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Report of Inspection

Bureau of Human Resources, Part II

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- The Bureau of Human Resources (HR) has faced extraordinary challenges during the past few years but has been able to meet urgent demands as well as address some longer term problems.
- Bureau leadership has been effective under a respected and well-liked Director General (DG). In his year on the job he and his colleagues have redesigned the assignment system to fill key overseas positions, changed the Foreign Service examination process, taken steps to strengthen the retirement office, and launched a shared services structure for certain human resources functions.
- A controversial new assignment system successfully met its short-term goal of filling Foreign Service vacancies in critical hardship posts. Despite this, it is unclear whether the Department of State (Department) will continue to be able to staff Iraq on a voluntary basis or will have to move to directed assignments.
- A Global Repositioning Program moved 200 Foreign Service jobs from Washington, Europe, and elsewhere to India, China, and other countries to support transformational diplomacy. Before proceeding with additional rounds of this program, the Department should undertake more rigorous planning and analysis to lay out clear objectives and develop the most cost-effective means of achieving them.
- The Department's efforts to establish shared services (Centers of Excellence), for certain HR functions must be put on a rational implementation schedule if it is to succeed. The Department should also explore consolidation of certain HR services in a single center.
- A new Foreign Service entry examination process will speed the hiring process, a long overdue reform. Close monitoring will be needed to determine whether the new approach also will meet its objective of bringing in more diplomats with relevant skills and experience.
- Retirement processing is one of the most criticized bureau functions. The DG has augmented the staff, strengthened the management structure, and requested funding for a much needed upgraded information system. The Department should approve funding on an urgent basis. Should these efforts fail to produce results, the Department should assess the feasibility of transferring the function to another shared services center whether inside or outside the Department.

- The bureau needs to staff its conduct and suitability division fully to ensure timely and fair adjudication of all discipline cases.
- While the bureau is doing a generally good job in managing employee benefit programs, it needs to improve efficiency in providing support to disabled employees.
- The Foreign Service promotion process is managed well despite the perennial problem of recruiting panel members. Implementation of an electronic employee evaluation report (EER) process should help streamline the process.
- The Department needs to make a significant investment in upgrading HR information systems to improve efficiency, consistency, and quality of service.
- The Department would also benefit from strengthening its planning and analysis capability for HR and related resource issues. This is especially important because of the great demands being placed on limited resources.

The inspection took place in Washington, DC, between May 16 and June 22, 2007. Ambassador Richard Hecklinger (team leader), Sylvia J. Bazala (deputy team leader), Arne Baker, Joseph Catalano, Richard English, Ron Harms, Siobhan Hulihan, Andrea Leopold, Keith McCormick, and Iris Rosenfeld conducted the inspection.



The Bureau of Human Resources (HR) provides services to about 8,400 Civil Service and 11,500 Foreign Service employees, as well as 38,000 locally employed staff at 267 diplomatic and consular posts abroad and over 35 domestic locations in the United States. In addition, the Department makes use of contractors, personal service contractors, detailees from other agencies, when-actually-employed annuitants, eligible family members, and various interns, fellows, and other temporary hires.

As a result of the large size and complexity of HR and its responsibilities, the Office of Inspector General (OIG) divided its review into two inspections. The first inspection (hereafter referred to as Part I), was completed last fall and published in April 2007 (ISP-I-07-16). It looked at the Executive Office and the Offices of Career Development and Assignments, Policy Coordination, Civil Service Personnel, Resource Management and Analysis, and Overseas Employment. OIG had previously inspected the Family Liaison Office and the Office of Casualty Assistance in March 2006.

The current review (Part II) examined those HR offices not inspected in Part I and followed up on important themes and findings from Part I. This inspection focused on executive direction and leadership of the bureau, the Office of Recruitment, Examination, and Employment (REE); the Office of Retirement (RET); the Office of Performance Evaluation (PE); the Office of Employee Relations (ER); and the Grievance Staff.

The inspection examined the Department's efforts to implement the human resources component of shared services (Centers of Excellence) and assessed the effectiveness of the bureau's revised Foreign Service assignment process. It also looked at the Global Repositioning Program (GRP) under the strategy of transformational diplomacy both because of its impact on assignments and resources and to lay the basis for future inspections, foreign and domestic, which will review the results of this program.


HR's mission is to ensure the Department possesses the best workforce achievable matched to the needs of American diplomacy. Secretary Rice's vision of transformational diplomacy requires HR to implement her goals of global repositioning

of the Department's human and other assets and the creation of a dynamic diplomatic corps with a broad range of knowledge, skills, and capabilities to promote democracy and U.S. interests abroad.

HR is operating in a difficult environment because the Department is increasingly short of the human resources needed to carry out its mission. The Diplomatic Readiness Initiative (DRI) provided much needed new positions, but these have largely been diverted to Iraq and Afghanistan, and to compensate for the mid-level deficit of Foreign Service personnel. The float¹ for training and transition has been severely reduced.

HR has 444 authorized positions (335 Civil Service and 109 Foreign Service) of which 370 are encumbered. These are supplemented by part-time workers such as retired annuitants and contract hires. In addition, personnel specialists are located in bureaus and offices throughout the Department to assist with personnel processing, assignments, and hiring. The bureau's FY 2006 budget was \$230 million.

¹ Float is an informal term to describe having additional staff on hand to cover the workload given a percentage of staff not present due to training or transition.



The DG and his team of deputies have faced extraordinary challenges in the year since they took office and have met them with a great measure of success. The DG showed strong and innovative leadership in implementing far-reaching changes to the Foreign Service assignment process to staff Iraq, Afghanistan, and other critical posts. This was not easy, either for the institution or for individual officers, but it worked, and thus earned generally positive marks among the affected bureaus. The DG and his team also played a strong role in supporting the GRP, and the new effort to launch the Civilian Reserve Corps and the Active Response Corps.

The DG took on another difficult issue by pressing for substantial changes in the Foreign Service examination process. Besides taking action to meet the long-standing goal of speeding up the examination and entry process, he took the controversial step of changing the elements of the assessment itself to give more emphasis to an applicant's record. The result will be an examination process that promises to improve the Department's ability to identify people with the skill sets necessary to meet current and future demands upon the Foreign Service. Whether it does so will depend on how it is implemented.


In response to a call by the Under Secretary for Management for a greater shared services approach to the HR function, the DG and his team developed an unconventional proposal to consolidate certain services in multiple Centers of Excellence. As pointed out in Part I, this got off to a problematic start. Planning and communication could have been better. It seems now to be on track. Success depends, however, on whether sufficient time is given for its implementation.

The DG and the responsible deputy put a high priority on improving retirement services, including allocating additional personnel. In certain other areas, however, staff vacancies were allowed to persist too long.

The HR front office and the bureau operated under considerable pressure to meet urgent situations and taskings. Speed usually does not allow for needed planning. It is a tradeoff, and HR has done well in handling this situation. However, to the extent possible, the next year should be a time for consolidation and for concentration on implementation of the many new programs and initiatives.

The DG and his team have an open, accessible management style, which is appreciated in the bureau. They also have placed a high priority on outreach and communication to the field, the Department, and outside audiences. They conducted surveys to assess the bureau's performance as well as to get input on key policy initiatives.

The DG has accomplished a great deal in his year on the job. The demands placed on him and his deputies are likely at an historic high. They have earned a lot of praise from their colleagues around the Department for how they have handled these challenges. The new DG will have a solid base to build on and can concentrate on implementing the numerous initiatives and policies already launched. When he decides how he wants to focus his own efforts, he may want to consider adjusting the allocation of oversight of HR offices among his deputies.



Convinced that it would not be possible to fill enough positions in Iraq and other hardship posts with volunteers, the Director General ordered major changes in the Foreign Service assignment system. Under the new approach, no assignments would be made to other posts until the most difficult hardship posts were filled. This new system coincided with a major global repositioning of jobs. The new assignment process aimed at meeting short-term needs, while global repositioning was intended to support a longer term strategy of transformational diplomacy. Both initiatives were carried out successfully but in an urgent manner that made limited use of strategic planning. As described below, HR should review the new assignment process and, with the Under Secretary for Management, the cost effectiveness of global repositioning before proceeding with more changes.

A NEW ASSIGNMENT PROCESS

The major overhaul of assignment rules in the summer of 2006 was designed to encourage Foreign Service officers to volunteer for approximately 750 positions at unaccompanied and limited accompanied posts, as well as extreme hardship posts. Incentives for some posts would be increased, and no assignments elsewhere would be made until the toughest had been filled. The DG warned that, in the future, those declining to volunteer for places like Iraq risked being assigned there anyway.

The changes raised important issues of morale. A survey conducted by the American Foreign Service Association (AFSA) found widespread concern about their impact on careers and families. HR officials countered that they had no choice; the need to fill positions was so great that the alternative to this pressure would have been the adoption of a system of directed assignments. They emphasized that no one received a formal order to Iraq or any other post.

The distinction is a fine one. The pressure exerted to obtain volunteers can sometimes be difficult to distinguish from directed assignments. Nevertheless, the new procedures successfully filled a critical short-term need without breaching this barrier. Most bureaus praised the new approach as necessary to ensure that hard-

ship posts – not only in Iraq, but elsewhere – were filled. Some had long been faced with too few bidders for key jobs (a problem documented, for example, in an OIG Memorandum Report ISP-I-04-54, *Strengthening Leadership and Staffing at African Hardship Posts*) and felt that HR should have been even tougher in forcing officers to take them. Others thought HR's approach of equating "hardship" with "priority" had created confusion over whether "hardship" was synonymous with "critically important." The mid-level officer deficit discussed in Part I has added further difficulty to an already challenging situation.

The new approach was less successful in ensuring that some key jobs in Washington were filled promptly. HR delayed assigning a number of mid-level FS-02 officers to domestic positions until it was certain that all hardship positions overseas were filled, a decision that disrupted several bureaus in the Department. As late as May, this threatened to leave unfilled key jobs, including some that would be needed to support expanded operations overseas. This tactic caused unnecessary work, as senior officials spent long hours trying to overcome it, and HR does not intend to repeat it.

Because of the pressure to fill positions and the underlying shortage of mid-level officers, HR was less able to give desired attention to the qualifications of candidates. As recommended in Part I, HR is developing metrics to guide it in assigning the most qualified officers to available positions. At the same time, a degree of flexibility will be needed in applying metrics such as rank or specialization. The OIG team concluded that HR can and should continue to rely primarily on bureaus to determine whether individual candidates are "qualified."

HR expected that many officers would choose a hardship assignment at an earlier season rather than wait without a binding agreement in the hopes of receiving a later one they preferred more. This did not prove to be the case. Instead, many proved unwilling to accept a hardship post until they knew that they had not been chosen for a more desirable one. Bureaus sought to get around the ban on early "handshakes" (assignment agreements between bureaus and bidders) by developing an informal system of "bureau leading candidates." HR responded by not letting them enter these decisions on official bid lists. This led to a flood of telephone calls and e-mail messages from officers who could no longer track the status of their bids online, creating more work and reducing transparency.

HR officials at all levels are aware of these issues but have not had time to carry out a systematic review of the results of the new procedures in cooperation with other bureaus (though there have been discussions with bureau executive directors). Meanwhile, further innovations, including a new pre-bidding season dedicated solely

to filling positions in Iraq, are under way. The OIG team made an informal recommendation that the Director General task a comprehensive lessons-learned review of the 2007 Foreign Service bidding and assignment cycle that would help his successor make any necessary changes in the 2008 cycle.

Successful as HR has been in pushing through a controversial solution to the Department's short-term staffing problems, it is far from clear that this can be repeated in future years. An increased use of single-year assignments has reduced the harshness of requiring service at the most difficult hardship posts, but this accelerated turnover has added to HR's administrative workload and strained its ability to process rotations smoothly. Moreover, with 20 percent of the Foreign Service now having served in Iraq and Afghanistan, it will become progressively more difficult to find multiyear positions at nondifferential posts for those returning from one-year assignments at high-differential ones (assuming they want such posts). So far, bureaus have been able to find jobs for those officers returning from Provincial Reconstruction Team duties in Iraq who have been promised one of their top five choices of assignment. Without more long-term planning, however, this aspect of the new assignment system could end up like airlines that have made more promises to frequent fliers than they can mathematically deliver.

GLOBAL REPOSITIONING AND TRANSFORMATIONAL DIPLOMACY

The DG's full-court press to fill positions in Iraq and other hardship posts occurred at the same time as a separate initiative to reallocate positions worldwide. This effort, the GRP, transferred 200 Foreign Service positions in Rounds I and II, primarily from Europe and Washington to India, China, and other countries where U.S. interests were increasing. Positions for GRP Round III have been approved, but the inability to secure additional funding from Congress has resulted in the need to impose additional and painful cuts, primarily in Washington, to fund this round. Depending upon the availability of resources, there may be further rounds.

While HR played an active role in the implementation of the GRP, the lead rested with the Offices of the Under Secretaries for Political Affairs and Management. Decisions on where to add and cut positions were developed through an ad hoc working group that included the executive assistants to key principals.

The new GRP positions were explicitly intended to be used for transformational diplomacy. Officers assigned to these positions were expected, among other things, to spend more time outside the embassy, expanding outreach and using small assis-

tance programs to support the work of local groups in democracy, development, the rule of law, and other areas.

The OIG team found a broad consensus that realigning positions to a changing global workload was a positive and overdue adjustment. The details, however, were hotly contested. The ad hoc working group assigned to recommend locations for the new positions did not make extensive use of Department strategic plans such as mission performance plans or engage in lengthy consultations with regional bureaus. Instead, it employed a closely held approach designed to emphasize decisive, rapid action and prevent delay. It did, however, make its recommendations on new positions based on proposals from posts and bureaus, and bureaus had substantial leeway in determining which positions could be eliminated.

The new positions had to meet the test of whether they would advance the strategy of transformational diplomacy. In fact, while there are new elements in transformational diplomacy, much of it is doing more of what the Foreign Service has done or should have been doing already. Staff shortages and additional demands from Washington have often kept people at their desks and prevented them from getting out and around the host country to build relationships with key persons and groups, and to develop programs to help shape policies and institutions. Because of this, while some posts have used the new positions to carry out identifiable new functions, others have assigned them to improve and deepen work already on their agenda.

No attempt has yet been made to measure how the losing posts and bureaus adjusted work to fit the reductions in their staffs.

Support Costs

GRP transferred positions but did not always transfer adequate resources. Almost all positions moved in the first two rounds, for example, were in political, economic, and public diplomacy affairs. The OIG team found near-unanimous views among regional bureaus that sufficient support costs for these positions had not been provided. Because their work involves more interaction with people outside the Foreign Ministry, for example, officers assigned to transformational diplomacy often need more locally employed staff and security than those handling foreign policy. They also need more travel funds. The Department recognizes this and is trying to provide more support.

Program Resources

To use the new positions for their intended purpose, embassies must also have program resources. A crucial aspect of transformational diplomacy is the use of small assistance programs to build capacity and serve as a catalyst to promote development and democracy. Few of the new positions have been given resources for such programs or the training to manage them.

This problem could be addressed by seeking additional resources for programs commensurate with the new positions; protecting from cuts the current program monies available to posts (the OIG team learned, for example, that self-help and other small pots of money available to posts in Africa may be reallocated to high-profile health initiatives); and coordinating repositioning more closely with the U.S. Agency for International Development (USAID).

The Department could benefit greatly from USAID's expertise in important elements of transformational diplomacy, including health care, education, and anticorruption. However, GRP has not yet brought together USAID and Department planning. In some cases, one agency was not aware that the other was reducing positions in the same countries where the other was adding them. While it is not necessarily inconsistent for two agencies to be moving in different directions, coordination and better planning would take respective priorities into account.

American Presence Posts

An important part of repositioning and transformational diplomacy involves American presence posts (APPs). First tried in France in 1999,² these single-officer posts can sometimes offer a cost-effective means of outreach in a country where a lack of staff or funds, or simply too much internally generated work, prevents American diplomats from traveling regularly outside the capital. However, the Department was excessively optimistic about how soon APPs could be opened in China, Latin America, and elsewhere. APPs are considered consulates under international law and require permission from host governments. While planning for APPs in Pusan, South Korea, and Wuhan, China, is well along, the work required to open them elsewhere has been underestimated. Significant concerns remain regarding security, construction costs, and the legal barriers to having an APP in cities where the U.S.

² See OIG Report ISP-I-05-60A, Inspection of Embassy Paris, France, and Constituent Posts

already has a consular agent. In addition, agreeing to reciprocal Chinese consulates, for example, in the United States has important implications for other agencies and will require extensive consultations. Until this is successful, those repositioned officers assigned to APPs that do not yet exist will have to work out of embassies.

A Strategic Plan is Needed

Additional analysis is needed to determine how repositioning could most cost effectively achieve transformational diplomacy objectives as well as advance the other objectives of the Department. Given the considerable cost of overseas positions, the OIG team was not persuaded that sufficient analysis was performed to determine whether, for example, another \$450,000 political officer position in India would accomplish more in terms of transformational diplomacy than would three positions in Washington – or than the same resources spent on managing programs or on training.³ This is an urgent issue because the need to find resources to fund the third round of the GRP is likely to result in significant dislocations in the Department. In view of the other extraordinary demands placed on the Department by the need to staff Iraq and Afghanistan and to create the new Active Reserve Corps plus the strains caused by the mid-level officer deficit and lack of an adequate float for training and transition, the relative value of further rounds of GRP at this time needs to be carefully assessed.

In just one example, the approach chosen to identify positions to cut in order to fund Round III is to eliminate U.S.-based mid-level generalist positions not yet filled. This amounts to letting the bidding choices of mid-level Foreign Service officers determine the priority of certain jobs and functions. Bureaus can offer up other jobs to save needed positions, but this means of allocating costs among bureaus is questionable, even taking into account the fact that the jobs were unfilled. This was probably a choice dictated by what was expedient rather than what was optimal. It is difficult, for example, to justify the planned elimination under this approach of positions in two of the offices most critical to transformational diplomacy and foreign policy – those handling United Nations political affairs and peacekeeping. This approach would also eliminate the position handling sanctions at the U.S. mission to the United Nations in New York, because it was temporarily unfilled while the incumbent officer left for short-term duty in Iraq.

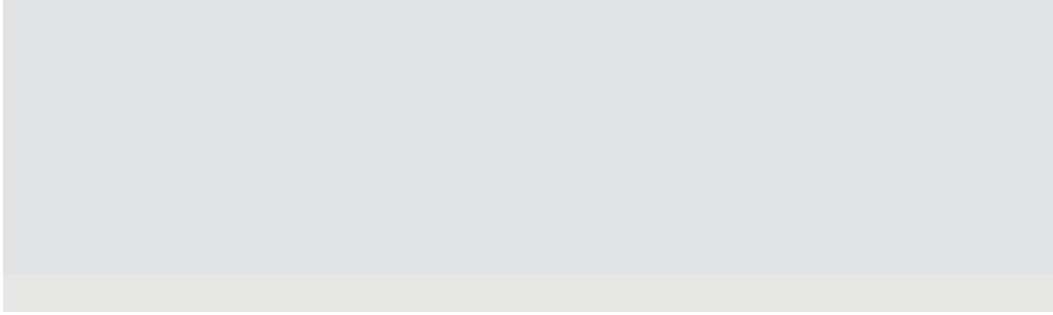
³Offices implementing GRP now use a ratio of 3.7 or more to one to calculate the cost of overseas positions. The actual ratio may prove even higher when the need for expensive language training for hard language posts is taken into account.

A strategic plan would lay out clear objectives and identify the best means to accomplish them. These means could involve additional staff in missions overseas, better coordination with USAID and other agencies with programs and staffs overseas, additional program resources, training, or more staff running programs out of Washington. They might require more positions in priority hardship posts but might also require positions working with international organizations, other donor governments, nongovernmental organizations, other U.S. government agencies, or the private sector, all major players in making transformational diplomacy work. All these elements will require resources, and the plan will need to make some thoughtful tradeoffs; moving more positions overseas or to hard-language countries, for example, may reduce resources available to initiate and manage other transformational programs. Planning should look carefully at how positions can be used in the most cost-effective manner to accomplish transformational diplomacy goals.⁴

A good strategic plan will also need to look at the ability of embassies to make good use of new positions. Adding more staff will not enable embassies to carry out transformational diplomacy unless they can succeed in getting diplomats out from behind their desks to interact with host societies. Paperwork generated by Washington and posts, increasing visitor workloads, and the greater distance of new chanceries from city centers all contribute to a growing isolation of U.S. diplomats within their compounds. Planning for further repositioning must include a more aggressive effort to identify how these barriers can be reduced in order to free diplomats to do more travel, representation, program management, and face-to-face diplomacy. This would also strengthen traditional reporting and analysis. Leadership at posts is key, and this should be a priority in the training of new ambassadors and deputy chiefs of mission.

Because the first rounds of the GRP were pulled together by an ad hoc committee rather than by HR, the Department will need to assign responsibility for such a plan to a specific office, one that will be able to support any future rounds of repositioning. OIG expects to review the implementation of GRP and transformational diplomacy during future inspections, including evaluating how the new positions have been used and how the losing posts and bureaus have adjusted to staff losses.

⁴This would be consistent with the Under Secretary for Management's goal to strengthen management analysis to enable us to provide a "rightsized domestic and overseas presence that is aligned strategically with our foreign policy goals."



In 2005, the Office of Management and Budget (OMB) and the Office of Personnel Management (OPM) launched an interagency initiative to consolidate administrative lines of business in five areas, including HR services. The purpose was to reduce costs, eliminate duplicative information technology (IT) acquisitions, and enhance service quality. To that end, agencies were required, in 2006, to select interagency service providers for core HR and payroll systems, with the expectation that other HR services might be consolidated in the future.

As an alternative to interagency consolidation, the Department began planning to consolidate domestic human resources services in a small number of bureaus, to be known as Centers of Excellence.⁵ Department operations have many unusual features compared to other civilian agencies that complicate potential use of interagency shared service providers. These include the Foreign Service personnel system, the approximately 38,000 locally employed staff at 267 overseas locations, the need to pay employees in dozens of local currencies according to local compensation plans, and sensitive national security personnel data.

The Department's model would streamline HR operations by transferring most HR specialists from 26 bureau executive offices to approximately seven Centers of Excellence. According to the Bureau of Human Resources, the purpose of the HR shared services model is to improve process efficiencies, develop the HR workforce through training and professional development, achieve cost savings through economies of scale, and improve customer service accountability. The Under Secretary for Management instructed all bureaus to declare their intention by May 1, 2007, to join a particular Center of Excellence or apply to become a candidate center.

The Department's options in developing HR shared services were constrained by two realities. The first was that the previous model of centralized personnel services in the Bureau of Human Resources was widely deemed unsatisfactory. General

⁵ In the first phase of the inspection of the Bureau of Human Resources (ISP-I-07-16, *Inspection of the Bureau of Human Resources*), OIG reviewed the Centers of Excellence HR shared service concept in the planning and initial implementation stages. The report called for formalizing procedures for designating and operating a Center of Excellence, introducing standardized training and certification requirements for HR specialists, implementing a reorganization of the Office of Civil Service Personnel, and acquiring personnel data tracking and position description electronic applications for Department-wide use. HR had made substantial progress in complying with these recommendations at the time of the second phase of the inspection.

frustration among customers with service quality levels led to a decision to decentralize some HR services in the late 1990s. Recentralization of services in the Bureau of Human Resources, or in another, unproven shared services center, would not have been acceptable to many customer bureaus. Moreover, as noted above, the interagency consolidation option also involved complications. As a practical matter, the Department chose a compromise that attempted to achieve some of the efficiencies of shared services consolidation while allowing competition and choice among bureau-based Centers of Excellence.

STRATEGIC PLANNING

A properly implemented shared services system can deliver service and cost improvements. The shared services model is not simply another version of centralization, a concept with a long and problematic history in the Department. The model seeks to create organizations with a new, customer-centered mentality and approach, which will be held accountable for meeting performance standards laid out in service agreements. Although savings are unlikely in the short term, in the long run cost savings can be significant through shared services. (The Department of the Interior claims a 30 percent reduction in HR costs over a ten-year period as a result of moving to a shared services model, though this also included gains from centralizing the payroll function.) Also, as documented in OIG bureau inspection reports over the last decade, HR services are a chronic problem area for many bureaus, making service improvement a compelling justification for change.

Almost without exception, managers interviewed by the OIG team believed that the HR Centers of Excellence project requires more planning, time, and analysis to succeed. The rushed pace of implementation places at risk the long-term success of the program. As noted in the first phase of OIG's inspection of HR, the early stages of the Centers of Excellence reorganization process were rocky. The initial selection process lacked transparency, there was no time for a pilot stage with a real lessons learned exercise, and no clear business plan guided program managers through the early implementation stages. Most managers were sympathetic to making improvements in HR services but often expressed a lack of understanding about the outcomes envisioned by the Department's senior leadership.

Based on the time required for other large-scale organizational changes in the Department, it seems likely that two years will be needed to complete the process of transferring most HR functions from bureaus to Centers of Excellence. At this stage in the effort, there are several obstacles that most bureaus have encountered:

- **Rushed timing of the reorganization process:** Centers of Excellence bureaus generally believe that consolidation is likely to be more effective if bureau human resources functions are sequentially transferred to a Center of Excellence. Each transfer of a bureau's workload must be planned carefully to anticipate likely obstacles to successful integration and minimize disruption. If bureaus accept new customers before they have developed adequate capacity, they risk disrupting services and overloading the staff.
- **Training requirements:** The Department does not have enough properly trained HR specialists. To equip employees newly transferred to Centers of Excellences with the tools needed to increase productivity, bureaus must invest in training, mentoring, professional development, and where necessary, counseling to improve performance. The goal of raising the skills and standards of the Department's HR workforce will take time, focus, and resources.
- **Staffing and resources imbalances:** Center of Excellence candidate bureaus operate with widely varying staffing and funding levels. The most efficient bureau has a ratio of clients to HR specialists more than double that of the least efficient. Moreover, HR's Office of Civil Service Personnel currently retains a number of HR specialist classification positions that will have much of their workload transferred to Centers of Excellence providers as the Centers of Excellences become fully operational. The Department must be prepared to reallocate resources among bureaus, including from HR, to provide each Center of Excellence with a similar resource base for positions and operating funds.
- **Cost savings:** As currently structured, there are no cost savings targets, and few, if any, incentives for Centers of Excellences to manage with cost savings as an objective. Cost savings should be an explicit goal of the Centers of Excellence project. Without more active management, higher long-term costs for HR services could result from this reorganization. If the Centers of Excellence model resulted in a 10 percent increase in efficiency – a modest goal in view of the experiences of other agencies that have implemented shared services programs – as many as 25 full-time equivalent positions could be eliminated, at a savings of approximately \$3 million a year. The traditional command-and-control tool of setting centrally developed cost savings goals is one approach. Another model is the use of working capital-funded operations, in which salaries and expenses for HR services are provided through funds allocated to bureau customers, which would make costs more transparent and provide a market mechanism for adjusting resources based on workload.

- **Office space:** Most Centers of Excellences do not have adequate office space to accommodate new employees. If service providers are not colocated, cohesiveness, teambuilding, and customer service in the new organizations are likely to suffer. In the long term, it is questionable whether all HR functions should continue to operate in the high-cost Washington, DC area, where real estate costs add significantly to overhead expenses.

None of the implementation challenges described above is insurmountable. (An additional challenge – the need for better information systems – is dealt with below.) However, the lack of a detailed implementation plan has led to confusion about priorities and timeframes by bureaus involved in the process. The likelihood of a successful outcome for the Centers of Excellence reorganization could be increased through the development of a detailed, comprehensive implementation plan, taking into account obstacles identified above. Strong leadership from M and HR will be necessary to ensure that implementation stays on track.



FUTURE DIRECTIONS

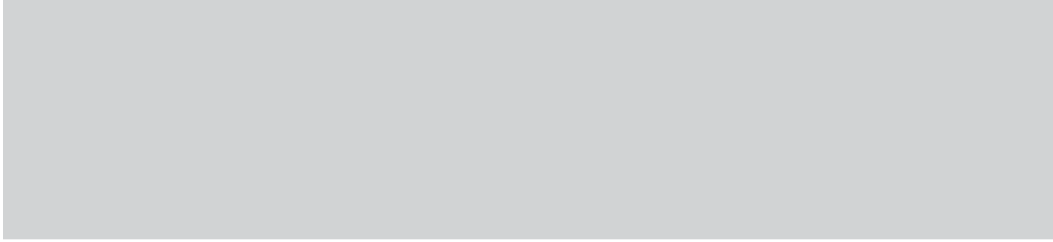
The Department's model of HR shared services departs significantly from those employed by other public sector organizations and, as a result, may not realize all possible service improvements and cost reductions. During the inspection, the OIG team reviewed briefing materials from three federal government shared services centers as well as a major international consulting firm's study of public sector shared services to gain an understanding of best practices commonly employed in other organizations. In general, successful shared services centers have common organizational traits. They tend to be:

- Organized as stand-alone entities whose only mission is to provide administrative services;
- Funded on a fee-for-service model;
- Managed using performance metrics, customer service surveys, and service level agreements with customers;
- Operated using a common IT platform and standardized business processes;
- Focused on customer service through customer service advisory councils;
- Committed to improvements through continuous improvement programs; and
- Engaged in specialization through tiered services models of support.

The Department's model employs some, but not all, of these practices. The Department has made progress in establishing performance metrics and cost baselines. It is also moving to standardize business processes among bureaus. Customer councils are envisioned but not yet in place.

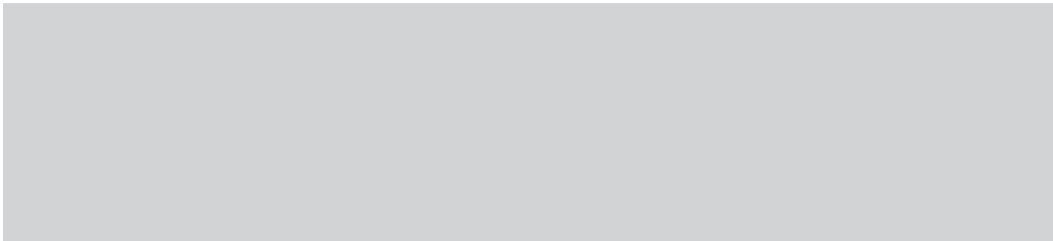
At present there are no plans to consolidate services further, although competition could result in a reduction in the number of centers. In the longer term, particularly if expected efficiencies are not realized, the Department could benefit by consolidating service providers into a single center as other public and private sector organizations have done. In this case, the Centers of Excellence model would be a transitional mechanism rather than a final goal.

In the short term, the Department may be able to reap efficiency gains by moving to a tiered services approach that as a first step could consolidate certain back-office and routine functions in a single service provider, while more complex support functions will continue to reside in Centers of Excellence providers. Over time, the more complex functions could also migrate to the single service provider as its expertise warrants. The tiered services model, commonly used in customer service organizations, involves a triage system in which transactional functions are performed by customer service representatives, often from a call center that uses a trouble-ticket system, while second- and third-level support is provided by more highly trained employees. The human resources job series encompasses a range of tasks that vary from routine, transactional functions (benefits enrollment, promotion actions, tenure tracking, award nominations), to more complex analytical functions that require considerable expertise and training (position classification, reorganization planning, employee relations). Devising a more efficient division of labor could drive better performance and reduce costs if implemented properly.



INFORMATION TECHNOLOGY

With a budget of about \$14 million annually, HR supports the acquisition, development, and deployment of major HR IT applications, including the core HR system for the Department, Global Employment Management System (GEMS). However, individual Centers of Excellence have developed or acquired innovative software applications outside the suite of applications supported by HR. These applications are not, as yet, shared by all centers. There is also no working group in place to coordinate IT requirements and priorities with HR. Because IT systems are critical to Centers of Excellence business processes, it is essential that HR and bureaus coordinate acquisition planning. In the absence of coordinated planning, wasteful and duplicative acquisitions could occur.




PERFORMANCE METRICS

In a short period of time, HR and the Centers of Excellence candidates have made commendable strides in developing performance management tools that allow, for the first time, measurements of cost, customer service, and productivity in HR services. In developing performance metrics, HR has focused on a scorecard approach that measures both quality and costs. Using OPM benchmarks, HR has set a productivity target ratio of one HR specialist to every 80 employees. HR also has established baselines that can be used to assess costs, currently at about \$1,100 per

employee for HR support services. As an integral part of the performance measure process, HR contracted for a customer service survey of all bureaus in 2006. Results of this survey provide a methodologically sound baseline for future performance measurement when the Centers of Excellence candidates are operational. Collectively, these changes are unprecedented for the human resources function in the Department, and they represent a much-needed step towards effective program management.

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RET has for many years been one of the most criticized and troubled offices within the HR bureau. The office has been known for poor customer service and inconsistency. An outdated, decrepit IT system contributes to inefficiencies, errors, and staff frustration. The RET director, with the support of the Director General, is taking steps to improve the office's operations and service delivery. The director believes this plan will boost RET's performance; however, if significant improvements are not demonstrated in the near term, the Department should determine the feasibility and cost effectiveness of outsourcing the function to a shared services center within the Department, to another agency, or to a private entity. These issues warrant immediate attention in the face of the approaching wave of baby boomer retirements.

BACKGROUND

RET provides retirement services to all of the Department's active Foreign and Civil Service employees and annuitants. Employees are covered under six pension plans. For Foreign Service employees, RET performs eligibility determinations, annuity computations, final adjudications, and health and life insurance adjustments. RET also serves the Foreign Service participants of USAID, the Foreign Commercial Service, the Foreign Agricultural Service, the U.S. Department of Agriculture Animal Plant and Health Inspection Service, the Peace Corps, and the Broadcasting Board of Governors. There are approximately 15,600 Foreign Service annuitants. The Bureau of Resource Management (RM), at its Financial Services Center in Charleston, manages annuity payroll accounts and generates annuity payments. RET performs the initial processing of Civil Service claims prior to submitting them to OPM for final processing. Approximately 600 Department employees retired in 2006.

The demands on RET are increasing and are projected to expand exponentially. Currently, 17 percent of the Department's workforce is eligible to retire. This number will increase to 35 percent within the next five years. Foreign Service retirements increased by 23 percent in the first five months of 2007 over the same period in 2005.

RETIREMENT NETWORK ALUMNI ORGANIZATION AND ASKRNET

A notable achievement for RET has been the implementation of the Retirement Network Alumni Organization (RNet) and AskRNet, which were introduced in 2005 on the Department's Intranet. In 2006, the systems were made available on the Internet. The applications are well regarded by customers. RNet and AskRNet provide a wide range of information on topics and frequently asked questions relevant to both active and retired employees, including access to personal statements of benefits and an annuity benefits calculator for those under the Foreign Service retirement systems. RET plans to expand and update the systems' content and, during the inspection, redesigned the portal to increase its user friendliness. In 2006, this accomplishment earned the Department the Presidential Award for Management Excellence.

STAFFING, ORGANIZATION, AND OPERATIONS

RET has been plagued by longstanding weaknesses. These include a lack of employee training, inadequate supervision and accountability, incomplete or nonexistent standard operating procedures, poor workload management, performance problems, chronic vacancies, and increasing workload. Procedures are inefficient and needlessly labor intensive and time consuming, such as using typewriters to fill out forms and create labels. Office morale has been historically low, contributing to low motivation among some staff. Standard business practices such as performance measures, workload analysis and reporting, a case tracking system, and even templates for the most common types of correspondence have been inadequate or never existed. While some customers have had very positive experiences with RET staff, overall, the office's reputation for subpar performance has been deserved. An HR bureau 2006 customer satisfaction survey showed more than half of all respondents rated RET services as unsatisfactory or mixed. Many customers expressed frustration with a lack of staff responsiveness and inconsistency in the information provided, depending on which RET employee one speaks or corresponds with. To be sure, some of RET's customers can be demanding. To their credit, staff received good ratings for courtesy.

In 2006, the DG approved the RET director's proposal for establishing additional positions and strengthening RET's management structure, including the creation of a much needed deputy director and team supervisor position which will provide continuity and strengthen management oversight in RET. Employees in new support positions will relieve retirement specialists from time consuming and cumbersome routine tasks. Total staffing will increase to 29 employees. A continuing challenge will be retaining new employees. New employees, who are not entrenched in old ways of doing business, can bring new perspectives, skills, and energy to the office. In 2006, RET filled four vacancies. However, the new hires left within a few months after becoming dissatisfied with the lack of training, low morale, and lingering resentments among longtime employees.

The RET director is working to correct the problems on all fronts. For instance, she has made progress in developing a structured training program, drafting standard operating procedures, and improving case tracking and statistical reporting. She is a strong advocate for RET's needs. She acknowledges that change will be gradual. She believes the first positive results of the new initiatives will be evident within six months.



INFORMATION TECHNOLOGY

RET's IT systems are outdated, inefficient, and multiply the vulnerability to human error in processing retirement cases. Employees work with five stand-alone, parallel systems that do not communicate with each other and are not integrated with other Department HR systems. The primary system for processing Foreign Service retirements was designed approximately 20 years ago to handle retirements under the FS retirement plan in effect at the time. In 1986, legislation created a new Foreign Service retirement plan for employees hired after January 1984. The new plan was implemented in 1987. The Department, however, did not design a new IT system for processing cases under the new retirement plan. Instead, it has enhanced, tweaked, and tortured the original system for 20 years to handle the new system cases. Consequently, processing some cases requires duplicate data entry and off-

line manual calculations that are time consuming and increase the likelihood of error. IT systems problems will continue to worsen as the vast majority of Foreign Service employees are now covered by the new retirement plan, and they are retiring at an increasing rate.

The need for a new IT system for RET is well known, and RET directors have, for years, advocated a new system. The fact that RET's systems are managed and funded by three bureaus (HR, RM, and Information Resource Management) complicates a resolution. In June 2007, the DG formally requested the cooperation of the Department's chief financial officer in addressing the need to replace the current system.

In order to be responsive to their customers, some bureaus have procured their own annuity calculators that can estimate some of the more complex Civil Service annuities. The Bureau of Administration and the Bureau of Educational and Cultural Affairs have each procured off-the-shelf calculator systems. As one of the Department's Centers of Excellence for HR services, the Bureau of Administration is working in a competitive environment where efficient customer service is key to their success as a Center of Excellence. However, going it alone can result in duplicate systems and unnecessary costs for the Department. A comprehensive approach to identify and procure a cost effective and efficient system to meet RET's requirements, whether creating an in-house system or adapting an existing system, is needed.

Implementation of any new system could take two years. Yet, to date, the Department has not conducted a formal needs assessment. The Bureau of Information Resource Management has never included the need for a new retirement system in its systems acquisitions plan, and the need to fund a new system has never been included in the Department's capital assets plan or in the budget request prepared by RM. The Department cannot continue to neglect this problem; action to fix it is long overdue.



OUTSOURCING

Many HR officials believe that, even without new IT systems, RET operations and customer service can be improved. Nevertheless, the option of outsourcing some or all of RET's functions should be explored and considered within the framework of the Department's move to implement a shared services model for providing HR and other services. The outsourcing question is not new; OIG's 1998 inspection report raised the possibility of outsourcing some RET and related RM functions, such as maintaining annuity rolls and posting annuity adjustments. Outsourcing would not mean eliminating retirement resources in Washington; a scaled down office could remain, and is likely needed, to provide in-person counseling and other services such as assisting with the most complicated cases.

In 2005, in the wake of a public relations disaster related to annuitant overpayments, the then Director General considered the options of moving the function to the Department's facility in Charleston or contracting it out to the private sector. However, these options were abandoned when the DG provided the RET director with resources to begin revamping office operations and to create RNet.

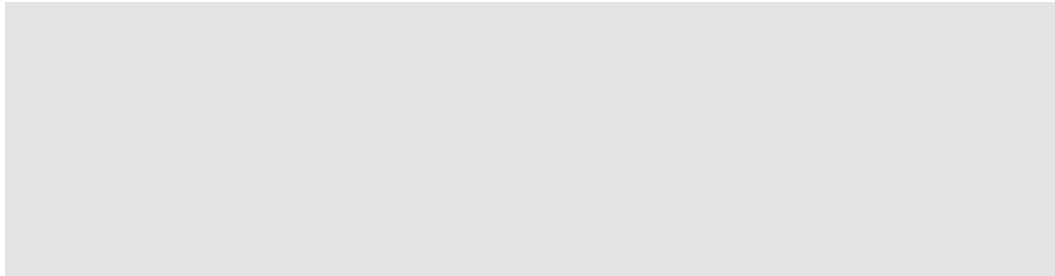
Many RET functions are technical and transactional backroom functions that can be carried out in Charleston or elsewhere in the Department. Some HR and RM officials believe that efficiencies can be achieved by colocating the retirement adjudication and payment functions. This would provide one-stop shopping for customers and could reduce error rates by facilitating the reconciliation and resolution of discrepancies in retirement calculations and payments.

Another alternative is to move the retirement function to OPM. OPM is in the midst of a \$300 million, multiyear project to modernize its retirement systems. The objective is to move from a paper-based, manual processing system to a system that will automate 90 percent of processing functions. Complicated cases will receive manual intervention, and customer support specialists will be available. OPM plans to use this system to support the operations at the government-wide HR shared services centers now operating at five federal agencies.

While some employees and officials argue that the Foreign Service retirement plans are unique and must reside within the Department, most HR officials acknowledge that is not the case. In reality, there are few differences between the Foreign Service and Civil Service plans. Further, OPM is capable of administering numerous and diverse plans – for example, those for postal workers, air traffic controllers, federal judges, and former employees of the Panama Canal Commission.

Department officials believe moving the retirement functions outside the Department would not conflict with the Secretary's statutory authority⁶ for administering the Foreign Service retirement trust fund, and the retirement policy function would continue to reside in the Department.

In 2006, at informal discussions among Department and OPM officials, OPM stated that it would be possible to adapt components of their new system to process Foreign Service cases. However, RM's position is that further discussion and decisions must be deferred until issues related to the Department's implementation of the e-Gov Payroll initiative are resolved with the OMB. Leveraging OPM's technology, as opposed to the Department developing its own system, may be advantageous and is consistent with government objectives to eliminate redundant and disjointed HR systems to improve service delivery.



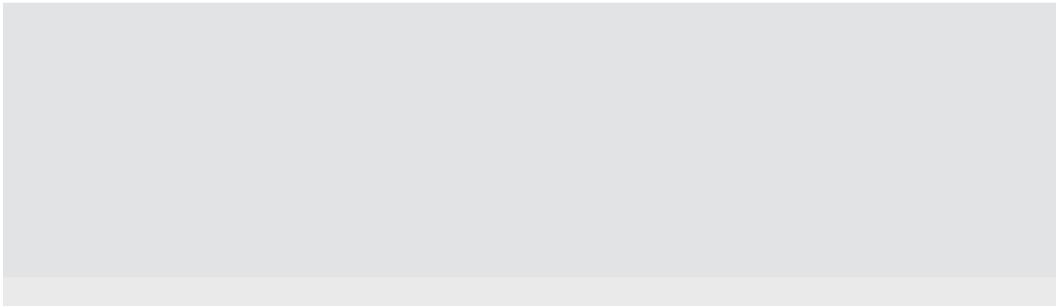
FUNDING

While some of RET's problems can be addressed with little or no budget implications, the technology infrastructure requires a large investment, whether HR chooses to develop a new, stand-alone system or to piggyback on OPM's new system. In light of the Department's severe budget constraints and the need to fund high-profile initiatives, funding for RET may not be considered a high priority.

A potential source of funds is the Foreign Service trust fund. However, the Foreign Service Act of 1980 states that the Department may not spend more than \$5,000 of the fund's money annually for operating and administering the fund. This figure, meager by 2007 standards, was determined when the fund was established in 1924. RM applies the \$5,000 to the costs of the annual actuarial study and audit.


⁶ The Foreign Service Act of 1980 (P.L. 96-465), Chapter 8, Subchapter 1, Section 801, pursuant to the Rogers Act of May 24, 1924 (43 Stat. 144).

Expenses for carrying out administrative functions must be paid from the Department's Diplomatic and Consular Programs budget. According to the Fund's Annual Financial Report, FY 2006 administrative expenses were \$4.2 million. Most trust funds allow for paying administrative and operating expenses, which are monitored to prevent excesses and abuses. The legislation establishing the Civil Service trust fund permits OPM to withdraw administrative expenses from the fund, subject to annual limitations and OMB approval. The ability to use even one-quarter of one percent of the \$14 billion FS trust fund a year would go a long way. Two years ago, Department officials discussed proposing to Congress a revision of the Act, but they concluded it was not in the Department's best interests to pursue the issue at that time.




REIMBURSEMENTS FROM OTHER AGENCIES

There is confusion regarding whether other agencies must reimburse the Department for RET's services and, if so, how the reimbursement amounts should be calculated. RM and HR were not able to identify any guidance on this issue. While the number of cases processed for other agencies is relatively small, the Department needs to collect any funds it is due. USAID stated it is paying the Department \$60,000 annually to support RET, but neither USAID nor Department officials could explain how or when the payment was determined. Other agencies say the issue of reimbursing the Department was raised in the past, but no actions were taken and the issue has not received any attention since then.



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REE is the largest office in HR, with over 125 direct-hire and contract employees and an annual budget of \$18 million. It is responsible for the recruitment of new employees, the examination, selection, and hiring of Foreign Service personnel, and management of the Department's student employment programs. REE's success in providing the Department with the best employees from the widest possible range of backgrounds is crucial to the Department's success in carrying out its mission.

CHALLENGES AND SUCCESSES

In 2001, then-Secretary of State Colin Powell launched the Diplomatic Readiness Initiative, a three-year effort to ensure global diplomatic readiness by fortifying the Department with additional employees: the right people in the right place with the right skills. REE was challenged to meet these new hiring goals. With additional resources received under the initiative, the office created new recruitment web sites, launched a new advertising campaign, and stepped up outreach across the board. Through the Diplomatic Readiness Initiative the Department has added over 2,000 Foreign Service and Civil Service employees in the past three years and increased minority intake from 14 percent of new hires in 2002 to 20 percent in 2005.

The new web sites and advertising campaign have garnered several awards for the Department from industry experts, including a second place award for Best Campaign for Diversity at the Creative Excellence Awards in both 2006 and 2007. Potential job applicants have responded positively to REE's efforts. In 2007 the Department was ranked fourth behind industry giants Google, Walt Disney, and Apple as an ideal employer by 43,000 undergraduates in an annual poll conducted by Universum Communications. In the same poll, the Department was the only government agency to make the top 10 ideal employer list as ranked by diversity undergraduates.

In addition to the ongoing challenge of recruiting, REE was tasked this year with overhauling the Department's single most important tool in hiring for careers in the Foreign Service: the Foreign Service examination process. As discussed in greater detail elsewhere in this report, REE has risen to this challenge, and implementation of the new examination process is scheduled to begin in September 2007. This year REE has also undertaken the first job analysis in 10 years, the creation of a compe-

tency model for the “Diplomat of the Future,” the creation of a mid-level fellows program, and a new mentoring coordinator for the Department’s many mentoring programs.

ORGANIZATION

The organization of REE’s divisions and branches has not kept pace with changes in its functions and supervisory positions. There are several organization charts circulating within the office, none of which reflects the existing chain of command. Some employees and unit supervisors do not know to whom they officially report. Others report to more than one manager. Too many entities report directly to the director of REE, an unmanageable span of control.

The situation has been complicated by long-term vacancies in some branches, such as the head of student programs, and changes in supervisory positions that have not been formalized. For example, the nominal chief of the outreach branch is a GS-13 position, which should report to the GS-14 recruitment division chief. However, the outreach branch chief position has been filled by a senior Foreign Service officer for the past few years, and the incumbents have chosen to report directly to the director of REE, rather than to the GS-14 division chief. These organizational weaknesses created inefficiencies, led to confusion among employees, and had a negative impact on morale. Vacant positions in several branches have put a strain on remaining employees, further eroding morale in the office.

The director of REE and the responsible deputy assistant secretary are aware of these problems and have developed a revised organization chart to correct them, but have not formally implemented the necessary changes.



RECRUITMENT

REE's outreach branch is the major recruitment arm of the Department. Its resources comprise 10 Washington-based recruiters, both Foreign Service and Civil Service, and 17 Diplomats in Residence based at targeted colleges and universities throughout the United States. These resources are supplemented by a roster of active duty and retired volunteers who represent the Department at outreach events and speaking engagements. REE has developed comprehensive briefing notes for use by volunteer recruiters and the Bureau of Public Affairs to ensure that the Department is speaking with one voice and providing the most up-to-date information to potential applicants.

The Diplomats in Residence work hand-in-hand with the Washington-based recruiters to disseminate information about career opportunities not only at their home universities but throughout the regions where they are located. The schools to which they are assigned are selected on the basis of several factors, including regional diversity, academic curriculum, size and composition of student population, and level of institutional commitment to prepare students for careers in international relations and public service.

While the recruiters and the Diplomats in Residence state that they recruit for both the Foreign Service and the Civil Service, they acknowledge that Civil Service recruitment is problematic. This is due for the most part to the nature of the Civil Service hiring process, which is position-specific. The recruiters are limited to providing information on generic Civil Service positions and advising prospective candidates to access OPM's USA Jobs web site for specific vacancy announcements. Efforts to directly link diversity candidates to the Department's Career Entry Program have not been successful. Recommendations to improve the Career Entry Program, which is managed by the Office of Civil Service Personnel, were included in Part I of OIG's inspection of HR.

In addition to REE, several other bureaus in the Department engage in recruitment activities, such as the Bureau of Diplomatic Security (DS) and the Bureau of Consular Affairs. Coordination of their recruitment activities with REE, the Department's official recruitment entity, is sporadic and ad hoc. This has led to confusion on the part of job candidates when faced with multiple Department representatives at outreach events, dissemination of outdated information by non-REE recruiters, and duplication of efforts by recruiters targeting the same events.

STUDENT PROGRAMS

Student programs are seen as a valuable recruitment tool to introduce potential candidates to Foreign Service and Civil Service careers in the Department. REE manages these programs for the Department, which includes both paid and unpaid internships, the stay-in-school program, summer clericals, the Pickering and Rangel Fellows Programs, and the Presidential Management Fellows program, among others. The Department attracts a large number of quality applicants for its student programs. In 2006, 65 percent of the government-wide Presidential Management Fellows finalists applied for positions at the Department. At the time of the inspection, the student programs branch was bringing on board as many as 100 interns per week.

Managing student programs is very labor intensive, involving extensive coordination with interested bureaus, with other agencies and outside entities involved in the programs, and with the students, both before and after they are hired. Recent growth in some student programs has not been matched by growth in the student programs branch, but persistent vacancies in the branch make it difficult to assess minimum staffing requirements.

In addition to expansion in its programs, the staff has been further burdened this year with the responsibility of processing identification badges for new interns – a function formerly performed by DS.⁷ The staff works hard to keep the programs running, but the strain is apparent. Morale is poor, and turnover has been a

⁷In August 2004, President Bush signed Homeland Security Presidential Directive 12, which established a policy for a common identification standard for federal employees and contractors. The new identification badging process required additional procedures for issuing a badge, including fingerprinting and verification of identity. The Department established a multibureau Homeland Security Presidential Directive 12 working group to develop an implementation plan for the new badging process. The working group, which included a representative from REE, recommended that providing badges for new employees should now be the responsibility of the receiving bureau, rather than the DS.

problem. A key vacancy, that of the branch chief, was about to be filled at the time of the inspection. This is a first step in alleviating problems in the branch, but the branch will require careful attention from REE management to reestablish discipline and improve morale and retention.

The Board of Examiners

The Board of Examiners (BEX) constitutes the Department's primary evaluation element. It is responsible in full or in part for all oral assessments of Foreign Service candidates. There are 29 regular assessor positions (one- and two-year Foreign Service officer assignments) and three to six assessors on short tour assignments in any given year. BEX also draws heavily on some 30 WAEs to provide diversity and flexibility. In addition, there are six program assistants. BEX operates in two Washington locations and at off-sites in selected U.S. cities.

BEX also has responsibility for the contract with the test administrator to provide the Foreign Service written exam. There were more than 17,000 candidates in April 2006. For specialists, the Evaluation Branch team posts the vacancy announcements, evaluates the applications and forwards eligible candidates to BEX for an oral assessment. BEX works with the home bureaus of different specialties to devise appropriate subject matter assessment materials. BEX conducts almost 2,000 specialist assessments annually.

In addition to its core assessment function, BEX also conducts all final suitability reviews, determines salaries in salary appeal cases, provides reasonable accommodations, and undertakes other ancillary duties. BEX also oversees the contracts for the off-site service provider and for the Department's industrial psychologist who reviews and advises REE on the validity of testing methods and trains new assessors. The test administrator works with BEX to establish the testing process for the Foreign Service written exam and has designed the new streamlined, computer-based test for the new Foreign Service selection process. These contracts have a total value of several million dollars. The budget for WAEs, which has dropped by a third over the last three years, is expected to increase due to the demands of the new selection process. While the new selection process will affect the work flow for the generalist candidates, all the other functions of BEX will remain unaffected.


REGISTRAR

The registrar branch is the final cog in the recruitment, examination, and employment process. Employees in the branch extend job offers, negotiate salaries, check credentials, maintain the rank order registries, and request security and medical clearances for potential hires. The experienced staff performs these duties in a professional and timely manner, despite a current vacancy in the position of branch chief, and a significant increase in workload due to the recently added responsibility for providing badges for new employees. Through careful planning, and assistance provided by other REE employees and employees from DS, the branch was able to pick up these additional duties without neglecting its other ongoing work. However, a longer term solution is needed to address the additional workload. At the time of the inspection, HR was negotiating with DS on this issue.

FOREIGN SERVICE SPECIALISTS

The evaluations branch is the main portal for candidates interested in joining the Department as Foreign Service specialists. There are currently 19 specialist categories, in fields such as financial management, construction engineering, information management, and security, among others. Unlike officer candidates, specialists are not required to take the Foreign Service written exam. Specialist candidates submit an application package to REE in response to specific vacancy announcements prepared by the evaluations branch. After performing an initial review of the application packages for basic eligibility, the responsible evaluations branch specialist convenes a panel of subject matter experts to evaluate the eligible candidates. The most competitive candidates are then invited to participate in the oral assessment process, similar to the process for Foreign Service officer candidates.

The small evaluations staff manages its heavy workload well and has experimented with the Department's online automated hiring system, Gateway to State, for a few vacancy announcements to assist in the evaluation process. Gateway to State can identify noneligible candidates up front, thus saving the evaluators' time. However, it can only be used for vacancy announcements with firm closing dates, and some specialist announcements are open-ended.



The Foreign Service officer selection process is about to undergo a significant transformation. In January 2007, the DG received approval from the Under Secretary for Management to revise the selection process and an allocation of \$1.48 million in FY 2007 for that purpose. The goal, as envisioned by the DG, the chief proponent of the change, was to increase the Department's competitiveness for the best and brightest and speed up hiring. The success of this effort will not be known for some time. The planned roll out of the new written exam is September 2007. After that, it will be several months before the first hires are on board and the Department can judge the success of the new process.

REE has been instrumental in moving the process along to meet pressing demands for a September 2007 roll out. The office, its contractors, and associates have overcome a number of challenges and potential setbacks to keep to that deadline. Much has been accomplished, and most milestones have been met. For example, meeting the requirements of the Paperwork Reduction Act for the registration package (application form and personal narrative) was expected to be drawn-out and could delay launch of the new process. The Director General personally requested OMB to expedite the process, with the result that OMB certified the new process in just three weeks time. Similar progress is being made on the last remaining obstacle, meeting the requirements of the Federal Information Security Management Act.

The time from test taking to entry into the Foreign Service is expected to go from an average of 14 months to about seven months. However, DS will need to complete the background investigations of successful candidates in a timely manner if the expedited entry is to go as planned. The OIG team made an informal recommendation that the DG should formally request DS to commit the necessary resources for expedited security clearances.

Communication of the proposed new entry process got off to a difficult start. Partial accounts of the changes made their way into the press before the Department had completed planned Congressional briefings and a public announcement, leading to some confusion. Initially unfavorable public comments and concerns decreased as more accurate pictures of the change emerged. HR is now seeking concurrence from the Bureau of Legislative Affairs to provide a written explanation of the new procedures to Congressional oversight committees to ensure that accurate information is available.

THE NEW PROCESS AT A GLANCE

A consulting firm, hired by the Department last year to explore ways to improve the selection process for new Foreign Service officers, concluded that the written exam and oral assessment were excellent selection tools, but limited by the initial narrow view of candidates. The consulting firm recommended that the Department adopt a “Total Candidate” approach, adding to the existing process a requirement for a structured resume that describes a candidate’s full range of knowledge, skills, abilities, and relevant experience.

The redesigned selection process will keep much of the current system but place a heavier reliance on a review of additional applicant information. A candidate’s personal narrative will accompany the application form. The written test remains but will be computerized, shorter, offered multiple times each year, and have a higher pass rate. The essay requirement remains. The biggest change is the addition of a qualifications evaluation panel (QEP) to review the application and personal narrative of those passing the written test and essay, and to identify those who can advance to the oral assessment, using preemployment precepts based on a job analysis. The oral assessment remains as before, although the number of candidates will be reduced.

The four elements of the new process are the registration package (application form and personal narrative), the Foreign Service officer test (FSOT), the QEP, and the oral assessment.

- **The registration package.** The electronic application form will gather basic personal data, including education and employment history. The electronic personal narrative is a set of six questions, based on the six preemployment precepts, that prompts candidates to write narrative descriptions of their experiences and qualifications. This is a completely new requirement.

- **The FSOT.** The revised written test will take three hours and consist of 155 questions. Fifty percent of the takers are expected to pass with a score of 77 or better. The essays of the passers will then be scored; 37 percent of all test takers are expected to pass and move on to the QEP. (The pass rate for the previous written exam and essay was set by REE at 20 percent.) Passing candidates with knowledge of a “super critical” language will take a telephone test administered by the Foreign Service Institute. The FSOT will be offered four times a year. The anticipated number of domestic and overseas test takers for each window is 5,000, for a total of 20,000 in the first year.

- **The QEP.** A panel of three Foreign Service officer assessors will evaluate the application, personal narrative, tests, and essay scores against the preemployment precepts. The preemployment precepts identify the knowledge, skills, and abilities needed to perform Foreign Service functions successfully. Language test results will be taken into consideration by the QEP in its overall scoring.

- **The oral assessment.** This will remain unchanged. However, as a result of the QEP winnowing, far fewer candidates will be invited to take the oral assessment. This number is expected to be approximately 1,800, down from the current 3,800 to 4,000.

A new job analysis, now being developed, and the new employment precepts to follow will reflect the skill sets of particular value to the Department at this time of Transformational Diplomacy. The new employment precepts will influence the selection process to bring it more in line with the DG's other desired outcome: strongly qualified candidates with proven leadership skills and solid team-building and interpersonal skills.

TESTING OVERSEAS

REE will launch the computer-based FSOT overseas with the second test offering in December 2007. The maximum number of overseas test takers has been set at 1,000 per test offering, with four planned test offerings a year. Administering the computer-based FSOT overseas will have its own set of requirements, including technical, space, and proctoring capability, and outside entities that could accommodate computer-based testing. REE has provided this information to overseas posts and asked each to evaluate its individual capabilities to administer the test. REE has received over 190 responses to date, most of them positive. Some posts have noted difficulties, including unreliable Internet connectivity. Indications are that some posts will opt to offer the test for one day rather than over the proposed eight-day window. Only 37 posts indicated they would be unable to provide the test. REE is working with geographic bureaus to provide the technical capabilities needed to help as many as possible of these posts to provide the tests.

OTHER ISSUES

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ER administers a diverse collection of programs that define the Department's treatment of its Foreign Service, Civil Service, and other employees. One division, Conduct, Suitability, and Discipline, manages the disciplinary process for Foreign Service and Civil Service employees and advises on Civil Service performance issues. In two other divisions, Employee Programs and Work-Life Programs, ER administers about 15 employee benefits programs with a total budget of over \$14.5 million in FY 2006. ER also publishes *State Magazine*, a Department-wide employee outreach publication.

Many ER programs have complex statutory and regulatory eligibility requirements that require ongoing monitoring by ER program managers, a task the office performs well.⁸ In addition to programs, ER staff updates personnel regulations in the Foreign Affairs Manual and the Foreign Affairs Handbook. This responsibility places the office at the forefront of policy decisions that affect Department employees worldwide, in areas such as telecommuting, part-time employment, and leave policies.

EMPLOYEE BENEFITS IN CONFLICT ZONES

The Department's employee benefits programs face new demands related to stationing employees in conflict zones such as Iraq and Afghanistan. ER staff estimate that about 5 to 10 percent of workers' compensation claims now originate from hostile wartime actions in conflict zones. ER is involved in ongoing policy dialogues with OPM and the Department of Labor (DOL) on how to support injured employees in these environments. To cite one example, the Federal Government Employees Life Insurance program, administered by OPM, does not define service in a conflict

⁸ OIG conducted an audit and investigations of the Workers' Compensation Program in the last year, as well as an audit of the Student Loan Repayment Program. This OIG inspection therefore focused on a limited review of standard operating procedures for the major programs administered by ER. The Workers' Compensation program, the Reasonable Accommodations program, and the Transit Benefits Subsidy program are the most complex and resource-intensive employee programs.

zone as a qualifying event for purposes of Federal Government Employees Life Insurance eligibility. Employees assigned to posts such as Iraq and Afghanistan may be unable to obtain adequate life insurance because most private-sector policies exclude acts of war or terrorism from coverage. The Department continues to discuss options to allow for the purchase of supplemental life insurance for affected employees when private-sector coverage is not available.

The Department has proposed significant changes to DOL workers' compensation regulations for certain overseas employees. The deaths of four locally employed staff members in Jeddah, Saudi Arabia, in 2004 underscored inadequacies in DOL's compensation regulations for locally employed staff overseas. DOL's Office of Workers' Compensation Programs determined that the employees' survivors were not eligible for payment of an annuity under the Federal Employees Compensation Act (FECA) and instead awarded lump sum payments available under local labor law. Although DOL has exercised its discretionary authority to award FECA annuity payments to survivors of previous terrorist attacks in Beirut, Nairobi, and Dar-es-Salaam, it chose not to do so for the "Jeddah widows" claimants. The Department is working with the DOL to amend the Code of Federal Regulations to provide for more equitable benefits decisions for future cases.

REASONABLE ACCOMMODATIONS PROGRAM

The Department administers a program to provide reasonable accommodations to employees with disabilities, as required by the Rehabilitation Act of 1973 (P.L. 93-112) as amended. ER supports a client base of approximately 300 employees, on a budget of slightly over \$1 million a year. The program is perhaps the most complex in ER's portfolio, as it requires not only technical expertise in providing equipment to blind, deaf, and physically disabled clients, but also experience in conduct, suitability, and discipline issues that often intersect with reasonable accommodations issues.

The office is thinly staffed to carry out its responsibilities. The sole staff specialist struggles to keep up with a complex case load. The office would benefit from a case tracking system, discussed below, and part-time support for shipping and delivery of technical equipment to clients. Customers interviewed by the OIG team gave high marks to ER for helpfulness but cited a need for more timely responses to requests for accommodation. Foreign Service employees interviewed by the OIG team believe that more active advocacy on behalf of disabled clients during the Foreign Service assignments process would be desirable. The continuity counselor in the Office of Career Development and Assignments, responsible for promoting as-

signments interests of employees with special needs, does not have a list of severely disabled employees, and therefore cannot represent their interests in the assignments process. The OIG team made an informal recommendation that HR develop a mechanism to offer severely disabled employees the option of seeking support from the continuity counselor during the assignments process.

A 2003 U.S. Equal Employment Opportunity Commission survey found that only .45 percent of all Department direct-hire American employees have targeted disabilities, placing the Department second to last among 16 Cabinet agencies in employment of the severely disabled. OPM and the U.S. Employment Opportunity Commission have urged improvements in this area. However, opportunities for the employment of severely disabled employees in the Foreign Service are limited by the requirement that all applicants must meet rigorous medical standards in order to qualify for worldwide service. Greater emphasis on recruiting disabled employees would necessarily have resource implications for the Reasonable Accommodations program. The Department is considering a plan to improve affirmative action and outreach as well as the Reasonable Accommodations program by merging these functions into a single office.

ER does not use a spreadsheet or electronic application to track and monitor reasonable accommodations requests, resulting in inefficiencies. For certain assistive technology cases – for example, a motorized scooter for use in a controlled access office space overseas – requests for reasonable accommodation can require months to process. Requests often require medical assessments and a determination by ER about the level of accommodation that can be offered. The OIG team was unable to determine information such as the average time elapsed between an employee’s request for reasonable accommodation and the final action, the average cost per claim, or the number of reasonable accommodation requests denied. In addition, it was not clear whether delays in acquiring equipment resulted from inefficiencies in ER, the bureau’s executive office, or vendors responsible for delivery of equipment. Reasonable accommodation requests must be supported by comprehensive documentation in the case file in the event of litigation or equal opportunity complaints that may require the agency to defend its actions. Case file maintenance and tracking, including retention of supporting documents, supervisory review, and regular communications with clients on the status of their requests, are essential to managing reasonable accommodations requests efficiently.



TELECOMMUTING

The Department has a telework program to allow eligible employees to participate in telecommuting. There are about 2,600 employees who participate in the telework program out of a total domestic workforce of slightly over 12,000 employees, or about 22 percent. In January 2006, the Bureau of Information Resource Management introduced a new program, OpenNet Everywhere, that allows remote access to the Department's Sensitive But Unclassified network, a tool that has facilitated expansion of telework.

WORKERS' COMPENSATION

The Department of Labor pays benefits under FECA when an employee sustains an injury or dies in the scope and course of employment. The Workers' Compensation program is the largest program administered by ER, with a total cost of \$6.92 million in FY 2006. Approximately 350 employees per year file workers' compensation claims. The majority of costs incurred are from permanently disabled employees or survivors of deceased employees. In a three-month sample, there were 57 cases coded as receiving periodic disability payments and 95 cases coded as survivor benefits for deceased employees. OIG's Office of Investigations recently found cases of individuals who claimed benefits to which they had ceased to be eligible because of death, remarriage, or reaching the age of majority (for dependent claimants). Removal of these individuals from the workers' compensation rolls will save the Department \$270,000 annually. Apart from this handful of cases, however, the program appears to have a relatively low rate of fraud.

A sample of claims reviewed by the OIG team was processed in a timely manner and included necessary follow up actions with DOL and injured or disabled employees. The office is developing a workers' compensation case management system that should allow for more comprehensive case management between HR, the Office of Medical Services, and DOL, including a return-to-work program. The division of labor between DOL and the Department in the management of the workers' compensation process is not always clear. In general, DOL has authority under FECA to manage most aspects of the Workers' Compensation program, including claim adjudication, vocational rehabilitation, and adjustments of employee benefits. ER is responsible for coordinating the submission of benefits applications to DOL, to include appropriate medical documentation and additional information for potentially fraudulent claims. Because of its own staffing shortages, DOL welcomes other agency involvement in proactively managing claims.

TRANSIT SUBSIDY BENEFIT PROGRAM

The Transit Subsidy Benefit program was established by Executive Order 13150 in October 2000. The program is intended to reduce air pollution and alleviate automobile congestion by providing employees with mass transit subsidies of up to \$110 a month. The Department's budget for this program was approximately \$6.7 million in FY 2006, and 8,740 employees nationwide participated in the program.

A recent Government Accountability Office (GAO) audit documented employee fraud and abuse involving the Transit Benefits Subsidy program at a variety of federal agencies, including the Department. In its review, GAO identified abuses such as sales of transit benefits, claims in excess of actual travel expenses, and collection of both transit benefit subsidies and government-paid parking. Two Department employees suspected of selling transit benefits online were referred to OIG's Office of Investigations. After publication of the report, HR conducted a cross-check review between Bureau of Administration parking lists and transit benefits claims and found several dozen employees who had claimed both transit benefits and subsidized parking. HR is referring these cases to OIG's Office of Investigations. Investigations could result in the imposition of criminal, civil, or administrative penalties.

In response to the GAO report, HR instituted new internal controls for the program. The bureau issued a department notice reminding recipients of applicable regulations. The bureau also redesigned the benefits application form to require the employee's home address, estimated commuting costs, and supervisor's review of claimed transit benefits amounts.

Recommendation 13:

CONDUCT, SUITABILITY, AND DISCIPLINE

ER's Conduct, Suitability, and Discipline (CSD) division provides excellent service for the Department's operations at home and abroad. Their work on disciplinary and conduct problems is widely appreciated and has been widely praised. Almost everyone interviewed, however, was quick to complain that the division is severely understaffed, and finds it impossible to keep up with its caseload and its many other responsibilities.

CSD deals with disciplinary problems and suitability issues for a workforce of 20,000 Foreign Service and Civil Service employees. Counseling bureaus and missions abroad on the means and methods of managing conduct and discipline problems may consume anywhere from 40 to 70 percent of staff time on a typical day. When it is necessary to impose discipline on a Department employee, much time and effort goes into preparing cases for decision by the HR deputy assistant secretary or the DG. Cases are becoming more complex, more technical, and more legalistic. The staff deals with lawyers from Washington law firms and with organizations that represent employees. CSD staff also responds to demands for information for legal proceedings, and they sometimes testify in court. They respond to the requests for clearances related to discipline cases. Members of the staff participate in the suitability panel (the Personnel Review Panel), which meets at least monthly to review cases involving questions about the suitability of certain candidates for prospective employment. They may also deal with Civil Service appeals of discipline cases to the Merit Systems Protection Board. Several staff members work on security violations and security infractions. Expanding CSD's current educational efforts or attempting to separate casework from counseling are not likely to reduce the workload or help CSD manage it better.

The division has never had a staff large enough to cope with its heavy workload, but it was severely understaffed at the time of the inspection because of failure to fill existing positions. The critical CSD division director's position remained unfilled for more than a year, even though the retiring director gave more than a year's notice before she retired and reminded her supervisors and colleagues many times about her approaching retirement. Several factors contributed to the failure to fill this position promptly, including the delays entailed by repeated revision of the position description and slow action in processing paperwork. The position was not posted until May 2007. These delays are not really excusable, but the only thing to be done now is to proceed expeditiously to fill the positions.

CSD has also been damaged by HR's difficulty recruiting a candidate for one of the two CSD Foreign Service positions; it, too, remained unfilled for more than a year. The OIG team was told that Foreign Service officers believe the positions are not "career-enhancing" and are reluctant to bid on them. The positions are designated for FS-02's, which is precisely the level at which the mid-level career deficit in Foreign Service officers (see DGHR Phase I, Appendix)⁹ is most pronounced. At a time when many bureaus and embassies are competing for officers to fill positions in the face of a shortage of several hundred officers, the HR bureau must compete against other potential assignments more attractive to officers who are looking for jobs that will lead to future promotions and ultimate career success. Finally, so long as the positions remain unfilled, they are vulnerable to being lost in global repositioning exercises as the Department attempts to move more positions out of Washington.


The division needs the Foreign Service perspective that such officers can bring. Those working on cases or answering questions about specific situations must understand the context of life and work abroad. The division, however, cannot get this perspective from vacant positions. The positions must be filled if this rationale is to have any meaning. On the other hand, Foreign Service officers in these positions lack the job-specific knowledge, skills, and abilities the Civil Service staff gains through many years of experience.

All of the CSD staff needs the perspective of life in the Foreign Service, and HR needs to find ways to ensure that those who are not Foreign Service officers obtain this perspective. The HR bureau should arrange appropriate training for CSD staff members to provide more understanding of Foreign Service life when its budget permits. The bureau should encourage CSD staff occasionally to travel to embassies, consulates, and other missions to better understand the context of conduct and discipline cases. The overseas travel of CSD staff to deal with difficult discipline or conduct cases may be justified in some instances. The bureau should also consider allowing CSD employees to serve on brief excursion tours abroad. The OIG team shared these ideas with HR as an informal recommendation.


The vacancies in CSD positions, in combination with the heavy workload, have meant that difficult cases tend to languish. The pressure of time may result in diminishing quality of work. Some cases were not as well documented as others. Lack of timely completion of cases may ultimately result in grievances that otherwise would not have been filed. Cases get stale. In the grievance process, grievants claim that


⁹*Inspection of the Bureau of Human Resources*, OIG Report No. ISP-I-07-16 (February 2007).

they cannot find their witnesses. Accused persons are sometimes “left in limbo,” they are forced to resign in order to earn a living and never have their day in court. The Foreign Service Grievance Board has ruled against the Department because its actions in some cases were not timely. In such instances not only does the Department lose a case, it may find itself subjected to an unfavorable precedent, the precedent may hurt future cases, and the Department may be required to pay attorneys’ fees. The heavy workload means that CSD is not able to spend as much time giving bureaus and embassies the advice they need, and, as a result, they may make mistakes that later have costly consequences for them and the Department as a whole. In performance-based actions, delays may force a bureau trying to correct performance deficiencies to exclude from the record events more than a year old, a result that weakens the case and the ability to correct the misconduct. Staff members have become extremely stressed as a result of workload pressures. Finally, the delays may force the Department to pay unnecessary expenses, for example, damages, attorney’s fees, and other costs of litigation that can cost the Department hundreds of thousands of dollars. HR has taken steps to correct this deficiency, but implementation was not complete at the time of the inspection.



Some CSD employee relations specialists appeared to be performing assignments of greater complexity and difficulty than other staff at comparable grade levels. In particular, the preparation of cases for decision involves complex knowledge, skills, and judgment that can only come from significant experience. At least two staff members deal on a daily basis with persons at senior levels of the Department, including the executive directors of bureaus. On occasion an employee relations specialist has been required to inform senior officials in the Department that they are subject to disciplinary actions or must not pursue intended actions that could get them into trouble. Also, two of the staff may serve as acting director of the division in the absence of a director.





The Grievance Staff administers the Department's grievance procedures for both Foreign Service and Civil Service employees. The office is ably led and well managed.


The Grievance Staff has three attorneys (including the office director), six grievance analysts (one is an attorney and two are Foreign Service officers), and a Foreign Service office management specialist. The office also regularly uses two former Foreign Service employees on a part-time basis. Communication within the office is excellent. The office director conducts weekly staff meetings, and the attorneys and analysts regularly confer with each other to discuss problems and issues that arise in the cases. Morale is generally high. Processes within the office are orderly and well organized.

The Grievance staff is widely respected and praised for its competence and professionalism across the Department, especially by those who regularly interact with it. The office handles about 20 to 30 Civil Service grievances and about 140 Foreign Service grievances every year in separate processes. Increasingly, the cases involve legal issues. The Foreign Service Act governs the grievances of Foreign Service officers and permits grievances on a wide range of subjects with ample time for filing. The vast majority of Foreign Service grievances arise out of tenure or promotion decisions. The required five percent low-ranking by selection panels generates many grievances especially after another review results in a second low ranking. Suspended security clearances had led to five recent cases at the time of the inspection.

Civil Service grievances follow one of two procedures. If the grievant is a member of the union's collective bargaining unit, and is covered by the contract between the Department and the union, the procedures are governed by the contract. If the grievant is not represented by the union (mostly GS-14 and above), the process is simpler and follows rules established by the Office of Personnel Management.

Before a case is filed, a grievant can discuss the situation with an analyst or an attorney, who will provide information on the grievance process but will not offer judgments on the merits of the potential grievant's case. At this point, the office is neutral. After an initial review, the office director assigns the case to an attorney or an analyst. If the case was previously investigated as a discipline case, the analyst or

attorney can review the record. If a case involves discrimination, a Foreign Service grievant must elect either to use the grievance process or file a complaint of discrimination with the Department's Office of Civil Rights. All Civil Service grievances involving discrimination must be filed with that office. Having gathered the facts and completed an investigation, the analyst or attorney prepares a proposed decision or settlement for the HR deputy assistant secretary's approval. At this point, the Grievance Staff ceases to be neutral. If a Foreign Service grievant is dissatisfied with the outcome, the grievant can appeal to the Foreign Service Grievance Board, and the Grievance Staff represents the Department in the proceedings before the Board. Afterwards a Foreign Service grievant can file a suit in district court. Civil Service grievants generally may appeal to the Merit Systems Protection Board and from its decisions to the U.S. Court of Appeals for the Federal Circuit.



Every year selection boards review over 10,000 personnel files of Foreign Service generalists and specialists to determine who should be tenured, promoted to the next rank in the service, rewarded with performance pay, counseled, commended, or selected out of the service. Based strictly on the one or more written records of performance prepared for each officer each year, promotions recognize the potential of individual officers to serve at the next level of responsibility. Boards also decide who among senior officers should get pay increases and how much. A particular responsibility is the review of officers in their first years in the service to determine whether they will be granted tenure to continue on for full careers.

PE manages this process with a staff of 17 plus part-time assistance from retired Foreign Service annuitants. PE also manages the Department-wide annual award nomination and selection processes. PE notifies officers when they reach the end of their careers to prepare for retirement and counsels raters, reviewers, and rated officers on the employee evaluation process and preparation of ratings. PE trains and works with the selection boards throughout the several weeks the boards meet to ensure they follow procedures and maintain the integrity of the process.

A senior Foreign Service officer heads the office. She is supported by a GS-15 deputy and two other supervisors. The office is well managed, and morale is generally good. The structure of the office is not well balanced, however, as the GS-15 policy chief and the GS-13 operations chief supervise key functions with staffs of about six each. Though equal in size, the lower rank of the operations chief affects the ranks of all others in the unit, and several staff commented that it appears not to reflect the important responsibilities and scope of the job and sets up a sense of rivalry and occasional tension within the office. The OIG team left an informal recommendation that PE request that HR conduct a classification review of the operations chief position.

Three key Civil Service supervisors are eligible for retirement. Their experience and knowledge will be difficult to replace. They are widely consulted by employees and supervisors on difficult issues pertaining to EERs and performance. Informing an employee that his or her time in class or time in the service is ending because of failure to be promoted or counseling an employee who has been low ranked by the selection boards are highly delicate matters that must be carried out with great sensi-

tivity. While the PE staff is in general highly talented and eager, replacing the senior experienced staff will be a challenge. Management needs to plan for the transition and identify and train future leaders for the office. An informal recommendation addresses this issue.

EMPLOYEE EVALUATION REPORTS

Over the years, the Department has changed and amended the EER form (DS-5055) in response to suggestions from employees and selection panel members. The most recent change, instituted in 2005 and negotiated with AFSA, puts the burden on the rated officer to provide the initial assessment of performance and how it advances the Department's strategic goals. This form is now in use for senior officers (FS-01 and above). Raters and reviewers comment on the effectiveness of the rated officers in carrying out the duties of the position and whether or not they agree with the officer's self-assessment.

Employees, supervisors, and selection panel members have been strongly positive in their comments on the new form. It is shorter and requires less time for raters and reviewers than in the past, and it puts more of the burden on the rated officer to ensure the evaluation is completed. As a result, the Department decided to extend the use of the revised form to all FS-02 officers for the FY 2008 rating period as a pilot program. At the end of the year, board and employee comments will guide a final decision whether to make use of the revised EER form permanent for FS-02 employees.

Because of the positive experience to date with the new form and its extension to FS-02 employees, the form's use may be further expanded to other Foreign Service groups in the future. Some argue that limited writing skills of some Foreign Service officers may disadvantage them at the lower grades. Writing skills, however, are evaluated as part of the Foreign Service entry process and considered an essential skill for advancement in the service, whatever the particular cone or skill set. All forms of the EER require rated officer comments, and these already enable the boards to evaluate the rated officer's writing ability. Expanded training in the preparation of the new form will help alleviate these concerns, and the OIG team made an informal recommendation to that effect. On the other hand, untenured officers who are new to the service and unfamiliar with the EER process need the greater guidance that is provided by raters and reviewers who draft the initial evaluation and provide counseling in conjunction with the rating.

Foreign Service EERs cover an annual rating period ending on April 15. They are due in PE on May 15, leaving little time to write, review, and ship them to the Department. Embassies use express mails to send EERs to Washington. HR is examining various options that would allow the entire process to be done electronically without compromising the security or integrity of EERs. In addition to speeding up the process, it could help improve accuracy and completeness and save resources in PE. Despite a quality review done at posts and in the Department, PE estimates that 20 percent of all EERs received in PE contain errors and omissions, such as lack of signatures or dates and typos that must be corrected before the EERs go to the boards. Before adopting an electronic system, HR intends to run a pilot project for a year or more. The OIG team agreed that the process should eventually be entirely electronic but well tested before worldwide use.

SERVICE ON SELECTION BOARDS

Each year the DG calls for volunteers to serve on selection boards. About 120 board members are needed for the 19 regular boards and two senior performance pay boards. Other Foreign Service volunteers are needed to serve on the eight tenure boards, two performance standards boards, and about 25 reconstituted boards annually. Owing to budget limitations, only about one-third of the board members return temporarily, at Department expense, from overseas assignments to participate, and the rest are drawn from domestically assigned personnel. Great effort goes into ensuring that each board has representation from the various cones and that it reflects the diversity of the service. All but the performance standards and tenure boards have a public member, usually drawn from the academic community. They provide an outside perspective and have a duty to help maintain the integrity of the process.

<u>Board Name</u>	<u>Candidates Reviewed</u>	<u>No. of Boards</u>	<u>Meets</u>
Selection Boards	Foreign Service generalists and specialists	19	Annually
Senior Performance Pay	Referred senior officers	2	Annually
Performance Standards	Low ranked and referred Foreign Service officers	2	Annually
Tenure Boards	Untenured entry-level Foreign Service officers	8	Quarterly
Dept. Senior Review	Senior Foreign Service officers considered for nomination for presidential award	1	Annually
Interagency Selection	All agency nominees for presidential award	1	Annually
Reconstituted Boards	Grievants or employees not reviewed by selection boards as a result of administrative error	25	As required

The annual selection boards meet daily for several weeks in the PE panel rooms to read the EERs and evaluate each individual in accordance with the precepts established in consultation with AFSA. The boards recommend officers for promotion, mid-ranking, or low-ranking and then rank order those identified as meriting promotion. They commend raters and reviewers for exceptionally well-prepared ratings, and they criticize others. They also decide who among the nonpromoted officers should receive special commendations or awards. For senior officers, they may recommend performance pay.

Owing to the demands of work, the time of year panels meet, and the length of time service on the boards takes, PE sometimes has difficulty finding willing and available officers to serve on the panels. Some officers serve more than once. Officers who serve on panels usually describe the experience as valuable and essential for the service. The DG has taken a number of steps to encourage officers to serve on boards, but more needs to be done. Only through numerous calls to individuals and intense recruiting efforts did PE succeed in filling key board vacancies this

year. Without the expertise of a board member knowledgeable about an area of work, officers competing for promotion could claim to be disadvantaged because the expertise in that field will not be available to help the panel interpret and evaluate job performance.

Options to ensure sufficient, qualified, and diverse participation on selection panels could include making board service mandatory for senior officers, adding board member recruitment material to the HR web page, exploring the use of technology to cut down on the time taken away from normal duties including a virtual board concept, and assigning officers formally to PE to participate on boards, perhaps in conjunction with other HR duties such as recruitment. In order to cut down on the number of dropouts after being selected for board membership, the panel member should obtain the consent of the chief of mission or senior Department supervisor prior to volunteering for board service.



Orientation and Training for Selection Boards

Before each Foreign Service selection board begins its work, the members attend orientation and training sessions organized by PE. This is particularly important for the public members who have little knowledge of the Foreign Service. The first day of orientation is for the public members only, and consists of a series of presentations on the structure of the Department, the organization of an embassy, and the work performed by Foreign Service generalists and specialists. OIG observed an orientation program and provided PE with suggestions on how to make the presentations more useful for the public members. For example, some of the speakers did not talk about work done in Washington and focused only on work in an embassy. Starting in 2007, the boards will review EERs only on the computer screen. PE included “image training” in the first week’s program to make the members comfortable working without paper copies of the reports. Despite an initial systems glitch, which PE and the executive office worked through the weekend to overcome, feedback from board members was generally favorable. In addition, PE introduced electronic scoring which should improve accuracy and speed in scoring files. The OIG team found that PE provides all appropriate support to the various boards throughout their sessions.

PROMOTION COMPETITION AND TIME IN CLASS/TIME IN SERVICE LISTS

PE prepares the lists of candidates for promotion and tenure boards. They also maintain the time in class (TIC) and time in service (TIS) files. Much of the data PE needs comes from other offices in HR. For example, they need up-to-date retirement information from RET to exclude retiree names from competition lists, and they need information on hard language training from the Office of Career Development and Assignments that would ensure an employee's additional TIC time is credited. Often this information is not provided to PE in a timely manner or it is incorrect. Errors in skill code changes, for example, can mean an officer is on the wrong competition list for promotion. Prior to each board meeting and before notifying employees of a pending TIC or TIS date that would require them to retire, the PE staff has to check files manually and contact relevant offices to be certain that the information is correct and complete.

GEMS is the most important data base in HR, and the OIG team heard many complaints about the system. HR's management is aware of the duplication of effort required to ensure timeliness and accuracy of data entry and is taking steps to improve the performance of HR personnel and improve GEMS. HR's plans to improve the performance of personnel in certain HR offices are discussed elsewhere in this report and in the Part I report. HR is also shifting some responsibility for data quality to individual Department employees who now have access to their own personal files. The OIG team supports the bureau's efforts but also informally recommended that HR develop a more reliable method for ensuring that PE receives needed data from other HR offices and other Department bureaus in a timely manner.

PERFORMANCE PAY

In 2005 Congress amended the Foreign Service Act to change Senior Foreign Service pay to a performance-based pay system for foreign affairs agencies. Under that system, selection boards and performance pay boards decide which high performers will receive performance-based pay adjustments. In 2006 the Department, with AFSA support, began working with Congress to extend performance-based pay to all tenured officers. The bill did not pass in 2006, but the Department is trying again this year. Passage of this bill would present HR with some serious manage-

ment challenges. PE would have to either extend the time the selection boards meet to enable them to review files for performance pay awards or add boards that would perform that review as is done now for senior level officers.

LOW-RANKING

One of the most criticized, and certainly most difficult, tasks of selection boards is to identify officers within the groups they review for low ranking. The requirement to low rank five percent of each class was written into law in 1998 (Public Law 105-277), but because of a sunset provision, it is not now technically a legal requirement. Consultation with Congressional staff found no support for changing or doing away with this procedure. As a result, with certain exceptions for a few very small competition groups where it makes little sense to low rank, the five percent low ranking procedure is being followed. This procedure appears not to be achieving its objective and is imposing significant costs on the Department.

A low ranked employee receives a counseling letter and may also be referred to the performance standards board for possible selection out of the service. Therefore, the consequences of being low ranked can be severe. Boards have commented that while some officers are clearly in the low rank category, because they must identify five percent, boards often must identify others for low ranking who do not have comparably poor records; yet the consequences are the same. Moreover, the forced low ranking inevitably leads to a number of grievances. Service members cannot grieve the low ranking, but they can and do grieve the EERs and counseling statements prepared by the boards based on the EERs. If the grievance is successful, the records may be expunged, and in certain cases boards may be reconstituted for reconsideration of the candidate's file. This is a significant amount of additional work for the PE staff and board members and for the grievance staff as well. HR has sought to find a different formula that would substitute a more tailored and fair low ranking mechanism for the current across the board five percent low rank. Within the five percent, giving the boards discretion to propose a certain number of officers to be counseled and low ranked or counseled only is one such suggestion.

DEPARTMENT AWARDS PROGRAM

The Department presents 27 annual awards. They are the top awards for achievement in the Department, very prestigious, and often career enhancing. Some recognize outstanding achievement in a particular cone or function, such as the Bar-

bara M. Watson award for excellence in consular service. Others recognize outstanding service such as awards for deputy chiefs of mission or Foreign Service nationals, good work in a particular field such as trade promotion, or special achievement with regard to Equal Employment Opportunity, public service, or language study. All are accompanied by substantial monetary amounts ranging from \$2,500 to \$10,000.

While several awards have many nominations (such as the regional Foreign Service National of the Year awards), not all awards receive a sufficient number of nominations for comparison, and award deadlines are often extended multiple times along with reminders to staff to nominate worthy individuals. The shortage of nominees is due to a number of factors, including the small pool of eligible candidates in a particular category, the need to prepare the written nomination, and the press of time. Fewer than five nominations for an award does not make for a meaningful competition. In 2007, the DG extended the deadline yet again when at least nine awards passed their final deadline with fewer than five nominations or even no nominations. The Department needs to enforce the “Five Nomination Rule” and take other steps to ensure the award process is meaningful and identifies worthy recipients. Consideration could be given to making awards less frequently (every other year perhaps), if nominations for that category are consistently few in number. A shorter award nomination form, a change in the time of year award nominations are called for, or allowing nominations to be sent in at any time of the year could be ways to ensure an adequate number of nominations for competition. As an inducement, those submitting the winning nomination should have that fact reflected in their performance files.



Recommendation 1: The Office of Management Policy, in coordination with the Bureau of Human Resources, should review the cost effectiveness of measures taken in the first two rounds of global repositioning and draw up a strategic plan to guide the process before continuing further with the initiative. This plan should assess how the limited resources of the Department could best be deployed to achieve the objectives of the transformational diplomacy strategy. (Action: M/P, in coordination with HR)

Recommendation 2: The Bureau of Human Resources, in coordination with the Office of Management Policy, should develop a detailed, comprehensive implementation plan, written in coordination with stakeholders that lays out specific milestones, resource requirements, and cost and service objectives for the Centers of Excellence reorganization. Based on this plan, a time frame should be set that maintains momentum while allowing adequate time for implementation. (Action: HR, in coordination with M/P)

Recommendation 3: The Bureau of Human Resources, in coordination with the Office of Management Policy, should prepare a workload analysis of human resources business processes to identify further opportunities for tiered services and back-office consolidation of selected human resources transactional operations. (Action: HR, in coordination with M/P)

Recommendation 4: The Bureau of Human Resources, in coordination with the Bureau of Information Resource Management, should establish a Centers of Excellence information technology working group to coordinate and standardize human resources information technology acquisitions. (Action: HR, in coordination with IRM)

Recommendation 5: The Bureau of Human Resources should implement the current planned Office of Retirement reforms and improvements, and provide periodic progress reports to customers and management. (Action: HR)

Recommendation 6: The Bureau of Human Resources, in coordination with the Bureau of Resource Management and the Bureau of Information Resource Management, should design and implement a plan to meet the Office of Retirement's urgent information systems needs. (Action: HR, in coordination with RM and IRM)

Recommendation 7: The Bureau of Human Resources, in coordination with the Bureau of Resource Management and the Bureau of Information Resource Management, should, within the context of the Department's shift to a shared services model of service delivery, assess the feasibility of moving some retirement functions to a public or private shared services center outside the Department. (Action: HR, in coordination with RM and IRM)

Recommendation 8: The Bureau of Human Resources, in coordination with the Bureau of Resource Management, the Office of the Legal Adviser, and the Bureau of Legislative Affairs, should determine whether it is advantageous to revisit the issue of withdrawing funds from the Foreign Service trust fund to pay for operating expenses and, if so, pursue the issue with the Office of Management and Budget and the Congress. (Action: HR, in coordination with RM, L, and H)

Recommendation 9: The Bureau of Human Resources, in coordination with the Bureau of Resource Management, should determine if other agencies are required to reimburse the Department for retirement services and, if so, should implement the reimbursement process in compliance with applicable regulations, policies, or agreements. (Action: HR, in coordination with RM and L)

Recommendation 10: The Bureau of Human Resources should formally reorganize the Office of Recruitment, Examination, and Employment to establish clear lines of authority, regardless of grade structure, and effective span of control for supervisors. (Action: HR)

Recommendation 11: The Bureau of Human Resources should establish formal agreements with other recruitment entities in the Department to coordinate recruitment activities and information with the Office of Recruitment, Examination, and Employment. (Action: HR)

Recommendation 12: The Bureau of Human Resources should establish a case management tracking system to monitor reasonable accommodation claims. (Action: HR)

Recommendation 13:

Recommendation 14: The Bureau of Human Resources should fill the vacant staff positions in the Conduct, Suitability, and Discipline division of the Office of Employee Relations. One of the Foreign Service positions should be converted to Civil Service, if it cannot be filled promptly. (Action: HR)


Recommendation 15: The Bureau of Human Resources should arrange a position audit for all Civil Service positions in the Conduct, Suitability, and Discipline division of the Office of Employee Relations to determine whether the positions are classified at the proper Civil Service grade level and make the appropriate adjustments in grade, if warranted. (Action: HR)

Recommendation 16: The Bureau of Human Resources should identify and implement new ways to expand the pool of officers available each year for selection panel membership. (Action: HR)

Recommendation 17: The Bureau of Human Resources should review the Departmental award process and implement measures to ensure sufficient nominations are received and create incentives for employees and supervisors to nominate individuals for the awards. (Action: HR)

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

Because of the urgent need to fill positions in Iraq and elsewhere, HR has not yet been able to conduct a needed lessons-learned review of changes made to the assignment process.

Informal Recommendation 1: The Bureau of Human Resources should task a comprehensive review of changes introduced for the 2007 Foreign Service bidding and assignment cycle.

The time it now takes DS to complete background investigations will negatively impact HR's seven-month goal for the time between test taking and entry into the Foreign Service.

Informal Recommendation 2: The Bureau of Human Resources should make a formal request to the Bureau of Diplomatic Security to complete background investigations of Foreign Service officer generalist applicants within mutually agreed-upon time frames.

There is no process for the Office of Employee Relations to provide, on a voluntary, confidential basis, the names of severely disabled employees to the Office of Career Development and Assignments' continuity counselor. Therefore, the counselor cannot extend assistance during the assignments process to severely disabled employees.

Informal Recommendation 3: The Bureau of Human Resources should establish a voluntary, confidential mechanism for severely disabled employees to provide their names to the continuity counselor in the Office of Career Development and Assignments.

All CSD staff who work on Foreign Service conduct and discipline cases need perspective of life in the Foreign Service. Those who are not Foreign Service officers might not have this perspective.

Informal Recommendation 4: The Bureau of Human Resources should arrange appropriate training and encourage travel and excursion tours to missions abroad, including trips to deal with difficult discipline or conduct cases, to improve staff understanding of the context of conduct and discipline cases.

The structure of PE is not well balanced as two equal-sized branches are headed by a GS-15 and a GS-13. The lower rank of the operations chief affects the ranks of all others in the unit, and several staff commented that it appears not to reflect the important responsibilities of the job and sets up a sense of rivalry and occasional tension within the office.

Informal Recommendation 5: The Bureau of Human Resources should review the GS-13 operations chief position in the Office of Performance Evaluation to ensure its classification reflects the scope and duties of the position.

Three key Civil Service supervisors in PE are eligible for retirement. Replacing them will be a challenge.

Informal Recommendation 6: The Bureau of Human Resources should plan to identify and train future leaders for the Office of Performance Evaluation.

Changes in the new EER form have been successful, and use of the form is being expanded to lower ranks of employees. Although it is shorter and requires less time for raters and reviewers than in the past, it puts more of the burden on the rated officer to ensure the evaluation is completed.

Informal Recommendation 7: The Bureau of Human Resources should develop a training module for employees and rating officers to ensure the new Employee Evaluation Report form is used appropriately and effectively.

Lists of candidates for promotion and for selection out for time in class and time in service are often incomplete or inaccurate due to incorrect or missing data submitted by the various offices within HR that have the responsibility for providing the information.


Informal Recommendation 8: The Bureau of Human Resources should develop a reliable method for ensuring that the Office of Performance Evaluation receives correct and up-to-date data from other Bureau of Human Resources offices in a timely manner for selection boards and time in class/time in service notifications.



	Name	Arrival Date
Director General	George M Staples	05/06
Principal Deputy Assistant Secretary	Heather M. Hodges	06/06
Deputy Assistant Secretaries:	Linda S. Tagliatela	01/02
	Teddy B. Taylor	06/06
Office Directors:		
Grievance Staff	Joanne Lishman	03/92
Office of Employee Relations	Maurice Parker	07/06
Office of Performance Evaluation	Ergibe Boyd	02/07
Office of Recruitment, Examination and Employment	Marianne Myles	07/05
Office of Retirement	Sharon Ludan	09/07

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AFSA	American Foreign Service Association
APP	American Presence Post
BEX	Board of Examiners
CSD	Conduct, Suitability, and Discipline
Department	Department of State
DG	Director General of the Foreign Service and Director of Human Resources
DOL	Department of Labor
DS	Diplomatic Security
EER	Employee evaluation report
ER	Office of Employee Relations
FECA	Federal Employees' Compensation Act
FSOT	Foreign Service Officer Test
GAO	General Accountability Office
GEMS	Global Employment Management System
GRP	Global Repositioning Program
HR	Bureau of Human Resources
IT	Information technology
M/P	Office of Management Policy
OMB	Office of Management and Budget
OIG	Office of Inspector General
OPM	Office of Personnel Management
QEP	Qualifications evaluation panel
PE	Office of Performance Evaluation
REE	Office of Recruitment, Examination, and Employment
RET	Office of Retirement

RM Bureau of Resource Management
RNet Retirement Network Alumni Organization
TIC Time in class
TIS Time in service
USAID U.S. Agency for International Development

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