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# Acquiring And Managing Nonexpendable Personal Property Overseas: A Followup Review

Department of State

**UNITED STATES  
GENERAL ACCOUNTING OFFICE**

ID-75-66

JUNE 9, 1975

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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

INTERNATIONAL DIVISION

B-165867

The Honorable  
The Secretary of State

Dear Mr. Secretary:

We have completed our followup review to determine if your Department has remedied problems identified in our previous report, "Improvements Made or to Be Made in the Acquisition and Management of Nonexpendable Personal Property Overseas" (B-165867, Mar. 12, 1969). As of June 30, 1974, the Department had \$73.3 million worth of such property at its 258 foreign posts.

Although the Department has made some effort to improve property management and control, deficiencies similar to those reported in 1969 still exist. Therefore, we invite your attention to the fact that this report contains recommendations to you which are set forth in the concluding sections of chapters 2 through 6. In essence, we are recommending that the Department

- develop an acceptable accounting system and issue the necessary implementing guidelines to overseas posts;
- insure that the overseas posts comply with the revised guidelines and regulations covering all aspects of property management;
- review its allotment process to minimize yearend fund releases, particularly those that exceed budget requests; and
- establish definite procedures to ascertain that embassy officials accomplish promised actions.

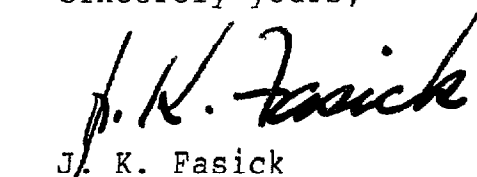
Section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions he has taken on our recommendations to the House and Senate Committees on Government Operations not later than 60 days after the date of the report and the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report. We shall appreciate

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receiving copies of your statements to the Committees on actions taken.

2, 1975  
We are sending copies of this report to the above-named Committees; the House Committee on Foreign Affairs; the Senate Committee on Foreign Relations; and the Director, Office of Management and Budget.

Sincerely yours,

  
J. K. Fasick  
Director

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GENERAL ACCOUNTING OFFICE  
REPORT TO THE  
SECRETARY OF STATE

ACQUIRING AND MANAGING  
NONEXPENDABLE PERSONAL PROPERTY  
OVERSEAS: A FOLLOWUP REVIEW  
Department of State

D I G E S T

WHY THE REVIEW WAS MADE

In a 1969 report GAO made recommendations to the Department of State for improving its management and control of nonexpendable personal property at overseas foreign posts.

Department officials generally agreed with GAO's findings and recommendations and initiated an improvement plan for correcting the deficiencies worldwide.

This is a followup review to determine whether the actions promised by the Department have been taken and whether the management and control of such property has improved.

FINDINGS AND CONCLUSIONS

GAO revisited five of the nine countries covered in the initial review and a sixth country not previously included.

Although the Department has made some effort to improve the management and control of its personal property inventory (worth over \$70 million), deficiencies similar to those reported in 1969 remain. Audit coverage of property management at the overseas posts was somewhat

improved, but followup procedures to insure post compliance with audit recommendations were inadequate. (See pp. 27 to 30.)

At the overseas foreign post level, the procedural guidelines included in the Foreign Affairs Manual offer a sound basis for managing nonexpendable personal property. However, the procedures were not always being followed at the overseas posts.

Specifically:

--The Department has still not issued guidelines for implementing a monetary property accounting system. (See pp. 4 to 5.)

--Overseas posts are maintaining the required property record forms (at a GAO estimated annual cost of at least \$4 million), but the data is generally incomplete and sometimes inaccurate, negating the forms' effectiveness as a control mechanism. (See pp. 7 to 10.)

--Property inventories are not taken consistently and reconciliations, when done, are of questionable accuracy and value. (See pp. 12 to 15.)

--The posts are not reporting excess property for possible redistribution, and the lack

of (1) accurate inventories, (2) established criteria for authorized levels of property items, and (3) utilization reviews generally precludes such identification. (See pp. 22 to 26.)

- Procurement practices have improved and nonexpendable property items are generally purchased at the best prices. However, procurement planning is weak and not based on accurate, reliable data. Guidelines for controlling purchases with yearend funds are not being followed and conflict with departmental policy on releasing funds. (See pp. 18 and 21 to 22.)

#### RECOMMENDATIONS

GAO recommends that the Secretary of State:

- Put increased emphasis on developing a monetary property accounting system in compliance with statutory requirements and its own policy statements. (See p. 5.)
- Insure that local employees at overseas posts are thoroughly instructed in

the use and importance of property records and that Embassy officials adequately supervise and review their activities. (See p. 10.)

- Take steps to insure that overseas posts follow inventory procedures, properly make reconciliations, and sign certificates of inventory reconciliation only if all requirements are met. (See p. 15.)
- Insure that all posts comply with the regulations pertaining to establishing authorized levels of property support; replacement programs, including conducting utilization reviews; and disposal of property through negotiated sales. (See p. 26.)
- Have the Department review its allotment process to enable more timely release of personal property funds. (See p. 26.)
- Instruct the Inspector General to initiate a more active followup program to insure that the posts take corrective actions to comply with all internal audit recommendations. (See pp. 30 to 31.)

## CHAPTER 1

### INTRODUCTION

As of June 30, 1974, the Department of State had \$73.3 million worth of nonexpendable personal property at its 258 foreign posts. Nonexpendable personal property is property which (1) does not lose its identity when used, (2) is not consumed in use and has a life expectancy beyond 1 year, and (3) has sufficient value to justify maintaining property records and a significant unit price, quantity, or nature. We examined on a test basis approximately \$7.4 million worth of that property (the value represents the acquisition cost) at seven posts. The annual cost of maintaining that property was estimated to be \$457,000, or about 6 percent of the property cost.

Our earlier report, "Improvements Made or to Be Made In the Acquisition and Management of Nonexpendable Personal Property Overseas" (B-165867, Mar. 12, 1969), concluded that improvements were needed in (1) financial control over nonexpendable personal property, (2) physical inventory taking, (3) property recordkeeping, (4) physical security arrangements, (5) identification and disposition of excess property, (6) procurement, and (7) internal audit surveillance.

We recommended that the Department:

- Develop and implement a satisfactory property accounting system to meet the principles and standards of the Comptroller General for property accounting as set forth in 2 GAO 12.5(c), including the basis for control over property.
- Bring this report to the attention of appropriate foreign post officials and instruct them to review their controls and procedures applicable to property management and report to the Department on whether such controls and procedures comply with its regulations.
- Establish appropriate followup procedures to determine whether foreign posts actually implement promised corrective action.
- Make detailed and timely site audits of all aspects of property management at overseas posts.
- Determine whether funds advanced to foreign post employee associations for procuring personal property should be reimbursed or identified as Government-owned



property and included in the foreign post's property inventory.

Department officials generally agreed with our findings and recommendations and said they were taking the recommended actions.

#### SCOPE OF REVIEW

In our followup review, we revisited five of the nine Embassies in our 1969 report to determine if the previously identified problems had been corrected. To further assess the impact of the corrective actions promised by Department officials, we added a sixth Embassy and a consulate to our review. Most audit surveillance work was done at the Department of State. We reviewed applicable policies and guidelines for property management and post practices relating to acquisition, use, and disposal of their nonexpendable personal property. We examined records, inventory reports, procurement and disposal documents, and audit reports. We inspected warehouse facilities and interviewed responsible officials.

We worked at the Department of State in Washington, D.C., and visited Embassies in Bangkok, Thailand; Manila, Philippines; Nairobi, Kenya; Rome, Italy; Buenos Aires, Argentina; New Delhi, India; and the consulate in Calcutta, India.

## CHAPTER 2

### FINANCIAL CONTROLS

Although the Department's accounting principles and standards (approved by the Comptroller General Sept. 20, 1968) provide for monetary property accounting, the Department has not implemented an adequate system to insure that a monetary basis for property accounting is an integral part of the accounting system for controlling nonexpendable personal property overseas. The Department, in the policy and organization section of the Foreign Affairs Manual, requires that the overseas posts use a monetary basis in their accounting process. However, the Department has provided no further implementing instructions and none of the posts we reviewed have initiated implementing action.

#### USEFULNESS OF EMPLOYING A MONETARY BASIS FOR PROPERTY ACCOUNTING

An independently maintained financial accounting report based on the monetary value of nonexpendable property purchased and disposed of is an effective control mechanism on the accuracy of the property recordkeeping function at the overseas posts. The accounting property officer at each overseas post is responsible for recording on property cards the quantity and cost of property procured and the quantity and value of property disposed of. A quarterly asset report, showing the value of total nonexpendable property assets on hand, is prepared by the accountable property officer on the basis of data taken from the property record cards and submitted to the budget and fiscal officer, who transmits it to the Department for posting to the general ledger accounts. Because there is no independent financial control, the accuracy of the amounts shown in the quarterly asset report cannot be verified and any posting errors or omissions would not be detected.

#### DEFICIENCY NOTED IN PRIOR REVIEW

In the March 1969 report, we said:

- "The Department's system for property accounting did not meet, in all respects, the principles and standards of the Comptroller General for property accounting."
- "One aspect was the need that a monetary basis for property accounting be an integral part of the accounting system."

--Matters requiring corrective action cannot be effectively resolved until a reliable property accounting system is implemented.

We recommended that the Department (1) develop and implement a property accounting system to meet the principles and standards of the Comptroller General for property accounting as set forth in 2 GAO 12.5(c), including the basis for control over property, and (2) bring that report to the appropriate foreign post officials' attention and instruct them to review their controls and procedures over nonexpendable property and inform the Department on whether such controls and procedures comply with Department regulations.

#### DEPARTMENT RESPONSE

The Deputy Assistant Secretary for Budget, in a December 5, 1968, letter, agreed with our findings and recommendations and said:

"Final procedures respecting the accounting system for nonexpendable property will be ready for release by the early part of calendar year 1969 if the Department can resolve with the General Accounting Office in the immediate future problems regarding transportation costs. These procedures and revisions to the Department's regulations with respect to nonexpendable property will be consistent with the property accounting principles stated in the Department's Financial Management Policy and Accounting Principles and Standards approved by the Comptroller General on September 20, 1968."

The policy and organization section of the Foreign Affairs Manual (4 FAM 000), dated October 31, 1968, lists the references to the principal statutory requirements underlying the Department's financial management system. Among these is the Public Law 84-863 (3 U.S.C. 66a(c)) which requires that the accounting system of each agency include adequate monetary property accounting records. Furthermore, 4 FAM 014, basic financial management objectives, states that the Department's financial management program provides for monetary property accounting.

A GAO report on the status, progress, and problems in Federal agency accounting (B-115398, Dec. 31, 1970) described a number of problems and inadequacies in the Department's general accounting system, including the lack of appropriate accounting for and control over property resources. In a later

report on the same subject (B-115398, Nov. 12, 1974) we stated that, although the Department's financial systems development staff had attempted to design an approvable accounting system, it had not been successful. The Department has set December 1975 as a target date for submitting its complete system design to the Comptroller General for approval.

The Department is working to develop an automated supply management system, using its computer centers at Bangkok and Paris. Officials at the Foreign Affairs Data Processing Center in Bangkok said that only preliminary efforts have been made to automate nonexpendable property accounting. According to the Center director, no target date has been set for developing the programs necessary to automate the nonexpendable supply system or budget and accounting information.

### CONCLUSIONS

The Department has not met its 1968 commitment to develop the procedures and revisions needed to establish the monetary property accounting system we recommended. The difficulties the Department has encountered in designing an approvable accounting system and the uncertainties of automating the nonexpendable property accounting procedures make it unlikely that overseas posts will soon get any guidelines in this area.

### RECOMMENDATIONS TO THE SECRETARY OF STATE

We recommend that the Secretary put increased emphasis on developing a monetary property accounting system in compliance with statutory requirements and the Department's own policy statements, and that consideration be given to developing a manual system for monetary property accounting at the overseas posts that could be converted to computer application when suitable programs are available.

## CHAPTER 3

### PROPERTY RECORDS

The overseas posts visited had improved their property recordkeeping since 1969 and were maintaining nonexpendable property data on the required property record cards. We estimate the maintenance cost of the records at all overseas posts to be about \$4 million annually. However, the records are still incomplete and occasionally inaccurate. Consequently, the record card data cannot provide property managers with the accurate up-to-date information required for efficient property procurement and disposal planning.

Department regulations clearly specify the type of records required and the recording method to be used. Therefore, we believe that the inadequacies in the property records are generally due to lack of emphasis by Embassy officials and lack of concern by local employees, who do not always see the importance of maintaining current, accurate property records.

#### THE NEED FOR ACCURATE PROPERTY RECORDS

Property records can be used for managing property, tracing transactions affecting property, and evaluating property management activities at all departmental levels. Complete and accurate property records are required for properly planning disposals and procurements, monitoring use, and preventing the accumulation of excesses. The continued lack of a Department-wide system for maintaining financial accountability of property makes the property records the primary source of data for quantities and value of nonexpendable personal property held by the overseas posts.

#### DEFICIENCIES NOTED IN PRIOR REVIEW

Our prior review of nine overseas posts showed that statistical information related to the acquisition, use, and disposal of nonexpendable personal property had either not been recorded or been inaccurately recorded on property records at some posts. In other instances the types of records being used were inconsistent with Department requirements. Consequently, some property items on hand were not picked up on the records and other items recorded could not be located.

#### DEPARTMENT RESPONSE

In response to that review, Department officials stated that they had taken some actions already and would take others

when the final report was received. The latter were to include bringing our findings and recommendations to the attention of post officials with instructions to review the applicable controls and procedures and report back to the Department on whether they comply with the regulations. Followup procedures were to be established to determine post implementation of promised corrective action.

In February 1968 the Department sent a message to all diplomatic and consular posts pointing out problems we discovered and urging them to take measures to insure that the deficiencies did not exist or, if they did, to take prompt corrective action. The Department mentioned specific deficiencies, including the weaknesses in property records, and noted that closer supervision and better training of local personnel were needed. After the release of our March 1969 report, the Department sent a circular airgram dated March 25, 1969, to all diplomatic and consular posts requesting them to correct all deficiencies noted. However, in neither message was a reply requested and we found no evidence that any replies had been received.

The Department apparently made some followup on the report recommendations. An internal audit performed at Bangkok after the release of our 1969 report covered that post's corrective action taken in response to our recommendations. However, a similar July 1971 report on nonexpendable property at the Manila Embassy disclosed a number of deficiencies in property recordkeeping similar to those we found at other posts, indicating that the 1969 airgram had had little impact at Manila.

#### STATUS OF PROPERTY RECORDS

Posts' property records reviewed were generally inadequate for providing data on which to base sound management decisions. Data inaccuracies on the cards, posting omissions for property acquired, and the minimal equipment maintenance data recorded raise serious questions about the usefulness of these records as a management tool. Records for loaned property were not well maintained, resulting in loss of visibility over these items.

#### Inaccuracies in property records

Although each post visited was using the individual and composite record cards required by Department regulations, our limited tests indicated that the cards were not always accurate enough for their intended purpose.

Some posts, for example, use composite control cards to show summary totals of items recorded on individual record cards. Our tests of these composite cards in Rome and Bangkok revealed differences between the number of individual record cards and the composite card totals in six of the eight cards tested. The differences ranged from 1 out of 122 calculators/adding machines to 5 out of 19 air-conditioners. In Rome, we selected four household items and compared their composite record balances to a balance based on housing inventory sheets, the physical warehouse inventory, and property custody receipts. Differences were found on all 4 items, including 29 air-conditioners recorded on the composite card but not accounted for by inventory records or custody receipts.

In Nairobi the estimated cost of items was being recorded rather than the actual cost and sometimes the cost was being recorded in dollars before converting the voucher price from shillings (7.13 shillings equal \$1). For three items, the failure to make the dollar conversion resulted in overstating property value by \$20,193.

In six of the seven posts, we found varying degrees of differences between property record totals and physical inventory counts. Nearly two-thirds of our test items in Nairobi showed differences, with the property record card total for one item understated by 28 percent. In Manila, we compared the property card totals and physical inventory balances for nine major appliances and office equipment items and noted differences for every item (some as much as 24 percent).

#### Data not posted to property cards

Data concerning the acquisition and internal movement of nonexpendable property is not always posted to property record cards. This not only adds to the records' unreliability, but also makes reconciliation more difficult. We reviewed 18 procurement files in Manila and found that 8 items on 4 separate purchase orders were received but not posted to property record cards. A copy machine purchased by Nairobi in June 1973 was not picked up on the property cards until our current review. In Manila and New Delhi, the current location of individual items was not always posted on the record cards, causing property management personnel to lose control over the items.

#### Incomplete property records

The property records reviewed at six of the posts were not as complete as possible and the maintenance and repair

data needed for sound management decisions was generally not available. With minor exceptions, none of the posts were recording maintenance data for the serial-numbered items in the property inventory. We believe that, without this data, property personnel cannot systematically project the life expectancy of these items for replacement planning or compare repair costs to replacement costs to determine when items should be replaced. Each post contracted with outside firms to service and repair office machines. However, the contractor's service was not always recorded on the property cards and Embassy personnel were not always certain that the service paid for was actually received. The Rome Embassy has a \$5,250 maintenance contract for about 200 electric typewriters. We selected records for 10 typewriters and, according to the records, 2 had not been serviced in fiscal year 1974 although the Embassy had paid \$70 in contract costs. Another machine had been serviced once, even though the Embassy had paid for two service calls. In Nairobi, the Embassy paid \$600 for a service contract covering maintenance of eight calculators. According to personnel in the office with the calculators, only one machine had been serviced during the contract period. Our review of the record cards for 150 typewriters revealed that 39 cards reflected no maintenance although a local firm billed the Embassy for servicing all 150 machines.

#### Loaned-property records

All of the posts were loaning property to employees or other organizations, a practice not always authorized under Department regulations. In addition, five posts were not complying with that part of the regulations that generally restrict property loans to 90 days, and four posts' record maintenance was insufficient to provide adequate control of the loaned items.

In New Delhi items valued at over \$3,000 had been on loan to the Catholic Relief Services since 1969. We question the time period and lack of documentation in the file for the loan. Also, we can find no authority for the Embassy to loan Government property to a non-Government agency. According to Embassy officials, such support to a non-Government agency was highly irregular, rationale for the loan was difficult to assess, and a review of the loan would be made.

In Rome household appliances are loaned to individuals living in privately leased quarters for more than 90 days and furniture in Government-owned apartments is carried on loan cards in the file. Loans in Manila generally exceed 90 days, some items loaned are shown as issues, and little followup is made to insure that the items are returned.



The Bangkok Embassy is responsible for \$19,800 in property on loan to the American Employee's Health Association. These items were not carried as part of the Embassy's nonexpendable property inventory and a property official said they were in "limbo," neither loaned nor issued. We believe that the status of this property should be determined and proper documentation prepared and filed for control purposes.

#### CONCLUSIONS

Although the type of property record card required by Department regulations is being used by post property personnel, the mechanics of recording the data necessary for management purposes remains inadequate. The overseas posts have not taken the action necessary to correct the deficiencies in this area reported in 1969, and the Department has not established followup procedures to insure that corrective action is taken. The inaccurate or incomplete recordkeeping noted continues to raise questions concerning the reported value of property inventories and makes any reconciliation process difficult and time consuming. Control over loaned property is generally inadequate and applicable regulations are not always followed. Also, proper care is not being taken to see that equipment service contracts are providing the services stipulated.

#### RECOMMENDATIONS TO THE SECRETARY OF STATE

We recommend that the Secretary act to insure that:

- Local employees at overseas posts are thoroughly instructed in the use and importance of property records and that Embassy officials adequately supervise and review their activities.
- Equipment service contracts are adhered to.
- Property on loan is reviewed so that only authorized recipients have the property and all loans are adequately documented and controlled.
- Department auditors verify that these matters are carried out at each post.

## CHAPTER 4

### PHYSICAL INVENTORIES

The overseas posts reviewed were not always following Department regulations requiring the taking of periodic physical inventories of nonexpendable personal property and reconciling the physical count to the data on the property record cards. The situation resembles that which we reported in 1969. As a result, information on the status of nonexpendable property acquired by the post is inadequate for management to determine requirements and to evaluate current personal property use.

Department regulations and guidelines concerning physical inventory taking and reconciliation procedures are quite specific about timing and methodology. In our opinion, the deficiencies we found resulted not from a lack of departmental guidance, but from overseas post officials' failure to implement existing policies and procedures. However, the Department has failed to fulfill its oversight responsibility by not insuring that inventories were being taken, reconciliations completed, and proper adjustments made to the records.

#### THE NEED FOR A PHYSICAL INVENTORY PROCEDURE

Periodic physical inventories are necessary to check the effectiveness of the accounting procedures in providing adequate and accurate information on all substantial changes in the investment in property assets. Additionally, reliable inventory data is necessary for determining property requirements and use. As shown in chapter 6, the posts had not developed systematic programs for determining requirements and replacements.

Differences between quantities determined by physical inspection and those shown in the accounting records should be investigated to determine the cause of differences and identify necessary procedural improvements.

#### DEFICIENCIES NOTED IN PRIOR REVIEW

Most of the posts covered in our prior review were not taking accurate and timely physical inventories in accordance with Department procedures. In addition, most were not reconciling the physical inventory count with the quantities in the property record cards.

Department regulations require an annual physical inventory of all nonexpendable property to be completed by March 31. Items covered by custody receipts and most household furnishings and appliances are exempted (the latter are to be inventoried at each change of occupant). A team, or teams, are to take the inventories and one member of each should normally be a U.S. citizen employee. The regulations further require that, after the inventory, appropriate reconciliation action be taken when discrepancies are revealed between the physical inventory and the property records.

The posts were not taking inventories on a yearly basis; in fact, one post took inventory only once in 4 years. The team method was not always used, thus unreasonably extending the inventory period, and U.S. citizen employees were not always present. When inventories were taken, the required reconciliations to resolve discrepancies were not being done at most posts, negating the usefulness of the inventory as a management tool for identifying waste and inefficiency.

#### DEPARTMENT RESPONSE

In responding to the 1969 report, the Department said it concurred in the findings and recommendations and was taking recommended actions. As noted in chapter 3, the Department did send out messages to its diplomatic and consular posts urging corrective action for any deficiencies. However, we found no evidence that the Department initiated any followup program to determine post compliance with those messages.

#### INADEQUACIES IN INVENTORY AND RECONCILIATION PROCEDURES

Most posts had deficiencies in their inventory and reconciliation procedures. The posts that took the required annual physical inventory generally did not follow recommended procedures for taking it. Reconciliation procedures to account for differences between the physical count and property record card totals were either not being done or did not comply with Department regulations. Consequently, the posts were unable to systematically determine their property requirements and use or to evaluate the adequacy of their property accounting systems.

#### Lack of timely inventories

The following schedule shows the posts that were not taking the required annual inventories.

<u>Location</u>	<u>Inventory taken--by fiscal year</u>		
	<u>1974</u>	<u>1973</u>	<u>1972</u>
Bangkok	None	Partial	Partial
Manila	None	Partial	Partial
New Delhi	Yes	Partial	Yes
Nairobi	a/Partial	a/Partial	Yes
Rome	Yes	Yes	Yes
Buenos Aires	Yes	Yes	Yes
Calcutta	Yes	Yes	Yes

a/Inventory started in fiscal year 1973, completed October 1973. Inventory due in March 1974 was not completed due to lack of staff and rotation of Embassy officers.

According to property personnel in Bangkok, only partial inventories were taken in fiscal years 1972 and 1973 because the inventory sections lacked the staff to do a complete inventory. In Bangkok and Manila, inventories had not been taken of items stored in the property warehouses.

Some posts do not always comply with regulations requiring that household inventories be taken when occupants check in and check out of Government-furnished quarters. In Bangkok and Nairobi, we were told that frequently the occupant had already moved before an inventory was taken.

In Nairobi 2 months occurred between the check-in and check-out inventories at one residence. Comparing inventory listings, we noted that 19 items were missing and 3 had been added. The residence file contained no explanatory documentation for the changes. The same situation existed in two other residence files we checked.

#### Inventory procedures not followed

At five of the seven posts, inventory procedures outlined in the Foreign Affairs Manual were not being consistently followed. Local employees were taking the inventories without the presence of a U.S. citizen employee and prior inventory lists were being used as checklists.

#### Lack of inventory reconciliations

The overseas posts were generally not reconciling differences between physical inventory counts and property record card totals, thus making the inventory process little more than a counting exercise and the accuracy of the record card data questionable. The schedule on the next page shows the infrequency of the reconciliation process at the seven posts reviewed.

<u>Location</u>	Reconciliations completed--by fiscal year		
	<u>1974</u>	<u>1973</u>	<u>1972</u>
Bangkok	No	No	Partial
Manila	No	Partial	?
New Delhi	Yes	No	Partial
Nairobi	No	No	No
Rome	No	No	No
Buenos Aires	No	No	No
Calcutta	Yes	Yes	Yes

Reconciliations were generally not done because either inventories were not taken or were not completed. For those posts that had completed their annual inventories in fiscal year 1974 but had not completed the reconciliation process, we noted the following.

In Rome, property personnel adjusted the record card totals to match the physical inventory count and made no attempt to resolve discrepancies. In 1974 not even this adjustment was made. Buenos Aires Embassy personnel followed the same adjusting procedure; they said doing a proper reconciliation would be too time consuming.

The Nairobi Embassy completed its fiscal year 1973 inventory in fiscal year 1974 and was still working on a reconciliation at yearend. This was the first reconciliation of office property in 5 years and the first one of household items in 6 years. Many discrepancies could not be explained and in January 1974 equipment valued at \$4,600 was written off. Household inventory records as of September 1973 were compared to property record card totals and reconciliation results were finally posted to the record cards in October 1974. During our audit, the Embassy was preparing to write off \$41,000 of unlocatable household furniture and equipment.

In New Delhi the reconciliation process resulted in adding property valued at \$23,663 to the record cards and requesting approval to delete \$7,573 in shortages. According to Embassy personnel, the excess property resulted because household items turned in to the warehouse were not documented by a turn-in receipt and notifications of receipt for new items arriving at post were not sent to the inventory section for recording. However, property carried on the individual household inventory listings was not added to the inventory worksheets and included in the reconciliation process as required by regulations. Without this additional data, the reconciliation can only be partially completed, raising questions as

to the overages and shortages and of the subsequent property asset report valuation for nonexpendable personal property.

The Department requires that a certificate of inventory reconciliation be prepared and signed by the accountable property officer after the annual inventory and reconciliation. Copies of this certificate are to be filed at each post. The certificate states that the inventory was taken by March 31, the reconciliation was made, and all property is accounted for. These certificates were being signed at some posts even though the conditions had not been fulfilled. In 1971 and 1972, Bangkok personnel limited the certification to office equipment and furnishings. However, for those years the property in the warehouse had not been inventoried and could not have been included in the reconciliation. A newly assigned accountable property officer in Nairobi certified that on March 30, 1973, he was satisfied that the office and household inventory reports were accurate. However, the office inventories begun in March were not completed until October 1973. The accountable property officer in Rome signed the certificates even though Embassy personnel made no attempt to reconcile the differences between the inventory and the balance shown on the property record card.

#### CONCLUSIONS

Overseas posts showed some improvement in complying with Department regulations concerning the frequency and timing of the annual inventory. However, the reconciliation process, which gives meaning to the physical inventory data, has not shown such improvement and is generally inadequate. As a result, inaccuracies in property record data are not corrected and management is not made aware of opportunities to prevent excess property from accumulating or to identify the inefficient use of nonexpendable items. Furthermore, the Department has not adequately provided for insuring that post personnel are complying with the regulations.

#### RECOMMENDATIONS TO THE SECRETARY OF STATE

We recommend that the Secretary take steps to insure that overseas posts follow inventory procedures, properly make reconciliations, and sign the certificates of inventory reconciliation only if all requirements are actually met.

## CHAPTER 5

### PROCUREMENT, DISPOSAL, AND EXCESS OF

#### NONEXPENDABLE PERSONAL PROPERTY

The posts we audited had not fully implemented the Department's procurement control system. They generally purchased nonexpendable personal property from authorized sources but not always on the basis of demonstrated need. The procedural aspects of property disposal were generally satisfactory, but the post criteria for determining disposable property and the stated nonexistence of excess property for redistribution appeared questionable. We believe the problems noted in procurement and property disposal come from (1) the failure of overseas posts to establish guidelines for property personnel to use in procuring and issuing property items and (2) Department methods of releasing funds for purchasing nonexpendable property items.

#### THE NEED FOR GOOD PROCUREMENT AND DISPOSAL PRACTICES

A 1966 Presidential memorandum directed all Federal departments and agencies to (1) reduce and hold down supply inventories, (2) review and revise equipment replacement standards, and (3) establish tighter controls on proposed procurement actions. Although noting that cost control, avoidance, and reduction were a basic policy, the President said the policy was more important than ever before because of inflationary pressures in the economy.

Because inflation has become a much greater problem since 1966, Federal departments and agencies should be even more diligent in controlling procurements. We believe that, by reducing this procurement, the State Department would save money not only on the cost of goods purchased but also on the substantial expenditures for purposes directly related to procurement, such as property transportation, warehousing, and distribution costs.

Good disposal procedures should be established so that the overseas posts get not only the maximum use from each item purchased but also the maximum amount for the items sold. This requires accurate usage and maintenance cost data and a determination of the best method for disposing of unusable property.

## DEFICIENCIES NOTED IN PRIOR REVIEW

In our prior review of overseas posts' procurement and disposal activities, we noted that nonexpendable property excess to post requirements was being acquired and that at some posts property declared excess had not been disposed of in accordance with generally accepted disposal procedures. In our opinion, the excess items resulted from personal property being acquired through immediate requests of individual employees, rather than through planned use, and from inadequate consideration of existing inventories.

Also, Department regulations requiring that excess property which is new, used, or in good condition be considered for redistribution to other Department establishments were not being followed. According to Embassy officials, property listings were not circularized because no substantial excesses were on hand, the items were not economically reparable, or the high local market prices made selling property more economical than redistributing it. At some posts, property identified for disposal had been sold by negotiated rather than competitive bids, and other property had been donated despite evidence of its commercial value. We concluded that these disposal actions may, in some instances, have resulted in the loss of revenue to the Government.

In addition, one Embassy had advanced \$3,800 of salary and expense appropriated funds to the post employees' association for acquiring personal property for use in association apartments. We found no indication that the association anticipated repaying the funds although the property was considered to be owned by the association and was not accounted for as belonging to the Government.

## DEPARTMENT RESPONSE

Department officials agreed with our 1969 findings and said some actions had been taken and more would be taken to inform post officials about these matters when the final 1969 report was received.

On September 29, 1969, the Department sent an airgram to all American diplomatic and counselor posts to effect a thorough review of the need for supplies and property at each Foreign Service post to determine whether reductions could be made. Property and supplies on hand and in use were to be at the minimum level needed to meet essential requirements. Before procurement, the posts were to determine that the new items were absolutely necessary to perform assigned responsibilities.



By a December 5, 1968, letter, the Department informed us that it had instructed posts to insure that either funds advanced to post employee associations were collected or the property purchased included in the Embassy's nonexpendable property inventory.

#### STATUS OF POST PROCUREMENT ACTIVITIES

The overseas posts reviewed were generally complying with Department regulations and Federal Procurement Regulations concerning the source of and methods for procuring non-expendable property items. However, we believe that procurement planning by post property personnel is generally inadequate and not based on sufficient data to insure that procurements are necessary for performing assigned responsibilities at approved programmed levels. Although the Department has provided policy guidance concerning yearend procurements, the practice of allotting large sums of money--sometimes greater than budget requests--to the posts in May and June for property procurement hinders post implementation of the policy. In our opinion, this practice encourages the purchase of excess items and increases property inventories beyond normal levels.

#### Inadequate planning for procurement

Post-level procurement planning is generally inadequate because Embassy property personnel have not completely implemented Department guidelines for issuing and replacing non-expendable personal property. Specifically, the overseas posts had neither developed formal guidelines as to the type and quantities of household and office furnishings and equipment that would be provided nor implemented the Department's replacement program guidelines. We believe that, if Embassy officials properly emphasized implementing these guidelines, marked improvement in procurement planning could be made and purchases would more nearly conform to sound procurement policy.

#### Authorized levels not established

The Department has provided broad guidelines for the kinds of residential furnishings and appliances that may be provided in Government-held residential quarters. Within these guidelines, each post is responsible for determining the kinds and numbers of items to be furnished, on the basis of the availability of funds and special local conditions. However, the Department has not provided similar guidelines for the kinds and quantities of office furnishings and equipment that a post can provide to its employees.

Only one post had written guidelines as to what each employee would receive in the way of household furnishings and appliances. Within the overall departmental guidelines, the Manila Embassy had issued a memorandum to its employees setting forth Embassy policy and both the Government's and the employee's responsibilities concerning the Government-leased, furnished quarters program established at the post. Although these criteria had not always been followed when issuing nonexpendable property items to employees nor always been used to develop procurement levels, they did offer a standard by which to measure these activities. The other posts reviewed generally had no formal written policy but provided the furnishings and appliances that Embassy officials informally determined were necessary. Bangkok, for example, provided only one air-conditioner per occupied bedroom for employees leasing their own quarters but also furnished air-conditioners for the living-dining areas for employees living in Government-owned quarters. The New Delhi Embassy provided completely air-conditioned, furnished Government owned or leased quarters for all employees.

Also, none of the seven posts visited had any written guidelines as to the office furnishings and equipment that would or should be provided to employees. Under subpart 101-25.3 of the Federal Property Management Regulations, each executive agency is required to establish criteria for using office furniture, furnishings, and equipment. As a result of this lack of guidance, post property officials were generally unaware of the real needs of the Embassy staff.

#### Weaknesses in post replacement programs

None of the posts were satisfactorily implementing the Department's replacement program as outlined in the Foreign Affairs Manual. Serviceable property was being disposed of only because it had reached or exceeded the average life expectancy set for the item. Items in excess of actual need or authorized levels were purchased and either issued to employees or held in stock. These excess items increased the inventory and became part of a replacement program because property officials did not conduct utilization reviews to determine whether they were actually needed before being replaced. Property personnel could only use their own judgment to determine whether an item should be replaced or repaired because maintenance and repair costs data was not recorded on property record cards and therefore was not available as a basis for their decisions.

### Age criteria

An average life expectancy for each general category of household and office furniture, furnishings, and equipment has been established. This age factor was to be only one of several elements considered in deciding when to replace an item. Posts were advised to retain any property items in usable and workable condition even though the prescribed standards permit replacement.

Some posts used the average life expectancy as the major criteria for disposal and others disregarded it in deciding to replace an item. In Bangkok the general policy is to replace items when they reach the established age criteria if funds are available to buy replacements. Property personnel in New Delhi said the post had no formal replacement program; purchases were determined by Embassy officials depending on fund availability. However, according to the Embassy buildings and services officer, items are put up for disposal when they are approaching or over the estimated life span. The Nairobi and Rome Embassies have not established replacement cycles or policies for planning property requirements. In Rome the property management officer said property is used until worn out or beyond economical repair.

### Utilization reviews

Section 224 of the Foreign Affairs Manual requires the property management officer to establish and maintain a personal property utilization program to obtain maximum use of property at the overseas establishments. This program is to include periodic joint inspections with representatives of the operating areas to locate any idle property which, if found, is to be replaced in channels for redistribution or disposal.

None of the posts were complying with the requirement and property officials were not conducting utilization reviews. We believe that the Embassies' failure to actively review property utilization levels leads to excess property not being reported for redistribution. A property official in New Delhi agreed that the review should be made and said he had identified such items by accident while walking through the Embassy offices. The Buenos Aires Embassy had 200 typewriters for a staff of 154, but no utilization review had been made to determine how many were actually needed.

### Insufficient maintenance cost data

Section 227.3-1 of the Foreign Affairs Manual requires that the reverse side of the individual property record card be used to record maintenance service for that item.

As discussed in chapter 3, the posts were deficient in maintaining repair cost data in a readily usable form for making repair versus replacement cost decisions.

The Manila and New Delhi Embassies have maintenance facilities for the in-house repair of most nonexpendable property. Service and repair of office machines is contracted out but service and repair is provided for air-conditioners, refrigeration units, and household furniture. Both Embassies' maintenance shop personnel record the work performed on work orders, but neither post routes these work orders to the property record section for recording repairs on the individual record card. Work order records are filed at the maintenance shops, but not in a way allowing easy identification with a particular property item. As a result, the data accumulated is of little use for management purposes.

Procurement made with yearend funds

The Department's stated policy is to strictly comply with the statutory requirements governing the use of appropriations and to insure that purchases near the end of the fiscal year represent bona fide needs of that fiscal year. Orders for supplies, materials, equipment, approved programs, and inventories are to be held to normal levels. However, this policy is not always adhered to, and the Department allots large sums of money to the overseas posts in May and June for purchasing nonexpendable property before the yearend. At one post, this results in local purchases, rather than purchases from U.S. sources. In some cases the funds received exceeded the amount requested in the post budget submission, and the property personnel felt obligated to find ways of spending the additional money. In fiscal year 1974 both Bangkok and New Delhi received funds for the program and shared administrative support budgets that exceeded the amounts requested.

Fiscal Year 1974 Funding

	<u>Amount budgeted plus proceeds of sales</u>	<u>Total obligations</u>	<u>Additional yearend funds</u>
Bangkok	\$103,951	\$256,582	\$152,631
New Delhi	180,492	265,519	53,119

In Bangkok, we reviewed fiscal year 1974 purchases of \$233,054. Over \$150,000 (or 65 percent) of these purchases were made after June 14, 1974. Part of these yearend purchases consisted of 100 air-conditioners costing approximately \$20,000. However, at the time of the purchase, the Embassy had over \$28,000 in proceeds-of-sale money for air-conditioners available for the next fiscal year. In October, 111 new and used air-conditioners were in the warehouse and

the 100 ordered in June were still due to arrive. The Embassy had 476 installed air-conditioners.

The New Delhi procurement officer said that, with no regular replacement program, the Embassy spends all the funds it receives. Between May 15 and June 30, 1974, it purchased 75 wool carpets at a cost of \$18,247; yet on October 25, 1974, it had 460 carpets in the warehouse--35 percent of its total inventory.

Similar situations existed at other posts. The Manila Embassy had \$169,000 obligated in fiscal year 1974 for non-expendable property items; of this amount, at least \$103,047 was obligated after June 12, 1974, including funds for 127 air-conditioners obligated on June 29. When the Embassy warehouse was destroyed by fire on August 14, 1974, it contained 139 air-conditioners, none of which were a part of the 127 units ordered in June.

The Rome Embassy received approximately \$100,000 from the Department during the last weeks of each of the last 2 fiscal years. In June 1974 about \$84,000 of the increase was allocated for furniture, furnishings, and equipment requirements. The general services officer said that, since it normally takes 30 days to process stateside purchase orders, these funds must be used for local purchases or be lost at yearend.

#### IDENTIFICATION OF EXCESS PROPERTY AND POST DISPOSAL PRACTICES

According to property officials, none of the overseas posts visited had any excess property in their inventory being offered for redistribution. All property disposed of was said to be in poor condition, uneconomical to repair, and sold as replacement property. However, we have some doubts about the adequacy of disposable property determinations and the stated nonexistence of excess property at the posts. Also, although the procedural aspects of property disposal generally appeared to be satisfactory, some improvements are needed to insure that Government interests are protected.

#### Excess property and replacement property

Department regulations require that personal property no longer required by an overseas establishment be disposed of through redistribution to establishments within the parent agency, as replacement property, or as foreign excess property. Replacement property is defined as property in general use for which there is a continuing need and for which the proceeds of sale are to be used to replace it. Foreign excess property is any property other than replacement property

under the control of any Federal agency not needed by that agency to discharge its responsibilities as determined by the agency head. This property must be located outside the United States, Puerto Rico, and the Virgin Islands. Proceeds from the sale of excess property, unlike those from the sale of replacement property, are not available to the selling establishment to apply against the cost of replacement items.

Property with an acquisition value of \$5,000 or less proposed for transfer to another U.S. Government agency without reimbursement can be considered excess to overall Department needs if (1) it is excess to the needs of the owning post, (2) circulation has determined that there are no redistribution needs at nearby posts, and (3) the receiving agency has a bona fide need for it.

Although none of the posts have declared any items in their property inventory excess to their needs, we believe that excess property does exist and that it should either be identified and offered for distribution or further procurement of these items should be curtailed until normal inventory levels are reached. We did not attempt to identify all property that could be considered excess to post requirements. We did follow up on the number of typewriters at some posts to determine if the situation had improved since 1969, when we reported that about 25 percent of all typewriters at the Embassies reviewed were excess. We also reviewed the warehouse inventory levels of certain household appliances at selected posts to identify any excesses.

Excess typewriters

The following table shows the number of excess typewriters at four of the Embassies.

	<u>Total number of typewriters</u>	<u>Number required</u>	<u>Excess</u>
Buenos Aires	200	134	66
Nairobi	144	67	77
New Delhi	337	303	34
Rome	329	198	131

In Rome, there were also 111 Embassy typewriters assigned to 23 attached Government agencies. Responses to our preliminary survey indicated that these agencies also have excess typewriters. Although we did not evaluate the attached agencies' requirements, we believe the Embassy should do so to determine its total excess.

### Other excess items

Our review of air-conditioners and other household appliances and furnishings was directed toward determining the amount of warehouse stock the posts held to meet immediate household and office needs. Property officials generally agreed that a 10- to 15-percent stock level was sufficient for this purpose.

The Bangkok and New Delhi Embassies were holding substantially greater levels of warehouse stock than appeared to be necessary. Based on the number of appliances and furnishings issued, the stock levels generally exceeded 40 percent and reached 72 percent for stoves in Bangkok. Manila's total warehouse assets, estimated to be worth \$180,000, had been completely destroyed by fire in August 1974 just before our review, and the Embassy had only a minimal amount of stock in its temporary warehouse. However, according to the property officer, the destroyed warehouse had been full of nonexpendable property and more was due in from yearend purchases. A similar situation existed in Manila in 1971 and a Department audit issued in July of that year recommended that the Embassy take appropriate steps to limit procurement and reduce the property inventory.

We believe that excess property does exist at the overseas posts and that it has not been disclosed and reported because the posts have deficient procedures for identifying it. These deficiencies include those previously discussed, such as lack of written guidelines for authorized levels of household and office items, lack of utilization reviews, and the failure of post officials to comply with regulations and guidelines for inventory and reconciliation procedures. In our opinion, excess property will continue to exist until property personnel begin complying with the regulations and following the guidelines established by the Department for nonexpendable property management.

### Property disposal practices

The overseas posts reviewed were generally disposing of their nonexpendable property through public sales, although one post had donated two items to a local organization and two posts had transferred small amounts of property to other Government agencies at no cost. Property sales were generally made through competitive bidding or by public auction; only one post disposed of items by negotiated sale.

Although disposal procedures generally followed Department guidelines, some posts were not as diligent as they might have been in protecting the Government interests.

Because the posts had generally not developed a replacement program and lacked good criteria for identifying disposable property, several posts were disposing usable property. The Buenos Aires Embassy, for example, was selling typewriters in good operating condition simply because it was getting new replacements. Bangkok property personnel replaced approximately 90 air-conditioners in April 1974 with new units although most of the replaced units were in use and operational. The replaced units were sold in June 1974.

The New Delhi Embassy allowed Government employees to buy household furnishings provided for their use if they wanted to do so. Subject to certain limitations, Department regulations allow such sales if the property is authorized for disposal, the sale is on a competitive basis, and it is advertised to the public. For a number of these sales that we reviewed, (1) the property was not considered for disposal until after the request to purchase was made, (2) there was no public advertising, and (3) there was no competitive bidding. Also, the sale price was set at 40 percent of acquisition cost, regardless of the property's condition or age. The normal retail sale price was determined by the average price received for comparable items at auction sales of disposable property which, according to property officials, meant items no longer serviceable. However, we noted that the average sale price was usually higher than 40 percent. Although this practice may not comply with regulations governing such sales, at the time of these sales, the Embassy and several other U.S. agencies were phasing down their operations. As a result, an accumulation of surplus furniture was foreseen in addition to that already existing because of delays in auctioning due to riots and demonstrations. But because the United States already held excessive amounts of Indian rupees and an auction would have contributed more, selling excess furniture for U.S. dollars was considered more beneficial to the United States than accumulating additional rupees.

#### CONCLUSIONS

Post-level procurement planning is still inadequate and most property personnel are not implementing the applicable Department guidelines. Complying with regulations concerning establishing replacement criteria and formalizing post policy concerning the authorized level of support for household and office property would greatly facilitate the planning process. The Department's policy of releasing money at yearend does not give post personnel the incentive to develop good planning processes. Identifying excess property needs improvement, but little can be done in this area apart from procurement planning.



RECOMMENDATIONS TO THE SECRETARY OF STATE

We recommend that the Secretary insure that all posts comply with the regulations pertaining to establishing authorized levels of property support; replacement programs, including conducting utilization reviews; and disposal of property through negotiated sales. We also recommend that the Secretary have the Department review its allotment process and release personal property funds as early as possible and generally only to the level of the budget requests. Additional funds should only be allotted for special requirements supported by written justification.

## CHAPTER 6

### INTERNAL AUDITS AND POST INSPECTIONS

The Department's audit and inspection efforts have been reorganized since completion of our prior review, with the major changes having occurred since January 1974. During 1969-74 we noted that the frequency of internal audits had generally increased. Beginning in 1974, the Department plans call for internal audits of Embassies and their constituent posts every 2 years.

Our current review revealed a number of deficiencies in property management practices that had been previously reported by Department auditors. This disclosure raises serious questions as to the adequacy of the Department's followup procedures employed to assure itself that the corrective actions promised by Embassy officials are in fact being taken.

#### DEFICIENCIES NOTED IN PRIOR REVIEW

In 1969 we reported that the Department was deficient in making timely internal audits of overseas posts' property management functions. In addition, although the Foreign Service Inspection Corps had inspected the nine posts reviewed every 2 to 3 years, few if any comments in its reports related to the deficiencies we noted in nonexpendable personal property management.

As a result of the lack of audit coverage, we recommended that the Department take steps to insure that detailed and timely site audits are made of all aspects of property management at overseas posts.

The Office of Budget had initiated a self-audit questionnaire to assist post personnel in objectively reviewing financial management, including property management. The questionnaire was to allow each post to evaluate its operations and take whatever action was necessary to comply with Department policy.

Post questionnaires' responses relating to property were generally not consistent with conditions revealed during our review.

#### DEPARTMENT RESPONSE

The Department agreed with our earlier findings concerning the inadequacy of audit coverage at the overseas posts. In a December 5, 1968, letter a Department official said the

following action had been, or would be, taken to achieve greater audit surveillance.

- The number of internal auditors was increased from 11 to 16 and the number of audits was steadily increased.
- A revision of audit procedures was in process and steps were being taken to insure that overseas audits included all important aspects of property management.
- Foreign service inspectors were instructed to give special attention to the control and management of non-expendable personal property, including determining that post personnel were following Department policies, regulations, and procedures governing nonexpendable personal property.

On July 1, 1971, the internal audit staff was transferred to the Inspector General's Office, where the inspectors and internal auditors functioned as separate divisions until about July 1973. At that time, the inspection-audit team concept was being introduced, and the two groups worked together in reviewing post activities, although they generally issued separate reports until December 31, 1973.

Beginning January 1974 the Department changed its inspection approach in two ways: (1) it replaced the traditional post-by-post inspection by the conduct of relations evaluation of a country directorate and the countries and posts for which the directorate is responsible and (2) it merged inspection and audit teams to most effectively and efficiently evaluate policies, management, and operations at the Department's posts and supporting offices. At that time, one overseas conduct of relations inspection report replaced the previously separate Foreign Service inspection report and audit report.

The conduct of relations inspection teams continue to send inspection questionnaires to the posts to be inspected. According to the Department, these questionnaires enable the posts to evaluate their operations and correct known problems before the inspection. The Department said the inspectors review the completed questionnaires and make sample tests of controls and procedures in accordance with detailed audit guides on procurement and property management. The Department believes that using the inspection questionnaire and audit guides insures adequate review of nonexpendable property.

ADEQUACY AND EFFECTIVENESS OF  
THE DEPARTMENT'S AUDIT EFFORT

According to the Department, our 1969 report on nonexpendable property caused the inspectors and auditors to place additional emphasis on reviewing nonexpendable property. We were told that the Department instructed the inspection teams to give special attention to the area and expanded the audit guide to provide additional guidance for reviewing property. The audit staff was still composed of 16 auditors--the size achieved with the 1968 increase--and the Department told us that under the conduct of relations inspection process, which started in January 1974, audits of nonexpendable property were to be performed every 2 years. Previously, audits of Embassies were performed about every 4 to 5 years. In 1974, 70 Embassies were inspected, and according to the Department, these inspections were to have included an audit of nonexpendable property. Only about 28 Embassy audits were performed in 1972 before the implementation of the conduct of relations procedures.

The following table shows the number of Department audit reports covering Embassies since 1969.

<u>Calendar year</u>	<u>Foreign Service inspections</u>	<u>Internal audits</u>
1969	74	23
1970	60	28
1971	64	22
1972	38	28
1973	59	30
1974	82	70

For the seven posts in our review, the number of audits made during the same period were as follows.

<u>Post</u>	<u>Number of audits</u>					
	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
Bangkok		1				
Manila			1		a/1	
New Delhi			1			a/1
Nairobi	1				a/1	
Rome		1			a/1	
Buenos Aires	1			1		
Calcutta						a/b/1

a/Foreign Service inspection and audit.

b/Calcutta is the site of a consulate in India; New Delhi is the Embassy's location. Before 1974 consulates and other outlying posts were not included in an Embassy unit.

## Effectiveness of audit recommendations

In an audit report for the Manila Embassy issued July 16, 1971, the auditors recommended, and the Embassy agreed, that the Embassy should (1) establish and maintain a property utilization program to obtain maximum use of property and (2) insure that property acquisition is limited to the quantity and quality necessary for effective and efficient operations. Our 1974 review disclosed these areas have not been improved on as agreed. (See pp. 18 to 20.)

In following up on audit recommendations, inquiries are made after 30 days. When the Inspector General's Office and the post cannot agree on a specific audit recommendation, the matter is put on an agenda for the next audit inspection.

A December 1969 audit report on the Buenos Aires Embassy recommended that the Embassy review its use of office equipment to (1) insure maximum use of all equipment and (2) effect proper disposal of excess units. The recommendation was based on the finding that excess office machines were held by the Embassy, including 173 typewriters for a total staff of 159 designated positions. The Embassy said it would comply with the recommendation. Our latest review disclosed that the Embassy had 200 typewriters for 154 designated positions.

Similar examples of continuing management weaknesses existed at the Bangkok, Nairobi, and New Delhi Embassies. (See pp. 19 and 22.)

## CONCLUSIONS

Although the audit coverage of overseas posts' personal property management practices has improved somewhat, the internal audit recommendations appear to be relatively ineffective in bringing about substantial improvements. This report adequately demonstrates that problems continue in this area. We believe that (1) the Department's followup activities have not been adequate to insure that appropriate corrective actions are implemented and (2) Embassy officials have not insured that the deficiencies identified at their posts are corrected.

## RECOMMENDATIONS TO THE SECRETARY OF STATE

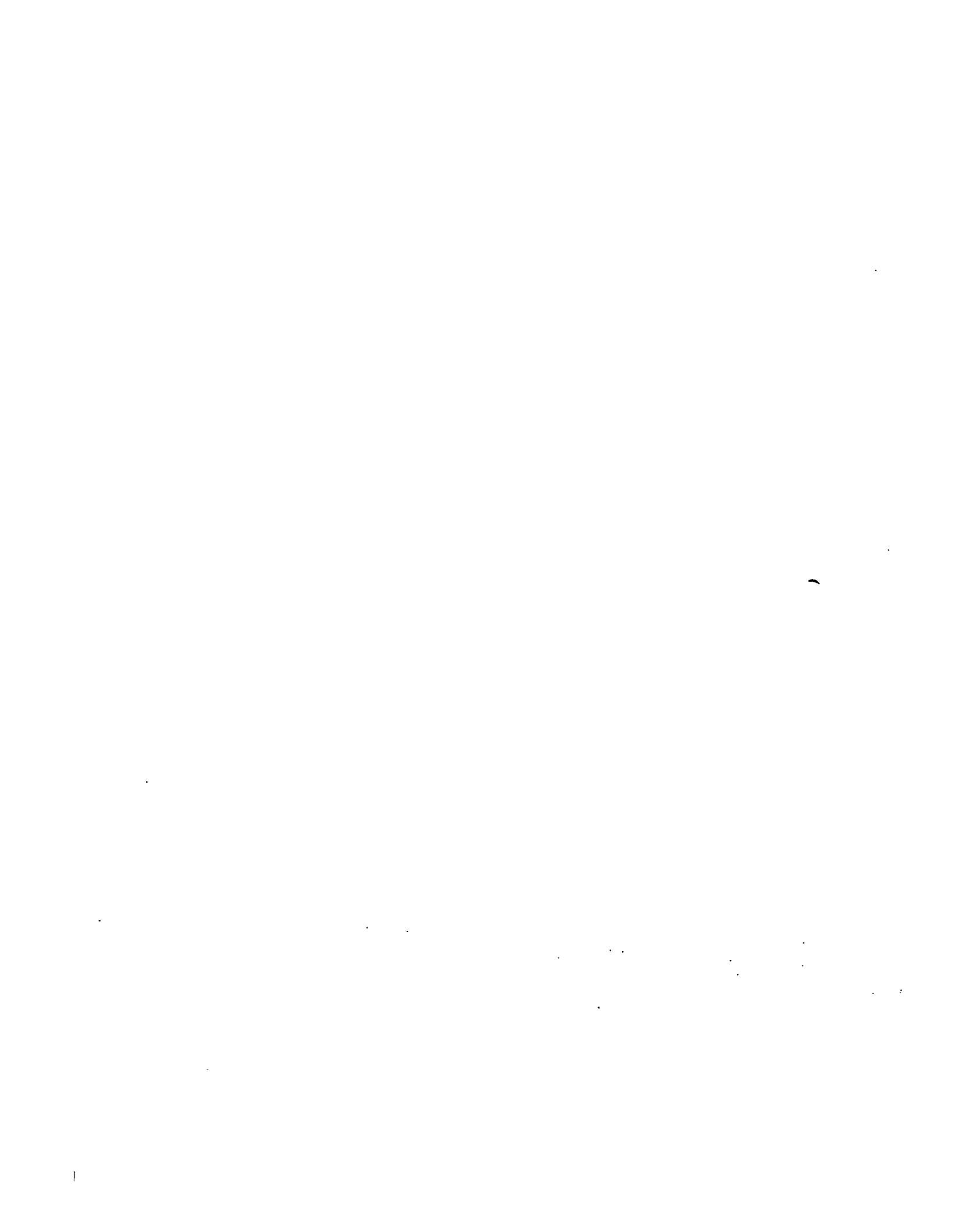
The conduct of relations inspection approach provides for more frequent internal audits of Embassies and their constituent posts than have been performed in the past. It is too early to tell whether the more frequent audits will result in more effective corrective actions being implemented. Until the Inspector General and the Department are assured that overseas posts implement and sustain

appropriate corrective actions, we recommend that the Secretary have the Inspector General initiate a more active followup program.

PRINCIPAL DEPARTMENT OF STATE OFFICIALS  
CONCERNED WITH THE SUBJECT MATTER  
OF THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
<b>SECRETARY OF STATE:</b>		
Henry A. Kissinger	Sept. 1973	Present
William P. Rogers	Jan. 1969	Sept. 1973
<b>DEPUTY UNDER SECRETARY OF STATE</b>		
<b>FOR MANAGEMENT (note a):</b>		
Lawrence S. Eagleburger	Feb. 1975	Present
L. Dean Brown	Dec. 1973	Feb. 1975
Nathaniel Davis (acting)	Dec. 1973	Dec. 1973
Curtis W. Tarr (acting)	Mar. 1973	Nov. 1973
William B. Macomber, Jr.	Oct. 1969	Mar. 1973
Idar Rimstad	Feb. 1967	Sept. 1969

a/Until July 11, 1971, title was Deputy Under Secretary of State for Administration.







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