



INFORMATION MEMORANDUM  
S/S

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TO: M - Mr. Kennedy, Acting

FROM: *[Signature]*  
OIG - Jacquelyn L. Williams-Bridgers

SUBJECT: Merger of State, USIA and ACDA -- Lessons Learned by OIG

SUMMARY

I am attaching for your information and use our "lessons learned" and workplan from the merger of the USIA and State Offices of Inspector General. Bottom line: DO NOT underestimate the level of employee anxiety and the resulting need for maximum communication.

DISCUSSION

As you remember, the Congress decided to begin the consolidation last year with the OIG, and legislation was passed which joined our office with USIA/OIG in April 1996. (We were already the OIG for ACDA.) By all accounts, our own merger was extremely successful, but it was not without difficulty. Careful planning and attention to detail pulled us through. I hope you will find our experience useful as you plan the much more complex task of combining the entire agencies into the Department.

The document was written by Greg Knight (originally from USIA) and Siobhan Hulihan of our planning staff, based on the detailed logs kept by Sandra Penny, who acted as our chief planner and day-to-day contact. I would be pleased to make any of these individuals available to your staff for consultation, if you wish. In summary, I believe that there are several matters which were tantamount:

1) **Payroll** -- This item must be listed first, since there is nothing more important to our employees' welfare and morale than that their pay records be transferred smoothly and correctly. Despite our careful attention to this area, several problems occurred, mainly involving incorrect amounts and lost leave transfer balances. Little problems caused great uproar. The number of offices involved in processing payroll actions (PER, A/EM and FMP primarily) complicates the task, and their coordination is worthy of a separate task force.

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2) **Detailed Plan** -- Each Office named a day-to-day contact, and these individuals jointly developed a plan that went into considerable detail, listing everything that had to be done and who had responsibility. A copy of it is attached for your information. It was an invaluable tool when we got into the chaos of the actual move.

3) **Inventories** -- Despite a careful record of what was transferred, we were unable to fully reconcile everything after the merger. The problem was the inventory of record at USIA, which was flawed. We recommend that a full inventory reconciliation be conducted on both sides before the merge, and then again immediately after.

4) **Orientation** -- As soon as the new employees arrived on board, we provided extensive training for them on State Department structure and practices. At the same time, we organized a day of key speakers at USIA to orient our existing staff on the nuances and priorities of that agency. This latter exercise was particularly useful in establishing our presence quickly with USIA leadership.

We also recommend that brief courses be provided on "adapting to change in the workplace." Speakers are available from a number of excellent sources.

5) **Rotation Opportunities** -- A number of positions were redundant, plus some of the USIA officers were not willing to sign up for the heavy travel or other requirements of their counterpart jobs here in State. To handle this, we set up a rotation program wherein each individual was allowed to bid on offices or vacancies (at grade) anywhere in the OIG. To make the opportunity equal for all, State OIG officers were also allowed to bid. In total, 25 percent of all State/USIA OIG employees participated in the exercise, and 90 percent of these received their first or second choice. We now have two years of successful experience with the rotation program, and would be glad to discuss it in detail with your representative.

6) **Communication with Staff** -- You have already instituted the practice of regularized ALDACs in order to provide information to everyone on where things stand in the reorganization. We applaud this effort, for the level of anxiety is extremely high, and any information is welcome and comforting to the employees, on both sides.

7) **Hiring** -- You have expressed a willingness to advertise vacancies jointly within all the agencies involved in the consolidation. This is an admirable goal. Be advised that absent any other legislation, USIA has a number of individuals who are eligible for priority placement, and you may wish to address these employees separately and specifically.

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If you have any questions or would like follow-up with contacts for further information on any item mentioned in this document, please feel free to contact our Assistant Inspector General for Policy, Planning, and Management, James K. Blubaugh, on 75013.

Attachments:

Tab 1 - Lessons Learned from Merger of State and USIA Offices of Inspector General.

Tab 2 - Final OIG Plan for Merger of State and USIA Offices of Inspector General.

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## OIG LESSONS LEARNED

### A. Key Factors Contributing to Successful Merger

#### Forward Planning

In the 14 months preceding the merger, OIG managers worked on establishing the framework necessary for a smooth consolidation of State and USIA OIG functions and resources. State OIG managers prepared estimated cost savings of the merger for the National Performance Review, met with their USIA counterparts to coordinate strategies, and discussed legislative requirements with congressional staff.

As the fate of the FY 1996 Function 150 appropriation became increasingly uncertain, State and USIA OIG managers continued to focus on the merger. OIG engaged specialists from the Office of Personnel Management (OPM) for expert advice on human resource planning. The Inspector General conducted a combined State/USIA OIG staff meeting more than six months in advance of the merger. State and USIA inspectors participated in joint training sessions and examined prospects for joint overseas inspections.

Vetoes, furloughs, and a string of continuing resolutions notwithstanding, a joint merger plan took shape in early 1996. Combined State and USIA OIG teams conducted inspections of U.S. missions in Australia, New Zealand, and Germany. Two State OIG investigators were detailed to assist USIA OIG investigators on administrative matters.

In the weeks immediately prior to the merger, OIG managers readied office space, prepared orientation sessions, and put the finishing touches on the new staff rotation policy. By the date of the enacting legislation, managers in both offices had set the necessary machinery in motion to facilitate an effective merger.

#### Tapping the Personnel Experts

In September 1995, State OIG entered into a contract with OPM for assistance in preparing for a possible merger with USIA OIG. Under the agreement, OPM provided guidance on a variety of issues, including the status of excepted and competitive service positions, possible merit promotion actions, and position classifications. OPM also arranged for State OIG managers to meet with representatives of the Resolution Trust Corporation to discuss RTC's experience in phasing out its congressionally mandated mission.

#### Merger Plan

A joint merger plan took shape after USIA OIG managers developed a detailed blueprint for the phased shutdown of their operations. Through subsequent discussions between State and USIA

OIG managers, this blueprint was transformed into a comprehensive joint merger plan which identified and assigned responsibility for all work necessary to merge the two operations in a timely, effective, and efficient manner. Seventy-four individual tasks were divided by category, including management/administration, legal, budget, personnel, contracts, property/facilities, disposition of work assignments, and physical relocation. The plan contributed significantly to an expeditious move following enactment of the necessary legislation.

### Staff Orientation

State OIG organized a three-day orientation program for all OIG employees (i.e., State and USIA), which was held the week after the merger took place. The program included presentations from State's Under Secretary for Management and Chief Financial Officer, ACDA's Director, and USIA's Associate Director on issues affecting their respective agencies. USIA's Counselor, Comptroller, officials from the Bureau of Management, Information, Educational and Cultural Affairs, and directors of USIA's geographic area offices briefed OIG staff on major issues within the agency. On the final day, State OIG's Assistant Inspectors General, Office of Counsel, and Office of Congressional and Media Relations provided information on the responsibilities of their respective offices. In addition, newly merged staff received assistance from administrative specialists in OIG's executive office in preparing paperwork necessary to complete their transition to State's personnel rolls.

Former USIA OIG staff received additional orientation at the National Foreign Affairs Training Center two weeks after the initial orientation. Attendees received presentations from State officials on several topics of interest, including: State's mission and structure, overseas operations, the role of the Ambassador and the country team, Foreign and Civil Service employee issues, and the budget process.

### Rotation and Reassignment Policy

Within two weeks of the physical consolidation of USIA OIG functions and resources, State OIG announced its first annual rotation and reassignment policy. The purpose of the policy is to build a more integrated and interdisciplinary workforce with greater cross-cutting skills.

This annual exercise enables all Civil Service professionals, GS-15 and below, to bid on permanent and temporary transfers to positions within OIG for which they are qualified. Final decisions are made by the Inspector General and senior staff based on needs of the office and individual preferences.

Results of the inaugural rotation exercise were announced on May 20, 1996. Nearly one-quarter of OIG staff (69 individuals) chose to participate. Sixty percent of participants received rotation assignments, with 65 percent of these participants receiving their first choice. The results of the second round of rotations were announced on April 21, 1997. As expected, participation was slightly lower the second year, with a total of 34 OIG employees bidding for rotation, and 16 being approved.

Following the first rotation exercise, OIG revamped its support staff profile, converting 13 clerical, technical, and secretarial positions to more challenging paraprofessional positions. OPM is assisting us in identifying our remaining clerical/secretarial requirements and developing a plan to meet our needs in the most efficient and cost-effective manner.

## **B. Vulnerabilities Encountered**

### *Payroll Processing Delays*

Entering personnel data for 39 USIA OIG Civil Service staff into the Department of State's payroll and personnel systems presented by far the most serious problem OIG encountered. Inconsistencies in the data submitted by OIG to the Bureau of Personnel and an unexpected staffing gap in PER resulted in processing delays. Consequently, former USIA OIG staff received their first paychecks as State employees late, and other payroll actions, including thrift savings plan deductions, were not executed in a timely manner.

### *Problems with Transfer of SES Positions*

State OIG arranged for transfer of SES personnel from USIA OIG and erroneously assigned SES members to encumbered positions. On advice from PER, OIG recalled the personnel actions and reassigned the SES members to existing but vacant SES positions. However, OIG inadvertently used the wrong transfer codes, and the position description for one SES member was neither complete nor classified. These errors resulted in delays in processing the former USIA SES personnel for official transfer to State OIG.

### *"Down Time" for Some Recently Transferred Staff*

A small number of USIA employees experienced as many as 56 hours of "down time" during the first few weeks following the merger. This was limited to those employees who had completed USIA OIG assignments and/or responsibilities in advance of the merger and were not formally assigned to an OIG unit until the results of OIG's staff rotation policy were announced on May 20, 1996. (All USIA OIG staff attended orientation sessions in the periods April 30-May 2 and May 14-17.) Most of the recently transferred staff continued to work toward completion of their USIA OIG assignments following the April 29 merger.

## **C. Possible Solutions**

In retrospect, OIG believes that these setbacks, albeit few in number, could for the most part be avoided through better communication among the various parties involved. Delays in processing newly merged GS and SES personnel, for example, may have been averted if senior officers in both PER and OIG had coordinated more closely in planning for contingencies in advance of the actual consolidation. Neither office, however, could have anticipated the unfortunate death of the PER staff member tasked with processing new employee data into State's personnel system.

Transferral of FTEs from USIA to State OIG may have proceeded more smoothly if managers from State OIG had engaged an OMB specialist in their discussions with officials from USIA's Office of Human Resources. Down-time experienced by some newly merged staff may have been reduced significantly if State OIG had finalized its staff rotation policy in advance of the merger. Upon the actual merger, State OIG managers could then have initiated the staff rotation policy before orientation commenced and identified the universe of rotational assignments concurrent with the orientation sessions. OIG managers could then have reassigned staff immediately or shortly after completion of the orientation sessions.

*United States Information Agency*  
*U. S. Department of State*  
**Office of Inspector General**

**Merger of the  
Office of Inspector General  
of the  
United States Information Agency  
with the  
Office of Inspector General  
of the  
U. S. Department of State**

**FINAL FINAL FINAL**

*February 20, 1996*  
*Modified: April 19, 1996*

Merger of the  
Office of Inspector General  
of the  
United States Information Agency  
with the  
Office of Inspector General  
of the  
U. S. Department of State

The Office of Inspector General of the United States Information Agency was funded in the appropriation bill for Commerce, Justice, State and Related Agencies. Fiscal year 1996 authorization bills (HR 1361 and S. 908) and appropriations bill (HR 2076 and HR 3019) proposed the merger of the United States Information Agency Office of Inspector General with the Department of State Office of Inspector General. Specifically, HR 3019, the omnibus appropriations bill, states:

*"That notwithstanding any other provisions of law, (1) the Office of Inspector General of the United States Information Agency is hereby merged with the Office of Inspector General of the Department of State; (2) the functions exercised and assigned to the Office of Inspector General of the United States Information Agency before the effective date of this Act (including all related functions) are transferred to the Office of Inspector General of the Department of State; and (3) the Inspector General of the Department of State shall also serve as the Inspector General of the United States Information Agency."*

This legislation was signed into law on April 26, 1996 (P.L. 104-134). As a result, the USIA Office of Inspector General (OIG) ceased to exist and all personnel were transferred to the Department of State. All USIA OIG personnel, equipment, and files, then at 400 6th Street SW, Washington, D.C., were relocated to State Office of Inspector General offices in Arlington, Virginia, and the main Department of State building at 2201 C Street NW, Washington, D.C. This plan provided for an expeditious move from the former USIA Office of Inspector General to the State Office of Inspector General as soon as possible after the proposed legislation was signed into law.

The USIA Office of Inspector General and State Office of Inspector General identified the tasks necessary to merge USIA OIG operations into State OIG operations in a timely, effective, and efficient manner. Many of the tasks identified were initiated before enactment of the legislation.

The tasks required to accomplish the merger are set forth and organized under the following headings:

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## A - INSPECTOR GENERAL INITIATIVES

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Responsible Staff: State and USIA Inspectors General

Task A1:

Establish a task force to oversee merger efforts at USIA OIG.

Task A2:

Define the responsibilities of each staff member assigned to the task force.

Task A3:

Assist the State OIG in determining how USIA, a separate entity, will interact with the merged OIG.

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## B - MANAGEMENT AND ADMINISTRATION

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Task B1:

Develop and circulate combined OIG personnel telephone directories after the merger.

Task B2:

In coordination with USIA and GSA, determine best method for moving items designated for the Rosslyn site.

Task B3:

Schedule two orientation seminars for USIA OIG personnel to cover processing out of USIA and introduction to State and State OIG. A segment of the seminar should be devoted to the training of State OIG personnel on USIA programs and operations and USIA OIG personnel on State programs and operations.

Task B4:

Transfer USIA OIG personnel files and pay and leave records from USIA to State.

Task B5:

Transfer USIA OIG pay and leave records from USIA to State

Task B6:

Transfer USIA OIG security clearances and files from USIA to State.

Task B7:

Coordinate disposition of USIA identification cards and acquisition of State identification cards.

Task B8:

Coordinate the disposition of USIA OIG credentials and badges and acquisition of State credentials and badges and arrange for USIA credentials for use by State OIG personnel to expedite access to USIA offices.

Task B9:

Coordinate disposition of all USIA credit cards issued to USIA OIG staff and acquisition of State credit cards.

Task B10:

Coordinate disposition of keys and parking permits issued to USIA OIG staff.

Task B11:

Arrange for USIA credentials for use by State OIG personnel to expedite access to USIA offices.

Task B12:

Arrange for parking permits and working space at USIA for State OIG personnel.

Task B13:

Arrange to forward mail, cables, and E-mail messages until merger is completed.

Task B14:

Issue change of address notifications for USIA OIG subscriptions to newspapers and periodicals. Request that USIA continue to provide State OIG with USIA publications.

Task B15:

Prepare a master index of USIA OIG files and records. The index should include electronic information as well as hard copies. In addition, the index should list USIA OIG files and records that have been sent to the Federal Records Center and list those to be moved to State OIG.

Task B16:

Provide State OIG with a list of USIA OIG inactive files, including electronic data, before they are retired.

Task B17:

Transfer remaining USIA OIG active files and records to State OIG.

Task B18:

Document and retain a file of all actions taken at USIA and State related to the merger.

Task B19:

Coordinate final submission of USIA OIG travel vouchers and settlement of outstanding travel advances.

Task B20:

Terminate procurement warrants issued to OIG on behalf of USIA.

Task B21:

Design, update and issue all documents and posters to reflect current Hotline address and telephone number.

Task B22:

Get on USIA mailing list or electronic broadcast system for all notices.

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C - LEGAL

Task C1:

Coordinate with the USIA OIG Administration and Management unit to send merger notices to all appropriate USIA and State personnel, offices, contractors, grantees, PCIE, Department of Justice, AUSAs, and subjects of all audits, inspections and investigations (coordinate with Task C2).

Task C2:

In conjunction with the Department of State, prepare notifications, instructions, and directives, as appropriate, to document the merger, including, if required, notice in the Federal Register (reflect disposition of name retrieval system and add FAM update [including reference to IER]).

Task C3:

Assist, as appropriate, in the preparation and execution of documents reflecting the official transfer of USIA OIG.

Task C4:

Followup on the disposition of pending EEO cases with USIA's Office of Civil Rights and pending grievances with USIA's Office of Labor and Employee Relations.

Task C5:

Followup with USIA Office of General Counsel on disposition of pending Freedom of Information or Privacy Act requests.

Task C6:

Coordinate with the USIA and International Broadcasting Bureau Offices of Personnel on the disposition of pending administrative or disciplinary actions based on USIA OIG reports.

Task C7:

Coordinate with Department of Justice the disposition of any open criminal or civil cases based on USIA OIG reports.

Task C8:

Retain, as required by regulations, various categories of documents, including work papers from audits and inspections, electronic data, and public accounting contractor files.

Task C9:

On State's OIG renewal date of June 1996, amend existing Memorandum of Understanding with Department of Justice on deputation to cover USIA OIG employees.

Task C10:

Add State OIG as an addressee on all mailing lists for changes to laws, regulations, etc., pertaining to USIA and ACDA

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## D - BUDGET

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Task D1:

Transfer USIA OIG unexpended balances to State OIG.

Task D2:

Closeout open-ended USIA OIG accounts with FedEx, DHL, Teletypegraph Omnifax, SkyTel, Credit Bureau, Bell Atlantic, Cellular One and Xerox.

Task D3:

Ensure that, upon the effective date of the merger, USIA has sufficient funds to provide for outstanding pre-merger USIA OIG commitments and obligations. To facilitate this process, a Memorandum of Understanding between the State OIG and USIA should be negotiated to reflect which entity is responsible for performing which FY 1996 financial activities subsequent to the merger.

Task D4:

Ensure that subsequent to the merger, USIA OIG will be absorbed into the current State account codes, and USIA OIG account codes will be discontinued effective with the date of the merger. This activity should be included in the Memorandum of Understanding between State OIG and USIA. See Task D3.

Task D5:

Provide State OIG with a full-year projection of all compensation costs for each USIA OIG employee.

Task D6:

Provide State OIG with a detailed list of FY 1996 operating costs for OIG office in Prague.

Task D7:

Provide State OIG with detailed list of other mandatory costs (e.g., lump sum terminal leave payments due to retirements) that must be absorbed in FY 1996.

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## E - PERSONNEL

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Task E1:

Finalize staff assignments, position descriptions and performance plans within the first few weeks of the signing of the merger legislation.

Task E2:

Coordinate with USIA personnel office to process Requests for Preliminary Employment Data (SF75) documents.

Task E3:

Provide Form 1A-134 (Clearance for Final Salary Payment) to each employee for signature and processing out of USIA.

Task E4:

Ensure that interim or regular performance ratings are prepared on all USIA OIG employees, including the RFE/RL OIG component.

Task E5:

Determine the extent to which USIA Foreign Service Officers will be detailed to State OIG, the recruiting process, length and type of detail (e.g., reimbursable or nonreimbursable), number required, and method of payment.

Task E6:

Determine extent of and process for the temporary employment of USIA OIG retired annuitants (WAEs).

Task E7:

Determine FY 1996 planned retirements and projected annual leave balances for each individual.

Task E8:

Determine how State OIG will participate in USIA-sponsored seminars, training, orientation programs, etc.

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## F - CONTRACTS

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Task F1:

Coordinate with USIA the closeout of USIA OIG small purchase contracts.

Task F2:

Closeout USIA OIG contracts with public accounting firms.

Task F3:

Review status of and need for contract audit services awarded by the former Board for International Broadcasting OIG after the enactment of merger legislation and with due consideration.

Task F4:

Closeout USIA OIG guard and cleaning services contracts at the appropriate time.

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## G - PROPERTY AND FACILITIES

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Task G1:

Update USIA OIG inventory and arrange for disposal of excess property and equipment. Provide itemized inventory of USIA OIG's computer equipment. Also provide spare computer in order to test full compatibility with State OIG's LAN. In addition, provide State OIG with a list of all USIA OIG excess property and equipment.

Task G2:

Coordinate with State OIG to determine what USIA OIG property and equipment will be transferred (e.g., ADP equipment, furniture, file cabinets, book shelves, art work [owned by USIA OIG], etc). Mark items to be transferred and coordinate with USIA for proper disposition of the remaining items.

Task G3:

At appropriate time, cut off services for telephones, FAX machines and computer networks.

Task G4:

At appropriate time, transfer billing for OIG office in Prague to State OIG.

Task G5:

Provide State OIG with a back-up of current computer files.

Task G6:

Conduct a weight load survey in State OIG AUD space.

Task G7:

Install additional telephone lines and instruments in State/OIG-Rosslyn offices.

Task G8:

Develop maintenance agreement for USIA OIG ADP equipment upon transfer of equipment to State OIG.

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## H - AUDITS, INSPECTIONS, INVESTIGATIONS

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Task H1:

Prepare a list of audit and inspection reports or investigative cases that have been completed but are waiting final USIA, Department of Justice, or other office action.

Task H2:

Coordinate with appropriate State OIG officials the transfer of all USIA OIG work.

Task H3:

Notify USIA, including USIA audit liaison, contracting and grants officers, grantees, and contractors who are being audited, inspected, or who are subjects of investigations, of the merger.

Task H4:

Publish official announcements and notifications concerning the merger to USIA employees, grantees, other U.S. Government agencies, Congress, PCIE, OMB, etc.

Task H5:

Coordinate with USIA concerning the effects of the merger on the compilation of USIA annual FMFIA reports to the Congress and the President.

**Office of Inspector General**



U.S. Department of State  
U.S. Arms Control and Disarmament Agency  
United States Information Agency, including  
the Broadcasting Board of Governors



**Semiannual Report to the Congress**

**April 1 to September 30, 1998**

# Congressional Activities and OIG Outreach

**D**uring this semiannual reporting period, OIG representatives met with Members of Congress and staff to discuss a wide range of topics including diplomatic telecommunications, mission security, consular fraud prevention, border control initiatives, information security, specific post inspections, and the OIG budget and areas of emphasis. In addition, OIG also provided comments on proposed legislation. These included:

- H.R. 716, Competition in Commercial Activities Act of 1998;
- H.R. 3829, Intelligence Community Whistleblower Protection Act of 1998;
- S. 2167, Inspectors General Act Amendments of 1998;
- S. 2052, Intelligence Authorization Act for 1999;
- S. 2057, National Defense Authorization Act for FY 1999.

## Another Side of the Inspector General: Promoting Ethics Around the World

Around the globe, nations are recognizing that corruption needs to be addressed—and are coming to the United States for guidance.

Early last year, the Inspector General received an unusual request from the Department's Bureau of East Asian and Pacific Affairs: Would the Inspector General be interested in leading a delegation to discuss ethical conduct to what some would consider an unlikely partner—the People's Republic of China?

Embassy Beijing had begun conversations with People's Republic of China officials about an exchange with others in the United States who were engaged in anticorruption and ethical conduct initiatives. The Inspector General agreed to lead the delegation, including representatives from OIG and the U.S. Office of Government Ethics. The Chinese—specifically the Ministry of Supervision, whose mission is similar to that of an OIG but for the entire People's Republic—enthusiastically issued an invitation that was readily accepted.

The trip was an extraordinary event. The delegation was received at the very highest levels of government. Discussions were candid. Exchanges

of information were abundant about how to build reforms and ethics into our governments. The trip was such a success that the Department extended an invitation to the Chinese to send a delegation to the United States to continue the dialogue. The visit took place in early June and the fruitful exchange of information and ideas continued.

For years the United States has loiled to write, refine, and proffer its code of conduct, and we are not alone in this engagement, as many nations are now establishing inspector general oversight functions to promote ethics in government. In fact, initiatives to fight corruption and infuse standards of ethical conduct abound around the world. The interest of other nations in U.S. laws of ethics and conduct is increasing. China is only one of several nations recognizing that corruption needs to be addressed. In the past three years, the Inspector General has met with a number of delegations including those from Argentina, Australia, Chile, Hungary, Israel, Kyrgyzstan, Latvia, and Switzerland, to name a few. The Government of Vietnam has also expressed an interest in learning more about the functions and responsibilities of a U.S.-style inspector general.

In April, the Inspector General accompanied the Under Secretary of State for Management to Angola and Namibia to discuss efforts to combat waste, fraud, and mismanagement with government officials. As a result of the visit, the Inspector General returned to Namibia in September to address the National Conference on combating corruption and promoting transparency and ethical behavior in government.

In June, the Inspector General hosted a delegation from the People's Republic of China's Ministry of Supervision to exchange information and ideas on anticorruption and ethical conduct initiatives. The delegation's visit was a continuation of the dialogue initiated when the Inspector General traveled to China in September 1997 to discuss ethics and rule of law issues. U.S. participants included individuals representing the Office of Management and Budget, U.S. Attorney's Office, Office of Government Ethics, and other Inspectors General. Topics of discussion included government investigative and oversight functions, prosecution of employee misconduct, procurement and

program fraud, and local prosecutions of public officials.

As a result of a Memorandum of Understanding signed by the Secretary of State and Chile's Minister of Foreign Relations in April 1998, the Inspector General traveled to Chile in July to work with government officials on efforts to implement policies of good government, rule of law, and ways to strengthen administrative accountability. The MOU provides for cooperation and exchange of knowledge, experiences, and technical information in implementing federal audit review policies. The OIG will serve as an intermediary to facilitate broader bilateral cooperation between the Chilean Government and other U.S. executive agency auditing entities including other Federal OIGs. While in Chile, several additional areas were identified for further cooperation between the two governments.

In September, the Inspector General hosted a visiting delegation from Bangladesh including the Comptroller and Auditor General, to discuss the organization and operations of an Office of Inspector General.

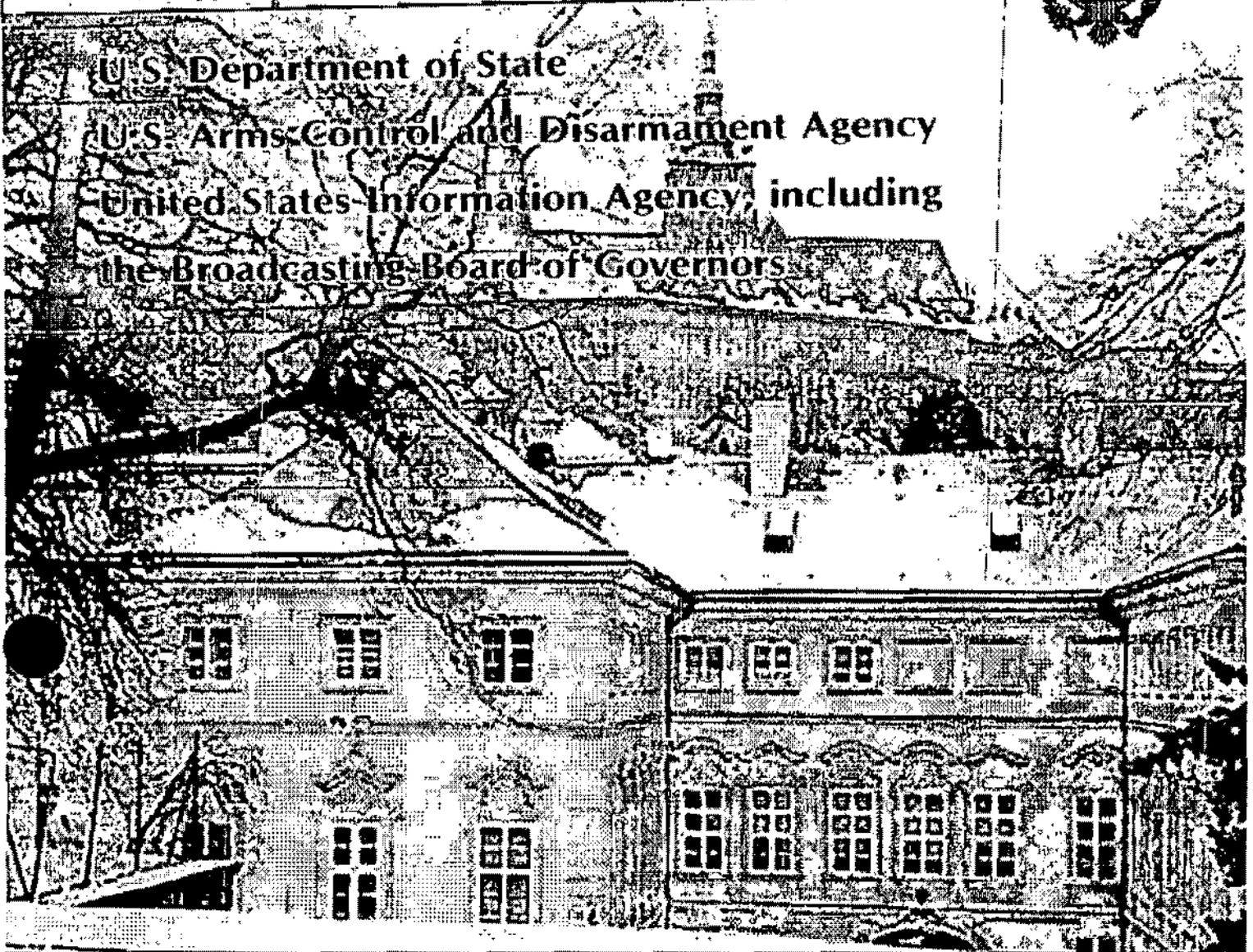
# Office of Inspector General



U.S. Department of State

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## Semiannual Report to the Congress

October 1, 1998, to March 31, 1999

# Congressional Activities and OIG Outreach

## Testimony

The Inspector General testified before the National Security, International Affairs and Criminal Justice Subcommittee of the House Government Reform Committee on February 25, 1999, and the International Operations Subcommittee of the Senate Foreign Relations Committee on March 4, 1999, on the major management challenges facing the Department of State. Those challenges include embassy security, Y2K compliance, the laser visa program and border security, the consolidation of foreign affairs agencies, financial management, and real property management.

The Inspector General also testified before the Senate Special Committee on the Year 2000 Technology Problem on March 5, 1999, and provided highlights of the 20 country on-site assessments conducted by the OIG Y2K team. Statements for the record were also submitted to the House Committee on Ways and Means on Y2K compliance and the International Operations and Human Rights Subcommittee of the House International Relations Committee on embassy security.

## Briefings

OIG representatives also met with Members of Congress and congressional staff to brief them on Department of State compliance with the Government Performance and

Results Act, the export licensing process, namecheck policies and procedures, the functions of the Bureau of International Narcotics and Law Enforcement Affairs, anticorruption outreach initiatives, OIG's new embassy security oversight plan, OIG budget requirements, and the OIG FY 1999 annual plan.

OIG provided comments and proposed changes on:

- FY 2000 Authorization Bill;
- S 1360, Amendment to Illegal Immigration Reform and Immigrant Responsibility Act of 1996 711 HR 4276 Laser Visa (biometric card) Program; and
- H R 436, Government Waste, Fraud and Error Reduction Act of 1999

## OIG Outreach

In October, at the invitation of the Namibian Prime Minister, the Inspector General participated in the first Namibian National Consultative Conference on Combatting Corruption and Promotion of Ethics in Windhoek. The conference was hosted by the Prime Minister and attended by members of Parliament, the Minister of Ethics and Integrity of the Republic of Uganda, the Public Protector of the Republic of South Africa as well as representatives from the United Nations, Transparency International, Canada, the Netherlands, and Germany.

As a result of the Memorandum of Understanding (MOU) signed in

April 1998 by the Secretary of State and the Minister of Foreign Relations of the Republic of Chile, and an agreement with the Organization of American States, the OIG and USIA hosted a series of interactive Worldnet broadcasts beginning in November with a discussion of the Y2K problem. From November to March, five programs were developed to address Y2K generally, Contingency Planning, Financial and Energy sectors' readiness, and the challenges of Y2K auditing and certification. Each program featured two field experts in the Worldnet Washington, D.C., studio and audiences from three countries, who actively participated in the discussions via live uplinks at USIA facilities throughout Latin America and Canada. This OIG Y2K initiative met with such success that countries that were unable to participate have requested that the programs be repeated.

In December, to further the commitments expressed in the MOU with Chile, the OIG sent a representative to the Organization of American States' Anti-Corruption symposium in Santiago,

Chile, to discuss OIG programs to reinforce internal controls in government programs that prevent and detect fraud and corruption.

In February, The Vice President sponsored a global forum on fighting corruption, which was attended by participants from over 80 countries. The Inspector General moderated a panel titled "Internal Oversight: Prevention, Detection and Investigation." Panel participants included Michael Bromwich, Inspector General, Department of Justice; Rodrigo Moraga Guerrero, Chairman, General Government Internal Audit Council, Republic of Chile; Miria R.K. Metembe, Minister of Ethics and Integrity, Republic of Uganda; and George Baramidze, Chairman of the Anti-Corruption Investigations, Republic of Georgia.

The panel offered an international perspective on internal government oversight mechanisms and discussed strategies, tools, and techniques to prevent, detect, and investigate fraud, waste, and misconduct and common challenges in the oversight process.

Key findings on the prevention and deterrence of corruption in government identified by the panelists and conferees include the following:

- To serve the people, government must operate free from the waste and uncertainty that fraud and corruption create.
- In countries where some government services are being privatized, anticorruption effort must also encompass the private sector.
- In newly independent nations an additional challenge to anticorruption efforts is to build a sense of ownership where there was once widespread distrust of government that had been externally imposed.
- Transparency in governmental functions is essential to creating and maintaining public confidence in government and in the integrity of public officials.
- In countries where bribery has become a way of life, and graft is perceived as a necessary way of sustaining your family, corruption must be linked to a loss of public services that the government can provide.

### Status of Implementation of the Results Act

The Department of State's Strategic Plan, published in September 1997, sets forth 16 strategic foreign policy goals, such as ensuring that local and regional instabilities do not threaten the security of the United States and its allies and opening foreign markets to the free flow of goods and services. The Strategic Plan also sets goals in three supporting areas: human resources, information, and infrastructure and operations. The Department of State has issued a combined Performance Plan for FY 1999-2000 that follows in the same basic framework of its strategic plan. The Performance Plan adds performance goals in two additional support areas: overseas security and reorganization of the foreign affairs agencies.

The Department placed new emphasis on strategic planning in 1998 by requiring that each post prepare a Mission Performance Plan (MPP) that lays out the major goals, objectives, strategies and performance measures for an embassy, built around the Department's strategic and diplomatic readiness goals. Regional and functional bureaus within the Department also prepare annual plans (Bureau Performance Plans) that include their goals, objectives, strategies and performance measures. Strategic planning efforts as required by the Results Act have prompted notable improvements in the Department's planning process. However, as we recently testified before the Senate Foreign Relations

- International cooperation against corruption is essential to ensure there is no safe haven or financial advantage for the gains associated with corrupt practices.

In March, the Deputy Inspector General appeared in a USIA Worldnet broadcast with the Deputy Assistant Secretary for International Narcotics and Law Enforcement Affairs. The interactive program was broadcast live to Hong Kong, Beijing, and Jakarta and focused on anticorruption issues.

The Inspector General led a delegation to China in March to continue a dialogue initiated in 1997, through Embassy Beijing and the Department's Bureau of East Asian and Pacific Affairs, with the Chinese Ministry of Supervision. The delegation, which included representatives from the U.S. Office of Government Ethics, met with Peoples Republic of China officials in Beijing and Shanghai, as well as officials from the province of Hangzhou and the directors of its civil service Ethics Training Center. The 5-day exchange focused on:

- Conflict of Interest and Standards of Conduct;
- Relationships Among Units of Government Engaged in Anti-Corruption Efforts;
- Whistleblower Protection;
- Transparency, Public Disclosure, and Privacy in Government Operations;
- Supervision and Training of Law Enforcement Personnel; and
- Education of Civil Servants Engaged in Anti-Corruption Efforts.

The Inspector General was also invited to chair an international panel in Hong Kong as part of Hong Kong Independent Commission Against Corruption's "Silver Jubilee Conference." The conference had the express stated purpose of "promoting clean government." The Inspector General delegation was one of 400 from 52 geographical jurisdictions, representing 180 law enforcement entities worldwide. The panel on "Closing the Loopholes and Enlisting Support" was comprised of law enforcement experts from Hong Kong, the United Kingdom, Australia, and the

Netherlands and addressed how best to safeguard against corruption and enlist public support for such efforts.

## RESULTS ACT REVIEW PLAN

The Government Performance and Results Act of 1993 (Results Act) requires that agencies set goals for program performance and measure results against those goals to help improve the efficiency and effectiveness of federal programs and to increase public accountability. Specifically, the law requires that each agency submit to Congress and OMB a 5-year strategic plan and an annual performance plan with measurable goals and indicators that link to that strategic plan. The Results Act also requires that, beginning in March 2000, agencies submit annual performance reports to show progress against their goals.

Senator Thompson and Representatives Armev, Burton, Horn, and Sessions have requested that

Committee and the House Committee on Government Reform, Subcommittee on National Security, Veterans Affairs and International Relations, the major challenge that exists for the Department is to define goals stated in mission, bureau, and Department plans in more measurable terms, and in terms of outcomes—what the United States hopes to achieve—rather than broad policy statements.

We also testified that the Department's FY 1999 Performance Plan did not fully comply with the Results Act. For example, the plan lacked baselines and performance targets, omitted management initiatives, contained goals that were broadly stated and extended beyond the Department's span of control and provided little information on the resources re-

quired to achieve specific performance goals. Although the combined FY 1999-2000 performance plan still does not fully comply with the Results Act, it is an improvement over the previous plan. The Department intends to work together with Congress, the General Accounting Office (GAO), and OMB over the next year to develop a performance plan that encompasses all of the Department's activities.

The Department's March 2000 Performance Report will include reporting for ACDA and USIA since they will be integrated by that time. The International Broadcasting Bureau has issued a Performance Plan for FY 1999. The Broadcasting Board of Governors will be reporting progress against that plan in March 2000 as an independent agency.

Inspectors General assist them with oversight of agency implementation of the Results Act. Specifically, they have asked each Inspector General review the status and use of performance goals and measures in their respective agencies and the accuracy and reliability of performance data. In accordance with these requests, OIG has developed a plan to review and report on the efforts of the Department of State and the BBG regarding performance goals and measures. The OIG approach will task teams from the Offices of Audits, Inspections, and Security and Intelligence Oversight with building a Results Act component into audits, inspections, and other reviews. Specifically, teams will assess the performance goals and measures related to their audit or inspection area by (1) examining the efforts to develop and use performance measures, (2) determining if performance measures are consistent with goals, and (3) reviewing the plans to verify and validate data sources for performance measures, including selectively testing performance data.

The Department has established 16 strategic goals and several support goals. Our initial Results Act review for the Department will focus on what OIG considers major challenges, including addressing overseas security vulnerabilities, correcting weaknesses in financial management, achieving Year 2000 compliance, and improving real property management. Our coverage will be heaviest for the Department's support goals, where the Department faces many of those major challenges and where it has made the most progress establishing measurable goals. Our review

will also address performance measurement under some of the Department's strategic goal areas, such as opening foreign markets and expanding U.S. exports. Additionally, post inspections will provide coverage of a wide range of

the goals and measures at selected embassies. In Broadcasting, our work will address efforts to measure improvements in improving the free flow of information throughout the world.

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## The Y2K Problem: Global Readiness

OIG has been actively engaged with the Department of State and our embassies overseas to assist them in meeting the Y2K challenge. A particular OIG focus has been the Y2K readiness of host countries where the United States maintains a diplomatic presence. On March 5, 1999, OIG testified on the issue of global Y2K readiness before the Senate Special Committee on the Year 2000 Technology Problem. The testimony was based on our assessments of the Y2K readiness in 74 countries, 20 of which we visited over a 5-month period. OIG's testimony discussed a number of key themes:

- Industrialized countries are well ahead of the developing world; however, some of those locations are at risk of having Y2K-related failures because they were late in establishing Y2K leadership at the national level, and because they are heavily reliant on computer technology in key sectors;
- Developing countries generally are lagging behind and are struggling to find the financial and technical resources needed to resolve their Y2K problems; still, the relatively low level of computerization in key sectors (utilities, telecommunications, and transportation) may reduce the risk of prolonged infrastructure failures;
- Former Eastern bloc countries are late in getting started and are generally unable to provide detailed information on their Y2K remediation programs; and,
- Problems related to Y2K readiness in the health care sector are apparent in the majority of countries evaluated.

OIG's testimony also noted that to address global Y2K issues effectively, a more cohesive framework is needed for the development and implementation of U.S. policy concerning the Y2K problem. OIG stated that in its visits to developing countries audit staff were repeatedly questioned about whether the United States would be making funds available to support individual countries' Y2K remediation programs and for developing contingency plans. OIG further noted that thus far, U.S. policy on global Y2K readiness has focused mainly on supporting efforts by international organizations—such as the World Bank—that provide financial assistance to developing countries. OIG concluded that it is now time for the foreign affairs community to broaden its approach to global Y2K readiness to include a framework for determining what actions the U.S. should consider taking to protect the national interest.

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# A GLOBAL FORUM ON FIGHTING

CORRUPTION

SAFEGUARDING INTEGRITY AMONG JUSTICE AND SECURITY OFFICIALS

## PROGRAM

(Except as indicated, all events are at the Loy Henderson  
International Conference Room, Department of State)

### Wednesday, February 24

7:30 a.m. Registration Desk Opens  
C Street Entrance, Department of State

9:00 a.m. Opening Session

Welcome: *Madeline Albright, Secretary of State*

Keynote: *Vice President Al Gore, Forum Chairman*

Remarks: *Donald Johnson, Secretary General, OECD*

*Pino Arlacchi, Executive Director, UN Crime Center*

*Jeremy Pope, Managing Director, Transparency Intl.*

Summary Observations: *Vice President Al Gore, Forum Chairman*

10:00 a.m. Break

10:30 a.m. Plenary Session: Significance of Corruption Among Justice and  
Security Officials

Moderator: *Vice President Al Gore, Forum Chairman*

12:30 p.m. Luncheon

Invited participants: Benjamin Franklin Room, 8<sup>th</sup> Floor

Introduction: *Under Secretary of State for Economic, Business and Agricultural Affairs Stuart M. Eizenstat*

Address: *Secretary of the Treasury Robert Rubin*

Remaining participants are invited to a buffet lunch in the Hall of Diplomacy; Secretary Rubin's address may be viewed in video projection in the Loy Henderson Room

2:00 p.m. Plenary Session: Economic Governance, the Private Sector and Corruption

Moderator: *Under Secretary of State for Economic, Business and Agricultural Affairs, Stuart M. Eizenstat*

Presenters: *Daniel Kaufmann, World Bank*  
*Maria Livanos Cattai, Secretary General, International Chamber of Commerce*

3:45 p.m. Plenary Session: Ethics Regimes in the Public Sector

Moderator: *Hon. Stephen D. Potts, Director, U.S. Office of Government Ethics*

Presenters: *Miria R. K. Matembe, Minister for Ethics and Integrity, Uganda*  
*Zhao Hongzhu, Vice-Minister of Supervision, China*  
*Luis Nicolas Ferreira, Director, National Office of Public Ethics, Argentina*  
*Prof. Enrico Zanelli, University of Genoa, Italy*  
*Howard Keith Whitton, Queensland Department of the Premier and Cabinet*  
*Elaine Kaplan, Special Counsel, U.S. Office of Special Counsel*

5:15 p.m. Organizational meetings of Specialty Sessions that meet Thursday

5:30 p.m. Dinner (by invitation) – Benjamin Franklin Room, 8<sup>th</sup> Floor

Hosts: *Vice President Al Gore*  
*Attorney General Janet Reno*

U.S. Military Strolling Strings  
Urban Nation Voices of Youth

Thursday, February 25

8:30 a.m. Plenary Session: Legal Frameworks and Enforcement  
Authorities

Moderator: *Eric Holder, Deputy Attorney General*

Presenters: *Sang-Cheon Park, Minister of Justice, Republic of Korea*  
*Vasyl Durdynets, Director, National Bureau of Investigation,*  
*Ukraine*  
*Philip B. Heymann, Harvard University (former Deputy*  
*Attorney General)*

10:00 a.m. Break

10:15 a.m. Plenary Session: Upholding Integrity Among Justice and  
Security Officials

Presiding: *Vice President Al Gore, Forum Chairman*

Moderator: *Prof. Charles Moskos, Anderson Chair, Weinberg College of*  
*Arts and Sciences, Northwestern University*

Presenters: *Prof. dr. Anton Bebler, Faculty of Social Sciences, University*  
*of Ljubljana, Slovenia*  
*Dr. Juan Rial, PEITHO, Uruguay*

11:45 p.m. Plenary Session: Religious Values and the Struggle  
Against Corruption

Presiding: *Vice President Al Gore, Forum Chairman*

Moderator: *Judge John Noonan*

Presenters: *Alan Geyer, Washington National Cathedral*  
*Rabbi Dr. Burton J. Visotzky, Jewish Theological Seminary,*  
*New York*  
*Archbishop Oscar Andres Rodriguez (Honduras), President,*  
*Council of Latin American Roman Catholic Bishops*  
*Dr. Nurcholish Madjid, Rector, University of*  
*ParamadinaMulya, Jakarta, Indonesia*  
*Dr. Yasuo Sakakibara, Daioji Temple, Kyoto, Japan*  
*Dr. Veena Dás, University of Delhi, India*

1:30 p.m. Luncheon (by invitation) – Benjamin Franklin Room, 8<sup>th</sup> Floor  
 Address: *Under Secretary of State for Global Affairs Frank Loy*

3:45 p.m. Specialty Sessions:

National Security Forces (National Defense University)  
 Other Security Forces (FBI Headquarters)  
 Customs Services (Customs Service Headquarters)  
 Financial Regulatory Officials (Treasury Department)  
 Procurement Officials (Treasury Department)  
 Judiciary (Room 1105, Department of State)  
 Global and Regional Anticorruption Frameworks (Loy Henderson  
 Room, Department of State)  
 Internal Oversight (Room 1107, Department of State)  
 Non-Governmental Organizations (Room 1205, Department of  
 State)  
 (bus transportation will be provided to locations outside  
 the Department of State)

6:30 p.m. Recess - Evening Free

### Friday, February 26

8:00 a.m. Plenary Session: Strategies for Making Corruption Visible

Moderator: *Penn Kemble, Acting Director, U.S. Information Agency*

Presenters: *Mayor Leoluca Orlando, Palermo, Italy*  
*Tymon Katiholo, Director, Directorate of Corruption and*  
*Economic Crime, Botswana*  
*Jose Luis Simon, Diario El Dia newspaper, Paraguay*

Discussants: *Prof. Roy Godson, National Strategy Information Center*  
*Nancy Zucker Boswell, Managing Director, Transparency*  
*International, USA*

10:15 a.m. Round Table for Government Delegation Heads  
Benjamin Franklin Room, 8<sup>th</sup> Floor

Presiding: *Vice President Al Gore, Forum Chairman*

Presentation of summaries of specialty session  
discussions by session spokespersons  
Round table summary discussion

(Government delegation heads only; other participants will view the  
session in video projection in the Loy Henderson Room)

12:15 p.m. Photograph, Government Delegation Heads with Vice President Al Gore,  
Forum Chairman, 8<sup>th</sup> Floor

12:30 p.m. Closing Session

Address and Declaration: *Vice President Al Gore, Forum Chairman*

Closing

1:30 p.m. Global Forum Concludes

# A GLOBAL FORUM ON FIGHTING



SAFEGUARDING INTEGRITY AMONG JUSTICE AND SECURITY OFFICIALS

GUIDING PRINCIPLES FOR FIGHTING  
CORRUPTION AND SAFEGUARDING INTEGRITY  
AMONG JUSTICE AND SECURITY OFFICIALS

## GUIDING PRINCIPLES FOR FIGHTING CORRUPTION AND SAFEGUARDING INTEGRITY AMONG JUSTICE AND SECURITY OFFICIALS

NOTE: Annotated Version. In this document, each of the practices is followed by a parenthetical letter or letters indicating from which source or sources the statement of the practice was derived, including agreements, documents and other sources in existing international literature or experience regarding corruption, public integrity or related matters of crime. Sources are identified in the listing at the end of this document.

Corruption, dishonesty and unethical behavior among public officials represent serious threats to the basic principles and values of government, undermining public confidence in democracy and threatening to erode the rule of law. The aim of these Guiding Principles is to promote public trust in the integrity of officials within the public sector by preventing, detecting, and prosecuting or sanctioning official corruption and unlawful dishonest, or unethical behavior.

It is anticipated that these guiding principles will be implemented by each government in a manner appropriately tailored to the political, legal, economic and cultural circumstances of the country. This document does not prescribe a specific solution to corruption among justice and security officials, but rather offers a list of potentially effective corruption-fighting practices for consideration. The list of practices, which may apply to other sectors of government in addition to justice and security officials, is intended to help guide and assist governments in developing effective and appropriate means to best achieve their specific public integrity ends.

### **1. Establish and maintain systems of government hiring of justice and security officials that assure openness, equity and efficiency and promote hiring of individuals of the highest levels of competence and integrity.**

Effective practices include:

- Systems for equitable compensation adequate to sustain appropriate livelihood without corruption (J, N);
- Systems for open and merit based hiring and promotion with objective standards (C,I);
- Systems which provide assurance of a dignified retirement without recourse to corruption (J, N);

- Systems for thorough screening of all employees for sensitive positions (N);
- Systems for probationary periods after initial hiring (N);
- Systems which integrate principles of human rights with effective measures for preventing and detecting corruption. (N).

**2. Adopt public management measures that affirmatively promote and uphold the integrity of justice and security officials.**

Effective practices include:

- An impartial and specialized institution of government to administer ethical codes of conduct (C, D, I, J);
- Training and counseling of officials to ensure proper understanding of their responsibilities and the ethical rules governing their activities as well as their own professionalism and competence (C);
- Training addressed to issues of brutality and other civil rights violations that often correlate with corrupt activity among justice and security officials (N, substantial international literature relating to human rights issues);
- Managerial mechanisms that enforce ethical and administrative standards of conduct (B, D, H, I, J);
- Systems for recognizing employees who exhibit high personal integrity or contribute to the anti-corruption objectives of their institution (N);
- Personnel systems that include regular rotation of assignments to reduce insularity that fosters corruption (B, D, I, J, N);
- Systems to provide appropriate oversight of discretionary decisions and of personnel with authority to make discretionary decisions (B, D, I, J, N);
- Systems that hold supervisors accountable for corruption control (B, D, I, J, N);

- Positive leadership which actively practices and promotes the highest standards of integrity and demonstrates a commitment to prevent and detect corruption, dishonesty and unethical behavior (N);
- Systems for promoting the understanding and application of ethical values and the standards of conduct required (N);
- Mechanisms to support officials in the public sector where there is evidence that they have been unfairly or falsely accused. (N)

3. Establish ethical and administrative codes of conduct that proscribe conflicts of interest, ensure the proper use of public resources, and promote the highest levels of professionalism and integrity.

Effective practices include:

- Prohibitions or restrictions governing officials participating in official matters in which they have a substantial direct or indirect financial interest (I, N);
- Prohibitions or restrictions against officials participating in matters in which persons or entities with whom they are negotiating for employment have a financial interest (I, N);
- Limitations on activities of former officials in representing private or personal interests before their former governmental agency or department, such as prohibiting the involvement of such officials in cases for which former officials were personally responsible, representing private interests by their improper use of influence upon their former governmental agency or department, or using confidential knowledge or information gained during their previous employment as an official in the public sector (N);
- Prohibitions and limitations on the receipt of gifts or other advantages (F, I, N);
- Prohibitions on improper personal use of government property and resources (C, F, N).

4. Establish criminal laws and sanctions effectively prohibiting bribery, misuse of public property, and other improper uses of public office for private gain.

Effective practices include:

- Laws criminalizing the giving, offer or promise by any party ("active") and the receipt or solicitation by any official ("passive") of a bribe, and criminalizing or sanctioning the giving or receiving of an improper gratuity or improper gift. (A, C, E, F, G, I, others).
  - Laws criminalizing or sanctioning the illegal use by officials of government information (C, F);
  - Laws affirming that all justice and security officials have a duty to provide honest services to the public and criminalizing or sanctioning breaches of that duty (I).
  - Laws criminalizing improper use of official power or position, either to the detriment of the government or for personal enrichment.
5. Adopt laws, management practices and auditing procedures that make corruption more visible and thereby promote the detection and reporting of corrupt activity.

Effective practices include:

- Systems to promote transparency, such as through disclosing the financial circumstances of senior officials. (C, I, J).
- Measures and systems to ensure that officials report acts of corruption, and to protect the safety, livelihood and professional situation of those who do, including protection of their identities to the extent possible under the law (F, I);
- Measures and systems that protect private citizens who, in good faith, report acts of official corruption (C, D, E, F, I, L);
- Government revenue collection systems that deter corruption, in particular by denying tax deductibility for bribes or other expenses linked to corruption offenses. (B, C, D, J);
- Bodies responsible for preventing, detecting, and eradicating corruption, and for punishing or disciplining corrupt officials, such as independent ombudsmen, inspectors general, or other bodies responsible for receiving and investigating allegations of corruption (B, D, I);

- Appropriate auditing procedures applicable to public administration and the public sector (D, I, J);
- Appropriately transparent procedures for public procurement that promote fair competition and deter corrupt activity (B, C, D, F, J).
- Systems for conducting regular threat assessments on corrupt activity (N).

**6. Provide criminal investigators and prosecutors sufficient and appropriate powers and resources to effectively uncover and prosecute corruption crimes.**

Effective practices include:

- Empowering courts or other competent authorities to order that bank, financial or commercial records be made available or be seized, and that bank secrecy not prevent such availability or seizure (C, E, J, K, L);
- Authorizing use under accountable legal supervision of wiretaps or other interception of electronic communication, or recording devices, in investigation of corruption offenses (E, F, J, L);
- Authorizing, where appropriate, the admissibility of electronic or other recorded evidence in criminal proceedings relating to corruption offenses (E, F, J, L);
- Employing where appropriate systems whereby persons charged with corruption or other corruption-related criminal offenses may secure more advantageous treatment in recognition of assisting in the disclosure and prosecution of corruption offenses (E, F, K, L);
- The development of appropriate information gathering mechanisms to prevent, detect and deter official corruption and dishonesty (N).

**7. Ensure that investigators, prosecutors and judicial personnel are sufficiently impartial to fairly and effectively enforce laws against corruption.**

Effective practices include:

- Personnel systems to attract and retain high quality corruption investigators (N);

- Systems to promote the specialization and professionalization of persons and organizations in charge of fighting corruption (D, E, J);
  - Establishment of an independent mechanism within judicial and security agencies with the duty to investigate corruption allegations, and with the power to compel statements and obtain documents from all agency personnel (N);
  - Codes of conduct or other measures that require corruption investigators, prosecutors, and judges to recuse themselves from any case in which their political, financial or personal interests might reasonably raise questions about their ability to be impartial. (N);
  - Systems that allow for the appointment, where appropriate, of special authorities or commissions to handle or oversee corruption investigations and prosecutions (N);
  - Standards governing the initiation of corruption investigations to ensure that public officials are not targeted for investigation for political reasons (N).
8. **Ensure that criminal and civil law provide for sanctions and remedies that are sufficient to effectively and appropriately deter corrupt activity.**

Effective practices include:

- Laws providing substantial criminal penalties for the laundering of the proceeds of public corruption violations (A, C, E, J, L);
  - Laws providing for substantial incarceration and appropriate forfeiture of assets as a potential penalty for serious corruption offenses (A, C, E, G, others);
  - Provisions to support and protect whistleblowers and aggrieved private parties (B, D, J).
9. **Ensure that the general public and the media have freedom to receive and impart information on corruption matters, subject only to limitations or restrictions which are necessary in a democratic society.**

Effective practices include:

- Establishing public reporting requirements for justice and security agencies that include disclosure about efforts to promote integrity and combat corruption (D, H, I, J);
- Enacting laws or other measures providing a meaningful public right of access to information about corrupt activity and corruption control activities (D, H, I, J).

**10. Develop to the widest extent possible international cooperation in all areas of the fight against corruption.**

Effective practices include:

- Systems for swift and effective extradition so that corrupt public officials can face judicial process (A, C, E, G, L, others);
- Systems to enhance international legal assistance to governments seeking to investigate and prosecute corruption violations (A, C, E, G, L, others);
- Systems to facilitate and accelerate international seizure and repatriation of forfeitable assets associated with corruption violations (A, C, E, F, G, L, others)
- Inclusion of provisions on combating corruption in appropriate bilateral and multilateral instruments (N).

**11. Promote, encourage and support continued research and public discussion in all aspects of the issue of upholding integrity and preventing corruption among justice and security officials and other public officials whose responsibilities relate to upholding the rule of law.**

Effective practices include:

- Appointment of independent commissions or other bodies to study and report on the effectiveness of efforts to combat corruption in particular agencies involved in justice and security matters (N);
- Supporting the efforts of multilateral and non-governmental organizations to promote public integrity and prevent corruption (N);

- Promoting efforts to educate the public about the dangers of corruption and the importance of general public involvement in government efforts to control corrupt activity (C, I, J, N).

**12. Encourage activities of regional and other multilateral organizations in anti-corruption efforts.**

Effective practices include:

- Becoming parties, as appropriate, to applicable multilateral legal instruments containing provisions to address corruption;
- Cooperating in carrying out programs of systematic follow-up to monitor and promote the full implementation of appropriate measures to combat corruption, through mutual assessment by governments of their legal and practical measures to combat corruption, as established by pertinent international agreements. (A, E, L, M);
- Participating actively in future international conferences on promoting integrity and combating corruption among justice and security officials.

Listing of Sources

- A. OECD Convention on Combatting Bribery of Foreign Public Officials in International Business Transactions.
- B. OECD Council Recommendations Against Corruption, May 1997.
- C. OAS Inter-American Convention Against Corruption.
- D. Council of Europe Committee of Ministers 20 Recommendations Against Corruption, November 1997
- E. Council of Europe Criminal Law Convention on Corruption.
- F. Council of Europe Conclusions of the Second European Conference of Specialized Services in the Fight Against Corruption, October 1997
- G. European Union Convention on Corruption of EU or Member Officials, May 1997
- H. European Parliament Resolution on Combating Corruption in Europe, December 1995
- I. United Nations Secretariat Manual: Practical Measures Against Corruption, July 1990
- J. United Nations Commission on Crime Prevention and Criminal Justice: Report of Expert Group on Action Against Corruption and Bribery, March 1997
- K. United Nations Convention Against Illicit Trafficking in Narcotic Drugs or Psychotropic Substances
- L. United Nations Draft Convention Against Transnational Organized Crime
- M. Financial Action Task Force, 40 Recommendations
- N. Observed experience of governments ("common sense").

# INTERNAL OVERSIGHT: PREVENTION, DETECTION AND INVESTIGATION

THURSDAY, FEBRUARY 25, 1999  
3:45 PM Room 1107

This panel is designed to offer an international perspective on internal government oversight mechanisms. Discussions will focus on strategies to prevent, detect and investigate fraud, waste and misconduct as well as common challenges in the oversight process.

The moderator, Jacquelyn L. Williams-Bridgers, will open the session with a brief discussion of the role of the United States' offices of Inspectors General to assist the executive and legislative branches of government in maintaining the public trust. Each participant will give a brief overview of their organization including the mission and responsibilities, scope of authorities, reporting channels of the Executive, Legislative or Judicial branches of government and a brief discussion of their independence from potential impediments to integrity and products. Following their overview, each panelist is invited to elaborate upon their choice of discussion topics listed for the panel. Participation from audience members is encouraged.

## Moderator

Ms. Jacquelyn L. Williams-Bridgers  
Inspector General  
United States Department of State

## Panelists

Mr. Michael Bromwich  
Inspector General  
United States Department of Justice

Mr. Rodrigo Moraga Guerrero  
Chairman, General Government Internal Audit Council  
Santiago, Chile

Mrs. Miria R.K. Matembe  
Member of Parliament  
Mbarara District  
Minister of Ethics and Integrity for the Republic of Uganda  
Kampala, Uganda

Mr. George Baramidze  
Minister of Parliament, Republic of Georgia  
Chairman of the Anti-Corruption Investigations  
Commission Of the Parliament  
Republic of Georgia

## Panel Discussion Topics

- I. Brief Overview by Panelists of their Organizations:
  - Mission and Responsibilities
  - Scope of Authorities
  - Reporting Channels to the Executive, Legislative and/or Judicial Branches of Government
  - Independence from Potential Impediments to Integrity of Products
- II. Tools of the Trade
  - Investigative Techniques
  - Audit Techniques
  - Mechanisms Available to Enforce Recommendations
- III. Relationship between Investigative, Prosecutorial and Disciplinary Arms of Government
  - Criminal Cases
  - Administrative Cases
  - Role of Investigative Entity in Disciplinary Process
- IV. Relationship with Entities We Oversee
  - Role of Management Consultant versus Watchdog
  - Ensuring Attention to the Results of Our Work
- V. Reporting the Results of Oversight
  - Balancing Privacy Interests vs. Public Access to Public Information
  - Sharing Information with Other Branches of Government
  - Sharing Information with the Media
- VI. Role in Prevention
  - Getting the Anti-Corruption Message Out
  - Research and Analysis of Methods to Prevent Corruption
  - Working with Agencies to Improve Their Systems of Detecting Fraud, Waste and Mismanagement
- VII. Major Challenges Facing Our Organizations
  - Maintaining Independence
  - Assuring Sufficient Funding
  - Measuring Our Effectiveness

(OVER)

INSPECTOR GENERAL PANEL  
INTERNAL OVERSIGHT: PREVENTION, DETECTION AND INVESTIGATION  
THURSDAY, FEBRUARY 25, 1999  
3:45 PM Room 1107

PANEL QUESTIONS:

1. What are the main sources of information about potentially corrupt practices/activities? (management officials, members of the public, other law enforcement agencies, etc.)
2. Do you investigate anonymous allegations? All anonymous allegations? How do you decide which to investigate and which to ignore?
3. Do you find that some persons use the allegations hotline inappropriately as a means of pursuing personal vendettas? What recourse, if any, is available to someone who is available to someone who is reported for wrongdoing under such circumstances?
4. What are the most common types of corruption cases or issues you deal with? Which are the most difficult to resolve?
5. What reporting of the results of your anti-corruption efforts do you do? When, to whom, and how much information is reported or available during the course of an investigation, from the time it is opened until completed and closed?
6. What kind of complaints, if any, have you encountered about your anti-corruption efforts? Have you undertaken any public relations-type activities to increase awareness about and receptivity to your efforts? Have you found any particular such activities to be more successful?
7. How do you maintain the lines of communication between the investigative, prosecutorial and disciplinary arms of government and at the same time maintain the integrity of each?
8. How do you ensure consistency and impartiality in the application of the disciplinary process?
9. Given the adversarial nature of being a "watch dog," how do you maintain effective working relationships with those entities over which you have oversight?
10. Do the reporting responsibilities of your organization ever result in a conflict with other branches of government? If yes, how are those conflicts resolved?
11. In this age of restricted funding and ever expanding and competing responsibilities, what criteria does your organization use to determine which activities are priorities and receive funding?

**Panel Discussion Summary**  
**State Department Inspector General Jacquelyn L. Williams-Bridgers**  
**Global Forum on Fighting Corruption:**  
**Safeguarding Integrity Among Justice and Security Officials**

**Specialty Session: Internal Oversight**  
**Thursday, February 25, 1999**  
**3:45 p.m., Room 1107**

***I. Internal Oversight***

Jacquelyn L. Williams-Bridgers, Moderator  
Inspector General  
Department of State  
United States of America

Michael Bromwich  
Inspector General  
Department of Justice  
United States of America

Rodrigo Moraga Guerrero  
Chairman, General Government Internal Audit Council  
Chile

Miria R. K. Matembe  
Minister of Ethics and Integrity  
Republic of Uganda

George Baramidze  
Minister of Parliament  
Chairman of the Anticorruption Investigations Commission  
Republic of Georgia

The Specialty Session on Internal Oversight: Prevention, Detection and Investigation met at the Department of State.

This Specialty Session offered an international perspective on internal government oversight mechanisms. Discussion included strategies to prevent, detect and investigate fraud, waste and misconduct, as well as common challenges in the oversight process.

The text of remarks summarized below by George Baramidze of Georgia, the text of the prepared statement by Miria R. K. Matembe of Uganda, delivered

at the Plenary Session on "Ethics Regimes in the Public Sector," and a paper prepared by Rodrigo Moraga Guerrero on "Actions to Strengthen Government Policy in the Area of Public Transparency and Integrity," may be found in the appendix.

Jacquelyn Williams-Bridgers, the Moderator, offered a brief discussion of the role of the United States offices of Inspectors General to assist the executive and legislative branches of government in maintaining the public trust.

Other participants provided brief overviews of their national organizations, including mission and responsibilities, scope of authorities, reporting channels of the Executive, Legislative or Judicial branches of government, and a discussion of their independence from potential impediments, to integrity and products. Following their brief overview, the panelists engaged in general discussion on internal oversight from their unique perspective.

## ***II. Overview of National Structure by Panelists***

### **A. Michael Bromwich, Inspector General, Department of Justice, United States of America.**

Inspector General Michael Bromwich outlined the general framework and functions of Inspectors General in the Federal government. There are some 27 Inspectors General appointed by the President and confirmed by the Senate serving in each of the major cabinet level departments and agencies. These Inspectors General can only be fired by the President upon a showing of cause to the Congress. This is one aspect of ensuring the independence of Inspectors General in addition to a number of other aspects of their operations such as having a separate appropriation and dual reporting responsibilities both to the Congress and to the head of the agency in which they serve. Mr. Bromwich's office, for example, reports both to the Congress and to the Attorney General.

Mr. Bromwich described the major functions of each of these Inspectors General which includes an audit, investigative and, in many cases, an inspection like function that is somewhat akin to an audit but may not adhere to Yellow Book standards of an audit and have a somewhat different policy review focus. The Department of Justice (DOJ) Office of Inspector General (OIG) also has a special investigations review unit that handles more complex investigations utilizing multi-disciplinary teams of auditors, investigators, and lawyers.

The principal mission of the OIG at the Department of Justice is to detect and deter fraud, waste and abuse in programs and operations, and fraud or misconduct on the part of DOJ employees. All federal lawyers in DOJ are included in the scope of the OIG mandate—approximately 110,000

employees nationwide. There are roughly 400 employees in the Office of Inspector General. Most of their work involves field investigations and includes criminal and administrative reviews. In addition, the OIG has audit entities throughout the country and an inspection division.

Part of an OIG function is to investigate and serve as a fact finder. A dual investigative function is to work with DOJ prosecutors to develop the cases for prosecution as well as to provide oversight for the employees of DOJ.

B. Rodrigo Moraga Guerrero, Chairman, General Government Internal Audit Council and Special Advisor To the President of Chile.

Mr. Moraga briefly described the governmental structure in Chile which is an executive or Presidential system of government. There are 29 ministries and 95 thousand public employees with a "small" public sector. Mr. Moraga explained that "small" means that the public sector is only 20 percent of the economy. The balance, or 80% of the economy, is composed of the private sector. As in the United States, the role of the Federal government is principally regulatory. The major function of the government is to provide services. Processes and practices in providing these services in Chile are not necessarily standardized. It would be beneficial to have uniform national standards for processes and services and a system of internal government controls. The system of internal auditing in each of the major ministries of government provides a mechanism to identify problems and evaluate the systems in place to see how we could operate more efficiently. The reports of the internal auditors, or ministry auditors, go to the President to ensure that programs will be developed that will address the systemic problems.

Each year the President establishes a broad set of areas for focus or review by the internal auditors. These are usually based on problems identified in previous years or new initiatives to address programs of the government that need to be changed or adjusted in terms of their practices and processes for delivery of government services.

The legislature also receives copies of these reports and may request the Ministers to come forward to answer questions that the legislature may have. The primary force for change in government programs, however, is through the comprehensive programs established by the President.

C. Ms. Miria R. K. Matembe, Minister of Ethics and Integrity, Republic of Uganda.

The recently established Minister of Ethics and Integrity is a new approach to encourage adherence to codes of conduct in Uganda. After

10 years of working on laws to establish a legal framework and a judicial structure to hold people accountable for any corrupt activities, a new directorate was instituted to address the underlying structure of corruption. The directorate was developed as a model to fight the decadence and reinforce the moral fiber in Uganda and foster adherence to codes of conduct. The ministry serves as a structure to establish standards and codes of conduct for public officials, and to instill ethical values through formal and informal education.

The Ministry is part of the Ugandan government. Its mission is to help minimize opportunities for corruption and create a corruption free society. Its mandate is to restore systems and institutions that were destroyed during the war, and to reestablish standards and uniform policies that were once governing Ugandan society and guiding Ugandan professionals.

The Ministry has several functions. First, to formulate policy and a governmental framework to fight corruption. Second, to put this strategy and structure in place. Third, to ensure compliance with recommendations to fight corruption. For example, the legislature may recommend that a Minister does "xyz", but if that does not happen, our ministry must follow-up with that person at the highest levels of government. Fourth, the Ministry coordinates all the activities - all recommendations of all organizations have a focal point for actions to happen. Fifth, it is the Ministry's job to put out information for government officials and to reach them in the mainstream with a coherent and consistent interpretation of the various laws concerning codes of conduct and adherence to ethical standards. In addition, the Ministry coordinates anticorruption laws. And finally, the Ministry educates the public and provides the public with core assistance in anticorruption programs.

Attempting to reinvigorate the values once held by Africans before the Continent was broken apart by colonization - to identify a core system of values as Ugandans and network with other civil societies to share best practices - is critical.

D. Mr. George Baramidze, Minister of Parliament and Chairman of the Anticorruption Investigations Commission of the Republic of Georgia.

Mr. Baramidze served two years as Chairman of the Anticorruption Investigations Commission established by the Parliament in 1996. The Commission is authorized to summon and question any government official, to receive any materials and information necessary to investigate corruption practices, and instruct Ministries. The Commission may investigate individual corruption cases. Final reports are given to the legislature and the media. In cases involving ministers and other high

level officials, the Commission is authorized to begin impeachment procedures as appropriate. Investigation materials could also be sent to the corresponding Minister for prosecution through the judicial system.

The Commission can receive information from non-governmental organizations, not just from government officials. The primary goal of the Commission is to carry out work on behalf of the Parliament, however, it can undertake whatever other investigations are appropriate.

Mr. Baramidze noted that the Commission participated in the resignation process of five Ministers that were initiated by Parliament and the impeachment of the Ministers of Communication, Energy, and Finance among others. The Commission is also involved in fighting corruption in private companies when, for example, they have ignored procurement regulations which are required to ensure appropriate competition in contracting. Depending on the complexity of cases, the working group is composed of three to six members, by one or two experts, with an administrative staff of ten.

### **III. General Discussion**

#### **A. Michael Bromwich, Inspector General, Department of Justice, United States of America.**

Mr. Bromwich, Inspector General of the Department of Justice opened the general discussion on how Inspectors General decide what work to do and how to develop both criminal and administrative cases. He then discussed special investigative teams to handle large complex topics and then closed his presentation with a discussion of the manner in which Inspectors General report their findings and the overall importance of this public disclosure to the work of their office.

Mr. Bromwich noted that first and foremost, an Inspector General must have independence in determining what issues to pursue. Indeed, he pointed out, it is very rare that an agency head could start or finish OIG work. For example, only the threat of compromising national security or interference with another criminal investigation would cause his office to refrain from starting or completing an ongoing investigation. He noted that this has happened only once in his career. In this instance, intervention by the Attorney General in ongoing work of the OIG resulted in a notification to Congress.

Mr. Bromwich pointed out that, not unlike other OIGs, he solicits ideas from other agencies as to what programs would be of greatest value to review. This is very important since managers often have a clearer picture of problem areas or patterns in operations or functions that may

suggest an area ripe for review. Mr. Bromwich considers agency suggestions seriously for the OIG work plan.

Concerning the unusual dual-reporting requirement in the Inspector General statute, i.e. that Inspectors General report both to the agency head and to Congress, Mr. Bromwich noted that the reporting relationship with Congress ensures independence. In addition, Congressional oversight can assist in the compliance process since Congressional committees may use OIG reports during hearings and during their consideration of budgets and appropriations for the various offices. Congress wants to know whether these managers are managing their resources in an efficient and effective manner. The Inspector General statute requires each Inspector General to prepare a Semi-Annual Report to the Congress and each IG must publish reports on the Internet for the public as well. Congress holds hearings on OIG reports and OIGs reserve the right to take this information directly to the public as well, when appropriate, on issues of public interest.

Mr. Bromwich discussed the way in which his office develops cases. His office received approximately 7,000 complaints last year. With only 400 in his office and only 104 in the investigations office, they must look carefully at complaints. These complaints come from a wide variety of sources, from agency employees, from managers, or from individuals outside DOJ who have contact with employees who believe that DOJ employees have been involved in some form of misconduct. Complaints may also come from Congress, from Members and committee staff, and from the media. They may see stories in the press that describe serious misconduct which his office would then look into. Mr. Bromwich noted that his office must assess these complaints and consider them for possible criminal prosecution. His office also tries to analyze these complaints and compare them to other allegations received to see if there is a pattern to complaints. He noted that Inspectors General are different than other investigative entities in that they look for patterns to address systemic problems, not just individual cases. His office undertakes this analysis so that he can make recommendations that will fix or eliminate the potential for corruption. In this manner, his office hopes to address the more systemic problems and contribute to making government function better.

The Department of Justice OIG has 17 field offices in major cities, with agents trained to handle both criminal and administrative cases. The agents have full law enforcement authority including executing search warrants. The office oversees a wide range of cases including bribery of officials, smuggling of narcotics, management of federal prisons or other kinds of prison corruption, and immigration issues.

Inspectors General work closely with prosecutors. IGs do not prosecute cases; Department of Justice Assistant US Attorneys (AUSA's) prosecute cases. IGs are required to report to the Justice Department when they deem there is reasonable grounds to believe that a law has been violated. IG agents meet early on with the prosecutor to ensure that cases are worth pursuing, and to ensure that the information an AUSA needs to prosecute is gathered and that the case is developed in a manner that is most useful to the prosecutor. An IG may also pursue these as non-criminal administrative cases if the case is declined for prosecution. In these instances, employee misconduct is not prosecuted, but the employee is punished by agency disciplinary action based on an IG referral of the matter. IG offices spend a great deal of time on administrative cases. These cases are not necessarily criminal matters insofar as they may involve violations of regulations, but these cases are important since they uphold accountability for the standards of conduct.

It is also important to remember that IGs do not impose sanctions. IGs collect information and conduct investigations. They are finders of fact, not judge or jury. An IG may sometimes be asked what an appropriate punishment would be and an IG would respond with a range of typical sanctions from other cases.

IG's are unique insofar as type of professional/multidisciplinary capabilities that they have in an OIG office. In special investigations, this multidisciplinary approach is particularly effective. These special investigations provide a special dedication of resources, people and time and are particularly important in improving agencies insofar as they bring to bear the joint expertise of audit, legal and investigative disciplines. As an example, Mr. Bromwich cited an 18-month investigation of a Federal Bureau of Investigation (FBI) crime lab. In addition to citing poor scientific work, the IG accused the FBI of lying and fabricating evidence in the lab for testimony before Congress. The IG was able to recruit scientists from around the globe and Canada to provide a full assessment of scientific concerns. The IG did not substantiate the allegations of fabricating evidence, but issued 40 recommendations regarding the operation of the lab. The FBI accepted and implemented all of the recommendations.

Public disclosure of the results of IG work and IG's reporting requirements to Congress sometimes puts the IG at odds with the agency's management. It is, however, extremely important that the public be informed when allegations are made publicly that the issues are being addressed and appropriately handled. The Semi-Annual Report to Congress includes all aspects of the IG work and ensures that these activities are published and publicized on a regular basis. Additionally, audit and inspection reports are generally available to the public in hard

copy and on the Internet unless there is a reason to withhold information under the Freedom Of Information/Privacy Act statute.

The more difficult issues involve misconduct that is not disclosed by virtue of the public prosecution process. Where an administrative case results in administrative action, the Privacy Act places restrictions on disclosure of investigations of low level personnel whose actions are not deemed to be public figures in the same way higher ranking officials would be. This is a difficult balance because there is a strong interest in privacy particularly if it is minor misconduct by low ranking officials. The IG community continues to re-examine this but the general rule allows for disclosure. With 20 years of IGs in the Federal government, since 1978, and with 10 years at the Department of Justice, the independent work of the IGs has been of enormous value in upholding the integrity of government officials and improving the processes of our government.

A question was posed to Mr. Bromwich concerning disclosure, for example, in the case of the FBI's counterterrorism mandate where there might be information that is sensitive but is not protected by a national security exemption. Mr. Bromwich noted that the FBI has its own internal disclosure process, however, the IG has limited jurisdiction over the FBI. The IG determines whether the IG or FBI should conduct an investigation. The IG may do the investigation that involves a classified matter. On two occasions the Attorney General asked the IG to complete the investigation and do the report. In these cases, the dissemination of the report is controlled. Following completion of the work, the OIG provided the information to the decision-makers and to Congress for purposes of oversight, but the reports were not publicly disclosed.

A second question was asked about the process after a case is submitted to a prosecutor but the case is not accepted for prosecution. What happens if the prosecutor does not want to pursue the case? Mr. Bromwich responded that it depends on the particulars of the case and how strongly the prosecutor feels about the case. The OIG works with prosecutors to persuade them as to the merits and deterrent value of a case. Particularly in public corruption cases or embezzlement, the actual dollar amount may be small, but OIG may argue the importance of prosecution as a deterrent to the breach of public trust by the person in this position. Ultimately, however, it is the prosecutor's decision whether or not to prosecute a case, but IGs can discuss and try to help them see the merits and importance of a case.

B. Rodrigo Moraga Guerrero, Chairman, General Government Internal Audit Council and Special Advisor To the President of Chile.

Mr. Moraga provided an overview of the internal control framework in the national government of Chile. There are two systems: one external and one internal. The external system has three elements of control: (1) the laws passed by Parliament, or regulations; (2) administrative controls by the Comptroller General who is independent of the executive; and (3) the publication of information and pressure exerted by the public on the government.

The Chilean public services are not accustomed to publicizing corruption. Yet, the best manner of getting rid of corruption is to publicize it. Public servants are normal people who are basically honest. However, there is small fraud and transactions that are not transparent to the public. Even though they may be providing good public services, there still may be problems of corruption or inefficiencies within the system.

The President of the Republic has used instruments of internal control to address transparency issues. For example, each year the President sends an order with a broad framework for programs for all parts of government to each of the Ministries, e.g., all purchases for a given item are to be done in a certain way. Often, there is a wide range of existing regulations with a patchwork of confusing or conflicting guidelines to do the same thing. The President wanted to establish uniform procedures for all types of contracts and wanted a law to make it simpler. In 1997 he used outside consultants to establish procurement regulations and publicized the findings of a review of contracting procedures. He asked the ministries to look more closely at the small transactions that were occurring and to identify patterns that could lead to identifying systemic problems in procurement. External auditors then developed recommendations.

Last year the internal control system was implemented. This year the President asked how this procurement review project turned out. The Ministers presented their responses. The Ministers all responded with their programs, presented their reports to the President and included all of the work. The Ministries gave these reports to the President with a great deal of confidence in their findings because of the process of external auditors bringing outside expertise to the process. In another example of using outside expertise, in April 1998, Chile signed a Memorandum of Understanding with the Secretary of State for a cooperative exchange of information and expertise with the State Department Inspector General.

Chile has an Executive based system which is distinct from the US system of Inspectors General who report to the Congress as well as to the

Executive. The Chilean Ministry auditors are part of the government, reporting to the President. This is a serious difference between the two systems. If fraud is found in a Ministry, it is the responsibility of the Minister to address the fraud and to inform the President. If Minister "X" commits fraud and if the Minister does not report fraud, the President can remove the Minister. The Executive based system of government in Chile operates differently than the Inspector General concept, but it arrives at the same end of improving the functions of government.

C. Ms. Miria R. K. Matembe, Minister of Ethics and Integrity, Republic of Uganda

The views, aspirations, and challenges of the Ministry of Ethics and Integrity of the Republic of Uganda are similar to those of the Office of Government Ethics in the United States. When the office was initially established, it was received enthusiastically. Those who established the office thought that this is really something that will bring justice and catch all those who are doing something wrong. There were great expectations that the office would do a great deal and catch all the money being taken from the government.

The Ministry wanted to work differently from other government organizations because it wanted to have the trust of the people. The office wanted to build a civil society and public activism to enable results. In order to establish trust the public was asked to define its goals during a three-day brainstorming workshop.

Another major challenge is to define the operation of the office with the knowledge that it is not possible to fight corruption alone. In addition to the Ministry of Ethics and Integrity, other independent agencies exist as well as an anticorruption office in the Office of the President. The Ethics and Integrity office is independent of the President's office.

The Judiciary must be independent. The Ministry can arrest people, but when they go to court, the court can release the person on bail. Movement is being made to collaborate with the Judiciary so that there is a more united effort in anticorruption efforts.

The real challenge is to find leadership. Ethics is on the agenda. Before the Ministry was established, there was little attention to ethics. Ministers are now taking notice of the power of the Ministry and know that they will not be spared if they are unethical. This is a big challenge and the Ministry must act without fear or favoritism. Leadership is key, people must be hired who are not corrupt.

There are constraints on the activities of the office due to limits on resources such as staff and equipment. Resources are needed to conduct investigations. People are working very hard just to get food to eat. So it is difficult to design programs and write all policies, and find skilled people and equipment. There is no doubt that the country has the political will, but resources are lacking. The spirit is willing, but the body, that is the economic body, is weak.

The big challenge is that the norm now is all too often what is unethical. Bribery is widely accepted. It is difficult to reverse this trend. The people need to internalize anticorruption messages and give it the right name. People would say that everyone is corrupt. But if you call someone a thief, this is not acceptable. The right vocabulary needs to be used so unethical conduct is not acceptable.

Poor leadership by corrupt leaders is a real problem. If public property is taken, and if the stolen public property is shared with the people in the village, the thief is well received. This is because government property is seen as belonging to the people, to everyone. Theft from the government may be misperceived as being good. Theft of a neighbor's property, however, is bad. The challenge is to teach people that property belonging to the government must be protected and not given back to people.

The Ministry's responsibility is to educate citizens and to explain that accepting stolen government property constitutes corruption and if they participate, they are assisting corruption. Public affairs is an important aspect of work. The public needs to know that if money is stolen from the government, there will be a corresponding reduction in public services. Corruption must be linked to services that the public will not receive because government money was stolen. The public needs to know that the government is working for them.

D. Mr. George Baramidze, Minister of Parliament and Chairman of the Anticorruption Investigations Commission of the Republic of Georgia.

Mr. Baramidze noted that in 1990, independence was restored to Georgia after being part of the Soviet Union. During the period before independence, the public learned not to respect the government because it was not "our state." So there was a problem similar to what Ms. Matembe described, in the concept of understanding why an anticorruption program was needed. There was long a sense that whatever was government property should be returned to the people. As Ms. Matembe described, everyone wanted to have government property returned to the people.

Steps need to be taken to cure the corrupt system. Indeed, the best way is to strengthen democracy, to establish open society. Transparency is important in all aspects of government and the legislature. The public must have information about the government's functions and there must be open public hearings in the legislature as well.

Mr. Baramidze referred to one major case brought against corrupt practices in one Ministry where people lost lives as well as their jobs. This case was unusual and a turning point for Georgia since before 1990, it was impossible to say bad things about Ministers. So this case was a catharsis and gave the government credibility. Moreover, the case had a positive impact on the public acceptance of my anticorruption commission. This case established a basis of public support for our efforts. With the publicity surrounding this case, the independent newspapers became established and heightened the impact of this case.

The Georgian Cabinet is considering increased transparency. The President has initiated legislation that is being considered to focus on small organizations. Public support is essential to change the overall culture of ethics in government. Indeed, public opinion is as important as any law to provide support from citizens to solve problems of corruption. Otherwise corruption is really a threat to national security.

Mr. Baramidze noted that while political, economic and social reforms had provided rapid growth with moderate inflation over the past five years, a high level of corruption has prevented Georgia from maintaining economic indicators at these levels. The President acknowledged that corruption represents a major threat to national security, and reform measures have been implemented by one of the most reform-minded parliaments of Eastern Europe and Central Asia, with the enthusiastic support of the population.

The Anticorruption Investigations Commission of the Parliament, which Mr. Baramidze chaired for two years, was created in 1996, as a part of the legislative branch accountable to Parliament. It has authority to summon and question any government official, and require production of materials or information necessary to investigate corrupt practices. Working groups in the committee manage individual investigations. In the case of corruption involving ministers or other senior officials, the committee is authorized to initiate impeachment procedures; in other cases, committee resolutions and substantiating materials are delivered to the Office of the Public Prosecutor and law enforcement ministries.

The Commission uses information from various sources, including government agencies, non-governmental organizations, citizens and the media. The most important case considered by the Commission involved

decisions by a former Prime Minister and two Vice Prime Ministers. Another Commission investigation led to dismissal of the Chairman and the Gas Department.

Transparency in this Commission had increased government credibility and promoted popular interest in fighting corruption. As Chairman of the Commission, Mr. Baramidze implemented a project with the United Nations and World Bank which created the "Center for Corruption Investigation," a non-governmental organization. As a result of its advocacy efforts, the parliament had at the beginning of this year, overwhelmingly enacted Georgia's first conflict of interest law. This Center also assisted in preparation and passage of a 1998 law on lobbying. Anticorruption efforts in the Commission involved both majority and opposition parties; although its procedures provided for majority vote, in practice the Commission had always operated by consensus. The President was now considering a further legislative initiative to establish a special institution to fight corruption.

A representative of the Ministry of Solicitor General in Canada reflected on the comments by Ms. Matembe and Mr. Moraga. He noted that we can't just look at government corruption, because this only eliminates one player in corruption. He noted that in Canada, the same problems with government officials are found in the private sector. For example, kickbacks in private companies cause a problem especially if these private companies are involved in government procurements. So it is behavior patterns overall that need to be addressed. Corruption in the corporate sector may be concealed since corporate leaders don't want shareholders or people who purchase goods produced by these companies to know about corruption.

We need to do more in government than in private sector, but we need to work equally vigorously with private sector. The private sector is fragmented and difficult to identify. If you de-regulate, you have a proliferation of problems. There needs to be regulation of the private sector as well. When you see a bank system collapse, it is very indicative of pain and price that the public pays. This is an observation and theme.

Mr. Moraga responded: You are absolutely right. In context of corruption, unfortunately, this is associated as if it is a function only of public officials, but there is certainly fraud or corruption in private sector as well. Whatever its form, corruption needs to be rooted out. If you eliminate the government, you don't eliminate corruption or fraud. We are criminalizing corruption in the public sector and so one is susceptible to being someone who is corrupt or a thief. We need to address the systemic problems with internal controls that make it difficult to accomplish fraud on the government. In this sense, we need to get talented and competent

people and keep them honest. There is also a danger that government can become so over regulated that a person cannot manage a government program because there are so many rules and regulations. If that person can't properly manage a program, then you are really destroying the ability of the government to serve the public or to govern. So this is a matter of balance.

Ms. Matembe added that the private sector is also involved in corrupt activities. However, corrupt activities are easier to identify in a state with regulations. If production is moved to the private sector, corruption is more difficult to detect. A private person is wooed in the same way as public official to affect the exercise of their discretion as say in the area of contracts. This is a corrupting behavior with the same effect on all parties. The government can be more transparent than the private sector. The point is that moving the problem off the plate of government won't necessarily clear up the problem.

Ms. Matembe added that the definition of corruption is perhaps wrong and should be broadened to include the public sector. Clearly, a public officer has a special contract of public trust since the officer is employed and paid by public to serve the public. Hopefully a public officer is aware that they are employed to improve the lives of the citizens. It is precisely because of this contractual relationship that the concept of public corruption arose. As the role of the state has diminished and is increasingly taken over by transnational entities governments need to rethink their approach. Developing countries need the help of developed countries in this regard.

#### ***IV. Panel Findings***

Participants in this session reported the following findings:

- (1) To serve the people, government must operate free from the waste and uncertainty that fraud and corruption creates.
- (2) In countries where large-scale privatization is replacing government-provided services, anticorruption efforts must also encompass the private sector.
- (3) In newly independent nations an additional challenge to anticorruption efforts is to build a sense of ownership where there was once widespread distrust of a government that had been externally imposed.
- (4) Whatever a government's structure, transparency in government functions is essential to creating and maintaining the public's confidence in government and in the integrity of public officials.

(5) In countries where bribery has become a way of life, and graft is perceived as a necessary way of sustaining a family, corruption must be linked to a loss of public services that the government can provide.

(6) International cooperation against corruption is essential to ensure there is no safe haven or financial advantage for the gains associated with corrupt practices.

MEMORANDUM OF UNDERSTANDING  
ON INTERNAL AUDITING STANDARDS AND POLICIES BETWEEN  
THE  
GOVERNMENT OF THE  
UNITED STATES OF AMERICA  
AND  
THE GOVERNMENT OF THE REPUBLIC OF CHILE

OFFICE OF  
INSPECTOR GENERAL  
MAY 16 1959

DESIRING to intensify the friendly relations and mutual understanding that exist between their respective organizations,

RECOGNIZING the advantages of establishing areas of technical cooperation between agencies of the Governments of the United States of America and the Republic of Chile, with a view to promoting and developing public policies that strengthen government administration and accountability, and

CONCURRING in the necessity of strengthening: internal controls; compliance with standards governing administrative procedures; the proper use of public resources; and adherence to auditing standards and policies established by the respective governments, and

DESIRING to achieve the purposes of this Memorandum of Understanding, acting primarily through the Office of the Inspector General of the Department of State of the Government of the United States of America, and the General Internal Auditing Advisory Board for the Government of the Republic of Chile, an advisory agency to the President of the Republic of Chile and coordinator of auditing and internal control policies of the Executive Branch within the Government of the Republic of Chile,

The Government of the United States of America and the Government of the Republic of Chile, hereinafter referred to as "the Parties," propose to cooperate as follows:

I. The Parties intend to:

1. Establish appropriate channels for the exchange of useful information with regard to their activities, and explore and identify opportunities to provide cooperation and technical information for the mutual benefit of the Parties. Possible areas of cooperation may include the following areas:

a) Exchange of experiences in implementing governmental audit policies, standards and procedures within the statutory and regulatory framework in each country.

- b) Personnel training.
- c) Evaluation of institutional development.
- d) Transparency in the conduct of public audit reviews.

2. Facilitate cooperation between their respective government agencies with jurisdiction in the field of auditing standards and policies, so that such agencies may benefit from and contribute to the aforementioned areas of cooperation.

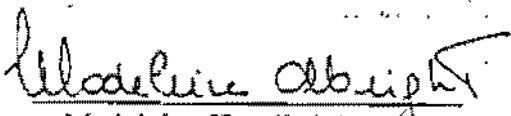
II. Implementation of the areas of cooperation in this Memorandum of Understanding, and such coordination with other government agencies as may be desirable, is to be the responsibility of the Inspector General of the United States Department of State, and the Chairman of the General Internal Auditing Advisory Board for the Government of Chile, respectively.

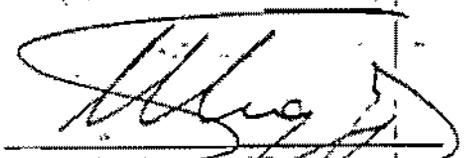
III. Activities under this Memorandum of Understanding will be conducted in accordance with the constitutions and applicable laws and regulations of the Parties, and will be subject to the availability of appropriated funds in the respective countries.

IV. Activities under this Memorandum of Understanding will commence on the date of its signing and continue until either of the Parties gives the other 30 (thirty) days' notice of its intention to discontinue the activities.

V. The Parties may amend this Memorandum of Understanding, as mutually agreed, with the goal of further improving cooperation between them. Such amendments are to take effect upon signature by both Parties.

Signed at Santiago on April 16, 1998, in duplicate, in the English and Spanish languages.

  
 Madeleine K. Albright  
 Secretary of State  
 of the United States of America

  
 José Miguel Insulza  
 Minister of Foreign Relations  
 of the Republic of Chile

**MEMORANDUM DE ENTENDIMIENTO SOBRE NORMAS Y  
POLITICAS DE AUDITORIA INTERNA ENTRE EL GOBIERNO  
DE LOS ESTADOS UNIDOS DE AMERICA Y EL  
GOBIERNO DE LA REPUBLICA DE CHILE**

**DESEANDO** intensificar las relaciones amistosas y el entendimiento mutuo que existen entre sus respectivas organizaciones,

**RECONOCIENDO** las ventajas de establecer áreas de cooperación técnica entre agencias de los Gobiernos de los Estados Unidos de América y de la República de Chile, con el propósito de promover y desarrollar políticas públicas que fortalezcan la administración y responsabilidad del gobierno,

**CONCORDANDO** en la necesidad de fortalecer: los controles internos; cumplimiento de las normas que rigen los procedimientos administrativos; la utilización apropiada de recursos públicos; y la adhesión a las normas y políticas de auditoría establecidas por los respectivos gobiernos,

**DESEANDO** alcanzar los propósitos de este Memorandum de Entendimiento, actuando principalmente a través de la Oficina del Inspector General del Departamento de Estado del Gobierno de los Estados Unidos de América y del Consejo de Auditoría Interna General del Gobierno de la República de Chile, órgano asesor del Presidente de la República de Chile y coordinador de políticas de auditoría y fiscalización interna del poder ejecutivo del Gobierno de la República de Chile.

El Gobierno de los Estados Unidos de América y el Gobierno de la República de Chile, denominados como las "Partes", convienen en cooperar en los siguientes términos:

I. Las Partes se proponen:

1. Establecer los canales adecuados para el intercambio de información útil sobre sus actividades, y explorar e identificar oportunidades para proveer cooperación e información técnica para el mutuo beneficio de las Partes. Las posibles áreas de cooperación pueden incluir los siguientes aspectos:

a) Intercambio de experiencias en la aplicación de políticas, normas y procedimientos para la realización de auditorías gubernamentales, en el marco jurídico y reglamentario de cada país.

b) Entrenamiento de personal.

c) Evaluación del desarrollo institucional.

d) Transparencia en la conducción de los análisis de auditoría públicos.

2. Facilitar la cooperación entre sus respectivos organismos gubernamentales con jurisdicción en el campo de las normas y políticas de auditoría para que tales organismos puedan beneficiarse de ésta y contribuir en las citadas áreas de cooperación.

II. La implementación en las áreas de cooperación de este Memorandum de Entendimiento, y la coordinación con otras agencias de Gobierno que se estime conveniente, será responsabilidad del Inspector General del departamento de Estado de los Estados Unidos de América y del Presidente del Consejo de Auditoría Interna General del Gobierno de Chile, respectivamente.

III. Las actividades al tenor del presente Memorandum de Entendimiento se efectuarán conforme a las Constituciones y ordenamientos jurídicos internos pertinentes de las Partes, con sujeción a la disponibilidad de fondos asignados en sus respectivos países.

IV. Las actividades consideradas en este Memorandum de Entendimiento comenzarán en la fecha de la firma y continuarán hasta que una u otra de las Partes dé a la otra notificación con 30 (treinta) días de antelación de su intención de suspenderlas.

V. Las Partes pueden modificar este Memorandum de Entendimiento, de mutuo acuerdo, con la finalidad de mejorar la cooperación entre ellas. Tales modificaciones entrarán en vigor luego de la firma de ambas Partes.

FIRMADO en Santiago el 16 de abril de 1998, en duplicado, en los idiomas inglés y español.

*Madeline Albright*

MADELEINE K. ALBRIGHT  
SECRETARIA DE ESTADO DE LOS  
ESTADOS UNIDOS DE AMERICA

JOSE MIGUEL INSULZA  
MINISTRO DE RELACIONES  
EXTERIORES DE LA REPUBLICA  
DE CHILE

Welcome. The ceremony today is in recognition of the Memorandum of Agreement that was signed in Santiago on April 16, 1998, by Secretary of State Albright on behalf of the United States of America and Minister of Foreign Relations Jose Miguel Insulza on behalf of the Republic of Chile. The agreement was undertaken at the initiative of President Eduardo Frei of the Republic of Chile who sent his emissary Rodrigo Moraga Guerrero on a mission to the United States to lay the foundation.

This Memorandum of Agreement established a cooperative effort to strengthen administration and accountability in government programs to ensure the proper use of public resources, compliance with standards governing administrative procedures and adherence to auditing standards and policies established by the respective governments. Mr. Moraga has prepared a guide, "Internal Government Auditing: The Chilean Experience," and will present the English version of this text to representatives of the Offices of Inspectors General for the Department of Education, Department of Justice, Department of Health and Human Services and the Department of State.

The agreement has been carried out primarily through the joint efforts of the Office of the Inspector General of the Department of State of the United States of America and the General Internal Auditing Advisory Board for the Government of the Republic of Chile, an advisory agency to the President of Chile and coordinator of auditing and internal control policies of the Executive Branch within the Government of Chile. The Honorable Jacquelyn L. Williams-Bridgers is Inspector General of the Department of State. Mr. Rodrigo Moraga Guerrero is Chairman of the General Internal Auditing Advisory Board.

Among the activities undertaken pursuant to this agreement have been a series of exchanges with counterpart Ministry audit organizations in Chile and the Inspectors General Offices from the Department of Education, Department of Justice, Department of Health and Human Services, and Department of State on oversight of specific program areas; a digital video conference discussing the role of audits in international policy evaluation and the interface of oversight efforts between the inspection and audit processes; and a WorldNet Interactive Conference series undertaken in cooperation with the Organization of American States and the United States Information Agency. This series was broadcast throughout North, Central and South America providing expertise concerning Y2K worldwide computer issues and contingency planning, Y2K planning in the energy, financial and health sectors and audit methodology. Efforts are underway to continue this valuable dialogue and cooperative exchange of experience and expertise. For the future we expect further exchanges and discussions between Chilean and U.S. counterparts in the Ministries of Justice, Education, and Health and Human Services.

We wish to thank all of those in attendance who have contributed to the success of this effort.



The Inspector General of the  
U.S. Department of State  
Jacquelyn L. Williams-Bridgers

Requests the pleasure of your company  
at a reception honoring

Rodrigo Moraga Guerrero  
Chairman  
General Government Internal Audit Council  
Republic of Chile

In celebration of the cooperative agreement  
between the United States of America  
and the Republic of Chile

Thursday, October 21, 1999  
Department of State  
Treaty Room  
3:00 p.m.

RSVP to 202-647-5391 or by email  
[Lvnchk@state.gov](mailto:Lvnchk@state.gov)  
By October 15, 1999



MEMORANDUM OF UNDERSTANDING ON EFFICIENCY AND  
TRANSPARENCY IN GOVERNMENT MATTERS BETWEEN THE GOVERNMENT  
OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE  
ARGENTINE REPUBLIC

DESIRING to enhance the friendly relations and the mutual understanding that exist  
between our respective Governments, and

RECOGNIZING the benefits of establishing areas of technical cooperation between  
agencies of the Governments of the United States of America and the Argentine Republic  
for the purpose of promoting and developing public policies that strengthen the  
administration and accountability of government, and

CONCURRING on the need to strengthen internal controls, to comply with the standards  
that govern administrative procedures, the appropriate use of public resources and to  
adhere to the auditing standards and policies established by our respective governments,  
and

DESIRING to achieve the purposes of this Memorandum of Understanding, acting  
principally through the Office of the Inspector General of the Department of State and the  
Office of Government Ethics of the Government of the United States of America, and the  
Anticorruption Office of the Government of the Argentine Republic.

The Governments of the United States of America and of the Argentine Republic,  
hereinafter named "the Participants", propose to cooperate according to the following  
provisions:

1. The Participants intend to:

1. Establish appropriate channels for the exchange of information about their activities,  
and to seek and identify opportunities to provide technical cooperation and  
information for the mutual benefit of the Participants. The possible areas of  
cooperation could include the:

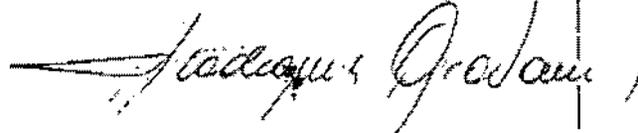
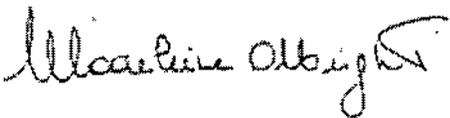
- a) Exchange of information about the activities of the Office of the Inspector  
General of the Department of State, the Office of Government Ethics of the  
Government of the United States of America and the Anticorruption Office of the  
Government of the Argentine Republic, that reinforce the highest standards of  
ethical conduct in government programs and strengthen anticorruption efforts;
- b) Provide information about mechanisms to enhance transparency in the operation  
of government programs and the disclosure to the public of evaluations pertaining  
to public matters;

- c) Exchange knowledge about the use of policies, norms and procedures to promote the efficiency and effectiveness of government programs, contracts and grants, including policies to prevent fraud, conflicts of interest and other inappropriate use of public resources; and
  - d) Exchange of information on the professional qualifications, standards, and best practices for conducting audits, inspections and investigations and training personnel in these tasks.
  - e) Facilitate cooperation between their respective governmental agencies skilled in the field of norms and policies of internal control and administrative oversight.
- II. Implementation of the areas of cooperation in this Memorandum of Understanding, and such coordination with other governmental agencies as may be desirable, is to be the responsibility of the Inspector General of the Department of State and the Director of the Office of Government Ethics of the Government of the United States of America and the Director of the Anticorruption Office of the Government of the Argentine Republic.
- III. The activities contemplated by this Memorandum of Understanding are to be conducted in accordance with the constitutions and applicable laws and regulations of the Participants, and are subject to the availability of funds designated by the respective governments.
- IV. The activities contemplated by this Memorandum of Understanding commence on the date of signature and continue until one or the other of the Participants gives to the other a written thirty-day notice of intent to suspend it.
- V. The Participants may modify this Memorandum of Understanding, by mutual accord, for the purpose of improving the cooperation between them. Such modifications commence after signature by both Participants.

Signed at Washington, D.C., in duplicate, this 14th day of June 2000, in the English and Spanish languages.

FOR THE GOVERNMENT OF THE  
UNITED STATES OF AMERICA

FOR THE GOVERNMENT OF  
THE ARGENTINE REPUBLIC



Madeleine Albright

Adalberto Rodriguez Giavarini

MEMORANDUM DE ENTENDIMIENTO SOBRE  
EFICIENCIA Y TRANSPARENCIA  
EN LA GESTIÓN DE GOBIERNO ENTRE  
EL GOBIERNO DE LOS ESTADOS UNIDOS DE AMERICA  
Y EL GOBIERNO DE LA REPUBLICA ARGENTINA

DESEANDO intensificar las relaciones amistosas y el entendimiento mutuo que existen entre los respectivos Gobiernos, y

RECONOCIENDO los beneficios de establecer áreas de cooperación técnica entre agencias de los Gobiernos de los Estados Unidos de América y de la República Argentina, con el propósito de promover y desarrollar políticas públicas que fortalezcan la administración y responsabilidad del Gobierno, y

CONCORDANDO en la necesidad de fortalecer los controles internos, en cumplimiento de las normas internas que rigen los procedimientos administrativos, la utilización apropiada de los recursos públicos y la adhesión a las normas y políticas de auditoría establecidas por los respectivos Gobiernos, y

DESEANDO alcanzar los propósitos de este Memorandum de Entendimiento, actuando principalmente a través de la Oficina del Inspector General del Departamento de Estado de los Estados Unidos de América, de la Oficina de Ética Gubernamental de los Estados Unidos de América, y la Oficina Anticorrupción del Ministerio de Justicia y Derechos Humanos de la República Argentina.

Los Gobiernos de los Estados Unidos de América y de la República Argentina, en adelante denominados "los Participantes", se proponen cooperar de acuerdo a las siguientes disposiciones:

I. Los Participantes se proponen:

I. Establecer los canales adecuados para el intercambio de información sobre sus actividades, y buscar e identificar oportunidades para brindar cooperación e información técnica para mutuo beneficio. Las posibles áreas de cooperación podrán incluir:

a) Intercambio de información sobre las actividades que desarrollan la Oficina del Inspector General de Departamento de Estado de los Estados Unidos de América, la Oficina de Ética Gubernamental de los Estados Unidos de América y de la Oficina Anticorrupción del Ministerio de Justicia y Derechos Humanos de la República Argentina, que refuerce los altos niveles de conducta ética en la gestión de gobierno y fortalezcan los esfuerzos contra la corrupción.

b) Proveer información sobre mecanismos de transparencia en la operatividad de la gestión pública y de acceso a la información de evaluaciones relativas a la cosa pública.

c) Intercambiar información respecto de la aplicación de políticas, normas y procedimientos para promover la eficiencia y la eficacia de la gestión pública, contratos y concesiones incluyendo políticas para prevenir la malversación, los conflictos de intereses y otros usos indebidos de los recursos públicos.

d) Intercambio de información sobre los niveles de capacidad profesional, las mejores prácticas para la realización auditorías, inspecciones e investigaciones y entrenamiento de personal en dichos aspectos.

e) Facilitar la cooperación entre sus respectivas agencias gubernamentales, con competencia en los campos de control interno y vigilancia administrativa.

II. La implementación en las áreas de cooperación de este Memorandum de Entendimiento, y la coordinación con otras agencias del gobierno que se estime conveniente, será realizada a través del Inspector General del Departamento

de Estado del Gobierno de los Estados Unidos de América,  
del Director de la Oficina de Ética Gubernamental del  
Gobierno de los Estados Unidos de América y del Fiscal de  
Control Administrativo de la Oficina Anticorrupción del  
Gobierno de la República Argentina.

III. Las actividades previstas en el presente Memorándum de  
Entendimiento se efectuarán de acuerdo con la normativa  
constitucional, leyes y reglamentos de los Participantes, y  
están sujetas a la disponibilidad de fondos asignados por  
sus respectivos Gobiernos.

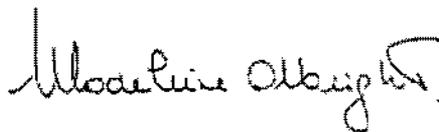
IV. Las actividades contempladas en este Memorándum de  
Entendimiento se iniciarán en el día de su firma, y  
continuarán en vigor hasta que cualquiera de los  
Participantes notifique al otro por escrito su decisión de  
suspenderlo, con una antelación de treinta (30) días.

V. El presente Memorándum de Entendimiento podrá ser  
modificado por mutuo acuerdo de los Participantes, a  
efectos de incrementar la cooperación. Dichas  
modificaciones entrarán en vigor en la fecha que sean  
suscriptas por ambos Participantes.

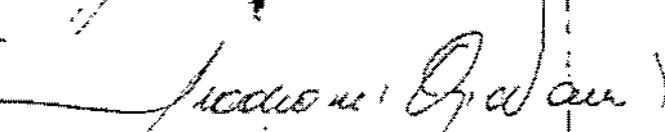
Firmado en Washington, D.C., el 14 de junio de 2000, en  
dos originales en los idiomas inglés y español, siendo  
ambos igualmente auténticos.

Por el Gobierno de los  
Estados Unidos de América

Por el Gobierno de la  
República Argentina



Madeleine Albright



Adalberto Rodríguez Giavarini

STATEMENT OF  
JOHN C. PAYNE  
DEPUTY INSPECTOR GENERAL FOR THE  
U.S. DEPARTMENT OF STATE, AND THE UNITED STATES INFORMATION  
AGENCY, INCLUDING INTERNATIONAL BROADCASTING

FOR THE  
COMMITTEE ON GOVERNMENTAL AFFAIRS  
U.S. SENATE

June 23, 1999

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to testify before your committee on the export licensing process for munitions and dual-use commodities. My testimony today is based on work we conducted in response to your August 1998 request to update and expand on the Office of Inspector General's (OIG's) 1993 interagency report related to export licensing. Our report answers the 14 questions you asked and discusses the Department of State's role in the interagency export licensing process for munitions and dual-use commodities.

SUMMARY

We found that, overall, the export licensing process is working as intended and the Department of State (State) consistently executed its export licensing responsibilities in accordance with established policies through its Office of Defense Trade Controls (DTC). In responding to your questions, we found no significant inconsistencies or ambiguities in the legislative authorities that guide the export licensing process. In addition, based on a valid statistical sample, we found that State consistently referred all appropriate munitions license applications to other agencies for review, and fully addressed the concerns raised. We found no evidence that State licensing officials had ever been improperly pressured by their superiors to approve license applications. Finally, we found that a reliable and adequate audit trail existed for both the processing of munitions and dual-use licenses at State.

However, our review identified areas for improvement, and recommended that State enhance the end-use monitoring program and expand training for licensing officers. Also, the current munitions and dual-use licensing processes do not fully measure the cumulative effect of technology transfers. Finally, a lack of resources negatively affects State's ability to fulfill its mandate.

End-use monitoring. DTC's formal process for conducting end-use checks is known as the Blue Lantern program. The program, which includes pre-license and post-shipment checks, was established in 1990 to verify the ultimate end use and end user of U.S. defense exports. Although DTC continues to refine its program, additional improvements can be made. For example, DTC should place more emphasis on the selection criteria used to initiate Blue Lantern checks. Second,

DTC should improve the timeliness of its end-use checks by more consistently monitoring and following up on its Blue Lantern requests. Finally, DTC should assist posts with appropriate expertise for technical on-site inspections.

Training for licensing officers. Licensing officers need additional training opportunities. DTC relies primarily on an apprenticeship approach and although this provides important hands-on training, there is no formal training available to provide new licensing officers with a broad overview of the export licensing process. Training for more senior licensing officers is limited, and they have little opportunity to participate in external training classes and industry outreach activities. Although we believe training should be improved, we did not identify any specific problems that resulted from a lack of training.

Cumulative effect of exports and technology transfers. The current munitions licensing process does not fully measure the cumulative effect of technology transfers resulting from the export of munitions items. DTC can improve its assessment of the cumulative effect by expanding the use of trend analyses and other reporting mechanisms. Nevertheless, DTC represents only one piece of a much larger picture. To assess the cumulative effect, information on technology transfers resulting from munitions and dual-use exports, foreign military sales, and third-country sales to foreign countries would need to be considered, as well as the internal capabilities of a specific country. A comprehensive assessment will probably require a joint effort with resources and coordination from various Federal departments and agencies involved in the licensing process.

Inadequate resources. Many of the concerns cited above are symptomatic of a larger problem at DTC -- insufficient resources to meet its expanding mandate. DTC has fewer employees and lower pay grades compared to other agencies involved in export licensing. DTC licensing officers have higher workloads and a lower journeyman grade level than their counterparts at the Department of Commerce (Commerce) and Department of Defense (Defense). In FY 1998, 16 DTC licensing officials processed 44,000 license applications, while at Commerce 47 licensing officials processed 13,500 applications. This has impeded DTC's ability to perform its munitions licensing responsibilities. The workload of licensing officers and the time needed to process licenses have increased, contributing to employee turnover and fewer training opportunities. The situation continues to worsen because DTC officially assumed responsibility for all commercial satellite cases from Commerce on March 31, 1999.

Recognizing the need for additional resources and the recent statutory change in commercial satellite responsibility, Congress recommended in the conference report accompanying the FY 1999 State Department appropriations bill, and in the conference report accompanying the emergency supplemental appropriations for FY 1999, that State provide DTC with a \$2-million increase over its FY 1998 budget of \$5,011,000, representing a 39 percent budget increase. Congress directed DTC to use this money to hire additional senior-level personnel at the GS 13-15 levels and support staff to improve the scrutiny of export license applications, enhance end-use monitoring, and strengthen compliance enforcement measures to ensure that U.S. technology is properly safeguarded when exported. State officials said that as of June 7, 1999, State increased DTC's budget by \$2 million over FY 1998 funding levels. DTC plans to add a total of 23 positions, however, as of June 18, 1999, DTC had only received authorization to hire 8 additional staff persons.

## BACKGROUND

The United States controls the export of defense articles and services on the U.S. Munitions List under the authority of several laws, chiefly the Arms Export Control Act of 1976 (AECA). The AECA authorizes the President to provide U.S. foreign policy advice to U.S. citizens involved in the manufacture, export, and temporary import of defense articles and services. The AECA also requires that licenses be obtained before defense articles or services are exported and that such articles and services be designated on the U.S. Munitions List. Executive Order 11958 delegates the responsibility for administering the functions of the AECA to the Secretary of State. Within State, DTC in the Bureau of Political-Military Affairs (PM) is responsible for administering these functions, among others, on a day-to-day basis. Munitions commodities are generally products that have been specifically designed for military application. They include products such as aircraft, tanks, and rifles and services such as assistance to foreign persons in the design, development, manufacture, or engineering of defense articles. In FY 1998, DTC processed over 44,000 munitions license applications.

Commerce is the agency responsible for licensing dual-use commodities, which are commercial commodities that also have military application. State reviews, for foreign policy considerations, dual-use license applications referred by Commerce. During FY 1998, State reviewed over 8,000 dual-use license applications. This represents 75 percent of all license applications received by Commerce. At State, three offices in the Bureau of Nonproliferation (NP) play a role in the dual-use licensing process, with each office reviewing specific types of commodities. The Office of Chemical, Biological and Missile Technology reviews missile, chemical, and biological commodities. The Office of Nuclear Energy Affairs is the advisor for nuclear energy related commodities. Finally, the Office of Export Control and Conventional Arms Nonproliferation Policy reviews a wide variety of areas including foreign national access to U.S. technology, machine and semiconductor tools, super computers, encryption equipment, and night vision goggles. The Bureau of Economic and Business Affairs, Office of Energy, Sanctions and Commodities also reviews licenses for crime control, foreign policy, economic, and human rights concerns.

### **Previous OIG work on Defense Trade Controls**

In 1993, OIG conducted a joint review of the Government's export licensing processes with Inspectors General from Commerce, Energy, and Defense. The review found a fragmented process for dual-use licensing responsibilities within State. The review also found confusion at overseas posts over responsibilities for end-use checks and verifications, and a lack of program files and documentation.

State has made improvements subsequent to the 1993 review, including the consolidation of dual use export license processing under NP, and improved documentation of the referral process. In addition, Commerce's referral of dual-use license applications to State has improved. The 1993 report called for Commerce, in cooperation with Defense, Energy, and State, to provide a mechanism for resolving referral criteria disputes at progressively higher levels and periodically review referral criteria. During our current review, State cited no problems with dual-use referrals.

## FINDINGS

State's export licensing process is working as intended. Based on a valid statistical sample, we found State was properly referring appropriate munitions applications to other agencies for review, and was fully addressing concerns that were raised. For the applications referred outside DTC, the final licensing decisions incorporated the provisos recommended by reviewing agencies.

### **Munitions License Applications**

DTC refers munitions license applications to Defense, Energy, and to other bureaus within State for technical, national security, or foreign policy review. Applications that require technical expertise to review, such as encryption devices, computer source code, or technical data are referred to Defense, which receives the majority of DTC referrals. Energy reviews cases related to nuclear weapons and explosive devices. Applications dealing with intelligence issues are referred to the State's Bureau of Intelligence and Research, and applications to countries with human rights concerns are referred to the Bureau of Democracy, Human Rights and Labor. In FY 1998, DTC referred approximately 27 percent of its munitions license applications outside of DTC for review.

We reviewed a sample of 100 munitions license applications from the period January - June 1998, 25 of which were referred outside of DTC. The primary purpose of the review was to determine whether license applications for munitions were properly referred outside DTC. We also assessed the adequacy and accuracy of the supporting license documentation and the criteria that DTC licensing officers use when processing license applications. The following table illustrates DTC's license referrals over the last 4 years.

**DTC Munitions License Referrals**

Fiscal Year	Total # Applications Received	# of Applications Referred Outside DTC	% of Applications Referred Outside DTC
1995	46,020	11,710	25.4
1996	45,783	14,518	31.7
1997	45,844	14,200	30.9
1998	44,212	11,955	27.0

Based on our review, DTC is properly referring munitions applications to other agencies for comment, and we found no cases where licenses should have been referred but were not. Furthermore, in all applications referred outside DTC, the final licensing decisions fully incorporated the provisos recommended by reviewing agencies.

### **Dual-Use License Referrals**

State is also responsible for making recommendations on dual-use license applications that have been referred from Commerce. In FY 1998, DTC reviewed 8,101, which is 75 percent of all dual-use license applications. We reviewed a sample of 60 dual-use license applications referred to State during the period January - June 1998. We met with each of the officials responsible for

responding to the referred applications and evaluated State's response to each application and the extent to which Commerce's final position incorporated State's recommendations.

We examined the procedures that State used to respond to the 60 dual-use license applications and found no discrepancies between the recommendations that State made and the final licensing decision reached by Commerce. However, we found that one office did not enter an official opinion within the 30-day time limit on 5 of 31 (16%) of the applications in our sample, forfeiting its right to make a recommendation on the application. In FY 1998, one office did not meet the time limit and forfeited its vote on 1,224 of 4,500 cases (27%). NP officials stated that each application had been reviewed and they consciously decided whether to enter a formal position; however, there was no documentation verifying this information. NP officials also said that a formal position was not always entered within the 30-day time limit due to staffing shortages, but that additional staff were assigned to work on dual-use applications as a result of the recent merger with the Arms Control and Disarmament Agency. We believe State should continue to monitor this area to ensure that timeliness issues are addressed.

### **End Use Monitoring**

DTC has a variety of procedures to ensure compliance with the conditions placed on export licenses. One of the primary checks is the Blue Lantern program, established in 1990 to ensure that U.S.-origin defense exports are sent only to the country of ultimate destination, for the specific end use and by the specific end user stated on the export license. We found that DTC could improve the Blue Lantern program by placing more emphasis on the selection criteria used to initiate Blue Lantern checks, more carefully monitoring the status of Blue Lantern checks, and assisting posts with adequate technical expertise when needed.

#### Selection Criteria

Currently, DTC uses a quota-like system for generating Blue Lantern checks, requiring licensing and compliance officers to develop one Blue Lantern check a week. Selection of the cases or items to be checked is usually left to the discretion of the licensing and compliance officers. The purpose of this is to ensure that DTC meets its goal of conducting approximately 500 checks a year. In FY 1998, DTC initiated 418 Blue Lantern checks. DTC officials stated that to reach their goal, they would like to increase the number of checks by approximately 20 percent.

In our view, the quality of checks is more important than the quantity, and there is little evidence that completing more checks will improve the effectiveness of the Blue Lantern program. DTC Blue Lantern program statistics from FY 1994-98 indicate that fewer than 10 percent of all Blue Lantern cases resulted in an unfavorable response, and that 26 percent were not responded to at all.

Overseas posts commented that DTC's criteria for initiating Blue Lantern requests were unclear. Posts also commented that some requests appeared to be insignificant both in terms of material and dollar value. DTC officials, for their part, contend that it is not practical to limit Blue Lantern requests to specified dollar levels because all Blue Lantern requests have some value. Although we agree that dollar value should not be the only factor in deciding to perform a check, we believe it should be considered when weighing the costs and benefits of initiating a check.

During our overseas fieldwork, we identified examples of Blue Lantern checks that appeared to be of minimal value:

- DTC requested one embassy to ascertain whether the host government's navy had ordered four common UHF radio antennas valued at approximately \$650 each. However, according to embassy personnel, these particular antennas, unlike more sophisticated aircraft antennas, are easily obtained on the local commercial market.
- DTC requested another embassy to make appropriate inquiries into the bona fides of an application for spare parts for the host country air force. The parts were for F-4 and F-5 aircraft, which the host country military is known to have in its inventory. The parts had a total value of \$3,924 and were described in the request as follows: 1- line, 1- oil inlet tube, 8- packing, 22- packing, 9 - washer, 6 - field kit. The cable sent to post did not specify why this check was being initiated or its importance. An embassy official stated that it was unclear why these generic, inexpensive components for aircraft known to be part of the host country military would warrant a Blue Lantern check. The official stated that this check was not in the U.S. Government's best interest because if the post asks the host country military to research too many checks perceived as insignificant, the more important ones might not be taken as seriously.
- DTC requested another embassy to verify the bona fides of an application for approximately 300,000 steel bushings to be used as parts for the track shoe assembly of M113 armored personnel carriers, which are widely used around the world to transport people and supplies. The steel bushings cost approximately \$.55 each and are widely available on the local market.

Given the limited number of Blue Lantern checks conducted each year -- 418 checks out of over 44,000 licenses in FY 1998 -- DTC should concentrate its attention on the most significant munitions categories. Factors that could be considered when initiating Blue Lantern checks include cases where (1) the commodity will contribute to the development of weapons of mass destruction or significantly enhance the capability of a military, (2) there is a high risk of diversion, (3) the commodity/technology cannot easily be obtained within the country, and (4) the dollar value of the license is high enough that the potential benefits will exceed the costs to conduct the check. This is especially important given the posts' limited resources.

#### Inadequate Monitoring

DTC is not consistently monitoring and following up on the Blue Lantern requests that it tasks the posts to complete. For example, at two of the five posts we visited, little attention was given to the Blue Lantern program until the posts became aware of our visit. At one of the posts, there were five Blue Lantern checks that had not been addressed in almost a year, and there were several Blue Lantern checks at another post that had not been answered in over 4 months. In addition, one of the posts had not had a designated Blue Lantern official for over 6 months.

DTC should strengthen the procedures to ensure that Blue Lantern checks are completed in a timely manner. Procedures in place include periodic monitoring by a designated Blue Lantern coordinator and weekly meetings on Blue Lantern cases involving licensing and compliance

personnel. Compliance officers are responsible for monitoring timeliness, but each officer does it differently with insufficient oversight from DTC managers. One compliance officer characterized the monitoring as "the honor system," meaning it is up to the individual compliance officer to follow up with posts on unanswered checks. Another officer stated that it was not possible to closely monitor the status of the Blue Lantern checks because of time constraints. Furthermore, DTC managers do not receive any formal reports that indicate how long a case has been open. The consequence of not closely monitoring Blue Lantern checks, coupled with delays by posts in completing them, is that some checks remain open for excessive periods of time. For pre-license checks, which comprise 70 percent of the cases, this ultimately results in licenses taking longer to be issued. DTC's records showed approximately 153 Blue Lantern cases that were still in progress as of January 7, 1999. Twenty-six of these cases had been open for over one year; three were initiated in 1995.

### Technical Expertise

DTC needs to assist posts with the necessary technical expertise to conduct end-use checks that require on-site inspections of technical commodities. Although DTC requires very few technical on-site checks, our participation with DTC personnel in one such inspection revealed that technical expertise is key to ensuring that a check will have its intended impact.

In November 1998, DTC performed an on-site inspection of a joint U.S./Israeli missile program to verify the end use of eight items licensed through State's munitions process. DTC participated in this inspection because Embassy Tel Aviv did not believe it had the necessary expertise to inspect various chemicals and components related to the missile program. DTC did not agree that an in-depth inspection was needed because the items could be verified through document and serial number examination.

During the inspection, it was clear that DTC and embassy personnel lacked the technical knowledge about the items that were inspected. As a result, the inspection lacked credibility and would not deter potential diversions. The lack of technical expertise may have even produced the opposite effect because it illustrated how little the inspectors knew about the subject. Although some of the items had serial numbers that could be easily identified, it is unrealistic for someone to verify the authenticity of one of these components if they have never seen one before and don't understand its purpose.

DTC officials disagreed with the need to place more emphasis on the selection criteria for end use checks, and believe that the checks noted in OIG's report were valid and yielded valuable information. DTC officials also stated that they are not in a position to furnish posts with specialized technical expertise.

### **Training for Licensing Officers**

State does not have a formal training program for either munitions or dual-use license processing. For dual-use applications, we found no significant problems related to training or guidance. State's role is advisory in nature, and the officials responsible for reviewing licenses have extensive backgrounds in export licensing. The absence of training on the munitions side is

potentially more significant because DTC licensing officers have greater responsibility and make the final decision to approve a license.

DTC relies primarily on an apprenticeship program to train new munitions licensing officers. This consists of about 4 to 6 months in which junior officers work closely with more experienced staff to learn the fundamentals of the munitions licensing process and develop skills in specific munitions commodities. This apprenticeship training results in officers who are recognized as experts by U.S. courts, where they often testify. However, given the high turnover rate, it is important that DTC develop new approaches to training. In FY 1998, DTC lost 25 percent of its experienced munitions licensing officers. It will take at least 3 years of on the job experience to fully train the replacements.

Training for more experienced licensing officers is limited. DTC tries to arrange for in-house briefings from other agencies and bureaus within State to keep licensing officers updated on intelligence issues. However, there is very little opportunity for the licensing officers to receive training outside the office.

DTC should improve training and enhance resource materials for licensing officers. This should include developing an in-house training program for new licensing officers, creating a handbook that provides an overview of the munitions licensing process, and updating the country handbook that summarizes basic foreign policy issues related to individual countries. Although DTC agrees that these recommendations are desirable, they stated that resources are inadequate to implement these changes.

### **Cumulative Effect of Technology Transfers**

There is no straightforward, comprehensive evaluation of the cumulative effect of technology transfers resulting from the export of munitions items. Information on the cumulative effect of individual munitions license applications is obtained from a variety of processes. However, DTC indirectly assesses this area of export licensing through: (1) licensing officer review of each application to establish whether the items are in the military inventory of the intended recipient, (2) the referral process, (3) managerial review of countries of concern, and (4) trend analyses.

Nevertheless, DTC represents only part of a much larger picture. To fully evaluate the cumulative effect of an application, other factors, such as the impact of foreign military sales, knowledge of what other countries are exporting, and the internal capabilities of a specific country would need to be evaluated. A comprehensive assessment would probably require a joint effort with resources and coordination from all Federal agencies involved in the licensing process. In addition, as stated in the interagency report, such an effort would probably require congressional direction.

### **Inadequate Resources**

Inadequate resources have made it increasingly difficult for DTC to meet its mandate, which has broadened over the last 2 years. This has caused numerous problems within DTC including increased workloads for licensing officers and substantial delays in the license review

process. Since the 1993 joint OIG review, DTC's average processing time for nonreferred munitions applications has more than quadrupled, and the processing time for referred cases has more than doubled. The increased workload for licensing officers has also contributed to employee turnover as more senior staff accept higher graded and less demanding positions at other agencies and in private industry. State gave DTC an increase of \$2 million as of June 7, 1999. DTC plans to use the funds to add 23 new positions to its staff.

Increased Workload and Processing Times

During FY 1998, 16 licensing officers processed over 44,000 munitions licenses. In contrast, during the 1993 joint review, there were 22 licensing officers responsible for processing approximately 49,500 munitions licenses. This represents a 22 percent increase in the licensing officers' workload. Although the total volume of licenses has decreased, the number of more complicated, labor intensive cases have increased significantly. For example, technical and manufacturing agreements have increased by 88 percent, from 1,739 in 1992 to 3,278 in 1998. In addition, congressional notification cases have more than tripled since 1992 from 40 to 150.

The increased workload for licensing officers has resulted in longer processing times for cases. The average processing time for nonreferred and referred cases were as follows for 1992 and 1998:

**License Processing Time at DTC**

Fiscal Year	Average Processing Time for NONREFERRED cases	Average Processing Time for REFERRED cases
1992	4.5 days	38 days
1998	21 days	86 days

The increased processing time negatively affects U.S. businesses, which are forced to wait longer for licenses. The longer processing times also increases the licensing officers' workloads because they receive additional inquiries from exporters regarding the status of a license.

DTC Staffing

In comparison to the other agencies involved in the export licensing process, DTC has fewer staff and lower pay grades. For example, DTC has the lowest journeyman grade level, yet it has the highest workload in the export licensing community. This impedes DTC from maintaining an experienced staff and is problematic because it typically takes about 3 years before a licensing officer is familiar with most aspects of the job. The following table presents a comparison of the workload and grade levels of the agencies involved in the export licensing process:

### Workload of Export Licensing Agencies

Agency	# of Applications Received in FY98	# of Licensing or Reviewing Officials	Ratio of Licensing Officials to Licenses	Journeyman Grade Level of Licensing Officials
State (DTC)	44,212	16	1:2,763	GS-13
Commerce (BXA)	13,541 <sup>1</sup>	47	1:288	GS-14
Defense (DTRA)	11,053	9	1:1,228	GS-14 and 15

Lower grade levels and increased workloads impede DTC from attracting and retaining personnel. In recent years, two of DTC's more senior licensing officers accepted GS-14 promotions at Defense. Licensing officers have also accepted higher graded positions in other bureaus within State. DTC management expects additional turnover because Defense and another office within the PM bureau currently have openings for higher graded licensing officials. Our review recommended that State develop a plan to rationalize the grade structure of licensing officers with other agencies involved in the export licensing process.

#### Commercial Satellite Launch Responsibility

DTC's difficulty in addressing its workload with current staffing levels will be magnified by a provision in the National Defense Authorization Act for FY 1999, which transferred the licensing of commercial satellite launches from Commerce to State. Not only will this increase the total volume of licenses that DTC must review, it will also require DTC to provide additional reporting to Congress.

#### **Department Comments on OIG Recommendations**

Our report contained 13 recommendations for improvements that we believe are needed in State's export licensing operations. State officials generally agreed with 11 recommendations, including those to strengthen supervisory review, expand training, improve database accuracy, and provide referral decisions to other agencies. They did not agree with two recommendations in our report pertaining to the selection criteria for end use checks, and furnishing posts with specialized technical expertise for such checks.

\* \* \* \*

This concludes my statement Mr. Chairman. I would be happy to answer any of your questions.

<sup>1</sup> This figure includes approximately 2,573 commodity classification requests. Each commodity classification request can include up to 5 line items. Exporters submit commodity classification requests to Commerce, which determines whether the commodities require a license or not.