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Office of Inspector General  
United States Department of State

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ISP-I-21-16

Office of Inspections

March 2021

# **Inspection of the Bureau of Administration's Office of Commissary and Recreation Affairs**

DOMESTIC OPERATIONS

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# HIGHLIGHTS

Office of Inspector General  
United States Department of State

ISP-I-21-16

## What OIG Inspected

OIG inspected the Office of Commissary and Recreation Affairs, located under the Directorate of Operations, in the Bureau of Administration.

## What OIG Recommends

OIG made 3 recommendations to the Bureau of Administration.

In its comments on the draft report, the Bureau of Administration concurred with all 3 recommendations. OIG considers all 3 recommendations resolved. The Bureau of Administration's response to each recommendation, and OIG's reply, can be found in the Recommendations section of this report. The bureau's formal written response is reprinted in its entirety in Appendix B.

March 2021

OFFICE OF INSPECTIONS  
DOMESTIC OPERATIONS

## Inspection of the Bureau of Administration's Office of Commissary and Recreation Affairs

### What OIG Found

- Department of State and other Federal agency stakeholders highly rated the Office of Commissary and Recreation Affairs for its operational effectiveness.
- The office responded well to the impact of the COVID-19 pandemic on employee associations.
- The Central Commissary and Recreation Fund Board was noncompliant with its bylaws and lacked a cash flow analysis to assess the pandemic's impact on the fund's viability.
- The office did not provide adequate oversight of employee association temporary duty quarters operations.
- Spotlight on Success: The Office of Commissary and Recreation Affairs instituted a program of advanced training and mentoring that was delivered to new employee association managers which yielded long-term benefits.

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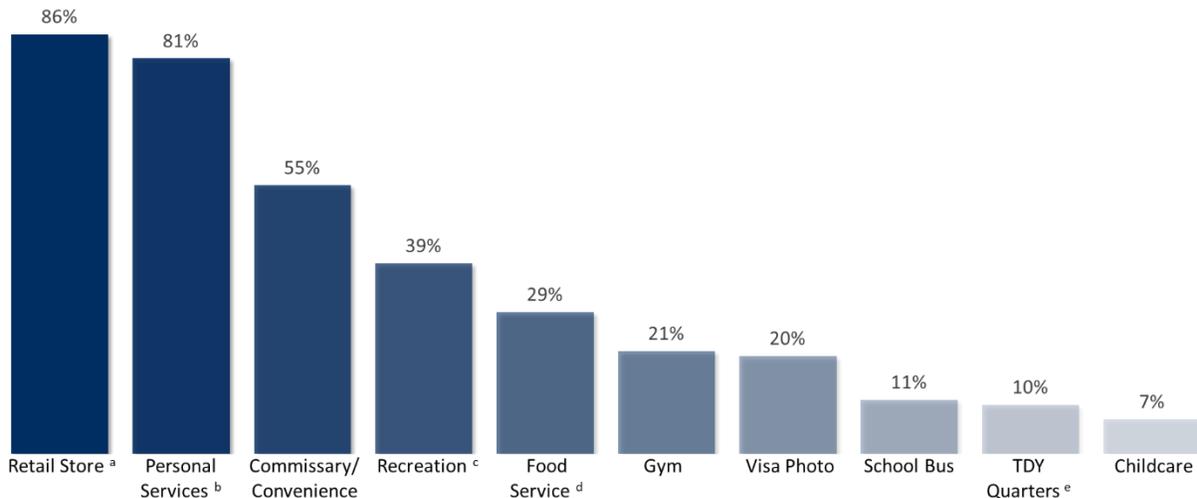
## CONTEXT

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The Office of Commissary and Recreation Affairs (CR), part of the Bureau of Administration's Directorate of Operations, monitors regulatory compliance and provides operational support to the 131 commissary and recreation associations at overseas posts. Under the Foreign Service Act of 1980, which granted the Secretary of State authority to establish employee associations overseas, CR's primary function is to ensure association compliance with regulations in 6 Foreign Affairs Manual (FAM) 500. CR categorizes associations in four tiers based on annual revenue: full, medium, mini, and micro.<sup>1</sup>

While CR's primary function is to ensure compliance with regulations in 6 FAM 500, it is also responsible for training association managers and supporting associations as they deliver new services. For example, although associations offer a variety of services, such as commissaries, recreation clubs, and food services, they also seek to introduce new revenue streams as globalization and modernization affect market demand. Many associations worldwide have moved from primarily retail environments to service industries offering concierge-type assistance for association members. Some associations offer cell phone storage for visa applicants who must leave cell phones outside embassies, and others offer alternatives to traditional cafeteria provisions, such as food truck or delivery from select local food vendors. Figure 1 shows the typical types of services offered by associations.

**Figure 1: Percentage of Employee Associations Offering Selected Services**



<sup>a</sup> Retail store includes all commissary and convenience stores, liquor lockers, gift shops, special orders, and combination of these.

<sup>b</sup> Personal services includes services such as salon, massage, dry cleaning, shoe repair, bill pay, ticket sales, and business center services.

<sup>c</sup> Recreation includes all clubs, gyms, fitness classes, and swimming pools.

<sup>1</sup> At the time of the inspection, there were 61 employee associations in the full tier (annual revenue of \$150,001 and above), 25 in the medium tier (annual revenue between \$50,001 and \$150,000), 15 in the mini tier (annual revenue between \$15,001 and \$50,000), and 30 in the micro tier (annual revenue of \$15,000 and below).

<sup>d</sup> Food service includes all cafeterias, restaurants, food trucks, snack carts, vending machines, and coffee shops.

<sup>e</sup> Temporary duty (TDY) quarters.

**Source:** OIG generated from information obtained from the Office of Commissary and Recreation Affairs.

CR's authorities and responsibilities are listed in 6 FAM 514.1 and 515. The Assistant Secretary for Administration is responsible for overall oversight of employee associations, with CR responsible for day-to-day oversight and operational guidance of the employee associations. As outlined in 6 FAM 515, the Department of State (Department) established a Central Commissary and Recreation Fund (Central Fund), with an advisory board of directors called the Central Fund Board, which includes stakeholder representatives from four foreign affairs agencies (Departments of Agriculture, Commerce, and Defense, and the U.S. Agency for International Development (USAID)). The purpose of the Central Fund is to support CR operations and provide financial assistance to employee associations abroad. The Central Fund Board meets annually to approve CR's operating budget and decide about future financing.<sup>2</sup>

Embassies also have local oversight responsibilities. Department standards in 6 FAM 514.1c require a principal officer or designee at each embassy to be responsible for monitoring the activities of the embassy's employee association. Each employee association also has an embassy association board of directors to assist with oversight.

At the time of the inspection, CR had nine direct-hire positions, including the Office Director, and one part-time position which typically was filled by an intern. These CR staff members conduct site visits and review association operations and annual compliance reports, including financial reports and audits conducted by local independent auditors.<sup>3</sup> The financial audits also are reviewed by the respective embassy association board of directors. The frequency of independent audit reviews varies depending on the category of association, with micro associations having the option to forgo independent audit reviews while full associations must be audited annually.

## OPERATIONAL EFFECTIVENESS

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OIG evaluated CR's operational effectiveness in four areas—office effectiveness, COVID-19 pandemic response, Central Fund management, and association oversight—based on interviews, surveys, and document review. OIG interviewed officials in Department offices and agency representatives from the Departments of Agriculture, Commerce, and Defense. OIG also surveyed association managers, board members, and management officers. OIG's findings related to CR's operational effectiveness in these four areas are discussed below.

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<sup>2</sup> The Central Fund Board has two standing committees: Audit and Finance.

<sup>3</sup> CR annual audit guidelines require the audit be conducted by a firm of chartered, certified accountants, conducted in accordance with U.S. Generally Accepted Principles or International Accounting Standards. In instances where a chartered firm or certified accountant is not available, CR must approve the auditors.

## Office Rated Effective by Stakeholders

OIG found that CR was rated as effective by the three Central Fund Board representatives from the Departments of Agriculture, Commerce, and Defense.<sup>4</sup> Furthermore, staff from 14 of the 16 Department bureaus and offices interviewed<sup>5</sup> commended CR's operational effectiveness, citing the office's meticulous attention to detail, responsiveness, deep expertise, and professionalism. The two remaining offices did not provide any specific feedback on CR. Several staff members commented on the CR Office Director's strong management performance, describing her as proactive, responsive, supportive, and approachable.

Furthermore, 97 percent of survey respondents,<sup>6</sup> representing embassy and consulate management officers, association managers, and association board members, noted that CR responds to inquiries in a timely manner, and 93 percent noted that CR's assistance helps them successfully oversee their posts' associations. Respondents expressed a high degree of satisfaction with all services offered by CR, giving the highest satisfaction score (4.08 on a scale of 5) to CR's staff assistance site visits.

OIG also found that CR operated with a customer-focused approach that included regular use of written performance expectations for CR staff that helped drive attention to customer service. In addition, the office used a long-term, risk-based model to assess association performance. The analytical model used 15 indicators, such as financial ratios, inventory turnover, and internal controls, to identify which associations would benefit from closer oversight and staff assistance visits. CR officials told OIG that their tracking data showed this approach appeared to have improved the performance of lower performing associations.

## COVID-19 Pandemic Response

The COVID-19 pandemic affected associations in different ways. For example, the prolonged evacuation of employees and family members reduced the membership base and associated revenue stream at many associations. As overseas posts went into lockdown, commissaries, clubs, and other association revenue-generating activities temporarily ceased operations or reduced the hours of operation. In addition, inventories ordered for a larger customer base expired, and some goods had to be written off as losses. Finally, many associations were unable to reduce staff hours due to local labor laws, and some have been using savings to stay solvent.

OIG determined that CR was innovative in assisting associations affected by the pandemic. For instance, CR reached out to associations at the start of the pandemic to learn what challenges each were facing. CR also requested and received approval from the Central Fund Board to

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<sup>4</sup> Associations are open to all overseas U.S. Government direct-hire employees and personal services contractors at embassies and consulates.

<sup>5</sup> Interviews included representatives from the Department's regional bureaus and various functional bureaus and offices.

<sup>6</sup> The 70 respondents included 29 management officers, 13 association management staff, 26 board chairs and board members, 1 Financial Management Officer, and 1 Deputy Principal Officer.

reprogram funds and give relief grants to those associations under financial pressure. In another example, when faced with canceled training programs for association staff, CR immediately partnered with the Foreign Service Institute to convert CR's training programs to online sessions. Typically, CR offers three levels of in-person management training globally, including two sessions of entry level training and one each of two higher levels of training. However, by modifying existing content to online delivery, it was able to expand its reach by offering a combination of both virtual and in-person training for a total of six sessions planned for 2021. In addition, CR is offering 12 virtual sessions of a new introductory course for association boards. It also is exploring options to record sessions to allow for on-demand viewing. At the time of the inspection, CR was discussing a model to allow for remote staff assistance visits. In addition to helping associations affected by the pandemic, this model will help CR support associations located in countries where CR staff members traditionally have had problems receiving official visas. CR's innovative approach helps mitigate some of the challenges that associations are facing due to the pandemic.

## **Central Fund Management**

The Central Fund is a combination of appropriated funds from the Department's Diplomatic Programs Working Capital Fund<sup>7</sup> and funds received from a 0.75 percent assessment on employee association total sales and service revenue. Funds from the levy, as well as funds held in escrow from defunct associations,<sup>8</sup> are deposited into the Central Fund's interest-bearing account held in the State Department Federal Credit Union. In a CR analysis conducted on August 28, 2020, the Central Fund totaled approximately \$3.2 million, including \$591,833 in monies held in escrow for posts with defunct associations.

According to 6 FAM 515, the purpose of the Central Fund is to provide financial assistance, primarily in the form of loans, to associations abroad. In addition, the Central Fund supports CR operations in the following areas:

- Monitoring association activities to ensure that they comply with charters approved by the Department.
- Developing standardized support systems (i.e., accounting systems, reporting formats, operating procedures, and internal controls).
- Providing temporary duty (TDY) on-site assistance.<sup>9</sup>

### ***Central Fund Board Was Noncompliant With Outdated Bylaws***

OIG found that the Central Fund Board did not comply with its bylaws and that those bylaws—last revised in 2008—were outdated. Specifically, OIG determined that according to these

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<sup>7</sup> International Cooperative Administrative Support Services (ICASS) appropriation.

<sup>8</sup> Funds from defunct associations are held by the Central Fund for 10 years to allow associations the option to reopen with their prior funding. After 10 years, these funds become permanent assets of the Central Fund.

<sup>9</sup> CR staff travel on TDY to conduct staff assistance visits. During these visits, they review employee association operations, conduct spot checks on inventory, cash counts and accounting, and provide guidance.

bylaws, representatives from the Departments of Agriculture, Commerce, Defense, and USAID should serve as Central Fund Board members. However, USAID has not participated on the Central Fund Board since 2014, and on October 20, 2020, the Department of Commerce notified the Bureau of Administration of its intent to withdraw from the Central Fund Board. The written notification indicated that the Department of Commerce viewed employee associations as private and voluntary activities of Foreign Service officers and that oversight and management of associations are not an official function of U.S. Commercial Service headquarters. Additionally, the bylaws require that the board's committees create minutes of meetings and send these minutes to the Chairman of the board. However, both the Audit and Finance Committees failed to hold regular formal meetings documented by minutes. Instead, CR circulated decisions for these committees by email. Finally, CR staff did not see the need to revise the bylaws until the Department of Commerce notified the Bureau of Administration of its intent to leave the board. Although OIG disagrees with this interpretation, CR staff believed that, even without USAID representation, the board had the required minimum number of Central Fund Board members as stated in Article V<sup>10</sup> of the bylaws. However, CR staff now recognize the need to revise the bylaws. The Central Fund Board's lack of compliance with the bylaws diminishes its ability to provide the oversight needed for the Central Fund. Given the COVID-19 pandemic and the need to reevaluate the financial solvency of the Central Fund, as discussed below, the bylaws need to be revised and approved by all Central Fund Board members.

**Recommendation 1:** The Bureau of Administration should direct the Central Commissary and Recreation Fund Board of Directors to update its bylaws. (Action: A)

***Board Lacked Cash Flow Analysis to Assess Pandemic Impact on Central Fund Viability***

OIG found that the Central Fund Board did not have an accurate projection of its 10-year cash flow projections. As part of its standard governance procedures, the board reviews 10-year cash flow projections as part of its annual planning to assess whether policies should change.<sup>11</sup> On August 28, 2020, CR developed a 10-year cash flow analysis and presented it to the board at its September annual meeting. The analysis showed that the Central Fund would decline to its minimum requirement of \$2 million by 2026.<sup>12</sup> However, the analysis did not fully factor in the effect of decreased revenue due to the pandemic.<sup>13</sup> CR staff told the board that they will do another evaluation in May 2021, when they will have a fuller understanding of the pandemic's impact, and present it at a special Central Fund Board meeting. Through a review of preliminary data received from employee associations, CR estimated that employee association revenue

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<sup>10</sup> Article V of the 2008 Central Fund bylaws requires a minimum of 12 and a maximum of 13 members, 4 of whom should be officers.

<sup>11</sup> Cable 98 STATE 024966, "Employee Association Central Fund Board Decisions," February 11, 1998.

<sup>12</sup> In 1997, the Central Fund board established a \$2 million floor for the Central Fund's cash flow requirement.

<sup>13</sup> CR requires that associations generate revenue reports twice a year. Semiannual reports are due in August, and year-end reports are due in April. The reports reviewed for the August 2020 cash flow analysis covered the period of January 1 to June 30, 2020, and, thus, did not reflect the full impact of the pandemic, which began to affect revenues beginning in mid-March 2020.

has decreased by as much as 40 percent since March 2020 when the pandemic began. To ensure the long-term financial viability of the Central Fund, CR must have an accurate 10-year cash flow projection. If the projection is not revised, as planned in May 2021, to reflect the decrease in revenue, CR will not have an accurate cash flow projection because the fund balance could drop below the desired \$2 million floor prior to the projected 2026 forecast.

**Recommendation 2:** The Bureau of Administration should revise its 10-year cash flow projection as planned to reflect the projected decrease in revenue and present this analysis to the Central Fund Board. (Action: A)

## **Association Oversight**

CR ensures that full associations<sup>14</sup> comply with 6 FAM 500 regulations by requiring them to submit an independent audit report to CR by April 1 each year.<sup>15</sup> This submission includes financial statements for the calendar year.<sup>16</sup> CR accountants review the submissions (focusing on the statements, financial ratios, accounting classification, and internal controls) and provide comments, questions, and requests for further information to the associations' boards. CR resolves compliance and oversight issues through email exchanges with association board members. Although CR ensured associations complied with most FAM requirements through this reporting and review process, OIG found one exception noted below.

### ***Office Did Not Track Remittances for Temporary Duty Quarters***

OIG found that CR did not fully monitor whether funds received by associations for TDY quarters operations<sup>17</sup> were remitted to the Bureau of Overseas Buildings Operations (OBO) as required. Department standards in 6 FAM 526e state that any remaining proceeds<sup>18</sup> from the operations must be deposited to designated OBO accounts. OBO told OIG that it had not received any remittances from associations for TDY quarters during the last 2 years. OIG's examination of initial financial reports for 2019 showed that 3 of 10 associations with TDY

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<sup>14</sup> As noted earlier in this report, while full associations are subject to annual independent audits, other association categories are subject to less frequent requirements. Micro associations have the option to forego the independent review, and mini and medium associations are placed on an alternating independent audit and independent review schedule.

<sup>15</sup> 6 FAM 557b, "Financial Statements and Audit Report."

<sup>16</sup> Department standards in 6 FAM 557d state, "The independent audit report package must include: (1) the auditor's opinion letter; (2) a management letter on internal controls as prepared by the auditor; (3) audited financial statements to include a consolidated balance sheet, income statement and statement of cash flow; and (4) the Board of Director's statement of auditor independence."

<sup>17</sup> According to 15 FAM 249.2-1, "Temporary duty (TDY) quarters are housing units specifically designated for use by government personnel (from a single or multiple agencies) needing temporary lodging at post. TDY quarters are expected to be self-sustaining based on the income derived from occupants." Furthermore, 6 FAM 526a states, "The principal officer may make U.S. Government-owned or leased TDY quarters available to the employee association for management thereof, only after having received the Bureau of Overseas Buildings Operations (OBO) approval to establish TDY quarters."

<sup>18</sup> Exhibit 526 in 6 FAM states that "remaining proceeds" are the funds received from the TDY quarters operations, less the association's 15 percent management fee, expenses, and permissible deposits to a reserve fund.

quarters—Riyadh, Islamabad, and Niamey—have remaining proceeds in their TDY quarters cost centers. However, CR was working actively with only the Riyadh association to remit remaining proceeds to OBO. Three other associations in Beirut, Frankfurt, and Seoul were losing money on their TDY quarters. For the four others—Bamako, Pristina, Rome, and Port-au-Prince—the financial reports did not provide a full financial breakdown of the TDY quarters cost center or did not exist, and OIG was unable to determine whether they had any remaining proceeds that should be remitted to OBO.

According to 6 FAM 514.1b, CR is responsible for “overall policy, operational guidance, and oversight to employee associations abroad.” Associations are required to report TDY financial data to CR in accordance with 6 FAM 557. Furthermore, according to 6 FAM 515a, CR association support includes “the development of standardized support systems (i.e., accounting systems, reporting formats, operating procedures, and internal controls).” CR stated that it did not monitor remittances and expected the association boards and independent auditors to do so. The lack of full monitoring and a standardized reporting format hampers CR’s analysis of the association cost center financial reporting, which raises the risk that associations and overseas posts will not remit proceeds due to OBO. In addition, the lack of accurate financial reporting raises the risk that cost centers might not be self-sustaining or might be subsidizing other cost centers, contrary to 6 FAM 531.5.

**Recommendation 3:** The Bureau of Administration should develop and implement a monitoring process to ensure employee associations comply with Department requirements to remit remaining proceeds from temporary duty quarters to the Bureau of Overseas Buildings Operations. (Action: A)

### **Spotlight on Success: The Office of Commissary and Recreation Affairs Instituted Advanced Training and Mentoring for New Employee Association Managers**

CR instituted annual training and mentoring for new employee association managers. Up to 24 new association managers, together with up to 12 experienced managers, were in the course in 2018. The 4-day lesson plan consisted of mini-lectures, hands-on exercises, small group discussion, and small group presentations. This CR initiative promoted professional development and morale and fostered lasting “on the job” mentoring connections through shared contacts and social media platforms. CR staff identified experienced managers who completed intermediate training and would best support new managers. The course offered new association managers helpful guidance to succeed in their new roles, while also giving experienced association managers the opportunity to mentor new colleagues and facilitate training programs. The format also gave the experienced association managers a chance to refresh their skills, interact with their colleagues in the field, discuss new obstacles and challenges they were facing, share experiences, and provide guidance to new managers. Most importantly, this format further strengthened employee association operations. CR noted in its course description that “it is a rare opportunity for new association managers to gain knowledge from those who are in the trenches.” At the conclusion of the training, CR asked participants for their “biggest takeaway.” Eighty percent of respondents cited “the ability to meet and network with their association colleagues.” Course participants identified these

continuing contacts as having a lasting impact and influence in their roles as successful association managers.

## INTERNAL CONTROLS

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OIG reviewed the financial management operations of CR, including budgeting, accounting, and payment processing, and found it generally complied with 6 FAM 515. OIG reviewed the Bureau of Administration's Statement of Assurance submissions for FY 2019 and FY 2020 and found that the bureau did not report any deficiencies for CR. OIG also found that as part of its overall responsibilities, the bureau established sound procedures to monitor CR's management controls. OIG reviewed the office's revenue and procurement processes and found them to comply with Department standards. In addition, the Central Fund receives an annual independent audit that is reviewed by the board's Audit Committee and ensures compliance with generally accepted accounting principles. The mandated independent audit of the Central Fund for FY 2019 found no material weaknesses. With the exception of the Central Fund Board not fully complying with its bylaws and the deficiencies related to the remittance of remaining proceeds for TDY quarters to OBO, OIG's review showed that CR demonstrated a commitment to government internal control standards.

## RECOMMENDATIONS

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OIG provided a draft of this report to Department stakeholders for their review and comment on the findings and recommendations. OIG issued the following recommendations to the Bureau of Administration. The Bureau of Administration's complete response can be found in Appendix B.<sup>1</sup> The bureau also provided technical comments that were incorporated into this report, as appropriate.

**Recommendation 1:** The Bureau of Administration should direct the Central Commissary and Recreation Fund Board of Directors to update its bylaws. (Action: A)

**Management Response:** In its March 4, 2021, response, the Bureau of Administration concurred with this recommendation.

**OIG Reply:** OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the Bureau of Administration directed the Central Commissary and Recreation Fund Board of Directors to update its bylaws.

**Recommendation 2:** The Bureau of Administration should revise its 10-year cash flow projection as planned to reflect the projected decrease in revenue and present this analysis to the Central Fund Board. (Action: A)

**Management Response:** In its March 4, 2021, response, the Bureau of Administration concurred with this recommendation. The bureau noted an estimated completion date of May 1, 2021.

**OIG Reply:** OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the Bureau of Administration revised its 10-year cash flow projection as planned to reflect the projected decrease in revenue and present this analysis to the Central Fund Board.

**Recommendation 3:** The Bureau of Administration should develop and implement a monitoring process to ensure employee associations comply with Department requirements to remit remaining proceeds from temporary duty quarters to the Bureau of Overseas Buildings Operations. (Action: A)

**Management Response:** In its March 4, 2021, response, the Bureau of Administration concurred with this recommendation.

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

**OIG Reply:** OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the Bureau of Administration developed and implemented a monitoring process to ensure employee associations comply with Department requirements to remit remaining proceeds from temporary duty quarters to the Bureau of Overseas Buildings Operations.

## APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY

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This inspection was conducted from August 31 to December 16, 2020, in accordance with the Quality Standards for Inspection and Evaluation, as issued in 2012 by the Council of the Inspectors General on Integrity and Efficiency, and the Inspections Handbook, as issued by OIG for the Department and the U.S. Agency for Global Media (USAGM).

### Objectives and Scope

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

- **Policy Implementation:** whether policy goals and objectives are being effectively achieved, 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; and whether instance of fraud, waste, or abuse exist; and whether adequate steps for detection, correction, and prevention have been taken.

OIG's specific objectives were to determine whether:

- The status and future viability of the Central Fund was jeopardized due to the impact of the COVID-19 pandemic.
- The Office of Commissary and Recreation Affairs' (CR) financial management operations staff, the Working Capital Fund staff, and the Central Fund Board's finance committee coordinated and cooperated.
- The financial management operations of CR, including budgeting, accounting, and payment processing, were consistent with 6 Foreign Affairs Manual (FAM) 515.
- There were any funding problems or issues that hindered effective CR financial management operations.
- CR oversaw employee associations' required reporting in an effective and timely manner and took action when associations failed to submit required reports in a timely fashion.
- CR supported employee associations during the pandemic.
- CR managed compliance with financial reporting during the pandemic lockdown.

- CR reviewed associations' timely submission of reports and reimbursement to the Bureau of Overseas Buildings Operations for temporary duty (TDY) rental quarters remaining proceeds in accordance with 15 FAM 249.2-4b-c.
- CR required associations to have adequate internal controls ensuring compliance with 6 FAM 526 standards on TDY rental quarters.

## **Methodology**

In conducting inspections, OIG uses a risk-based approach to prepare for each inspection. Due to the COVID-19 pandemic and taking into consideration relevant guidance, at this time, OIG largely conducts its inspections remotely and relies on audio- and video-conferencing tools in lieu of in-person interviews with Department and other appropriate personnel. OIG also reviews pertinent records; circulates surveys and compiles the results, as appropriate; and reviews the substance of the report and its findings and recommendations with offices, individuals, and organizations affected by the review. OIG uses professional judgment, along with physical, documentary, testimonial, and analytical evidence collected or generated, to develop findings, conclusions, and actionable recommendations.

APPENDIX B: MANAGEMENT RESPONSE



United States Department of State  
Washington, D.C. 20520

March 4, 2021

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TO: OIG – Sandra Lewis, Assistant Inspector General for Inspections  
FROM: A/OPR – Keith D. Hanigan *KDH*  
SUBJECT: Response to Draft OIG Report – Inspection of the Bureau of Administration’s Office of Commissary and Recreation Affairs (A/OPR/CR)

The Bureau of Administration has reviewed the draft OIG inspection report. We provide the following comments in response to the recommendations provided by OIG:

**OIG Recommendation 1:** The Bureau of Administration should direct the Central Commissary and Recreation Fund Board of Directors to update its bylaws. (Action: A)

**Management Response:** A Bureau concurs with the recommendation and has revised the Central Fund bylaws. The revised bylaws have been approved by the Central Commissary and Recreation Fund Board.

**OIG Recommendation 2:** The Bureau of Administration should revise its 10-year cash flow projection as planned to reflect the projected decrease in revenue and present this analysis to the Central Fund Board. (Action: A)

**Management Response:** A Bureau concurs with the recommendation and will provide a revised 10-year cash flow projection to the Central Commissary and Recreation Fund Board not later than May 1, 2021.

**OIG Recommendation 3:** The Bureau of Administration should develop and implement a monitoring process to ensure employee associations comply with Department requirements to remit remaining proceeds from temporary duty quarters to the Bureau of Overseas Buildings Operations (OBO). (Action: A)

**Management Response:** A Bureau concurs with the recommendation and has developed a comprehensive standard operating procedure to improve employee association compliance to remit excess revenue from temporary duty quarters to OBO. The draft SOP is pending OBO comment. A Bureau requests OIG to include OBO as a coordinating office on this recommendation.

The point of contact for this memorandum is A/OPR/CR Director Annie Cocchiaro.

Attachment:  
Additional Comments/Concerns

cc: A/EX/CSM  
A Front Special Assistants

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## ABBREVIATIONS

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CR	Office of Commissary and Recreation Affairs
FAM	Foreign Affairs Manual
OBO	Bureau of Overseas Buildings Operations
USAID	U.S. Agency for International Development

## OIG INSPECTION TEAM MEMBERS

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