



## Office of Inspector General United States Department of State

ISP-I-22-22

Office of Inspections

August 2022

# (U) Inspection of the American Institute in Taiwan, Washington Headquarters

### BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS

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# HIGHLIGHTS

Office of Inspector General  
United States Department of State

ISP-I-22-22

## **(U) What OIG Inspected**

(U) OIG inspected policy coordination and leadership, policy implementation, resource management, and consular services at the American Institute in Taiwan, Washington Headquarters.

## **(U) What OIG Recommends**

(U) OIG made 7 recommendations: 6 to the American Institute in Taiwan, Washington Headquarters, and 1 to the Bureau of the Comptroller and Global Financial Services.

(U) In its comments on the draft report, the Department concurred with all 7 recommendations. OIG considers all 7 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 responses are reprinted in their entirety in Appendix B.

**(U) August 2022**

**(U) OFFICE OF INSPECTIONS**

**(U) BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS**

**(U) Inspection of the American Institute in Taiwan, Washington Headquarters**

## **(U) What OIG Found**

- (U) The American Institute in Taiwan is a nonprofit corporation that provides contract support services to the Department of State. Stakeholders from Department offices and bureaus and other federal agencies described the American Institute in Taiwan, Washington Headquarters, as a collaborative partner in policy and program coordination.
- (SBU) (b) (7)(F) [REDACTED]
- (U) Under its contract, the institute is required to follow established policies and procedures unless an exemption has been granted. However, the institute's Washington headquarters and the Bureau of East Asian and Pacific Affairs did not have a mechanism in place for the institute to request exceptions to established Department guidelines, procedures, and policies as needed.
- (U) The Bureau of the Comptroller and Global Financial Services did not exercise required oversight of the institute's financial activities.
- (U) The institute's Washington headquarters maintained funds in inactive bank accounts, resulting in an accumulation of at least \$216,000 that could be put to better use.

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## (U) CONTEXT

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(U) From 1949 until 1979, the Republic of China on Taiwan and the United States maintained normal diplomatic relations. In 1979, the United States and the People's Republic of China (PRC) signed the U.S.-PRC Joint Communiqué on the Establishment of Diplomatic Relations that ended U.S. diplomatic relations with the Republic of China and established diplomatic relations with the PRC. The United States recognized the government of the PRC as China's sole legal government and acknowledged the Chinese position that there is one China, and that Taiwan is part of China. However, the Joint Communiqué also stated, "the people of the United States will maintain cultural, commercial, and other unofficial relations with the people on Taiwan." To achieve these goals, Congress passed the Taiwan Relations Act of 1979 (TRA), which defined the unofficial relationship between the United States and Taiwan. In addition to preserving and promoting commercial, cultural, and other relations with the people on Taiwan, Congress designed the TRA to protect ongoing U.S. interests in peace and stability in the area and enshrine the U.S. commitment to assist Taiwan in maintaining its self-defense capability.

### ***(U) Framework for U.S.-Taiwan Relations***

(U) The TRA created the American Institute in Taiwan (AIT) as a nonprofit corporation through which the people of the United States and the people on Taiwan maintain "extensive, close, and friendly commercial, cultural, and other relations."<sup>1</sup> AIT and its counterpart, the Taipei Economic and Cultural Representative Office in the United States (TECRO), serve as the designated organizations for bilateral cooperation and engagement. Neither the United States nor Taiwan maintains an embassy on the other's territory, their representatives are not considered to be diplomats, and written agreements between them are not treaties. Nevertheless, the United States and Taiwan engage in a wide range of activities that otherwise would be part of a regular bilateral relationship.

(U) In 1996, under Executive Order 13014, President Clinton delegated the authority of certain functions under the TRA to the Secretary of State, including authority over AIT. Subsequently, as practiced in previous administrations, the Secretary delegated authority for AIT to the Assistant Secretary of State for East Asian and Pacific Affairs.

(U) The 1979 AIT bylaws, as amended, outline the institute's basic responsibilities and structure, including the provision for a Board of Trustees. The bylaws also define the duties of the Managing Director of an AIT Washington Headquarters (AIT/W) as well as those of the Director of AIT in Taipei (AIT/T).

### ***(U) The American Institute in Taiwan***

(U) AIT is an organization unique in the U.S. government. It is a private nonprofit corporation, staffed in Washington by private U.S. citizens and on Taiwan by U.S. government employees

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<sup>1</sup> (U) 22 U.S.C. § 3301(a)(2), (b).

and locally employed staff.<sup>2</sup> AIT is not a policy-making organization but represents the U.S. government by facilitating and concluding agreements between Taiwan entities and the U.S. executive branch. The institute operates as a Department of State (Department) contractor and, according to its bylaws and the contract, is required to follow Department direction and to adhere to Department regulations and procedures. Relevant provisions of the contract are discussed in greater detail later in this report.

(U) Under the TRA, AIT performs the following functions: First, the institute conducts and carries out all programs, transactions, and other relations by any agency of the U.S. government with respect to Taiwan. Second, AIT enters, performs, and enforces any agreement or transaction of any federal agency relative to Taiwan. Finally, AIT provides services to federal agencies and undertakes consular activities that have the same validity and effect as if performed under existing consular law and authorities.

(U) AIT is governed by a Board of Trustees appointed by the Secretary of State. The board, in turn, appoints a chairman and a managing director to conduct AIT's business and affairs in accordance with the bylaws. The board has five voting members: a chairman, two members from the private sector, and as ex-officio members with voting rights, the Deputy Assistant Secretary of State responsible for Taiwan coordination, and the Executive Director of the Bureau of East Asian and Pacific Affairs (EAP).

#### ***(U) American Institute in Taiwan Washington Headquarters***

(U) AIT/W serves as the formal liaison between Taiwan and U.S. government agencies and provides a channel through which activities, training, and equipment transfers can be conducted. AIT/W personnel act as the nominal chair of U.S. delegations in negotiations and sign final documents carrying out programs, transactions, and relations on behalf of the U.S. government. AIT/W also provides guidance to AIT offices and its Board of Trustees on fiscal matters pertaining to the institute's operation, supports the board's activities, monitors AIT's finances, and prepares documentation for the annual Congressional appropriation process. In addition, AIT/W serves as the principal point of contact with TECRO and acts as an intermediary between TECRO and the Bureau of Consular Affairs in facilitating visa-related matters for TECRO employees in the United States and for U.S. government personnel traveling to AIT/T. Finally, AIT/W acts as an intermediary with the Department's Office of Foreign Missions to facilitate the provision of services to TECRO, such as the issuance of tax exemption cards, driver's licenses, and vehicle registrations.

(U) AIT/W has a staff of eight contract employees, including a Managing Director, a Director for Trade, Economic, and Commercial Relations, and a Director and Deputy Director for Political Military Affairs. Its executive office includes an Executive Director and three employees.

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<sup>2</sup> (U) There are two AIT offices on Taiwan—one in Taipei and one in Kaohsiung—that carry out a range of embassy-like activities, including political and economic reporting, commercial advocacy and promotion, consular services, security assistance, and public diplomacy.

### ***(U) Contract With the Department of State***

(U) As mentioned earlier, AIT carries out its responsibilities pursuant to a contract with the Department that requires the institute to represent the United States and carry out functions on its behalf in accordance with the policy guidance of the EAP Assistant Secretary. EAP provides program and policy oversight through the Director of the Office of Taiwan Coordination, who also serves as one of the two contracting officer's representatives (COR). The contract requires AIT to follow Department direction and to adhere to Department procedures and policies for administrative, consular, and security operations, including the Foreign Affairs Manual (FAM).<sup>3</sup> AIT must seek specific written guidance for any necessary exceptions to this requirement. A second COR in the EAP Executive Office is responsible for financial and administrative oversight of AIT's operations.<sup>4</sup>

(U) OIG evaluated AIT/W's policy coordination and leadership, policy implementation, resource management, and consular services consistent with Section 209 of the Foreign Service Act of 1980.<sup>5</sup>

### **(U) POLICY COORDINATION AND LEADERSHIP**

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(U) OIG assessed AIT's Chairman of the Board of Trustees and AIT/W's Managing Director on their policy coordination and leadership and found that both generally met the Department's leadership and management principles in 3 FAM 1214b.<sup>6</sup> Department stakeholders described them as collaborative partners in the interagency policy process and emphasized the importance of both the Chairman and the Managing Director in providing continuity of knowledge and experience regarding Taiwan policy issues. The contract between AIT and EAP defines AIT/W's policy coordination role as including a wide array of services, such as meeting with Taiwan representatives and high-level Department and other U.S. government officials, including at the Department of Defense, to discuss policy issues related to the people on Taiwan. However, OIG identified one shortcoming in policy coordination, as discussed below.

~~(SBU)~~ (b) (7)(F) [REDACTED]

~~(SBU)~~ (b) (7)(F) [REDACTED]  
[REDACTED]  
[REDACTED]

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<sup>3</sup> (U) Other policies and procedures include the Foreign Affairs Handbook, the Federal Acquisitions Regulation, and relevant Office of Management and Budget circulars regarding nonprofit organizations.

<sup>4</sup> (U) Other Department bureaus with oversight or coordinating roles regarding AIT include the Bureaus of Consular Affairs, Budget and Planning, the Comptroller and Global Financial Services, Information Resource Management, Diplomatic Security, and Medical Services and the Office of the Legal Adviser.

<sup>5</sup> (U) See Appendix A.

<sup>6</sup> (U) The Department's leadership and management principles outlined in 3 FAM 1214b include (1) model integrity, (2) plan strategically, (3) be decisive and take responsibility, (4) communicate, (5) learn and innovate constantly, (6) be self-aware, (7) collaborate, (8) value and develop people, (9) manage conflict, and (10) foster resilience.

(b) (7)(F) [REDACTED]

**Recommendation 1:** ~~(SBU)~~ The American Institute in Taiwan, Washington Headquarters, in coordination with the Bureau of East Asian and Pacific Affairs and the Bureau of Diplomatic Security, (b) (7)(F) [REDACTED] (Action: AIT/W, in coordination with EAP and DS)

## (U) POLICY IMPLEMENTATION

(U) OIG assessed the policy implementation work performed by AIT/W's Trade-Economic-Commerce and Political-Security teams based on interviews and a review of documents. AIT/W's policy implementation work included sponsoring dialogues and meetings; liaising with TECRO; providing advice to U.S. government offices on aspects of U.S.-Taiwan relations; coordinating agreements; supporting trade, economic, and commercial relations; and promoting defense and security relations. Department and interagency stakeholders OIG interviewed cited the value of AIT/W's staff, whose institutional knowledge aided Department offices working on Taiwan-related issues. OIG found that AIT/W generally met Department requirements, with the exceptions discussed below.

### ***(U) Unclear Lines of Responsibility Created Coordination Risks***

(U) Several Department and interagency stakeholders raised concerns about unclear lines of responsibility, communication problems concerning high-level visits, and a lack of guidance regarding the different roles for AIT/W, AIT/T, and EAP's Office of Taiwan Coordination relating to Taiwan. OIG found that AIT/W lacked a functional statement defining its roles and responsibilities for managing U.S. engagement with Taiwan. Pursuant to 1 FAM 014.8, offices are responsible for providing updated functional statements that define their areas of responsibility, distinguish activities, and eliminate potential overlap. AIT/W personnel could not explain the lack of a functional statement for their operation and instead referred to the TRA or AIT's contract for information related to their roles and responsibilities. With increased U.S. engagement with Taiwan and heightened regional tensions, a functional statement that defines AIT/W's roles and responsibilities is essential to provide clarity to Department and interagency stakeholders and mitigate the risk that U.S. government offices might deviate from established requirements governing U.S. engagement with Taiwan.

**Recommendation 2:** (U) The American Institute in Taiwan, Washington Headquarters, in coordination with the Bureau of East Asian and Pacific Affairs, should create a functional statement that defines its roles and responsibilities regarding Taiwan and communicate that information to all appropriate Department and interagency stakeholders in accordance with Department guidance. (Action: AIT/W, in coordination with EAP)

***(U) Headquarters Did Not Consistently Track All Agreements With the Taipei Economic and Cultural Representative Office in the United States***

(U) OIG found AIT/W did not consistently track agreements between AIT and TECRO. AIT/W staff told OIG that each staff member responsible for facilitating agreements used their own method for tracking agreements. Specifically, AIT/W staff responsible for facilitating political and security agreements used different tracking systems than the staff member responsible for facilitating trade, economic, and commercial agreements. As a result, AIT/W staff were unable to identify the total number of agreements in force, nor did they track when agreements would be up for renewal. According to 5 FAM 413a(8), the Department's records management practices are intended to ensure that "operations at each stage of the records and information life cycle support and facilitate the operations of succeeding stages." In the absence of a standardized tracking mechanism for all agreements, AIT/W may be unable to plan efficiently for its future workload, such as preparing for agreement renewal negotiations, and engage effectively with interagency stakeholders to support U.S.-Taiwan relations.

**Recommendation 3:** (U) The American Institute in Taiwan, Washington Headquarters, should develop and implement a system to track all agreements with the Taipei Economic and Cultural Representative Office in the United States, in accordance with Department guidance. (Action: AIT/W)

## **(U) RESOURCE MANAGEMENT**

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(U) EAP provides oversight of all AIT/W financial and administrative matters primarily through the Executive Office's COR for administrative matters. The contract also requires the Bureaus of Budget and Planning and the Comptroller and Global Financial Services (CGFS) to oversee AIT's fiscal matters. AIT/W receives limited administrative support services from the Department for procurement, information management, and travel services. OIG found that AIT/W generally implemented resource management processes and procedures in accordance with Department guidance, with the exceptions discussed below.

### **(U) General Management**

***(U) Institute Did Not Have Mechanism to Request and Document Exceptions to Department Guidelines and Policies***

(U) OIG found AIT/W did not have a mechanism to document written requests and approval for exceptions to Department guidelines and policies. Section C.2 of the AIT contract requires AIT



to request written approval for any exception to Department policy. However, OIG found AIT/W did not have the required documentation of any exceptions to Department guidance and policy. For example, OIG determined that AIT/W was paying Washington, D.C., locality pay for one staff member located in Bangkok, Thailand, contrary to contract requirements and 3 FAM 2371.13a regarding domestic employee teleworking overseas. Failure to request written approval for exceptions to Department guidelines and policies raises risks of waste, fraud, and abuse in AIT's operations.

**Recommendation 4:** (U) The American Institute in Taiwan, Washington Headquarters, in coordination with the Bureau of East Asian and Pacific Affairs, should implement a process to formally document written requests and approvals for exceptions to Department policy, as required by the contract. (Action: AIT/W, in coordination with EAP)

## **(U) Financial Management**

(U) AIT's financial management structure is unique because of the complex and unofficial relationship between U.S. and Taiwan authorities. As a nonprofit organization, AIT is governed in part by relevant Office of Management and Budget circulars for nonprofit entities.<sup>7</sup> In accordance with its contract, AIT also follows the Department's Federal Acquisition Regulation and the FAM. However, management of AIT's finances required deviations from standard Department operating procedures. For example, AIT maintained a separate financial management system from the Department and prepared its financial statements on the accrual basis of accounting but was reimbursed by the Department on the cash basis of accounting.

(U) At the time of the inspection, AIT had an annual operating budget of approximately \$68 million. AIT received funding from three main sources: an annual appropriation, reimbursements from other U.S. government agencies for direct and indirect costs, and consular fees. AIT/W was funded entirely by the annual appropriation. For FY 2022, this funding totaled \$2.391 million and was used to pay for salaries, benefits, supplies, and equipment for AIT/W staff and for representational events. An independent accounting firm audits AIT financial records annually and the results are shared with AIT's Board of Trustees during quarterly meetings.<sup>8</sup> OIG found that AIT/W generally met Department requirements for financial management, with the exceptions discussed below.

### ***(U) Bureau of the Comptroller and Global Financial Services Did Not Perform Required Oversight of Financial Activities***

(U) OIG found that CGFS did not perform sufficient oversight of AIT's financial activities, as required by the FAM and the contract. Specifically, 1 FAM 614.12(12) gives CGFS' Financial

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<sup>7</sup> (U) Specifically, Office of Management and Budget Circular A-122, "Cost Principles for Non-Profit Organizations," revised May 2004, and Circular A-123, "Management's Responsibility for Enterprise Risk Management and Internal Controls," revised July 15, 2016.

<sup>8</sup> (U) AIT's audit was conducted in accordance with Title 2, US Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and Generally Accepted Accounting Principles.

Policy, Reporting and Analysis Directorate responsibility for oversight of AIT's financial activities, including serving as the CGFS representative on the AIT Board of Trustees. In addition, the AIT contract with the Department requires that CGFS provide financial advice and assistance to AIT, perform periodic reviews of the institute's financial activities, and participate in periodic meetings with the contracting officer, the COR, and AIT representatives to discuss issues affecting AIT's financial activities. However, apart from CGFS' review of the annual independent audit of AIT's financial accounting and fiscal activities, OIG was unable to find evidence that CGFS had provided any other financial oversight since the contract began on August 4, 2017. For example, OIG found that CGFS had not participated in any quarterly board meetings since the board began recording attendees in the first quarter of 2020. In addition, the COR told OIG that there had been no regular meetings with CGFS to discuss AIT's financial activities. CGFS official told OIG their staff was unaware of their role in AIT's oversight. A lack of CGFS oversight of AIT's financial management activities and its operations on behalf of the Department increases the risk of the mismanagement of appropriated funds.

**Recommendation 5:** (U) The Bureau of the Comptroller and Global Financial Services, in coordination with the American Institute in Taiwan, Washington Headquarters, should oversee the institute's financial operations as required by Department standards and the contract. (Action: CGFS, in coordination with AIT/W)

***(U) Headquarters Did Not Regularly Review and Monitor All Bank Accounts***

(U) AIT/W maintained funds in bank accounts that it did not regularly review and monitor. OIG determined that of AIT/W's eight bank accounts, at least two either were inactive or surplus to requirements and could be consolidated. For example, AIT/W maintained a money market account with approximately \$216,000 that previously was used for transactions such as payroll but had no activity since February 2014 apart from earning monthly interest. According to 4 FAM 041(d), which references the Federal Managers' Financial Integrity Act of 1982, and Office of Management and Budget Circular A-123, internal accounting and administrative controls are required to provide reasonable assurances that funds and financial information are safeguarded against waste, loss, unauthorized use, and misappropriation. AIT/W accountants told OIG they did not have the time to review their banks accounts due to their high workload in priority areas such as budget formulation, invoicing, and funds tracking. Maintaining funds in surplus and inactive bank accounts complicates the tracking and monitoring of AIT's funds while failure to review and adequately monitor funds may result in an accumulation of funds that could be put to better use.

**Recommendation 6:** (U) The American Institute in Taiwan, Washington Headquarters, should perform a review of its bank accounts, consolidate accounts where necessary in line with financial management controls guidelines, and put up to \$216,000 to better use. (Action: AIT/W)

## **(U) Human Resources**

### ***(U) Headquarters Did Not Establish Work Commitments or Complete Performance Appraisals for Staff***

(U) OIG found that AIT/W had not established work commitments for its staff or completed staff performance evaluations since 2016. Six of the eight employment contracts for AIT/W staff require that the employee and rating official agree to a set of performance commitments and that the employee's performance of the commitments be rated in a manner comparable to the performance evaluation of Department employees. Department guidance governing performance evaluations requires performance plans to be established for each employee, detailing work assignments, responsibilities, and expected performance. In addition, a least one performance review must take place during an appraisal period. AIT/W staff told OIG that they had not documented performance plans detailing work commitments or completed the required performance evaluations because they had not found the right mechanism for evaluating performance of their contract staff. AIT/W staff also cited workload constraints as preventing them from establishing work commitments and administering performance evaluations. Performance plans establish expected performance and identify individual and team accountability for accomplishing organizational goals. Failure to provide an employee performance evaluation system weakens the organization's performance by not setting clear goals for employees.

**Recommendation 7:** (U) The American Institute in Taiwan, Washington Headquarters, should implement a performance evaluation system for its staff in accordance with Department guidance and staff employment contracts. (Action: AIT/W)

## **(U) Impact of COVID-19 Pandemic**

(U) In response to the COVID-19 pandemic, AIT/W increased telework flexibility for all staff members and used virtual meetings and events as much as possible to maintain professional relationships. AIT/W staff members and their counterparts in federal agencies told OIG that AIT/W was able to work effectively during the pandemic and provide its contracted services. However, approximately 60 percent of AIT/W staff members and government officials interviewed, noted some negative effects from the limitation on in-person engagement, including on the quality of relationships with their counterparts in Taiwan. AIT/W's visa-related workload, discussed in the Consular Services section below, also increased due to COVID-19 related policy changes in Taiwan.

## **(U) CONSULAR SERVICES**

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(U) AIT/W provides a wide range of services to TECRO staff and family members in the United States. These services include serving as an intermediary with the Bureau of Consular Affairs in facilitating visa renewals and as an intermediary with the Office of Foreign Missions in facilitating the issuance of identification cards, tax exemption cards, driver's licenses, and vehicle registrations. AIT/W also acted as an intermediary with TECRO to facilitate visa issuance

to U.S. government employees traveling to Taiwan. Due to the COVID-19 pandemic, authorities on Taiwan required U.S. government employees entering for less than 90 days to obtain visas, a change from past practice that more than doubled AIT/W's visa-related workload. Despite this increased workload, OIG determined that AIT/W had effective processes and personnel in place to provide responsive and timely consular and foreign missions-related services, as required by sections B.10.7 and C.4.1(i) of its contract with the Department and section 5.01 of AIT bylaws.

## (U) RECOMMENDATIONS

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(U) 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 American Institute in Taiwan, Washington Headquarters, and the Bureau of the Comptroller and Global Financial Services. The Department's complete responses can be found in Appendix B.<sup>1</sup>

**Recommendation 1:** ~~(SBU)~~ The American Institute in Taiwan, Washington Headquarters, in coordination with the Bureau of East Asian and Pacific Affairs and the Bureau of Diplomatic Security, ~~(b) (7)(F)~~ [REDACTED] (Action: AIT/W, in coordination with EAP and DS)

**Management Response:** (U) In its June 16, 2022, response, the American Institute in Taiwan, Washington Headquarters, concurred with this recommendation.

**OIG Reply:** ~~(SBU)~~ OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the American Institute in Taiwan, Washington Headquarters, ~~(b) (7)(F)~~ [REDACTED].

**Recommendation 2:** (U) The American Institute in Taiwan, Washington Headquarters, in coordination with the Bureau of East Asian and Pacific Affairs, should create a functional statement that defines its roles and responsibilities regarding Taiwan and communicate that information to all appropriate Department and interagency stakeholders in accordance with Department guidance. (Action: AIT/W, in coordination with EAP)

**Management Response:** (U) In its June 16, 2022, response, the American Institute in Taiwan, Washington Headquarters, concurred with this recommendation. The institute estimated completion by the end of 2022.

**OIG Reply:** (U) OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the American Institute in Taiwan, Washington Headquarters, created a functional statement that defines its roles and responsibilities regarding Taiwan and communicated that information to all appropriate Department and interagency stakeholders in accordance with Department guidance.

**Recommendation 3:** (U) The American Institute in Taiwan, Washington Headquarters, should develop and implement a system to track all agreements with the Taipei Economic and Cultural

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<sup>1</sup> (U) OIG faced delays in completing this work because of the COVID-19 pandemic and resulting operational challenges. These challenges included the inability to conduct most in-person meetings, limitations on our presence at the workplace, difficulty accessing certain information, prohibitions on travel, and related difficulties within the agencies we oversee, which also affected their ability to respond to our requests.

Representative Office in the United States, in accordance with Department guidance. (Action: AIT/W)

**Management Response:** (U) In its June 16, 2022, response, the American Institute in Taiwan, Washington Headquarters, concurred with this recommendation. The institute estimated completion by summer 2023.

**OIG Reply:** (U) OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the American Institute in Taiwan, Washington Headquarters, developed and implemented a system to track all agreements with the Taipei Economic and Cultural Representative Office in the United States, in accordance with Department guidance.

**Recommendation 4:** (U) The American Institute in Taiwan, Washington Headquarters, in coordination with the Bureau of East Asian and Pacific Affairs, should implement a process to formally document written requests and approvals for exceptions to Department policy, as required by the contract. (Action: AIT/W, in coordination with EAP)

**Management Response:** (U) In its June 16, 2022, response, the American Institute in Taiwan, Washington Headquarters, concurred with this recommendation.

**OIG Reply:** (U) OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the American Institute in Taiwan, Washington Headquarters, implemented a process to formally document written requests and approvals for exceptions to Department policy, as required by the contract.

**Recommendation 5:** (U) The Bureau of the Comptroller and Global Financial Services, in coordination with the American Institute in Taiwan, Washington Headquarters, should oversee the institute's financial operations as required by Department standards and the contract. (Action: CGFS, in coordination with AIT/W)

**Management Response:** (U) In its June 28, 2022, response, the Bureau of the Comptroller and Global Financial Services concurred with this recommendation.

**OIG Reply:** (U) OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the Bureau of the Comptroller and Global Financial Services oversaw the institute's financial operations as required by Department standards and the contract.

**Recommendation 6:** (U) The American Institute in Taiwan, Washington Headquarters, should perform a review of its bank accounts, consolidate accounts where necessary in line with financial management controls guidelines, and put up to \$216,000 to better use. (Action: AIT/W)

**Management Response:** (U) In its June 16, 2022, response, the American Institute in Taiwan, Washington Headquarters, concurred with this recommendation.

**OIG Reply:** (U) OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the American Institute in Taiwan, Washington Headquarters, performed a review of its bank accounts, consolidated accounts where necessary in line with financial management controls guidelines, and put up to \$216,000 to better use.

**Recommendation 7:** (U) The American Institute in Taiwan, Washington Headquarters, should implement a performance evaluation system for its staff in accordance with Department guidance and staff employment contracts. (Action: AIT/W)

**Management Response:** (U) In its June 16, 2022, response, the American Institute in Taiwan, Washington Headquarters, concurred with this recommendation. The institute estimated completion in 2022.

**OIG Reply:** (U) OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the American Institute in Taiwan, Washington Headquarters, implemented a performance evaluation system for its staff in accordance with Department guidance and staff employment contracts.

## (U) PRINCIPAL OFFICIALS

Title	Name	Arrival Date
<b>Board of Trustees (Voting Members)</b>		
Chairman	Ambassador James Moriarty	10/2016
Trustee	David Brown	11/2002
Trustee	Douglas Spelman	05/2009
Deputy Assistant Secretary for China, Taiwan, and Mongolia	Rick Waters	07/2021
EAP Executive Director	Katherine Munchmeyer	08/2021
<b>AIT/W Leadership</b>		
Managing Director	Ingrid Larson	05/2020
Executive Director	Paul Wedderien	01/2019

**Source:** (U) Generated by OIG from data provided by the American Institute in Taiwan.



## (U) APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY

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(U) This inspection was conducted from January 3 to March 24, 2022, in accordance with the Quality Standards for Inspection and Evaluation, as issued in 2020 by the Council of the Inspectors General on Integrity and Efficiency, and the Inspections Handbook, as issued by the Office of Inspector General (OIG) for the Department and the U.S. Agency for Global Media (USAGM).

### (U) Objectives and Scope

(U) The Office of Inspections provides the Secretary of State, the Chief Executive Officer of USAGM, and Congress with systematic and independent evaluations of the operations of the Department and USAGM. Inspections cover three broad areas, consistent with Section 209 of the Foreign Service Act of 1980:

- (U) **Policy Implementation:** whether policy goals and objectives are being effectively achieved and U.S. interests are accurately and effectively represented; and whether all elements of an office or mission are being adequately coordinated.
- (U) **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.
- (U) **Management Controls:** whether the administration of activities and operations meets the requirements of applicable laws and regulations; whether internal management controls have been instituted to ensure quality of performance and reduce the likelihood of mismanagement; and whether instances of fraud, waste, or abuse exist and whether adequate steps for detection, correction, and prevention have been taken.

(U) OIG's specific objectives for this inspection of the American Institute in Taiwan, Washington Headquarters, (AIT/W) were to determine whether:

- (U) AIT/W had clearly defined roles and responsibilities for the policy work of its staff.
- ~~(SBU)~~ (b) (7)(F) [REDACTED]
- (U) AIT/W followed process, monitoring, evaluation, and interagency collaboration standards, as applicable, for its agreements and memoranda of understanding.
- (U) AIT/W collaborated effectively with the Bureau of Consular Affairs and the Office of Foreign Missions to provide administrative services as stipulated by its contract with the Department and in section 5 of its bylaws.
- (U) AIT/W provided adequate financial oversight of its budget preparation, financial management systems, and monetary controls to support appropriated funds from other U.S. government agencies and maintained adequate separation of duties for financial and accounting staff.

- (U) AIT/W conducted annual performance evaluations for its staff and followed applicable Department guidance for staff pay, overtime, and other premium compensation benefits.
- (U) COVID-19 affected operations, internal controls, and mission accomplishments.

### **(U) Methodology**

(U) OIG used a risk-based approach to prepare for this inspection. Due to the COVID-19 pandemic and taking into consideration relevant guidance, OIG conducted the inspection remotely and relied on audio- and video-conferencing tools in lieu of in-person interviews with Department and other personnel. Due to the unique nature of the office, OIG created customized personal and functional questionnaires. OIG also reviewed pertinent records; circulated surveys and compiled the results; and reviewed the substance of this report and its findings and recommendations with offices, individuals, and organizations affected by the review. OIG used professional judgment and analyzed physical, documentary, and testimonial evidence to develop its findings, conclusions, and actionable recommendations.

## (U) APPENDIX B: MANAGEMENT RESPONSES

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TEL: (703) 525-8474

American Institute in Taiwan Washington Office

June 16, 2022

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

FROM:       AIT – Ambassador James Moriarty, Chairman *JM*

SUBJECT:    Response to Draft OIG Report – Inspection of the American Institute in Taiwan – Washington Headquarters

The American Institute in Taiwan – Washington Headquarters (AIT/W) has reviewed the draft OIG inspection report. We provide the following comments in response to the recommendations provided by OIG:

**OIG Recommendation 1:** ~~(SBU)~~ The American Institute in Taiwan, Washington Headquarters, in coordination with the Bureau of East Asian and Pacific Affairs and the Bureau of Diplomatic Security, (b) (7)(F) (b) (7)(F) (Action: AIT/W, in coordination with EAP and DS)

**Management Response:** AIT/W concurs with the recommendation. The office will coordinate with EAP bureau leadership and engage with DS, sharing the results of this inspection report and (b) (7)(F) We hope to have this resolved soon after the OIG report is released.

**OIG Recommendation 2:** (U) The American Institute in Taiwan, Washington Headquarters, in coordination with the Bureau of East Asian and Pacific Affairs, should create a functional statement that defines its roles and responsibilities regarding Taiwan and communicate that information to all appropriate Department and interagency stakeholders in accordance with Department guidance. (Action: AIT/W, in coordination with EAP)

**Management Response:** AIT/W concurs with the recommendation. We will draft a functional statement of our roles and responsibilities, along the lines of State Department bureaus and offices. We will also work to disseminate this information to our stakeholders. We will have this done by the end of 2022. In addition to a written statement of our roles and responsibilities, we will conduct outreach to the interagency community on an ongoing basis. We have started this by conducting an “AIT/W 101” workshop for the agencies of the Executive Branch in May, 2022. Over

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150 participants from over a dozen agencies and departments attended. We have another workshop planned for lawyers in the interagency in the fall of 2022. The workshops will take place approximately every 6 months on an ongoing basis.

**OIG Recommendation 3:** (U) The American Institute in Taiwan, Washington Headquarters, should develop and implement a system to track all agreements with the Taipei Economic and Cultural Representative Office in the United States, in accordance with Department guidance. (Action: AIT/W)

**Management Response:** AIT/W concurs with the recommendation. We will devise a unified system of tracking agreements with the Taipei Economic and Cultural Representative Office. An initial system will be in place by Summer of 2023.

**OIG Recommendation 4:** (U) The American Institute in Taiwan, Washington Headquarters, in coordination with the Bureau of East Asian and Pacific Affairs, should implement a process to formally document written requests and approvals for exceptions to Department policy, as required by the contract. (Action: AIT/W, in coordination with EAP)

**Management Response:** AIT/W concurs with this recommendation. In response to the inspection, we have already developed a template waiver memo and process with our Contracting Officer Representative for administrative matters (COR/A), who will seek other clearances as required. We will use this going forward.

**OIG Recommendation 5:** (U) The Bureau of the Comptroller and Global Financial Services, in coordination with the American Institute in Taiwan, Washington Headquarters, should oversee the institute's financial operations as required by Department standards and the contract. (Action: CGFS, in coordination with AIT/W)

**Management Response:** CGFS will draft a response and submit it to the OIG in a separate memo.

**OIG Recommendation 6:** (U) The American Institute in Taiwan, Washington Headquarters, should perform a review of its bank accounts, consolidate accounts where necessary in line with financial management controls guidelines, and put up to \$216,000 to better use. (Action: AIT/W)

**Management Response:** AIT/W concurs with this recommendation with one note, and has completed its review of its banking accounts. One account has been closed. A second used for payroll transactions will be closed if a pending proposal to direct charge payroll costs to appropriate fiscal data is approved. The structure of the remaining accounts reflects current risk analysis of the types of transactions for which they are used, with balances limited in accounts used for external transactions and continued segregation of funds third party payments to and from USG government agencies passed on a short-term basis. AIT/W notes that the consolidation of the \$216,000 balance in the operating fund account creates more clarity regarding the balance sheet of AIT's operating fund, but does not materially affect the availability of funds for use.

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**OIG Recommendation 7:** (U) The American Institute in Taiwan, Washington Headquarters, should implement a performance evaluation system for its staff in accordance with Department guidance and staff employment contracts. (Action: AIT/W)

**Management Response:** AIT/W concurs with this recommendation. We will create a performance evaluation system that will be implemented in 2022.

The point of contact for this memorandum is Ingrid Larson.

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United States Department of State

Comptroller

Washington, D.C. 20520

JUN 28 2022

**UNCLASSIFIED  
MEMORANDUM**

TO: OIG/AUD – Norman P. Brown

FROM: CGFS/Deputy Comptroller – Cecilia Coates *cc*

SUBJECT: Response to OIG Draft Report: Inspection of the American Institute in Taiwan, Washington Headquarters (SBU) (AUD-CGI-16-48)

Thank you for the opportunity to comment on the Draft Report Inspection of the American Institute in Taiwan, Washington Headquarters Recommendation 5.

**Recommendation 5:** The Bureau of the Comptroller and Global Financial Services, in coordination with the American Institute in Taiwan, Washington Headquarters, should oversee the institute's financial operations as required by Department standards and the contract. (Action: CGFS, in coordination with AIT/W)

CGFS agrees with recommendation #5. CGFS met with EAP Executive Office budget staff and with AIT's Managing Director to develop a path forward for conducting financial oversight and will meet the requirements of the contract as well as 1 FAM614.12 (12).

CGFS will continue working on this item with stakeholders and will update the OIG upon its completion.

The operational point of contact is Paul McVicker. He can be email at [mcvickerpj@state.gov](mailto:mcvickerpj@state.gov) or by phone at (843) 202-3858.

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## (U) ABBREVIATIONS

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AIT	American Institute in Taiwan
AIT/T	American Institute in Taiwan/Taipei
AIT/W	American Institute in Taiwan, Washington Headquarters
CGFS	Bureau of the Comptroller and Global Financial Services
COR	Contracting Officer's Representative
EAP	Bureau of East Asian and Pacific Affairs
FAM	Foreign Affairs Manual
PRC	People's Republic of China
TECRO	Taipei Economic and Cultural Representative Office
TRA	Taiwan Relations Act of 1979

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