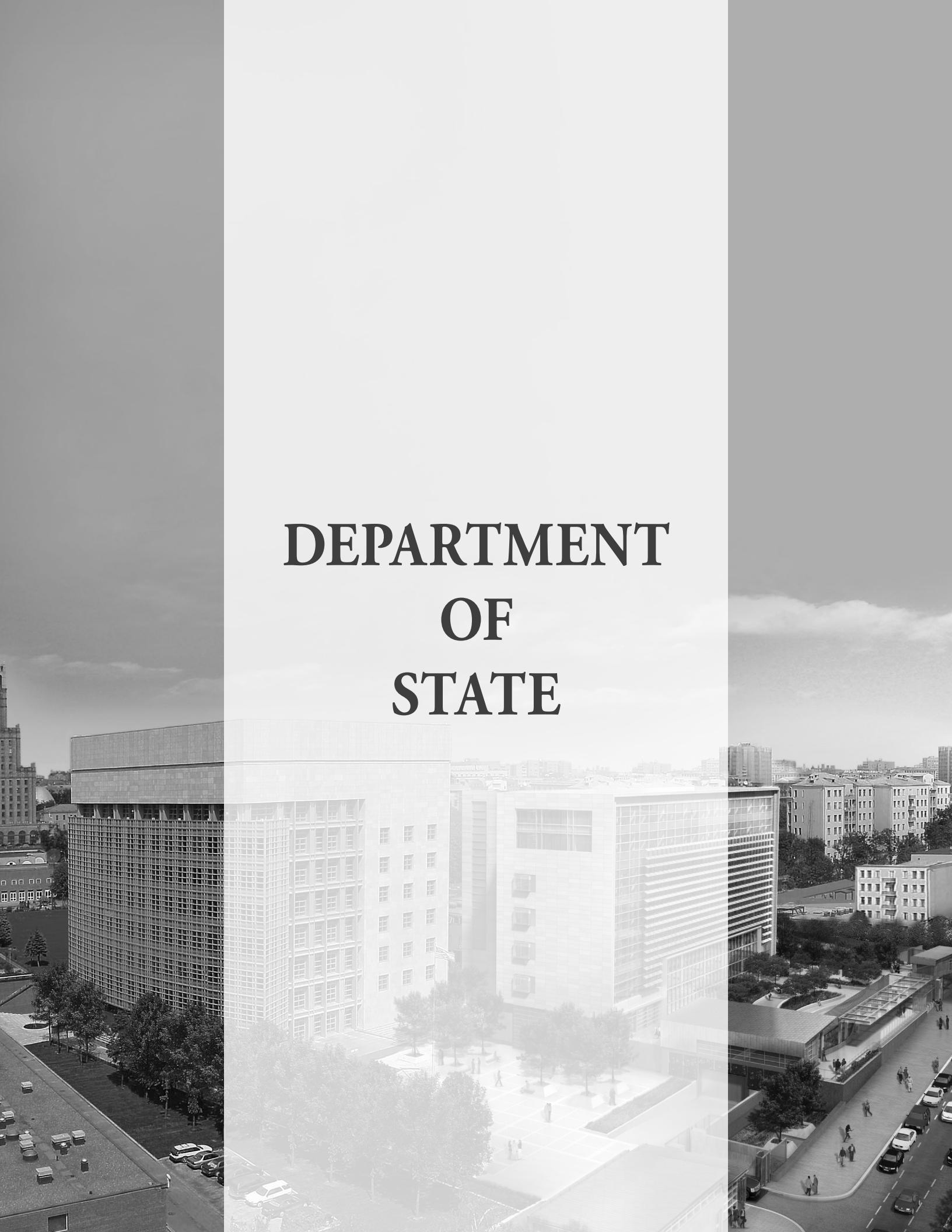
CONGRESSIONAL TESTIMONY AND BRIEFINGS

Section 4(a) of the Inspector General Act of 1978, as amended, requires the inspector general "to review existing and proposed legislation and regulations relating to the programs and operations of [the Department and BBG]" and to make recommendations "concerning the impact of such legislation or regulations on the economy and efficiency in the administration of programs and operations administered or financed by the Department and BBG or the prevention and detection of fraud and abuse in such programs and operations." OIG provides information to Congress by participating in congressional hearings and briefings.

On April 10, 2013, Deputy Inspector General Harold Geisel testified before the Committee on Oversight and Government Reform of the House of Representatives. The title of the hearing was "U.S. Foreign Assistance: What Oversight Mechanisms Are in Place to Ensure Accountability?" The Deputy Inspector General focused his remarks on oversight of ongoing programs in Afghanistan, including several counternarcotics programs; the Department's Migration and Refugee Assistance program; and several nonproliferation, antiterrorism, and demining programs. DIG Geisel testified on a panel with the Special Inspector General for Afghanistan Reconstruction and representatives of the Offices of Inspector General for the Department of Defense, the U.S. Agency for International Development, and the Special Inspector General for Iraq Reconstruction.

During the reporting period, representatives of OIG met with congressional staff members on several occasions. Topics of discussion during those meetings included current OIG oversight planning; an inspection of the Bureau of International Information Programs; an audit of the Department's compliance with physical and procedural security standards at selected high-threat level posts; and an inspection of the Bureau of Information Resource Management's Office of Information Assurance.

DEPARTMENT OF STATE



OFFICE OF AUDITS

CONTRACTS AND GRANTS

***Audit of Grant Closeout Processes for Selected Department of State Bureaus* (AUD-CG-13-31)**

The closeout procedure is the critical final step in a grant award life cycle and is an essential part of the grants oversight process. When closeout is performed in a timely manner, the Department's overall Federal assistance management is affected positively. OIG analyzed grants data from the Payment Management System (PMS) as of March 1, 2012, for three bureaus that collectively accounted for approximately $67.4 million (82 percent) of the $81.9 million of the Department's unspent funds. The three bureaus also were responsible for 1,155 (81 percent) of the Department's additional 1,421 expired grants with zero balances.

OIG found that the Department had taken action to update and reinforce grant closeout policies and procedures and to close some expired grants in PMS, but continued prioritization of the closeout of expired grant accounts could allow the bureaus to identify and redirect unused funds to other projects and priorities. Also, grants management personnel had not always adequately maintained official grant files, and documents required for grant closeout were often missing, incomplete, or inaccurate, all of which negatively affected the Department's ability to properly close out grants.

OIG recommended that the three bureaus continue to work to close the expired grants that had unspent balances in the Global Financial Management System of approximately $9.4 million, close the remaining 1,139 zero-balance grants in PMS, and review and close additional expired grants totaling approximately $40.5 million in unspent funds as part of this effort. OIG's efforts in this audit will allow the Department to potentially realize $9.4 million as funds to be put to better use. OIG recommended that the bureaus improve their management of grants, to include developing performance metrics for bureau grants management personnel, which will provide for grants to be closed out in a timely manner. OIG also recommended that the bureaus develop procedures to periodically review respective official grant files to determine compliance with Department policies.

***Audit of Bureau of Population, Refugees and Migration Oversight of Selected Cooperative Agreements in Support of Colombian Refugees in Ecuador* (AUD-CG-13-35)**

OIG conducted the audit to assess whether the Bureau of Population, Refugees and Migration (PRM) oversight of cooperative agreements in support of Colombian refugees

located in Ecuador was in accordance with applicable guidelines, and whether stated program performance indicators were achieved and accurately reported. OIG found that PRM's performance monitoring of the agreements sampled was in accordance with applicable guidelines and that stated performance indicators were achieved and accurately reported. OIG also noted two performance oversight practices that exceeded the Department's requirements for monitoring cooperative agreements: completing an interim program evaluation for every cooperative agreement, and dedicating two full-time policy staff positions to provide monitoring and evaluation expertise to all PRM program officers.

Regarding financial monitoring, OIG determined that PRM needed to strengthen monitoring procedures to validate that funding was properly spent by recipients. Without financial reviews of refugee assistance funds, PRM was not in compliance with Department directives and did not have reasonable assurance that program expenditures were in accordance with the terms of the cooperative agreements.

OIG made recommendations for PRM to strengthen its procedures for financial review of award recipients' documentation of cooperative agreements and for PRM to ensure that two award recipients reimburse the Department for unallowable costs identified during the audit.

Audit of Norwegian People's Aid Under Department of State and U.S. Agency for International Development Multiple Agreements for Year Ended December 31, 2010 (AUD/CG-13-42)

The Department's Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement, awarded the Norwegian People's Aid, a nongovernmental organization, 11 grants, totaling $10,276,970, under which the grantee incurred expenditures during the year ended December 31, 2010. The main purposes of the grants included removing land mines; developing programs that allowed free movement and settlement of populations; and improving physical infrastructure and access, such as roads, bridges, and schools, to promote increased movement and exchange of goods among communities.

An independent public accountant audited Department and U.S. Agency for International Development (USAID) grants to Norwegian People's Aid. In its report, the independent accountant questioned costs and identified internal control weaknesses and instances of noncompliance with the terms of the grant agreement and applicable laws and regulations that required the grantee's corrective action. The internal control weaknesses for the Department's grants were similar to those reported for the USAID grants. USAID contacted the Norwegian People's Aid and requested action to correct the control deficiencies. OIG requested that the Department make a determination on the allowability of questioned costs applicable to Department awards in the amount of $20,283.

FINANCIAL MANAGEMENT

Audit of Department of State Application of the Procurement Fee To Accomplish Key Goals of Procurement Services (AUD-FM-13-29)

Contractors and grantees play a significant role in supporting Department operations, and the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), directs Department acquisition programs. Until FY 2008, A/LM/AQM was funded through annual appropriations. However, because of a significant increase in the number and amount of procurement transactions, A/LM/AQM became a fee-for-service provider through the Working Capital Fund (WCF). The overall objective of this audit was to determine whether A/LM/AQM had applied procurement fee collections to implement key procurement activity goals included in its Business Plan.

OIG found that A/LM/AQM had used the procurement fees it collected as part of the WCF toward implementing key procurement activity goals in its Business Plan. However, A/LM/AQM had not sufficiently addressed the Financial Analysis and Reporting initiative related to the performance measurement goal; the Customer and Stakeholder Interaction and Organizational Capacity Building initiatives related to the customer service goal; or the Human Resources Development, Internal Reviews, and Business Process Mapping and Procedures Standardization initiatives related to the continuous improvement goal. A/LM/AQM had sufficiently addressed the Implementing Service Level Agreements initiative related to the performance measurement goal. Overall, A/LM/AQM did not have a process in place to track the accomplishment of the goals in the Business Plan.

OIG made recommendations for the Department to improve A/LM/AQM's financial analysis and reporting, customer service, human resources development, internal reviews, business processes, and the tracking of the accomplishment of goals.

Audit of Selected Working Capital Fund Cost Center Financial Results (AUD-FM-13-36)

The Department operates and maintains a WCF, which finances its operations through the collection of fees from its customers. OIG contracted with an independent external auditor to determine whether the fees collected by two of the Department's WCF cost centers, Secure Warehouses (SW) cost center and Information Technology (IT) cost center, were sufficient to cover all costs required to sustain operations for those activities. The independent external auditor found that SW cost center expenses exceeded revenue by $8.8 million in total from FY 2005 through FY 2012 because the Department considered the gains and losses of the SW cost center and the Freight Forwarding Service Center (another WCF cost center) to offset each other. Also, the SW cost center had delayed fee increases, had not formally reassessed its fees since FY 2005, had paid approximately $9.5 million of expenses from FY 2005

through FY 2012 that were not appropriate cost center expenses, and did not fully bill its customers for extended storage services. In addition, the SW cost center paid expenses of approximately $4.1 million in FY 2012 from appropriated funds or other WCF cost center revenue. As a result, the SW cost center did not have a clear understanding of its actual financial position and could not determine the amount of fees that would be sufficient to sustain its operations. Other agencies that used the SW cost center's services had been undercharged as much as $2.6 million from FY 2005 to FY 2012, an amount that could have been put to better use.

Also, IT cost center revenue exceeded expenses by approximately $26 million in total from the IT cost center's inception in FY 2009 through FY 2012. The cost center paid operating costs of approximately $2.8 million in FY 2012 from non-IT cost center funds, the IT cost center received $1.5 million in appropriated funds, and the IT cost center's fee-setting methodology did not consider the retained funds or future changes to customer needs. In addition, the IT cost center did not have an effective method to determine the number of its customers' desktop computers, and it provided services to nonserviced bureaus and offices that were not billed for the services. As a result, the IT cost center did not have a true understanding of its actual financial position and could not establish fees in a manner that covered but did not greatly exceed its cost of operations. The independent auditor estimated that the IT cost center charged its customers as much as $350 more per desktop computer than was necessary. The $2.8 million paid using non-IT cost center funds could have been put to better use, and the IT cost center may not have charged its customers correctly for the number of desktop computers serviced and may have paid more or less than the amount warranted to the contractor that was operating the IT Help Desk.

OIG made recommendations for the Department to improve the fee-setting and calculation methodologies of the two cost centers and for the cost centers to identify and properly charge their operating expenses.

HUMAN CAPITAL AND INFRASTRUCTURE

Outline for Action: Physical Security Concerns at Embassy N'Djamena (AUD-HCI-13-27)

As part of an overall audit of the Department's compliance with physical security standards and measures at selected posts within AF, OIG conducted a physical security survey at Embassy N'Djamena, Chad, to determine the embassy's compliance with current standards. OIG identified physical security deficiencies that required the embassy's immediate attention and made recommendations for the embassy to enhance its security posture.

***Outline for Action: Physical Security Concerns at Embassy Monrovia, Liberia* (AUD-HCI-13-28)**

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

***Outline for Action: Physical Security Concerns at Embassy Nouakchott, Mauritania* (AUD-HCI-13-30)**

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

***Outline for Action: Physical Security Concerns at Embassy Dakar, Senegal* (AUD-HCI-13-34)**

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

***Audit of Department of State Compliance With Physical Security Standards at Selected Posts Within the Bureau of African Affairs* (AUD-HCI-13-40)**

The report presented audit findings for seven posts under the purview of AF that had threat levels ranging from medium to critical. The objective of the audit was to determine to what extent the selected embassies in Africa complied with current physical security standards, and whether management officials at these posts used available authorities to effectively implement the posts' security programs.

***Outline for Action: Local Guard Contractor Did Not Comply With Contract Terms Regarding Supplemental Wage Allowance* (AUD-HCI-13-41)**

The local guard contractor for Embassy Lilongwe, Malawi, was required to pay local guards $100 per month supplemental pay in addition to the guards' regular wages

and benefits, based on a provision in the contract. Not paying the supplemental wage allowance constitutes a material breach of the contract and warrants termination of the contract for default. OIG found that the local guard contractor had not paid the monthly $100 supplemental wage allowance to the local guards, as required by the contract. Although the contractor invoiced $43,800 in supplemental wage allowance for the months reviewed, the corresponding monthly pay statements for each guard did not reflect that the $100 had been paid.

The supplemental wage allowance was not paid because the embassy Regional Security Officer (RSO), who also served as the contracting officer's representative on the contract, was not sufficiently familiar with the contract terms to verify that the $100 supplemental wage allowance had been paid as required by the contract. Also, the contracting officer had not adequately informed the RSO about validation procedures that would have helped ensure compliance with the supplemental wage allowance provision.

OIG estimated that the amount invoiced by the contractor and not paid to the local guards as of June 2013 could be as much as $1,489,200. To ensure that local guards perform services in a manner that enhances post security and to avoid unnecessary guard attrition, it is important for contractors to adhere to wage terms for local guard contracts and for the guards to be properly compensated.

OIG made recommendations for the Department to determine the full extent to which the contractor had complied with the contract's supplemental wage allowance provision and to instruct applicable contracting officer's representatives to verify that the contractor pays the supplemental wage allowance to local guards.

INFORMATION TECHNOLOGY

Audit of International Boundary and Water Commission, United States and Mexico, U.S. Section, Information Security Program (AUD-IT-13-39)

In response to the Federal Information Security Management Act of 2002 (FISMA), OIG conducted an audit of the United States Section, International Boundary and Water Commission's (IBWC) Information Security Program to evaluate IBWC's progress in addressing FISMA information management and information security program requirements.

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

MIDDLE EAST REGION OPERATIONS

Audit of the U.S. Mission Iraq Staffing Process (AUD-MERO-13-33)

In February 2012, the Office of the Deputy Secretary of State for Management and Resources announced an effort to "normalize" the U.S. presence in Iraq that would reduce a reported level of 16,298 personnel in January 2012 to a planned 6,320 personnel by January 2014. OIG assessed the process the Department used to establish staffing requirements for its diplomatic presence in Iraq and to determine whether mission infrastructure requirements aligned with the staffing plans.

OIG found that the Department and Embassy Baghdad did not conduct a systematic analysis that linked staffing with U.S. foreign policy priorities for Iraq. As a result, the Department could not support that the planned staff size of 6,320 personnel would provide the proper number or skill mix of personnel needed to meet the priorities while minimizing security risk and optimizing costs. Also, there was no plan linking Iraq staffing to mission facilities requirements. Although the Bureau of Overseas Buildings Operations (OBO) developed the Baghdad Master Plan prior to the 2011 transition from a military-led mission to a civilian-led mission in Iraq, that plan became obsolete during 2012 as the United States reduced its diplomatic presence in the country.

Completing a staffing analysis would provide the Department and Embassy Baghdad with an objective basis for determining the number and skill mix of personnel needed to achieve the priorities and for balancing achievement of those priorities with the security risks and operating costs associated with placing staff in Iraq. It would also help determine whether existing facilities are sufficient to meet mission needs. OIG recommended that Embassy Baghdad formally communicate Iraq policy priorities to all mission elements and conduct a systematic analysis of staffing requirements based on the policy priorities specific to U.S. Mission Iraq and that OBO, in coordination with Embassy Baghdad, develop a strategic facilities plan for construction and operations and maintenance activities that reflects mission staffing requirements.

Audit of the Bureau of International Narcotics and Law Enforcement Affairs Corrections System Support Program in Afghanistan (AUD-MERO-13-37)

On November 28, 2012, the Deputy Secretary for Management and Resources certified to Congress that FY 2012 Bureau of International Narcotics and Law Enforcement Affairs (INL) funds would not be obligated unless INL programs met the requirements of the USAID sustainability guidance. On March 13, 2013, INL began obligating FY 2012 funds for the Corrections System Support Program (CSSP), which was established to assist the Government of the Islamic Republic of Afghanistan in building a safe, secure, and humane prison system that met international standards and Afghan cultural requirements. OIG found that INL did not fully meet the USAID sustainability requirements before obligating the funds.

INL had conducted a review of "corrections system development" in early 2012 that included, but was not limited to, CSSP. However, that review did not fulfill the requirements of the USAID sustainability guidance, which calls for immediate and ongoing program reviews to determine whether a program is meeting the core principles of the guidance. These principles include evaluating the effectiveness of CSSP, identifying costs for the Afghan government to sustain CSSP, and evaluating the Afghan government's progress in meeting its commitments. As a result, INL had no basis for determining whether CSSP was an effective program with a positive return on its $226 million investment; whether the program should be revised, reduced, or canceled; or whether the Afghans will have the capacity to sustain the corrections system once international contributions are reduced. At FY 2012 and FY 2013 Afghan Government funding levels, CSSP will not be sustainable without continued international support.

OIG made recommendations for INL to evaluate CSSP for effectiveness and sustainability, including associated costs by the Afghan government, and to take actions needed based on the results of the evaluation. OIG also recommended that the Department revise and reissue its program management and evaluation guidance to ensure that programs such as CSSP are effectively managed and are sustainable.

SECURITY AND INTELLIGENCE

Audit of Department of State Compliance With Physical/Procedural Security Standards at Selected High Threat Level Posts (AUD-SI-13-32)

OIG audited Department compliance with physical and procedural security standards at selected high threat level posts to determine to what extent five new embassy and consulate compounds complied with current physical and procedural security standards. OIG also determined the degree to which post management officials used available authorities to effectively implement the post security program. OIG found that posts were not always in compliance with current physical security standards and made recommendations for the Department to address the deficiencies identified.

OFFICE OF INSPECTIONS

DOMESTIC INSPECTIONS

Inspection of the Bureau of International Information Programs (ISP-I-13-28)

Bureau of International Information Programs leadership failed to convey its strategic vision to staff members and created an atmosphere of secrecy, suspicion, and uncertainty. A 2011 reorganization of the bureau did not resolve structural problems and caused new organizational difficulties. The bureau had used technology effectively and made a significant contribution to the Department's digital diplomacy outreach effort, increased the reach of its publications, and expanded the use of video in public diplomacy work. Regularizing support for American Spaces overseas has strengthened these platforms for engagement with foreign publics, a cornerstone of the Department's 21st century public diplomacy effort. However, the bureau's digital outreach needed to focus more on broad public diplomacy goals rather than raw numbers of social media "fans." In addition, OIG noted limited outreach by top leadership to counterparts in the Department or at sister foreign affairs agencies.

Contract management was weak, constituting a potential vulnerability for the Department. The Office of Audience Research and Evaluation produced little work and was not engaged with either the bureau or other elements of the Department. Responsibility for information technology operations was diffuse, leading to problems of governance and oversight, and the executive office was not providing effective service. OIG made recommendations to address these issues.

Inspection of the Bureau of Consular Affairs, Office of the Executive Director (ISP-I-13-35)

The scope and complexity of resource management in the Bureau of Consular Affairs (CA) required a senior official at the deputy assistant secretary level with authority over the Office of the Executive Director, Office of the Comptroller, and Office of Computer Systems and Technology. Supervisory responsibilities for the Post Analysis and Support Division also needed to be reorganized to reflect the increased number of division employees and the complexity of new initiatives.

The bureau's leaders had not defined respective roles clearly for the Office of the Executive Director and the Office of the Comptroller on contract matters, particularly for the Global Support Strategy contract.

***Inspection of the Bureau of Consular Affairs, Office of the Comptroller* (ISP-I-13-36)**

The Office of the Comptroller has been plagued by insufficient and unevenly trained staff and an uncertain mission. Some of the roles and responsibilities of the Office of the Comptroller, particularly those regarding contracting oversight and management controls policy, were not sufficiently clear to stakeholders and employees. The more than $2.5-billion Border Security Program did not have a designated program manager, which diffused responsibility for program oversight and administration. The office's recovery efforts were underway. OIG made recommendations to address these issues.

***Inspection of the Florida Regional Center, Fort Lauderdale, United States* (ISP-I-13-33)**

The Florida Regional Center (FRC) in Fort Lauderdale provided quality training services for the Bureau of Western Hemisphere Affairs and continued to expand these services by training and certifying locally employed staff throughout the Western Hemisphere as adjunct faculty who can teach courses to their colleagues. The FRC also provided financial management and human resources assistance to 18 posts in the Bureau of Western Hemisphere Affairs. However, service memoranda of understanding with the posts lacked quantifiable outcomes and monitoring of internal controls and thus did not allow effective evaluation of the FRC's performance in these areas.

The FRC's management units were overstaffed. OIG recommended savings through consolidating functions and improving oversight. In addition, the FRC's regional job classification service needed to be evaluated to determine its value to the embassies and consulates in the region and, if beneficial, to expand it. The FRC's physical security program did not meet acceptable standards due to lack of oversight by the Bureau of Diplomatic Security and insufficient training for the principal post security officer. OIG recommended that the FRC and the bureau coordinate to review security programs and procedures and to provide training for FRC security staff.

***Inspection of the Bureau of Information Resource Management, Office of Information Assurance* (ISP-I-13-38)**

The Bureau of Information Resource Management, Office of Information Assurance (IRM/IA), was established to address information security requirements in Title III of the e-Government Act of 2002, but the office was not fulfilling all of those requirements, the majority of which were performed by other Department offices. In addition, IRM/IA's workload did not support its organizational structure, resources, or status as an IRM directorate. The office's mishandling of the certification and accreditation process and contracts had contributed to expired authorizations to operate for 52 of the Department's 309 systems. IRM/IA also lacked adequate management controls and procedures to monitor its $79 million in contracts, task orders, and blanket purchase agreements.

OIG recommended an organizational assessment of IRM/IA, including a workforce and workload balance analysis and a review of similar functions that are being performed by other offices in the Department. OIG also made recommendations to improve the certification and accreditation process and the office's administration of contracts.

Inspection of the Bureau of East Asian and Pacific Affairs (ISP-I-13-39)

The Bureau of East Asian and Pacific Affairs (EAP) was well led and high-functioning but suffered from long-standing domestic staffing shortages. Over the past 4 years, as part of the Obama Administration's policy rebalance toward the Asia-Pacific region, EAP had spearheaded a broad, innovative, and well-received intensification of U.S. foreign policy engagement. EAP had strengthened and modernized U.S. alliances through increased strategic dialogues and engagements with treaty allies, and was building constructive relationships with China and other partners. The Lower Mekong Initiative had deepened partnerships, but EAP needed to take steps to sustain its initial progress.

EAP produced good strategic planning documents, including collaborating with USAID on the Joint Regional Strategy, but the bureau needed to better track and assess implementation of its strategic plans. Working with the region's multilateral institutions and advancing regional economic interests were identified as key policy priorities, but the bureau was not well organized or staffed for these priorities. It needed to adjust overlapping senior management portfolios and address its working-level staffing shortages. In addition, the Special Representative and Policy Coordinator for Burma position was no longer needed because it duplicated the efforts in Embassy Rangoon and a strengthened Burma desk. OIG made recommendations to address these issues.

Inspection of the Office of the U.S. Global AIDS Coordinator (ISP-I-13-47)

The Office of the U.S Global AIDS Coordinator was overseeing a program whose budget in 10 years had grown from $2.3 billion to $6.3 billion. Now operating in 44 countries from an original 15, the President's Emergency Plan AIDS Relief has made substantial inroads against HIV/AIDS, despite management shortcomings. OIG recommended the office devote greater attention to internal management, including personnel (where turnover is high), communication, information systems, and contract oversight.

Compliance Followup Review of the Bureau of Educational and Cultural Affairs (ISP-C-13-51)

Since the 2012 inspection, the Bureau of Educational and Cultural Affairs (ECA has improved internal communications and developed a strategic planning process. The absence of a standard process for data collection made it difficult to quantify the relevancy of its foreign policy work. The bureau lacked a budget line item for

approximately $15 million in information technology expenditures, which hampered efforts at strategic planning and prioritizing functions and added to the challenge of project planning and contract management. The bureau had improved its oversight of the Summer Work Travel program, but needed to continue to build on its initial efforts.

ECA had complied with most of the 78 formal and 34 informal recommendations from the February 2012 inspection by OIG. The compliance followup review reissued 12 formal recommendations from the 2012 inspection report and issued three new recommendations. Three informal recommendations were revised and reissued as formal recommendations

OVERSEAS MISSIONS

Bureau of African Affairs

Inspection of Embassy Juba, South Sudan (ISP-I-13-29A)

The Department had been unable to staff Embassy Juba adequately, preventing the embassy from functioning as effectively as it should. Physical security was inadequate. Until the Department renovated or expanded the existing facility or constructed a new embassy compound, there would be no easy way to accommodate additional staff. A new embassy is scheduled for construction in 2018.

One-year tours had weakened embassy reporting. The embassy needed to increase the quality and volume of its reporting by improving information sharing, hiring a protocol specialist, and adjusting political/economic section staffing. In addition, the consular section had insufficient staff and facilities, and Embassy Juba's reliance on Embassy Khartoum for management support was not a viable strategy. OIG recommended that the Department provide additional consular support and establish an alternative management support system.

Overlap of command and control between the Office of the U.S. Special Envoy for Sudan and South Sudan (S/USSESSS) and Embassy Juba regarding U.S. policy toward South Sudan had resulted in confusion over roles and occasional S/USSESSS guidance on bilateral issues that conflicted with the Ambassador's priorities. OIG recommended that Embassy Juba, S/USSESSS, and the Bureau of African Affairs establish a U.S. Government multiyear strategy to guide policy and programmatic engagement with South Sudan.

Inspection of Embassy Khartoum, Sudan (ISP-I-13-37A)

The U.S. Government's ability to engage with Sudan and pursue policy and program goals had been complicated by several sets of U.S. and United Nations sanctions that

restricted trade and investment; by International Criminal Court indictments of President Al-Bashir and other key officials for crimes, including genocide in Darfur; and an ordered departure of the majority of Embassy Khartoum's American employees following the September 14, 2012, attack on the compound. The lack of officers with sufficient Arabic skills had also strained the embassy's already limited advocacy and outreach efforts. Despite the sharp reduction in direct-hire staff, demands for embassy products and services continued, including reporting, USAID activities, management support, and consular services. The mission has done an excellent job with spot reporting while on ordered departure.

S/USSESS and Embassy Khartoum shared responsibility for U.S. policy toward Sudan. Lack of clarity in the roles and responsibilities of the two entities had sometimes caused confusion. OIG recommended ways to increase information sharing and coordination between the two entities. OIG recommended that the embassy restart and revamp its post language program and that at least four positions be designated with a higher level of Arabic proficiency.

Bureau of European and Eurasian Affairs

Inspection of the Regional Support Center Frankfurt, Germany (ISP-I-13-32)

The Bureau of European and Eurasian Affairs created the New Post Support Unit in 1992 in Bonn, Germany, to provide administrative services to newly established European embassies; the unit evolved into the RSC Frankfurt. The needs of the serviced posts also changed over time, warranting review of the RSC's mandate in this context. RSC Frankfurt continued to provide administrative support visits to embassies throughout Europe even though the missions were fully staffed and trained and no longer required this support. With diminishing need for regional support, RSC Frankfurt had successfully shifted focus to software development and testing innovative management concepts for the Bureau of European and Eurasian Affairs. The RSC also was performing well its function of classifying LE staff positions for 98 posts in Europe and the Middle East. RSC Frankfurt's training support function had also expanded to include locally employed (LE) staff from Europe, the Middle East, and Africa.

OIG recommended that the Bureau of European and Eurasian Affairs discontinue administrative support visits, thereby saving the U.S. Government $1.25 million in U.S. and LE staff salaries and an estimated $230,000 per year in airfare and per diem costs.

Effective Assignment of Regional Positions

In 2013, OIG found a number of regional positions that the Department could eliminate or place in the United States or a more cost-effective location. Regional procurement agent salaries in Frankfurt are among the highest in the world; relocating those functions to a lower cost mission could save $1 million annually. Additionally, regional post assistance visits, performed out of Frankfurt, are no longer needed and could be discontinued, saving $1.47 million annually. OIG recommended reducing the 99 regional information management officer positions located overseas by 80 percent. These positions were created to provide immediate response services, but the majority of support they provide is routine and predictable or could be provided remotely from the United States.

While the creation of regional support positions often provides efficiencies, the decision to locate these positions in an overseas post or a domestic office must first answer the question: Must a function be performed overseas? Annual costs for overseas positions average $232,000 more per person than domestic positions; establishing a new overseas position costs $361,547 more than establishing a new position domestically. Placing positions at some overseas posts, such as Cairo, may also increase the security risk for employees and their families.

Inspection of Embassy Vilnius, Lithuania **(ISP-I-13-41A)**

The embassy compound did not meet Overseas Security Policy Board or fire and life safety standards. A multiphase construction project to upgrade the compound was under reaward because of the contractor's termination for cause. Since 2009, Embassy Sofia had provided basic human resources services to Embassy Vilnius. OIG found the process convoluted and inefficient and recommended that these services be transferred back to Embassy Vilnius. Also questioned was whether Embassy Vilnius' American staff should continue to receive rest and recuperation travel benefits, which totaled $45,000 a year. OIG recommended that the embassy revise its hardship differential report to reflect current conditions and submit the report to the Bureau of Administration for review.

The embassy's five language-designated positions were at the working proficiency (3/3) level. However, limited use of Lithuanian did not justify the additional 14 to 21 weeks of training at the Foreign Service Institute for students to achieve a 3/3 level, versus a 2/2. OIG recommended that these positions be reclassified at the 2/2 level.

INNOVATIVE PRACTICE: Virtual American Corners—"ATMs" That Tell America's Story

Issue: Public Affairs Section Vilnius lacked the funding to establish additional American Corners to expand its outreach and provide up-to-date and interesting information about the United States.

Response: A local computer hardware and software company developed InfoUSA terminals, interactive platforms about the size of an ATM that can be moved easily from site to site and reach host country audiences in a variety of venues. PAS placed the kiosks in a shopping center in Vilnius, a public library in northeastern Lithuania, and at an indoor water park in southern Lithuania. Each kiosk is a simple touchscreen computer preloaded with information and videos about U.S. history, culture, geography, and people (including noted Lithuanian Americans), as well as basic travel and visa regulations and live links to the embassy's Facebook page. PAS staff translated all content into Lithuanian. The only expenses for kiosk maintenance are electricity and Internet connection utilities. Operational 24/7, the kiosks—with the proper connection—can also project onto a wall a larger image of what is on the computer screen, allowing for greater audience participation. PAS makes kiosk content available on computer discs, which it encourages school groups visiting the Information Resource Center to take home and use.

Result: PAS Vilnius has greatly expanded its outreach efforts at minimal cost. From their opening in late 2012 to mid-May 2013, the InfoUSA kiosks attracted a total of 110,000 individual visitors, with nearly 90 percent of them logging on at the shopping center and the water park. The cost was 41 cents per visitor, with the unit cost projected to decline as the number of visitors rises.

Inspection of Embassy Minsk, Belarus (ISP-I-13-42A)

Embassy Minsk had been unable to comply with numerous security, consular, information technology, reporting, and management requirements, primarily because of a five-person staffing ceiling imposed by the Government of Belarus. Conversely, the ratio of local staff to American staff was too high, with 119 locally employed staff members supporting 5 U.S. direct hires. Senior embassy officials had made inappropriate visa referrals. Host government limitations on American staff numbers in Minsk had forced most Belarusians to apply for visas outside Belarus. With referrals affording the only access to a Minsk interview for many visa applicants, the referral program was unusually vulnerable to misuse.

The chancery was in seriously degraded condition, necessitating that embassy employees work from an annex. A $34-million OBO rehabilitation project, scheduled for 2010, was suspended because of staffing restrictions. Without maintenance, the chancery would continue to deteriorate. In addition, the Belarusian Government

gave the embassy a March 2014 deadline to move public affairs employees from the section's leased office space. The building in question also had serious fire and life safety issues that made it unsuitable for diplomatic operations. OIG recommended that the embassy terminate the lease and relocate public affairs employees.

Inspection of Embassy Kyiv, Ukraine (ISP-I-13-45A)

Embassy Kyiv, the second largest U.S. diplomatic mission in Eastern Europe after Moscow, provided high-quality reporting and analysis, assisted U.S. businesses, and ran an active public diplomacy program. Among successes, the embassy obtained millions of dollars of overdue refunds of value-added taxes owed to U.S. companies. The embassy moved into a new $244-million facility in 2012, which had increased operational coordination among the nine agencies at post.

OIG confirmed indications that organized crime had infiltrated the Visa Diversity program and recommended the Bureau of Consular Affairs address the issue without delay. OIG also recommended the Department consider converting the Marine house into multiple apartments rather than a new residence for the deputy chief of mission; doing so could yield savings of between $200,000 and $300,000 annually. Overtime payments to local staff were excessive, and OIG recommended that the embassy bring them under control.

INNOVATIVE PRACTICE: Reorientation of Locally Employed Staff

Issue: Human resources offices generally brief LE staff when they begin their careers at the embassy. Issues such as performance management, salary and benefit policies, awards, training, and EEO activities are on the agenda. After this original briefing, the LE staff members are not briefed again and instead are told to read the local employee staff handbook if they have questions. If they are proactive, they may reach out to the human resources office but, unfortunately, most do not.

Response: Embassy Kyiv began a program to reorient the LE staff with new policy information. Orientation is done once a week in small groups and will continue until all are briefed.

Result: Inspectors frequently encountered LE staff members during interviews who did not understand aspects of the policies and procedures they are required to follow. These small group briefings refocus LE staff members on policies and procedures and generally enhance their understanding of these documents.

INNOVATIVE PRACTICE: Protection of Intellectual Property Rights

Issue: Ukraine has inadequate intellectual property rights laws and weak enforcement. Piracy is rampant. Much of the public and officialdom see intellectual property rights protection as serving foreign commercial interests. The challenge for U.S. diplomacy is to help Ukrainians make a case that intellectual property rights protection will support indigenous innovation and economic growth.

Response: Embassy Kyiv successfully competed for a grant of $10,940 from the Department's Fund for Innovation in Public Diplomacy to sponsor a contest among teams of students from Ukrainian universities. The teams wrote academic papers that assessed the impact on their country's economic growth should Ukraine adopt comprehensive intellectual property rights protection. The economic and public affairs sections collaborated in designing and implementing the project.

Result: Teams of five students from nine universities submitted papers. A panel of nine judges—four from the embassy and five from the local artistic and academic communities—selected one winning team from Kyiv and one from outside Kyiv. The Ambassador hosted a reception for the winning teams, with invited guests from the government, parliament, and intellectual property rights communities. The embassy awarded iPads to the winning students, and will disseminate their papers.

Inspection of Embassy Moscow and Constituent Posts, Russia (ISP-I-13-48A)

Despite a difficult U.S.-Russia relationship, Embassy Moscow was effectively advancing a broad policy agenda and representing U.S. interests under the strong leadership of the Ambassador and deputy chief of mission. The embassy was skillfully carrying out public diplomacy programs in an environment where the Russian Government had expanded control over the news media, harassed nongovernmental organizations, and pressured partner institutions to limit cooperation on U.S. Government-sponsored programs. Embassy reporting was balanced, well sourced, and relevant. The consular section had done a good job assisting U.S. parents in coping with the termination of adoptions of Russian children, but needed to monitor Russia's compliance with the bilateral visa agreement.

The embassy was working well with the Department to begin the construction of office facilities in Moscow and St. Petersburg to replace obsolete buildings; however, the embassy could save $2.7 million annually by leasing or selling units at the remote Rosinka compound. OIG recommended that the embassy better manage its inventory of leased properties and recommended that the embassy monitor Russian compliance with the bilateral visa agreement. OIG also made recommendations to eliminate positions, including three dealing with law enforcement assistance.

Bureau of Near Eastern Affairs

Inspection of Embassy Baghdad and Constituent Posts, Iraq (ISP-I-13-25A)

The Ambassador and deputy chief of mission provided uncommon continuity and extraordinary policy engagement as Mission Iraq was transforming from a wartime operation into a normal diplomatic platform. However, the mission needed Department assistance with several rightsizing and military-to-civilian contract issues because short tours of duty and frequent personnel turnover inhibited long-term project implementation. Mission Iraq also faced challenges in oversight and monitoring of many of its programs, made more difficult by inadequate staffing, more than $5 billion in contracts, and $500 million in construction projects, and substantial Department-funded grant assistance ($70 million planned in FY 2014). The mission also needed to determine whether several unique and costly legacy security programs were still required.

OIG recommended that the mission implement contract oversight transition and advance acquisitions plans to reduce the risk of waste, fraud, and mismanagement, as well as a formal risk management study to determine if security countermeasures were appropriate. OIG also recommended that the mission determine the diplomatic platform needed in Basrah, outline the orderly closure of facilities in Baghdad, and plan the new compound in Erbil based on the recent rightsizing study.

Compliance Followup Review of Embassy Beirut, Lebanon (ISP-C-13-27A)

The embassy effectively represented U.S. strategic and commercial interests and produced a high volume of valuable reporting that met the needs of Washington policymakers. Physical security vulnerabilities at mission facilities placed employees at risk. Mission morale remained low due to increased security restrictions on personal and work-related travel outside the embassy compound and overcrowded office space. Security will improve when a new embassy compound is built, but Beirut was listed as an alternate mission for 2016 in the Department of State Capital Security Construction Program.

Embassy Beirut had complied with all but 2 of the 34 formal recommendations and all of the informal recommendations from the 2012 inspection report. The compliance followup review security annex reissued and redirected action on eight recommendations contained in the 2012 security annex.

Inspection of Embassy Rabat and Consulate General Casablanca, Morocco (ISP-I-13-30A)

Mission Morocco had requested a new consulate compound in Casablanca, and the Bureau of Overseas Buildings Operations estimated total construction costs at $170 million. These costs could be eliminated by relocating consulate operations and staff to Embassy Rabat. Closing Consulate General Casablanca would also eliminate five U.S. direct-hire positions for an additional savings of more than $2.5 million yearly.

These cost savings would be offset by the costs (unknown at this time) to construct a new consular annex in Rabat.

Mission Morocco had serious management control deficiencies and did not exercise adequate interagency oversight and coordination. OIG recommended that an interagency working group on commercial advocacy and export promotion be established and that an office management position and several eligible family member positions be eliminated. Elimination of the office management position would put to better use $570,000 in funding. Bilateral cooperation on counterterrorism and law enforcement was strong.

Consulate Closures

OIG has identified where the Department could eliminate or downsize consulates or consular agencies. For example, OIG found that Embassy Rabat could absorb the workload currently carried out by the consulate in Casablanca, which is located less than 60 miles from the Embassy. Closing the consulate would result in the elimination of five positions, for a savings of more than $2.5 million annually. Closing the consulate would also eliminate the need for construction of a new building in Casablanca, estimated at $170 million. Reviewing potential consulate closures supports the Quadrennial Diplomacy and Development Review (QDDR) goal of "Working Smarter." Over the last 5 years, OIG has recommended downsizing or closing consulates and consular agencies in a number of countries, including Portugal, Spain, Germany, and South Africa. However, the Department has not closed any consulates since 2008, when it closed Lille, France. Since 2008, the Department has opened eight consulates and two other diplomatic posts, many due to the creation of new countries, such as South Sudan and Montenegro, or reestablishing and expanding relations with Iraq and Afghanistan.

Bureau of Western Hemisphere Affairs

Inspection of Embassy Brasilia and Constituent Posts, Brazil (ISP-I-13-40A)

A strong executive team was leading Embassy Brasilia to successfully promote and strengthen a vibrant U.S.-Brazil bilateral relationship as Brazil became an increasingly important partner in world affairs. The mission had expanded rapidly to provide a platform for U.S. economic interests and increased bilateral cooperation and to meet the demand for consular services by Brazil's growing middle class. Economic reporting and export promotion efforts were strong, but political reporting suffered from a lack of context and comment. Coordination among various Department and mission elements on the completion of two proposed consulates and the relocation of a third needed improvement. The Consulate General Rio de Janeiro facility remained a serious concern, but the search for a new facility received less focus in the mission and the Department than the situation merited.

OIG recommended to the mission that it strengthen its reporting. OIG also recommended that the mission identify a new facility for Consulate General Rio de Janeiro and provide more coordination and oversight of the mission's efforts to relocate and establish new consulates and to respond to its increased staffing, among other operational deficiencies.

Note: On August 20, 2013, the Department designated the consulate in Recife as a U.S. consulate general.

INNOVATIVE PRACTICE: Computer Application to Rapidly Process Waiver of Interview Cases

Issue: Processing nonimmigrant visa cases for which an interview is waived can be time consuming. Officers have to individually open the files, wait for them to load, and enter repetitive annotation language.

Response: An officer at Consulate General Sao Paulo developed an application that opens an entire batch of files at once, inserts standard annotations, and otherwise sorts the cases for more efficient processing.

Result: The application resulted in much faster processing of nonimmigrant visa cases and an overall saving in officer time.

INNOVATIVE PRACTICE: Secondary Adjudication Windows

Issue: Nonimmigrant visa adjudicators frequently encountered cases at the interview window that required additional scrutiny for possible grounds of ineligibility or referral to the fraud prevention unit. Time was lost as adjudicators performed the necessary research or sought assistance from colleagues.

Response: Mission Brazil examined its process and concluded that referring applicants with complex cases immediately to a secondary window staffed by an experienced adjudicator could help maintain service standards while ensuring that the cases receive the necessary extra scrutiny.

Result: Applicants receive better customer service, while the secondary adjudicators gain additional experience and deepen their knowledge of visa law and regulations.

PROGRAM REVIEWS AND SPECIAL REPORTS

***Review of the Process for Establishing Language Designated Positions* (ISP-I-13-24)**

The Department spent approximately $195 million providing language training to its employees in FY 2012. Employees en route to language designated positions—those for which language skills are essential—are provided language training if they do not already have language skills at the required level. Given the strategic importance of language training, and its cost, the Department needs to give greater attention to how it determines language requirements. This review and other inspections conducted by OIG found that some positions identified as language designated do not in fact require foreign language skills. Other positions are not language designated but should be.

Oversight of language designations was insufficient to identify when the Department is over- or under-designating language requirements. Most decisions were made at the embassy level. The Department did not review language requirements across embassies and regional bureaus to facilitate consistent application of language designation criteria and appropriate distribution given U.S. policy priorities. Several factors outside the "essential" criterion drove language designations. Stronger oversight was needed to facilitate better use of Department resources. Establishing language requirements at the professional level at an embassy can trigger language training lasting from 6 months to 2 years, for which the OIG team estimated a cost of between $105,000 and $480,000 per student.

The language incentive pay program, designed to encourage officers to gain and maintain language skills in certain "hard" and "super hard" languages, has, until recently, suffered from lack of oversight. The Department has begun closely reviewing the program, which totaled $11.4 million in 2012. OIG made recommendations to assist in this effort.

***Inspection of the Regional Procurement Support Offices Frankfurt, Germany, and Fort Lauderdale, United States* (ISP-I-13-34)**

The Regional Procurement Support Offices (RPSO) in Frankfurt and Fort Lauderdale were both providing responsive service to their customers. LE staff salaries in Frankfurt were among the highest in the world, and too many of RPSO Frankfurt's resources were dedicated to low dollar value procurement actions. RPSO Fort Lauderdale had not assessed its staffing level after the completion of the Merida Initiative. The bureaus and agencies that use both RPSOs had not coordinated with the offices regarding their annual acquisition plans, creating significant inefficiencies.

OIG recommended that the Bureau of Administration review the viability of relocating RPSO Frankfurt to lower-cost locations and determine whether RPSO Frankfurt should continue to support procurement actions under $25,000. OIG also recommended that the Bureau of Administration carry out a workload study for RPSO Fort Lauderdale to assess its staffing needs and require all bureaus to share their acquisitions plans with the RPSOs.

Special Review of the Accountability Review Board Process **(ISP-I-13-44A)**

OIG determined that the ARB process operated as intended—independently and without bias—to identify vulnerabilities in the Department's security programs; however, the Department lacked a conceptual framework or risk management process to determine if the strategic value of a program outweighed associated risks. OIG also determined that implementation of ARB recommendations required sustained oversight by Department principals to ensure long-term security program improvements and to avoid reissuing recommendations for vulnerabilities identified in previous ARBs. The Department lacked an adequate system to determine which incidents might rise to the level of an ARB and, as a result, missed opportunities to improve security programs and enhance security. It also lacked an established system to include input from diplomatic and intelligence sources on assessments of security at overseas posts.

The Department was making progress implementing the Benghazi ARB recommendations, but many of them remained to be fully formalized. The Department planned to implement a Benghazi recommendation to revise the law and regulations to authorize future ARBs to recommend disciplinary action for unsatisfactory leadership performance related to a security incident. The Benghazi ARB also recommended establishment of a panel to examine the organization and management structure of the Bureau of Diplomatic Security and to advise the Department on best practices from other organizations. However, the Department would need to widely share this information to realize the potential benefits. OIG made recommendations to address these and other deficiencies in the ARB process.

Review of Consular Wilberforce Compliance **(ISP-I-13-43)**

Consular officers at 21 embassies surveyed by OIG appeared to be complying with provisions of the 2008 William Wilberforce Trafficking Protection Reauthorization Act by providing relevant visa applicants with written information about their rights under the law. OIG recommended the Bureau of Consular Affairs add a feature to its consular software to indicate when applicants have received Wilberforce information. OIG also recommended that the Bureau of Consular Affairs highlight online Wilberforce training in its next consular cable.

Review of the Department of State Ethics Program **(ISP-I-13-52)**

The Office of the Legal Adviser made significant progress reviewing a large backlog of financial disclosure reports, for which it had been criticized by the Office of Government Ethics. The Department has more presidential appointees than any other Federal agency, and its ethics workload is consistently higher. OIG recommended the Department hire additional ethics staff, improve tracking systems to identify employees required to file financial disclosure reports, and enforce requirements for annual ethics training. These recommendations were consistent with those made by the Office of Government Ethics.

OFFICE OF INVESTIGATIONS

CONTRACT FRAUD

OIG conducted an investigation after receiving allegations of improper activities being committed by a major contractor that provides survey services to the Department and other agencies. The investigation determined that the contractor provided false pricing information to the Department during negotiations for a 5-year, sole source contract worth $25,000,000. OIG led a multi-agency investigation which resulted in the contractor agreeing to pay a $10.5-million civil settlement for improperly inflating Department and U.S. Mint contract prices and engaging in prohibited employment negotiations with a Federal Emergency Management Agency official.

OIG conducted a joint investigation with the Internal Revenue Service following media reports that a Department of State contract specialist steered more than $39 million in contracts to a company she and her husband controlled. The investigation confirmed the allegations, and on August 2, 2013, both the contract specialist and her husband pleaded guilty to major fraud against the United States, conspiracy to commit illegal monetary transactions, and illegal monetary transactions. They also agreed to a criminal forfeiture judgment. The contracting specialist was also terminated from employment with the Department. Sentencing of both parties is scheduled for December 6, 2013. Additionally, the Office of the Procurement Executive debarred the two defendants and their company from participation in Federal Government contracting for 3 years.

OIG conducted an investigation based upon information received from the Special Inspector General for Afghanistan Reconstruction and the Federal Bureau of Investigation alleging that a personal services contractor, acting as an international contracting officer's representative, solicited money from construction contractors in exchange for awarding and/or manipulating the awarding of the contracts. On May 18, 2010, the contract employee was terminated from employment, and was subsequently suspended from any contracting activity with the Department. The former contract employee was indicted on April 2, 2013, and on September 19, 2013, agreed to plead guilty to the charge of Receipt of Gratuity by a Public Official. The former contract employee further agreed to a criminal monetary judgment against him in the amount of $30,000, which was the amount of the gratuity he received. Sentencing is scheduled for January 14, 2014.

OIG conducted a joint investigation with the OIG for USAID into allegations that two foreign real estate companies paid bribes to two LE staff members at the local embassy in order secure U.S. Embassy lease agreements. During the investigation, the company presidents admitted to paying the bribes and both employees were

terminated from employment at the embassy. On May 9, 2013, the Office of the Procurement Executive issued six contracting debarments for a period of 3 years in connection with the case, two for each former employee, two for the two firms, and two for the presidents of each firm.

FALSE CLAIMS

OIG conducted an investigation of an assistant regional security officer who submitted a false reimbursement voucher in connection with an extended hotel stay. The investigation determined that the officer knowingly submitted two fraudulent vouchers for reimbursement to the Department and received $14,630.83 to which he was not entitled. On March 11, 2012, The Department of Justice declined criminal prosecution of the officer. On March 28, 2012, the Bureau of Resource Management initiated a collection action against the officer for the full amount of the false claims, and on April 23, 2013, the Bureau of Human Resources issued a 10 day suspension to the officer.

OVERSIGHT REVIEW

The Office of Investigations (INV) is conducting an independent oversight review of certain investigations conducted by the Bureau of Diplomatic Security, Office of Investigations and Counterintelligence, Special Investigations Division (DS/ICI/SID). This is an in-depth review of the DS/ICI/SID investigations to assess the adequacy of the investigative process.

FOLLOWUP ACTIONS

False Claims

OIG conducted an investigation based on information that a Department employee committed fraud by submitting false time-and-attendance records and fraudulent claims for overtime pay. The investigation determined that, as a result of the fraud, the employee was paid $7,245.68 in wage compensation that she was not entitled to receive. The case was referred to Superior Court for the District of Columbia, and on January 29, 2013, the employee was arrested for theft. On March 12, 2013, the employee was convicted and sentenced to 180 days confinement (suspended) and 3 years probation, and was ordered to pay full restitution in the amount of $7,245.68 and a $50 fine. On April 5, 2013, the Bureau of Human Resources issued a notice of termination to the employee. (See the OIG *Semiannual Report to the Congress, October 1, 2012 to March 31, 2013*, pp. 33-34.)

Suspension/Debarment Oversight

During this reporting period, the INV received an Award for Excellence from the Council of Inspectors General for Integrity and Efficiency for "exceptional performance in establishing a highly effective Suspension and Debarment Program within the OIG and the Department of State, which resulted in successfully safeguarding U.S. Government interests."

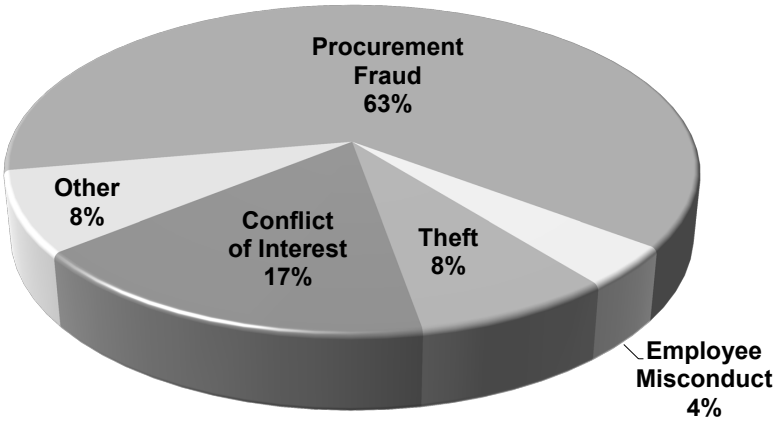
Referrals of matters for suspension/debarment consideration from OIG accounted for more than 90% of all suspension and debarment referrals for action for the Department. In 2011, OIG and the Office of the Procurement Executive (OPE) began the creation of a formal process to refer information for suspension and debarment action, and also initiated a regimen of education into INV and OPE best practices with respect to suspension and debarment actions. For several years prior to this, there were fewer than five total suspension or debarment actions within the Department. Since initiation of this process and education, the Department has implemented more than 95 total suspensions and debarments, demonstrating the clear, dramatic, and fundamental impact an effective and necessary program can have on an agency.

DATA AND INVESTIGATIVE ACTIVITIES

Hotlines

Total Complaints Received	732
Referral To Other Offices for Action	627
Held for Action Within OIG	54
No Action Necessary	51

Types of Cases



Note: May not equal 100% due to rounding.

APPENDIX 1: INVESTIGATIVE ACTIVITIES

Preliminary Inquiries	
Opened	42
Closed	35
Investigations	
Opened	24
Closed	35
Pending (9/30/13)	125
Criminal Actions	
Referrals for Prosecution	5
Indictments/Informations	2
Convictions	2
Sentencings (Months Imprisonment)	0
Sentencings (Months Probation)	0
Declinations	15
Civil Actions	
Civil Referrals	0
Civil Judgments	0
Civil Declinations	4
Administrative Referrals	
Referrals for Personnel Action	2
Suitability Referrals to DS	2
Contractor Suspensions/Debarment Referrals to OPE	12
Administrative Actions	
Removals	5
Suspensions	1
Reprimand/Admonishments/Warning Memorandum	3
Contractors/Grantees Suspended	5
Contractors/Grantees Debarred	11
Contractors/Grantees High Risk	0
Monetary Recoveries	
Criminal Fines/Recoveries	$0
Civil Recoveries	$10,530,000.00
Administrative Recoveries	$0
Total Investigative Recoveries	**$10,530,000.00**

APPENDIX 2: REPORTS ISSUED

Report Number	*Report Title*
AUD-CG-13-31	*Audit of Grant Closeout Processes for Selected Department of State Bureaus*
AUD-CG-13-35	*Audit of Bureau of Population, Refugees and Migration Oversight of Selected Cooperative Agreements in Support of Colombian Refugees in Ecuador*
AUD-CG-13-42	*Audit of Norwegian People's Aid Under Department of State and U.S. Agency for International Development Multiple Agreements for Year Ended Dec. 31, 2010*
AUD-FM-13-29	*Audit of Department of State Application of the Procurement Fee to Accomplish Key Goals of Procurement Services*
AUD-FM-13-36	*Audit of Selected Working Capital Fund Cost Center Financial Results*
AUD-HCI-13-27*	*Outline for Action: Physical Security Concerns at Embassy N'Djamena*
AUD-HCI-13-28*	*Outline for Action: Physical Security Concerns at Embassy Monrovia*
AUD-HCI-13-41	*Outline for Action: Local Guard Contractor Did Not Comply With Contract Terms Regarding Supplemental Wage Allowance*
AUD-IT-13-39*	*International Boundary and Water Commission, United States and Mexico, U.S. Section, Information Security Program*
AUD-MERO-13-33	*Audit of the U.S. Mission Iraq Staffing Process*
AUD-MERO-13-37	*Audit of the Bureau of International Narcotics and Law Enforcement Affairs Corrections Systems Support Program in Afghanistan*
AUD-SI-13-32*	*Audit of Department of State Compliance with Physical and Procedural Security Standards at Selected High Threat Level Posts*
ISP-C-13-27A	*Compliance Followup Review of Embassy Beirut, Lebanon*
ISP-C-13-51	*Compliance Followup Review of the Bureau of Educational and Cultural Affairs*
ISP-I-13-24	*Review of the Process for Establishing Language-Designated Positions*
ISP-I-13-28	*Inspection of the Bureau of International Information Programs*
ISP-I-13-32	*Inspection of the Regional Support Center, Frankfurt, Germany*
ISP-I-13-33	*Inspection of the Florida Regional Center, Fort Lauderdale, United States*
ISP-I-13-34	*Inspection of the Regional Procurement Support Offices, Frankfurt, Germany, and Fort Lauderdale, United States*
ISP-I-13-35	*Inspection of the Bureau of Consular Affairs, Office of the Executive Director*
ISP-I-13-36	*Inspection of the Bureau of Consular affairs, Office of the Comptroller*
ISP-I-13-38	*Inspection of the Bureau of Information Resource Management, Office of Information Assurance*
ISP-I-13-39	*Inspection of the Bureau of East Asian and Pacific Affairs*

Report Number	*Report Title*
ISP-I-13-43	*Review of Consular Wilberforce Compliance*
ISP-I-13-47	*Inspection of the Office of the U.S. Global AIDS Coordinator*
ISP-I-13-52	*Review of the Department of State Ethics Program*
ISP-I-13-25A	*Inspection of Embassy Baghdad and Constituent Posts, Iraq*
ISP-I-13-29A	*Inspection of Embassy Juba, South Sudan*
ISP-I-13-30A	*Inspection of Embassy Rabat and Consulate General Casablanca, Morocco*
ISP-I-13-37A	*Inspection of Embassy Khartoum, Sudan*
ISP-I-13-40A	*Inspection of Embassy Brasilia and Constituent Posts, Brazil*
ISP-I-13-41A	*Inspection of Embassy Vilnius, Lithuania*
ISP-I-13-42A	*Inspection of Embassy Minsk, Belarus*
ISP-I-13-44A	*Special Review of the Accountability Review Board Process*
ISP-I-13-45A	*Inspection of Kyiv, Ukraine*
ISP-I-13-48A	*Inspection of Embassy Moscow and Constituent Posts, Russia*

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

CLASSIFIED REPORTS ISSUED

Report Number	*Report Title*
AUD-HCI-13-30	*Outline for Action: Physical Security Concerns at Embassy Nouakchott*
AUD-HCI-13-34	*Outline for Action: Physical Security Concerns at Embassy Dakar*
AUD-HCI-13-40	*Audit of Department of State Compliance with Physical Security Standards at Selected Posts within the Bureau of African Affairs*
AUD-IT-13-38	*Audit of the Information Security Program for Sensitive Compartmented Information Systems at the Department of State*
ISP-S-13-25A	*Classified Annex to the Inspection of Embassy Baghdad and Constituent Posts, Iraq*
ISP-S-13-27A	*Classified Annex to the Compliance Followup Review of Embassy Beirut, Lebanon*
ISP-S-13-29A	*Classified Annex to the Inspection of Embassy Juba, South Sudan*
ISP-S-13-30A	*Classified Annex to the Inspection of Embassy Rabat and Consulate General Casablanca, Morocco*
ISP-S-13-31	*Inspection of the Bureau of Intelligence and Research*
ISP-S-13-37A	*Classified Annex to the Inspection of Embassy Khartoum, Sudan*
ISP-S-13-40A	*Classified Annex to the Inspection of Embassy Brasilia and Constituent Posts, Brazil*

Report Number	*Report Title*
ISP-S-13-41A	*Classified Annex to the Inspection of Embassy Vilnius, Lithuania*
ISP-S-13-42A	*Classified Annex to the Inspection of Embassy Minsk, Belarus*
ISP-S-13-45A	*Classified Annex to the Inspection of Embassy Kyiv, Ukraine*
ISP-S-13-48A	*Classified Annex to the Inspection of Embassy Moscow and Constituent Posts, Russia*
ISP-S-13-53	*Detainee Transfers, Assurances, and Monitoring: Report and Compliance Followup Review*

APPENDIX 3: SAVINGS AND MORE EFFECTIVE USE OF RESOURCES

TABLE 1: INSPECTOR GENERAL ISSUED REPORTS WITH QUESTIONED COSTS

	Type of Report	No. of Reports	Questioned Costs (Dollars in Thousands)	Unsupported Costs (Dollars in Thousands)
A.	For which no management decision had been made by the commencement of the reporting period	10[1]	$134,939[1]	$41,627[1]
B.	Which were issued during the reporting period			
	Audits			
	Audit of Bureau of Population, Refugees and Migration Oversight of Selected Cooperative Agreements in Support of Colombian Refugees inEcuador (AUD-CG-13-35)		$2	
	Audit of Norwegian People's Aid Under Department of State and U.S. Agency for International Development Multiple Agreements for Year Ended December 31, 2010 (AUD-CG-13-42)		$20	$6
	Total issued during the reporting period	**2**	**$22**	**$6**
	Subtotals (A+B)	**12**	**$134,961**	**$41,633**
C.	For which a management decision was made during the reporting period			
	(i) dollar value of disallowed costs	2	$2,703	-
	(ii) dollar value of costs not disallowed	1	$34	-
D.	For which no management decision has been made by the end of the reporting period	12	$132,224	$41,633
E.	Reports for which no management decision was made within six months of issuance	11	$132,203	$41,627

[1] Final amounts in the previous *Semiannual Report* were adjusted based on updated information and analysis of open recommendations.

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

Type of Report	No. of Reports	Dollars (in Thousands)
A. For which no management decision had been made by the commencement of the reporting period	22[1]	$132,219[1]
B. Which were issued during the reporting period		
Audits		
Audit of Grant Closeout Processes for Selected Department of State Bureaus (AUD-CG-13-31)		$9,400
Audit of Selected Working Capital Fund Cost Center Financial Results (AUD-FM-13-36)		$29,900
Inspections		
Inspection of Embassy Rabat and Consulate General Casablanca, Morocco (ISP-I-13-30A)		$171,661
Inspection of the Regional Support Center Frankfurt, Germany (ISP-1-13-32)		$1,854
Inspection of the Florida Regional Center Fort Lauderdale, United States (ISP-1-13-33)		$594
Inspection of the Regional Procurement Support Offices, Frankfurt, Germany, and Fort Lauderdale, United States (ISP-1-13-34)		$568
Inspection of the Bureau of East Asian and Pacific Affairs (ISP-1-13-39)		$594
Inspection of Embassy Moscow and Constituent Posts, Russia (ISP-1-13-48A)		$1,236
Total issued during the reporting period	**8**	**$215,807**
Subtotals (A+B)	**30**	**$348,026**
C. For which a management decision was made during the reporting period	9	$84,018
(i) dollar value of recommendations that were agreed to by management – based on proposed management action – based on proposed legislative action	7	$26,500
(ii) dollar value of recommendations that were not agreed to by management	6	$57,518
D. For which no management decision has been made by the end of the reporting period	25	$264,008
E. Reports for which no management decision was made within six months of issuance	17	$48,970

[1] Final amounts in the previous *Semiannual Report* were adjusted based on updated information and analysis of open recommendations.

TABLE 3: DEFENSE CONTRACT AUDIT AGENCY (DCAA) AUDITS

The following information was provided by the Department's Office of Acquisition Management (AQM) and pertains to audits of contracts awarded by the Department. AQM's Business Operations Division, Quality Assurance Branch, in collaboration with the Office of Inspector General, is responsible for initiating and coordinating audits with the Defense Contract Audit Agency (DCAA) in support of the contracting officers. Documented below are the reports issues and the associated questioned costs during this reporting period. OIG did not verify the values shown.

Report Number	*Report Title*	Report Date	Questioned Costs
2012D11015008	*Audit Report of DynCorp DBA Post Payment*	April 12, 2013	$0
2010D11015073	*Audit Report on DynCorp Post Payment Voucher Review*	May 7, 2013	$0
2012D17900003	*Audit Report of DynCorp Camp Falcon Food Services - Meals and Water Costs Invoiced*	May 15, 2013	$366,007
2007A10100782	*Independent Audit Report of Academi, LLC 2007 Incurred Costs*	May 30, 2013	$11,914,330
2011B17100002	*Independent Audit of EOD Technology, Inc. - Security Services Division's Termination for Convenience Settlement Proposal for the Kabul Embassy Security Force (KESF) Task Order*	September 5, 2013	$6,165,311
		Total Questioned	$18,445,648

APPENDIX 4: RESOLUTION OF REPORTS AND RECOMMENDATIONS

SIGNIFICANT OFFICE OF AUDITS RECOMMENDATIONS PENDING FINAL ACTION

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

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

Report Number	Rec. No.	*Report Title* Recommendation Summary	First Reported
	10	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover $4.6 million from First Kuwaiti Trading and Contracting to correct fire system deficiencies for the staff diplomatic apartments ($3.5 million for the housing contract) and repair the water main distribution system joints ($1.1 million for the infrastructure contract).	
	11	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover approximately $1.5 million from First Kuwaiti Trading and Contracting for the infrastructure and housing contracts to correct deficiencies in the plumbing traps at the New Embassy Compound.	
	12	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover approximately $33 million that was paid to First Kuwaiti Trading and Contracting to perform and document the required design work for the New Embassy Compound Baghdad contracts.	
	13	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover approximately $38 million for the housing, infrastructure, support facilities, chancery, and pre-engineered buildings to compensate the U.S. Government for the higher future maintenance costs and negotiate a settlement with First Kuwaiti Trading and Contracting to fund the additional long-term maintenance costs.	
	14	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover approximately $3.8 million for the housing, infrastructure, site facilities, and chancery contracts that First Kuwaiti Trading and Contracting did not perform or that it performed incorrectly related to commissioning activities.	
MERO-I-11-05		*Performance Evaluation of PAE Operations and Maintenance Support at Embassy Kabul, Afghanistan*	1/11
	2	OIG recommended that the Bureau of Administration seek reimbursement of $193,600 from PAE for award fees paid for all four quarters of the base year of the contract (September 2005–September 2006), since performance criteria had not yet been established or authorized for that year.	

Report Number	Rec. No.	*Report Title* Recommendation Summary	First Reported
	3	OIG recommended that the Bureau of Administration seek reimbursement of $41,730 from PAE for award fees granted based on points earned for training in option years 1–3 (September 2006–September 2009), since all training-related work was completed at the end of the base year (September 2005–September 2006).	
	4	OIG recommended that Embassy Kabul stop payment of labor fees to PAE for repairs and other unexpected tasks when this work is performed by PAE personnel during routine duty hours under the firm fixed-price portion of the contract.	
	12	OIG recommended that the Bureau of Administration seek reimbursement of $248,820 from PAE for escort services invoiced and paid for, but not rendered, from March 2009 through June 2010.	
	16	OIG recommended that the Bureau of Administration modify the PAE contract to include Federal Acquisition Regulation clause 52.222-50 (Combating Trafficking in Persons).	
MERO-I-11-02		*Performance Evaluation of PAE Operations and Maintenance Support for the Bureau of International Narcotics and Law Enforcement Affairs' Counternarcotics Compounds in Afghanistan*	2/11
	3	OIG recommended that the Bureau of International Narcotics and Law Enforcement Affairs ensure that a sufficient number of dedicated contracting officer's representatives are physically present in Afghanistan to provide proper oversight of the contracts for operation and maintenance support at the counternarcotics compounds.	
	6	OIG recommended that the Bureau of International Narcotics and Law Enforcement Affairs, in coordination with Embassy Kabul and in consultation with the Drug Enforcement Administration, evaluate the physical security requirements at the Kabul counternarcotics compound.	
	7	OIG recommended that the Office of Acquisitions Management require PAE to incorporate engineering data into the maintenance and operations support plan for the counternarcotics compound in Kunduz, resolve construction deficiencies in the laundry facility and kitchen, and assess the electric power needs of the compound before purchasing new diesel generators.	
	9	OIG recommended that the Bureau of International Narcotics and Law Enforcement Affairs ensure all guards at the counternarcotics compound in Kunduz are familiar with standard operating procedures for security and that guards are getting sufficient rest and days off.	

Report Number	Rec. No.	*Report Title* Recommendation Summary	First Reported
AUD-CG-11-30		*DOD and DOS Need Better Procedures To Monitor and Expend DOD Funds for the Afghan National Police Training Program*	7/11
	A.1	OIG recommended that the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the Chief Financial Officer, Bureau of Resource Management, return DOD funds of $15.56 million that were outside the scope of the reimbursable agreement by August 31, 2011. Specifically, return and document the following amounts: a. $2.59 million potentially moved to Department of State administrative costs. b. $1.15 million obligated for the Department of Justice Federal Prosecutors Program. d. $11.81 million obligated for a DynCorp equitable adjustment for contract task order S-AQMPD-04F-0460, awarded in 2004 before the 2006 agreement.	
	A.2	OIG recommended that the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the Contracting Officer, Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management: a. Determine how much of the $68.21 million of unexpended obligations remaining on task order S-AQMPD-05F-4305 can be deobligated. As part of the review, include the DoD obligation amount that DynCorp certified as available for deobligation, as well as an analysis on the remaining unexpended obligation amounts. In addition, provide the Department of State, Office of Inspector General, supporting documentation for the remaining amount of the $68.21 million that the Bureau of International Narcotics and Law Enforcement Affairs identifies as still valid. b. Determine how much of the $23.04 million of DOD unexpended obligations remaining on the in-country air support contract (S-AQMPD-05-C-1103) can be deobligated. In addition, provide the Department of State, Office of Inspector General, supporting documentation for the remaining amount of the $23.04 million that the Bureau of International Narcotics and Law Enforcement Affairs identifies as still valid.	

Report Number	Rec. No.	*Report Title* Recommendation Summary	First Reported
	A.3	OIG recommended that the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs, provide supporting documentation to the Department of State Inspector General by July 29, 2011, for the $2.25 million of unsupported obligations identified in this report or return the $2.25 million to DOD by August 30, 2011. Specifically, the Executive Director should review and, if necessary, deobligate the following amount: a. $1.65 million obligated for Department of State salaries using DOD funds provided in the 2006 reimbursable agreement.	
	A.5	OIG recommended that the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs: a. Return to DOD and properly record the $3.99 million of unobligated DOD funds by August 31, 2011, unless INL provides documentation to the Under Secretary of Defense for Policy and the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DOD, and DOD officials agree that the obligations were within the scope of the reimbursable agreements. b. Develop, implement, and document adequate controls to ensure that the Bureau of International Narcotics and Law Enforcement Affairs uses DOD funds for specific purposes in accordance with laws and documents the appropriate use. Specifically, officials should: 1. Designate the appropriate offices responsible for ensuring that the obligation directly relates to the requirements in the reimbursable agreements. 2. Retain documentation supporting that the obligation is in compliance with the reimbursable agreement requirements.	
	A.6	OIG recommended that the Director, Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, require all contracting officers and supporting staff to take an appropriations law training class.	
	A.9	OIG recommended that the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs; Under Secretary of Defense for Policy; and Under Secretary of Defense (Comptroller)/Chief Financial Officer, DOD, reach an agreement as to whether the $9.50 million obligation for a United Nations Law and Order Trust Fund–Afghanistan contribution was appropriately obligated. If officials do not reach an agreement, the Bureau of International Narcotics and Law Enforcement Affairs should return the $9.50 million of DOD funds obligated for a United Nations Law and Order Trust Fund–Afghanistan contribution.	

Report Number	Rec. No.	*Report Title* Recommendation Summary	First Reported
	C.2.b	OIG recommended that the Assistant Secretary of State, Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the contracting officer, Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, for the Civilian Police (CIVPOL) contract, review the approximately $9.4 million in questioned costs identified by the Defense Contract Audit Agency (DCAA) and take action to recover those costs.	
AUD-CG-11-44		*Afghan National Police Training Program Would Benefit From Better Compliance With the Economy Act and Reimbursable Agreements*	8/11
	1	OIG recommended that the Assistant Secretary of State, Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the Assistant Secretary of State, Bureau of Resource Management and Chief Financial Officer: a. Identify and return to DOD the amount of Afghanistan Security Forces Fund appropriations that were improperly obligated and spent on the Justice Sector Support Program, Corrections System Support Program, and Counter Narcotics Advisory Teams. These costs would include, but not be limited to, life support, salaries, vehicles, fuel, maintenance, personal protective equipment, uniforms, immunizations, and travel. b. Review all available supporting documentation related to the Corrections System Support Program (CSSP) security salaries and recover any overpayments related to the $0.37 million paid to DynCorp for CSSP security salaries and identify and recover any additional payments made for CSSP security salaries on task orders 4305 and 5375. c. Determine whether the Bureau of International Narcotics and Law Enforcement Affairs improperly obligated DOD-provided Afghanistan Security Forces Fund appropriations for any other INL programs that were receiving support on the DOD-funded task orders. If so, identify and return to DOD the applicable Afghanistan Security Forces Fund appropriations by September 30, 2011.	
	3	OIG recommended that the Assistant Secretary of State, Bureau of Resource Management and Chief Financial Officer, and the Director, Defense Security Cooperation Agency, perform a joint investigation of the potential Antideficiency Act violations for the $1.05 million of funds obligated for Personal Services Contracts and the estimated $75.60 million of funds obligated without considering Economy Act and reimbursable agreement limitations.	

Report Number	Rec. No.	*Report Title* Recommendation Summary	First Reported
AUD-IP-12-02		*Audit of Bureau of East Asian and Pacific Affairs Compliance With Trafficking in Persons Requirements*	10/11
	1	OIG recommended that the Office to Monitor and Combat Trafficking in Persons include, in the Foreign Affairs Manual, the U.S. Government policy regarding trafficking in persons (TIP) to include the definition of TIP activity and information on the prohibition against involvement in acts of TIP for Department of State personnel and contractors, the associated penalties for violations, and the mechanism to report such violations.	
	2	OIG recommended that the Office to Monitor and Combat Trafficking in Persons, in consultation with the Office of the Legal Advisor and the Director General of Human Resources, develop and include a trafficking in persons policy in the Department of State Standards of Conduct.	
	4	OIG recommended that the Office to Monitor and Combat Trafficking in Persons, in consultation with the Foreign Service Institute and the Director General of Human Resources, expand TIP training to all Department of State employees, to include increasing awareness of the U.S. Government's zero tolerance policy towards TIP and reducing the incidence of TIP activity involving contractor personnel and employees who represent the United States abroad.	
AUD-IP-12-03		*Improved Contract Documentation and Monitoring by the Regional Procurement Support Office Are Needed for Construction Projects Associated With the President's Emergency Plan for AIDS Relief (PEPFAR)*	11/11
	3	OIG recommended that the Regional Procurement Support Office in Frankfurt, Germany, review existing PEPFAR construction contracts and reclaim any contingency costs inappropriately included in contracts as practicable.	
	5	OIG recommended that the Regional Procurement Support Office in Frankfurt, Germany, require posts with substantial planned costs for PEPFAR construction projects to obtain a technical advisor with construction expertise for monitoring construction contracts.	
AUD-HCI-12-30		*Audit of Department of State Drug-Free Workplace Program Plan*	2/12
	1	OIG recommended that the Bureau of Human Resources develop and implement drug testing procedures for Department employees serving in sensitive positions overseas.	

Report Number	Rec. No.	*Report Title* Recommendation Summary	First Reported
	2	OIG recommended that the Bureau of Human Resources, in coordination with the Office of Medical Services and the Office of the Legal Adviser, develop a random sampling methodology, obtain approval from the Interagency Coordinating Group Executive Committee to employ the methodology, and implement random drug testing as prescribed by the Department Drug-Free Workplace Program Plan.	
AUD-MERO-12-29		*Evaluation of the Antiterrorism Assistance Program for Countries Under the Bureaus of Near Eastern Affairs and South and Central Asian Affairs*	4/12
	1	OIG recommended that the Bureau of Diplomatic Security, in coordination with the Bureau of Counterterrorism, establish a monitoring and evaluation system that includes clearly defined and measurable outcome-oriented strategic goals and program objectives; measurable performance indicators that clearly link to strategic goals and program objectives; baseline data and annual performance targets for each indicator; and descriptions of how, when, and by whom performance data will be collected, analyzed, and reported.	
	2	OIG recommended that the Bureau of Diplomatic Security, in coordination with the Bureau of Counterterrorism, develop a definition for what constitutes a developmental Anti-Terrorism Assistance (ATA) program, consistently apply that definition to country programs, and ensure that partner country sustainability timelines are established for developmental ATA programs.	
	7	OIG recommended that the Bureau of Diplomatic Security review the types of the remaining equipment for the Iraq program stored in the Northern Virginia warehouse, evaluate the equipment's utility, and determine an appropriate disposition.	
AUD-SI-12-36		*Limited Scope Audit of Department of State Management of the Afghanistan Civilian Airlift*	5/12
	2	OIG recommended that the Bureau of South and Central Asian Affairs immediately update the Global Employment Management System for all civilian uplift personnel leaving Afghanistan by changing their organization code to the code of their newly assigned posts effective on the date the personnel leave Afghanistan.	

Report Number	Rec. No.	*Report Title* Recommendation Summary	First Reported
AUD-MERO-12-43		*Evaluation of Invoices and Payments for the Embassy Baghdad Operations and Maintenance Contract*	8/12
	3	OIG recommended that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, direct the contracting officer to conduct a comprehensive review of all contractor invoices before the Embassy Baghdad operations and maintenance contract is closed to determine whether the contractor submitted adequate supporting documentation for all reimbursable costs, to include the $1.7 million identified in this report. If not, the contracting officer should request supporting documentation from the contractor and determine whether the costs were allowable under the contract terms. If the reimbursable costs cannot be supported or are not allowable under the terms of the contract, the costs should be recovered from the contractor.	
AUD-IT-12-44		*Audit of Department of State Access Controls for Major Applications*	9/12
	6	OIG recommended that the Bureau of Human Resources institute a formal process to notify system owners on a monthly basis of employee departures to ensure the timely removal of accounts of departing or transferring employees.	
AUD-SI-12-49		*Outline for Action: Physical Security Concerns at Embassy Quito*	9/12
	4	OIG recommended that Embassy Quito consider options to mitigate the setback deficiency.	

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

Report Number: AUD/CG-11-30

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

Date Issued: July 11, 2011.

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

Projected date of resolution: December 2013.

Report Number: AUD/CG-11-44

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

Date Issued: August 25, 2011.

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

Projected date of resolution: December 2013.

Report Number: AUD/SI-12-36

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

Date Issued: May 31, 2012.

Reason for not being resolved: OIG recommended that the Department of State codify, in the *Foreign Affairs Manual*, the practice of updating the Global Employment Management System for all Department personnel by changing the organization code to the code for the newly assigned posts effective on the date that the personnel leave post and direct overseas posts and domestic offices that have civilian personnel being assigned to Afghanistan or to another post where restricted funds are being used to immediately update the Global Employment Management System by changing the organization code to the code of the newly assigned posts for incoming and departing Afghanistan civilian uplift personnel. The Bureau of Human Resources was requested to respond to the recommendation by July 8, 2013. However, OIG had not received a formal response as of the end of this reporting period. Therefore, two recommendations (Nos. 1 and 3) remain unresolved.

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

Report Number: AUD-MERO-13-20

Subject: *Evaluation of Emergency Action Plans for U.S. Mission Afghanistan*

Date Issued: March 21, 2013.

Reason for not being resolved: OIG recommended that Embassy Kabul establish formal agreements on the roles and responsibilities of non-Department of State law enforcement agencies during events requiring implementation of the Emergency Action Plan. On September 9, 2013, Embassy Kabul responded that an informal information memorandum had been completed and considered it as sufficient action. OIG does not agree that this information memorandum constitutes formal response and assistant agreements between the embassy and those agencies. In addition, the memorandum provided by the embassy does not provide details such as the conditions under which an agency would respond, the specific expectations and responsibilities for the agency, and the training and drills agency staff must complete. OIG also recommended that the Bureau of Diplomatic Security establish a process to validate the adequacy of Emergency Action Plans at high-threat posts, such as Embassy Kabul, by reviewing and assessing the resources listed in the plans for addressing each type of Emergency Action Plan emergency. On September 10, 2013, the Bureau of Diplomatic Security provided copies of processes that OIG found insufficient at the time of the audit. Therefore, two recommendations (Nos. 1 and 3) remain unresolved.

Projected date of resolution: February 2014**.**

REVISED MANAGEMENT DECISIONS

None.

MANAGEMENT SUCCESS IN RESOLVING AND IMPLEMENTING RECOMMENDATIONS

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

In December 2012, OIG recommended that the Nonproliferation and Disarmament Fund (NDF) develop a standard timeframe for closing out projects. OIG also recommended that NDF implement a policy to ensure that standard timeframes are met for project closeouts, or that the reasons for delay are documented. In response to this recommendation, NDF provided evidence that $19,168,162 was returned to the NDF account for funds that were (1) obligated but unspent on projects completed under budget, and/or (2) unspent because the projects were canceled, or the funds were not used and not obligated. These funds will be available for use on new NDF projects.

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

None.

REVISED MANAGEMENT DECISIONS

None.

MANAGEMENT SUCCESS IN RESOLVING AND IMPLEMENTING RECOMMENDATIONS

Compliance Follow-up Review of the Inspection of Consulate General Hong Kong, China (ISP-C-12-29A)

In the 2012 Compliance Followup Review Report of Consulate General Hong Kong, OIG recommended that the mission abolish two locally employed staff positions in the immigrant visa and fraud prevention units, and review U.S. direct-hire staffing for information management specialists. In response to OIG's recommendations, the Department abolished two locally employed staff positions and reprogrammed the information management specialist position, resulting in $679,584 in funds put to better use.

Inspection of Embassy Abidjan, Cote d'Ivoire (ISP-I-08-10A)

In the 2008 inspection report of Embassy Abidjan, OIG recommended that Embassy Abidjan sell the existing recreational center; and the embassy reported sale of the property at $1.1 million.

Inspection of Embassy Warsaw, Poland (ISP-I-11-64A)

In the 2011 inspection report of Embassy Warsaw, OIG recommended the elimination of several positions. Embassy Warsaw reported that three entry-level officer positions and four locally employed staff positions were abolished for a total cost savings of $2,432,000.

Inspection of Embassy Bandar Seri Begawan, Brunei (ISP-I-12-35A)

In the 2012 inspection report of Embassy Bandar Seri Begawan, OIG found that the Malay language designation for the public affairs officer position was not essential, and recommended that the designation be eliminated. In response to OIG's recommendation, the Department approved removing the language designation from the position, resulting in an estimated $157,628 in funds put to better use.

Inspection of Embassy Manila, Philippines (ISP-I-13-10)

In the 2013 inspection of Embassy Manila, OIG recommended the elimination of a general services officer position. The position was abolished resulting in funds put to better use of approximately $571,000 in annual recurring costs.

SIGNIFICANT INSPECTIONS RECOMMENDATIONS PENDING FINAL ACTION

Report Number	Rec No.	*Report Title* Recommendation Summary	First Reported
ISP-I-11-11		*Inspection of the Department -Required and Congressionally Mandated Reports: Assessment of Resource Implications*	10/2010
	3	The Office of Management Policy, Rightsizing and Innovation, in coordination with the Bureau of Resource Management, should direct all missions to document the approximate costs (to reflect time and pay scales of personnel involved) that are devoted to the preparation of congressionally mandated and Department reports, and include this data in annual budget requests.	
ISP-I-11-55A		*Inspection of Embassy Seoul, Korea*	08/2011
	12	OIG recommended that the Bureau of Overseas Buildings Operations should identify and evaluate the costs associated with the United States Forces Korea's departure from the Yongsan Garrison and accelerate the construction of Embassy Seoul's new embassy compound project on the Capital Security Construction Program schedule.	
ISP-I-13-23		*Review of Department of State Implementation of Jeddah ARB*	03/2013
	1	OIG recommended that the Bureau of Overseas Buildings Operations provide compound emergency sanctuaries for employees who work in buildings that do not have an approved safe haven or safe area.	
	2	OIG recommended that the Bureau of Overseas Buildings Operations request an increase in funding for the Compound Security Upgrade Program to reflect the additional requirement for compound emergency sanctuaries.	
ISP-I-13-24		*Review of the Process for Establishing Language Designated Positions*	09/2013
	3	OIG recommended that the Bureau of Budget and Planning determine training costs by language and level and make those costs available to missions, bureaus, under- secretaries, and deputy secretaries that recommend and approve language requirements.	
	4	OIG recommended that the Bureau of Budget and Planning determine the best means for holding bureaus accountable for the training costs associated with their language designated positions.	
ISP-I-13-44A		*Special Review of the Accountability Review Process*	09/2013
	2	OIG recommended that the Office of Management Policy, Rightsizing and Innovation should coordinate with the Permanent Coordinating Committee members to establish guidelines that broaden the committee's ability to task alternative reviews.	

Report Number	Rec No.	*Report Title* Recommendation Summary	First Reported
	4	OIG recommended that the Office of the Under Secretary of State for Management, in coordination with the Office of the Legal Adviser, should amend 12 FAM 030 to codify a transparent and fully documented process for vetting security-related incidents to identify those that do not warrant convening the Permanent Coordinating Committee and ensuring that this information is communicated to the Secretary.	
	5	OIG recommended that the Office of the Under Secretary of State for Management, in coordination with the Office of the Legal Adviser, should establish written guidelines for the Permanent Coordinating Committee regarding criteria for "serious injury," "significant destruction of property," and "at or related to a U.S. mission abroad."	
	6	OIG recommended that the Office of the Under Secretary of State for Management should contact the Department of Defense counterpart and request that the Department of Defense fulfill its statutory obligation to provide the Department of State with investigation reports of security-related incidents that involve Department of State personnel.	
	10	OIG recommended that the Bureau of Administration should amend 1 FAM 30 to institutionalize the Deputy Secretary for Management and Resources' responsibility for oversight of implementation of the Accountability Review Board recommendations.	
	11	OIG recommended that the Bureau of Diplomatic Security should amend 12 FAM 032 to reflect the Deputy Secretary for Management and Resources' oversight responsibility of the Office of Management Policy, Rightsizing and Innovation for implementation of Accountability Review Board recommendations.	
	12	OIG recommended that the Bureau of Diplomatic Security should implement a plan to strengthen security beyond reliance on host government-security support at high-risk, high-threat posts.	
	15	OIG recommended that the Office of the Under Secretary of State for Management should issue new guidance clarifying the process by which tripwires are, in the first instance, developed at post and approved in Washington and emphasizing that tripwire plans, once duly approved, will serve as the definite blueprint for the immediate actions to be taken by posts when a tripwire is tripped.	
	16	OIG recommended that the Foreign Service Institute, in coordination with the Bureau of Diplomatic Security, should develop a comprehensive program of security, crisis management, and risk management training for Department personnel, with an emphasis on those assigned to or having responsibility for high-risk, high-threat posts.	

Report Number	Rec No.	*Report Title* Recommendation Summary	First Reported
	17	OIG recommended that the Office of the Under Secretary of State for Management, in coordination with the Bureau of Diplomatic Security and Bureau of Overseas Buildings Operations, should develop minimum security standards that must be met prior to occupying facilities located in Department of State-designated high-risk, high-threat environments and include new minimum security standards of occupancy in the *Foreign Affairs Handbook* as appropriate.	
	19	OIG recommended that the Office of Management Policy, Rightsizing and Innovation, in coordination with the Bureau of Human Resources and the Office of the Legal Adviser, should prepare clear guidelines for Accountability Review Boards pertaining to the drafting and handling of recommendations dealing with issues of poor performance of Department of State personnel.	
	20	OIG recommended that the Office of Management Policy, Rightsizing and Innovation, in coordination with the Bureau of Diplomatic Security and the Bureau of Intelligence and Research, should develop an annual report to the Deputy Secretary outlining implementation of Accountability Review Board recommendations, with an emphasis on identifying problems, the way forward, and the impact of the Department of State's global security program.	
ISP-I-13-52		*Review of the Department of State Ethics Program*	9/2013
	2	The Office of Management Policy, Rightsizing and Innovation, in coordination with the Bureau of Human Resources and the Office of the Legal Adviser, should identify positions within the Department of State having duties that require submission of confidential financial disclosure reports and should maintain this information on a human resources database for periodic updating by each bureau in the Department.	
	4	The Office Management Policy, Rightsizing and Innovation, in coordination with the Bureau of Human Resources and the Office of the Legal Adviser, should identify the individuals with Senior Foreign Service and Senior Executive Service rank, Schedule C employees, and any others who are automatically required to file initial and annual public financial disclosure reports, and should determine how to maintain this information on a human resources database.	

APPENDIX 5: AUDITS PERFORMED BY CONTRACTORS

Report Number	*Report Title*	Contractor	Type of Engagement
AUD-FM-13-36	*Audit of Selected Working Capital Fund Cost Center Financial Results*	Kearney & Company	Performance Audit
AUD-CG-13-42	*Audit of Norwegian People's Aid Under Department of State and U.S. Agency for International Development Multiple Agreements for Year Ended December 31, 2010*	Gelman, Rosenberg & Freedman, CPAs	Performance Audit

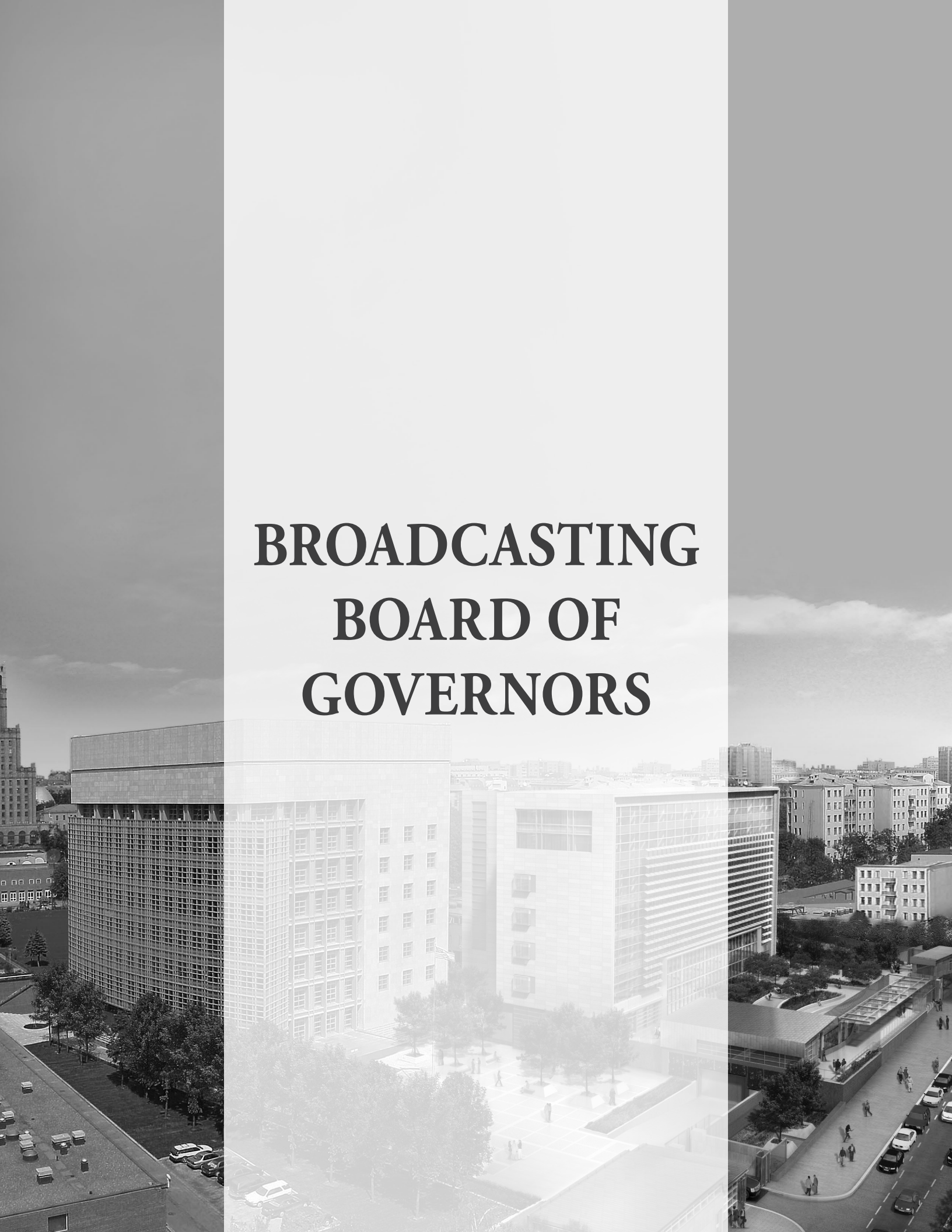
APPENDIX 6: PEER REVIEW ACTIVITY

During this semiannual reporting period, the Department of State OIG reviewed the system of quality control for the audit function of the Federal Deposit Insurance Corporation's (FDIC) OIG in effect during the period April 1, 2011, through March 31, 2013. A system of quality control encompasses an OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with generally accepted government auditing standards (GAGAS). GAGAS requires government audit organizations to undergo periodic external peer reviews to determine whether OIG's internal quality control system is adequate as designed and has been complied with to provide reasonable assurance that applicable auditing standards, policies, and procedures have been met. The review of the FDIC OIG was conducted in conformity with standards and guidelines established by the Council of the Inspectors General on Integrity and Efficiency. In OIG's opinion, the system of quality control system of the FDIC OIG's audit organization had been suitably designed and complied with to provide reasonable assurance that the organization would perform and report in conformity with applicable professional standards in all material respects. The FDIC OIG received a peer review rating of pass. Three types of peer review rating may be rendered: pass, pass with deficiencies, and fail.

During a prior reporting period (October 1, 2012, to March 31, 2013), the Department of the Interior (DOI) OIG conducted a peer review of the system of quality control of the Department of State OIG, which received a peer review rating of pass. The letter of comment accompanying DOI's report contained one recommendation, and the Department of State OIG had completed all actions for the recommendation as of September 3, 2013.

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

BROADCASTING BOARD OF GOVERNORS



OFFICE OF AUDITS

CONTRACTS AND GRANTS

***OIG Outline for Action: Management Attention Needed To Improve Broadcasting Board of Governors Acquisition Functions* (AUD-CG-IB-13-43)**

During an audit to determine whether the Broadcasting Board of Governors (BBG) was in compliance with Federal regulations for conducting selected acquisition functions, including contract oversight, OIG's preliminary review of 34 contracts identified notable areas of concern. These areas included significant noncompliance with the *Federal Acquisition Regulation* (FAR) and two violations of the Anti-Deficiency Act (ADA).

Specifically, OIG determined that BBG did not adhere to the FAR during the pre-solicitation, pre-award, and contract administration phases of the acquisition process, to include, but not limited to, not adequately performing full and open competition or price determinations. In addition, BBG did not provide adequate oversight of the acquisition process, as was evidenced by a lack of contracting officer involvement, a failure to designate contracting officer's representatives, and weak quality assurance procedures. Finally, OIG identified two practices that resulted in BBG's repeated violation of the ADA: BBG entered into hundreds of personal services contracts without statutory authority, and contractors regularly worked without valid contracts in place.

OIG recommended that the Director of the International Broadcasting Bureau (IBB) take appropriate actions to address the ADA violations and report on those actions as required by the U.S. Code and that the Director obtain the assistance of outside experts in Federal acquisition and contracting to conduct an acquisition assessment with the goal of ensuring that BBG implements acquisition policies and procedures that are in accordance with the FAR.

OFFICE OF INSPECTIONS

***Review of Broadcasting Board of Governors' Operations in Baghdad, Iraq* (ISP-IB-13-26)**

OIG found no serious management issues at the bureaus of Radio Free Iraq (RFI) or the Middle East Broadcast Network (MBN); however, RFI employees were concerned with the rumored closure of their bureau, and MBN employees were vocal about the need for new office space, an unclear budget, and gaps in communication with MBN headquarters. OIG recommended that RFI and MBN implement and distribute a strategic merger plan with details on budgets, staffing, and milestones.

***Review of Broadcasting Board of Governors' Operations in Kyiv, Ukraine* (ISP-IB-13-46)**

OIG found no significant management issues at the Radio Free Europe/Radio Liberty (RFE/RL) news bureau or with the Voice of America (VOA) contract journalist in Kyiv. VOA had recently reduced its presence in Ukraine, and the RFE/RL news bureau in Kyiv had experienced budget reductions as a result of sequestration; both broadcast entities expressed concerns about the impact future reductions might have on their news coverage inside Ukraine. Through a number of activities, including use of social media and an intern program, RFE/RL was able to implement a number of the Broadcasting Board of Governors' (BBG) strategic goals.

***Inspection of Voice of America's Latin America Division* (ISP-IB-13-49)**

The Voice of America Latin America Division, which includes the Spanish Service and the Creole Service, was reaching a Spanish-speaking audience of 26.7 million in Latin America and its Creole radio broadcasts continued to be the most trusted news organization in Haiti. OIG identified the need for greater sharing of resources between the Latin American Division and the Office of Cuba Broadcasting. OIG recommended that IBB bring its contract administration in line with government regulations and recommended that VOA senior management assess the Latin America radio production unit.

***Inspection of U.S. International Broadcasting to Russia* (ISP-IB-13-50)**

The Voice of America Russian Service and the Radio Free Europe/Radio Liberty Russian Service had to adapt to an increasingly hostile environment for foreign broadcasters in Russia by shifting to a digital strategy. RFE/RL's decision to reduce the staff of its Russian Service was logical in light of the Russian Government's

restrictions on broadcasting operations and the resulting decision to focus on digital platforms. However, implementation of this strategy was costly and significantly flawed. Radio Free Europe/Radio Liberty management, IBB staff, and the Broadcasting Board of Governors all bear responsibility for the missteps. OIG recommended that BBG implement a comprehensive strategy for U.S. international broadcasting in Russia and that the Voice of America Russian Service and the RFE/RL Russian Service implement specific collaborative strategies for their respective news bureaus.

APPENDIX 1: INVESTIGATIVE ACTIVITIES

Preliminary Inquiries	
Opened	0
Closed	0
Investigations	
Opened	1
Closed	0
Pending (9/30/13)	4
Criminal Actions	
Referrals for Prosecution	0
Indictments/Informations	0
Convictions	0
Sentencings (Months Imprisonment)	0
Sentencings (Months Probation)	0
Declinations	0
Civil Actions	
Civil Referrals	0
Civil Judgments	0
Civil Declinations	0
Administrative Referrals	
Referrals for Personnel Action	0
Suitability Referrals to DS	0
Contractor Suspensions/Debarment Referrals to OPE	0
Administrative Actions	
Removals	0
Suspensions	0
Reprimand/Admonishments/Warning Memorandum	0
Contractors/Grantees Suspended	0
Contractors/Grantees Debarred	0
Contractors/Grantees High Risk	0
Monetary Recoveries	
Criminal Fines/Recoveries	$0
Civil Recoveries	$0
Administrative Recoveries	$0
Total Investigative Recoveries	**$0**

APPENDIX 2: REPORTS ISSUED

Report Number	***Report Title***
AUD-CG-IB-13-43	*Outline for Action: Management Attention Needed to Improve Broadcasting Board of Governors Acquisition Functions*
ISP-IB-13-26	*Review of Broadcasting Board of Governors' Operations in Baghdad, Iraq*
ISP-IB-13-46	*Review of Broadcasting Board of Governors' Operations in Kyiv, Ukraine*
ISP-IB-13-49	*Inspection of Voice of America's Latin America Division*
ISP-IB-13-50	*Inspection of U.S. International Broadcasting to Russia*

APPENDIX 3: SAVINGS AND MORE EFFECTIVE USE OF RESOURCES

TABLE 1: INSPECTOR GENERAL ISSUED REPORTS WITH QUESTIONED COSTS

None.

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

None.

APPENDIX 4: RESOLUTION OF REPORTS AND RECOMMENDATIONS

SIGNIFICANT AUDIT RECOMMENDATIONS PENDING FINAL ACTION

None.

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

None.

REVISED MANAGEMENT DECISIONS

None.

MANAGEMENT SUCCESS IN RESOLVING AND IMPLEMENTING RECOMMENDATIONS

None.

ABBREVIATIONS

Abbreviation	Full Name
ADA	Anti-Deficiency Act
AF	Bureau of African Affairs
ARB	Accountability Review Board
BBG	Broadcasting Board of Governors
CA	Bureau of Consular Affairs
CSSP	Corrections System Support Program
Department	U.S. Department of State
FAR	*Federal Acquisition Regulation*
FISMA	Federal Information Security Management Act of 2002
FRC	Florida Regional Center
HR	Bureau of Human Resources
IBB	International Broadcasting Bureau
IBWC	United States Section, International Boundary and Water Commission
INL	Bureau of International Narcotics and Law Enforcement Affairs
LE	locally employed
MBN	Middle East Broadcast Network
OIG	Office of Inspector General
PMS	Payment Management System
PRM	Bureau of Population, Refugees and Migration
RFE/RL	Radio Free Europe/Radio Liberty
RFI	Radio Free Iraq
RSC	Regional Service Center
RSO	Regional Security Officer
USAID	U.S. Agency for International Development
VOA	Voice of America

Index of Reporting Requirements
Inspector General Act of 1978, as amended

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Section 5(a)(9)	Reports – funds to be put to better use	41, 68
Section 5(a)(10)	Prior reports unresolved	52-54
Section 5(a)(11)	Significant revised management decisions	none
Section 5(a)(12)	Significant management decisions with which OIG disagreed	none
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Section 5(a)(15)(16)	Status of peer review recommendations	60

UNITED STATES DEPARTMENT OF STATE
AND THE BROADCASTING BOARD OF GOVERNORS

OFFICE OF INSPECTOR GENERAL