



Office of Inspector General

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United States Department of State
and the Broadcasting Board of Governors
Office of Inspector General

Office of Inspections

Inspection of
the American Institute in Taiwan

Report Number ISP-I-12-12A, February 2012

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PURPOSE, SCOPE, AND METHODOLOGY OF THE INSPECTION

This inspection was conducted in accordance with the Quality Standards for Inspection and Evaluation, as issued in 2011 by the Council of Inspectors General on Integrity and Efficiency, and the Inspector's Handbook, as issued by the Office of Inspector General for the U.S. Department of State (Department) and the Broadcasting Board of Governors (BBG).

PURPOSE AND SCOPE

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

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

METHODOLOGY

In conducting this inspection, the inspectors: reviewed pertinent records; as appropriate, circulated, reviewed, and compiled the results of survey instruments; conducted on-site interviews; and reviewed the substance of the report and its findings and recommendations with offices, individuals, organizations, and activities affected by this review.



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PREFACE

This report was prepared by the Office of Inspector General (OIG) pursuant to the Inspector General Act of 1978, as amended, and Section 209 of the Foreign Service Act of 1980, as amended. It is one of a series of audit, inspection, investigative, and special reports prepared by OIG periodically as part of its responsibility to promote effective management, accountability, and positive change in the Department of State and the Broadcasting Board of Governors.

This report is the result of an assessment of the strengths and weaknesses of the office, post, or function under review. It is based on interviews with employees and officials of relevant agencies and institutions, direct observation, and a review of applicable documents.

The recommendations therein have been developed on the basis of the best knowledge available to the OIG and, as appropriate, have been discussed in draft with those responsible for implementation. It is my hope that these recommendations will result in more effective, efficient, and/or economical operations.

I express my appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in black ink, appearing to read "H. W. Geisel".

Harold W. Geisel
Deputy Inspector General

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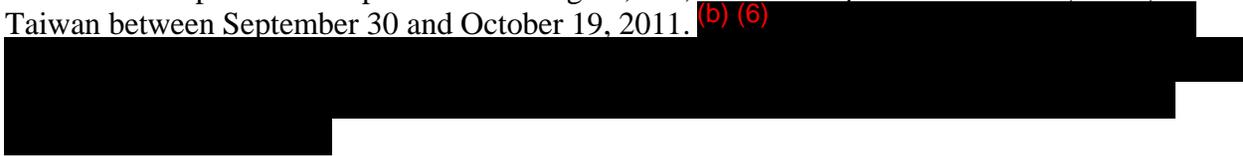
Key Judgments

- The American Institute in Taiwan (AIT), a private, nonprofit organization that handles the day-to-day relationship between the U.S. Government and Taiwan, operates with more freedom and fewer financial restrictions than embassies have. However, this situation also complicates the AIT mission in Taiwan's (AIT/Taiwan) coordination with Washington, as the lines of authority and communication are often unclear between AIT's Washington office (AIT/Washington) and the Bureau of East Asian and Pacific Affairs (EAP). This situation has led to a sense in Taiwan of inconsistency and inattention on the part of Washington.
- AIT/Taiwan functions well overall, but individual sections often work in isolation. Both the political and economic sections have taken actions that should have been coordinated with other offices. Sections frequently fail to coordinate with the public diplomacy section, resulting in a last-minute rush for assistance and less effective programs.
- AIT/Taiwan faces several challenges, including the possible loss of up to \$15 million per year in nonimmigrant visa processing fee funds, should Taiwan be accepted into the Visa Waiver Program.
- The consular section is well managed and provides efficient service. The challenge will be to maintain positive morale and the same standard of service, as discussions continue regarding Taiwan's entry into the Visa Waiver Program. Employees realize that if Taiwan is accepted, many of them will lose their jobs. Mission leaders are engaged in managing employees' expectations about this process.
- Reporting quality is generally good, but the majority of it is spot reporting and responding to events or Washington's requests. The political and economic sections have separate reporting plans that are comprehensive but lack front office review or prioritization.
- The public diplomacy section has adopted an innovative practice called, *Virtual AIT World*, a Web-based video platform that offers virtual tours of major exhibits. It is posted on AIT/Taiwan's Web site and Facebook page, multiplying audience reach and extending the life of the exhibits after they have closed.
- The management office has strengthened AIT/Taiwan's management platforms and safeguarded its financial resources. The section capably deals with a complex financial management system that is distinct from that of either AIT/Washington or EAP.
- AIT should dispose of three properties in Taiwan: the Japanese Guesthouse, the Summer House, and the property currently occupied by the Taiwan Economic and Cultural Relations Office (TECRO).
- AIT/Taiwan's sections are amply staffed, and in some cases overstaffed. The inspection team made several recommendations for eliminating positions.

All findings and recommendations in this report are based on conditions observed during the on-site review and the standards and policies then in effect. The report does not comment at length on areas where OIG did not identify problems that need to be corrected.

This inspection excluded AIT/Washington and the Foreign Service Institute's (FSI) Chinese Field School in Taipei.

The inspection took place in Washington, DC, between September 7 and 27, 2011, and in Taiwan between September 30 and October 19, 2011. (b) (6)



Context

Since 1949, Taiwan's confrontation with the People's Republic of China over sovereignty has been the overriding factor in their relationship and has been central to the U.S. relationship with each. In 1979, after the United States established diplomatic relations with the People's Republic of China, the Taiwan Relations Act created AIT, charging it with fostering strong but ostensibly nongovernmental ties between the people of the United States and Taiwan. Three decades later, this unofficial relationship is deep, broad, and complex. Bureaucratic structures and procedures governing AIT/Taiwan's operations, which were initially foreseen as provisional but are still in place, need to be reviewed.

Despite its diplomatic isolation, Taiwan has become a model of economic development and political liberalization. It solidified its standing as a democracy by completing its second peaceful, inter-party transfer of political power in 2008 and was in the midst of a vibrant presidential election campaign during the inspection. Taiwan has only 23 million people, but it is the United States' 15th largest export market, the 6th largest customer for U.S. agricultural products, and an active member of the World Trade Organization and Asia-Pacific Economic Cooperation.

U.S. security cooperation – in terms of selling defensive weapons systems, as well as providing training, exchanges, and other cooperation – underscores U.S. resolve in the region. It is also a sore point for the People's Republic of China, as well as for some members of Congress.

AIT is unique within the Department. It is a private, nonprofit organization that operates under a formal contract with the Department to handle the day-to-day relationship between the U.S. Government and Taiwan. It has offices in Washington, Taipei, and Kaohsiung. AIT takes direction from the Department, works closely with EAP, and represents a number of U.S. Government agencies in their dealings with the Government of Taiwan.

AIT/Taiwan resembles an embassy, with several notable exceptions: it uses a different financial and budgeting program, and it is allowed to retain and use nonimmigrant visa fees for nonconsular activities. AIT/Taiwan receives approximately one-third of its \$65 million budget from congressional appropriations, another third from nonimmigrant visa fees, and the rest from other agencies, under an International Cooperative Administrative Support Services (ICASS)-like system.

At its main office in Taipei, AIT/Taiwan's largest agency is the Department, followed by the Department of Defense and the Foreign Commercial Service. There is a small branch office, comparable to a consulate, in the major port city of Kaohsiung. Foreign Service officers no longer need to resign from the Department to serve at AIT/Taiwan, and active duty military personnel now can be assigned there. However, high-level U.S. Government visits are rare. AIT/Taiwan only recently began flying the American flag at its Taipei facility.

Executive Direction

In many ways, AIT/Taiwan resembles an embassy overseas. It is headed by a director who functions as chief of mission and a deputy director who functions as deputy chief of mission. It has the same reporting sections and communications networks. AIT/Taiwan is staffed by 154 U.S. direct-hire employees, 29 eligible family members, and other U.S. staff hired locally, plus 365 local employees. Although its financial management system is separate from that of the Department, AIT/Taiwan complies with Department regulations, as well as the Office of Management and Budget regulations governing nonprofit organizations.

These differences allow the AIT/Taiwan staff to operate with more freedom and fewer financial restrictions than embassies have. However, they also complicate AIT/Taiwan's coordination with and guidance from Washington, as lines of authority and communication are often unclear. In a "normal" overseas mission, the staff works closely with the regional bureau to develop strategies and discuss operational issues. By contrast, AIT/Taiwan contends with two separate lines of authority: EAP and AIT/ Washington. AIT/Taiwan is frequently unable to obtain adequate guidance, and the related allocation of responsibilities, from either EAP or AIT/Washington. AIT/Taiwan's perception, for example, is that political-military functions in AIT/Washington greatly overlap with those performed by its own political and technical assistance sections. Another example relates to AIT/Taiwan's independent financial platform. The fact that AIT/Taiwan's platform is more sophisticated than that used by AIT/Washington, and totally different from that of the Department, complicates efficient financial management.

The AIT/Taiwan director and deputy director, who have worked together for 2 years, have radically different management styles. The director is variously described as hard-charging and a workaholic. He gets high marks from his staff for his focus on collaboration among agencies at the mission. (b)(5)(b)(6)

(b)(5)(b)(6) The deputy, acknowledged as thoughtful and intelligent, has strong language skills and a low-key approach to management that at times is described as diffident and professorial. He takes seriously his role to mentor entry-level Foreign Service officers, although Foreign Service specialists are not involved in AIT/Taiwan's mentoring program. (b)(5)(b)(6)

(b)(5)(b)(6) The mission functions well overall, but the front office's inability to mesh its management styles means AIT/Taiwan does not meet its full potential. The front office does little to integrate AIT/Taiwan's sections by forming "horizontal" teams, so the mission's efforts are stovepiped. Despite noteworthy efforts by the public affairs officer (PAO), public diplomacy is often a last-minute afterthought, rather than an integrated resource. Inspectors observed several incidents in which this inability to mobilize AIT/Taiwan resources in a coordinated fashion led to results that were less productive than they otherwise could have been.

The director exercised firm direction preparing the FY 2013 Mission Strategic and Resource Plan (MSRP). He kicked off the process with a discussion of the previous year's MSRP and, despite Department instructions to simply tinker with it, encouraged a meaningful and thorough revision.

Under the director's leadership, AIT/Taiwan has achieved a high degree of access to Taiwan's leaders. Taiwan and its people are strongly pro-American, and AIT/Taiwan takes advantage of this situation to press its leaders on U.S. foreign policy objectives, including regional stability. The director has wisely made a point of remaining neutral in the run-up to Taiwan's January 2012 presidential election, which has broadened AIT/Taiwan's access to members of both leading political parties at all levels.

Another of the director's goals is for Taiwan to be accepted into the Visa Waiver Program, which will allow the majority of Taiwan's passport holders to visit the United States without a visa. The director stresses the political goodwill this change will engender in Taiwan, but he is equally aware that it will severely impact the mission's budget. AIT/Taiwan is unique among overseas missions, in being allowed to use visa application fees for its own operating expenses, rather than returning them to the Bureau of Consular Affairs. AIT/Taiwan estimates that it will lose approximately \$15 million per year if Taiwan is accepted into the Visa Waiver Program, which could occur as early as 2012.

In addition to visa fees, in FY 2011 AIT/Taiwan received approximately \$21 million in appropriated funds through the Department. The rest of its budget comes from management support costs paid by other agencies located in Taiwan and at the branch office in Kaohsiung. At this stage, no one in AIT or the Department is sure how much of the anticipated shortfall could be made up by the Department. AIT is developing scenarios for dealing with a projected shortfall, but the end result is unclear and the negative consequences potentially grave.

Several officers lack familiarity with normal Department and interagency contacts and do not interact with them. A number of key officers have not received adequate training: the deputy director did not attend the deputy chief of mission course; the political and economic section chiefs did not attend the course for first-time section heads; and at least one political officer did not have tradecraft training. The lack of such training contributes to managerial and performance shortcomings. It is important to resolve these training omissions, especially given the sizeable turnover of senior managers that AIT/Taiwan will experience in summer 2012.

Recommendation 1: The American Institute in Taiwan, in coordination with the Bureau of Human Resources and the Bureau of East Asian and Pacific Affairs, should require officers assigned to Taiwan – including incumbents who have more than 1 year remaining in Taiwan – to receive appropriate leadership and/or management training for their positions. (Action: AIT/Taiwan, in coordination with DGHR and EAP)

AIT and the Bureau of Overseas Buildings Operations (OBO) are completing Phase 1 in the construction of a new office compound, to replace the aging structure that currently houses AIT/Taiwan. The new compound will allow all agencies to be colocated in the same facility. The facility, expected to be occupied in FY 2015, will be funded jointly by AIT and the Department. AIT already has spent \$11 million and has pledged \$89.2 million for construction. OBO expects to provide its portion of the funding in FY 2012.

In addition to the Department, four agencies are represented at AIT/Taiwan the Departments of Agriculture, Commerce, Defense, and Homeland Security. AIT also supports FSI's Chinese Field School, which is located about an hour from AIT/Taiwan. (The school will move into the new office

compound when it opens.). The Departments of Commerce, Energy, and Homeland Security also have staff at AIT/Taiwan's branch office in Kaohsiung. Coordination among the agencies is good.

AIT/Taiwan's security program is managed by a mid-level regional security officer who has made significant improvements since arriving in 2010. Aside from several discrepancies noted in emergency preparedness and procedural security, the program is efficient. A full description of the program is provided in the classified annex that accompanies this report.

AIT/Taiwan is sensitive to Equal Employment Opportunity (EEO) concerns.

American Institute in Taiwan / Kaohsiung

AIT/Taiwan's small branch office in the port city of Kaohsiung is approximately 90 minutes from Taipei by high-speed train. It is staffed by two Foreign Service officers (one of whom is the branch office chief), one Foreign Commercial Service officer, and 26 local employees. The three officers in Kaohsiung, all of whom arrived within 2 months of this inspection, work well together. They travel to Taipei on a rotating, weekly schedule to attend the section chiefs' meeting. However, regular meetings have not been scheduled with the deputy director to keep AIT/Taiwan informed of activities and issues in Kaohsiung. There also is no set schedule for section chiefs and local employees in Taipei to travel to Kaohsiung on a regular basis to provide oversight, guidance, and training. This situation is most evident in the management section, but other sections also would benefit from quarterly visits by U.S. direct-hire and locally employed staff in Taipei.

Recommendation 2: The American Institute in Taiwan should require section chiefs and relevant local employees from the Taipei office to visit their counterparts in Kaohsiung on a quarterly basis, to provide guidance and mentoring. (Action: AIT/Taiwan)

Policy and Program Implementation

Reporting and Analysis

The reporting from AIT/Taiwan is generally comprehensive and of good quality, and it addresses Washington end users' needs. However, as in many missions, much useful material is sent by email and is never included in formal cables or the Department's internal online resources. Many overseas missions and their country directorates in Washington exchange end-of-day emails about operational information and late-breaking events. AIT/Taiwan exchanges such emails with the Office of Taiwan Coordination in EAP and the AIT office in Washington. However, distribution of the emails is limited; the information they contain is often not included in formal cables the next day, nor is it supplemented by direct contact between AIT action offices and the wider Department and interagency community. Outside of these end-of-day emails, AIT/Taiwan has little direct contact with Washington offices, preferring to rely on the Office of Taiwan Coordination in EAP to forward information to others. This arrangement unnecessarily burdens the Office of Taiwan Coordination and stifles what should be a healthy communication between AIT/Taiwan and its interagency colleagues in Washington.

Informal Recommendation 1: The American Institute in Taiwan should use all available channels to communicate with the Department and the Washington interagency community.

The volume of reporting cables from AIT/Taiwan is moderate, bearing out the comment from several officers that they feel little pressure to produce formal reporting. Cables are largely spot reporting regarding visitors or responses to instructions from Washington. With Taiwan in the midst of an election campaign, AIT/Taiwan has rightly devoted much reporting to the campaign and the views of leading candidates and their parties. Several cables were especially well written, and some analytical reporting reviewed the prospects for an opposition win and its significance for U.S. interests. However, more reporting would have been appropriate.

The political and economic sections developed their reporting plans without review by the front office. Some officers appreciate the freedom to develop their own reporting priorities but would welcome higher level guidance.

Informal Recommendation 2: The American Institute in Taiwan should develop a comprehensive and consolidated reporting plan that reflects front office priorities and direction.

Political Affairs

The political section has sufficient staffing, but several obstacles keep it from meeting its potential. The chief of the section is in a supervisory position for the first time, has limited regional experience, and did not attend the training for first-time section heads before arriving in Taipei. Also, the section chief does not yet have a productive relationship with the director and deputy director. The deputy head of the section would ordinarily be the day-to-day section manager, but his strengths lie elsewhere. An adroit drafter, with extensive regional experience and superb language skills, he has become one of the front office's "go-to" officers; this situation is common knowledge throughout the mission. A third officer, on a 1-year, out-of-cone tour, received no training in reporting and is not

being adequately mentored. Formal supervisory relationships are mismatched, as officers do not supervise local employees with similar substantive portfolios. The political section head will be one of the few senior managers to remain at AIT/Taiwan following the summer 2012 transfer cycle; it is imperative for him to have the required skills, as well as a productive relationship with the front office. Inspectors counseled both the front office and the section chief on this matter.

Informal Recommendation 3: The American Institute in Taiwan should restructure supervisory relationships in the political section to more closely align with substantive portfolios.

The section's two local employees support the section well. However, they have broad position descriptions without specific portfolios. Although they are supervised by one officer, they are being tasked by all. The two employees also spend an inordinate amount of time preparing press summaries. (See separate discussion in the public diplomacy section of this report.) Their workspace is cramped and crowded with computer equipment, (b) (5) These less than optimal working conditions and lack of clear supervision and responsibilities hinder the section's operations.

Recommendation 3: The American Institute in Taiwan should revise and reclassify the position descriptions of the locally employed staff in the political section, giving them specific portfolios. (Action: AIT/Taiwan)

Recommendation 4: The American Institute in Taiwan should reallocate space to give the political section's locally employed staff members more space and privacy. (Action: AIT/Taiwan)

Although some cables reporting internal political events include brief, biographic comments, AIT/Taiwan has not submitted biographic background or assessments of the motivations and influence of important individuals in Taiwan, both in and outside of government. This type of biographical information, as detailed in 2 FAM 113.3 b.(1), is crucial and, given island-wide elections in early 2012, is of particular interest to Washington policy makers.

Recommendation 5: The American Institute in Taiwan should submit periodic leadership analyses on notable individuals. (Action: AIT/Taiwan)

Local employees in the political and economic sections maintain separate biographic files, some of which are electronic and are held in personal rather than in a central or shared drive, as required by 2 FAM 113.3 b.(1). Other files are in hard copy. Finished biographic reports are stored locally and are not readily accessible to Washington users, which severely limits their usefulness and makes it more difficult to ensure that they are regularly updated.

Recommendation 6: The American Institute in Taiwan should consolidate the biographic files of the political and economic sections into a single, electronic filing system that is available to all appropriate members of the mission and interested Washington offices. (Action: AIT/Taiwan)

Recommendation 7: The American Institute in Taiwan should regularly post biographic submissions of key political and economic figures on the Diplopedia/Intellipedia system. (Action: AIT/Taiwan)

Economic Affairs

The economic section has strong staffing and effectively pursues its trade, export control, and microeconomic agenda. It does a good job reaching out to some parts of the interagency community but, like the rest of AIT/Taiwan, it could do much more. The section head and deputy bring different management styles and substantive strengths to the table that, if properly meshed, would create productive synergies. OIG inspectors counseled them on how to collaborate more effectively. The section's mid-level officers are uniformly strong. Unlike their political section counterparts, the economic section's local employees have specific portfolios that have enabled them to develop expertise in their assigned sectors.

Political-Military Affairs

Taiwan is one of the largest cash purchasers of U.S. military equipment and training. Such sales are necessary for Taiwan's self defense but are a sensitive issue in both U.S. domestic politics and U.S. relations with Beijing. Two significant changes in AIT/Taiwan's handling of political-military matters have occurred since the last OIG inspection report in 2005. First, active duty U.S. military officers have replaced military retiree contractors in positions that are equivalent to Defense attachés and security assistance officers in other U.S. diplomatic missions. This shift has resulted in improved access and coordination among U.S. and Taiwan defense agencies. Second, as a result of AIT/Taiwan's compliance with a 2005 OIG recommendation, a political-military officer position was created within AIT/Taiwan's political section.

Taken together, these changes mean that the political-military function at AIT/Taiwan is identical in all but name to that in U.S. missions around the world. The political-military structure in AIT/Washington predates the new developments, and it has not been updated to take them into account. As a result, coordination is poor and lines of authority are unclear between AIT/Taiwan and AIT/Washington. AIT/Taiwan has made repeated efforts to obtain clarification.

Recommendation 8: The Bureau of East Asian and Pacific Affairs, in coordination with the American Institute in Taiwan and in consultation with the Defense Security Cooperation Agency, should revise the contract with the American Institute in Taiwan to update and redefine the respective political-military roles and staffing of the American Institute in Taiwan and the institute's office in Washington. (Action: EAP, in coordination with AIT/Washington)

Leahy Vetting

Although the United States does not provide assistance to the Taiwan military, a limited amount of U.S.-sponsored training is provided to Taiwan's antiterrorism forces and is subject to Leahy vetting. The Leahy vetting coordinator departed AIT/Taiwan in summer 2011.

Recommendation 9: The American Institute in Taiwan should designate a Leahy vetting coordinator and provide that individual with appropriate training. (Action: AIT/Taiwan)

Kaohsiung Branch Office

In 2010, Kaohsiung was the ninth largest container port in the world; it handles the bulk of trade between the United States and Taiwan. The region is home to Taiwan's petrochemical and steel industries and also is the stronghold of Taiwan's main opposition party, the Democratic Progressive Party. AIT/Taiwan's office in Kaohsiung thus is in a position to provide reporting that would be of considerable interest to AIT/Taiwan and AIT/Washington. Unfortunately, it lacks the classified communications capability. Even without it, though, the branch office in Kaohsiung has produced interesting and well received cables. The branch office has a good relationship with the reporting sections in Taipei. Its political-economic section is staffed by local employees, each of whom has more than 30 years of experience with the office. They use this experience, as well as a wealth of local contacts and knowledge and considerable proficiency in written English, to produce reports that require little revision.

Coordination

The director chairs twice-weekly "island team" meetings for interagency section chiefs. These meetings feature a good airing of issues and an active give-and-take with senior staff. The deputy director meets separately with the heads of the Department sections twice a week and chairs biweekly meetings of an economic/trade interagency working group. As noted in the executive direction section of this report, one officer from the Kaohsiung branch office attends the island team meeting once a week on a rotational basis, but other coordination between AIT/Taiwan and the Kaohsiung branch office is not regularized.

Informal Recommendation 4: The American Institute in Taiwan should require the deputy director and the head of the Kaohsiung branch office to hold weekly meetings in person, by telephone, or by digital video conference.

The political and economic sections have weekly staff meetings that include local staff. The two sections take a different approach to additional meetings: the political section holds twice-weekly meetings to review topics covered during the island team meeting, while the economic section has a daily "huddle" to review overnight events and upcoming activities. Daily meetings can be a burden, but the flow of work and events makes the economic section meetings a useful coordination device.

Outreach

The two reporting sections conduct limited public outreach. The political section chief and deputy conducted only three outreach activities in the 6 months preceding the inspection, and the human rights officer conducted one event during the OIG visit. By contrast, each of the five officers in the economic section engaged in at least two outreach events during the same period. Fewer than half the events were conducted in Chinese, even though several officers have strong Chinese language skills. This lackluster record is another manifestation of the lack of coordination between sections discussed in the executive direction section, above.

Representation

In FY 2011, AIT/Taiwan spent \$138,487 for representational purposes. The political and economic sections did not spend their entire allocations. In the political section, funding was used by

all officers, with a broad range of contacts. By contrast, 40 percent of the economics section's vouchers for the most recent 6 months were for attending American Chamber of Commerce events. Aside from attending these events, two officers made no use of representational resources. The inspection team counseled the economic section on how to make effective use of representation funds.

Public Diplomacy

An experienced PAO directs a dynamic program with 3 Americans and 23 local employees. By strategically cultivating relationships with Taiwan institutions, local governments, and businesses, the section has initiated partnerships and leveraged its own funds several times over to create large public events that reinforce a positive image of the United States and reaffirm its strong relations with Taiwan. The PAO has a positive relationship with the front office and frequently confers with the director, in addition to joining mission-wide section chiefs meetings. The director and his deputy participate in public diplomacy events. The PAO renamed the section "public diplomacy," rather than "public affairs," to emphasize that her section carries out core diplomatic work.

The MSRP public diplomacy goal paper contains a blueprint for advancing the U.S.–Taiwan relationship through targeted public diplomacy. This year, the section designed and created two large public exhibits, "American Footsteps in Taiwan" and "Sun Yat-sen and the United States," showcasing the strong history of U.S.–Taiwan relations. The exhibits continue to reach Taiwan audiences through AIT/Taiwan's innovative *Virtual AIT World*. (See description and image later in this report.)

The public diplomacy section uses its Information Resource Center and cultural programs to coordinate outreach programs to libraries and educational institutions throughout Taiwan. In FY 2011, they reached 8,806 audience members spread throughout 19 cities and counties in Taiwan, with 99 programs in 36 schools and universities, as well as several nongovernmental organizations.

The section's grants files were generally well documented and complete. All grant funds were obligated and disbursed. The PAO has a grants warrant, and all employees who function as grants officer representatives have had appropriate training.

Strategic Planning and Metrics

The MSRP public diplomacy goal paper serves as the section's work plan, and all programs are rooted in MSRP goals. Local employees are fully aware of which goals their programs support. The PAO meets with senior staff at the start of the fiscal year to schedule large projects and earmark funds. They also brief the front office on their semiannual advance media plans for public events. Occasionally, however, other AIT/Taiwan sections fail to coordinate public events with the public diplomacy section, necessitating a last-minute rush for logistics help or press support. For example, the economic section had the lead in organizing U.S. participation in Taiwan's Clean Energy Expo, scheduled for November 2011. However, they did not accept public diplomacy's offers of assistance until just weeks before the opening. The resulting scramble for speakers, media plans, and displays could have been avoided, if the economic section had allowed the public diplomacy section to participate from the outset.

Recommendation 10: The American Institute in Taiwan should coordinate in advance with the public diplomacy section on logistics, organization, and media plans for all official public events. (Action: AIT/Taiwan)

The PAO excels at creating and maintaining relationships with local Taiwan institutions, gaining buy-in and funding support for AIT/Taiwan projects, and inspiring the public diplomacy staff to do the same. The section staff regularly reports activities in the Mission Activity Tracker. They also use a variety of metrics to track attendance and press coverage and draft monthly reports of Web site views and Facebook hits, by age and demographic. For example, the section posted on AIT/Taiwan's Facebook page a recent speech that the Department of Commerce Assistant Secretary for Trade Promotion delivered during his recent visit; the posting received over 6,000 hits within 24 hours.

Section Management

All three U.S. public diplomacy officers have regional experience and good Chinese language skills, and they often speak in public and with the media. Local employees are highly skilled. Many local employees remarked that they feel their contribution to MSRP goals is noticed and appreciated, which is a testimony to the leadership skills of both the current PAO and her predecessor. The two senior press employees, both local hires, and the locally employed Information Resource Center director all produce excellent products; they also tend to be territorial, preventing a more team-based approach. One factor is that the Information Resource Center and the cultural section are located 20 minutes away from the main AIT/Taiwan office building in Taipei. The inspection team discussed the problem with all three U.S. officers, who agreed to address the issue of working together as a team. The PAO already has begun to work with the section's U.S. officers and locally employed senior managers to devise a more inclusive operating plan, creating opportunities for local staff to collaborate on section-wide projects.

Informal Recommendation 5: The American Institute in Taiwan should increase communication and collaboration among all the public diplomacy staff members, including those in the cultural section and at the Information Resource Center.

The section drafts quarterly travel plans and aligns representation funds in advance to make sure resources are available to support its events. The managers complete employee evaluations on time, although some position descriptions have not been updated to reflect changes in technology used by the section. The PAO agreed to direct local supervisors to update position descriptions, where necessary.

Exchange Programs

The section has wisely focused its exchange programs on the younger generation, who do not share the same emotional ties to the United States as their parents. Taiwan's young entrepreneurs tend to look toward China, rather than the United States, for business partnerships. The number of students from Taiwan going to the United States to study, while still high, has fallen recently. Public diplomacy has initiated outreach to high schools, using speakers, an active Education USA program, rock concerts, and targeted social media.

The section also recognizes that the coming years offer an opportunity to influence Taiwan and Chinese youth at the same time: in September 2011, Taiwan opened its universities to students from China for full degree programs. The number of students from mainland China is expected to reach 10,000 in the next 5 years, presenting an unprecedented opportunity to freely reach these young people on key topics such as freedom, democracy, and human rights. The section recently hired a local employee for a newly created position, to broaden relationships with universities and help generate more private partnerships with U.S. universities.

All AIT/Taiwan sections may nominate candidates for the International Visitor Leadership Program, keeping in mind AIT/Taiwan's MSRP goals and target audiences. The post keeps a list of alternate candidates and makes judicious use of extra slots that become available on short notice. Many prominent Taiwan officials are alumni of the International Visitor Leadership Program, including Taiwan's current President Ma Ying-jeou.

The Foundation for Scholarly Exchange (Fulbright Commission), in operation for over 50 years, has gotten a boost from its new executive director, who streamlined the staff, rationalized the budget, and reconfigured the balance of U.S. and Taiwan scholars. The program also includes a network of U.S. English teaching assistants, who conduct English classes in schools throughout Taiwan. It also includes a full-time Education USA advisor, who runs regular programs on study opportunities in the United States and advises individual students. Funding for Taiwan's Fulbright program comes from AIT/Washington, not from the Bureau of Educational and Cultural Affairs (as is the practice in the rest of the world). While this bureau has regularly raised Fulbright allotments to other posts to keep pace with inflation, funding for the Taiwan Fulbright program has remained static for the last 10 years, at \$568,000 annually.

Social Media

The public diplomacy section maintains AIT/Taiwan's Web site in English and Chinese versions, which are updated daily and include video clips, a photo gallery, and links to the Kaohsiung branch office Web site, AIT's Facebook page, and other AIT agencies and offices. Taiwan youth are tech-savvy, and the section strives to package information in a way that appeals to the target audience, using traditional forms and new media. In order to reach younger audiences, just having a Facebook page is not sufficient – which is why the mission developed its innovative *Virtual AIT World*.

Media Reporting

Every morning, the public diplomacy section produces a short media summary for internal circulation at AIT/Taiwan's Taipei location. The section expands this document, adding material from AIT/Taiwan's Kaohsiung branch and late-breaking news, for readers at the Department, military commands, and other U.S. Government offices. These more widely circulated summaries are in a streamlined, user-friendly format and include the latest reactions by influential bloggers. The director of EAP's press office praised this product as "right on the money."

AIT/Taiwan's political and economic sections currently compile their own daily media summaries, claiming that the press section does not sufficiently cover topics of interest to them. Media reporting would be enhanced if all sections collaborated to produce a combined effort. For instance, the political and economic sections could add items to the morning summary, which could then be included in the final, more widely distributed product.

Recommendation 11: The American Institute in Taiwan should consolidate its public diplomacy, political, and economic media reporting into a single, comprehensive product. (Action: AIT/Taiwan)

In addition to its daily media summary/media reaction reports, the section produces occasional, analytical cables about media developments and trends, such as the spread of Taiwan's pop culture across the region, or how the United States is portrayed in Taiwan's newspapers. The press section also compiles a Taiwan media blog that includes a searchable archive of English-language summaries of Chinese-language press reports

Information Resource Centers, American Corners, and American Spaces

The public diplomacy section has expanded the reach of its Information Resource Center through a well planned effort, using electronic communication, an online reference service, digital video conferences, American Corners, American Shelves in public libraries, bookmobiles, and presentations to schools by American and local AIT/Taiwan employees. Due to security and space considerations, the Taipei Information Resource Center is open by appointment only.

The section has made a calculated effort over the last few years to leverage its assets by seeking out partnerships with local governments, municipal libraries, and schools. This push has paid dividends. Two popular American Corners, in Taichung and Kaohsiung, feature a program of biweekly events, including lectures on U.S. culture, book discussions, children's storytelling, and occasional digital video conferences and press conferences. The section keeps a roster of U.S. officers, exchange scholars, and students who can participate in its speakers program. Each American Corner has an advisory board of local officials and educators to increase Taiwan's buy-in.

The public diplomacy section has gained extraordinary access to Taiwan's educational institutions through its American Classroom program. In 17 cities and counties throughout Taiwan, this program provides U.S. books and materials, PowerPoint presentations on U.S. culture, and question-and-answer sessions with U.S. officers. Teachers also can request educational materials on topics such as U.S. history, politics, and culture. The Information Resource Center keeps records of monthly attendance figures and substantive reference queries.

In anticipation of consolidating all public diplomacy units into AIT/Taiwan's new office compound in 2015, the section is preparing to operate in a smaller program space with less public access. It has signed a memorandum of understanding with the main branch of the Taipei Municipal Library, to use its spacious and modern meeting rooms for public diplomacy events. An American Space equipped with books, touch screen computers, Kindles, and video equipment is located prominently at the entrance to the library's main reference section. The section plans to submit the required business plan to the Bureau of International Information Programs to determine whether AIT/Taiwan's American Space meets the criteria to qualify as an American Corner – and if so, whether the funding is available.

Exhibits

As mentioned above, the public diplomacy section has created two very successful, large exhibits featuring archival photos, documents, and objects from Taiwan and U.S. sources, highlighting the history of Taiwan's friendly relations with the United States. With funding from

local partners, these projects have generated good will by sparking memories of U.S. humanitarian and technical assistance in the early years of Taiwan’s independence, and highlighting these events for younger generations who do not have personal memories of that era.

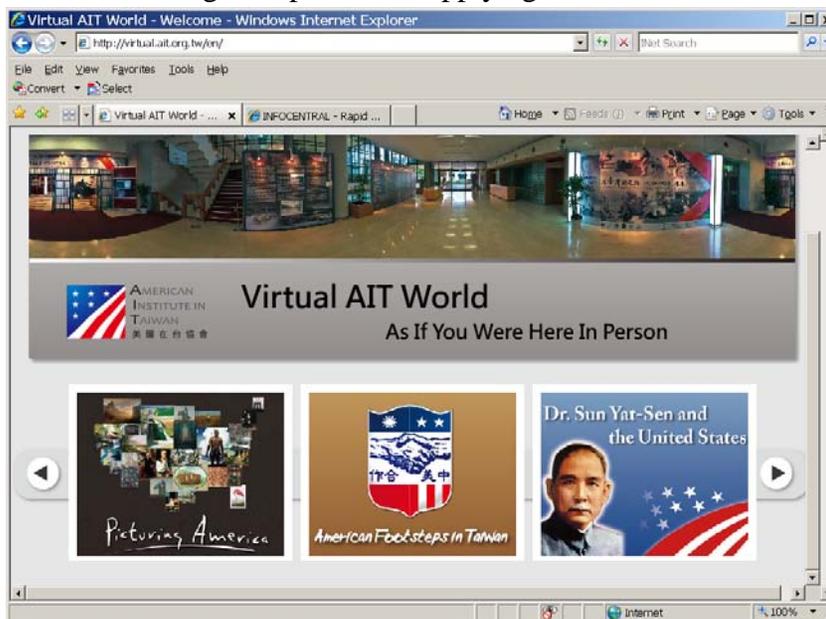
Innovative Practice: Making Public Diplomacy Exhibits Come Alive

Innovative Practice: [Virtual AIT World](#) is an interactive, Web-based platform that enables users to take a “video tour” of AIT/Taiwan’s public diplomacy exhibits.

Issue: AIT/Taiwan’s public diplomacy section created two large-scale public exhibits: “American Footsteps in Taiwan” and “Sun Yat-sen in the United States,” showcasing the strong history of United States–Taiwan relations. The section wanted to extend the life of the exhibits after the showings closed.

Response: AIT/Taiwan’s public diplomacy section received an innovation grant from the Under Secretary for Public Diplomacy to pursue this project. Structured like a video game, the platform enables users to “walk into” the exhibit. They can zoom in on texts and photos in the displays, listen to audio clips, and view video segments, as they explore the entire exhibit as if they were there in person.

Result: *Virtual AIT World* extends the impact of AIT/Taiwan’s exhibits long after the physical displays have been shut down. This platform also could be used for other video tours – for instance, to walk viewers through the process of applying for a visa.



(Above): A color screenshot of [Virtual AIT World](#), AIT/Taiwan’s inter-active, Web-based platform that enables users to explore exhibits as if they were physically at the American Institute in Taiwan . The top half of the screen shows a rotating, 360-degree view of the exhibit hall, with the words: “Virtual AIT World: As If You Were Here In Person.” The bottom half provides clickable logos for each of three recent AIT exhibits: “Picturing America,” “American Footsteps in Taiwan,” and “Dr. Sun Yat-Sen and the United States.”

AIT/Taiwan's branch office in Kaohsiung initiated the "American Footsteps" exhibit, which began with a Kaohsiung focus on U.S. relations since 1949 in the areas of military and technical cooperation, and U.S. food aid. The exhibit was so popular that AIT/Taiwan expanded the program, adding more material to cover the modern history of U.S. relations with Taiwan. One photo of the Taiwan-U.S. Information Service library inspired President Ma to mention in several public speeches that his relationship with the United States began with his visits to the old U.S. Information Service library in Taiwan. Many older Taiwan visitors, seeing flour sacks marked "From USAID," recalled that they had worn clothing made from those sacks. The newer exhibit, "Sun Yat-sen in the United States," emphasized the support that this national hero had received from U.S. citizens in his attempts to bring democratic ideas to China.

Public Diplomacy at the Kaohsiung Branch Office

Kaohsiung is a city with numerous universities and institutions interested in U.S. programs and exchanges. Currently, two employees from the branch office in Kaohsiung operate an active public diplomacy program: one covers educational and cultural programs, while the other is responsible for media relations and media reporting. Among other innovative projects, Kaohsiung has produced its own, short video clips on English pop culture idioms, which will be shown on video screens in subway stations all over Kaohsiung. In summer 2012, the public diplomacy program will expand even further, with the assignment of a U.S. public diplomacy officer. The inspection team concurs with AIT/Taiwan's MSRP request for an additional local staff position to support the higher level of programming, and especially to assist in extending the Information Resource Center's outreach in Kaohsiung.

Consular Affairs

The consular section, which provides a full range of services, is preparing for the possibility of Taiwan's admittance to the Visa Waiver Program, which would drastically reduce consular operations and staffing. AIT/Taiwan expects that, if Taiwan is accepted into the program, its nonimmigrant visa workload would drop from 160,000 to 32,000 applications per year. At the time of the inspection, Taiwan had met most, but not all, of the technical requirements for nomination to the Visa Waiver Program. If Taiwan is nominated, the Department of Homeland Security will have to complete a thorough security and policy review, which could take 6 to 9 months.

The section chief has kept staff informed of the procedures for designation into the Visa Waiver Program and has provided regular updates on the status of Taiwan's efforts to meet program requirements. She and other officers have encouraged local staff to apply for other jobs within the mission. The consular chief also is discussing staffing reductions with both the AIT/Washington and the Bureau of Consular Affairs human resources officers.

The consular section is generally efficient and customer-friendly. Located on three separate floors, it has ample space and sufficient interview windows. Although the separation is not ideal for communication among officers or unity within the section, employees communicate frequently through instant messaging, which the section leadership encourages. Weekly staff meetings for all AIT/Taiwan consular officers also help keep officers aware of what is happening in the other units.

Consular work in Taipei has changed over the last several years. The immigrant visa workload is also decreasing, as fewer Taiwan citizens seek to emigrate to the United States. The

adjusted worldwide refusal rate for Taiwan citizens, after hovering around 5 percent for several years, dropped to 1.9 percent in FY 2011. Demand for nonimmigrant visas has been declining for the last decade, possibly due to increased travel options for Taiwan citizens. More than 100 countries permit Taiwan's citizens to travel without visas. Some applicants may not be applying for U.S. visas, because they are waiting to see if Taiwan is designated as a Visa Waiver Program country.

On the other hand, the American citizens services workload is increasing. AIT estimates that 55,000 American citizens reside in Taiwan. Since the region is prone to earthquakes and typhoons, the section's staff must be prepared to assist American citizens whenever disaster strikes. Low magnitude earthquakes occur every few days, and there are occasional, strong earthquakes. Taiwan was hit by five typhoons in FY 2010.

AIT/Taipei actively prepares to handle natural disasters and other emergencies; it conducted a crisis management exercise in June 2011, which resulted in plans to change the alternate command post to the director's former residence. AIT/Taiwan staff also gained experience in dealing with crises by assisting the Department and Embassy Tokyo, following the March 2011 earthquake and tsunami in Japan. AIT/Taiwan also included crises training activities as a performance indicator in its most recent MSRP. Consular officers and others are familiar with and have contacts at the National Crisis Reduction Center, Taiwan's 24-hour emergency operations center. Consular officers and the regional security officer also attended the airport's annual crisis exercise. Cooperation with local officials is excellent.

Long-overdue building rehabilitation to make the consular section more secure in the event of an earthquake was scheduled to begin shortly after the conclusion of this inspection. The Bureau of Consular Affairs had approved the design of new consular space in the soon-to-be constructed office building, but the design has flaws. For instance, it has only 12 chairs in the American citizens services waiting area – many fewer than the section currently has. The location, configuration, and number of public restrooms also are problematic. The consular chief is working with OBO to address these problems.

Staffing and Management

The consular section is led by an outstanding consular chief and her deputy, an FS-02 who is also the nonimmigrant visa chief. The staff includes an FS-03 American citizens services chief, an FS-03 immigrant visa chief, and an assistant regional security officer for investigations. There are 10 entry-level officers, 44 locally employed staff members, and 4 eligible family members. The local staff is knowledgeable and professional. Morale is high. The section chief ensures that consular priorities are taken into consideration in the MSRP, and that Visas Viper reporting guidelines are followed. The section works as a team, with employees from one unit helping other units as needed.

American Citizens Services

As noted above, the workload has been increasing in all areas of American citizens services, which reflects the number of visitors to Taiwan and additional dual nationals who return to live in Taiwan. From FY 2009 to FY 2010, death cases increased by 66 percent, and renunciations of U.S. citizenship increased by 25 percent. The unit also handles large numbers of notarials. Many of the notarials and renunciations are conducted in Chinese. The workload is handled by two officers and nine local employees. The new unit chief plans to review the workload to determine whether the section needs an additional local staff position.

(b) (5)



Recommendation 12: (b) (5)



Nonimmigrant Visas

Demand for nonimmigrant visas varies, depending on the season, ranging from 1,100 applicants per day in the summer to 450 during slower periods. The workflow is orderly, and most applicants complete their interviews and processing within 1 hour. The unit uses three different contractors: one collects machine readable visa fees; another provides information, handles telephone calls, and ensures that applicants have their paperwork; and the third provides courier services for all units in the consular section. The consular section chief would like to consolidate this work. However, because AIT is scheduled to become a part of the Global Support Strategy (which supplies these services) in summer 2012, the Bureau of Consular Affairs has directed posts not to alter contractor arrangements, pending the change.

The nonimmigrant visa unit has two windows that open to the outside of the building, which are used to serve the public from 8 a.m. until 3 p.m. daily. This arrangement is an efficient way for applicants to drop off documents, since they do not have to go through security to enter the building. Reducing hours would permit the local staff members who work at the windows to perform other duties without interruption.

Informal Recommendation 6: The American Institute in Taiwan should reduce the number of hours its public window is open.

Immigrant Visas

The unit is staffed by a mid-level chief (position number 77-018000), an entry-level officer, and nine local employees. Workload declined from 6,640 adjudications in FY 2006 to 4,157 in FY 2010, with a preliminary estimate of 3,358 adjudications in FY 2011. The unit was reduced from 11 local employees to 9 several years ago, but it is still overstaffed, when compared to similar

sections in other missions. One officer and five local employees could handle the workload, leading to a cost savings of approximately \$733,000. Given that the nonimmigrant visa chief is an experienced officer and has a deputy, he could supervise both visa units. Entry-level officers then could be assigned for longer rotations in the immigrant visa unit, allowing them to more thoroughly learn immigrant visa rules and procedures.

Recommendation 13: The Bureau of Consular Affairs, in coordination with the Bureau of Human Resources, the Bureau of East Asian and Pacific Affairs, and the American Institute in Taiwan, should eliminate mid-level consular position number 77-018000 in Taipei. (Action: CA, in coordination with DGHR, EAP, and AIT/Taiwan)

Recommendation 14: The American Institute in Taiwan should eliminate four locally employed staff positions in the Taipei immigrant visa unit. (Action: AIT/Taiwan)

A vacant, entry-level consular officer position for AIT/Taiwan has never been filled or funded. This unneeded position (number 77-622143) should be eliminated.

Recommendation 15: The Bureau of Consular Affairs, in coordination with the Bureau of East Asian and Pacific Affairs, the Bureau of Human Resources, and the American Institute in Taiwan, should eliminate the vacant, entry-level consular officer position in Taipei. (Action: CA, in coordination with EAP, DGHR, and AIT/Taiwan)

The consular unit is open to the public for appointments Tuesday through Thursday mornings. Those people whose applications are refused under section 221(g) of the Immigration and Nationality Act, because additional documentation or information is needed may return at any time, although they are encouraged to return on Mondays or Fridays. Other walk-ins, such as persons who want to relinquish their U.S. residency permits, are also permitted at any time. The walk-in policy requires officers and locally employed staff to be available all day, preventing them from having uninterrupted time to work on other cases.

Recommendation 16: The American Institute in Taiwan should limit the consular unit's walk-in hours to one morning per week, and, if necessary, institute an appointment system for all walk-in clients. (Action: AIT/Taiwan)

The unit has a 50 percent to 60 percent refusal rate, under section 221(g). Recognizing that this high rate adversely affects workload, the section has worked with the National Visa Center to make more specific information available to applicants before they appear for their interview. The changes were implemented too recently for the OIG team to determine how successful they will be. If the rate of 221(g) refusals fails to drop, the mission may need to revisit procedures with the National Visa Center.

Fraud Prevention Unit and Assistant Regional Security Officer for Investigations

The fraud prevention unit is led by an entry-level officer who is assigned half-time to the unit and half-time to the nonimmigrant visa unit. The manager is assisted by three local staff members. The unit has excellent working relationships with Taiwan law enforcement and immigration agencies and with the Department of Homeland Security. One important task the unit performs is entering into

the Consular Lookout and Support System those applicants who have criminal records in Taiwan. Doing so can be time consuming, because it is difficult to locate the biographic data required for a lookout entry. Taiwan is a low-fraud post, but there have been cases of Taiwan citizens involved in alien smuggling. The unit assists other agencies in investigating and prosecuting these cases.

AIT/Taiwan's first assistant regional security officer for investigations arrived in summer 2011. He has successfully established contacts with local law enforcement officials and is focusing on trafficking in persons, other forms of alien smuggling, and document fraud. Members of the fraud prevention unit and the consular section still are working their way through this new relationship. The new fraud prevention manager worked with an assistant regional security officer for investigations in a previous post, which should help foster cooperation and build the relationship.

Officer Rotations, Portfolios, and Training

Consular officers rotate through a series of portfolios on topics such as security advisory opinion processing and Visa Waiver Program planning. Given the potential for natural disasters to strike Taiwan, consular managers also require every officer to develop some level of expertise in American citizens services. In addition, managers try to give each entry-level consular officer an opportunity to work outside the nonimmigrant visa unit, including a 1-month-per-tour rotation outside the consular section. The short duration of the rotations is an effort to enable as many officers as possible (only one of whom is consular-coned) to broaden their professional skills and knowledge about AIT/Taiwan's other work. However, it means that officers are frequently leaving a unit just when they become proficient. Managers are also constantly training new employees, and employees have a rapid succession of supervisors. Good management practice requires that employees have adequate time to learn their jobs.

Informal Recommendation 7: The American Institute in Taiwan should revise its entry-level consular officer rotation program to give officers 6-month rotations, except when special circumstances dictate shorter assignments.

One of the portfolios is training. The officer with this portfolio prepares training suggestions for all individuals in the section, updates employees on information about training, and assigns a sponsor for each new, entry-level officer. The sponsor provides 2 to 3 weeks of orientation training for new officers, with an abbreviated version for second-tour officers. New officers find the training program useful. However, there are no standard operating procedures for the training, and information is passed on verbally from one officer who handles the portfolio to the next.

Informal Recommendation 8: The American Institute in Taiwan should develop written standard operating procedures for how new officers and locally employed staff should be trained.

Consular Affairs at the Kaohsiung Branch Office

At the branch office, the consular section provides American citizens services several mornings per week by appointment, depending on demand, and emergency services at any time. There are approximately 7,000 Americans living in the consular district. The section is staffed by an experienced FS-03 officer who also serves as deputy branch chief, economic officer, and security officer. The consular officer is assisted by two local employees. The Kaohsiung branch office is

considering a change in portfolios, so the principal officer would take on economic reporting, and the consular officer would assume management responsibilities.

The section has an adequate waiting room and three windows, but no cashier booth. The consular work area is small and lacks space for a cashier booth. Although it would be separated from the work area, a cashier booth could be constructed inside the hardline that would have a window to the waiting room. Constructing a cashier booth in this location would comply with the requirements in 4 FAH-3 H-393.4-3 a., and prevent unauthorized personnel from being able to access cash.

Recommendation 17: The American Institute in Taiwan, in coordination with the Bureau of Overseas Buildings Operations, should construct a cashier booth that complies with Department regulations at the branch office in Kaohsiung. (Action: AIT/Taiwan, in coordination with OBO)

There is no backup consular officer at the branch office in Kaohsiung, even though both the Kaohsiung and Taipei offices have asked that the principal officer be trained as the backup consular officer. The lack of backup has forced the Kaohsiung office to cancel appointments when the consular officer had to attend to nonconsular duties. A new PAO, who could serve as backup consular officer, is scheduled to arrive at the Kaohsiung branch office in summer 2012.

Recommendation 18: The Bureau of Consular Affairs, in coordination with the Bureau of Human Resources, should provide the new public affairs officer being assigned to the American Institute in Taiwan's Kaohsiung branch office with the training and designation to serve as backup consular officer. (Action: CA, in coordination with DGHR)

The Kaohsiung branch office has not always submitted Visas Viper reports. The submission of these reports is a critical function, and the branch chief and deputy, who arrived only 2 months before the OIG inspection, are aware of the requirement to hold Visas Viper meetings and submit reports. The Kaohsiung office has submitted reports for September 2011 and October 2011. The inspectors reaffirmed the importance of this task.

There is no Class B cashier in Kaohsiung. (b) (5)

The Class B cashier then documents the collection by issuing Form OF-158 and sending it via registered mail back to Kaohsiung, after which the accountable consular officer completes the verification process. As a result, it may take several days to complete verification, rather than the one day required by regulations (7 FAH-1 H-743.2). The process could be expedited by scanning and uploading a copy of receipts and Form OF-158 to a SharePoint site, and having the Kaohsiung officers hand carry hard copies to Taipei when they attend the section chiefs weekly meeting there.

Recommendation 19: The American Institute in Taiwan should institute a procedure to facilitate the timely reconciliation of consular receipts. (Action: AIT/Taiwan)

Officers from Kaohsiung, including the part-time consular officer, attend the weekly island team meeting in Taipei, but consular officers from Taipei visit Kaohsiung less frequently. The consular chief plans to visit Kaohsiung at least once a quarter, and send other consular officers to Kaohsiung occasionally, a plan that OIG endorses.

Resource Management

Agency	U.S. Direct-Hire Staff	U.S. Local-Hire Staff	Foreign National Staff	Total Staff
Department – Program	39	1	15	55
Department – Consular	16	8	43	67
Department – Management	17	14	113	144
Department – Public Diplomacy	3	0	24	27
Department – Diplomatic Security	9	3	61	73
Department – Bureau of Overseas Buildings Operations	4	1	28	33
Total State	88	27	284	399
Department – Chinese Field School (FSI)	31	1	19	51
Department of Agriculture	4	0	8	12
Department of Defense	18	0	9	27
Foreign Commercial Service	4	0	19	23
Department – Kaohsiung Branch Office	3	1	19	23
Department of Commerce – Kaohsiung Branch Office	1	0	2	3
Department of Homeland Security – Kaohsiung Branch Office	3	0	4	7
Department of Homeland Security – Keelung	2	0	1	3
Total Mission Staff	154	29	365	548

Funding – AIT/Taiwan (FY 2011)		
Funding Source	Amount	Notes
AIT Appropriation	\$ 20,934,671	Regular appropriation.
Agency Direct Funding	\$ 20,570,407	ICASS-like reimbursement from other agencies.
Visa Revenues	\$ 21,500,000	MRV funds; all funds retained at AIT/Taiwan.
Diplomatic Security	\$ 2,329,063	
Building Fund	\$ 318,148	New office compound projects.
Totals	\$ 65,682,289*	

* **Note:** Other agencies located in Taiwan pay an additional \$4.6 million in salary and allowances that is processed outside of AIT/Taiwan.

Overview

As a private, nonprofit corporation, AIT is governed in part by relevant Office of Management and Budget circulars on nonprofit entities. In accordance with its governing contract with the Department, AIT also follows Federal Acquisition Regulations and the *Foreign Affairs Manual*. Direction and guidance are provided by a contracting officer in the Department's Office of Acquisitions Management and a contracting officer's representative for administrative matters in the EAP executive office. AIT/Washington provides budget and financial oversight for AIT/Taiwan. The governing contract between the Department and AIT expired in early 2011 and is being renewed. Terms of the renewal have not been finalized, so AIT is operating under its second, 6-month bridge contract. Changes to the governing contract, including the Department's oversight role, are being considered as part of the renewal process. The new contract will need to specify who at AIT is empowered to sign procurement and contracting instruments and grants.

Management Environment

AIT/Taiwan interacts with most Department offices in the same way embassies do, with four notable exceptions – two of which (its financial management system and its relationship with OBO) are unlikely to change in the near future. AIT/Taiwan operates its own financial management system, using the Department's systems only for appropriated funds. It operates within most accepted OBO practices and procedures, although OBO does not provide funding for leasing, construction, and projects (neither routine nor special); OBO also is not directly involved in AIT/Taiwan's lease waiver process. AIT, rather than OBO, furnishes the director's and deputy director's residences, and it is not bound by OBO's 15-year replacement cycle. The fact that AIT is not totally funded through appropriated funding will complicate its efforts to join the Department's financial management system.

The other two exceptions – procurement and training – need to be addressed. AIT has no operational involvement with the Office of the Procurement Executive, which has authority over the Department's overseas contracting operations. The Office of the Procurement Executive does not ratify AIT's unauthorized commitments, handle its contractor protests, or provide contracting officer warrants to AIT's two contracting officers. (See the contracting and procurement section of this report.) Finally, with regard to employee training, FSI considers AIT/Taiwan's local staff as contractors – that is, FSI requires AIT/Taiwan to pay for its local employees to attend courses, while at the same time limiting their access to classes. Regulations (3 FAM 7121) clearly state that AIT employees are, in fact, Department employees.

Recommendation 20: The Foreign Service Institute should change its policy with regard to training local employees of the American Institute in Taiwan, to comply with regulations identifying all American Institute in Taiwan employees as Department of State staff. (Action: FSI)

Management Operations

The AIT/Taiwan employees are generally satisfied with management operations. The management office performs well and is credited with strengthening AIT/Taiwan's management platforms and safeguarding its financial resources. Under the leadership of an experienced officer, the section is building up the local staff pension fund (which had been underfunded by several million

dollars) and has addressed a number of issues surrounding the new office compound – including value added tax reimbursements, zoning and permitting, and office designs. The management officer is assisted by a cadre of strong officers and a capable local staff. However, all of these officers will transfer in 2012, which underscores the need for process mapping in key management areas, especially those involving AIT/Taiwan’s unique financial procedures. A number of mission policies are outdated. While some of these have been rewritten, they have yet to be issued. Inspectors were told that items tend to pile up in the management officer’s in-box as he deals with other important issues. Inspectors counseled the management officer on how to improve this situation.

AIT/Taiwan only recently fully embraced the Department’s Collaborative Management Initiative. It has implemented eServices for procurement, supply, facilities management, property, housing, and information management. Phase 1 of the new office compound project is underway. AIT/Taiwan’s office space and outdoor common areas have undergone needed upgrades, and the consular office building will soon be strengthened against earthquakes. AIT/Taiwan now sends some of its vouchers with fiscal data to the Bangkok post support unit for processing, which has obviated the need to increase staffing in the financial management office.

Kaohsiung Branch Office

The branch office in Kaohsiung has nine experienced, local management employees, supervised by the branch chief, even though the deputy branch chief is a management-coned officer. The branch chief and deputy – both of whom arrived 2 months prior to this inspection – have proposed switching portfolios, so that the individual with stronger management experience is responsible for overseeing the management section. The inspectors endorse this proposal. The Kaohsiung branch has dealt with several personnel problems in the past year, which led to the termination of one local employee and the resignation of another. The branch chief and deputy believe that having the deputy responsible for day-to-day operations will provide better oversight for the local staff. The branch chief will review employees’ duties to be sure that all activities are being handled correctly, that position descriptions are up-to-date, and that all positions are required.

Real Property

The U.S. Government owns several valuable properties in Taiwan: the TECRO property, which AIT/Taiwan staff estimate is valued at between \$2.8 million and \$16 million; the Japanese Guesthouse, with a local appraised value of \$2.6 million; and the Summer House, locally appraised at \$1 million. These appraisals ultimately may be influenced by other than market forces. This situation is especially true for the TECRO property, the marketability of which will be tightly controlled by Taiwan’s authorities.

AIT and OBO are interested in trading AIT-owned properties in Taiwan for residential properties. With OBO’s participation, AIT/Taiwan could start marketing the Japanese Guesthouse and the Summer House properties immediately. Planning for the eventual disposition of the TECRO property, due to the inherently lengthy political implications of this transaction, also could begin in earnest.

As noted above, TECRO currently occupies office space in an AIT-owned property worth between \$2.8 million and \$16 million. TECRO’s use of this property was to end September 30, 2013,

but AIT agreed to extend the lease to 99 years, in exchange for TECRO allowing AIT/Taiwan to use the consular building and the former director's residence, both of which are Taiwan-owned. Once AIT/Taiwan moves to the new office compound in 2015, however, it will no longer require these two spaces. There is no need for AIT to retain the TECRO property, and Taiwan's authorities have expressed interest in acquiring it, as it is a historically significant property, having been used once by Chiang Kai-shek.

Recommendation 21: The American Institute in Taiwan, in coordination with the American Institute in Taiwan/Washington, the Bureau of Overseas Buildings Operations, and the Bureau of East Asian and Pacific Affairs, should dispose of the Taipei Economic and Cultural Relations Office property. (AIT/Taiwan, in coordination with AIT/Washington, OBO, and EAP)

The recently renovated Japanese Guesthouse, a vacation cottage located adjacent to the Yangmingshan National Park, is available for rent to AIT/Taiwan employees. From FY 2009 through FY 2011, however, AIT/Taiwan has collected only \$2,597 in rental fees for the property. Recreational use does not justify AIT's retention of the property, particularly in light of the property's estimated value and trade potential. Taiwan offers an array of recreational options for AIT/Taiwan employees. The OIG team considers the Japanese Guesthouse excess property.

Recommendation 22: The American Institute in Taiwan, in coordination with the American Institute in Taiwan/Washington, the Bureau of Overseas Buildings Operations, and the Bureau of East Asian and Pacific Affairs, should sell the Japanese Guesthouse. (AIT/Taiwan, in coordination with AIT/Washington, OBO, and EAP)

The Summer House, which also is located adjacent to the Yangmingshan National Park, has fallen into ruin and is uninhabitable. Several years ago, Taiwan expropriated a portion of the property, for which it offered to pay AIT \$47,694. AIT has never accepted the payment, as it views the offer as an undervaluation of the property. AIT now owns approximately one-third of the Summer House property. In practical terms, due to the expropriation of a portion of this property, it is likely that interest in this property would only come from the Taiwan authorities.

Recommendation 23: The American Institute in Taiwan, in coordination with the American Institute in Taiwan/Washington, the Bureau of Overseas Buildings Operations, and the Bureau of East Asian and Pacific Affairs, should dispose of the Summer House property. (Action: AIT/Taiwan, in coordination with AIT/Washington, OBO, and EAP)

Completion of Phase 1 of the new office compound construction – consisting of perimeter and site work, consular access controls, guard quarters, a maintenance building, and a parking garage – is expected in September 2012. The design-build contract for Phase 2 – consisting of the main office building, the Chinese Field School, and other AIT offices – is scheduled to be awarded in FY 2012. Phase 2 construction is scheduled for completion in late 2014, with occupancy projected for 2015. The total, projected cost of the new office compound is \$227.6 million, of which AIT will contribute \$89.2 million, in addition to the \$11 million AIT/Taiwan has already spent; OBO will pay the remainder. AIT has a renewable, 99-year lease for the new office compound site that it acquired for \$9.2 million.

In June 2011, OBO and AIT signed a memorandum of agreement that AIT would fund OBO's efforts to identify and equip a new office suite for the Kaohsiung branch office. OBO identified three buildings as potential office sites and will select one after it completes a technical evaluation. AIT/Taiwan cited security and seismic concerns as reasons for the move. The OIG inspectors found no security reasons to justify the move, but a June 2011 seismic assessment substantiated a seismic hazard rating of "fair" (33.16). This rating, common for many buildings in Taiwan, means that the building faces possible risk during future earthquakes. This seismic rating has not changed plans for the move to new office space.

Financial Management

Financial operations at AIT/Taiwan are unique among overseas missions. The mission receives minimal support from the Department in running its financial operations, and it uses Department fiscal data only for limited purposes (permanent change-of-station travel, medical evacuations, American citizen repatriations, and VIP visits). AIT/Taiwan accounts and pays for all other financial transactions using a stand-alone accounting system called Platinum. To comply with U.S. Office of Management and Budget Circular A-133, which governs nonprofit organizations, AIT/Taiwan is audited annually by an independent accounting firm from the United States.

Funding for AIT operations comes from three sources: appropriated funds through the Department of State; reimbursement by U.S. Government agencies that are supported by the mission; and visa processing fees, which AIT charges under Department authority. In FY 2011, funds managed by AIT/Taiwan totaled \$65.6 million.

The financial management office at AIT/Taiwan is directed by a financial management officer with strong private sector accounting and auditing experience. The section, staffed by 12 local employees, receives high scores for customer satisfaction. The staff successfully navigates both Department regulations and federal guidelines for nonprofit organizations. While this structure affords AIT/Taiwan flexibility in how it spends its money, it also places a level of accountability and fiduciary responsibility on its management which is not imposed on traditional missions. As a result, stringent internal controls (unique to AIT/Taiwan) are in place regarding local disbursement of nonappropriated funds. Management goes to great efforts to make sure that AIT/Taiwan "runs in the black." Prudent management enabled AIT/Taiwan to augment the local staff's defined benefit pension fund by \$2.2 million in FY 2010; set aside an additional \$1.6 million in visa fee proceeds for the new facility; and increase representational funding by 63 percent.

AIT/Taiwan's expenditures from appropriated funds are processed through AIT/Washington, in accordance with the governing contract, while locally held funds are dispersed directly by AIT/Taiwan. This hybrid financial structure is complex and inefficient. AIT/Taiwan has found that Department offices avoid engaging with AIT on financial issues, wherever possible. If AIT/Taiwan were to transition fully into the Department's financial system, a more efficient, transparent, and galvanized management relationship would develop between both institutions. This change, which would require extensive planning and coordination, would allow AIT to function on a single, financial platform; relieve AIT/Taiwan management of inordinate financial accountability; and eliminate much of the need for management support from AIT/Washington.

Recommendation 24: The American Institute in Taiwan, in coordination with the Bureau of Resource Management and the Bureau of East Asian and Pacific Affairs, should develop and implement a plan to transition the American Institute in Taiwan's financial operations from a hybrid financial system to the Department of State's financial management system. (Action: AIT/Taiwan, in coordination with RM and EAP)

Cashiering

The AIT/Taiwan Class B cashier has an advance of (b) (5) in appropriated funds, which is sufficient to meet the limited requirements chargeable to those funds. The cashier also maintains a separate (b) (5) advance in nonappropriated funds. Unannounced verifications of both cash advances take place monthly, and subcashier verifications are up to date. The Bangkok Regional Finance Center cashier monitor visited AIT/Taiwan in July 2010 and found all accounts and procedures in order. Bank of America provides accommodation exchange at AIT/Taiwan's office in Taipei. (b)(5)(b)(6)

Informal Recommendation 9: (b)(5)(b)(6)

International Cooperative Administrative Support Services

AIT/Taiwan does not use the ICASS system to allocate the cost of support it provides to other agencies. It calculates these support costs through an indirect cost system developed in house, which allocates costs in a way that is consistent with AIT's unique operating structure. AIT/Taiwan also has an indirect cost council, formed by representatives of all the agencies that have a memorandum of understanding with AIT. Under AIT/Taiwan's indirect cost system, agencies cannot pick and choose services; they are required to pay for all management support costs. The financial management office has developed an independent, customer satisfaction survey to gauge the AIT community's satisfaction with administrative services. All agencies are represented on the housing board and other committees.

If Taiwan is accepted into the Visa Waiver Program and AIT receives more of its funding through appropriated funds, AIT/Taiwan's in-house indirect cost system would be less applicable; the ICASS platform would be the best system for allocating administrative support costs. Transitioning to ICASS is a complex process. It would require careful planning and capturing workload data across the full range of AIT/Taiwan services, and a "virtual ICASS" year to fully transition to the new system. Management staff in all functions would need training on ICASS, as would AIT/Taiwan's agency representatives.

Recommendation 25: The American Institute in Taiwan, in coordination with the Office of International Cooperative Administrative Support Services, should begin planning for the transition of the institute's administrative support cost allocation system to the International Cooperative Administrative Support Services system. (Action: AIT/Taiwan, in coordination with ICASS)

Rest and Recuperation Travel

Despite the high quality of life in Taiwan, U.S. direct-hire employees at AIT/Taiwan receive rest and recuperation (R&R) travel benefits. The Department provides R&R benefits to employees in countries where conditions “present distinct and significant difficulties of sufficient severity to justify temporary relief” (3 FAH-1 H-3721.2 a.). According to 3 FAH-1 H-3721.4, all posts approved for this benefit must submit documentation every 2 years to justify continued eligibility. There are no records, either at AIT or in EAP’s executive office, indicating that AIT/Taiwan has ever requested, or the regional bureau ever approved, continuation of the R&R benefit. In FY 2011, AIT/Taiwan spent \$253,690 for R&R. In accordance with the Department’s requirement, AIT should submit a request for continuation of the R&R benefit that reflects the current quality of life in Taiwan.

Recommendation 26: The American Institute in Taiwan should submit documentation to the Bureau of East Asian and Pacific Affairs justifying continued eligibility for a rest and recuperation travel benefit. (Action: AIT/Taiwan)

Human Resources

The human resources office staff is capable and effective. The high level of service, as reflected in above-average scores of the OIG questionnaire, can be attributed to the section’s four local employees and the efforts of management leadership to build a cohesive team. There has been a considerable improvement in this section’s performance since the last inspection, when scores were below average.

The new human resources officer, who arrived in Taipei 5 weeks before this inspection, has moved quickly to review position descriptions and clarify lines of authority. He also recognizes the need for cross-training to balance workloads and sustain performance during staff absences.

Informal Recommendation 10: The American Institute in Taiwan should develop a cross-training program for locally employed staff in the human resources office.

Despite having an efficient process for tracking delinquent local employee performance evaluations and alerting mission leadership monthly, supervisors continue to submit evaluations late. Tardy evaluations delay within-grade salary increases. Most employee evaluation reports for U.S. direct-hire staff also were submitted late during the last rating cycle. Officers’ work requirements statements do not consistently include the timely submission of employee evaluations. Moreover, at the time of the inspection, several U.S. officers’ work requirements statements were delinquent.

Recommendation 27: The American Institute in Taiwan should include a work requirement for all supervisors, upon which they will be rated, to complete their employees’ work requirements statements, conduct employee performance evaluations on time, and submit completed evaluations to the Department on schedule. (Action: AIT/Taiwan)

In a number of AIT/Taiwan sections, local employee position descriptions are out of date and do not reflect the employees’ actual duties. As this is not an isolated situation, and in light of planned reorganizations in several offices, AIT/Taiwan would benefit from conducting a mission-wide review of local staff position descriptions.

Recommendation 28: The American Institute in Taiwan should review and, as appropriate, update all local employee position descriptions at the offices in Taipei and Kaohsiung. (Action: AIT/Taiwan)

The post hardship differential questionnaire, due in the Department in June 2011, has yet to be submitted. The draft responses to the questionnaire suggest a less attractive quality of life in Taiwan than the recently updated post report portrays. Since the post report is a key bidding tool, AIT/Taiwan should be consistent in its characterization of life in Taiwan.

Informal Recommendation 11: The American Institute in Taiwan should confirm that its delinquent hardship differential questionnaire reflects actual living conditions in Taiwan and submit the questionnaire to the Department.

Informal Recommendation 12: The American Institute in Taiwan should set up procedures to complete and submit the hardship differential questionnaire on time.

The awards program is well structured, funded, and advertised. Ceremonies are held twice each year. However, a pattern exists of yearly awards being made to certain employee groups and individuals, which dilutes the value of the award program. (b)(5)(b)(6)

Informal Recommendation 13: The American Institute in Taiwan should instruct the awards committee to approve awards equitably and to avoid giving awards repeatedly to the same groups or individuals.

Locally Employed Staff Committee

The foreign nationals employee association board is elected annually and consists of seven members, representing various agencies at both AIT/Taiwan locations. The committee meets on an ad hoc basis with the management chief and director. Staffing is stable and morale generally good, due to AIT/Taiwan's competitive salaries and generous pension plan for local employees.

Local employees are concerned about the Department's 2-year wage freeze, as well as the potential effect on consular staffing, if Taiwan is accepted into the Visa Waiver Program. In anticipation of this eventuality, the mission advertises all vacancies internally before considering outside candidates. Consular and management leadership also have held town meetings with the consular staff to discuss potential job losses.

Equal Employment Opportunity and Federal Women's Program

AIT/Taiwan has an active EEO program, with two U.S. counselors. AIT/Taiwan has two local employee liaisons in Taipei and one in Kaohsiung. There are no active cases. Only the U.S. counselors have been formally trained.

Informal Recommendation 14: The American Institute in Taiwan should provide Equal Employment Opportunity training to the two, new local employees who will serve as Equal Employment Opportunity liaisons.

EEO policy documents are prominently displayed at AIT/Taiwan's main office in Taipei, and an updated management notice addressing EEO issues was issued during the inspection. However, EEO-related documents on the AIT/Taiwan intranet site have not been updated since 2009.

Informal Recommendation 15: The American Institute in Taiwan should update the Equal Employment Opportunity-related documents on its intranet site.

There is no designated Federal Women's Program coordinator at AIT/Taiwan, as required by 3 FAM 1514.2(b).

Informal Recommendation 16: The American Institute in Taiwan should designate a Federal Women's Program coordinator.

General Services

AIT/Taiwan's employees are satisfied with the general service office, which performs well. As detailed in the contracting and procurement section (below), the office staff needs additional training.

Motor Pool

AIT/Taiwan recently introduced taxi cards for its employees – which should, over time, save costs by reducing the need for drivers and motor pool vehicles. Any reduction in the number of drivers will be handled through attrition. The motor pool transportation policy, last issued in April 2006, is outdated; it addresses neither the use of taxi cards nor other operational changes. Additionally, public transportation safety and availability may have changed since 2006, which could affect AIT/Taiwan's decision to provide residence-to-office transportation for employees. As required (14 FAM 433.3-2, 3-4), in order for AIT/Taiwan to provide this service, the director must determine, in writing, that public transportation is unsafe or unavailable, or that such use is advantageous to the U.S. Government.

Recommendation 29: The American Institute in Taiwan should determine and document whether residence-to-office transportation for employees is justified. (Action: AIT/Taiwan)

Recommendation 30: The American Institute in Taiwan should fully update and reissue its motor vehicle policy. (Action: AIT/Taiwan)

Expediting

AIT/Taiwan lacks an expediting policy that spells out the services it will provide to arriving employees and eligible family members. This has led to confusion over who is entitled to the service.

Informal Recommendation 17: The American Institute in Taiwan should prepare an expediting policy outlining who is entitled to the service.

Contracting and Procurement

AIT/Taiwan has two contracting officers, neither of whom has a contracting officer warrant for their assignments at AIT. The Office of the Procurement Executive views AIT/Taiwan's contract actions as subcontracts flowing from AIT's governing contract with the Department. It also is reluctant to issue contracting warrants to AIT's contracting officers, due to AIT's nonprofit status. Nevertheless, in practice, AIT/Taiwan's contracting officers sign contracts and have the same vested responsibilities as contracting officers at other overseas posts – even though the Department gives them only minimal training and oversight. Giving the contracting officers appropriate training and warrants would strengthen the mission's contracting process.

Recommendation 31: The American Institute in Taiwan, in coordination with the Bureau of East Asian and Pacific Affairs, should provide the institute's contracting officers with the proper training and authorization to sign procurement documents. (Action: AIT/Taiwan in coordination with EAP)

AIT/Taiwan is not following the guidance set forth in AIT's governing contract with the Department regarding procurement. The contract stipulates that AIT must obtain approval by the contracting officer's representative and the contracting officer for any purchase above \$100,000, unless subcontracting consent has been previously granted. However, AIT/Taiwan seeks such approvals only for contracts above \$250,000, based on 2008 guidance from the then-contracting officer's representative. The new contract, currently under review, is expected to raise the level to \$250,000, according to EAP. The OIG team supports this change, but in the meantime AIT/Taiwan is obliged to follow the procurement guidance as it is written in the governing contract.

Informal Recommendation 18: The American Institute in Taiwan should obtain the contracting officer representative's and contracting officer's approval for all purchases above \$100,000.

Four of AIT/Taiwan's purchasing agents have not received procurement training, which limits their effectiveness.

Informal Recommendation 19: The American Institute in Taiwan should provide procurement training for its purchasing agents.

AIT/Taiwan has not been completing an annual purchase card review, as required by Department guidance (04 STATE 269180). This review ensures that purchase cards are being properly administered.

Informal Recommendation 20: The American Institute in Taiwan should complete an annual purchase card review.

Facilities Management

The facilities management office performs well. It was instrumental in beautifying the AIT/Taiwan compound and preserving the integrity of the buildings. For instance, the staff removed several tons of materials that were being stored in the consular building, averting what could have been a potential building collapse. The facilities manager also serves as post occupational safety and

health officer. The office recently formed an occupational safety and health committee, headed by the deputy director, and held its first meeting. However, nobody took and distributed minutes of the meeting.

Informal Recommendation 21: The American Institute in Taiwan should require its occupational safety and health committee to meet at least twice a year, and take and distribute minutes of each meeting.

A swimming pool at the former director's residence is open to the AIT/Taiwan community, but no lifeguards are in attendance. A swimming pool safety guide is posted at the pool, but there is no telephone available for use in case of an emergency.

Informal Recommendation 22: The American Institute in Taiwan should install a telephone at the former director's residence pool and update its swimming pool safety guide.

The maintenance staff maintains the AIT/Taiwan compound, as well as 20 residential units owned by the Government of Taiwan, which are long-term, leased properties. The staff has installed new roofs on 11 of these units and is planning to install roofs on the other nine. AIT plans to keep these properties in its housing pool. The maintenance staff also maintains the Japanese Guesthouse and the former director's residence.

The facilities management office has addressed many of the occupational safety and health report recommendations in OBO's 2010 report, as well as many of the 2009 OBO fire report recommendations.

Information Management

Information management (IM) operations generally meet the needs of 450 users at AIT/Taiwan and its remote sites. The section is appropriately staffed and adheres to most IM and information security requirements. Primary areas for improvement are mail delivery and the use of technology. The classified annex to this report also contains an IM review, with recommendations.

Diplomatic Post Office

Overall, customers expressed dissatisfaction with the pouch delivery system, (b) (5) Taiwan. For example, electronic components and lithium batteries (which are needed for uninterrupted power supplies) are not allowed in shipments. The diplomatic pouch is for official use only. If electronic devices are included, the entire shipment is denied. In addition, U.S. direct-hire employees can receive packages through the pouch, but they cannot send any out.

These and related problems could be resolved, and mission (b) (5) improved, by establishing a diplomatic post office. Although the AIT staff has discussed establishing a diplomatic post office, and the Bureau of Information Resource Management has backed the proposal, AIT/Taiwan has taken few steps to begin the process. Establishing a diplomatic post office requires a host nation agreement, as described in 14 FAM 761.1-1 b., and TECRO approval.

Recommendation 32: The American Institute in Taiwan, in coordination with the Bureau of East Asian and Pacific Affairs, should take all necessary steps to open a diplomatic post office. (Action: AIT/Taiwan, in coordination with EAP)

Leveraging Technology

The IM section is not taking full advantage of innovative technology. While customers are generally satisfied with AIT/Taiwan's IM services, they also suggested improvements in eServices, SharePoint, Web sites, and the Blackberry program. Such improvements could be made with a more collaborative team approach involving both IM and its customers. The IM team is in the early stages of deploying SharePoint, improving Web sites, and addressing eServices, but these projects have been slow in coming to fruition, due to staff turnover and a lack of training on the applications. The OIG team counseled IM management on the benefit of including representatives from each section in a designers group to collaborate and produce state of the art products.

Recommendation 33: The American Institute in Taiwan should designate a team leader to oversee the implementation of eServices, SharePoint, Web sites, and BlackBerry devices. (Action: AIT/Taiwan)

Information Management at the Kaohsiung Branch Office

Recently, the assistant systems manager, a local employee, was assigned to manage the unclassified network and support 30 customers. While the IM unit in Taipei can remotely monitor the system, it would be beneficial for the U.S. staff to visit Kaohsiung to address technical issues. For example, customers mentioned that the connectivity was slow, a problem inspectors experienced first-hand during the OIG visit. The IM unit in Taipei was unaware of the connectivity issue until the inspectors brought it up and suggested upgrading the connection.

Informal Recommendation 23: The American Institute in Taiwan should resolve the connectivity problems between the main office in Taipei and the branch office in Kaohsiung.

The new systems manager in Kaohsiung, a local employee, is well qualified but lacks the Department's systems security training. This training would help the systems manager to better protect the security of the Department's unclassified computer system.

Informal Recommendation 24: The American Institute in Taiwan should provide systems security training for the new local systems manager at the branch office in Kaohsiung.

Quality of Life

Community Liaison Office

A new community liaison office coordinator is already well integrated into AIT/Taiwan affairs. She served as a coordinator and last received training 8 years ago. Training is now planned for early 2012. The coordinator is assisted by a 20-hour-per-week assistant (an eligible family member) and a 15-hour-per-week contract employee who serves as newsletter editor. One of the coordinator's priorities is to improve the mission's emergency preparedness.

AIT/Taiwan has a robust eligible family member employment program. Eighteen eligible family members are employed at AIT/Taiwan and five work in the local economy.

American Institute in Taiwan Employees Association

The AIT/Taiwan employees association operates a convenience store and sponsors community events. Local employees have access to the store but cannot purchase duty-free items. The scope of the employee association will increase in 2015, when AIT/Taiwan moves to the new office compound.

The association has run at a loss for the last 3 years. Reasonable cash reserves have enabled it to continue operations, but the association must improve its profit picture soon. For 2010, the association received a qualified audit of its financial operations from its independent auditor. The audit identified systemic problems with improper or inadequate accounting procedures, as well as failures to properly and timely record financial transactions since 2006.

The new board, elected in May 2011, is committed to rectifying these problems. It has hired an enthusiastic, business-minded association manager, an eligible family member who attended a recent Office of Commissary and Recreation Affairs conference in Washington and has opened a line of communication with that office. The manager has reorganized the convenience store, raised profit margins on a number of items, and installed a new computer. The manager now is loading inventory and financial data into an upgraded Quickbooks financial accounting system. However, due to problems with the accounting system, the association was late in submitting required financial statements to the Department and providing a list of planned measures to increase the association's profits. The move of AIT/Taiwan to a new, larger facility in the next few years may provide the association with opportunities for expanding services.

Recommendation 34: The American Institute in Taiwan should develop an action plan to address losses at the employee association and set up procedures for submitting the association's financial statements to the Department on schedule. (Action: AIT/Taiwan)

Informal Recommendation 25: The American Institute in Taiwan should request a visit by the appropriate official of the Office of Commissary and Recreation Affairs to advise the association board and manager on stabilizing association operations and preparing for future expansion.

Informal Recommendation 26: The American Institute in Taiwan should establish procedures for submitting the association's financial statements to the Department on schedule.

Health Unit

The health unit is well staffed and well equipped; its regional medical officer has no regional responsibility – an advantage for the AIT community, since it means there is always a clinician on hand. Other staffing includes two local registered nurses and a nurse practitioner (an eligible family member). AIT/Taiwan also has added an administrative assistant position, which it is in the process of filling.

American School

(b)(5)(b)(6). The school operates through a bilateral agreement between the Taiwan authorities and AIT, from which the school derives many benefits, including import privileges, tax-exempt status, and tax-free salaries for teachers who are not citizens of Taiwan. AIT/Taiwan leadership has forged an excellent relationship with the school, and parents are generally satisfied with it. The Bureau of Diplomatic Security and the Office of Overseas Schools have provided grants to the school for security upgrades, professional staff training, and educational workshops for the school; they also support special needs activities and counseling resources. (b)(5)(b)(6)

Management Controls

The director submitted AIT/Taiwan's annual statement of assurance on management controls for the period ending July 31, 2010. He concluded that results of pertinent internal and external reviews, including the audit of AIT/Taiwan operations conducted by the international accounting firm of Grant Thornton, provided reasonable assurance that management control objectives were achieved. He cited compliance with various requirements in the areas of, among others, financial reporting, property management, vehicle inventory, housing and construction program management, and safety and health. In his review of the Grant Thornton audit report on compliance with Office of Management and Budget Circular A-133, including any view that purchase of alcoholic beverages for representational purposes may be prohibited, the director found that AIT/Taiwan has complied fully with Circular A-133 and the contract between the Department and AIT.

AIT/Taiwan's management operations parallel those of other Department missions, with the exception of financial management. Management controls are in place to guard against waste. AIT/Taiwan complies with most Department reporting requirements, including property management reports; real property application system data; motor vehicle inventories; capitalized property reports; premium class travel reports; local compensation questionnaires; and allowance reports. The OIG team reviewed both the annual statement of assurance and AIT/Taiwan's management controls and found no reportable issues.

Consular managers are following correct procedures for the control of accountable items. Access to the consular section is controlled, accountable items are well secured, and accountable officers are designated in writing, with backups also designated in writing. The accountable officers in both Taipei and Kaohsiung are aware of their responsibilities for oversight, and they carry them out conscientiously. The accountable officer in Taipei performs weekly reviews comparing machine readable visa fee collections with the number of visas adjudicated. The consular cashiers perform their duties appropriately. Consular managers are conducting reviews of visa adjudications. The referral policy follows the Department's worldwide policy, and users are briefed either by the consular chief or the deputy. Consular automated systems are up to date. The consular shared tables are current, and user roles are correctly assigned and maintained.

List of Recommendations

Recommendation 1: The American Institute in Taiwan, in coordination with the Bureau of Human Resources and the Bureau of East Asian and Pacific Affairs, should require officers assigned to Taiwan – including incumbents who have more than 1 year remaining in Taiwan – to receive appropriate leadership and/or management training for their positions. (Action: AIT/Taiwan, in coordination with DGHR and EAP)

Recommendation 2: The American Institute in Taiwan should require section chiefs and relevant local employees from the Taipei office to visit their counterparts in Kaohsiung on a quarterly basis, to provide guidance and mentoring. (Action: AIT/Taiwan)

Recommendation 3: The American Institute in Taiwan should revise and reclassify the position descriptions of the locally employed staff in the political section, giving them specific portfolios. (Action: AIT/Taiwan)

Recommendation 4: The American Institute in Taiwan should reallocate space to give the political section's locally employed staff members more space and privacy. (Action: AIT/Taiwan)

Recommendation 5: The American Institute in Taiwan should submit periodic leadership analyses on notable individuals. (Action: AIT/Taiwan)

Recommendation 6: The American Institute in Taiwan should consolidate the biographic files of the political and economic sections into a single, electronic filing system that is available to all appropriate members of the mission and interested Washington offices. (Action: AIT/Taiwan)

Recommendation 7: The American Institute in Taiwan should regularly post biographic submissions of key political and economic figures on the Diplopedia/Intellipedia system. (Action: AIT/Taiwan)

Recommendation 8: The Bureau of East Asian and Pacific Affairs, in coordination with the American Institute in Taiwan and in consultation with the Defense Security Cooperation Agency, should revise the contract with the American Institute in Taiwan to update and redefine the respective political-military roles and staffing of the American Institute in Taiwan and the institute's office in Washington. (Action: EAP, in coordination with AIT/Washington)

Recommendation 9: The American Institute in Taiwan should designate a Leahy vetting coordinator and provide that individual with appropriate training. (Action: AIT/Taiwan)

Recommendation 10: The American Institute in Taiwan should coordinate in advance with the public diplomacy section on logistics, organization, and media plans for all official public events. (Action: AIT/Taiwan)

Recommendation 11: The American Institute in Taiwan should consolidate its public diplomacy, political, and economic media reporting into a single, comprehensive product. (Action: AIT/Taiwan)

Recommendation 12: (b) (5)

Recommendation 13: The Bureau of Consular Affairs, in coordination with the Bureau of Human Resources, the Bureau of East Asian and Pacific Affairs, and the American Institute in Taiwan, should eliminate mid-level consular position number 77-018000 in Taipei. (Action: CA, in coordination with DGHR, EAP, and AIT/Taiwan)

Recommendation 14: The American Institute in Taiwan should eliminate four locally employed staff positions in the Taipei immigrant visa unit. (Action: AIT/Taiwan)

Recommendation 15: The Bureau of Consular Affairs, in coordination with the Bureau of East Asian and Pacific Affairs, the Bureau of Human Resources, and the American Institute in Taiwan, should eliminate the vacant, entry-level consular officer position in Taipei. (Action: CA, in coordination with EAP, DGHR, and AIT/Taiwan)

Recommendation 16: The American Institute in Taiwan should limit the consular unit's walk-in hours to one morning per week, and, if necessary, institute an appointment system for all walk-in clients. (Action: AIT/Taiwan)

Recommendation 17: The American Institute in Taiwan, in coordination with the Bureau of Overseas Buildings Operations, should construct a cashier booth that complies with Department regulations at the branch office in Kaohsiung. (Action: AIT/Taiwan, in coordination with OBO)

Recommendation 18: The Bureau of Consular Affairs, in coordination with the Bureau of Human Resources, should provide the new public affairs officer being assigned to the American Institute in Taiwan's Kaohsiung branch office with the training and designation to serve as backup consular officer. (Action: CA, in coordination with DGHR)

Recommendation 19: The American Institute in Taiwan should institute a procedure to facilitate the timely reconciliation of consular receipts. (Action: AIT/Taiwan)

Recommendation 20: The Foreign Service Institute should change its policy with regard to training local employees of the American Institute in Taiwan, to comply with regulations identifying all American Institute in Taiwan employees as Department of State staff. (Action: FSI)

Recommendation 21: The American Institute in Taiwan, in coordination with the American Institute in Taiwan/Washington, the Bureau of Overseas Buildings Operations, and the Bureau of East Asian and Pacific Affairs, should dispose of the Taipei Economic and Cultural Relations Office property. (AIT/Taiwan, in coordination with AIT/Washington, OBO, and EAP)

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Recommendation 23: The American Institute in Taiwan, in coordination with the American Institute in Taiwan/Washington, the Bureau of Overseas Buildings Operations, and the Bureau of East Asian and Pacific Affairs, should dispose of the Summer House property. (Action: AIT/Taiwan, in coordination with AIT/Washington, OBO, and EAP)

Recommendation 24: The American Institute in Taiwan, in coordination with the Bureau of Resource Management and the Bureau of East Asian and Pacific Affairs, should develop and implement a plan to transition the American Institute in Taiwan's financial operations from a hybrid financial system to the Department of State's financial management system. (Action: AIT/Taiwan, in coordination with RM and EAP)

Recommendation 25: The American Institute in Taiwan, in coordination with the Office of International Cooperative Administrative Support Services, should begin planning for the transition of the institute's administrative support cost allocation system to the International Cooperative Administrative Support Services system. (Action: AIT/Taiwan, in coordination with ICASS)

Recommendation 26: The American Institute in Taiwan should submit documentation to the Bureau of East Asian and Pacific Affairs justifying continued eligibility for a rest and recuperation travel benefit. (Action: AIT/Taiwan)

Recommendation 27: The American Institute in Taiwan should include a work requirement for all supervisors, upon which they will be rated, to complete their employees' work requirements statements, conduct employee performance evaluations on time, and submit completed evaluations to the Department on schedule. (Action: AIT/Taiwan)

Recommendation 28: The American Institute in Taiwan should review and, as appropriate, update all local employee position descriptions at the offices in Taipei and Kaohsiung. (Action: AIT/Taiwan)

Recommendation 29: The American Institute in Taiwan should determine and document whether residence-to-office transportation for employees is justified. (Action: AIT/Taiwan)

Recommendation 30: The American Institute in Taiwan should fully update and reissue its motor vehicle policy. (Action: AIT/Taiwan)

Recommendation 31: The American Institute in Taiwan, in coordination with the Bureau of East Asian and Pacific Affairs, should provide the institute's contracting officers with the proper training and authorization to sign procurement documents. (Action: AIT/Taiwan in coordination with EAP)

Recommendation 32: The American Institute in Taiwan, in coordination with the Bureau of East Asian and Pacific Affairs, should take all necessary steps to open a diplomatic post office. (Action: AIT/Taiwan, in coordination with EAP)

Recommendation 33: The American Institute in Taiwan should designate a team leader to oversee the implementation of eServices, SharePoint, Web sites, and BlackBerry devices. (Action: AIT/Taiwan)

Recommendation 34: The American Institute in Taiwan should develop an action plan to address losses at the employee association and set up procedures for submitting the association's financial statements to the Department on schedule. (Action: AIT/Taiwan)

List of Informal Recommendations

Informal recommendations cover operational matters not requiring action by organizations outside the inspected unit and/or the parent regional bureau. Informal recommendations will not be subject to the OIG compliance process. However, any subsequent OIG inspection or on-site compliance review will assess the mission's progress in implementing the informal recommendations.

Informal Recommendation 1: The American Institute in Taiwan should use all available channels to communicate with the Department and the Washington interagency community.

Informal Recommendation 2: The American Institute in Taiwan should develop a comprehensive and consolidated reporting plan that reflects front office priorities and direction.

Informal Recommendation 3: The American Institute in Taiwan should restructure supervisory relationships in the political section to more closely align with substantive portfolios.

Informal Recommendation 4: The American Institute in Taiwan should require the deputy director and the head of the Kaohsiung branch office to hold weekly meetings in person, by telephone, or by digital video conference.

Informal Recommendation 5: The American Institute in Taiwan should increase communication and collaboration among all the public diplomacy staff members, including those in the cultural section and at the Information Resource Center.

Informal Recommendation 6: The American Institute in Taiwan should reduce the number of hours its public window is open.

Informal Recommendation 7: The American Institute in Taiwan should revise its entry-level consular officer rotation program to give officers 6-month rotations, except when special circumstances dictate shorter assignments.

Informal Recommendation 8: The American Institute in Taiwan should develop written standard operating procedures for how new officers and locally employed staff should be trained.

Informal Recommendation 9: (b)(5)(b)(6)

Informal Recommendation 10: The American Institute in Taiwan should develop a cross-training program for locally employed staff in the human resources office.

Informal Recommendation 11: The American Institute in Taiwan should confirm that its delinquent hardship differential questionnaire reflects actual living conditions in Taiwan and submit the questionnaire to the Department.

Informal Recommendation 12: The American Institute in Taiwan should set up procedures to complete and submit the hardship differential questionnaire on time.

Informal Recommendation 13: The American Institute in Taiwan should instruct the awards committee to approve awards equitably and to avoid giving awards repeatedly to the same groups or individuals.

Informal Recommendation 14: The American Institute in Taiwan should provide Equal Employment Opportunity training to the two, new local employees who will serve as Equal Employment Opportunity liaisons.

Informal Recommendation 15: The American Institute in Taiwan should update the Equal Employment Opportunity-related documents on its intranet site.

Informal Recommendation 16: The American Institute in Taiwan should designate a Federal Women's Program coordinator.

Informal Recommendation 17: The American Institute in Taiwan should prepare an expediting policy outlining who is entitled to the service.

Informal Recommendation 18: The American Institute in Taiwan should obtain the contracting officer representative's and contracting officer's approval for all purchases above \$100,000.

Informal Recommendation 19: The American Institute in Taiwan should provide procurement training for its purchasing agents.

Informal Recommendation 20: The American Institute in Taiwan should complete an annual purchase card review.

Informal Recommendation 21: The American Institute in Taiwan should require its occupational safety and health committee to meet at least twice a year, and take and distribute minutes of each meeting.

Informal Recommendation 22: The American Institute in Taiwan should install a telephone at the former director's residence pool and update its swimming pool safety guide.

Informal Recommendation 23: The American Institute in Taiwan should resolve the connectivity problems between the main office in Taipei and the branch office in Kaohsiung.

Informal Recommendation 24: The American Institute in Taiwan should provide systems security training for the new local systems manager at the branch office in Kaohsiung.

Informal Recommendation 25: The American Institute in Taiwan should request a visit by the appropriate official of the Office of Commissary and Recreation Affairs to advise the association board and manager on stabilizing association operations and preparing for future expansion.

Informal Recommendation 26: The American Institute in Taiwan should establish procedures for submitting the association's financial statements to the Department on schedule.

Principal Officials

	Name	Arrival Date
Director	William A. Stanton	8/2009
Deputy Director	Eric H. Madison	10/2009
Chiefs of Sections:		
Management	Matthew S. Cook	7/2009
Consular	Julie L. Kavanagh	7/2009
Political	Daniel E. Turnbull	8/2010
Economic	Alan R. Tousignant	7/2010
Public Affairs	Sheila Paskman	6/2010
Regional Security	Aria B. Lu	6/2010
Branch Chief, Kaohsiung	Gary G. Oba	7/2011
Other Agencies:		
Foreign Agricultural Service	Jeffrey Hesse	7/2010
Department of Defense	Chris A. Patton	*7/2011
Foreign Commercial Service	Helen Hwang	8/2010

* 7/2011 as section chief; arrived at AIT 5/2009.

Abbreviations

AIT	American Institute in Taiwan
AIT/Taiwan	AIT mission in Taiwan
AIT/Washington	AIT office in Washington, DC
EAP	Bureau of East Asian and Pacific Affairs
EEO	Equal Employment Opportunity
FSI	Foreign Service Institute
ICASS	International Cooperative Administrative Support Services
IM	Information management
MSRP	Mission Strategic and Resource Plan
OBO	Bureau of Overseas Buildings Operations
PAO	Public affairs officer
R&R	Rest and recuperation
TECRO	Taipei Economic and Cultural Relations Office

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