



OIG

Office of Inspector General

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

ISP-C-17-29A

Office of Inspections

June 2017

Limited-Scope Compliance Follow-Up Review of Embassy Tokyo, Japan

BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS



OIG HIGHLIGHTS

ISP-C-17-29A

UNCLASSIFIED

June 2017

OFFICE OF INSPECTIONS

Bureau of East Asian and Pacific Affairs

Limited-Scope Compliance Follow-Up Review of Embassy Tokyo, Japan

What OIG Found

- OIG closed 62 of the 65 original recommendations from the 2015 inspection of Embassy Tokyo during the compliance phase. Another three recommendations were open as of the start of this Compliance Follow-Up Review.
- At the start of this review, Embassy Tokyo began a pilot program with a commercial vendor to determine whether the vendor could provide language instruction that satisfied the mission's requirement at a lower cost.
- OIG conducted a concurrent Limited-Scope Security Compliance Follow-up Review of Embassy Tokyo, which will be published as a classified annex to this report.

What OIG Inspected

From January 30 to February 10, 2017, OIG conducted a Limited-Scope Compliance Follow-Up Review of the 2015 Inspection of Embassy Tokyo and Constituent Posts (ISP-I-15-35A).

What OIG Recommended

There were three open recommendations from the 2015 inspection. One — that Embassy Tokyo outsource its post language program — remained open. OIG closed the two other recommendations regarding a potential Anti-Deficiency Act violation because the Bureau of the Comptroller and Global Financial Services determined the representation allotment for the Bureau of East Asian and Pacific Affairs had not been exceeded. During this Compliance Follow-Up Review, OIG reviewed 16 of the 62 closed recommendations from the 2015 report and found they should remain closed.

In its comments on the draft report, Embassy Tokyo provided the results of their cost-benefit analysis prepared on the post language program. Based on the embassy's response to the recommendation, OIG considers the recommendation closed. The embassy's formal written response is reprinted in its entirety in Appendix B.

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CONTENTS

| | |
|---|----|
| EVALUATION OF COMPLIANCE..... | 1 |
| Context | 1 |
| Compliance Overview | 1 |
| STAFFING | 2 |
| MANAGEMENT CONTROLS | 5 |
| POLITICAL AND ECONOMIC REPORTING | 9 |
| PRINCIPAL OFFICIALS..... | 11 |
| APPENDIX A: OBJECTIVE, SCOPE, AND METHODOLOGY | 12 |
| APPENDIX B: STATUS OF 2015 INSPECTION RECOMMENDATIONS | 13 |
| APPENDIX C: MANAGEMENT RESPONSES..... | 16 |
| ABBREVIATIONS | 19 |
| INSPECTION TERMS AND DEFINITIONS | 20 |
| CFR TEAM MEMBERS..... | 22 |

EVALUATION OF COMPLIANCE

Context

In August 2015, OIG published a report on the inspection of Embassy Tokyo and its five constituent posts (ISP-I-15-35A). OIG also published a classified security annex to the main report (ISP-S-15-35A). The original report contained 65 recommendations; the security annex contained 18. Together, these reports generated 12 key findings and were the subject of Congressional interest. As required by the terms of H.R. 2772, the 2016 Department of State, Foreign Operations, and Related Programs Appropriations Act, the Secretary of State submitted a report to the House and Senate Appropriations Committees describing the actions taken to address the findings. Upon review of the Secretary's report, and taking into account four of the most critical findings from the 2015 inspection, OIG determined that an on-site Limited-Scope Compliance Follow-up Review (CFR) was warranted. Following are the four critical findings that prompted this review:

- The Department of State (Department) had not addressed security problems, including vulnerabilities identified by OIG in previous inspection reports.
- The embassy did not coordinate reporting and diplomatic engagement across the mission. Constituent posts in Sapporo, Nagoya, and Osaka-Kobe needed to be brought up to the high standards set by posts in Fukuoka and Naha.
- The number of U.S. direct-hire staff members in the embassy's political, economic, and consular sections was greater than the workload warranted.
- Although the embassy's management section had made significant progress on cost containment, greater attention needed to be paid to management controls over travel and official residence allowances.

Compliance Overview

During the period between the August 2015 publication of the inspection report and the January 2017 start of this Limited-Scope CFR, OIG assessed the actions reported by Embassy Tokyo, the Bureau of East Asian and Pacific Affairs, the Bureau of Diplomatic Security, and three¹ other bureaus on the 65 recommendations contained in the inspection report and the 18 recommendations contained in the security annex.

Sixty-two of the 65 recommendations were closed before the CFR began, and 3 remained open. During this CFR, OIG reviewed 19 recommendations (16 closed recommendations and 3 open recommendations) related to the critical findings in the 2015 report. These 19 recommendations fell into 3 broad categories: staffing, management controls, and political and economic reporting.² This report provides an accounting of the Department's actions and OIG's determinations regarding the above recommendations. A related classified annex discusses the

¹ The Bureau of Consular Affairs, the Foreign Service Institute, and the Bureau of Overseas Buildings Operations.

² Recommendations 2, 3, 4, 16, 30, 31, and 33 addressed staffing; recommendations 19, 32, 36, 43, 44, 53, 54, 55, 56, 60, and 61 addressed management controls; and recommendation 12 addressed political and economic reporting.

results of OIG's Security CFR, which assessed the Department's actions on the security-related recommendations from the 2015 inspection.

STAFFING

Cost Benefit Analysis of the In-House Post Language Program

In the 2015 inspection, OIG found that the five constituent posts outsourced their post language programs to commercial vendors but the embassy did not. The embassy performed this service in-house with three part-time locally employed (LE) staff language instructors. In 2015, Embassy Tokyo cited three advantages for using individual contract language instruction: (1) vendors billed the embassy only if a student took a class or missed a scheduled class; (2) students who found they could not attend their classes (about 20 percent) could voluntarily withdraw; and (3) students had flexibility in scheduling the 1-hour class, depending on their availability. In a 2014 cost comparison, however, the embassy determined that the in-house language program cost \$201,000 while the estimated cost to outsource the program to commercial vendors was \$158,824. OIG accordingly recommended that Embassy Tokyo outsource its post language program to commercial vendors (Recommendation 33). The recommendation had yet to be implemented at the time of this CFR.

Embassy Tokyo did not concur with the original recommendation, but reported that it would conduct a cost benefit analysis. During the CFR, Embassy Tokyo told OIG that the FY 2017 charges for the in-house language program would be more than \$285,000, compared to approximately \$261,000 for a commercial vendor. At the start of the CFR, Embassy Tokyo began a pilot program with a commercial vendor to evaluate the quality of outsourced language instruction before making a final decision.

As a result, OIG determined that Recommendation 33 would remain open in the 2015 report.

Cost Benefit Analysis of the Usefulness of the Media Analysis and Translation Team

In the 2015 inspection, OIG found that Embassy Tokyo's 11-person Media Analysis and Translation Team created 4 daily information products "considered excellent in quality." However, it was unclear whether these products served the embassy's objectives as it had not conducted a customer survey of the products since 2011. OIG recommended that the embassy conduct such a survey and cost-benefit analysis to determine whether the Media Analysis and Translation Team's products were needed to further embassy goals (Recommendation 16). This recommendation was closed during the compliance process based on Embassy Tokyo's reported actions and documentation.

During the CFR, OIG confirmed that the Media Analysis and Translation Team had consolidated its products and launched a new website to help collect survey data that would, in turn, be used to streamline its offerings. It had also conducted the first of planned semiannual user surveys and was also in the process of developing metrics for a cost-benefit analysis.

As a result, OIG determined that Recommendation 16 remains closed.

Streamline the Economic Section

OIG found in 2015 that Embassy Tokyo's Economic Section had multiple unnecessary supervisory levels. According to the Department's Organizational Planning Principles contained in 1 Foreign Affairs Manual (FAM) 014.5, the addition of nonessential supervisory layers hampers clear delegation of responsibility and authority, transmission of information, work flow, clearances, operation costs, and morale. OIG recommended that the embassy eliminate the deputy unit chief designations in the trade and economic policy and the environment, science, technology, and health units (Recommendation 2). OIG also recommended that the embassy eliminate the standalone deputy function in the Economic Section and assign the incumbent to lead the trade and economic policy unit. Both recommendations were closed during the compliance process based on Embassy Tokyo's actions and documentation.

During the CFR, OIG found that the Economic Section continued to use the deputy unit chief designation, in name only, because having such a title allowed the person in the position to gain access due to the rank-conscious Japanese societal norms. Nonetheless, OIG determined that the objective of Recommendation 2 had been achieved because the deputy unit chiefs no longer supervised American staff. Instead, each deputy supervised all LE staff members in their respective units, streamlining chain-of-command from the earlier practice of one-to-one supervision. For Recommendation 3, OIG confirmed that the position of economic section deputy would be eliminated when the incumbent departed in summer 2017.

As a result, OIG determined that Recommendations 2 and 3 remain closed.

Deputy Financial Attaché

In the 2015 inspection, OIG found Embassy Tokyo's Economic Section and the Department of the Treasury's financial attaché both supervised the economic officer who served as the deputy financial attaché, an arrangement that created friction. The deputy's position description stated that the officer worked 75 percent for the Department of the Treasury and 25 percent for the Economic Section, which exacerbated the conflict. OIG recommended that Embassy Tokyo update the deputy's position description to eliminate the division of reporting responsibilities so that the financial attaché would serve as the officer's only rater and the economic minister counselor would serve as reviewer (Recommendation 4). This recommendation was closed during the compliance process.

During the CFR, OIG confirmed that Embassy Tokyo had updated the position description so that the deputy financial attaché was no longer under the direct supervision of two different officers.

As a result, OIG determined that Recommendation 4 remains closed.

Management of the Locally Employed Staff

Position Descriptions

In the 2015 inspection, OIG found that some LE staff position descriptions were inaccurate. Approximately 13 percent of participants in the OIG Local Employee Survey³ said their position descriptions were inaccurate, while 6 percent stated they did not know whether their position descriptions were accurate. OIG recommended that Embassy Tokyo review LE staff position descriptions for accuracy and appropriate classification of grade and position title and update them as needed (Recommendation 30). This recommendation was closed during the compliance process.

During the CFR, OIG confirmed with the incoming Human Resources Officer that Embassy Tokyo had developed a spreadsheet to track progress on reviewing all LE staff position descriptions. As of the CFR, the embassy had completed 40 percent of the reviews, and OIG confirmed that it was on track to complete the remaining 60 percent by August 1, 2017. To further ensure position description accuracy, the human resources unit told OIG that as part of the annual performance evaluation process, both the rated employee and the supervisor must certify that the LE staff member's position description is accurate.

As a result, OIG determined that Recommendation 30 remains closed.

Performance Evaluations

OIG found in 2015 that LE staff members did not receive annual within-grade increases on time because supervisors failed to complete the performance evaluations by the due date. This occurred despite the supervisors' receipt of notifications and reminders from the human resources unit. According to 3 Foreign Affairs Handbook (FAH) 2 H-135.5 a (2), reports are required each year on the basis of the annual rating cycle. OIG recommended that Embassy Tokyo hold managers accountable for completion of local employees' performance reviews by the prescribed due date (Recommendation 31). Recommendation 31 was closed during the compliance process based on documentation provided by the embassy.

During the CFR, OIG found that supervisors had completed all but one performance evaluation on time. The single incomplete evaluation was due to the local employee's long-term medical absence. Further, OIG learned that Embassy Tokyo had been selected to pilot the Performance Based Compensation Plan, a new system that will standardize the annual performance evaluation schedule by making all LE staff evaluations due at the same time. Embassy management told OIG the new system will reinforce the requirement to submit all performance evaluations on time because within-grade salary increases are tied to 100 percent submission.

As a result, OIG determined that Recommendation 31 remains closed.

³ OIG, Survey Questionnaire of Local Employees, Inspection of Embassy Tokyo and Constituent Posts, 2015.

MANAGEMENT CONTROLS

Inappropriate Use of Official Residence Expense Funds

In the 2015 inspection, OIG found that, contrary to guidance in 3 FAM 3256(1) and Department of State Standard Regulation 320 f, Consulate General Naha used official residence expense funds instead of representation funds to hire additional staff for representational events. Official residence funds are charged to diplomatic and consular program funding. OIG recommended that Embassy Tokyo report this potential Anti-Deficiency Act violation to the Bureaus of East Asian and Pacific Affairs and the Bureau of the Comptroller and Global Financial Services (Recommendation 60). OIG also recommended that the Bureau of East Asian and Pacific Affairs determine whether its bureau representation allotment had been exceeded and whether administrative discipline was warranted (Recommendation 61). These recommendations were open at the start of this CFR.

During the CFR, OIG determined that Embassy Tokyo had reported the potential Anti-Deficiency Act violation to the Bureau of East Asian and Pacific Affairs. OIG also reviewed the decision memorandum from the Bureau of the Comptroller and Global Financial Services, which stated that the bureau representation allotment was not exceeded and no further investigation or administrative discipline action was warranted.

As a result, OIG closed Recommendations 60 and 61.

Grants

In the 2015 inspection, OIG found that Embassy Tokyo did not observe Department guidelines regarding Federal grants management. The LE staff member who administered grants told OIG in 2015 that he was not required to monitor them, which is contrary to Department guidance.⁴ OIG recommended that Embassy Tokyo comply with Department guidelines pertaining to grants management (Recommendation 19). This recommendation was closed during the compliance process based on actions reported by the embassy.

During the CFR, OIG confirmed the Public Affairs Section had established comprehensive standard operating procedures for grants management. The section had taken appropriate steps to ensure that staff were properly trained and had restructured staffing to increase its capability to manage and administer Federal grants. OIG documented the Public Affairs Section's continuing coordination with the Bureau of Administration's Office of the Procurement Executive to evaluate and improve its grants management procedures.

As a result, OIG determined that Recommendation 19 remains closed.

⁴ As of March 13, 2015, the Department consolidated all Grants Policy Directives, including Grants Policy Directive 42 on monitoring grants, into the Federal Assistance Policy Directive.

Post Allowance

In the 2015 inspection, OIG found that Embassy Tokyo was one of only two posts granted an exception to pay post allowance to eligible family members. It received this exception due to its inability to recruit individuals for family member positions because of low salaries and wages. However, these adverse employment conditions no longer existed in 2015. OIG accordingly recommended that Embassy Tokyo terminate the post allowance to family member appointees (Recommendation 32). This recommendation was closed during the compliance process based on documentation provided by the embassy.

During the CFR, OIG reviewed Embassy Tokyo's Management Notice announcing the change to the Post Allowance Policy for Eligible Family Members, which reflected September 2016 Bureau of Human Resources guidance⁵ discontinuing the practice. The guidance also stated that those who had been receiving post allowances before the date of the cable were authorized to receive the allowance until they departed their current position. OIG confirmed that seven employees, hired before September 2016, were eligible for and still received post allowances.

As a result, OIG determined that Recommendation 32 remains closed.

Contracting Officer's Representatives

In the 2015 inspection, OIG found that the contracting officer had not designated contracting officer's representatives for seven contracts and that some program managers had not completed the required training and certification requirements. OIG recommended that Embassy Tokyo designate, train, and certify contracting officer's representatives for contracts (Recommendation 36). This recommendation was closed during the compliance process.

During the CFR, OIG confirmed that all active contracts had a designated and certified contracting officer's representative.

As a result, OIG determined that Recommendation 36 remains closed.

Business Plan for the Tokyo American Employee's Welfare Association

In the 2015 inspection, OIG found that the Tokyo American Employee's Welfare Association convenience store lost \$60,897 in 2014 because of high overhead costs. According to 6 FAM 531.5, however, employee associations must ensure that each revenue-generating cost center is financially self-sustaining and that the profits of one cost center are not unduly subsidizing another cost center. OIG recommended that the embassy require the association to review its operations and revise its business plan to make all services self-supporting (Recommendation 53). The recommendation was closed during the compliance process.

During the CFR, the Bureau of Administration's Office of Commissary and Recreation Affairs provided OIG with a July 2016 financial analysis showing that all association cost centers, including the retail convenience store, were profitable. The association manager provided OIG

⁵ Department cable 2016 State 97362, "Revisions to 3 FAM 8200," September 1, 2016.

with the association's current business plan, which had been formulated to promote the profitability of each operation.

As a result, OIG determined that Recommendation 53 remains closed.

Capital Investment Strategy for the Tokyo American Employee's Welfare Association

In the 2015 inspection, OIG found that the Tokyo American Employee's Welfare Association did not have a long-term plan for using its \$487,000 in excess profits. According to 6 FAM 531.4, employee associations with excessive amounts of retained earnings may be required to provide the Office of Commissary and Recreation Affairs with such a management plan. OIG recommended that Embassy Tokyo require the association to develop and submit a capital investment strategy (Recommendation 54). This recommendation was closed during the compliance process based on the embassy's reported actions.

During the CFR, OIG confirmed that the association had a written capital investment strategy and was implementing it in consultation with the association's Board of Directors. The strategy articulated an onward plan to replace equipment and improve facilities as well as to make investments in morale support programs to benefit the embassy community.

As a result, OIG determined that Recommendation 54 remains closed.

Quarterly Reviews of Locally Employed Staff Certifying Activity

OIG found in 2015 that the Financial Management Officer was not conducting periodic unannounced reviews of LE staff certifying activity. Instead, the officer performed a cursory review of certified payments in the financial system, which OIG determined was insufficient. According to 4 FAH-3 H-065.2-2 d, the financial management officer should review a newly designated LE staff certifying officer monthly for the first 6 months following the designation, and quarterly thereafter. OIG recommended that Embassy Tokyo conduct and document unannounced quarterly reviews of LE staff certifying activity (Recommendation 55). This recommendation was closed during the compliance process.

During the CFR, OIG reviewed documentation of monthly (for newly appointed certifying officers) and unannounced quarterly reviews performed by the former financial management officer, which confirmed compliance with Department guidelines.

As a result, OIG determined that Recommendation 55 remains closed.

Collection of Employee Indebtedness

In the 2015 inspection, OIG found that Embassy Tokyo incorrectly paid travelers for actual lodging expenses, rather than the set per diem rate, which resulted in overpayments to travelers and violated 14 FAM 572.2 and 14 FAM 567. Although actual lodging was approved on the blanket travel authorization, neither the authorization nor the travel voucher contained evidence that this expense was justified. According to 14 FAM 515, the traveler is responsible for repaying charges incurred through failure to comply with regulation regardless of who may have assisted the traveler in making the arrangements. OIG recommended that Embassy Tokyo review travel documentation where actual costs were claimed, notify the employee of the indebtedness, and initiate collection (Recommendation 56). This recommendation was closed during the compliance process.

During the CFR, OIG reviewed documentation showing receipt of repayments by the employees in question. OIG confirmed that the embassy had taken steps to prevent a reoccurrence of this issue by removing authorization for actual lodging expenses from blanket travel authorizations. The embassy also noted that its software prevented employees from claiming actual lodging costs on travel claims deriving from blanket travel authorizations on the Department's on-line travel management system.

As a result, OIG determined that Recommendation 56 remains closed.

Private Domestic Staff Inappropriately Housed in U.S. Government-Owned Facility

In the 2015 inspection, OIG found that Embassy Tokyo continued to house private domestic staff of U.S. direct-hire employees in a separate U.S. Government-owned facility (the former U.S. Marine Dormitory) despite a 2008 Office of the Legal Advisor opinion cautioning that its legality under federal appropriations/employment law was highly doubtful. At the time of the 2015 inspection, 42 domestic employees resided in the 31-room building. OIG recommended that Embassy Tokyo terminate housing private domestic staff of its direct-hire employees in a separate Government-owned facility (Recommendation 43). This recommendation was closed during the compliance process. Embassy Tokyo reported that the practice had been discontinued and the building had been demolished.

During the CFR, OIG observed the cleared lot where the building had stood. The embassy told OIG that all occupants vacated the premises in August 2016 and demolition of the facility began in November 2016.

As a result, OIG determined that Recommendation 43 remains closed.

Emergency Generator Power Requirements

In the 2015 inspection, OIG found that consulate office buildings in Sapporo and Fukuoka did not have emergency backup generators for unclassified office areas. The Government-owned housing compounds in Tokyo, Osaka-Kobe, and Sapporo also had no or very limited emergency power generation capabilities. Although the Department does not require all posts to have

generator power, OIG deemed it prudent for the embassy to evaluate each constituent post's needs for generators, given Japan's 2011 earthquake and tsunami. OIG recommended that Embassy Tokyo conduct a review and determine each constituent post's emergency generator power requirements (Recommendation 44). This recommendation was closed during the compliance process.

During the CFR, OIG found that the Bureau of Overseas Buildings Operations had initiated projects in Sapporo, Fukuoka, and Osaka-Kobe to establish or replace emergency generators. Embassy Tokyo's senior facilities manager continued to work with the bureau to identify additional projects, factoring in costs, funding availability, and feasibility.

As a result, OIG determined that Recommendation 44 remains closed.

POLITICAL AND ECONOMIC REPORTING

Constituent Post Reporting Plans

In the 2015 inspection, OIG reviewed nine months of political and economic reporting by Mission Japan's five constituent posts and found that their reporting was uneven. Embassy Tokyo did not require constituent posts to prepare or follow reporting plans, although two constituent posts did so on their own. OIG recommended that Embassy Tokyo require each principal officer to draft a reporting plan and to include reporting performance in principal officers' performance evaluations (Recommendation 12). This recommendation was closed during the compliance process.

During the CFR, OIG reviewed the reporting plans for all five constituent posts, as well as the work requirements statements for the five principal officers, and confirmed implementation of the recommendation.

As a result, OIG determined that Recommendation 12 remains closed.

RECOMMENDATIONS

OIG provided a draft of this report to Department stakeholders for their review and comment on the findings and recommendations. OIG recommended to Embassy Tokyo that the following recommendation from the 2015 inspection report remain open. The embassy's complete response can be found in Appendix C.

Recommendation 33: OIG recommended that Embassy Tokyo outsource its post language program to commercial vendors. (Action: Embassy Tokyo)

Management Response: In its June 16, 2017, response, Embassy Tokyo reported the results of its pilot program using an outside contractor for language instruction. The embassy noted the cost of the in-house program was comparable to the outside contractor and offered students and management higher quality and essential flexibility. The embassy concluded that those advantages outweighed any potential marginal cost savings that could be gained from outsourcing. The embassy proposed that it maintain the in-house language program and supplement it as needed with outside contractors.

OIG Reply: OIG considers the recommendation closed.

PRINCIPAL OFFICIALS

| Title | Name | Arrival Date |
|------------------------------|-------------------|--------------|
| Chargé d'Affaires ad interim | Jason Hyland | 6/2014 |
| Chiefs of Sections: | | |
| Management | Lawrence Richter | 9/2016 |
| Economic | Nicholas Hill | 6/2016 |
| Public Affairs | Margot Carrington | 7/2014 |
| Regional Security | William Densmore | 8/2016 |

Source: Embassy Tokyo

APPENDIX A: OBJECTIVE, SCOPE, AND METHODOLOGY

This Compliance Follow-Up Review 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.

Objective and Scope

The Office of Inspections provides the Secretary of State, the Chairman of Broadcasting Board of Governors, and Congress with systematic and independent evaluations of the operations of the Department and the Broadcasting Board of Governors. CFRs assess the inspected entities' compliance with recommendations made in previous inspections and verify whether agreed-upon corrective actions for recommendations issued in previous reports were fully and properly implemented.

OIG's specific objective for this CFR was to determine whether the Department had implemented the recommendations in the 2015 inspection report (ISP-1-15-35A) and, if not, what further steps the Department needed to take to meet the recommendations. The scope of this CFR was 19 recommendations out of the original 65 from the 2015 inspection report.

Methodology

- Review compliance files on reported actions and supporting documentation and OIG analyses for closure or further action.
- Interview coordinating officials to determine their efforts to assist action offices in implementing the recommendations issued in the inspection report.
- Interview officials in the Bureau of East Asian and Pacific Affairs, other applicable bureaus with action, and Embassy Tokyo and constituent posts, as necessary, to determine the current implementation status of the recommendations.
- Collect documentation to support the reported actions pertaining to the implementation of the recommendations.
- Determine whether the original recommendations should be reissued as originally stated, revised and reissued based on changed circumstances, or closed based on supporting documentation.

During the course of the Limited-Scope and Security CFRs, the inspectors conducted 53 documented interviews in the Bureau of East Asian and Pacific Affairs, the Bureau of Diplomatic Security, the Director General of Human Resources, the Bureau of Overseas Buildings Operations, the Bureau of Administration, the Office of the Legal Advisor, and Embassy Tokyo. OIG also collected and reviewed 342 documents.

APPENDIX B: STATUS OF 2015 INSPECTION RECOMMENDATIONS

Recommendation 2: Embassy Tokyo should streamline the economic section by eliminating the deputy unit chief designation in the trade and economic policy unit and in the environment, science, technology, and health unit. (Action: Embassy Tokyo)

Pre-CFR Status: Closed

CFR Status: Remains Closed

Recommendation 3: Embassy Tokyo should eliminate the standalone deputy function in the economic section and assign the current incumbent of the position to lead the trade and economic policy unit. (Action: Embassy Tokyo)

Pre-CFR Status: Closed

CFR Status: Remains Closed

Recommendation 4: Embassy Tokyo should update the description for position 20466000 to eliminate the division of reporting responsibilities between the financial attaché and the economic section so that the officer reports solely to the financial attaché and through the attaché to the economic minister counselor. (Action: Embassy Tokyo)

Pre-CFR Status: Closed

CFR Status: Remains Closed

Recommendation 12: Embassy Tokyo should require each principal officer to draft a reporting plan that includes reporting performance in principal officers' performance evaluations. (Action: Embassy Tokyo)

Pre-CFR Status: Closed

CFR Status: Remains Closed

Recommendation 13: Embassy Tokyo should develop and implement a public diplomacy strategy. (Action: Embassy Tokyo)

Pre-CFR Status: Closed

CFR Status: Remains Closed

Recommendation 16: The embassy should conduct a customer survey and a cost-benefit analysis to determine whether the Media Analysis and Translation Team's products are needed to further embassy goals. (Action: Embassy Tokyo)

Pre-CFR Status: Closed

CFR Status: Remains Closed

Recommendation 19: Embassy Tokyo, in coordination with the Bureau of Administration, should comply with Department of State regulations for grants management oversight, including scheduling periodic review by grants officers and grants officer representatives. (Action: Embassy Tokyo, in coordination with A)

Pre-CFR Status: Closed

CFR Status: Remains Closed

Recommendation 30: Embassy Tokyo should review locally employed staff position descriptions for accuracy and appropriate classification of grade and position title and update descriptions as needed. (Action: Embassy Tokyo)

Pre-CFR Status: Closed

CFR Status: Remains Closed

Recommendation 31: Embassy Tokyo should hold managers accountable for completion of local employees' performance reviews by the prescribed due date. (Action: Embassy Tokyo)

Pre-CFR Status: Closed

CFR Status: Remains Closed

Recommendation 32: Embassy Tokyo, in coordination with the Bureau of Human Resources, should terminate the payment of post allowance to family member appointees. (Action: Embassy Tokyo, in coordination with DGHR)

Pre-CFR Status: Closed

CFR Status: Remains Closed

Recommendation 33: Embassy Tokyo should outsource its post language program to commercial vendors. (Action: Embassy Tokyo)

Pre-CFR Status: Open

CFR Status: Closed

Recommendation 36: Embassy Tokyo, in coordination with the Bureau of Administration, should designate, train, and certify contracting officer's representatives for contracts. (Action: Embassy Tokyo, in coordination with A)

Pre-CFR Status: Closed

CFR Status: Remains Closed

Recommendation 43: Embassy Tokyo, in coordination with the Bureau of Overseas Buildings Operations and the Office of the Legal Advisor, should terminate housing its private domestic staff of its direct-hire officers in a separate Government-owned facility. (Action: Embassy Tokyo, in coordination with OBO and L)

Pre-CFR Status: Closed

CFR Status: Remains Closed

Recommendation 44: Embassy Tokyo, in coordination with the Bureau of Overseas Buildings Operations, should conduct a review and determine each constituent post's emergency generator power requirements. (Action: Embassy Tokyo, in coordination with OBO)

Pre-CFR Status: Closed

CFR Status: Remains Closed

Recommendation 53: Embassy Tokyo, in coordination with the Bureau of Administration, should require the Tokyo Employee's Welfare Association to review its operations and revise its business plan to make services self-supporting. (Action: Embassy Tokyo, in coordination with A)

Pre-CFR Status: Closed

CFR Status: Remains Closed

Recommendation 54: Embassy Tokyo, in coordination with the Bureau of Administration, should require the American Employee's Welfare Association to develop and submit to the Office of Commissary and Recreation Affairs a capital investment strategy for use of its excess funding.

(Action: Embassy Tokyo, in coordination with A)

Pre-CFR Status: Closed

CFR Status: Remains Closed

Recommendation 55: Embassy Tokyo should conduct and document unannounced quarterly reviews of locally employed staff certifying activity. (Action: Embassy Tokyo)

Pre-CFR Status: Closed

CFR Status: Remains Closed

Recommendation 56: Embassy Tokyo, in coordination with the Bureau of the Comptroller and Global Financial Services, should review the travel documentation where actual costs were claimed, notify the employee of the indebtedness, and initiate collection. (Action: Embassy Tokyo, in coordination with CGFS)

Pre-CFR Status: Closed

CFR Status: Remains Closed

Recommendation 60: Embassy Tokyo should report the potential Anti-Deficiency Act violation that occurred by using Diplomatic and Consular Program funding rather than representation funding to pay official representation expenses to the Bureau of East Asian and Pacific Affairs and the Bureau of the Comptroller and Global Financial Services. (Action: Embassy Tokyo)

Pre-CFR Status: Open

CFR Status: Closed

Recommendation 61: The Bureau of East Asian Affairs, in coordination with the Bureau of the Comptroller and Global Financial Services, should determine whether the regional bureau's representation allotment was exceeded and whether administrative discipline is warranted.

(Action: EAP, in coordination with CGFS)

Pre-CFR Status: Open

CFR Status: Closed

APPENDIX C: MANAGEMENT RESPONSES



United States Department of State

Washington, D.C. 20520

June 16, 2017

UNCLASSIFIED

THRU: EAP/EX – Jennifer Bonner

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

FROM: Larry Richter, Minister Counselor for Management Affairs, U.S. Embassy Tokyo

SUBJECT: Response to OIG Compliance Follow-up Review Report – Inspection of Embassy Tokyo

Embassy Tokyo has reviewed the OIG Compliance Follow-up Review Report. We provide the following comments in response to the recommendations provided by OIG:

OIG Recommendation 33: Embassy Tokyo should outsource its post language program to commercial vendors.

Management Response: The costs of our in-house program are comparable to the outside contractor and offer students and management higher quality and essential flexibility. Those significant advantages outweigh the potential (and marginal) cost savings that could be gained from outsourcing. Embassy Tokyo therefore believes we should maintain the in-house Post Language Program to meet our basic requirements and supplement as needed with outside contractors. Post requests that this recommendation be closed.

Cost Benefit Analysis of the In-House Post Language Program

In the 2015 inspection, OIG found that the five constituent posts outsourced their post language programs to commercial vendors but the embassy did not. The embassy performed this service in-house with three part-time locally employed (LE) staff language instructors. In 2015, Embassy Tokyo cited three advantages for using individual contract language instruction: (1) vendors billed the embassy only if a student took a class or missed a scheduled class; (2) students who found they could not attend their classes (about 20 percent) could voluntarily withdraw; and (3) students had flexibility in scheduling the 1-hour class, depending on their availability. In a 2014 cost comparison, however, the embassy determined that the in-house language program cost \$201,000 while the estimated cost to outsource the program to commercial vendors was \$158,824. OIG accordingly recommended that Embassy Tokyo outsource its post language program to commercial vendors (Recommendation 33). The recommendation had yet to be implemented at the time of this CFR.

Embassy Tokyo did not concur with the original recommendation, but reported that it would conduct a cost benefit analysis. During the CFR, Embassy Tokyo told OIG that the FY 2017 charges for the in-house language program would be more than \$285,000, compared to approximately \$261,000 for a commercial vendor. At the start of the CFR, Embassy Tokyo began a pilot program with a commercial vendor to evaluate the quality of outsourced language instruction before making a final decision.

As a result, OIG determined that Recommendation 33 would remain open in the 2015 report.

Mission Response/Assessment:

Embassy Tokyo has completed its trial with an outside contractor. Based upon the results of that trial, it is in the USG interest to retain our in-house language program and to supplement as needed with outside contractors. In summary; our Post Language Officers determined that, although the students enjoyed the classes and the teaching materials, the logistics are complicated, the cancellation policy is too cumbersome, and the ability to easily group students based on competency levels and scheduling availability is more difficult with the outside program. Because the outside teachers are not as familiar with the FSI testing method, they assessed that students would be disadvantaged when taking the FSI exam.

While some of those difficulties could be mitigated through contract renegotiation, even the best contract will not eliminate those basic disadvantages of the outside program. If students, (EFMs in particular), are required to deal with loss of flexibility, more complicated logistics, and difficult interactions with an outside program, then it is likely that participation will go down. Because we want our officers and EFMs to gain language skills to be more effective in their jobs and to more easily navigate daily life that would not be a desirable outcome. The simplicity and flexibility of our in-house program encourages participation by beginners and intermediate students. Our in-house teachers are able to more easily accommodate student schedules, add incremental students as needed, and tailor their program to the FSI test and to needs of students for on-the-job use.

The cost comparisons are also inexact because the cost of the outside contractor varies significantly depending on the number of students and actual class sizes – which cannot always be accurately determined in advance. For example: If we model an average of 2.5 students in each class instead of 3, the cost model swings significantly in favor of our in-house program. While one can argue that fluctuating class sizes may make the in-house program more expensive if enrollments are low, the opposite is also true; we can add incremental students without additional cost when demand is high. That is not the case with outside contractors, where an unexpected surge in demand could result in unexpected and unaffordable costs – or unmet demand.

EAP requests that Recommendation 33 be closed.

Approved: Jennifer Bonner, EAP Executive Director (ok)

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ABBREVIATIONS

| | |
|------------|-----------------------------|
| CFR | Compliance Follow-Up Review |
| Department | Department of State |
| FAH | Foreign Affairs Handbook |
| FAM | Foreign Affairs Manual |
| LE | Locally Employed |

INSPECTION TERMS AND DEFINITIONS

Compliance Response: A written response from the action office to which a recommendation has been assigned for action, informing OIG of agreement or disagreement with the recommendation. Comments indicating agreement shall include planned corrective actions and, where appropriate, the actual or proposed target dates for achieving these actions. The reasons for any disagreement with a recommendation must be explained fully. Where disagreement is based on interpretation of law, regulation, or the authority of officials to take or not take action, the response must include the legal basis.

Final Action: The completion of all actions that the management of an action office, in its management decision, has concluded is necessary to address the findings and recommendations in OIG reports.

Finding: A conclusion drawn from facts and information about the propriety, efficiency, effectiveness, or economy of operation of a post, unit, or activity.

Management Decision: When the management of an action office for an OIG recommendation informs OIG of its intended course of action in response to a recommendation. If OIG accepts the management decision, the recommendation is considered resolved. If OIG does not accept the management decision and the issue cannot be resolved after a reasonable effort to achieve agreement, the Inspector General may choose to take it to impasse.

Open Recommendation: An open recommendation is either resolved or unresolved (see definitions of recommendation status below).

Recommendation: A statement in an OIG report requiring action by the addressee organizations or officials to correct a deficiency or need for change or improvement identified in the report.

Recommendation Status:

- **Resolved:** Resolution of a recommendation occurs when:
 - The action office concurs with the recommendation (a management decision has been accepted by OIG), but the action office has not presented satisfactory evidence that it has implemented the recommendation or some alternative course of action acceptable to OIG;
 - The action office informs OIG that it disagrees with all or part of the recommendation, and OIG agrees to accept partial compliance or noncompliance; or
 - Impasse procedures have led to a positive or negative final management decision.

- **Unresolved:** An unresolved recommendation occurs when the action office:
 - Has not responded to OIG;
 - Has failed to address the recommendation in a manner satisfactory to OIG;
 - Disagrees with the recommendation and did not suggest an alternative acceptable to OIG; or
 - Requests OIG refer the matter to impasse, and the impasse official has not yet issued a decision.

- **Closed:** A recommendation is closed when one of the following situations applies:
 - OIG formally notifies the action office that satisfactory evidence of final action (i.e., information provided by the action office that confirms or attests to implementation) on an OIG recommendation has been accepted. The closing of a recommendation from an OIG report does not relieve the responsible manager of the obligation to report to OIG any changed circumstances substantially affecting the problem areas addressed in the recommendation or report and the effectiveness of agreed actions to correct these problems;
 - OIG acknowledges to the action office that an alternative course of action to the action proposed in the recommendation will satisfy the intent of the recommendation and satisfactory evidence showing that the alternative action has been completed is provided to OIG;
 - OIG agrees partial implementation is acceptable and has been completed; or
 - OIG agrees that noncompliance is acceptable.

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