



OIG

Office of Inspector General

U.S. Department of State • Broadcasting Board of Governors

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November 2017

Inspection of Consulate General Hong Kong, China

BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS



OIG HIGHLIGHTS

ISP-I-18-06

UNCLASSIFIED

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OFFICE OF INSPECTIONS

Bureau of East Asian and Pacific Affairs

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What OIG Found

- The Consul General demonstrated policy leadership and proactive engagement in official and public spheres but did not pay adequate attention to Consulate General Hong Kong's security, information management, internal controls, and staffing challenges.
- Consulate General Hong Kong had internal control deficiencies in consular management, facilities, and fee collections.
- The consulate general lacked sufficient internal controls related to its motor vehicle program, including driver and vehicle safety requirements.
- Spotlight on Success: The General Services Office reduced warehouse lease costs by modernizing shelving and using analytical tools to reduce holdings, while the Financial Management Section developed a pocket-sized manual and an application that explained the management platform to customers.
- Spotlight on Success: The Information Management Section used text messages, flyers, and an art contest to enhance customer service and engagement.

What OIG Inspected

OIG inspected U.S. Consulate General Hong Kong, China, from May 27 to June 15, 2017.

What OIG Recommended

This report includes 19 recommendations: OIG made 18 to Consulate General Hong Kong to improve operations and one to the Bureau of East Asian and Pacific Affairs regarding language designated positions.

In its comments on the draft report, the Department concurred with all 19 recommendations and OIG considers the recommendations resolved. The Department's response to each recommendation, and OIG's reply, can be found in the Recommendations Section of this report. The Department's formal written response is reprinted in its entirety in Appendix B.

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CONTEXT

Hong Kong is a special administrative region of the People's Republic of China. China formally assumed sovereignty of Hong Kong in July 1997 under a 1984 agreement with Great Britain. The "one country, two systems" formula established by that agreement accorded Hong Kong "a high degree of autonomy" on all matters except foreign affairs and defense. However, China exercises influence over domestic affairs through such mechanisms as the mainland National People's Congress Standing Committee's interpretation of Hong Kong's legal framework. In its evaluation of civil liberties and political rights, Freedom House in 2017 rated Hong Kong as "partly free" and noted a downward trend due to Beijing's encroachment on freedoms.

With a population slightly more than seven million people, Hong Kong in 2016 had the world's busiest air cargo hub, the fifth busiest container port, and Asia's third biggest stock market. With a 2016 gross domestic product estimated at \$427 billion and per capita income of \$58,100, Hong Kong ranked as the freest economy in the world according to the 2017 Heritage Foundation's Economic Freedom Index. China was Hong Kong's principal trading partner, and economic integration continues through trade, tourism, and finance.

Hong Kong was the United States' ninth largest trading partner in 2015, and the U.S. was Hong Kong's second largest source of direct investment in 2016. Hong Kong provides a platform for more than 1,400 U.S. companies engaged in regional and global trade and investment opportunities, including law firms, banks, accounting firms, and financial houses. Approximately 1.3 million Americans visit Hong Kong each year, and Hong Kong remains a regular port of call for the U.S. Navy.

The U.S. Consulate General in Hong Kong, under the terms of the 1992 Hong Kong Policy Act, is independent of the U.S. Mission to China. The Consul General reports directly to Washington, in accordance with the "one country, two systems" approach. Hong Kong's autonomy serves as the basis for a legal and economic system that allows the U.S. to pursue business and economic opportunities, promote political objectives, and reinforce cooperation on law enforcement. The consulate general also represents the United States in Macau which, like Hong Kong, is a Special Administrative Region of China. The recent expansion of Macau's gaming industry increased the presence of U.S. businesses and visitors and necessitated cooperation with the U.S. Government to fight money laundering and other transnational crime.

The top three goals in Consulate General Hong Kong's FY 2015-2017 Integrated Country Strategy (ICS) were:

- Supporting autonomy and democratic government.
- Fostering trade and investment.
- Promoting U.S. policies and values in the region.

At the time of the inspection, the consulate general hosted 13 agencies and included authorized staffing for 125 U.S. direct hire, 25 U.S. local hire Americans and 188 locally employed (LE) staff members. Total funding in FY 2016 was approximately \$40.6 million.

OIG evaluated the embassy's policy implementation, resource management, and management controls consistent with Section 209 of the Foreign Service Act.¹ A separate classified inspection report discusses the consulate general's security program and issues affecting the safety of mission personnel and facilities, as well as the information security and management program.

EXECUTIVE DIRECTION

OIG assessed leadership on the basis of 50 on-site interviews that included comments on Front Office performance, 150 questionnaires completed by U.S. and LE staff, and OIG's review of documents and observations of office meetings and activities during the course of the on-site inspection.

Tone at the Top and Standards of Conduct

According to staff and OIG's review of documents, the Consul General led his team in a professional manner. He demonstrated skill in planning strategically by organizing an offsite meeting shortly after his arrival in August 2016, which produced an action plan to guide diplomatic engagement and fostered collaboration consistent with leadership attributes outlined in 3 FAM 1214. However, staff at all levels, particularly in sections less involved in diplomatic engagement, also told OIG that he did not adequately communicate his vision for the mission, nor did he take sufficient steps to learn of the work challenges facing his staff. Neither the Consul General nor the Deputy Consul General (DCG) met formally with LE staff members to discuss longstanding concerns related to pay and other conditions of employment, leaving them uncertain of Front Office interest.

Staff members told OIG that the DCG did not adequately perform his mission as the consulate general's key manager. They said he frequently focused on less important details in his engagement with section chiefs and other staff and assigned tasks that kept subordinates from productively using their time. As a result, staff avoided raising issues with him, which, in turn, limited his effectiveness and his awareness of operational issues. Staff commended his respect for diversity and for promoting a workplace free of discrimination. He opened both days of an Equal Employment Opportunity and gender equality seminar for LE staff and, along with the Consul General, supported the consulate general's participation in a regional gender equality conference.

OIG concluded that both officers observed acceptable ethical practices in the conduct of their duties. A review of their entertainment and travel vouchers, gift records, and official representation expenses revealed no anomalies.

¹ See Appendix A.

Execution of Foreign Policy Goals and Objectives

Consul General Was Proactive on Strategy and Engagement

The Consul General shaped U.S. strategy to support Hong Kong's autonomy. He led the staff in preparing a revised set of priorities and work plans to sharpen the focus of the FY 2015-2017 ICS, which was developed before his arrival. He met with key members of Hong Kong's Legislative Council, the newly elected Hong Kong chief executive, and other senior government officials on core bilateral issues, including law enforcement cooperation, trafficking in persons, protection of intellectual property, and rule-of-law cooperation. The Consul General also met with key members of the business, civil society, and education sectors, including university and high school students. He traveled to Macau 13 times during his first 8 months to meet with key government and business leaders and to participate in public events. The Consul General gained widespread press attention in speeches and interviews on U.S. engagement with both Hong Kong and Macau. During the inspection, a major English language daily newspaper published an article portraying him in a positive light as he articulated U.S. goals. He and Hong Kong's incoming chief executive were featured speakers at an American Chamber of Commerce event marking the 20th anniversary of Hong Kong's status as a Special Administrative Region of China.

Effective Collaboration Supported Law Enforcement Goals

The consulate general's ICS included an extensive agenda to fight transnational crime and enforce U.S. export controls with the cooperation of the Hong Kong and Macau Governments. Participants at biweekly meetings of the Law Enforcement Working Group, chaired by the DCG, told OIG that the group provided good coordination. Law enforcement agency representatives described the Consul General as supportive of their missions with both Hong Kong and Macau officials.

Adherence to Internal Controls

The Front Office's oversight of internal controls lacked sufficient rigor. In August 2016, the newly arrived DCG, while acting as Consul General, reviewed and approved the Chief of Mission Annual Management Control Statement of Assurance with the acting management officer, but OIG found that some assurances proved inaccurate or unsubstantiated. These deficiencies are described in the Consular and Resource Management sections of this report. The Consul General and DCG told OIG they would strengthen their oversight going forward.

Developing Future Foreign Service Professionals

First- and Second-Tour (FAST) employees told OIG they did not benefit substantially from mentoring activities. As of June, 2017, Mission Hong Kong had 17 FAST employees, including two from other agencies. The DCG met with the employees as a group or individually and attended FAST events 16 times during the 11 months since his arrival to become acquainted with staff members and discuss career issues. The Consul General attended FAST meetings or social events three times during the same period. Despite these meetings, however, OIG found that the Front Office largely was unaware of the sustained, heightened work pace in the Consular Section, where approximately half of the FAST officers worked, and the effect this had

morale. FAST committee members also told OIG the committee lacked direction and that they had difficulty finding time to participate in events. OIG suggested to the Consul General and the DCG steps they could take to improve the program and their interactions with FAST staff.

Security of the Mission

The Consul General and the DCG were generally attentive to mission security. They chaired three counter-intelligence working group meetings, which participants told OIG were effective and focused. The DCG met weekly or more frequently as issues warranted with the Regional Security Officer. The consulate general held four emergency action committee meetings between July 2016 and the time of the inspection to ensure preparedness for special occasions. Both the Consul General and DCG participated in post security drills. However, as discussed in the companion classified inspection report,² the Consul General and DCG did not take an active role to address significant challenges in the security and information management programs.

POLICY AND PROGRAM IMPLEMENTATION

Consular Affairs

Consulate General Hong Kong's Consular Section provided the full range of American citizens services (ACS) and non-immigrant (NIV) and immigrant visa services. The NIV workload increased 46.7 percent from FY2012 through FY2016, and the section's passport and citizenship workload was the third highest in the Bureau of East Asia and Pacific Affairs. At the time of the inspection, which occurred during the section's busy NIV season, consular staff struggled to keep up with the workload. Staffing gaps left two of the three mid-level manager positions vacant and the Front Office tasked two of the section's six FAST officers to organize the consulate general's July 4 reception. More significantly, the Consular Section chief's focus on keeping wait times for NIV appointments as low as possible led to approaches, discussed below, that contradicted Department guidance and created inefficient processes. This resulted in an increased burden on an already stressed staff.

OIG reviewed all consular operations, including ACS, NIV and immigrant visa services, fraud prevention programs, and internal controls, and found that the Consular Section generally met Department standards. However, OIG found deficiencies in consular management, facilities, and fee collections, as detailed below.

Consular Management

Number of NIV Appointments Exceeded Daily Guidelines

The consulate general scheduled more NIV appointments than were recommended in guidelines established by the Bureau of Consular Affairs (CA). OIG reviewed NIV appointments schedules from March through May 2017 and found that the number of daily interviews per

² OIG, *Classified Inspection of Consulate General Hong Kong* (ISP-S-18-18, November 2017).

adjudicator averaged 130. However, that number exceeded 140 interviews on 13 days, and 171 on 1 day. One officer conducted 249 interviews on 1 day. In cable 2017 State 25814,³ the Department stated that, in order to ensure that each applicant receives the proper focus, posts generally should refrain from scheduling more than 120 visa interviews per consular adjudicator each day. The guidance further stated that a post should consult with CA if it planned to exceed that standard, which Consulate General Hong Kong did not do. The Consular Section chief explained that he was trying to keep the wait times for NIV appointments as short as possible. Consular officers, however, told OIG that they were exhausted and could not conduct quality adjudications. The Consular Section chief was unaware of these concerns when OIG brought them to his attention. After OIG advised him that the section should comply with CA's guidelines, he instituted changes during the inspection.

Inefficient Processing of NIV Applicants

The intake process to bring NIV applicants from the Consulate General front gate through various stages to the consular officer interview was inefficient. All applicants had to be fingerprinted by one of two American biometrics assistants prior to the interviews. OIG observed these assistants waiting more than 5 minutes for NIV applicants to appear at their windows, while hundreds of applicants were in line to enter the waiting room to be fingerprinted. No consular employees could explain to OIG what was preventing that line of applicants from moving forward. Employees reported that this inefficient flow of NIV applicants occurred regularly, and that, at times, they had to shout through windows to try to direct applicants to the correct lines.

Consular staff told OIG the issue began in early March 2017 when the Consular Section chief mandated a scheduling change in ACS appointments that increased the number of total applicants on certain days. ACS customers used the same intake process as NIV applicants, creating crowd flow problems. Since consular managers gave highest priority to serving ACS customers, the scheduling change most affected NIV applicants, who outnumbered ACS customers. In implementing these changes the section chief did not conduct an adequate workload analysis in accordance with 7 Foreign Affairs Handbook (FAH) -1 H-262, nor did he consult staff in accordance with 7 FAH-1 H-242c.(2) to understand the effect such a change might have. As illustrated by the problems described here, process changes that are not fully analyzed and vetted can lead to inefficiencies and poor customer service.

Recommendation 1: Consulate General Hong Kong should improve the intake process for nonimmigrant visa applicants in the Consular Section. (Action: Consulate General Hong Kong)

Nonimmigrant Visa Unit Staffing Did Not Keep Pace with Workload Increase

The growth in LE staffing did not keep pace with increases in the NIV workload. For example, consular staff told OIG that NIV Unit LE staff members took only 15-minute lunch breaks because they otherwise could not keep up with work demands. According to 7 FAH-1 H-432.4,

³ Cable 2017 State 25814, "Superseding 17 State 24324 Implementing Immediate Heightened Screening and Vetting of Visa Applicants," March 17, 2017.

consular managers should submit and support personnel requests if post believes that rising or more complex workloads, or other significant factors, call for increases in the number of position. Consular managers had not adequately reviewed the number of LE staff positions needed in the NIV Unit. Instead, they requested and received only one additional LE staff position, which increased the staff from 10 to 11 positions. This was inadequate to address the 46.7 percent increase in NIV applications from FY2012 through FY2016. Understaffed operations create the risk that work will not be completed accurately and saddle existing staff with an unsustainable workload.

Recommendation 2: Consulate General Hong Kong, in coordination with the Bureau of Consular Affairs, should conduct an analysis of its staffing needs in the Nonimmigrant Visa Unit and adjust staffing levels accordingly. (Action: Consulate General Hong Kong, in coordination with CA)

Eligibility Requirements for Nonimmigrant Visa Assistant Positions Were Incomplete

The education and experience eligibility requirements for the NIV Unit's visa assistant positions were incomplete. The position descriptions required applicants to have only a high school degree and did not allow for qualifying work experience. Consular managers did not require a university degree, despite the increased complexity of NIV work in these positions, due to concerns that it would disadvantage current staff who did not have such degrees. Consular managers were unaware that they could include relevant work experience as an alternate requirement. According to 3-FAH-2 H-443.1, the official in charge of an organizational unit is responsible for keeping position descriptions up to date, and the human resources or other American official charged with the personnel function is responsible for ensuring that the position classifications are current. In addition, 3-FAH-2 H443.3 requires officials to review position descriptions annually. Incomplete eligibility requirements can lead to incorrect position grade levels.

Recommendation 3: Consulate General Hong Kong, in coordination with the Bureau of Human Resources, should update the position descriptions for the visa assistant positions in the Consular Section's Nonimmigrant Visa Unit in accordance with Department standards. (Action: Consulate General Hong Kong, in coordination with DGHR)

Consular Section Facilities

NIV Chief Did Not Have Line-of-Sight Control over Unit Staff

The NIV Unit chief did not have line-of-sight control over most of the unit employees. OIG observed that his work area was located in the back corner of a long rectangular work area and his view of the unit was blocked substantially by a wall. This is inconsistent with 7 FAH-1 H-281(e), which explains that line-of-sight is an important aspect of consular section design and management. Without line-of-sight, the NIV chief lacks a key tool to monitor activity in the unit.

Recommendation 4: Consulate General Hong Kong should provide the chief of the Nonimmigrant Visa Unit with an office that allows for line of sight control of the unit's operations. (Action: Consulate General Hong Kong)

Consular Officers Cubicles Not Interspersed Among Locally Employed Staff

The cubicles for consular officers in the NIV Unit were located in the back of the work area, rather than being interspersed among those used by the LE staff. According to 7-FAH-1 H-281(e), work stations and offices for adjudicating officers should be located throughout the section to provide the greatest possible range of overlapping lines-of-sight. Consular managers were unaware of this requirement. It is important to comply with this standard, because, as noted previously, insufficient line-of-sight can degrade internal control.

Recommendation 5: Consulate General Hong Kong should locate cubicles for consular officers among the cubicles for locally employed staff throughout the Nonimmigrant Visa unit. (Action: Consulate General Hong Kong)

Consular Windows Were Poorly Designed

The windows for serving customers and applicants throughout the Consular Section had wide ledges, requiring employees to lean over to retrieve and pass back documents. As a result of this repetitive motion, often done more than 100 times per day, some employees told OIG they had developed back pains. The Bureau of Consular Affairs Ergonomics Guide states that while there are no regulatory requirements for workplace ergonomics programs, the bureau will adhere to best industry practices. Poorly designed work areas increase the risk of injury to employees. OIG advised consular managers to coordinate with CA on possible solutions to this problem, including whether the window ledges could be physically modified.

Consular Section Lacks Wheelchair-Accessible Interview Window

The Consular Section lacked an interview window that was easily accessible to wheelchair-bound consular customers and applicants as required by 7 FAH-1 H-282. The section had two windows at wheelchair height, but they could only be accessed by stairs. Without an interview window accessible to clients in wheelchairs, and low enough for them to use, they do not have equal access to this federal facility, making it difficult for both the applicant and the officer to conduct an interview.

Recommendation 6: Consulate General Hong Kong, in coordination with the Bureau of Overseas Buildings Operations and the Bureau of Consular Affairs, should provide a wheelchair-accessible interview window for consular customers. (Action: Consulate General Hong Kong, in coordination with OBO and CA)

Consular Section Not in Compliance with Fee Standards for Outreach Events

Employees collected credit card information from customers at consular outreach events⁴ in order to process the payments upon return to the consulate general. This practice violated 7 FAH-1 H-727.2, which states that credit cards currently cannot be accepted on outreach or out-of-office trips. Consular section managers were unaware of this prohibition. It is important to

⁴ Consulate General Hong Kong conducted monthly "Macau Days" in which consular employees provided certain ACS services in Macau.

modify existing practice, as processing credit card transactions when the card owner is not present increases the risk of fee malfeasance and illegal use of credit cards.

Recommendation 7: Consulate General Hong Kong, in coordination with the Bureau of Consular Affairs, should implement a policy for consular fee collections during outreach events that complies with Department standards. (Action: Consulate General Hong Kong, in coordination with CA)

Reporting, Analysis, and Diplomatic Engagement

OIG reviewed the Economic-Political Section's leadership and management, support for ICS goals, reporting and diplomatic engagement, commercial promotion, Leahy vetting,⁵ and implementation of export controls, and found them to be generally in compliance with Department standards.

Economic-Political Section Supported Strategic Goals

The Economic-Political Section provided effective support to the Consul General's efforts to implement the mission's strategic goals. After the Consul General's arrival in August 2016, the section prepared a 90-day plan to engage government, political, business, academic, and civil society leaders in Hong Kong and Macau. At the beginning of 2017, the section produced six policy papers to support initiatives laid out in the proposed strategy to support Hong Kong's "one country, two systems" framework. More recently, in support of the ICS goal to foster market access for U.S. firms, the section collaborated with the U.S. Commercial Service to intervene with Hong Kong authorities on a tax issue that disadvantaged a U.S. firm.

Reporting Met Washington Consumer Needs, But Coverage of Topics Uneven

Consumers from 11 Department bureaus and Washington agencies consulted by OIG assessed the section's reporting to be of high quality. They consistently highlighted reports on legislative elections and actions taken by the Beijing government that affected press freedom, judicial proceedings, and other aspects of Hong Kong's autonomy. Despite having the same number of political and economic officers, the section produced a preponderance of analytical reporting on political topics. This imbalance occurred partly because the section assigned higher priority to political reporting on Hong Kong's 2016-2017 elections and partly because it did not require officers to fulfill its reporting plan, which contemplated a more even balance between political and economic issues. OIG advised the section to require compliance with its reporting plan as a means to improve the balance of reporting across political and economic topics.

Effective Collaboration on Export Controls

The ICS identified maintaining the integrity of Hong Kong's stringent export control regime as a high priority. A Department of Commerce export control officer monitored dual use items, while the Economic-Political Section monitored commercial defense items through pre- and post-

⁵ The Leahy Amendment to the Foreign Assistance Act of 1961 prohibits the Department of State from furnishing assistance to foreign security forces if the Department receives credible information that such forces have committed gross violations of human rights. See 22 USC 2378d.

license checks. Staff described effective cooperation between the Export Control Officer and Economic-Political Section staff, who often dealt with the same Hong Kong firms for different transactions. Department of State officials described the section's monitoring under the Blue Lantern program⁶ as diligent and responsive.

Standard Operating Procedure for Leahy Vetting Approved, but Training Required

Consulate General Hong Kong vetted 132 individuals in 2015, 146 in 2016, and 45 through June 13, 2017, for gross human rights violations under the Leahy vetting program. The consulate general conducted vetting under a draft standard operating procedure that the Department approved during the inspection. The new procedure reassigned the Leahy vetting coordinator function from the Regional Security Office to the Economic-Political Section, a change that was scheduled to take effect following the 2017 summer transfer season. OIG suggested that the consulate general require that both the incoming Leahy vetting coordinator and human rights officer take the Foreign Service Institute online course for the International Vetting and Security Tracking system for Leahy Vetting, in accordance with the Department's Leahy Vetting Guide.

Public Diplomacy

The Public Affairs Section used strategic planning and a range of tools and programs to advance ICS goals, with an emphasis on supporting Hong Kong's autonomy. The section promoted academic, cultural, educational, and scientific ties between the United States and Hong Kong, which has a dynamic media landscape, diverse civil society, and advanced higher education system. However, local perceptions of the United States were mixed, and the consulate general faced the challenge of countering the false narrative that the United States and other "foreign forces" seek to interfere in Hong Kong politics and its relationship with the central government in Beijing.

OIG reviewed financial management, alumni outreach, English language programs, and social media engagement and found these areas to be in compliance with Department standards. OIG also found that the Public Affairs Section's EducationUSA⁷ activities supported ICS goals. OIG identified deficiencies in grants administration, but found the section's two warranted Grants Officers and two certified Grants Officer Representatives used documented guidelines and collaborated with other sections to conduct merit-based reviews of grant applications. OIG also found deficiencies in educational advising operations, discussed below.

Late Adoption of Risk Assessment and Monitoring Procedures

OIG found that none of the section's 44 Federal assistance awards (grants) awarded from October 2015 through November 2016 (totaling \$181,746) included risk assessments and

⁶ The Department's Blue Lantern program monitors end use and end users of U.S. exports that are regulated under the Arms Export Control Act and International Traffic in Arms Regulations.

⁷ EducationUSA is a Department-funded network of international student advising centers, which promote U.S. higher education opportunities by offering accurate, comprehensive, and current information about opportunities to study at accredited postsecondary institutions in the United States.

monitoring plans. Section 2.03-A of the Department's Federal Assistance Policy Directive,⁸ however, requires a risk assessment worksheet be completed for all grants. The failure to do so leaves the Department vulnerable to loss of funds, fraud on the part of the grantee, or failure by the grantee to adequately perform on the award. The Department also requires the risk assessment be incorporated into a monitoring plan. The plan should include a risk mitigation strategy and identify tools to measure the recipient's progress in meeting the grant's goals and objectives. OIG found, however, that all grant files included both risk assessment and monitoring plans after five section staff members attended a December 2016 grants training course.

Grant Files Lacked Some Required Documentation

OIG also found the section was not using the Excluded Parties List system or properly documenting the designation of Grants Officer Representatives. Twenty-six grants awarded in FY2016 and FY2017 lacked documentation showing that the Excluded Parties List had been checked. Department guidance⁹ states that grants officers must verify, prior to award, that none of the potential grant recipients are excluded, are delinquent in any Federal taxes, or owe a debt to the Federal government. The procedural guide also requires that this verification be documented in the official file. Section personnel were aware of these requirements, but misinterpreted the exceptions associated with this pre-award procedure. This failure to check the Excluded Parties List System diminished the section's ability to detect and address risk.

While the section had assigned a grants officer representative for every grant, none of the files included a Grants Officer's Delegation of Authority Letter as required by Section 1.05-C of the Federal Assistance Policy Directive. The section's grants officers were unaware of this requirement. In the absence of this documentation, grants officer representatives lack written confirmation of their oversight responsibilities.

Recommendation 8: Consulate General Hong Kong should update its standard operating procedure for grants administration to include checking the Excluded Parties List system and preparing a Grants Officer's Delegation of Authority Letter. (Action: Consulate General Hong Kong)

Section Did Not Receive Regional Educational Advising Coordinator Reports

OIG determined the Beijing-based Regional Educational Advising Coordinator¹⁰ conducted five official visits to Hong Kong from January 2015 through March 2017 for meetings and adviser training but had not submitted any site visit reports to the Public Affairs Section. Staff told OIG

⁸ Grants reviewed by OIG were subject to the Department's Federal Assistance Policy Directive (issued March 2015, revised January 2016) and the Procedural Guide for Grants and Cooperative Agreements to Non-Federal Entities Not Recognized as Foreign Public Entities (issued December 2015). On May 20, 2017, the Office of the Procurement Executive consolidated these two documents into the updated Federal Assistance Directive.

⁹ Office of the Procurement Executive's Procedural Guide for Grants and Cooperative Agreements to Non-Federal Entities Not Recognized as Foreign Public Entities, Pre-Award Section, Part 9, December 31, 2015

¹⁰ Via cooperative agreement with the Bureau of Educational and Cultural Affairs, the Institute for International Education employs Regional Education Advising Coordinators to support a global network of EducationUSA centers and advisors. The coordinator based in Beijing covers China (including Hong Kong and Macau) and Mongolia.

they were unaware of the requirement for coordinator site visit reports until OIG requested copies prior to the inspection. In fact, according to the Institute of International Education's Regional Educational Advising Coordinator Handbook, site visit reports must be submitted to the section, relevant educational advisers, and the advisers' immediate supervisors within 2 weeks of a visit. The coordinator told OIG she lacked clear guidance on when or how to prepare such reports. In the absence of such documentation, the Public Affairs Section was unable to follow up on recommendations or fully benefit from the coordinator's advice on the efficient and effective use of EducationUSA resources. Because the coordinator is based at Embassy Beijing, OIG made a recommendation to address this issue in the concurrently prepared inspection report of Embassy Beijing¹¹ and did not make a recommendation here. In its comments on the Embassy Beijing draft report, the embassy noted it was developing a written plan for Regional Educational Advising Coordinator reporting.

RESOURCE MANAGEMENT

Management Operations

OIG reviewed internal control systems in the human resources, financial management, general services, facility management, information management, health unit, and Equal Employment Opportunity programs. OIG found the Management Section generally implemented required processes and procedures in accordance with applicable laws and Department guidance, except as noted below.

Human Resources

Mandarin Designated Positions Do Not Meet Operational Need for Cantonese Speakers

Eight of the consulate general's 10 language designated positions (LDP) list Mandarin as the primary language even though 90 percent of Hong Kong's population speaks Cantonese; only two percent of the population speaks Mandarin.¹² English, an official language of Hong Kong, also is widely spoken. Seven of the eight officers in the Mandarin-designated positions told OIG they rarely used Mandarin and generally were able to conduct embassy business in English. However, they also said that having a few officers who speak Cantonese would improve the consulate general's effectiveness.

The consulate general proposed changing the primary designation of the eight language designated positions from Mandarin to Cantonese in its submission for the Department's 2017 Triennial Review of LDPs. The mission also proposed reducing the designated proficiency level,¹³ which would save 1 year of language training for each position. However, the Bureau of East Asian and Pacific Affairs failed to act on the consulate general's proposal because the Department's Foreign Service Institute does not have a Cantonese training program, and the

¹¹ OIG, *Inspection of Embassy Beijing* (ISP-I-18-04, not yet released).

¹² While 2 of the 10 LDPs listed Cantonese as the primary language, neither of the incumbents spoke it.

¹³ The proposed reduction was from general professional proficiency in speaking and reading (S3/R3) to limited working proficiency (S2/R2).

bureau did not believe the Department should invest in developing one, given that English is widely spoken in Hong Kong. According to the Foreign Service Institute, developing a Cantonese curriculum would cost \$250,000.

Guidance in 13 FAM 221.2 establishes "operational need as the determining criterion for establishing LDPs, where language proficiency is essential, rather than merely helpful or convenient, for enhancing U.S. effectiveness abroad." Training officers to a level of general professional proficiency in Mandarin—a language that does not appear to be essential or meet an operational need—requires 2 years of full-time study, including the second year at the Department's field school in Taiwan. A 2013 OIG report¹⁴ estimated the cost of training an officer to proficiency in Mandarin at nearly \$460,000. Training officers to the same level of proficiency in Cantonese would incur a similar cost. However, as the consulate general proposed, a lower proficiency level in Cantonese would meet post's operational needs. In addition, based on OIG's observations during the inspection, it is possible that operational need also could be met by eliminating the language designation from some of the eight LDPs, due to the widespread use of English in Hong Kong.

OIG concluded that a thorough review is needed to determine the appropriate number and levels for the LDPs to ensure Consulate General Hong Kong meets the standards in 13 FAM 221.2. Reducing or eliminating the required language proficiency from some positions would better meet operational needs and could result in significant cost savings. Determining savings depends on the mix of LDPs found necessary to meet operational requirements. However, using costs from OIG's 2013 Foreign Service Institute inspection report and the consulate general's proposal to reduce required proficiency for eight positions, OIG determined that one-time savings could be as high as \$2 million. These funds could be put to better use.

Recommendation 9: The Bureau of East Asian and Pacific Affairs, in coordination with Consulate General Hong Kong and the Bureau of Human Resources, should determine the number and levels for language designated positions at Consulate General Hong Kong in accordance with Department standards, and put up to \$2 million to better use. (Action: EAP, in coordination with Consulate General Hong Kong and DGHR)

Employment Policies Not Translated into Cantonese for Locally Employed Staff

Consulate General Hong Kong did not translate employment policies affecting LE staff members into Cantonese. The Human Resource Section prioritized releasing policies in English, including one for the local compensation plan and told OIG it did not have time to prepare translations. According to 3 FAH 2 H-126.7, however, if any employees have difficulty reading and comprehending English, all written communication should be translated into the host country's language. Insufficient clarity on employment policies can contribute to lack of trust and confidence in the human resource program.

¹⁴ OIG, *Inspection of the Foreign Service Institute* (ISP-I-13-22, March 2013).

Recommendation 10: Consulate General Hong Kong should translate any policies affecting locally employed staff into Cantonese. (Action: Consulate General Hong Kong)

Financial Management

Need for Accommodation Exchange Not Justified

The Consul General did not complete the required justification in order for the mission to provide accommodation exchange for U.S. direct-hire employees as required by 4 FAH-3 H-361.2a. This justification should be based on the availability of U.S.-owned foreign currency in the country and of satisfactory local banking and automated teller machine facilities. Without a chief of mission determination that accommodation exchange is necessary, it is possible that the consulate general may be providing an unnecessary and resource-intensive service that creates additional cash advance liability risks.

Recommendation 11: Consulate General Hong Kong should justify continued provision of accommodation exchange services in accordance with Department standards. (Action: Consulate General Hong Kong)

Spotlight on Success: Practical Guide for ICASS Services

The Financial Management Section developed a pocket-sized manual that explains the International Cooperative Administrative Support Services (ICASS) platform to employees and family members. The manual helped management staff explain to customers which services (including financial, human resources, general services and facility management) they provided to each agency. The manual used generic language to explain how management sections operate financially overseas; this language easily could be adopted by other posts. Consulate General Hong Kong also developed a basic mobile device application as a substitute for the hard-copy manual.

General Services

Official Drivers, Vehicles Used to Transport Non-U.S. Government Personnel

Consulate General Hong Kong used motor pool drivers and vehicles to transport non-U.S. Government employees to and from representational events at the Consul General's residence. The General Services Office provided this service to facilitate the invited guests' attendance as there is neither parking nor public transportation available at the Consul General's residence, and taxi return service is unreliable. Guidance in 14 FAM 433 does provide for the use of official vehicles for purposes that "may be deemed appropriate for the conduct of official U.S. Government business, and as approved in writing by the chief of mission or principal officer." The Consul General, however, had not approved in writing the use of official vehicles to transport guests to representational events, in part because mission staff disagreed whether 14 FAM 433 would allow it. This lack of a written determination means that there has been no formal assessment whether such transportation is appropriate in light of the additional costs and risks (including overtime for drivers, wear and tear on vehicles, and possible liability risks for the U.S. Government in the event of an accident).

Recommendation 12: Consulate General Hong Kong, in coordination with the Bureau of Administration, should clarify whether transportation of non-U.S. Government employees to representational events is appropriate, and then document the justification in accordance with Department standards. (Action: Consulate General Hong Kong in coordination with A).

Keys Improperly Left in Parked Official Vehicles

Due to limited parking, Consulate General Hong Kong required keys to remain in all vehicles parked on the chancery lot for the drivers' convenience. In accordance with 14 FAM 436.3c, however, the motor vehicle accountable officer must establish effective management control procedures to ensure vehicles are used only by qualified drivers or other authorized operators. Lack of an effective key control system increases the risk of unauthorized use of official vehicles and exposes the Consulate General to potential liability in the event of an accident or other incident.

Recommendation 13: Consulate General Hong Kong should implement a system to store, issue, and return keys for official vehicles. (Action: Consulate General Hong Kong)

Drivers Lacked Training and Medical Clearances

Consulate General Hong Kong's motor vehicle accountable officer failed to ensure that only trained and medically cleared drivers operated official vehicles. OIG conducted a spot check of training and medical records and found that at least 10 drivers did not have medical clearances, and more than 15 drivers had not received safety training since 2014. In addition, OIG was unable to verify that incidental drivers¹⁵ were trained and medically cleared because the consulate general used an outdated roster. Poor recordkeeping and managerial inattention caused these deficiencies. As stated in 14 FAM 432.4c, however, posts that employ chauffeurs or authorize incidental operators to self-drive official vehicles must implement the Department's Overseas Motor Vehicle Safety Management Program.¹⁶ In addition, all U.S. Government agencies under chief of mission authority also must comply with these requirements for their chauffeurs and incidental operators. Inadequate oversight of the Motor Vehicle Safety Management Program can lead to motor vehicle mishaps and increase the risk of liability to the consulate general.

Recommendation 14: Consulate General Hong Kong should require all drivers to be trained and medically cleared in accordance with the Department's Motor Vehicle Safety Management Program. (Action: Consulate General Hong Kong)

¹⁵ Incidental drivers are employees other than chauffeurs who have been assigned or operate an official vehicle incidental to their primary job.

¹⁶ The Motor Vehicle Management Safety Program requires safety training for all chauffeurs and incidental operators upon initial assignment of an official vehicle and at least every 2 years thereafter. The program also requires that all chauffeurs be medically cleared every 2 years and that incidental drivers be medically cleared every 4 years.

Drivers Exceeded 10-Hour Day Rule

OIG's review of six pay periods found that drivers regularly worked more than 10 hours per day. In one pay period, for example, one driver worked more than 10 hours on 7 out of 10 working days and claimed as many as 14 hours per day. Motor pool management did not assign additional drivers to cover overtime. 14 FAM 432.4 (c) (3) requires that posts follow the Motor Vehicle Safety Management Program guidance which states that duty time should not exceed 10 hours per day and overtime must be limited to allow drivers 8 hours of sleep prior to each day of duty. Failure to limit vehicle operator duty hours increases the risk of motor vehicle accidents.

Recommendation 15: Consulate General Hong Kong should limit driver duty hours to 10 hours per day. (Action: Consulate General Hong Kong)

Spotlight on Success: Warehouse Initiatives Generated Cost Savings

The General Services Office's active personal property management program helped reduce FY 2018 annual warehouse lease costs by \$60,888. The section projected more than \$100,000 in annual savings in subsequent years. The section modernized its warehouse shelving, minimized the need to store expendable supplies, and used Integrated Logistics Management Systems¹⁷ analytics to identify obsolete items for disposal. The system's analytics also helped the section reduce its furniture and appliance program purchases, which further lowered warehouse storage requirements. All agencies at Consulate General Hong Kong collaborated with the General Services Office, whose property staff now ask: "Is this worth \$18 per square foot to store?"

Facility Management

No Preventative Maintenance Program for U.S. Government-Owned Air Conditioning Systems

Consulate General Hong Kong failed to maintain air conditioning systems in some U.S. Government-owned residential complexes. The consulate general allowed maintenance contracts to lapse due to what officials perceived to be high annual costs. The contracts totaled \$46,222 when awarded in 2013. Per guidance in 15 FAM 613, each mission must establish and implement a comprehensive preventive, routine, and special maintenance program for all major building support systems. The lack of preventive air conditioning maintenance increases the risk that these systems could fail, leaving U.S. Government-owned facilities vulnerable to disruptions in operations and requiring additional financial resources.

Recommendation 16: Consulate General Hong Kong should establish an air conditioning preventative maintenance program for all U.S. Government-owned residential complexes (Action: Consulate General Hong Kong).

¹⁷ Integrated Logistics Management System analytics produce customizable reports that support effective management of property, expendables and procurement, including metrics on inventory age and disposal history.

Facility Management Contracts Lack Oversight

The Facility Manager failed to properly administer facility contracts. OIG reviewed contracting officer's representative (COR) files for 8 of the 15 facility management contracts and found that they did not comply with Department standards. For example, the COR did not review and approve contractors' invoices or evaluate and document contractors' performance in the Contractor Performance Assessment Reporting System. Due to staffing gaps, the COR was responsible for providing oversight for all facility management contracts but was unable to do so because of the volume of work. In accordance with 14 FAM 222c, however, the contracting officer may designate one or more technically qualified personnel as an authorized representative to assist in contract administration; that is, the relevant contracting officer can nominate additional CORs if necessary. It is important to address this issue, as the failure to monitor and document a contractor's technical progress risks the U.S. Government paying for work it has not received.

Recommendation 17: Consulate General Hong Kong should designate and train additional contracting officer's representatives to assist with contract oversight. (Action: Consulate General Hong Kong)

Health Unit

Insufficient Oversight of Controlled Substances

The Health Unit did not properly inventory and store controlled substances. OIG's spot check of controlled substances and dispensing and disposal records found missing and unrecorded controlled substances. During the course of the inspection, the Health Unit located the missing items, but OIG found other controlled substances that were left unsecured and that the Health Unit did not include in the inventory. As stated in 16 FAM 742a, the Foreign Service Medical Specialist must ensure that all controlled substances are maintained and stored in locked cabinets. The accountable medical specialist also is responsible for ensuring that supply records of controlled substances are properly maintained in accordance with 14 FAM 410. Failure to adequately inventory and protect supplies and medications can result in theft of U.S. Government resources.

Recommendation 18: Consulate General Hong Kong should implement procedures to inventory and store controlled substances in accordance with Department standards. (Action: Consulate General Hong Kong)

Equal Employment Opportunity

Consul General Did Not Nominate Equal Employment Opportunity Counselors

Consulate General Hong Kong's Equal Employment Opportunity counselors had not been nominated by the Consul General due to managerial inattention. According to 3 FAM 1514.2, chiefs of mission at posts with more than 50 employees are encouraged to nominate more than one U.S. employee as counselors. Following nomination and completion of training, posts should publicize their names. Lack of trained counselors can contribute to inaccurate guidance

or insufficient protections for employees who believe they have been discriminated against on the basis of a protected class. During the inspection, Consulate General Hong Kong contacted the Office of Civil Rights to help identify new Equal Employment Opportunity counselors.

Information Management and Information Security

OIG reviewed classified, unclassified, and dedicated internet network operations; physical protection of IT assets; classified communication security; emergency communication preparedness; radio and telephone programs; and mail and pouch services. OIG found that Information Management (IM) Section staff met the day-to-day computing and communications needs of the consulate general with a focus on customer service and customer engagement. However, OIG found deficiencies in the implementation of effective information security and program management, as detailed below and in the related classified report.

Spotlight on Success: IM Customer Service and Engagement

The IM Section developed creative methods to enhance customer service and engagement. Staff used the consulate general's text message emergency notification group to provide network users with information on telecommunications outages and restorations. These messages included IM Helpdesk contact information for users who needed additional assistance. The IM staff also developed trifold and posted flyers to educate employees on topics such as the Cybersecurity Incident Program, unauthorized removable media, Diplomatic Post Office, and telephone operations. In order to improve customer engagement and to advertise IM Helpdesk contact information, the section held a photo contest and printed the winner's submission on mousepads, which they distributed to employees throughout the consulate general.

Knowledge Management Process for Documenting Operations Lacking

Consulate General Hong Kong lacked knowledge management procedures to ensure reliable documentation and historical information for managing IM programs. OIG found instances where IM managers were unable to explain the conditions of operations they managed. OIG also found inconsistencies in systems maintenance record keeping. The Information Management Officer began to address these deficiencies after his arrival in August 2016, but staffing shortages left limited time for the staff to complete this process. According to 5 FAM 867, IM managers must maintain documentation for all aspects of computer support and operations to ensure continuity and consistency. The absence of reliable information affects internal control and diminishes the effectiveness of IM programs.

Recommendation 19: Consulate General Hong Kong should implement knowledge management procedures for capturing, sharing, transferring, and retaining information related to its information management programs. (Action: Consulate General Hong Kong)

RECOMMENDATIONS

OIG provided a draft of this report to Department stakeholders for their review and comment on the findings and recommendations. OIG issued the following recommendations to the Bureau of East Asian and Pacific Affairs and Consulate General Hong Kong. The Department's complete response can be found in Appendix B.

Recommendation 1: Consulate General Hong Kong should improve the intake process for nonimmigrant visa applicants in the Consular Section. (Action: Consulate General Hong Kong)

Management Response: In its October 26, 2017, response, Consulate General Hong Kong concurred with the recommendation. The consulate general noted that it has implemented measures to improve overall consular customer flow. These measures included streamlining security processing, in coordination with the Regional Security Officer, and staggering American Citizen Services and nonimmigrant visa appointments. The consulate general also noted that it will continue to monitor and adjust the process as appropriate.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation of the improved intake process for nonimmigrant visa applicants.

Recommendation 2: Consulate General Hong Kong, in coordination with the Bureau of Consular Affairs, should conduct an analysis of its staffing needs in the Nonimmigrant Visa Unit and adjust staffing levels accordingly. (Action: Consulate General Hong Kong, in coordination with CA)

Management Response: In its October 26, 2017, response, Consulate General Hong Kong concurred with the recommendation. The consulate general noted the Bureau of Consular Affairs authorized both an additional entry-level officer and locally employed staff position, as well as a temporary locally employed staff position. The consulate general also established a process to review staffing needs on an ongoing basis.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation of the staffing analysis and subsequent actions.

Recommendation 3: Consulate General Hong Kong, in coordination with the Bureau of Human Resources, should update the position descriptions for the visa assistant positions in the Consular Section's Nonimmigrant Visa Unit in accordance with Department standards. (Action: Consulate General Hong Kong, in coordination with DGHR)

Management Response: In its October 26, 2017, response, Consulate General Hong Kong concurred with the recommendation. The consulate general noted that it was updating the position descriptions for the visa assistant positions and would also review and update position descriptions for other units in the Consular Section, as necessary.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation of the updated visa assistant position descriptions.

Recommendation 4: Consulate General Hong Kong should provide the chief of the Nonimmigrant Visa Unit with an office that allows for line of sight control of the unit's operations. (Action: Consulate General Hong Kong)

Management Response: In its October 26, 2017, response, Consulate General Hong Kong concurred with the recommendation. The consulate general noted that it had complied with the recommendation.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the chief of the Nonimmigrant Visa Unit has an office that allows line of sight control of unit operations.

Recommendation 5: Consulate General Hong Kong should locate cubicles for consular officers among the cubicles for locally employed staff throughout the Nonimmigrant Visa unit. (Action: Consulate General Hong Kong)

Management Response: In its October 26, 2017, response, Consulate General Hong Kong concurred with the recommendation. The consulate general noted that it had complied with the recommendation.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that consular officers' cubicles are located among the Nonimmigrant Visa unit locally employed staff cubicles.

Recommendation 6: Consulate General Hong Kong, in coordination with the Bureau of Overseas Buildings Operations and the Bureau of Consular Affairs, should provide a wheelchair-accessible interview window for consular customers. (Action: Consulate General Hong Kong, in coordination with OBO and CA)

Management Response: In its October 26, 2017, response, Consulate General Hong Kong concurred with the recommendation. The consulate general noted the Facility Manager was compiling a design, scope of work, and cost estimate for the project. The consulate general will seek funding from the Bureau of Overseas Buildings Operations once this is completed.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation of a wheelchair accessible window for consular customers.

Recommendation 7: Consulate General Hong Kong, in coordination with the Bureau of Consular Affairs, should implement a policy for consular fee collections during outreach events that complies with Department standards. (Action: Consulate General Hong Kong, in coordination with CA)

Management Response: In its October 26, 2017, response, Consulate General Hong Kong concurred with the recommendation. The consulate general noted that it now accepts only bank drafts for fees collected offsite.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation of the policy for consular fee collection during outreach events that complies with Department standards.

Recommendation 8: Consulate General Hong Kong should update its standard operating procedure for grants administration to include checking the Excluded Parties List system and preparing a Grants Officer's Delegation of Authority Letter. (Action: Consulate General Hong Kong)

Management Response: In its October 26, 2017, response, Consulate General Hong Kong concurred with the recommendation. The consulate general noted that the Public Affairs Section created an updated grants process checklist, which included checking the Excluded Parties List system and preparing a Grants Officer's Delegation Authority letter for each grant.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation of the updated procedure for grants administration.

Recommendation 9: The Bureau of East Asian and Pacific Affairs, in coordination with Consulate General Hong Kong and the Bureau of Human Resources, should determine the number and levels for language designated positions at Consulate General Hong Kong in accordance with Department standards, and put up to \$2 million to better use. (Action: EAP, in coordination with Consulate General Hong Kong and DGHR)

Management Response: In its October 26, 2017, response, Consulate General Hong Kong concurred. The consulate general noted that it submitted a request to adjust its language designation positions via the Triennial Language Designation Review process. In its November 8, 2017, email response, EAP concurred with the recommendation and the consulate general's plan to review the positions.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation of the Triennial Language Designation Review for Consulate General Hong Kong.

Recommendation 10: Consulate General Hong Kong should translate any policies affecting locally employed staff into Cantonese. (Action: Consulate General Hong Kong)

Management Response: In its October 26, 2017, response, Consulate General Hong Kong concurred with the recommendation. The consulate general noted that all management policies, with the exception of the locally employed staff handbook and local compensation plan, have

been translated. The remaining two documents will be translated after the consulate general receives the Bureau of Human Resources' revised Reduction-in-Force guidance.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that policies affecting locally employed staff have been translated to Cantonese.

Recommendation 11: Consulate General Hong Kong should justify continued provision of accommodation exchange services in accordance with Department standards. (Action: Consulate General Hong Kong)

Management Response: In its October 26, 2017, response, Consulate General Hong Kong concurred with the recommendation. The consulate general noted that it approved a new policy that adheres to Department standards.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation of the accommodation exchange services policy that adheres to Department standards.

Recommendation 12: Consulate General Hong Kong, in coordination with the Bureau of Administration, should clarify whether transportation of non-U.S. Government employees to representational events is appropriate, and then document the justification in accordance with Department standards. (Action: Consulate General Hong Kong in coordination with A).

Management Response: In its October 26, 2017, response, Consulate General Hong Kong concurred with the recommendation. The consulate general noted that it now uses rental vehicles, with blanket approval from the Consul General, for this service. In the event U.S. Government vehicles are required, the Consul General will provide written justification to the Management Section.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation of the clarification of the transportation policy for non-U.S. Government employees to representational events.

Recommendation 13: Consulate General Hong Kong should implement a system to store, issue, and return keys for official vehicles. (Action: Consulate General Hong Kong)

Management Response: In its October 26, 2017, response, Consulate General Hong Kong concurred with the recommendation. The consulate general noted it ordered a keywatcher system to hold a secondary set of keys for all U.S. Government vehicles, eliminating the need for keys to remain in the vehicles.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation of the keywatcher system used for official vehicles.

Recommendation 14: Consulate General Hong Kong should require all drivers to be trained and medically cleared in accordance with the Department's Motor Vehicle Safety Management Program. (Action: Consulate General Hong Kong)

Management Response: In its October 26, 2017, response, Consulate General Hong Kong concurred with the recommendation. The consulate general noted it was developing a new standard operating procedure to ensure drivers from all agencies under chief of mission authority obtain the required training and medical clearance.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that all drivers are trained and medically cleared in accordance with Department requirements.

Recommendation 15: Consulate General Hong Kong should limit driver duty hours to 10 hours per day. (Action: Consulate General Hong Kong)

Management Response: In its October 26, 2017, response, Consulate General Hong Kong concurred with the recommendation. The consulate general noted that it was in the process of establishing a new State-Program driver position that will mitigate the need for any drivers to exceed 10 hours per day.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that driver duty hours are limited to 10 hours per day.

Recommendation 16: Consulate General Hong Kong should establish an air conditioning preventative maintenance program for all U.S. Government-owned residential complexes (Action: Consulate General Hong Kong).

Management Response: In its October 26, 2017, response, Consulate General Hong Kong concurred with the recommendation. The consulate general noted that it signed a new heating ventilation and air-conditioning contract in September 2017 that will provide greater coverage at all U.S. Government-owned residences.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation of the air conditioning preventative maintenance program.

Recommendation 17: Consulate General Hong Kong should designate and train additional contracting officer's representatives to assist with contract oversight. (Action: Consulate General Hong Kong)

Management Response: In its October 26, 2017, response, Consulate General Hong Kong concurred with the recommendation. The consulate general noted it certified two new contracting officer's representatives in September 2017 and was initiating training for additional Facility Management personnel.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation of additional designated and trained contracting officer's representatives.

Recommendation 18: Consulate General Hong Kong should implement procedures to inventory and store controlled substances in accordance with Department standards. (Action: Consulate General Hong Kong)

Management Response: In its October 26, 2017, response, Consulate General Hong Kong concurred with the recommendation. The consulate general noted that it implemented new procedures to ensure all substances are inventoried and stored correctly.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation of the procedure for inventory and storage of controlled substances in accordance with Department standards.

Recommendation 19: Consulate General Hong Kong should implement knowledge management procedures for capturing, sharing, transferring, and retaining information related to its information management programs. (Action: Consulate General Hong Kong)

Management Response: In its October 26, 2017, response, Consulate General Hong Kong concurred with the recommendation. The consulate general noted it developed standard operating procedures and implemented a new process to ensure information management programs are meeting Department requirements ins 5 FAM 867.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation of the implemented knowledge management procedures for information management programs.

PRINCIPAL OFFICIALS

| Title | Name | Arrival Date |
|--|---------------------|--------------|
| Chief of Mission: | | |
| Consul General | Kurt W. Tong | 8/2016 |
| Deputy Consul General | Thomas Hodges | 6/2016 |
| Chiefs of Sections: | | |
| Management | Jason S. Evans | 8/2016 |
| Consular | Robert W. Settje | 9/2015 |
| Economic/Political | Dante Paradiso | 7/2016 |
| Public Affairs | Darragh T. Paradiso | 8/2015 |
| Regional Security | Kevin M. Sisbarro | 8/2015 |
| Other Agencies: | | |
| Department of Defense | William G. Miller | 8/2015 |
| Department of Justice | Evan Williams | 6/2016 |
| Customs and Border Protection | Therese Randazzo | 8/2015 |
| Drug Enforcement Administration | Philip Esch | 6/2016 |
| Foreign Agricultural Service | Mary Meador | 8/2014 |
| Foreign Commercial Service | James Cunningham | 8/2015 |
| U.S. Immigration and Customs Enforcement | Christopher Pater | 11/2015 |
| Internal Revenue Service | David Lum | 12/2015 |
| U.S. Secret Service | John Johnson | 2/2005 |

Source: Consulate General Hong Kong

APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY

This inspection was conducted in accordance with the Quality Standards for Inspection and Evaluation, as issued in 2012 by the Council of the Inspectors General on Integrity and Efficiency, and the Inspector's Handbook, as issued by OIG for the Department and the Broadcasting Board of Governors.

Objectives and Scope

The Office of Inspections provides the Secretary of State, the Chairman of the Broadcasting Board of Governors, and Congress with systematic and independent evaluations of the operations of the Department and the Broadcasting Board of Governors. Inspections cover three broad areas, consistent with Section 209 of the Foreign Service Act of 1980:

- **Policy Implementation:** whether policy goals and objectives are being effectively achieved; whether U.S. interests are being accurately and effectively represented; and whether all elements of an office or mission are being adequately coordinated.
- **Resource Management:** whether resources are being used and managed with maximum efficiency, effectiveness, and economy and whether financial transactions and accounts are properly conducted, maintained, and reported.
- **Management Controls:** whether the administration of activities and operations meets the requirements of applicable laws and regulations; whether instance of fraud, waste, or abuse exist; and whether adequate steps for detection, correction, and prevention have been taken.

Methodology

In conducting inspections, OIG uses a risk-based approach to prepare for each inspection; reviews pertinent records; as appropriate, circulates, reviews, and compiles the results of survey instruments; conducts onsite interviews; and reviews the substance of the report and its findings and recommendations with offices, individuals, and organizations affected by the review. OIG uses professional judgment, along with physical, documentary, testimonial, and analytical evidence collected or generated, to develop findings, conclusions, and actionable recommendations

For this inspection, OIG conducted approximately 186 interviews (some people were interviewed more than once). OIG also reviewed 150 personal questionnaires and more than 473 other documents

APPENDIX B: MANAGEMENT RESPONSE



Consulate General of the United States of America

Hong Kong and Macau

October 26, 2017

UNCLASSIFIED

TO: OIG – Sandra Lewis, Assistant Inspector General for Inspections

THRU: EAP – Susan Thornton, Acting Assistant Secretary

FROM: Consulate General Hong Kong-Macau – Kurt Tong, Consul General

SUBJECT: Response to Draft OIG Report – Inspection of Consulate General
 Hong Kong-Macau

Consulate General Hong Kong-Macau (CGHKM) has reviewed the draft OIG inspection report. We provide the following comments in response to the recommendations and observations provided by OIG.

As general observations, CGHKM notes that subsequent to the visit of the OIG team in June 2017, CGHKM has begun the planned implementation of merit-based compensation (MBC) and instituted a one-off wage increase, which have improved conditions for locally employed staff (LES). These changes were introduced by the Consul General (CG) in town hall meetings in July 2017, similar to the session held in June 2016 to solicit LES views. The CG and Deputy CG have also conducted a series of small LES-only roundtables to understand LES concerns. Following the welcome partial lifting of the Department-imposed hiring freeze, CGHKM identified a candidate for its vacant Staff Aide position, who is now pending security clearance. The CG and DCG have continued a steady pace of personal engagement with first and second tour (FAST) personnel.

In response to the OIG's specific recommendations:

OIG Recommendation 1: Consulate General Hong Kong-Macau should improve the intake process for nonimmigrant visa applicants in the Consular Section. (Action: CGHKM)

Management Response: Consulate General Hong Kong-Macau accepts the recommendation and is now in compliance. Measures undertaken so far to improve overall customer flow include coordinating with RSO to streamline security processing, and staggering ACS and NIV appointments to reduce scheduling conflicts. We will continue to monitor and adjust as appropriate.

OIG Recommendation 2: Consulate General Hong Kong-Macau, in coordination with the Bureau of Consular Affairs, should conduct an analysis of its staffing needs in the Nonimmigrant Visa Unit and adjust staffing levels accordingly. (Action: CGHKM, in coordination with CA)

Management Response: Consulate General Hong Kong-Macau accepts the recommendation and is now in compliance. CGHKM has been granted an additional entry level officer and additional LE staff position, as well as a temporary LE staff position. CGHKM has also established a process for reviewing staffing needs on an ongoing basis, and will seek additional staffing as appropriate.

OIG Recommendation 3: Consulate General Hong Kong-Macau, in coordination with the Bureau of Human Resources, should update the position descriptions for the visa assistant positions in the Consular Section's Nonimmigrant Visa Unit in accordance with Department standards. (Action: CGHKM, in coordination with DGHR)

Management Response: Consulate General Hong Kong-Macau accepts the recommendation and is updating the position descriptions. CGHKM is also reviewing the position descriptions for the other units in the Consular Section and will update those, as necessary.

OIG Recommendation 4: Consulate General Hong Kong-Macau should provide the chief of the Nonimmigrant Visa Unit with an office that allows for line of sight control of the unit's operations. (Action: CGHKM)

Management Response: Consulate General Hong Kong-Macau accepts the recommendation and is now in compliance.

OIG Recommendation 5: Consulate General Hong Kong-Macau should locate cubicles for consular officers among the cubicles for locally employed staff throughout the Nonimmigrant Visa unit. (Action: CGHKM)

Management Response: Consulate General Hong Kong-Macau accepts the recommendation and is now in compliance.

OIG Recommendation 6: Consulate General Hong Kong-Macau, in coordination with the Bureau of Overseas Buildings Operations and the Bureau of Consular Affairs, should provide a wheelchair-accessible interview window for consular customers. (Action: CGHKM, in coordination with OBO and CA)

Management Response: Consulate General Hong Kong-Macau accepts the recommendation. CGHKM's facilities manager is putting together a design, scope of work, and cost estimate, after which CGHKM will seek funding from OBO.

OIG Recommendation 7: Consulate General Hong Kong-Macau, in coordination with the Bureau of Consular Affairs, should implement a policy for consular fee collections during outreach events that complies with Department standards. (Action: CGHKM, in coordination with CA)

Management Response: Consulate General Hong Kong-Macau accepts the recommendation and is now in compliance. CGHKM now accepts only bank drafts made out to the Consulate for fees collected offsite.

OIG Recommendation 8: Consulate General Hong Kong-Macau should update its standard operating procedure for grants administration to include checking the Excluded Parties List system and preparing a Grants Officer's Delegation of Authority Letter. (Action: CGHKM)

Management Response: Consulate General Hong Kong-Macau accepts the recommendation and is now in compliance. CGHKM's Public Affairs Section created an updated grants process checklist, which includes checking the Excluded Parties List System, preparing a Grants Officer's Delegation of Authority Letter for each grant, and asking all grantees to register for a DUNS number and in SAM.gov.

OIG Recommendation 9: The Bureau of East Asian and Pacific Affairs, in coordination with Consulate General Hong Kong-Macau and the Bureau of Human Resources, should determine the number and levels for language designated positions at Consulate General Hong Kong in accordance with Department standards, and put up to \$2 million to better use. (Action: EAP, in coordination with CGHKM and DGHR)

Management Response: Consulate General Hong Kong-Macau accepts the recommendation and looks forward to coordinating with EAP in implementation. CGHKM submitted a request to adjust its language designation positions via the Triennial Language Designation Review process.

OIG Recommendation 10: Consulate General Hong Kong-Macau should translate any policies affecting locally employed staff into Cantonese. (Action: CGHKM)

Management Response: Consulate General Hong Kong-Macau accepts the recommendation and is now in compliance. All management policies, with the exception of the LE Staff Handbook and the Local Compensation Plan, have been translated. Those two documents will be translated upon receipt of HR/OE's revision of the Reduction-in-Force guidance.

OIG Recommendation 11: Consulate General Hong Kong-Macau should justify continued provision of accommodation exchange services in accordance with Department standards. (Action: CGHKM)

Management Response: Consulate General Hong Kong-Macau accepts the recommendation and is now in compliance. The Consul General approved a new policy in accordance with Department standards.

OIG Recommendation 12: Consulate General Hong Kong-Macau, in coordination with the Bureau of Administration, should clarify whether transportation of non-U.S. Government employees to representational events is appropriate, and then document the justification in accordance with Department standards. (Action: CGHKM, in coordination with A)

Management Response: Consulate General Hong Kong-Macau accepts the recommendation and is now in compliance. CGHKM is using rental vehicles to provide this service with blanket approval from the Consul General. In the event USG vehicles are required for the service, the Consul General will provide justification in writing to the Management Section.

OIG Recommendation 13: Consulate General Hong Kong-Macau should implement a system to store, issue, and return keys for official vehicles. (Action: CGHKM)

Management Response: Consulate General Hong Kong-Macau accepts the recommendation and is now in compliance. CGHKM has ordered a keywatcher system to hold a secondary set of keys for all USG vehicles so they can be moved in an emergency. This will eliminate the need to leave keys in vehicles in the CGHKM parking lot.

OIG Recommendation 14: Consulate General Hong Kong-Macau should require all drivers to be trained and medically cleared in accordance with the Department's Motor Vehicle Safety Management Program. (Action: CGHKM)

Management Response: Consulate General Hong Kong-Macau accepts the recommendation and implementation is underway. CGHKM's general services and human resources officers, and the Health Unit, are writing a new Standard Operating Procedure to ensure that all agencies at Post obtain needed training and medical clearances for their drivers.

OIG Recommendation 15: Consulate General Hong Kong-Macau should limit driver duty hours to 10 hours per day. (Action: CGHKM)

Management Response: Consulate General Hong Kong-Macau accepts the recommendation and implementation is underway. CGHKM is in the process of establishing a new State-Program driver position that will mitigate the need for any drivers to exceed 10 hours.

OIG Recommendation 16: Consulate General Hong Kong-Macau should establish an air conditioning preventative maintenance program for all U.S. Government-owned residential complexes (Action: CGHKM)

Management Response: Consulate General Hong Kong-Macau accepts the recommendation and is now in compliance. CGHKM signed a new HVAC contract in September 2017 that will provide greater coverage at all USG-owned residences.

OIG Recommendation 17: Consulate General Hong Kong-Macau should designate and train additional contracting officer's representatives to assist with contract oversight. (Action: CGHKM)

Management Response: Consulate General Hong Kong-Macau accepts the recommendation and is now in compliance. CGHKM initiated training for facilities personnel, and certified two new contracting officer's representatives within the last month.

OIG Recommendation 18: Consulate General Hong Kong-Macau should implement procedures to inventory and store controlled substances in accordance with Department standards. (Action: CGHKM)

Management Response: Consulate General Hong Kong-Macau accepts the recommendation and is now in compliance. CGHKM has implemented new procedures to ensure all substances are inventoried and stored correctly.

OIG Recommendation 19: Consulate General Hong Kong-Macau should implement knowledge management procedures for capturing, sharing, transferring, and retaining information related to its information management programs. (Action: CGHKM)

Management Response: Consulate General Hong Kong-Macau accepts the recommendation and is now in compliance. CGHKM has developed Standard Operating Procedures and implemented a new process to ensure our information management programs are meeting the requirements in 5 FAM 867.

The point of contact for this memorandum is Thomas Hodges, Deputy Consul General.

APPENDIX C: FY 2016 STAFFING AND FUNDING BY AGENCY

| Agency | U.S. Direct-hire Staff | U.S. Locally Employed Staff | Foreign National Staff | Total Staff | Funding (\$) |
|---|------------------------|-----------------------------|------------------------|-------------|-------------------|
| Department of State | | | | | |
| Diplomatic & Consular Programs | 48 | 4 | 19 | 71 | 4,512,031 |
| Consular | 14 | 2 | 34 | 50 | 2,532,043 |
| ICASS | 8 | 14 | 79 | 101 | 11,515,300 |
| Public Diplomacy | 3 | 1 | 16 | 20 | 1,502,262 |
| Diplomatic Security | 3 | 0 | 4 | 7 | 584,994 |
| Marine Security Guard | 8 | 0 | 0 | 8 | 82,000 |
| Representation | 0 | 0 | 0 | 0 | 44,903 |
| Overseas Buildings Operations | 1 | 2 | 1 | 4 | 8,410,742 |
| Broadcasting Board of Governors | 0 | 0 | 2 | 2 | 307,260 |
| Subtotal | 85 | 23 | 155 | 263 | 29,491,535 |
| Department of Agriculture | | | | | |
| Foreign Agriculture Service | 1 | 0 | 6 | 7 | 1,047,077 |
| Subtotal | 1 | 0 | 6 | 7 | 1,047,077 |
| Department of Commerce | | | | | |
| Foreign Commercial Service | 3 | 0 | 13 | 16 | 2,522,799 |
| Subtotal | 3 | 0 | 13 | 16 | 2,522,799 |
| Department of Defense | | | | | |
| Office of Liaison Assistance | 10 | 0 | 2 | 12 | 1,214,511 |
| Ship Support Office | 2 | 0 | 1 | 3 | 882,000 |
| Subtotal | 12 | 0 | 3 | 15 | 2,096,511 |
| Department of Justice | | | | | |
| Drug Enforcement Administration | 7 | 0 | 1 | 8 | 1,358,000 |
| Federal Bureau of Investigation | 3 | 0 | 0 | 3 | 481,000 |
| Intellectual Property Law Enforcement Coordinator | 1 | 0 | 0 | 1 | 185,010 |
| Subtotal | 11 | 0 | 1 | 12 | 2,024,010 |
| Department of Homeland Security | | | | | |
| Customs and Border Protection | 6 | 0 | 2 | 8 | 1,118,632 |
| Immigration and Customs Enforcement | 3 | 0 | 6 | 9 | 1,270,447 |
| U.S. Secret Service | 2 | 1 | 2 | 5 | 712,525 |
| Subtotal | 11 | 1 | 10 | 22 | 3,101,604 |
| Department of the Treasury | | | | | |
| Internal Revenue Service | 2 | 0 | 1 | 3 | 290,456 |
| Subtotal | 2 | 0 | 1 | 3 | 290,456 |
| Total | 125 | 25 | 188 | 338 | 40,573,992 |

Source: Generated by OIG from data provided by the Department.

ABBREVIATIONS

| | |
|-------|---|
| ACS | American Citizens Services |
| CA | Bureau of Consular Affairs |
| COR | Contracting Officer's Representative |
| DCG | Deputy Consul General |
| FAH | Foreign Affairs Handbook |
| FAM | Foreign Affairs Manual |
| FAST | First- and Second-Tour |
| ICASS | International Cooperative Administrative Support Services |
| ICS | Integrated Country Strategy |
| IM | Information Management |
| LDP | Language Designated Position |
| LE | Locally Employed |
| NIV | Nonimmigrant Visa |

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