



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

Office of Inspections

**Compliance Followup Review of
Consulate General Hong Kong, China**

Report Number ISP-C-12-29A, May 2012

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Office of Inspector General

PURPOSE, SCOPE, AND METHODOLOGY OF THE COMPLIANCE FOLLOWUP REVIEW

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 (OIG) for the U.S. Department of State (Department) and the Broadcasting Board of Governors.

PURPOSE AND SCOPE

The Office of Inspections provides the Secretary of State, the Chairman of the Broadcasting Board of Governors, and Congress with systematic and independent evaluations of the operations of the Department and the Broadcasting Board of Governors. Compliance followup reviews (CFR) 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.

The Office of Inspections may perform on-site CFRs to verify whether agreed-upon corrective actions for recommendations issued in previous reports were fully and properly implemented and to provide OIG with a quality assurance assessment of its work.

METHODOLOGY

In conducting this CFR, the inspectors have: 1) reviewed the previous inspection report and the reported corrective actions; 2) distributed survey instruments to inspected entity(s) and compiled and analyzed the results to measure and report changes in the period between the previous inspection and this CFR; 3) conducted on-site interviews and reviewed and collected documentation to substantiate reported corrective actions; 4) addressed new, significant deficiencies or vulnerabilities identified in the CFR survey results and during the course of the on-site CFR and, where appropriate, issued new recommendations; and, 5) discussed the substance of the draft CFR report substance of the draft CFR report at the final meeting with the head of the inspected bureau/office or post.

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Key Judgments

- The OIG compliance followup review (CFR) team found that Consulate General Hong Kong had complied with all of the formal and informal recommendations from the 2010 inspection.
- Consulate General Hong Kong remains well coordinated and highly effective in the pursuit of its three principal objectives: supporting autonomy and democratic development for Hong Kong and Macau; working with local authorities to counter terrorism, crime, and drugs; and fostering trade and investment. The consul general and the deputy principal officer provide clear and highly respected leadership.
- Consulate General Hong Kong continues to provide unique and valued perspectives on developments in China, and changes in the political environment on the mainland are likely to increase the importance of reporting from Hong Kong. Given staffing reductions that have already occurred and others that are imminent, any further reductions in the combined economic/political section are not advisable.
- The undiminished importance of Hong Kong as a transportation, financial, and services hub continues to justify the attention and presence of U.S. law enforcement agencies. Under the leadership of the consul general, cooperation and coordination among the seven resident agencies is excellent.
- Consulate General Hong Kong has rightly focused more systematic attention on Macau, where a rapidly expanding gaming and tourism industry has also created opportunities for illicit activities.
- In addition to its public outreach to the sophisticated and receptive population in Hong Kong, the public affairs section makes cost-effective use of social media and traditional media to reach a potentially huge audience in China. There is both potential and justification for an expanded public diplomacy effort.
- The consular section, with its very experienced and competent staff, provides excellent customer service. Given the highly qualified nonimmigrant visa applicant pool, a declining immigrant visa workload, and low levels of fraud, the consulate general needs to ensure that staffing levels do not exceed what is necessary for the workload.
- A rigorous right-sizing exercise, led by the front office, resulted in significant reductions to an already lean staff. Anticipated budget constraints in Washington will likely moderate requests for further growth for most agencies, but not all. Overall, the OIG team believes staffing levels are where they should be; any further reductions in Department of State (Department) staffing would compromise the consulate general's ability to oversee and support the large other-agency presence. In this regard, because of changes in the information technology environment, OIG recommends that the consulate assess whether a recently eliminated position in the information management unit should be restored.

- The locally employed (LE) staff is both loyal and professional. However, approximately 60 percent of the employees are faced with a salary cap and have not received any adjustment in pay since 2007. (b) (5) [REDACTED]
- In light of recommendations in the 2010 inspection report, Consulate General Hong Kong is implementing plans to make use of office space that had been vacant, with significant savings for the U.S. Government.
- The current practice of designating positions in the consular section in Hong Kong for officers with Mandarin language ability does not make good use of the Department State's (Department) substantial investment in language training.

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.

The CFR took place in Washington, DC, between January 4 and February 1, 2012, and in Hong Kong, China, between February 24 and March 5, 2012. [REDACTED]

Background

As was documented in the 2010 inspection report, Hong Kong remains a major transportation, commercial, and financial hub with high importance for American interests. Hong Kong continues to provide a unique window into political and economic developments in China. It also serves as a bellwether for China's attitudes and intentions with regard to the evolution of democratic institutions and practices for the country as a whole. There has been no suggestion that Beijing might back away from its 2007 agreement to permit democratic elections for the Hong Kong chief executive in 2017 and for the Legislative Council in 2020; but there is concern that Beijing may employ more subtle and covert means to shape political outcomes in Hong Kong. The situation bears close watching.

There has been a significant change in the political climate in China since the time of the 2010 inspection. Beijing has responded nervously to the events that have threatened or brought down authoritarian regimes across North Africa and the Middle East since early 2011, reflecting its apparent insecurity about stability in the People's Republic of China itself. Its concerns have prompted a tightening of restrictions on speech and press freedoms, notably directed at democracy and human rights advocates. These developments will almost certainly increase the importance and value of Consulate General Hong Kong's unique perspective and reporting, a point underscored by Secretary Clinton during her visit to Hong Kong last July. They will also heighten the importance of the consulate general's public affairs and public diplomacy capabilities in projecting U.S. views to China and the region, as well as in countering misleading depictions of U.S. policies and intentions in both the official and private media.

Beijing's nervousness has also contributed to its increased sensitivity to the actions and pronouncements of external actors, notably including the United States. In Hong Kong, this has been manifested over the past year by a series of complaints emanating from Beijing and its local representatives, and amplified by the resident pro-Chinese press, concerning the activities of the U.S. consulate general; many of these criticisms have been directed personally at the consul general. These developments underscore the importance of demonstrating continued firm support for our policy of "one country, two systems" and preserving the ability of both Hong Kong and Macau to chart a course distinct and different from the rest of China.

Despite these developments, the consulate general has maintained robust cooperation with Hong Kong authorities on a wide range of economic and commercial matters. That cooperation also extends to law enforcement issues, including counternarcotics, counterproliferation, and counterterrorism initiatives that are of high importance to the United States. The value of these cooperative relationships is unanimously affirmed by representatives of the seven U.S. law enforcement agencies resident within the consulate general, as well as those elements of the mission concerned with commerce and finance. The rapidly changing situation in nearby Macau, which in the past 6 years has replaced Las Vegas as the new global gaming center, is demanding and receiving increased attention from the consulate general, both from a business perspective and because of the opportunities being created for illicit activities, such as money laundering.

Evaluation of Compliance

The CFR team found that Consulate General Hong Kong had complied with all of the formal and informal recommendations from the 2010 inspection. A CFR automatically closes all formal and informal recommendations from the inspection, but these may be reopened, revised, and/or reissued by the CFR, as appropriate.

Of the 19 formal recommendations in the 2010 Sensitive But Unclassified (SBU) report, 19 were closed by the CFR. Of the 13 informal recommendations in the SBU report, 13 were closed by the CFR. As a result of the CFR, Recommendation 12 in the SBU report, which discusses eliminating an information technology position, and which was to be implemented in summer 2012, has been reissued for review. The classified annex contained six formal recommendations and four informal recommendations; all were closed by the CFR.

Executive Direction

At the time of the 2010 inspection, the consul general had only recently arrived. Now approaching the end of his second year at post, the consul general is well established and confidently in control of a consulate that rivals many embassies in status, size, and complexity. Current staffing comprises 123 U.S. direct-hire employees, 22 LE Americans (including eligible family members), and 186 LE foreign national staff. The annual operating budget for FY 2012 is \$30.1 million.

With his deputy, who arrived shortly after the 2010 inspection was completed, the consul general has formed an effective and highly regarded leadership team that has fostered positive relationships across the mission. Given the presence of 12 separate agencies, the front office has attached particular importance to information sharing, coordination, and collaboration. To that end, they have created a selective set of coordinating mechanisms focused on specific functions and cross-cutting issues. An example is the Macau cluster, which meets regularly to monitor the rapidly changing situation in Macau and to ensure that all elements of the mission are responding appropriately to the challenges created by Macau's rapid growth as a gaming and tourism center. Without exception, agency representatives give both the consul general and the deputy principal officer high marks for their active engagement in their issues and their successful efforts to build a collaborative and collegial working environment.

Similarly, the front office receives praise for its attentiveness to issues affecting employee welfare and morale. Both the consul general and the deputy principal officer have been heavily engaged in efforts to ensure that health, educational, and housing needs are appropriately addressed. They have been supportive of the very active community liaison office, which also receives high marks. They have faced a particular challenge in addressing the concerns and expectations of the LE staff, who since 1998 have received only one, modest pay increase. This issue is addressed in the Resource Management section of this report. The consul general and deputy principal officer have embraced their special responsibility for the mentoring and development of entry-level officers, to include specialists, and have enlisted mid-level managers in that effort. Looking beyond the official consulate family, the front office has been attentive to the needs of and its responsibilities toward the 60,000 U.S. citizens resident in Hong Kong and Macau, as well as the constant flow of tourists and visitors that these twin cities attract.

Economic/Political Section

The economic/political section skillfully promotes two of the consulate's three key goals regarding the promotion of democracy and support for U.S. business. Washington observers are interested in steps that the Hong Kong Government may take towards full democracy as the reversion to Chinese control in 2047 draws nearer. Hong Kong is one of the most open economies in the world and imports a considerable volume of products and services from the United States. It also serves as an air and sea transshipment hub for further exports to China and elsewhere, invests directly or operates as a financial hub for considerable Chinese foreign investment in the United States, and acts as a major world financial center, including for budding efforts to internationalize the Chinese currency. Hong Kong has sophisticated science activities and works closely with the United States in the World Trade Organization and the Asia Pacific Economic Conference to promote freer global markets.

The consulate general's primary role as a reporting center for economic and political activities in China has diminished considerably over the years as the U.S. diplomatic and private media presence has grown in China. Concurrently, the number and ranks of reporting officers in the consulate's economic/political section have declined over the years, including the elimination of a permanent political officer position in 2007, which the section counteracted partially by seeking exchanges from other agencies or Professional Associate program positions. One current Professional Associate position will terminate upon the departure of the incumbent (separate from similar positions in the public affairs and management sections).

As part of the Diplomacy 3.0 effort to increase the number of officers worldwide, two entry-level positions were created in the economic/political section before the 2010 inspection. The OIG inspection team at that time recommended that the two positions be eliminated, which the consulate general resisted. The OIG recommendation to eliminate the two positions was previously closed for acceptable nonimplementation. In late January 2012, the Bureau of East Asian and Pacific Affairs decided that one of the two positions should be transferred to Embassy Myanmar to support the ongoing liberalization there. The economic unit incumbent had already departed the consulate general at the time of the CFR and will not be replaced. The consulate general decided that the entry-level political officer position should be retained because of the smaller permanent staff in the political unit compared with the economic unit and the importance of the political officer's human rights portfolio.

The section provides valuable reporting on economic and political developments in Hong Kong, particularly as they relate to the attempts by the Government of the People's Republic of China to influence these developments. The tightening of Chinese restrictions on mainland freedoms since the Arab Spring has increased the importance of reporting from Hong Kong. In addition, Washington analysts told the OIG team that they appreciated and valued the consulate general's still important and at times unique role in providing insights into developments on the Chinese mainland. These insights included access in Hong Kong to symposiums, nongovernmental organizations, religious organizations, high-quality academic centers, and businesses that closely track developments in China; the willingness of Chinese contacts to speak more freely while in Hong Kong; and other advantages. Given these factors, and the already bare bones permanent staffing in the economic/political section, the OIG team believes that the

Diplomacy 3.0 entry-level political officer position should remain. The elimination of this position would diminish the ability of the section to perform its work.

Public Affairs Section

The public affairs section conducts an effective outreach program on a low-cost budget in comparison to the sophisticated audience in Hong Kong/Macau and the potentially huge secondary market in mainland China. The total annual operating budget since FY 2009 has held steady near \$1.7 million. Working with the consul general, the section promotes U.S. views on democracy, freedom of press, judicial independence, and stronger rule of law.

A public affairs officer position was eliminated in 2007, leaving just two officers. A Professional Associate position was created in early 2009. That position, which was recommended for elimination in the 2010 inspection report, will terminate when the incumbent departs Hong Kong in 2013. As foreshadowed in the 2010 inspection, the public affairs section in October 2010 received an entry-level officer position, which helped improve the section's social media platforms and, in turn, increased the penetration of U.S. policy messages and outreach mainly to Hong Kong/Macau and secondarily to China. The entry-level position will continue when a new officer arrives later in the summer of 2012.

The Information Resource Center was restructured to become the information outreach unit, with titles and position descriptions of staff changed accordingly. The section has also worked hard to improve contacts with alumni from its International Visitor, Fulbright, and other exchange programs, and to publicize community outreach efforts during U.S. Navy ship visits. The section works closely with Hong Kong media, much of which has access to the Chinese mainland as well, particularly the Phoenix television network with 200 million terrestrial and cable viewers in China and elsewhere.

The section received praise for its efforts to support Secretary Clinton's major economic policy speech in July 2011; Hong Kong was chosen as a platform for the speech given the amount of local, regional, and global media coverage a Hong Kong venue can generate.

Given the Chinese tightening of restrictions on Internet content in the past few years (reflected by Google's departure from the mainland to Hong Kong), as well as increasing Chinese restrictions in the past year of speech and press freedoms on the mainland since the Arab Spring, the consulate general's public affairs and public diplomacy capabilities in projecting U.S. views to the huge potential audience in China and the region have become more important but could be expanded. Current staffing in the section reflects the Hong Kong audience and not the 1.3 billion people in China.

Recommendation CFR 1: Consulate General Hong Kong, in coordination with the Bureau of East Asian and Pacific Affairs, the Bureau of Human Resources, and the Under Secretary for Public Affairs and Public Diplomacy, should review the current level of budgeting and staffing for public diplomacy activities in the consulate with a view to enhancing its Chinese language platform to reach the mainland. (Action: Consulate General Hong Kong, in coordination with EAP, DGHR, and R/PPR)

A separate memorandum will discuss the Voice of America's operations in Hong Kong.

Law Enforcement

One of the consulate's key goals is law enforcement cooperation. Several U.S. law enforcement agencies, plus relevant specialized units of other U.S. executive agencies, conduct regional activities from Consulate General Hong Kong. Local Hong Kong law enforcement agencies are professional and cooperate with U.S. agencies. Most U.S. agencies in Hong Kong cover activities in Macau and Taiwan as well. The explosion in casino gaming and tourism activities in Macau, with major U.S. investments, increases the potential for illicit activities. The Macau Government accepts training from U.S. agencies to improve its law enforcement capabilities.

The consulate general conducts useful biweekly law enforcement committee meetings chaired by the consul general and attended by the deputy principal officer. Other opportunities for law enforcement cooperation include country team meetings and regular coordination meetings regarding Macau. Cooperation and coordination among the agencies is excellent and commendable.

Resource Management

Agency	U.S. Direct-Hire Staff	Eligible Family Members	LE Staff	Total Staff	Funding FY 2011
Diplomatic and Consular Programs	36	2	8	46	\$5,324,952
ICASS	7	12	70	89	\$7,772,900
Diplomatic Security	3		2	5	\$671,169
Bureau of Overseas Buildings Operations	1			1	\$3,917,950
Overseas Buildings Operations - Project					\$77,193
Public Diplomacy	3	1	15	19	\$1,214,527
Public Diplomacy Representation					\$7,500
Consular	10	2	35	47	\$215,810
State Representation					\$37,375
State Marine Security Guard Support	6			6	\$68,500
Publication Translation Section	2		13	15	\$1,413,900
Broadcasting Board Governors Affiliates			2	2	\$273,545
Subtotal - State Department	68	17	145	230	\$20,995,321
Foreign Agriculture Service	1		5	6	\$653,120
Department of Commerce, Bureau of Industry and Security	1		1	2	\$136,520
Foreign Commercial Service	2	1	10	13	\$1,354,334
Department of Homeland Security					
U.S. Secret Service	2		3	5	\$698,100
Immigration and Customs Enforcement	5		6	11	\$1,543,033
Customs and Border Protection (International Affairs)	1		1	2	\$286,890
Customs and Border Protection (Container Security)	4		1	5	\$559,592
Department of Defense					
Office of Liaison Affairs	11		3	14	\$1,728,550
Naval Contracting Office	7		6	13	\$1,157,197

Department of Justice					
Drug Enforcement Administration	7		1	8	\$131,968
Federal Bureau of Investigation, Legal Attaché Office	3			3	\$544,350
Treasury-Internal Revenue Service	2		1	3	\$350,000
Subtotal Other Agency	46	1	38	85	\$9,143,654
Total	114	18	183	315	\$30,138,975

The consulate general’s International Cooperative Administrative Support Services (ICASS) platform gets good reviews from all agencies at post. None of the agencies raised any issues with regard to the ICASS council, the budget development, cost of services, or services provided. Management is focused on improving customer service and transparency. Steps to date have had a positive impact on the consulate general’s operations. The management team has employed eServices, Integrated Logistics Management System (ILMS), and the procurement module of ILMS (Ariba) to improve internal controls while enhancing oversight and quality control. The most recent ICASS customer survey scores reflect overall customer satisfaction. The management section has addressed all of the recommendations, both formal and informal, from the 2010 Inspection.

The consulate general also has embarked on an energy efficiency program that has already reduced its electrical bills by approximately \$70,000 per year, through a combination of tariff negotiations, real-time meters, and monthly usage reports. They are also reviewing motor pool operations and telephone usage.

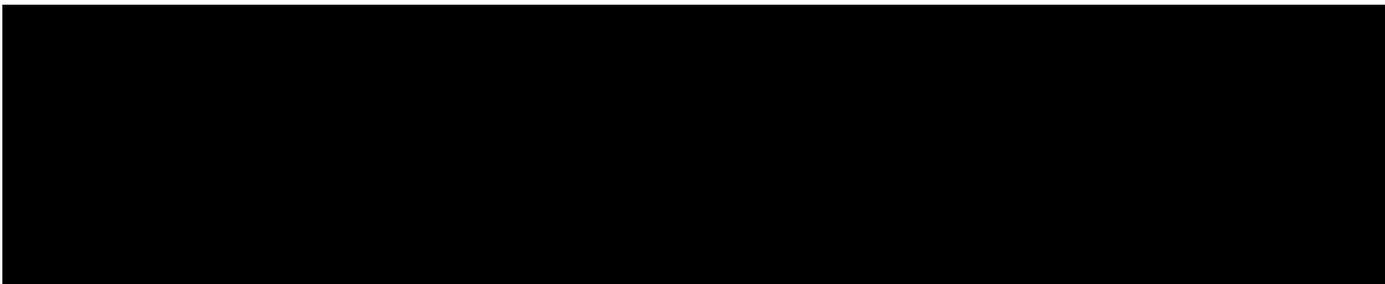
There are three main issues critical for maintaining good morale among American employees – housing, schools, and family member employment. The consulate’s housing board has been very active and responsible in addressing individuals’ needs. The OIG team addresses issues related to the recent renovations of the Shouson Hill apartments later in this report and makes recommendations to correct the problems. All of the international schools are fully subscribed, and attendance is highly competitive, which presents a challenge for those with school-age children. The consulate general has taken a proactive posture and works with families well in advance of their arrival. Family member employment is also problematic. The consulate general has hired 19 eligible family members, but that is only a third of the number of spouses seeking work. The community liaison office coordinator has actively reached out to placement firms and made every effort to facilitate employment opportunities.

LE staff members are professional, committed, and talented. Their last salary adjustment took place in 2007. Since that time, the Consumer Price Index reflects an increase in costs for food and housing of 13.5 percent and 17.4 percent respectively. There is a widespread view among LE staff members that their buying power has been significantly eroded during this period. (b) (5)

General Services

The general services office is well managed and provides proper support to its ICASS customers. The section has a problem, however, due in part to the longevity of many of the senior LE staff members, who have developed unique and irregular practices over the years, creating the possibility for risk due to a lack of management controls. The section has been understaffed for years, which contributed to the problem and made it difficult for the section to establish proper checks and balances. The impending departure of the Professional Associate, who is an assistant general services officer serving as the contracting and procurement officer, will add to the difficulty of overseeing the general services staff and will further reduce the section's ability to establish proper management controls.

Recommendation CFR 2: Consulate General Hong Kong should request authority from the Bureau of East Asian and Pacific Affairs to establish and recruit an eligible family member for the position of assistant general services officer. (Action: Consulate General Hong Kong)

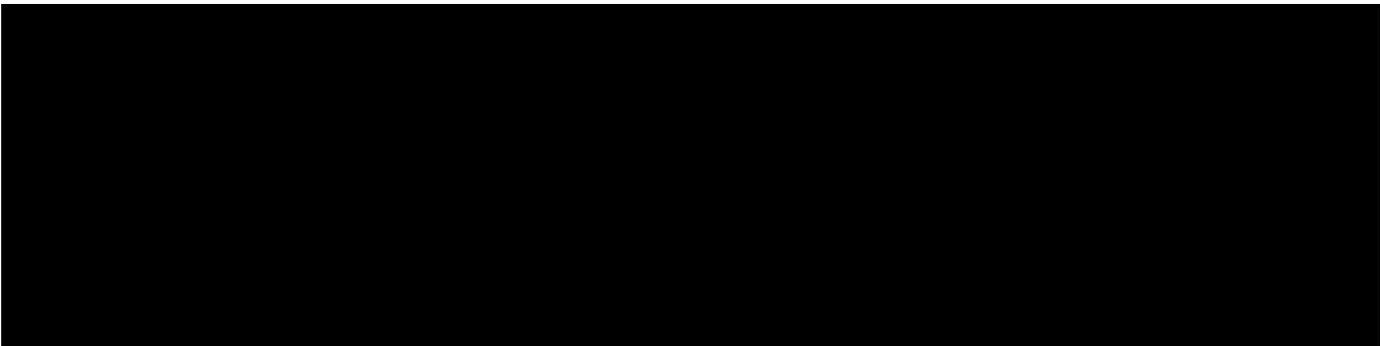


Recommendation CFR 3:



Facilities

The consulate general's preventative maintenance combined with adequate funding from the Bureau of Overseas Buildings Operations has ensured the proper upkeep of both the consulate office building and the government-owned properties. A number of the utility systems, such as heating, ventilation, and air conditioning, servicing the consulate office building are approaching their replacement cycle. However, due to the professionalism of the facilities management team, the systems are currently functioning adequately.



(b) (5)



Recommendation CFR 4: (b) (5)

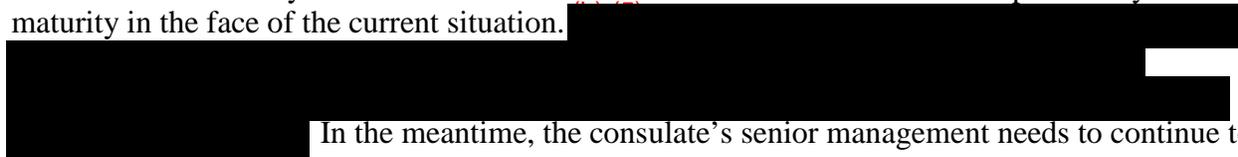
Recommendation CFR 5: (b) (5)

Recommendation CFR 6: (b) (5)

Salary and Benefits for Locally Employed Staff

The OIG team was impressed by the professionalism and loyalty of the LE staff. The average length of service of the LE staff employed by the consulate general is currently 16.6 years. Fifty-six percent of the LE staff faces a cap in pay due to longevity in grade. In addition, the LE staff has not received a significant salary increase since 1998 with only one small raise (1.5 percent for FSN 7-12s and 2 percent for the lower grades) in 2007.

The results of the Watson Wyatt survey to date have not supported a salary increase. However, a review of the Consumer Price Index reflects that costs for basic foodstuffs and housing have risen 13 percent and 17.4 percent, respectively, significantly eroding buying power of the LE staff's salary. The OIG team met with LE staff members and was impressed by their maturity in the face of the current situation.



In the meantime, the consulate's senior management needs to continue to employ creative methods to acknowledge the professional performance and loyalty of its staff.

Recommendation CFR 7: Consulate General Hong Kong, in coordination with the Bureau of Human Resources, should conduct a salary and benefits survey for the locally employed staff. (Action: Consulate General Hong Kong, in coordination with DGHR)

Consular Section

The consular section continues to provide all consular services in an efficient, customer-friendly manner. For FY 2011, the workload included approximately 8,000 passport adjudications, 3,600 immigrant visas, 65,000 nonimmigrant visa applications, 900 consular reports of birth abroad, and 170 renunciations. Most nonimmigrant visa applicants are qualified, and the consulate general's issuance rate exceeds 95 percent. The long-term trend reflects that the immigrant visa workload is decreasing.

Consular officials report excellent cooperation with local officials. One area of concern to the inspection team in 2010 was a lack of notification by officials in Macau when U.S. citizens were arrested. This has been corrected, and consulate officials report they now receive prompt notification of arrests.

The positions that were recommended for grade reductions have either been reduced (Recommendation 7), or agreement was reached to downgrade the position when the person already assigned departs post (Recommendation 8). Hong Kong is not a high fraud post, nor is there a significant terrorism threat at post. Nevertheless, the Department, OIG, and the consulate general agreed that the assistant regional security officer – investigations position could be filled, and an officer is scheduled to arrive in September 2012. The consulate general staff believes that another law enforcement position will be useful, particularly one that is focused on consular section needs, and plans are under way to assign tasks to him when he arrives.

The consulate general also addressed the management control issues identified in the 2010 report. However, one of the backup cashiers does not have his own safe for storing his advance, as required by the *Foreign Affairs Handbook* (FAH) in 4 FAH-3 H-393.4-3 d. This could lead to others having access to his cash advance, resulting in a loss of funds without knowing who was accountable.

Recommendation CFR 8: Consulate General Hong Kong should provide a separate safe drawer with a separate combination for the second backup consular cashier. (Action: Consulate General Hong Kong)

An untenured entry-level officer is serving as accountable consular officer. According to 7 FAH-1 H-733.1 d., these duties should normally be given to an experienced consular officer rather than an untenured one. There are currently three tenured officers who could serve as accountable consular officer, thus ensuring that an officer with more experience is able to oversee this vital function.

Recommendation CFR 9: Consulate General Hong Kong should designate a tenured officer as the accountable consular officer. (Action: Consulate General Hong Kong)

Workload has changed in the fraud prevention unit. Managers discontinued a practice of prescreening nonimmigrant visa applicants because it was of limited value. As noted earlier, immigrant visa workload has declined, which affects the workload for both the immigrant visa unit and the fraud prevention unit. Immigrant visa adjudications in 2011 were less than half of

the adjudications in 2002. The overall trend is downward, but the number of nonadjudicator hours has not decreased as much as the workload has decreased. For example, the OIG team noted that in FY 2006 the immigrant visa unit adjudicated 5,569 immigrant visas with 12,631 nonadjudicator hours. In 2011, the number of nonadjudicator hours was essentially the same (12,832) even though the adjudication load dropped by almost 2,000 cases. The consulate general noted some complicating factors in 2011: staff spent extra time dealing with applicants whose cases were in progress, but no visas were available because numbers had retrogressed and 70 percent of interviews required the use of interpreters. Nevertheless, the inspectors believe both the fraud prevention unit, which deals primarily with immigrant visa cases, and the immigrant visa unit are overstaffed given the declining workload and when compared with other posts. The third position in the fraud prevention unit should likely have duties that consist of both fraud prevention and immigrant visa work.

Recommendation CFR 10: Consulate General Hong Kong should abolish a total of two locally employed staff positions in the immigrant visa and fraud prevention units. (Action: Consulate General Hong Kong)

Four officers assigned to the consular section were trained in Mandarin, and two officers who already spoke some Mandarin received additional training. Consular officers serving in Hong Kong report that few visa applicants speak Mandarin. Officers indicated that they can use English for most interviews, although applicants' level of English proficiency varies. They use Cantonese (using an interpreter) 10-12 percent of the time, although the one officer who was trained in Cantonese uses it for roughly half of his interviews. Mandarin is used in approximately 5 percent of the cases. The criteria for designating language study for a particular position according to the *Foreign Affairs Manual* (FAM) in 13 FAM 221 b. is that only those positions where language proficiency is essential, rather than merely helpful or convenient, should be designated.

Language training should provide officers with the particular language skills needed to adequately perform their job. The OIG team agrees with post that one Cantonese speaker is needed. One possibility to fill such a position could be through the limited noncareer appointment program recently instituted to find Chinese and Portuguese speakers to staff positions in China and Brazil.

Recommendation CFR 11: The Bureau of East Asian and Pacific Affairs, in coordination with the Bureau of Consular Affairs and the Bureau of Human Resources, should designate a consular position in Consulate General Hong Kong as a Cantonese language position. (Action: EAP, in coordination with CA and DGHR)

The OIG team believes it is not a good use of Department resources to train officers in Mandarin for consular assignments in Hong Kong. Officers indicate that even though they have received language training in Mandarin, they rarely use it and their language skills in Mandarin actually decrease from lack of use. Given that most entry-level officers receive onward assignments outside the region because of the Bureau of Human Resources desire to give entry-level officers geographic diversity in assignments, they will not have a chance to use Mandarin in their next assignment. Although the Department has an interest in creating a cadre of Mandarin speakers, the current practice of training consular officers in Mandarin, giving them an

assignment where Mandarin is not required for conducting day-to-day business and is rarely used, then assigning them to another non-Mandarin speaking position undermines the stated goal of this policy. Providing 30 weeks of Mandarin training to officers costs the Department approximately \$100,000 per student.

Recommendation CFR 12: The Bureau of East Asian and Pacific Affairs, in coordination with the Bureau of Consular Affairs and the Bureau of Human Resources, should change the Mandarin language-designated positions to language-preferred positions in the consular section in Hong Kong. (Action: EAP, in coordination with CA and DGHR)

Information Technology

The total number of personnel in the information program center consists of one direct-hire information systems officer and seven LE staff members. The information program center consists of three direct-hire employees, two eligible family members working classified pouch, two telephone operators, and six LE staff members working in the unclassified pouch and the mailroom. In addition, the information program center currently supports 280 users and 400 computers. They provide maintenance to seven unclassified servers and three classified servers.

The OIG inspection conducted in June 2010 recommended abolishing information management specialist position number 55-329000. The consulate general concurred and took appropriate action. Upon reviewing the compliance actions regarding this recommendation, the OIG team was supplied with additional data and discovered compelling justification to initiate a review of the need for this position. The individual currently serving in the position slated for abolishment is responsible for a 100-piece computer security account, primary management of the classified and unclassified pouch (includes Embassy Beijing and constituent posts), management of the telephone operators, help desk support for computers in the controlled access areas, and assisting with life cycle replacement. He also provides support to the Office of Liaison Assistance, the Legal Liaison Office, and the Drug Enforcement Administration. Additional information regarding this position is in the classified annex to this report.

Recommendation CFR 13: Consulate General Hong Kong, in coordination with the Bureau of East Asian and Pacific Affairs, the Bureau of Information Resource Management, and the Bureau of Human Resources, should conduct a review to determine the effects of abolishing information management specialist position number 55-329000 and, if the effects are detrimental, retain the position. (Action: Consulate General Hong Kong, in coordination with EAP, IRM, and DGHR)

List of Compliance Followup Review Recommendations

Recommendation CFR 1: Consulate General Hong Kong, in coordination with the Bureau of East Asian and Pacific Affairs, the Bureau of Human Resources, and the Under Secretary for Public Affairs and Public Diplomacy, should review the current level of budgeting and staffing for public diplomacy activities in the consulate with a view to enhancing its Chinese language platform to reach the mainland. (Action: Consulate General Hong Kong, in coordination with EAP, DGHR, and R/PPR)

Recommendation CFR 2: Consulate General Hong Kong should request authority from the Bureau of East Asian and Pacific Affairs to establish and recruit an eligible family member for the position of assistant general services officer. (Action: Consulate General Hong Kong)

Recommendation CFR 3: [REDACTED]

Recommendation CFR 4: [REDACTED]

Recommendation CFR 5: [REDACTED]

Recommendation CFR 6: The Bureau of Overseas Operations should seek redress from the contractor for poor performance under the Shouson Hill apartment contract. (Action: OBO)

Recommendation CFR 7: Consulate General Hong Kong, in coordination with the Bureau of Human Resources, should conduct a salary and benefits survey for the locally employed staff. (Action: Consulate General Hong Kong, in coordination with DGHR)

Recommendation CFR 8: Consulate General Hong Kong should provide a separate safe drawer with a separate combination for the second backup consular cashier. (Action: Consulate General Hong Kong)

Recommendation CFR 9: Consulate General Hong Kong should designate a tenured officer as the accountable consular officer. (Action: Consulate General Hong Kong)

Recommendation CFR 10: Consulate General Hong Kong should abolish a total of two locally employed staff positions in the immigrant visa and fraud prevention units. (Action: Consulate General Hong Kong)

Recommendation CFR 11: The Bureau of East Asian and Pacific Affairs, in coordination with the Bureau of Consular Affairs and the Bureau of Human Resources, should designate a

consular position in Consulate General Hong Kong as a Cantonese language position. (Action: EAP, in coordination with CA and DGHR)

Recommendation CFR 12: The Bureau of East Asian and Pacific Affairs, in coordination with the Bureau of Consular Affairs and the Bureau of Human Resources, should change the Mandarin language-designated positions to language-preferred positions in the consular section in Hong Kong. (Action: EAP, in coordination with CA and DGHR)

Recommendation CFR 13: Consulate General Hong Kong, in coordination with the Bureau of East Asian and Pacific Affairs, the Bureau of Information Resource Management, and the Bureau of Human Resources, should conduct a review to determine the effects of abolishing information management specialist position number 55-329000 and, if the effects are detrimental, retain the position. (Action: Consulate General Hong Kong, in coordination with EAP, IRM, and DGHR)

Principal Officials

	Name	Arrival Date
Consul General	Stephen Young	3/11/2010
Deputy Principal Officer	Matt Matthews	9/2/2010
Chiefs of Sections:		
Management	Andrea Baker	8/16/2010
Consular	Hugh Williams	8/15/2009
Economic/Political	Martin Murphy	7/17/2009
EXIS	Daniel Harris	7/24/2011
Public Affairs	Joe Bookbinder	8/7/2009
Regional Security	Peter Carlson	7/24/2009
Other Agencies:		
Foreign Agricultural Service	Erich Kuss	8/3/2010
Department of Defense	Capt. Alexander Butterfield	9/5/2009
Foreign Commercial Service	Andrew Wylegala	8/14/2008
Drug Enforcement Agency	Andrew Malenga	11/22/2009
Immigration and Customs Enforcement	Tatum King	5/29/2008
Internal Revenue Service	William Cheung	8/3/2009
Legal Attaché Office	Lawrence Futa	2/14/2011
Customs and Border Protection	Robert White	7/25/2011
Ship Support Office	David Ross	5/7/2011
U.S. Secret Service	John Johnson	2/16/2005
Broadcasting Board of Governors	William Whitacre	Based in U.S.

Abbreviations

CFR	Compliance followup review
Department	U.S. Department of State
FAH	Foreign Affairs Handbook
FAM	Foreign Affairs Manual
ICASS	International Cooperative Administrative Support Services
ILMS	Integrated Logistics Management System
LE	Locally employed
OIG	Office of Inspector General
SBU	Sensitive But Unclassified

APPENDIX I: Status of 2010 Inspection Formal Recommendations

Recommendation 1: Consulate General Hong Kong should institute regularly scheduled meetings between post management and the locally employed staff association. (Action: Consulate General Hong Kong)

Pre-CFR Status: Closed.

CFR Finding: Consulate General held its first meeting on September 28, 2010. It has held quarterly meeting since then. OIG has a copy of the meeting dates and notes.

Recommendation 2: Consulate General Hong Kong should resume its regular coordination meetings on economic and commercial issues. (Action: Consulate General Hong Kong)

Pre-CFR Status: Closed implemented.

CFR Finding: The consulate general held its first economic cluster meeting on October 27, 2010. The consulate initially decided to hold these meetings quarterly but then instituted a schedule of monthly meetings. The consul general and deputy principal officer chair or attend the meetings. Relevant agencies consider the meetings useful. The OIG team considers this recommendation closed due to satisfactory implementation.

Recommendation 3: Consulate General Hong Kong, in coordination with the Bureau of East Asian and Pacific Affairs, should request, and the Bureau of Human Resources should approve, the elimination of two entry-level officer positions in the economic and political section (position numbers 25451014 and 10015442) when the incumbents complete the tours. (Action: Consulate General Hong Kong, in coordination with EAP and DGHR)

Pre-CFR Status: Closed for acceptable nonimplementation.

CFR Finding: Although the consulate general strongly opposed elimination of these two positions, the Bureau of East Asian and Pacific Affairs decided in January 2012 that one of these positions would be move to Myanmar in the summer of 2012. The entry-level economic officer had already departed the consulate general at the time of the CFR and will not be replaced. The entry-level political officer position remained at the consulate general at the time of the CFR. The OIG team decided that Consulate General Hong Kong retains unique and valuable perspectives on developments in China, that the already much-reduced permanent staffing in the economic/political section should not decline any further, and that the recommendation should be closed for acceptable compliance.

Recommendation 4: Consulate General Hong Kong should authorize the chief of the economic and political section to review and release most cable traffic without first obtaining front office clearance. (Action: Consulate General Hong Kong)

Pre-CFR Status: Closed implemented.

CFR Finding: The consul general has authorized both section chiefs to release cables on their own. The economic/political section chief stated to the OIG team that he releases most of the section's cables on his own authority. The OIG team considers this recommendation closed.

Recommendation 5: Consulate General Hong Kong, in coordination with the Bureau of East Asian and Pacific Affairs and the Bureau of Human Resources, should remove the language requirement for economic officer position 20-309000. (Action: Consulate General Hong Kong, in coordination with EAP and DGHR)

Pre-CFR Status: Closed for acceptable nonimplementation.

CFR Finding: The Executive Office of the Bureau of East Asian and Pacific Affairs submitted a memorandum to the Director General on July 20, 2011, requesting deletion of the language designation for this economic officer position. The Director General disapproved the request on August 12, 2011. The economic/political section stated to the OIG team that it conducts most of its local business in English, with Mandarin Chinese the second language. The section has little need to use the local Cantonese language. The OIG team considers this recommendation closed for acceptable nonimplementation.

Recommendation 6: Consulate General Hong Kong, in coordination with the Bureau of East Asian and Pacific Affairs and the Bureau of Human Resources, should eliminate professional associate position number 97-000085 upon the incumbent's departure. (Action: Consulate General Hong Kong, in coordination with EAP and DGHR)

Pre-CFR Status: Closed for acceptable compliance.

CFR Finding: The professional associate program requires that any professional associate position automatically end once the incumbent departs post. The consulate general has three Professional Associate positions being terminated with the departure of the incumbent. Position 97-000085 is a position in the public diplomacy section that will be vacated during the summer of 2013 when the incumbent departs post, at which time the position will be eliminated. Since the inspection, an entry-level officer position in the public affairs section has already been created and filled to undertake the duties of the eligible family member position. The OIG team considers this recommendation closed for acceptable compliance. In addition, position numbers 94-000233 and 94-000150 are being eliminated with the departure of the incumbents from the economic/political section in summer 2013 and from the management section in March 2012, respectively.

Recommendation 7: Consulate General Hong Kong, in coordination with the Bureau of Consular Affairs and the Bureau of Human Resources, should change the grade of consular chief position 30118001 from FE-OC to FS-01. (Action: Consulate General Hong Kong, in coordination with CA and DGHR)

Pre-CFR Status: Closed implemented.

CFR Finding: The position has been downgraded to an FS-01 position. Closed due to implementation of the recommendation.

Recommendation 8: Consulate General Hong Kong, in coordination with the Bureau of Consular Affairs and the Bureau of Human Resources, should change the grade of the immigrant visa chief position 31392000 from FS-03 to FS-04. (Action: Consulate General Hong Kong, in coordination with CA and DGHR)

Pre-CFR Status: Closed implemented.

CFR Finding: An FS-03 who was assigned to Afghanistan/Iraq/Pakistan has been assigned to this position through 2015. However, the Bureau of Consular Affairs agreed that this position should be downgraded and said it will downgrade the position upon departure of the Afghanistan/Iraq/Pakistan bidder. This recommendation is closed.

Recommendation 9: Embassy Beijing should establish a regional fraud coordinator at Consulate General Guangzhou to oversee the fraud prevention program in Hong Kong and throughout China. (Action: Embassy Beijing, in coordination with Consulate General Hong Kong)

Pre-CFR Status: Closed implemented.

CFR Finding: Consulate General Guangzhou's fraud prevention manager has assumed responsibilities as fraud coordinator for mission China and Consulate General Hong Kong. This recommendation is closed.

Recommendation 10: Consulate General Hong Kong should rescind its request for an assistant regional security officer-investigations position. (Action: Consulate General Hong Kong)

Pre-CFR Status: Closed for acceptable nonimplementation.

CFR Finding: OIG closed this recommendation based on compliance responses from the Bureau of Diplomatic Security and informal discussions with the Bureau of Consular Affairs, the Bureau of Human Resources, and the Bureau of Diplomatic Security. An officer has been assigned and is scheduled to arrive at post in September 2012. Closed due to satisfactory compliance.

Recommendation 11: Consulate General Hong Kong should implement procedures in the human resources section that allow customers to use eServices to submit their own requests and complete surveys. (Action: Consulate General Hong Kong)

Pre-CFR Status: Closed implemented.

CFR Finding: The human resources section no longer enters their customers' requests into eServices. Unfortunately, due to the technical difficulty encountered by the customers trying to enter their requests, this aspect of eService is no longer used. The customers now come directly to the human resources section and ask for appointments. Closed due to satisfactory compliance.

Recommendation 12: Consulate General Hong Kong should select a Federal Women's Program coordinator. (Action: Consulate General Hong Kong)

Pre-CFR Status: Closed implemented.

CFR Finding: The consulate general selected a Federal Women's Program coordinator. Closed due to satisfactory compliance.

Recommendation 13: Consulate General Hong Kong should seek guidance from the Office of Civil Rights on establishing and implementing an active Federal Women's Program. (Action: Consulate General Hong Kong)

Pre-CFR Status: Closed implemented.

CFR Finding: The coordinator did contact the Office of Civil Rights. The consulate general's Web site now includes resource and promotional materials regarding this program. Closed due to satisfactory compliance.

Recommendation 14: Consulate General Hong Kong should administer and assign the five U.S. Government-owned housing units in accordance with Department guidelines. (Action: Consulate General Hong Kong)

Pre-CFR Status: Closed implemented.

CFR Finding: The management officer and the general services officer held a housing board meeting on September 21, 2010. The board reviewed the guidance provided in 15 FAM 235 with regard to Barker Road units and all agreed that future assignments would be made in accordance with the FAM guidance. At this meeting, the board also discussed the proper role of the housing board in the assignment of interagency housing. The first vacancy in these units will take place in the summer of 2012, and the chair of the housing board has made it clear that the assignment will be made strictly in accordance with 15 FAM 235. Closed due to satisfactory compliance.

Recommendation 15: Consulate General Hong Kong should terminate its Shouson Hill shuttle service, which is based on convenience rather than unavailability of public transportation. (Action: Consulate General Hong Kong)

Pre-CFR Status: Closed for acceptable nonimplementation.

CFR Finding: The OIG team was given the wrong impression by the consulate general's motor pool policy. There is in fact no reasonable alternative to the consulate's shuttle, and the city bus officials turned down a request to add a stop at Shouson Hill or add more buses to existing routes nearby. There is no reliable public transport provided for Shouson Hill. To use public transport, employees housed at Shouson Hill would have to make two bus transfers and walk a considerable distance, adding 45 minutes to the commute. Even this would be difficult, because the initial service is provided by a small minivan that is usually full when it passes Shouson Hill.

The consulate general has continued the shuttle at a cost to the employees commensurate with public transport costs. Closed due to satisfactory compliance.

Recommendation 16: Consulate General Hong Kong, in coordination with the Bureau of East Asian and Pacific Affairs and the Bureau of Human Resources, should eliminate position number 55-329000, information management specialist. (Action: Consulate General Hong Kong, in coordination with EAP and DGHR)

Pre-CFR Status: Closed.

CFR Finding: The consulate general initially concurred with this assessment, but the recommendation has been revised to review the results of removing this position and, if it is detrimental to post, consider keeping the position. Revised and reissued.

Recommendation 17: Consulate General Hong Kong should dispose of excess information management equipment. (Action: Consulate General Hong Kong)

Pre-CFR Status: Closed implemented.

CFR Finding: The consulate general eliminated all stock that was over 3 years old and has moved to a policy of maintaining a ratio of 5 percent spare to deployed equipment. Closed due to satisfactory compliance.

Recommendation 18: Consulate General Hong Kong should submit documentation to the Bureau of East Asian and Pacific Affairs to justify its continued eligibility for its rest and recuperation travel benefit. (Action: Consulate General Hong Kong)

Pre-CFR Status: Closed implemented.

CFR Finding: The consulate general submitted a hardship differential report on March 21, 2011. The Department did not reauthorize the previous 5 percent hardship differential. The Bureau of East Asian and Pacific Affairs, in coordination with the Bureau of Administration, is conducting a worldwide review of rest and recuperations. The consulate is awaiting a decision from the Department regarding the continuation of this allowance. Closed due to satisfactory compliance.

Recommendation 19: The Bureau of East Asian Affairs should update 3 FAH-1 Exhibit H-3722(3), which lists the posts and designated relief areas for rest and recuperation travel for the East Asian and Pacific countries. (Action: EAP)

Pre-CFR Status: Closed implemented.

CFR Finding: The Bureau of East Asian and Pacific Affairs has taken the requested action and designated the relief point for Naha, Japan, to be Sydney, Australia. Closed due to satisfactory compliance.

APPENDIX II: Status of 2010 Inspection Informal Recommendations

Informal Recommendation 1: Consulate General Hong Kong should review whether the public affairs section is staffed with the appropriate number of locally employed staff, particularly in comparison with the political and economic section.

CFR Finding: The public affairs section has aggressively developed its social media platform to maximize the effectiveness and penetration of policy messages in Hong Kong/Macau and China. Public affairs also expanded its alumni program activities to maximize the value of these key contacts. The OIG team considers the staffing of the public affairs section to be appropriate.

Informal Recommendation 2: Consulate General Hong Kong should change the designation of the Information Resource Center staff to reflect current responsibilities.

CFR Finding: The public affairs section has renamed the Information Resource Center as the information outreach unit and staff titles and position descriptions have been changed accordingly.

Informal Recommendation 3: Consulate General Hong Kong should establish a training officer in the consular section to track, support, and enforce required and optional training among all employees within the section.

CFR Finding: Consulate General Hong Kong has assigned a consular officer to be the training officer for the section. She is tracking and supporting training. This recommendation is closed.

Informal Recommendation 4: Consulate General Hong Kong should encourage U.S. law enforcement agencies to remind their Macau counterparts of the importance of consular notification and to stay alert to information about detained American citizens that could be conveyed to the consular section.

CFR Finding: Consulate General Hong Kong personnel worked with officials in Macau, and the consulate general is now notified when American citizens are arrested. This recommendation is closed.

Informal Recommendation 5: Consulate General Hong Kong should advertise and select a local employee to become the Equal Employment Opportunity liaison.

CFR Finding: The consulate general advertised and selected the local employee Equal Employment Opportunity liaison.

Informal Recommendation 6: Consulate General Hong Kong should prepare minutes for its International Cooperative Administrative Support Services council meetings and publish them on its SharePoint site.

CFR Finding: The consulate general's ICASS council has both agendum and minutes prepared for each meeting. These minutes are prepared by the financial management officer. The minutes record not only the decisions of the council but the submissions by the financial management officer for the council as well.

Informal Recommendation 7: Consulate General Hong Kong should develop and implement a system that relays final payment data to the procurement section for proper close-out of purchases.

CFR Finding: The consulate is now using Ariba to track final payment date. All agencies are using this system. There are still problems with Ariba regarding tracking data by appropriation and obtaining information regarding draws on bulk purchase agreements.

Informal Recommendation 8: Consulate General Hong Kong should conduct a review of its vehicle and driver assets and take action necessary to align them with mission requirements.

CFR Finding: The consulate performed a review of the motor pool vehicles and their use. These vehicles are properly used – the regional security office has two vehicles for use in the surveillance detection unit. There is a vehicle used by public affairs that was transferred from the office of liaison administration, used primarily for delivery activity. The fourth multiuse vehicle had been a designated vehicle for the deputy principal officer but is now used in the motor pool.

Informal Recommendation 9: Consulate General Hong Kong should correct erroneous data on its vehicles in the Integrated Logistics Management System.

CFR Finding: The consulate has verified that the FY 2011 vehicle inventory report is correct.

Informal Recommendation 10: Consulate General Hong Kong should take steps to ensure that the new U.S. direct-hire information management supervisor resolves interpersonal conflicts in the section.

CFR Finding: Officer in question has departed post.

Informal Recommendation 11: Consulate General Hong Kong should post inventory spot-check results to property records as required by 14 FAH-1 H-413.2.

CFR Finding: The consulate's management section has performed inventory spot checks and continues to perform these checks at least twice a year. These checks are done both at the warehouse and at the point of delivery. The OIG team reviewed the record of these spot checks.

Informal Recommendation 12: Consulate General Hong Kong should establish a regular schedule for the back-up consular cashiers to serve as consular cashier once a month. Each back-up cashier should have an individual cash advance.

CFR Finding: Consulate General Hong Kong has an established schedule so that each backup cashier serves as consular cashier once a month. Each backup cashier has his or her own cash advance, but one does not have a safe drawer for his cash box that he only he has access to.

This recommendation is closed, but a recommendation is made in the report to secure a separate safe for the backup cashier.

Informal Recommendation 13: Consulate General Hong Kong should conduct fee collection comparisons as required in 7 FAH, H-744.

CFR Finding: The accountable consular officer is conducting the fee collection comparisons, although the machine-readable visa fee comparisons were done on a monthly basis. She will begin doing these on a weekly basis. This recommendation is closed.

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