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Office of Inspector General



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*INTERNATIONAL TRADE
ADMINISTRATION*

*U.S. and Foreign Commercial Service
Is Addressing Foreign Service
Personnel Management Issues*

Audit Report No. BTD-10829-9-0001 / September 1999

Office of Audits, Business and Trade Audits Division



TABLE OF CONTENTS

EXECUTIVE SUMMARY	i
INTRODUCTION	1
PURPOSE AND SCOPE	2
BACKGROUND	4
FINDINGS AND RECOMMENDATIONS	7
I. Several Personnel Issues Warrant Management's Attention	8
A. Formal recruitment policy still needed	8
B. Changes needed in assignments and bidding process	9
C. Curtailments not adequately documented	12
D. Recruitments should address language requirements	14
E. Diversity among commercial service officers is a major priority	15
F. US&FCS should streamline personnel functions	16
G. Improved performance measures needed	17
H. Limited appointments still needed	18
I. Training task force led to new institute, but language needs not addressed	19
J. Changes in performance appraisal process recommended	19
K. Recommendations	21
L. ITA Response	22
M. OIG Comments	22
II. Economic Basis for Domestic Resource Allocation Under Review	24
A. US&FCS applied revised Overseas Resource Allocation Model to reallocate positions	24
B. Allocation of domestic resources under review	25
C. Recommendation	27
D. ITA Response	27
E. OIG Comments	27

Appendices

- I. OIG Questionnaire on the Foreign Service Personnel System: Questions and Summary Responses

- II. ITA's Response to Draft Report

EXECUTIVE SUMMARY

The Omnibus Trade and Competitiveness Act of 1988 directs the Office of Inspector General to conduct periodic audits of the U.S. and Foreign Commercial Service (US&FCS) and to report to the Congress the results of such audits. The act specifies that the audits are to include an evaluation of US&FCS's management of its foreign service personnel system and the placement of domestic- and foreign-based personnel. This report presents our latest review of US&FCS's management of the personnel system and its resource allocation methodology. The act also specifies that the OIG will review US&FCS's program to integrate the domestic civil service and foreign service personnel systems. This program was recently reviewed by another OIG unit.¹

US&FCS is the primary federal organization responsible for promoting and facilitating the export of goods and services of U.S. businesses. US&FCS provides export assistance to U.S. companies through a network of domestic and overseas field offices. US&FCS officials are responsible for determining levels of financial and personnel resources required, based in part on US&FCS's overseas and domestic resource allocation models, and monitoring program implementation overseas.

Our review of US&FCS's foreign service personnel system evaluated a broad range of personnel issues, including the management and oversight of the personnel system, recruitment, assignments, limited appointments, tours of duty, curtailments, and performance appraisals. Our review also looked at the status of US&FCS's overseas and domestic resource allocation models. These models have served as the basis for the allocation of US&FCS's resources.

As part of our evaluation, we sent a questionnaire to all foreign service officers in the US&FCS and interviewed a number of officers during their rotation through headquarters. Our survey questionnaire, developed in consultation with senior and cognizant US&FCS personnel, provided additional insight into the foreign service personnel system. Although only 32 percent of the officers responded to our questionnaire, we believe that the responses are representative of the various grade levels and regions of US&FCS's foreign service. A summary of the responses is attached to this report as Appendix I.

US&FCS management is generally striving to address its personnel issues. And, while US&FCS has addressed most personnel issues highlighted in previous OIG reports and other personnel matters, several areas still need improvement.

¹ *Management Improvements Needed to Better Prepare for the Export Challenges of the 21st Century*, Report Number IPE-9904, March 1999, pages 15-19.

- In a prior audit report, we recommended that the Director General develop and implement a formal mid-level career candidate recruitment policy that includes a clear statement on the candidate selection process. However, US&FCS officials were unable to provide us with a copy of a formal recruitment policy. To preclude any perception that US&FCS may not follow the rank order candidate selection process, a formal career candidate recruitment policy should be developed and implemented (see page 8).
- The Foreign Service Act of 1980 states that US&FCS should seek to assign FSOs to duty within the United States at least once every 15 years. Due to the significant number of FSOs who will have exceeded the 15-year period by the end of their current tours and the Under Secretary's intention to downsize FSO positions at headquarters, US&FCS will have difficulty adhering to the 15-year guideline. Also, certain positions in hardship posts have been difficult to fill. US&FCS has introduced new bidding procedures requiring officers who have not had domestic or hardship assignments to submit bids on such assignments. If these new procedures are adopted and enforced, they should enable US&FCS to minimize vacancies in hardship posts. However, we believe US&FCS will still have difficulty adhering to the 15-year guideline (see page 9).
- US&FCS officials consider the use of tour-of-duty curtailments vital to their efforts to maintain a high level of commercial expertise in high priority posts. Unlike other foreign service organizations, US&FCS does not have a substantial percentage of officers in domestic assignments available for assignment overseas. The easing of FTE limitations and increases in the number of career candidates hired could enable US&FCS management to reduce the number of curtailments in the future, an important goal since curtailments are costly and inefficient. We also found that the reasons for curtailments were not being adequately documented by US&FCS officials (see page 12).
- US&FCS continues to waive or lower language proficiency requirements to allow officers who do not meet them to fill assignments when no career or career-candidate bidders meet existing requirements. US&FCS should increase its emphasis on recruiting for language-designated positions that have been difficult to fill (see page 14).
- Despite an earlier recommendation by the OIG, US&FCS has not implemented a comprehensive automated system to maintain personnel data in the Office of Foreign Service Personnel (OFSP). Much of the personnel work is still done manually, and it is difficult to obtain consistent information. US&FCS should implement a comprehensive automated administrative personnel system in OFSP (see page 16).
- ITA and US&FCS have not consolidated personnel functions and operations that are common to both the foreign service and civil service employees that would potentially

allow for greater efficiencies and economies. As we highlighted in a prior OIG report, unique functions, such as assignment panels, selection boards, and commissioning and tenure boards, should remain in US&FCS, but savings can be realized through the consolidation of common functions (see page 17).

- US&FCS management has not yet defined adequate performance measures for its foreign service personnel system. To comply with the Government Performance and Results Act of 1993, US&FCS management should develop and implement procedures for collecting and reporting performance measures that determine the level of productivity. US&FCS management should also establish performance goals that specifically define the results expected from its personnel operations (see page 17).
- US&FCS continues to use overseas appointments of limited duration for which career officers are not available, although its use has declined substantially since FY 1992. We believe that limited appointments permit US&FCS management to respond quickly to rapidly changing conditions of world markets. As recommended in a prior OIG report, US&FCS assignment panels have documented the lack of qualified career candidates as the basis for limited appointments (see page 18).
- Lack of adequate training has long been a concern of the OIG and the US&FCS staff. US&FCS officials responded to this concern by establishing a training task force. The primary result of the task force's work was the development of a core curriculum for a Commercial Service Institute. However, the task force did not include certain training areas, including the language training needed by commercial officers (see page 19).
- Some foreign service officers have expressed concerns that officers serving in ITA domestic positions suffer a disadvantage when appraised. These officers believe that the career integration program is not mentioned in the appraisal precepts, and that the appraisal precepts do not recognize differences in duties between foreign and domestic assignments. US&FCS established a task force to study the performance process, and it recommended a number of measures to improve the fairness of the appraisal process. In light of our other findings, the task force's recommendations appear soundly based and viable (see page 19).
- The General Accounting Office has initiated a review of US&FCS's allocation of domestic resources. We plan to monitor this review. We believe that the Domestic Resource Allocation Model should be updated and an assessment made to determine if resources are appropriately allocated. We also believe that US&FCS should fully document the domestic resource allocation process (see page 25).

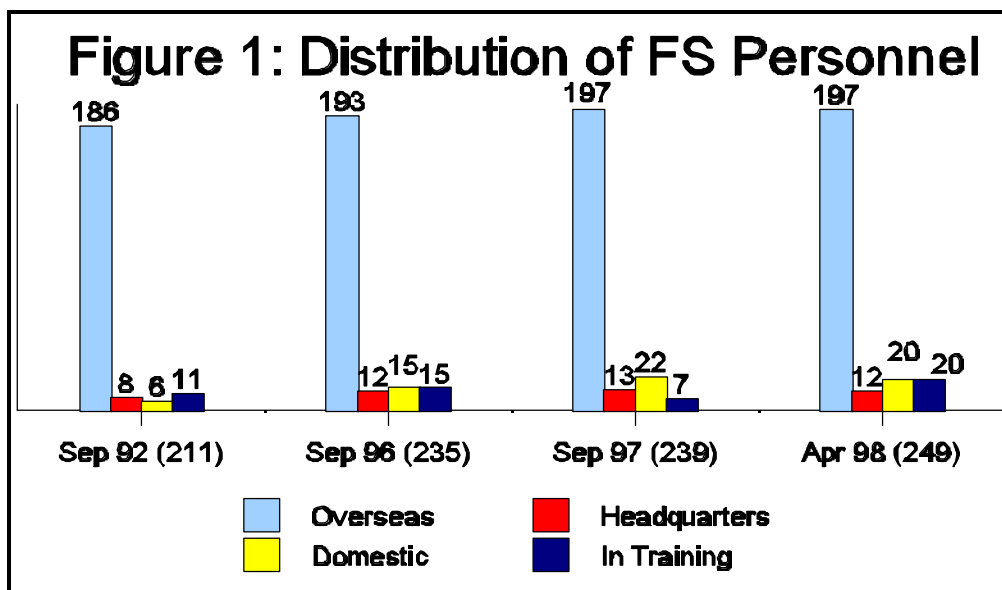
This report contains recommendations on pages 21 and 27 to address these issues.

ITA's response to our draft report generally agreed with our findings and recommendations. ITA provided further information and clarifications in several areas, including US&FCS career-candidate recruitment policy, justifications for tour curtailments, recruitment policies for language proficiency, and the use of limited appointments. These comments and recommended changes were considered and, where appropriate, are reflected in the final report. ITA also provided information on actions started, or already completed, to address our recommendations. A copy of ITA's complete response is attached to this report as Appendix II.

INTRODUCTION

The U.S. & Foreign Commercial Service is the primary federal organization responsible for promoting and facilitating the export of goods and services of U.S. businesses. The goal of US&FCS is to increase the level of American business involvement in the international marketplace by encouraging and enabling U.S. companies to take full advantage of export opportunities. US&FCS assists in achieving this by providing accurate and timely foreign market research, trade finance-related information, and trade facilitation services to small and medium-sized firms with export interest, capability, and management commitment.

US&FCS provides export assistance to U.S. companies through a network of domestic and overseas field offices. Figure 1 shows the distribution of foreign service personnel from September 1992 to April 1998. The foreign service personnel in domestic assignments in April 1998 include two officers assigned to multilateral banks in Washington.

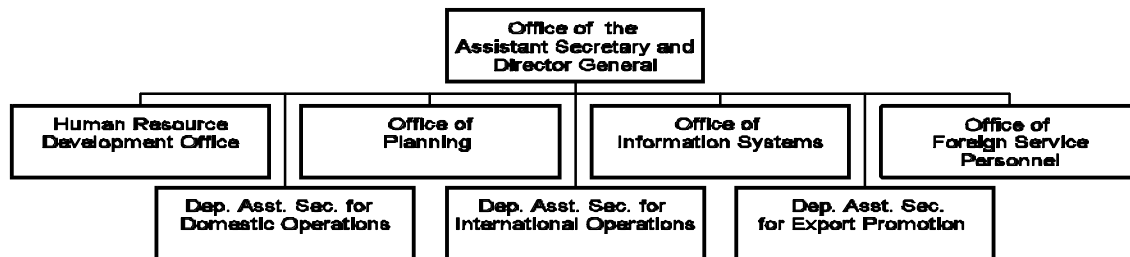


Through its domestic field offices, US&FCS serves as the primary source of federal one-on-one export counseling assistance for export-ready firms seeking to enter new overseas markets. These Export Assistance Centers deliver the trade facilitation programs of the International Trade Administration directly to U.S. exporters, providing a unique link to the information and resources of US&FCS overseas posts. US&FCS's Office of Domestic Operations develops operations policies and procedures and monitors program implementation and field performance measures. In March 1998, there were 320 employees in the domestic field offices, including 18 foreign service officers.

US&FCS overseas posts have a key role in identifying trade opportunities abroad for U.S. products; counseling U.S. businesses, including providing information on sources of trade finance; identifying potential overseas representatives for U.S. firms; developing foreign market research and analysis of trade policy issues; advocating U.S. company interests in major overseas projects, procurement, and market access issues; and organizing and managing U.S. trade promotion events. In July 1998, foreign commercial service officers were stationed at 127 foreign posts in 75 countries (an additional 18 posts were staffed by foreign service nationals or personal services contractors).

Displayed below is US&FCS's headquarters organizational structure during our review:

Figure 2: US&FCS Organization Chart



US&FCS's Office of International Operations manages overseas field operations and determines levels of financial and personnel resources required, based in part on the Overseas Resource Allocation Model, and monitors program implementation overseas. The foreign service personnel duties in US&FCS have been shared by two offices—the Office of Foreign Service Personnel (OFSP) and Office of Human Resources Development (HRD.) OFSP is responsible for most personnel functions, such as processing new or reassigned employees, administering the personnel appraisal system, and administering officer and FSN training programs. HRD coordinates the assignments and bidding process, communicating with officers about their bids and consulting with assignment panel members. The US&FCS personnel offices are responsible for building a highly motivated, well-trained corps of commercially oriented career officers, selected through a competitive process.

PURPOSE AND SCOPE

The Omnibus Trade and Competitiveness Act of 1988 directs the Commerce Office of Inspector General to conduct periodic audits of the U.S. and Foreign Commercial Service and to report to the Congress the results of such audits. The act specifies that the audits are to include an

evaluation of US&FCS's management of the personnel system and an evaluation of the placement of domestic and foreign based personnel.

Our review of US&FCS's foreign service personnel system evaluated a broad range of personnel issues, including those specified in the act. We focused on the management and oversight of the personnel system, including recruitment, assignments, limited appointments, tours of duty, curtailments, and performance appraisal. We did not review US&FCS's program to integrate the domestic civil service and foreign service personnel systems, because it was covered in a recent OIG inspection report.²

Our review also looked at the status of US&FCS's overseas and domestic resource allocation models. These models have served as initial planning tools for allocation of US&FCS's resources. Non-economic variables, such as administration priorities, are then considered by senior US&FCS management to actually allocate resources.

To conduct our performance audit survey, we:

- Reviewed and evaluated compliance with applicable laws, regulations, policies, and procedures, including (1) *The Foreign Service Act of 1980*, P.L. 96-465, (2) DAO 202-900, *Foreign Service Personnel Management Manual*, and (3) FCS Operations Bulletin 93-53, *Open Assignments Process*.
- Sent a questionnaire to all foreign service officers (FSOs), including those in domestic assignments. We received 80 responses, a 32 percent response rate. Our questionnaire addressed areas of concern in prior reviews, such as performance appraisals, assignments, recruitment, limited appointments, curtailments, and training. A summary of the responses is attached as Appendix I.
- Interviewed US&FCS officials, FSOs, and officials from other foreign affairs agencies.
- Examined selected files and records and reviewed other documentation.

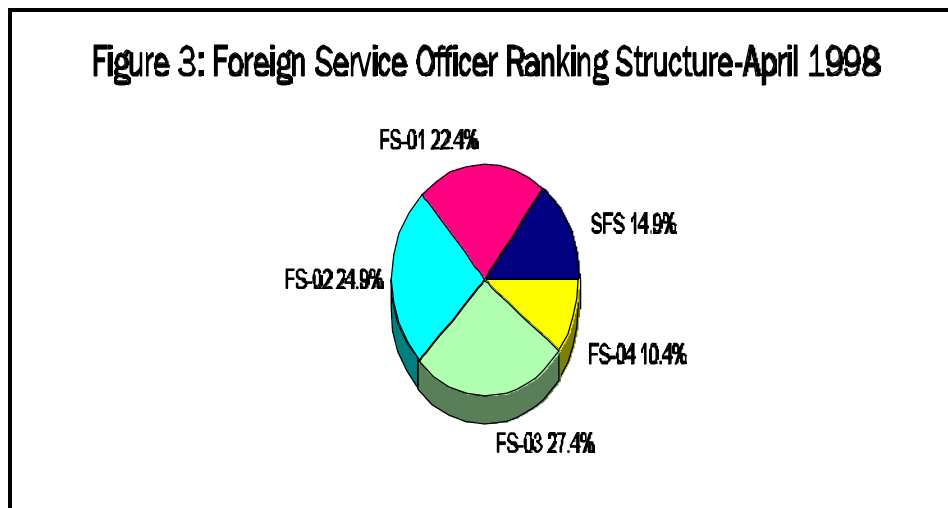
Our audit was performed at US&FCS headquarters in Washington, D.C. The audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of the Inspector General Act of 1978, as amended, and Department Organization Order 10-13, dated May 22, 1980, as amended. We did

²*Management Improvements Needed to Better Prepare for the Export Challenges of the 21st Century*, IPE-9904, March 1999, pages 15-19

not review in detail the effectiveness of internal controls because they were not directly related to our audit objectives. We conducted sufficient tests of computer-generated data cited in the report to verify that the data was reliable. Our field work was completed in January 1999.

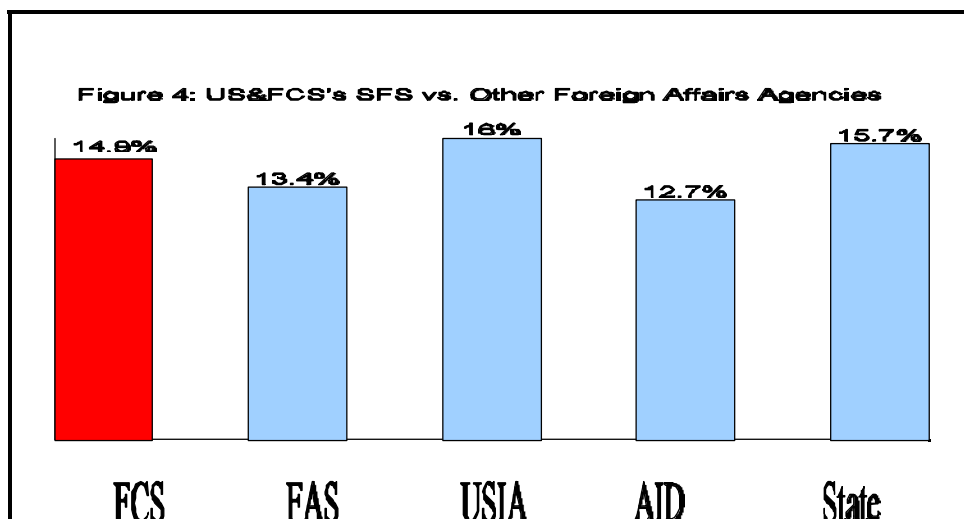
BACKGROUND

US&FCS is relatively small compared to other foreign affairs agencies. In 1998, the State Department had 4,268 foreign service officers; the Agency for International Development had 1,141; and the United States Information Agency had 832. In April 1998, US&FCS had about 240 FSO's. The agency closest in size to US&FCS is the Foreign Agricultural Service, which had 186 FSOs in January 1998. The average FSO grade level was the GS equivalent of GS-14.04, only slightly greater than the FY 1992 GS equivalent of GS-13.97. Figure 3 shows the US&FCS foreign service officer's ranking structure in April 1998.



Senior Foreign Service

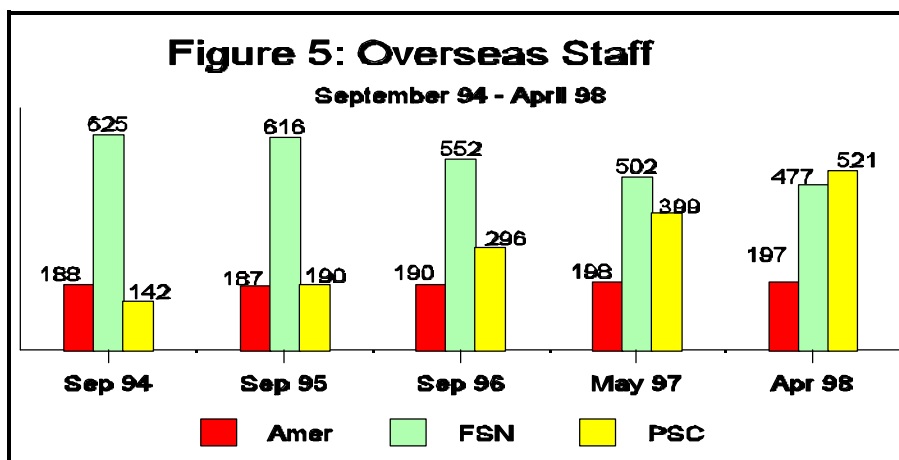
From FY 1992 until April 1998, the Senior Foreign Service staff in US&FCS increased from 25 to 36. The Senior Foreign Service (SFS) is comparable to the Senior Executive Service in the Civil Service. During the same period, the total number of FSOs increased from 211 to 241, with most of the increase in mid-level grades. SFS as a percentage of FSOs increased from 12.44 percent in FY 1992 to 14.94 percent in April 1998. The percentage of FSOs in the Senior Foreign Service in US&FCS is comparable to the percentages in other foreign affairs agencies (see Figure 4).



Trends in Foreign Service Staffing

Overseas staff is composed of FSOs, American administrative support staff, foreign service nationals (FSNs), and personal service contractors (PSCs), who are generally hired at post. In April 1998, there were 190 FSOs, 7 American support staff, 477 FSNs, and 521 PSCs. In July 1998, there were 127 foreign posts in 75 countries with FSOs (an additional 18 posts are staffed by only FSNs or PSCs).

From September 1994 to April 1998, American staff increased by almost 5 percent, FSNs decreased by 23 percent, and PSCs increased by 265 percent. Figure 5 shows the number of American foreign service personnel, FSNs, and PSCs from September 1994 until April 1998.



US&FCS has achieved a net increase in the total number of American staff serving overseas, despite having full-time equivalent (FTE) limitations imposed during fiscal years 1996 and 1997. The increase was accomplished by decreasing the number of FSNs, which are included in FTEs and significantly increasing the number of PSCs, which are not included in FTEs.

With the recent relaxation of previous FTE limitations, US&FCS has been able to increase its FSOs within its budget authority. From September 1997 to the present, the number of FSOs worldwide has increased from 239 to 258.

FINDINGS AND RECOMMENDATIONS

In general, we found that US&FCS management has strived to address personnel issues of concern to US&FCS personnel, both foreign and domestic. Management has established internal task forces, involving diverse groups of US&FCS employees, to address issues of particular concern to US&FCS employees, both foreign and domestic. US&FCS management has also taken action to comply with most prior OIG recommendations. However, while US&FCS continues to have certain unique personnel needs, we found that it has still not adequately documented these needs in policy or personnel directives.

The State Department, due to its historical, operational, and preeminent position in foreign affairs, is often the standard by which other foreign service agencies are often assessed. However, the US&FCS foreign service personnel system differs in many respects from the traditional State Department system. In carrying out its responsibilities to increase U.S. exports through a foreign service of specialized officers, the US&FCS has relied heavily on exceptions to the rules of the 1980 Foreign Service Act. For example, the US&FCS has used limited appointments far more frequently than the Foreign Agricultural Service, the foreign service organization closest to it in size. In addition, US&FCS uses a specialized mid-level-entry recruitment policy that differs from the more traditional recruitment policy of the State Department. US&FCS foreign service personnel operations have differed from other foreign service organizations in other areas, such as assignments, bidding, curtailments, and tours of duty.

We also reviewed the status of US&FCS's overseas and domestic resource allocation models. These models have served as initial planning tools for allocation of US&FCS's resources. Non-economic variables, such as administration priorities, are then considered by senior US&FCS management to actually allocate resources. We believe that US&FCS management has developed a transparent, defensible methodology for assigning its foreign resources. At the time of our review, the General Accounting Office was initiating a review of US&FCS's allocation of domestic resources. Thus, we have no current plans to evaluate US&FCS's methodology for allocating domestic resources, but will continue to monitor GAO's review.

I. Several Personnel Issues Warrant Management's Attention

A. Formal recruitment policy still needed

As a 1992 OIG inspection report explained,³ US&FCS foreign service personnel policies for recruitment do not conform with the State Department's more traditional closed, bottom-entry foreign service personnel system. US&FCS has been trying to develop a foreign commercial service with specialized export promotion expertise. Its recruitment and hiring practices have reflected this need for recruiting members with a high level of business experience, vital to the success of US&FCS's trade promotion mission. With such a highly specialized mission, it would be difficult for US&FCS to depend exclusively on bottom-entry junior officers. In addition, about 47 percent of US&FCS's overseas posts are one-officer posts, which usually require more experienced officers.

US&FCS Uses Assessment Panels for Mid-Level Recruitment

US&FCS has used assessment panels for mid-level recruitment. Based on the applications received, the best qualified candidates are invited to participate in the assessment process, which consists of a series of special tests. Each test is scored individually before a consensus rating is determined. Weights are then assigned to the individual scores and a final weighted score is computed. Finally, the scores are ranked by grade class to form the rank-order register. The overseas assignments panel is required to use the register to select new mid-level career candidates. According to two senior officials, US&FCS received input from the State Department in designing its exam process.

US&FCS officials indicated that the purpose of an internal assessment in 1995 was to allow lateral entry for candidates from Domestic Operations. This assessment was during the early stages of the Commercial Service Integration initiative, which began in spring 1995. Two formal objectives of the integration initiative were to adopt the foreign service system for all senior field positions--domestic and overseas--and to convert all senior domestic field positions from the Civil Service personnel system to the Foreign Service personnel system as they became vacant.

On occasion, US&FCS allowed employees to transfer from Domestic Operations to the foreign service even before the integration program and used assessment panels before the integration program as early as 1988.

³ *Evaluation of U.S. and Foreign Commercial Service Management of the Foreign Service Personnel System and Resource Allocation Methodology*, Report Number IRM-4539-2-0001, March 1992, page 9.

According to one official, the main difference between the 1995 assessment panel and the previous panels was that US&FCS actively sought the skills of domestic trade specialists.

Still No Formal Recruitment Policy

In a 1991 OIG audit report,⁴ we recommended that the Director General develop and implement a formal mid-level career candidate recruitment policy that includes a clear statement on the candidate selection process. During this review, US&FCS undertook a career candidate recruitment at the lower entry level. Still, US&FCS officials were unable to provide us with a copy of a formal recruitment policy for any level. In addition, 75 foreign service officers (30 percent) responding to our questionnaire indicated that they did not sufficiently understand the US&FCS recruitment policy. To preclude any perception that US&FCS may not follow the rank order process, we believe that a formal career candidate recruitment policy should be developed and implemented.

B. Changes needed in assignments and bidding process

The assignment records of some FSOs indicated that under the assignments and bidding system, the needs of US&FCS have not always received first priority. Instead, it appeared that officers' preferences were generally the determining factor in assignment decisions. We found that some senior officers had never served at a hardship post, and some officers had not served in a domestic assignment since their initial overseas tour. These conditions can be attributed to the lack of a process that required officers to periodically serve in hardship posts and that adhered to the guidelines in the Foreign Service Act of 1980 regarding domestic assignments.

Fifteen-Year Guideline Not Followed

The Foreign Service Act of 1980 states:

“Consistent with the needs of the Service, the Secretary shall seek to assign each career member of the Service who is a citizen of the United States to duty within the United States at least once during each period of fifteen years that the member is in the Service.”

⁴ *Management of Foreign Service Personnel Operations*, Report Number TTD-4229-2-0001, December 1991, page 9.

While this statement does not seem to impose a rigid requirement, it does appear that the Congress saw a benefit in having members of the foreign service serve in the United States at least once every 15 years.

In our 1992 OIG inspection report⁵, we found that the US&FCS was faced with the problem of finding meaningful domestic assignments for a large number of foreign service officers who would run up against the 15-year guideline. At that time, US&FCS had not developed a formal rotation system to address this problem. US&FCS officials acknowledged the problem and indicated that they were pursuing solutions.

Unfortunately, we found that the problem persists. Currently, a total of 22 FSOs, or about 1 of every 10 FSOs overseas, have served 15 years overseas without a domestic assignment. Currently, there are 34 FSOs in domestic assignments, 12 at headquarters and 22 in Domestic Operations. These comprise about 14 percent of 241 FSOs worldwide. There are only 15 designated foreign service positions in Domestic Operations for FSOs requesting a domestic assignment. Also, several officers indicated that certain designated foreign service positions in Domestic Operations are generally not bid on by FSOs because the duties and responsibilities are not viewed as “career-enhancing.”

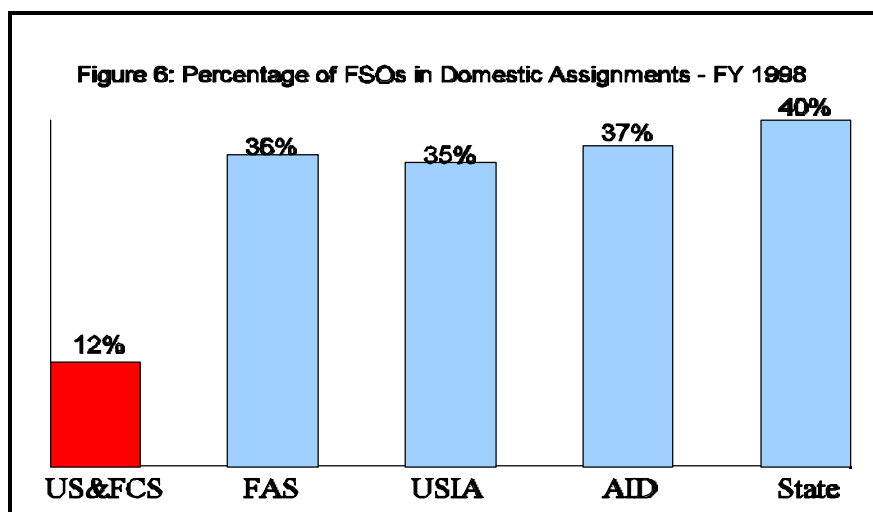
FSOs can also be assigned to other civil service positions. However, as noted in a prior OIG audit report,⁶ assigning foreign service officers to vacant civil service positions is inefficient because management cannot plan the assignments, and the practice interferes with the promotion potential of the civil service employees. Of the 18 FSOs assigned to Domestic Operations, 11 were in designated foreign service positions and 7 in civil service slots.

As part of a proposed reorganization, now awaiting Congressional approval, it is our understanding that staffing levels in US&FCS headquarters will be downsized by as much as 28 positions, by limiting the number of commercial service officers in Washington to four regional director positions. The American Foreign Service Association, the collective bargaining unit for FSOs, is concerned about this trend to reduce FSO positions at headquarters. In AFSA’s opinion, the field knowledge gained from FSOs’ overseas experiences can be an invaluable contribution to the US&FCS headquarters operation.

⁵ Report Number IRM-4539-2-0001, page 12.

⁶ *Improvements Needed in the Management of US&FCS Domestic Personnel Operations*, Report Number TTD-4343-2-0001, March 1992, page 5.

We understand the intent of this proposal is to increase the number of commercial officers in the field. However, the reduction of officers at headquarters and the significant number of FSOs who will have exceeded the 15-year period by the end of their current tours will make it more difficult, if not impossible, for US&FCS to adhere to the 15-year guideline of the Foreign Service Act. It is important to note that other foreign service organizations have about three times the percentage of foreign service officers in domestic assignments. Figure 6 compares the percentage of foreign service personnel assigned domestically for US&FCS and other foreign affairs agencies in fiscal year 1998.



US&FCS management has recently proposed new guidelines that may help improve the bidding process. The new guidelines would require an officer who has not served in a domestic assignment in the past two tours, including the current tour, to submit bids on at least two domestic assignments. In view of ITA's proposed reorganization plan, however, we believe that US&FCS will continue to have difficulty adhering to the 15-year guideline despite the new bidding guidelines.

Hardship Assignments Difficult to Fill

At the time of our review, US&FCS considered 51 of its 127 foreign posts to be hardship posts. According to US&FCS officials, certain positions in hardship posts are seldom bid on by officers of rank equal to the position's rank. Instead, the assignments panel has depended on bids by officers of rank one or two grades below the position's rank. In April 1998, 22 of 45 vacant officer positions were in hardship posts. Eight of those vacant hardship posts were in countries ranked by US&FCS as having the highest overall opportunity for U.S. businesses, although 3 of those positions had individuals assigned or en route. In responding to our survey questionnaire,

foreign service officers expressed concern about the assignment process. They do not understand how decisions are made and believe that the process should be more clearly defined. Over 50 percent of the FSOs responding to our survey questionnaire expressed concern about the assignments process, citing the lack of transparency as a basis for their skepticism. Several officials suggested that the assignments process was too political and indicated that officers posted at headquarters always get the plum assignments.

The new guidelines that US&FCS management has proposed for the assignment and bidding process would also require an officer who has not served in a hardship post in the past two tours, including the current tour, to submit bids on at least two hardship assignments. In addition, at least 50 percent of an officer's bids must be at the officer's current grade. We believe that these new bidding guidelines will (1) minimize vacancies at hardship posts and (2) help fill vacancies with officers of appropriate rank.

C. Curtailments not adequately documented

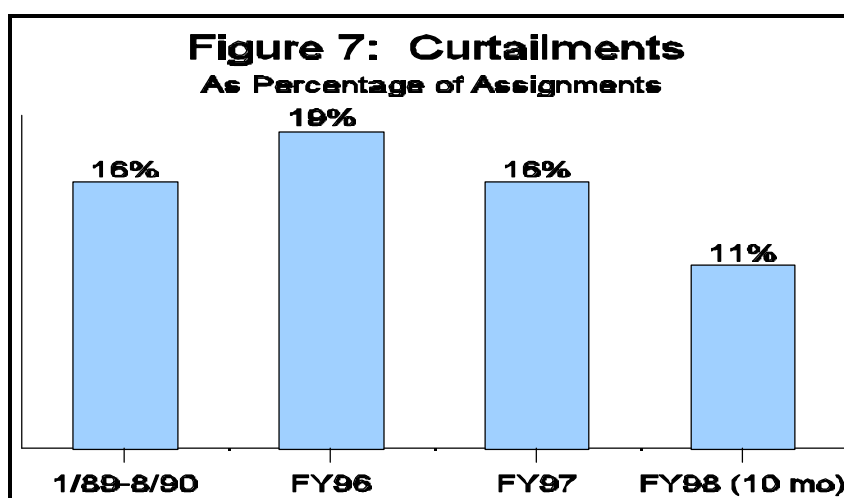
For foreign service officers, the number of years associated with an overseas tour of duty is determined for individual posts by the Director General or equivalent management official. Two exceptions to this general rule are initial tours for career candidates, for whom that tour may be two years, and tours for non-career limited appointments, for whom the tour of duty is two years. The regional directors and personnel staff in US&FCS recommend tour lengths for the posts to the Director General, based in part on data such as the number of bidders for a post and the number of requests for extensions at a post. The State Department's tour for a post (three years is the standard, with two years for a hardship post) is used as a reference.

Curtailments occur when FSOs' tour-of-duty assignments are cut short. US&FCS's small size has limited its ability to fill unexpected vacancies or newly established positions, and curtailments of officers' existing tours of duty have been used to reassign those curtailed officers to the higher priority vacant positions. In a November 1991 opinion, the Department's Office of General Counsel asserted that the legislation on limited appointments intended that such appointments be used only sparingly.

Department Administrative Order 202-900, *Foreign Service Personnel Management Manual*, Subchapter 100-1, states that the "Assignments Panel may recommend to the Director General that an assignment be curtailed based upon compassionate reasons or needs of the Service." Section 5 of Operations Bulletin 93-53, *Open Assignments Process*, states that "Tour curtailments are costly and inefficient, and normally are not granted unless for compassionate reasons or compelling needs of the Service."

An OIG review in 1991⁷ found that curtailments occurred in 16 percent of personnel assignments made between January 1989 and August 1990. The review also found that the assignment panel's minutes did not adequately support or justify most of the tour curtailments.

During the current review, we found that 19 percent of 121 assignment actions made in FY 1996 had been curtailments. In FY 1997, 16 percent of 94 assignment actions were curtailments. In the first ten months of FY 1998, 20 of 181 assignment actions, about 11 percent, were curtailments (see Figure 7). In the opinion of a senior US&FCS official, curtailments could not decrease in FYs 1996 and 1997 because of the FTE limitations imposed on US&FCS.



US&FCS officials consider the use of curtailments vital to their efforts to maintain a high level of commercial expertise in high priority posts. Unlike other foreign service organizations, US&FCS does not have a substantial percentage of officers in domestic assignments available for assignment overseas. However, the continued use of curtailments is both costly and inefficient. The recent easing of FTE limitations and increases in the number of career candidates hired should enable US&FCS management to reduce further the number of curtailments in the future.

In our 1991 review,⁸ we recommended that the Director General adhere to the criteria for allowing tour-of-duty curtailments. In its response, US&FCS management stated that it would improve the documentation in the assignment panel minutes. However, we found that the minutes of the assignment panel meetings still did not adequately document the reasons for curtailments. A senior official involved in the assignments process was not even aware that a justification for each

⁷ Report Number TTD-4229-2-0001, page 5.

⁸ Report Number TTD-4229-2-0001, pages 9-10.

curtailment was supposed to be in the minutes. Unless curtailments are adequately documented, there is no assurance that the assignment process is not being abused.

D. Recruitments should address language requirements

Section 702 of the Foreign Service Act of 1980 requires the establishment of "...foreign language proficiency requirements for members of the Service who are to be assigned abroad in order that foreign service posts abroad will be staffed by individuals having a useful knowledge of the language or dialect common to the country in which the post is located."

Section 5.02, "Language Designated Positions (LDPs)," of Subchapter 800-2 of the *Foreign Service Personnel Management Manual*, states that:

"The Director General...shall identify the positions that require foreign languages, and designate the required proficiency level for each. Only those positions where proficiency is essential, rather than merely helpful or convenient, will be language designated....Departmental policy is to fill LDPs with employees who have the required language proficiency."

Waivers Granted to Fill Positions

There are two types of language waivers. According to Section 4.06, Waivers, "To assume a language designated position, the employee must meet the required level of proficiency unless a written waiver is granted by the Director General..." If an FSO's language proficiency is below that required for the position, either a refresher course may be authorized or a waiver for the officer must be granted. A waiver also enables the officer to complete language training at the post. From 1993 to 1998, there were 15 waivers granted to FSOs.

Another type of language waiver may be granted for a language-designated position (LDP). This type of waiver removes the language designation from a position for one tour. From 1993 to 1998, there were 11 such waivers granted for LDPs.

US&FCS Also Adjusted Language Requirements

Besides language waivers, another method US&FCS uses to fill LDPs is to change a position's language proficiency requirements. According to a US&FCS official, changes in the proficiency levels required for LDPs has been influenced by two factors. One factor is the availability of qualified candidates. When no qualified career or career-candidate bidder meets the language designation for a position, US&FCS may decrease the proficiency requirements to attract

qualified bidders. From 1993 until May 1998, there were 22 adjustments that decreased language proficiency requirements.

A second factor contributing to changes in proficiency requirements for LDPs was the previous constraint on the number of FSOs that US&FCS was allowed to recruit. Because of the constraints imposed by a limited number of FSOs, US&FCS did not always have time to provide language training to officers assigned to LDPs. Proficiency requirements for a number of these positions were decreased to allow US&FCS to staff the posts as soon as possible. The recent increase in FSOs has allowed US&FCS to provide language training to more officers and to restore the proficiency requirements for some of those positions.

Over 50 percent of those FSOs responding to our survey questionnaire indicate that US&FCS does not provide adequate language training. Over 25 percent of those responding suggest that their work is hampered by a lack of language skills. Yet, as discussed below in more detail, a training task force failed to address the perceived need for language training in its recommendations.

We believe that officers serving in countries with language requirements who cannot adequately speak the language cannot effectively communicate on behalf of US&FCS's clientele, and therefore, outreach efforts could be impacted. The number of language waivers and adjusted language requirements for LDPs indicate that US&FCS has not recruited candidates with the required language skills and has not invested in providing sufficient language training to the candidates that have been recruited. We believe that US&FCS should adjust its recruitment policies to recruit candidates with language proficiency for those language-designated positions that have been difficult to fill.

E. Diversity among commercial service officers is a major priority

In a recent memorandum to Commerce employees, the Secretary emphasized that "the Commerce workforce must comprise motivated employees of superior caliber" and "the key to attracting and maintaining that workforce is a Department that embraces diversity and equal opportunity for all our employees, and stands firmly against any activity or behavior that is discriminatory." The Secretary further stated that the Department has a firm commitment to promote true diversity and indicated that the Department has a range of specific initiatives designed to promote diversity, including intern and mentor programs, family friendly workplace policies, and practices that resolve workplace disputes at the lowest possible level.

At the time of our review, over 22 percent of US&FCS's foreign service personnel were women and about 11 percent were minorities. Women and minorities hold key positions in the foreign service operation. For example, an Asian-American will become the Foreign Commercial

Service's first Foreign Service Officer to serve as an Ambassador. In addition, the current Deputy Assistant Secretary for International Operations is the first woman to reach the Minister Counselor rank. Also, women have been assigned to direct some of the US&FCS's high visibility posts, such as the Deputy Assistant Secretary for Export Promotion Services.

US&FCS has taken a number of steps to ensure that diversity is given a top priority in its personnel practices. For example, it is revising the recruitment process to include the development of specialized outreach activities, including internship/fellowship programs and other efforts to attract women and minorities. These are indicative of the high priority to which the Director General has assigned the promotion of workforce diversity among officers.

F. US&FCS should streamline personnel functions

In our 1991 audit report,⁹ the OIG recommended that the Director General establish automated administrative personnel systems to improve the efficiency and effectiveness of the Office of Foreign Service Personnel. Most of the assignment panel process has been automated as part of the Position Assignment System in Human Resources Development, the other office responsible for foreign service personnel. However, OFSP's personnel system is still not fully automated.

Management Needs Accessible and Consistent Data

Although OFSP is the official personnel office for foreign service employees of US&FCS, HRD, because of its automated database, has provided personnel data in response to OIG and congressional inquiries. According to US&FCS officials, OFSP tracks employees only after they are officially hired. HRD's database, on the other hand, includes not only current employees but also prospective employees who have been tentatively assigned to positions, pending security and medical clearances. Thus, during any period when prospective employees are being processed, personnel data from OFSP and HRD will not be consistent, i.e., HRD's data will indicate more employees since it includes prospective as well as current employees. During our survey, we found that data received from HRD and OFSP, in response to specific questions, generally was not consistent.

One effect of OFSP's not having an automated system is that data on US&FCS foreign service personnel has been inconsistent over time. For example, data for past fiscal years, as provided to

⁹ Report Number TTD-4229-2-0001, page 21.

us, did not consistently agree with data published in a March 1997 Senate subcommittee hearing report.¹⁰ This data concerned the number of FSOs, administrative staff, and FSNs overseas. Another effect of OFSP's not having an automated system is that the effort needed to provide data is an inefficient use of US&FCS resources. OFSP had to exert great manual effort to respond to our requests for data and was not always able to explain discrepancies in the data provided.

We believe that an automated administrative personnel system would enable OFSP to easily maintain, access, and report accurate data.

Potential to Combine Personnel Functions Still Exists

In a July 1996 audit report,¹¹ we recommended that the Under Secretary for International Trade consolidate certain human resource functions in one unit to service both foreign service and civil service employees. Under the consolidation then recommended, unique functions, such as assignment panels, selection boards, and commissioning and tenure boards, would be retained in US&FCS. For that report, we had found that US&FCS, ITA, and the Department maintain personnel offices that provide a complete range of similar services, while the unique nature of the foreign service personnel system and regulations requires US&FCS to maintain a staff to meet those demands. We concluded at that time that such a consolidation would result in a 25-percent reduction of staff devoted to such functions at ITA and US&FCS, with a two-year net dollar savings of \$650,000. ITA generally agreed that the consolidation would result in personnel and dollar savings, but to our knowledge, has yet to implement the recommendation. Hence, we reiterate the need for ITA and US&FCS to explore the consolidation of personnel functions that are common to foreign and civil service personnel.

G. Improved performance measures needed

US&FCS management has not yet defined performance measures for its foreign service personnel system that would comply with the Government Performance and Results Act of 1993. Such measures would enable management to better evaluate the efficiency and effectiveness of its foreign service personnel system over time. In addition, US&FCS has not developed a strategic plan, including specific goals. The Results Act specifies that an agency's annual

¹⁰ *Hearings Before a Subcommittee of the Committee on Appropriations, United States Senate, One Hundred Fifth Congress, First Session, on H.R.2267/S.1022 (FY 1998 appropriation hearings held on March 13, 1997).*

¹¹ *Administrative Activities Should Be Further Streamlined, Report Number TID-7325-7-0001, July 1996, pages 11-13.*

performance goals should define an objective, measurable target level of performance for each program activity. ITA, including US&FCS, is developing and implementing a performance measurement system applicable to its major programs. However, US&FCS should also establish performance goals that specifically define the results it expects its personnel operations to achieve and performance measures that determine the level of productivity and quality. Management should develop and implement procedures for collecting and reporting these performance measures.

H. Limited appointments still needed

Limited appointees are persons from the private sector or non-career officers from the federal government who are assigned overseas for a limited time. The *Foreign Service Personnel Management Manual*, Subchapter 100-2, Section 3, states that:

“Noncareer limited appointments shall be used to meet overseas staffing requirements, only in those instances when it will not undermine the career structure of the Foreign Service personnel system....An applicant for noncareer appointment must meet the qualification requirements for the positions, including any language requirement, at the time of application.”

US&FCS primarily uses limited appointments to overseas positions for which career officers are not readily available. However, limited appointments as a percentage of US&FCS foreign positions have declined from 15.4 percent FY 1992 to 9.6 percent as of April 1998. US&FCS officials believe that the use of limited appointments under the present circumstances is vital to the overall success of the U.S. & Foreign Commercial Service. Among other reasons, limited appointments permit US&FCS management to respond to rapidly changing world market conditions by providing an additional resource base. Until US&FCS can increase its reserve of FSOs in domestic assignments, limited appointments offer the flexibility US&FCS needs to staff an effective worldwide network of field offices.

A prior OIG report¹² recommended that the Director General ensure that the assignment panel fully and clearly document its justification for all limited appointment assignments, that the documentation include a statement that there were no career officers available, and that the person appointed was the best qualified. US&FCS prepares a “Certificate of Need for Limited Appointment” for each such appointment. From October 1996 to April 1998, most certificates listed the reason for granting a limited appointment as “No qualified FCS career or career candidate officer is available for assignment.”

¹² Report Number TTD-4229-2-0001, page 9.

We believe that limited appointments permit US&FCS management greater flexibility to respond quickly to rapidly changing conditions of world markets. FSOs responding to our survey questionnaire overwhelmingly support the use of limited appointments to enhance export promotion efforts. Without the flexibility to use this resource, US&FCS could experience serious staffing deficiencies in certain posts. However, recent increases in the number of career candidates hired should enable US&FCS to rely less on limited appointments in the future.

I. Training task force led to new institute, but language needs not addressed

Lack of adequate training for foreign service officers has long been a concern of the OIG and the US&FCS staff. In response to our survey questionnaire, foreign service officers were almost unanimous in their concern about inadequate training. US&FCS officials responded to this concern by establishing a training task force. The task force distributed a worldwide survey by electronic mail in January 1998, to which over 200 US&FCS employees responded, including FSNs and employees in Domestic Operations. In addition, seven focus groups-- comprised of deputy assistant secretaries, senior commercial officers, non-senior FSOs, U.S. Export Assistance Center directors and managers, domestic trade specialists, headquarters trade specialists, and FSNs--were established after the survey to augment the survey data. As a result, the task force issued a report in February 1998 with 13 recommendations to improve training in US&FCS.

The recommendations in the report reflected the task force's opinion on the need for an integrated central training program, which should be closely linked to other US&FCS strategic issues. The primary result of the task force's work was the development of a core curriculum for a new organization, the Commercial Service Institute, which has the potential to provide continuing education for commercial officers. However, in its review, the task force did not address certain training areas, including the language training needed by commercial officers (as discussed above). US&FCS needs to ensure, through the Commercial Service Institute curriculum and other vehicles, that officers have sufficient language training when assuming language-designated positions.

J. Changes in performance appraisal process recommended

Section 602 of the Foreign Service Act of 1980 states that:

“The Secretary shall establish selection boards to evaluate the performance of members of the Senior Foreign Service and members of the Service assigned to a salary class in the Foreign Service Schedule. Selection boards shall, in accordance with precepts prescribed by the Secretary, rank the members of a salary class on the basis of relative performance and may make recommendations for (1)

promotions...(2) awards of performance pay...(3) denials of within-class step increases...(4) offer or renewal of limited career extensions...and (5) such other actions as the Secretary may prescribe by regulation.”

According to Section 603 of the Act, recommendations and rankings by selection boards shall be based upon records that include performance evaluation reports of supervisors. Section 603 also states that “Precepts for selection boards shall include a description of the needs of the Service for performance requirements, skills, and qualities, which are to be considered in recommendations for promotion.”

AFSA Concerned About Appraisal Precepts

The American Foreign Service Association is the “worldwide bargaining unit of all Foreign Service employees employed by US&FCS, excluding all management officials, confidential employees, employees engaged in personnel work in other than a purely clerical capacity, and employees engaged in criminal or national security investigations or who audit the work of individuals....” AFSA representatives expressed concern that there is no mention in the precepts about the career integration program. In their opinion, FSOs serving in domestic positions perform duties different from officers serving overseas, and those in domestic positions are at a disadvantage when their performance is appraised because the precepts do not make allowance for their different duties. This issue was also a concern of the overwhelming majority of FSOs responding to our survey questionnaire. FSOs indicate that officers serving in domestic assignments other than headquarters are rarely promoted, if ever, and rarely receive awards. US&FCS management referred this issue to its Performance Management Task Force.

Task Force Recommended Improvements in Integration and Training

At the suggestion of the 1997 Selection Board, the then-acting Director General established a task force on performance management to examine the performance appraisal process and analyze the recommendations made by past boards. The 11-member task force included a mix of both foreign and domestic employees, as well as individuals who have been rating officers, selection board members, and rated employees. The acting director of OFSP and the senior advisor of HRD were ex-officio members.

The task force identified three issues on which to concentrate their efforts: (1) determining whether FSOs in domestic positions are at a disadvantage, (2) establishing the precepts for FSO evaluations, and (3) improving the performance evaluation process and evaluation form. In November 1998, the task force issued a report to the Director General containing recommendations to (1) improve the transparency and fairness of the appraisal process,

(2) enhance the integration process to ensure that FSO's serving in domestic assignments are not disadvantaged in the promotion and awards process, (3) improve training and ensure adherence to the performance management system, (4) improve the selection board process, and (5) develop a mechanism to provide feedback to officers concerning their evaluation.

In addition, the task force recommended the need for an enhanced human resources unit that could devote additional time and resources to personnel concerns such as training, career development, career counseling, and enhanced assignment opportunities. Though not part of the original task force recommendations, this latter recommendation was added because of concerns expressed by officers during our review. These same concerns were expressed by officers responding to our survey questionnaire. US&FCS has now established a timeline during FY 1999 for the implementation of the recommendations. US&FCS management should inform officers of the implementation schedule for the task force recommendations, including changes to the human resources functions.

K. Recommendations

We recommend that the Assistant Secretary and Director General for the U.S. and Foreign Commercial Service ensure that US&FCS:

1. Develops and implements a formal career candidate recruitment policy.
2. Implements new measures to meet the 15-year guideline for domestic assignments referred to in the Foreign Service Act, including new bidding guidelines regarding domestic tours and hardship posts.
3. Provides detailed justifications for tour curtailments in the documentation of assignment panel decisions.
4. Adjusts recruitment policies to attract candidates with language proficiency for those language-designated positions that have been difficult to fill.
5. Implements an automated personnel system in the Office of Foreign Service Personnel.
6. Explores, with ITA management, the consolidation of personnel functions that are common to the foreign and civil service personnel systems.
7. Establishes performance goals and related performance measures, in accordance with the Government Performance and Results Act, that specifically define the results US&FCS expects its foreign service personnel system to achieve.

8. Continues the practice of limited appointments, until the reserve of FSOs in domestic assignments is increased.
9. Provides, through the course curriculum at the Commercial Service Institute or other vehicles, officers with sufficient training to meet the requirements of their job.
10. Informs officers of the implementation schedule for the Performance Appraisal Task Force recommendations, including changes to the human resources functions.

L. ITA Response

The International Trade Administration generally agreed with our recommendations and stated that it has implemented or is developing plans to implement them. ITA suggested changes in recommendations two, three, and eight. ITA's responses to these three recommendations are summarized below. A copy of ITA's complete response is included as Appendix II.

Regarding recommendation two, ITA asked the OIG to revise the audit text as the Foreign Service Act does not prescribe a "rule." ITA stated that it has already implemented this recommendation, and the current bid cycle is the second one to use ITA's new bidding policy that requires individuals to bid on domestic assignments.

Regarding recommendation three, ITA agreed that more detailed justification may be necessary on curtailments, but it did not believe that these justifications should be part of the panel minutes, which are widely distributed. ITA believed that justifications should be a part of the assignment panel documentation, but should not be in the assignment panel minutes.

Regarding recommendation eight, ITA concurred strongly with the audit's conclusion that limited appointments provide a vital means and flexible tool to meet its staffing requirements based on the needs of the service. However, ITA suggested omitting the latter part of the recommendation—"until the reserve of FSOs in domestic assignments is increased." ITA stated that the reference to domestic assignments is simply one among a number of objectives that can be served via use of the limited appointment authority.

M. OIG Comments

We appreciate ITA's positive response in implementing or developing plans to implement all draft recommendations. Regarding ITA's request for a change in the terminology used in recommendation two, we have changed "rule" to "guideline."

Regarding recommendation three, our only concern is that justification for assignment panel decisions should be adequately documented. The action proposed by ITA meets the intent of our recommendation, and we have changed this recommendation accordingly in the final report.

Regarding recommendation eight, ITA stated that the filling of domestic assignments is one among a number of objectives that can be served via use of the limited appointment authority. We view FSOs in domestic assignments as a resource base that US&FCS management can use to respond to rapidly changing world market conditions. As stated in our report, other foreign service organizations have about three times the percentage of FSOs in domestic assignments. Our recommendation on this issue remains unchanged.

II. Economic Basis for Domestic Resource Allocation Under Review

US&FCS has used models based on economic measures as a basis for allocating its overseas and domestic resources. The Overseas Resource Allocation Model (ORAM) identified countries, and the Domestic Resource Allocation Model (DRAM) identified states and localities, with the greatest potential for U.S. export growth. These models have been used as initial planning methodologies. Non-economic variables, such as administration priorities, have then been considered as part of the allocation process. US&FCS recently revised ORAM, and we believe that it has developed a transparent, defensible methodology for assigning its overseas resources. At the time of our review, the General Accounting Office initiated a review of US&FCS's allocation of domestic resources.

A. US&FCS applied revised Overseas Resource Allocation Model to reallocate positions

A September 1997 OIG report¹³ contained two recommendations regarding the ORAM. One recommendation was that the line between the two steps of the allocation decision-making process—the model and management judgments—should be hardened by removing or limiting the role subjective variables play within the model. The second recommendation was that necessary management judgments should be made after the allocation model provides information about relative export potential, and the judgments should be documented sufficiently so that the final resource allocation decisions have clear, defensible justifications.

US&FCS entered into a contract with Standard and Poor's DRI/McGraw Hill, under which the firm revised the ORAM. The revised model consists exclusively of economic-based data, and management judgment variables are now separate, as we recommended.

Review of Overseas Staffing Pattern Resulted in Shifts

In April 1998, US&FCS completed a review of its overseas officer staffing pattern, based on the results of the updated ORAM and non-economic variables that have a direct impact on the effectiveness of its overseas operations. According to a US&FCS memo, this was the first time a top-to-bottom staffing review of all US&FCS's overseas positions had been carried out since the agency was transferred to the Department of Commerce from the Department of State in 1980. According to a senior official, US&FCS plans to re-evaluate officer staffing every three years.

¹³ *Recent Overseas Inspections Found US&FCS Delivering Services Effectively But Facing Internal Constraints*, Report Number IPE-9178, September 1997, page 25.

In general, US&FCS shifted some officer positions away from the established markets of Europe and into the emerging markets of Africa, Latin America, India (before sanctions), and the Newly Independent States. The reduced number of American officers in Europe will be offset by a small increase in the number of FSN positions. US&FCS staffing in Asia remained mostly stable, except for some decreases in Japan and Indonesia. Few changes were made to US&FCS's Middle East posts, except for an increase in Israel. The multilateral development banks, such as the European Bank for Reconstruction and Development, will gain staff.

We believe that the actions taken by US&FCS to reallocate resources overseas have effectively met the intent of prior OIG recommendations. The economic model and the non-economic variables used appear to be an effective method to allocate available resources overseas.

B. Allocation of domestic resources under review

In Title II of the Export Enhancement Act of 1992, Congress granted the Trade Promotion Coordinating Committee (TPCC) the legislative authority to undertake its goal of streamlining the federal government's export promotion activities. In its first report to the Congress in 1993, TPCC recommended the establishment of "one-stop shops to provide local export communities a single point of contact for all federal export promotion and finance programs" to improve the effectiveness of federal export promotion services. Known as U.S. Export Assistance Centers (USEACs), these offices would have representatives of US&FCS, the Small Business Administration (SBA), and the Export-Import Bank of the United States (Ex-Im Bank) in areas with the highest concentrations of potential export clients. US&FCS would be the primary provider of export promotion and counseling services; SBA would promote and provide export capital and finance counseling; and Ex-Im Bank would focus exclusively on trade finance for exporters.

Domestic Resource Allocation Model Used in Original Site Selection

To implement the USEAC concept, US&FCS attempted to place its trade specialists nationwide in those areas with the highest concentrations of potential export clients. ITA managers identified those areas by using economic data from the 1987 Economic Census, such as the number of service establishments, the number of manufacturing establishments, and the dollar volume of manufacturing exports. US&FCS then used the DRAM to develop a state score—a proxy measure of the relative export potential of one state in relation to others. This approach attempted to determine objectively where to place resources.

US&FCS used the DRAM as a basis for site selection for its network of domestic field offices. While export growth was the primary resource allocation principle, qualitative factors were also considered in determining which states were best suited for regional or district offices. These

factors included promoting geographic diversity, providing the opportunity to leverage key trade promotion resources with partners, and covering areas not serviced by existing field offices.

Recognizing that the federal government lacked the funding and resources necessary to fully staff one-stop centers at all key locations, an interagency working group of US&FCS, SBA, and Ex-Im Bank senior officials devised a “hub and spoke” approach to its domestic network. The “hubs,” or regional U.S. Export Assistance Centers, would be those sites at which all three agencies collocate. The “spokes,” or district Export Assistance Centers, would utilize the network of existing US&FCS district and branch offices and would be linked operationally to the hubs.

According to a senior staff person in the Office of Domestic Operations, the original site selection process, based on export demographics, was used in late 1994 and 1995 to establish the domestic network. Since then, about 13 Export Assistance Centers have been added. In general, the second series of site additions was in response to community demand. According to this official, there was a lot of interest nationally in opening more sites, and the demand for sites has exceeded what US&FCS is able to supply. As of July 1998, there were 19 U.S. Export Assistance Centers (hubs) and 83 Export Assistance Centers (spokes).

The sites added tended to be near transportation hubs, such as Austin, Texas. In some cases, satellite offices were added to existing metropolitan areas such as Chicago, Los Angeles, and San Francisco if facilities were offered by state or local agencies. However, US&FCS officials were unable to provide any documentation of the criteria used to select these additional sites.

General Accounting Office Initiates Review of US&FCS’s Allocation of Domestic Resources

During our review, the General Accounting Office initiated its own review of US&FCS’s network of Export Assistance Centers. GAO will focus on the effectiveness of USEAC operations in carrying out its export promotion activities and assess the role of non-federal export service providers in areas served by U. S. Export Assistance Centers.

Because of the comprehensive review by the General Accounting Office, we do not plan to evaluate this area now, but will continue to monitor GAO’s evaluation. However, we do believe that in addition to an assessment of whether resources are appropriately allocated, the Director General should use the information developed by the General Accounting Office to update the economic data used for the Domestic Resource Allocation Model. The model should serve as the objective analytical basis for the site selection process. We also believe the site selection process should be fully documented.

C. Recommendation

We recommend that the Assistant Secretary and Director General for the U.S. and Foreign Commercial Service ensure that US&FCS considers the findings of the General Accounting Office audit to update the Domestic Resource Allocation Model for use as the objective analytical basis for the site selection process. US&FCS should fully document the site selection process resulting from the model.

D. ITA Response

Concurring with the need to update its resource-allocation model, ITA stated that it is currently revising this model. However, ITA believed that the statement in the report that “US&FCS officials were unable to provide any documentation of the criteria used to select these additional [satellite] sites” is misleading. ITA stated that decisions pertaining to USEAC and EAC locations involved input from US&FCS senior management, state and local government officials, other federal agencies, and members of Congress. In addition, ITA’s Office of Domestic Operations management performed an analysis of all associated costs (rent, personnel, equipment, etc.) to ensure that no additional expenses would be incurred as a result of office relocation.

ITA suggested that the sentence referenced be changed to: “Within the core areas designated by the 1995 resource-placement model and after consulting with federal, state and local stakeholders, US&FCS senior management opened USEACs and EACs based on the needs of the local exporting community in areas that maximized the limited available US&FCS resources.”

E. OIG Comments

While the criteria described may have been used to select the additional sites, US&FCS officials were unable to provide any documentation of the criteria used, e.g., no documentation of input from state and local government officials and other federal agencies and no documentation of ITA’s analysis of all associated costs. Therefore, the sentence referenced is not changed in the final report.

APPENDIX I
OIG QUESTIONNAIRE ON THE
FOREIGN SERVICE PERSONNEL SYSTEM
Questions & Summary Responses

Foreign Service Personnel Questions	Answers
(1) What region or domestic assignment are you currently serving in?	31% Europe 21% Western Hemisphere 21% East Asia and the Pacific 13% Domestic Office 6% Africa, Near East, South Asia 4% Headquarters 2% Newly Independent States 2% Training
(2) How many years do you have in the foreign service?	28% 0-5 yrs. 21% 6-10 yrs 20% 11-15 yrs 24% 16-20 yrs 7% Over 20 years
(3) How many years of trade promotion experience do you have?	21% 0-5 yrs. 22% 6-10 yrs 21% 11-15 yrs. 24% 16-20 yrs 12% Over 20 years
(4) What is your current rank?	25% Senior Foreign Service 22% FS-01 21% FS-02 27% FS-03 4% FS-04 1% FS-05

(5) Are you a limited appointment employee?	Yes 6% No 94%
(6) Do you believe that the use of limited appointments enhances export promotion efforts?	69% Yes 22% No 21% Non-Response
(7) Do you believe that limited appointments affect your own career objectives?	31% Yes 67% No 2% Non-Response
(8) Do you understand how the US&FCS “assignments process” works?	Yes 68% No 32%
(9) Do you believe that the assignments process used by US&FCS is fair and equitable for all foreign service officers?	30% Yes 57% No 14% Non-Response
(10) Do you believe that the assignments process achieves its goal of placing “the most qualified officer” in each position?	31% Yes 53% No 16% Non-Response
(11) If answer to previous question is no, what could be done better to achieve this goal?	Narrative answers; no summary compiled.
(12) Do you understand the US&FCS policy for domestic assignments?	44% Yes 54% No 1% Non-Response
(13) Since you have been in the foreign service, have you served on a domestic assignment?	Yes 40% No 60%
(14) Have you bid on a headquarters’ domestic assignment?	Yes 27% No 73%
(15) Have you bid on any other domestic assignment?	Yes 35% No 65%
(16) Do you believe that foreign service officers in domestic assignments and foreign service officers in overseas assignments are treated equally by US&FCS officials when being considered for promotions or awards?	15% Yes 65% No 20% Non-Response
(17) Have you served in a hardship post?	Yes 78% No 22%
(18) Do you understand the US&FCS policy regarding hardship assignments?	Yes 83% No 17%

(19) Do you agree with US&FCS policy regarding hardship assignments?	75% Yes 15% No 10% Non-Response
(20) Do you agree with the use of directed assignments for hard to fill assignments?	59% Yes 36% No 5% Non-Response
(21) Have you had an assignment curtailed?	Yes 49% No 51%
(22) If answer to previous question is yes, was the curtailment:	12% For medical reasons 25% At your request 63% For the good of the service
(23) Are curtailments detrimental to the foreign service process?	21% Yes 63% No 16% Non-Response
(24) Are you in a language-designated position?	Yes 60% No 40%
(25) If the answer to the previous question is yes, have you achieved the required language proficiency?	Yes 88% No 12%
(26) If the answer to the previous question is no, were you granted a waiver?	Yes 83% No 17%
(27) Do you believe that your work is hampered by a lack of language skills?	32% Yes 59% No 9% Non-Response
(28) Do you believe that adequate language training is provided?	42% Yes 44% No 14% Non-Response
(29) Do you understand US&FCS's policy for recruitment?	48% Yes 49% No 2% Non-Response
(30) Do you agree with US&FCS's policy for recruitment?	38% Yes 30% No 32% Non-Response
(31) Do you believe that US&FCS's use of assessment panels has been handled in accordance with foreign service regulations?	54% Yes 15% No 31% Non-Response

(32) Does the current performance appraisal system provide a fair and equitable assessment of each foreign service officer's performance?	32% Yes 57% No 11% Non-Response
(32) If answer to previous question is no, what improvements would you suggest?	Narrative answers; no summary compiled
(34) Has US&FCS provided adequate training to carry out your duties as a commercial officer?	43% Yes 54% No 3% Non-Response
(35) Have you ever filed a grievance?	19% Yes 80% No 1% Non-Response
(36) Do you believe the grievance process is handled appropriately?	28% Yes 23% No 48% Non-Response
(37) Do you understand the "up or out" policy for foreign service officers?	Yes 89% No 11%
(38) What do you most like about the US&FCS Foreign Service Personnel System?	Narrative answers; no summary compiled.
(39) What do you think needs to be improved about the US&FCS Foreign Service Personnel System?	Narrative answers, no summary compiled
(40) What problems have you encountered with the US&FCS Foreign Service Personnel System?	Narrative answers, no summary compiled
(41) How would you rate the overall services provided by US&FCS's Foreign Service Personnel System?	9% Excellent 35% Above average 40% Average 7% Below average 10% Poor

Note: Some answers may total to more than 100 percent as a result of rounding.

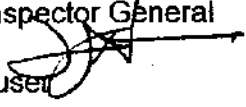


APPENDIX II

UNITED STATES DEPARTMENT OF COMMERCE
The Deputy Under Secretary for
International Trade
Washington, D.C. 20230

SEP 21 1999

MEMORANDUM FOR George E. Ross
Assistant Inspector General for Auditing
Office of the Inspector General

FROM: Timothy J. Hauser 

SUBJECT: *U.S. and Foreign Commercial Service is Addressing
Foreign Service Personnel Management Issues*
Draft Audit Report No. BTD-10829-9-XXXX

Thank you for the opportunity to review and respond to the report on the Foreign Service personnel system. The Assistant Secretary and Director General for the Commercial Service is committed to improving our Foreign Service human resources programs and I support her in this effort.

Attached are comments on the recommendations in the report.

Attachment
As stated



RECOMMENDATIONS

1. Develop and implement formal career-candidate recruitment policy.

It is true that there is no written formal career-candidate recruitment policy; however, as our service has grown through the years, our recruitments have been flexible in terms of the assessment given and the target grades hired. We believe we are now at the stage when the bottom-entry junior officer is appropriate. As discussed at the briefing, we are pursuing the development of a recruitment strategy that will become regularized, provided budget and FTE are available. We have had preliminary discussions with State and assessment experts. Our intent is to have recruitments on a set schedule so individuals interested in our service will know in advance when to look for announcements and apply. We will, however, retain the flexibility to base our recruitments on our staffing profile/requirements.

The US&FCS has always followed the rank order process, except when a hiring freeze was imposed on the organization. In that case, individuals within ITA were reached because that was the only way we were allowed to hire. When the freeze was lifted, the rank order was resumed. We believe that the assignment policy might be the appropriate location of a statement on how career-candidates are selected off the register.

2. Implement new measures to meet the 15-year rule for domestic assignment referred to in the Foreign Service Act, including new bidding guidelines regarding domestic tours and hardship posts.

Please revise the audit text to reflect better the terminology in the Foreign Service Act concerning the desire for officers to serve a domestic tour at least once every 15 years. The Act does not prescribe a "rule", though we often refer to the intent this way. We would not want readers to misconstrue this issue.

This recommendation has already been implemented. The current bid cycle that is presently underway is the second cycle to use our new bidding policy. Bids that do not meet the requirements are returned to individuals and not recorded. The requirement to bid on domestic assignments will allow the Assignments Panel to place those individuals with nearly 15 years of overseas service in domestic positions, providing there are positions at the appropriate grade levels. The Assignment Panel is aware of this policy and the Director General will ensure that every effort will be made to meet the intent of the legislation. As noted in your report, the decision by ITA senior management to move some of the headquarters positions formerly held by foreign service officers to the field may add to the difficulty already experienced in adhering to this intent. At the same time, however, the Commercial Service will work with ITA management to

identify Washington-based opportunities for Foreign Service Officers in the other ITA program areas (MAC, TD, IA).

3. Provide detailed justifications for tour curtailments in the minutes of the assignment panels.

We agree that more detailed justification may be necessary on curtailments; however, we do not believe that these justifications should be part of the panel minutes, which are widely distributed. In some cases, we have used very broad generalizations such as "for the needs of the service" for privacy reasons. Justifications should be a part of the assignment panel documentation, just as agendas are, but should not be in the assignment panel minutes.

4. Adjust recruitment policies to attract candidates with language proficiency for those language-designated positions that have been difficult to fill.

In our last recruitment effort, additional points were given to applicants who passed the assessment and had language proficiency. Those with proficiency in the harder languages received a greater number of points. We do have several individuals on the register with Russian and Chinese, as well as several other languages. Our goal in giving language points was two-fold – 1) to save money by not having to language train and 2) to hopefully get candidates who would want to serve multiple tours over a period of time in the countries where they are language proficient. For example, someone with Russian can be sent out as a junior officer, become a PCO at a constituent post and then be assigned back at the Embassy as a senior officer. Someone off the register who must be language trained may only serve the initial tour in Russia and never want to go back. It will take a number of years to realize if we have achieved our goals.

5. Implement an automated personnel system in the Office of Foreign Service Personnel.

The Office of Information Systems is currently designing an automated system for OFSP. The Director, OIS is fully aware of this requirement and has committed resources to this project.

6. Explore, with ITA management, the consolidation of personnel functions that are common to the foreign and civil service personnel system.

ITA management remains committed to eliminating duplication in the ITA and US&FCS personnel functions and will continue to pursue opportunities for consolidation of functions.

7. Establish performance goals and related performance measures, in accordance with the Government Performance and Results Act, that

specifically define the results US&FCS expects of its Foreign Service personnel system.

This is underway. The Commercial Service is evaluating appropriate outcome measures and is working with the Department to determine what measures best suit OFSP/HRD functions.

8. Continue the practice of limited appointments as needed, until the reserve of FSOs in domestic assignments is increased.

We concur strongly with the audit's conclusion that limited appointments provide a vital means and flexible tool to meet our staffing requirements based on the needs of the service. We do suggest omitting the latter part of the commendation – "until the reserve of FSOs in domestic assignments is increased." The reference to domestic assignments is simply one among a number of objectives that can be served via use of the limited appointment authority. For example, as the reports notes "...limited appointments permit US&FCS management to respond to rapidly changing world market conditions by providing an additional resource base" (from which to draw for specialized skills and abilities).

9. Provide, through the course curriculum at the Commercial Service Institute or other vehicles, officers with sufficient training to meet the requirements of their job.

One of the first courses we are developing under CSI is the core competencies module. This will be mandatory training for officers in addition to training already provided. Our language training policy has always been to provide the necessary language training for the position. Unfortunately, the needs of the service require that officers sometimes must proceed to post before they have achieved the required proficiency of their position. This is a management decision. It is interesting to note, however, that our experience has been that officers are often in fact the ones who want to proceed to post – with or without the language proficiency in order to begin work.

10. Inform officers of the implementation schedule for the Performance Appraisal Task Force recommendations, including changes to the human resources functions.

We will prepare an updated message to the field on the status of the recommendations. Once the new Senior Advisor and Assignments officer are in place, we will send a message to the field to describe their functions.

RECOMMENDATION – Page 26 – Economic Basis for Domestic Resource Allocation Under Review

- C. We recommend that the Assistant Secretary and Director General for the U.S. and Foreign Commercial Service ensure that the US&FCS considers the findings of the General Accounting Office audit to update the Domestic Resources Allocation Model for use as the objective analytical basis for the site selection process. US&FCS should fully document the site selection process resulting from the model.

We concur with the need to update our resource-allocation model, and we are currently revising this model. This revised model will be carefully tested, as earlier models were, and it will drive our base resource-allocation decisions, leaving a percentage of funds to be available for congressional and Administration priorities. As always, we would be pleased to discuss this largely qualitative model with the Office of the Inspector General.

We believe that the statement that "US&FCS officials were unable to provide any documentation of the criteria used to select these additional [satellite] sites" is misleading. As the report states, the locations of both USEACs and EACs were established using the 1995 resource-allocation model. Before offices were opened, an analysis of potential partners, the number of potential exporters and the availability of existing export assistance providers in that community was conducted. Decisions pertaining to USEAC and EAC locations involved input from US&FCS senior management; state and local government officials; other federal agencies and members of Congress. Additionally, Office of Domestic Operations management performed an analysis of all associated costs (rent, personnel, equipment, etc.) to ensure that no additional expenses would be incurred as a result of office relocation. In every case, the openings of USEACs or EACs saved resources by cutting lease costs as compared to the old District Offices.

We suggest that the sentence referenced above be changed to: "Within the core areas designated by the 1995 resource-placement model and after consulting with federal, state and local stakeholders, US&FCS senior management opened USEACs and EACs based on the needs of the local exporting community in areas that maximized the limited available US&FCS resources."