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In July 1971, three evaluation groups in the State Department were merged under the Inspector General, Foreign Service (S/IG) to: systematically evaluate the Department's activities, missions, and posts; help the Department attain its resource management goals by furnishing information, analyses, appraisals, and recommendations; evaluate the effectiveness and efficiency of policies and programs employed to attain objectives and goals; and evaluate the allocation and use of resources, including personnel, needed to support U.S. policies and programs. Findings/Conclusions: Prior to 1974, S/IG was not meeting its statutory mandate to inspect each diplomatic and consular post every 2 years. S/IG attributed the slippages mainly to a shortage in inspectors, but war or political conditions also caused deferrals of inspections. S/IG's efforts were also hampered by requirements that posts be inspected at least biennially and that Foreign Service officers be assigned to perform this function. The fact that Foreign Service officers act as inspectors for temporary tours of 2 years and then are reassigned to activities which they may recently have evaluated has negative aspects. Evaluation of foreign service personnel is an operational function which should not be performed by internal review groups like S/IG. The Department's payment of

special allowances to inspectors based on absences from their residences for more than 30 days was questioned.

Recommendations: The Congress should amend the Foreign Service Act to eliminate the requirements for biennial inspections and for detailing Foreign Service officers to the Office of the Inspector General. The Secretary of State should: direct the Inspector General to revise its inspections to emphasize to a greater extent broad, overall audits of programs, functions and activities; require the Inspector General to tailor assignments to those programs, functions, and activities considered most important; relieve the Office of the Inspector General of the responsibility for evaluating the performances of personnel assigned to posts and offices under inspection; and analyze the composition of the Inspector General's operations in terms of type of personnel and the duration of their assignments. (RRS)

BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

State Department's Office Of Inspector General, Foreign Service, Needs To Improve Its Internal Evaluation Process

The Inspector General, Foreign Service, is the internal evaluator of the Department of State. His reports, however, do not deal with the important issues in sufficient depth. Among the reasons for the reports' inadequacy were requirements of the Foreign Service Act that (1) each U.S. diplomatic and consular establishment be inspected at least once every 2 years and (2) Foreign Service Officers be detailed to the inspector position.

This report contains recommendations to the Congress for changing applicable legislation to help improve the Inspector General's evaluations and resulting reports.





COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-134192

To the President of the Senate and the
Speaker of the House of Representatives

This report, which resulted from a GAO-initiated review, discusses the need for changes in the legislation and basic policies under which the Department of State's Inspector General, Foreign Service, operates.

The review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Copies of this report are being sent to the Director, Office of Management and Budget, and to the Secretary of State.

James B. Stroh
Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

STATE DEPARTMENT'S OFFICE OF
INSPECTOR GENERAL, FOREIGN
SERVICE, NEEDS TO IMPROVE ITS
INTERNAL EVALUATION PROCESS

D I G E S T

Essential changes must be made in the Foreign Service Act of 1946, as amended, if the State Department's Office of the Inspector General, Foreign Service, is to have the flexibility it needs to improve its evaluation processes. The Inspector General also needs to revamp organizational and operating concepts and priorities to enable him to make more intensive evaluations of departmental activities. Notwithstanding some good performance with limited staff resources, State needs to improve its internal evaluation process.

GAO found that:

- The Inspector General attempts to conduct across-the-board evaluations at each post at least biennially and to cover such a broad range of functions at each post that the staff is sometimes spread too thin to do a thorough analytical job.
- These efforts are hampered to some degree by the limited staff and the requirements that (1) diplomatic and consular posts be inspected at least biennially and (2) Foreign Service Officers be assigned or detailed to perform this function.
- The Inspector General is responsible for evaluations of economic, commercial, and political affairs as well as more traditional audit functions involving budget and finance, administration, and general services. His staff is composed of top-level Foreign Service Officers serving 2-year tours and auditors with longer tenure.
- The fact that Foreign Service Officers are detailed as inspectors for temporary tours

of 2 years and then reassigned to activities which they may recently have evaluated has negative as well as positive aspects. On the one hand, the Foreign Service Officer has extensive experience in the foreign affairs area, but on the other hand, this same experience could lead the officer to accept present operating methods without raising questions that might occur to an independent observer. Moreover, this relatively short tenure does not contribute to effective planning and performance.

--The Inspector General also evaluates the performance of foreign service personnel. The staff then prepares reports which cover each evaluated officer's supervisory functions, personal performance, and promotion potential. This is an operational function which should not be performed by internal review groups.

--GAO questioned the Department's payment of a special allowance to its inspectors based on their absences from their residences for periods of more than 30 days while making inspections of U.S. diplomatic and consular establishments. GAO's position is that payment of the allowance is not specifically authorized by statute, the "emergencies" appropriation from which the payments are made does not specifically state that it is for the allowance, and the payments do not arise from conditions that may fairly be characterized as either unforeseen or an emergency.

GAO recommends that the Congress:

--Amend the Foreign Service Act to eliminate the requirements for (1) biennial inspections of each diplomatic and consular post and substitute a more flexible interval and (2) detailing Foreign Service Officers to the Office of the Inspector General.

GAO recommends that the Secretary of State:

- Direct the Inspector General, Foreign Service, to revise its inspections to emphasize to a greater extent broad, overall audits of programs, functions, and activities rather than audits focusing principally on individual foreign posts.
- Require the Inspector General to tailor assignments to those programs, functions, and activities considered most important, thereby permitting his inspectors discretion to delve more deeply into those areas.
- Relieve the Office of the Inspector General of the responsibility for evaluating the performances of personnel assigned to posts and offices under inspection so that inspectors could focus more completely on their regular inspection functions. The officer performance evaluations would then be performed by the officers' supervisors under the Department's basic personnel evaluation process.
- Analyze the composition of the Inspector General's operations in terms of the type of personnel and the duration of their assignments with a view that the internal evaluation group should--to the maximum extent possible, consistent with the Department's operations--be comprised of personnel with substantial education and experience in managerial and operational auditing and analysis.

GAO believes that the recent enactment of the Inspector General Act of 1978 serves to emphasize the importance the Congress places on establishing competent, independent, and objective internal audits and inspection units in the various departments and offices and that the recommendations in this report will help achieve the objectives sought by the Congress.

GAO also affirms the position, taken in its July 27, 1977, letter to the Secretary of State, that payment of a special allowance to Foreign Service inspectors violates existing statutes, is not specifically authorized by law, and therefore should be discontinued. If the Department of State is convinced that the special allowance is justified, it should seek legislative authority for the allowance. (See pp. 26 and 27.)

The Department did not agree with the thrust of GAO's conclusions and recommendations. There is a basic difference between the Department and GAO on the role and function of the Office of Inspector General, how the office should be organized to do its work, and the types of people the Office should employ. The Department's comments and GAO's evaluations are included in appropriate sections of the report body and in appendix V. The text of the Department's comments is included as appendix IV.

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ABBREVIATIONS

COR	conduct of relations
FSO	Foreign Service officers
GAO	General Accounting Office
IER	inspector evaluation reports
IGA	Inspector General, Foreign Assistance
OER	officer evaluation report
S/IG	Inspector General, Foreign Service

CHAPTER 1

INTRODUCTION

In December 1969 we reported (B-160759, Dec. 16, 1969) on the internal audit activities of the organizational unit called the Audit Program of the Office of the Deputy Assistant Secretary for Budget, Department of State. At that time we did not examine the external audit functions of the Audit Program or the functions of State's other internal review organizations, the Foreign Service Inspection Corps and the Management Staff.

In July 1971 the three evaluation groups were merged under the Inspector General, Foreign Service (S/IG) to (1) systematically evaluate the Department's activities, missions, and posts, (2) help the Department attain its resource management goals by furnishing information, analyses, appraisals, and recommendations, (3) evaluate the effectiveness and efficiency of policies and programs employed to attain U.S. objectives and goals, and (4) evaluate the allocation and use of resources, including personnel, needed to support U.S. policies and programs.

With rank administratively equivalent to an assistant secretary, the Inspector General serves under the direct supervision of the Deputy Secretary and the Secretary and receives day-to-day guidance from the Deputy Under Secretary for Management.

Initially S/IG consisted of three divisions--overseas evaluation, domestic and functional evaluation, and audit and administrative evaluation. Although the merger resulted in somewhat closer coordination of inspections and audits, there was still some duplication because inspections and audits were made by separate teams at different times and each division issued its own reports.

S/IG had planned to review U.S. policy objectives more closely and to evaluate management, organization, resource allocation, and functional performance; but by June 1973, it had not attained those objectives and was reorganized again in July 1973. The separate divisions were eliminated and replaced by conduct of relations (COR) teams comprising two to three foreign service inspectors and generally one auditor. The foreign service inspectors examine economic, commercial, and political affairs and related policies, programs, and objectives. The auditors generally review budget and finance, administrative, and general service activities.

The team then issues a single report comprising various memorandums covering all aspects of the inspection.

COR inspections are made under section 681 of the Foreign Service Act of 1946 (22 U.S.C. 1036), which requires that the work of the U.S. diplomatic and consular establishments be inspected in a substantially uniform manner at least once every 2 years.

S/IG's guidelines provide for the inspection of all activities at a post, including (1) management and organization, (2) political, (3) labor, (4) economic and commercial, (5) consular, (6) international educational and cultural exchange, (7) administrative, (8) personnel, (9) budget and fiscal, (10) general services, and (11) communications and records. The administrative affairs area breaks down into 15 separate operations, such as personal property management, procurement, real property and lease administration, consular fee processing and control, employee associations, overseas school programs, and binational commissions. The inspectors also prepare evaluations on personnel involved in the functions they inspect. To the extent possible COR inspections are organized around geographic offices in regional bureaus. Inspections begin in Washington where inspectors spend up to 3 weeks conducting interviews, reviewing appropriate documents and records, and determining the key questions and issues of the inspection before visiting all posts in the geographic areas being examined.

At June 30, 1976, U.S. diplomatic and consular activities were being performed at 131 Embassies, 70 consulates general, 49 consulates, 12 missions (in both the United States and foreign countries), 3 Embassy branch offices, 2 liaison offices, and 14 consular agencies. The Department's five geographic bureaus (Africa, East Asia and the Pacific, Europe, Latin America, and Near East and South Asia) are included in the inspections of particular countries within each bureau. S/IG is also responsible for inspecting the 12 functional bureaus headquartered in Washington and their related offices. State also has 10 passport agencies, 4 dispatch agents, 5 reception centers, and 9 security field offices located in 13 cities.

Under the Mutual Educational and Cultural Exchange Act of 1961, as amended (22 U.S.C. 2451 et seq.), the Bureau of Educational and Cultural Affairs awarded grants or contracts to more than 160 organizations during fiscal year 1976. S/IG was responsible for auditing grantees' compliance

with the terms of the grants and contracts. However, that responsibility was transferred, effective April 1, 1978, to the newly created International Communications Agency which assumed the functions of the Bureau of Educational and Cultural Affairs.

As of March 31, 1978, the Office of the Inspector General, Foreign Service, had an authorized complement of 66 regular positions of which 64 were filled. In addition, six other Foreign Service officers (FSOs), one FSO-1 and five FSO-3s, were attached to S/IG pending reassignment. An analysis of the 64 regular positions occupied as of that date is shown in the following table.

	<u>Management and administrative</u>	<u>Field inspectors</u>	<u>Total</u>
Foreign Service officers:			
FSO-1	3	11	14
FSO-2	1	7	8
FSO-3	1	9	10
FSO-4	<u>1</u>	<u>0</u>	<u>1</u>
Total	<u>6</u>	<u>27</u>	<u>33</u>
Audit-qualified inspectors:			
RU and FRs	1	1	2
RU3	-	7	7
GS-14	-	1	1
FR-4	-	<u>9</u>	<u>9</u>
Total	<u>1</u>	<u>18</u>	<u>19</u>
Secretarial and administrative staff:			
FR-06	1	-	1
GS-10	3	-	3
GS-9	1	-	1
GS-7	4	-	4
GS-6	1	-	1
GS-5	<u>2</u>	-	<u>2</u>
Total	<u>12</u>	-	<u>12</u>
	<u>19</u>	<u>45</u>	<u>64</u>

Prior to 1974 S/IG was not meeting its statutory mandate to inspect each diplomatic and consular post every 2 years. In 1971, for example, inspections of 24 posts in 8 countries were made 7 to 25 months after the 2-year interval had expired. In 1972 inspections of 20 posts in 7 countries were made 7 to 18 months late, and in 1973 inspections of 15 posts in 7 countries were 9 to 12 months late.

S/IG attributed the slippages mainly to a shortage of inspectors, but war, as in Lebanon, or political conditions, as in Italy, can also cause deferrals of inspections. According to S/IG, additional staff resources were applied to COR inspections in 1974, and every post has been inspected on schedule since, except for Beirut, Lebanon and Vientiane, Laos, where revolution and war forced postponements.

During calendar year 1976 COR inspections were made in 79 countries which, along with the respective Embassies, also included 38 consulates general, 17 consulates, and 6 other offices.

COR inspection reports consist of two main parts, a report proper and accompanying memorandums. The report proper consists of a summary covering (1) introductory material, (2) an overview of U.S. relations with the country, (3) policies governing those relations, (4) the effectiveness and efficiency of the principal officer's management of U.S. interests, resources, and policies, (5) resource data, and (6) recommendations. The memorandums are prepared on the major functions at each post and vary according to the nature and extent of activity in the country.

The number of countries visited does not necessarily mean that the same number of reports will be issued. In some instances a single report will cover a cluster of countries inspected during the same period. Examples include the 1975 report on West Africa, which covered about 15 countries, and the 1976 report on France, Malta, Spain, and Portugal.

Audit reports were issued also during calendar year 1976 on 17 organizations which receive grants under the Mutual Educational and Cultural Exchange program.

We were satisfied that, when an inspection in any country was undertaken, all U.S. diplomatic and consular posts in the country were inspected. We were also satisfied that recommendations in S/IG reports, especially disputed ones, were generally referred to high levels for review.

The costs of operating the S/IG organization amounted to \$2.6 million in fiscal year 1976 (transition quarter included) and \$3.2 million in 1977, and the costs for 1978 are estimated at \$3.3 million. These amounts include travel, equipment, utilities, supplies, and personnel salaries and allowances, but they do not include the costs of the special inspectors' allowance discussed in chapter 5.

SCOPE OF REVIEW

We reviewed (1) numerous reports and related working papers and (2) various laws pertaining to the consular and diplomatic services and the Foreign Service and applicable legislative histories.

We interviewed (1) a substantial number of Foreign Service inspectors in the Office of the Inspector General, and (2) the executive directors of numerous State Department geographical and functional bureaus.

Selected inspection reports and related travel records were examined to ascertain whether all foreign posts were being inspected every 2 years as required by law.

We tested applicable records to ascertain whether report recommendations are being complied with or referred to higher levels in cases of disputes or when otherwise appropriate.

CHAPTER 2

GREATER EMPHASIS NEEDED ON ESSENTIAL ISSUES

Conduct of relations inspection reports issued by the Office of the Inspector General, Foreign Service, are generally not very substantive in that they do not deal in sufficient depth with essential issues.

In our opinion, the reports lack indepth discussion of the issues because (1) the law requires that each foreign post be inspected at least once every 2 years and (2) exceedingly broad coverage is attempted at each inspection. As a result, essential issues are not analyzed in depth.

Our views concerning the need for more substance in S/IG reports were substantiated to a large degree in discussions with the executive directors of a number of the Department's geographical and functional bureaus. Some of the views expressed were that (1) inspection reports are of minimal value to the bureaus because they are too superficial, (2) inspectors try to cover too many areas, but they don't cover any of them in depth, and (3) the information in the reports is generally outdated and most likely has been received at the bureau via regular day-to-day communications.

Following are summaries of two of the reports we reviewed that were typical of S/IG reports. One concerns the economic/commercial functions at an Embassy, and the other is about the consular operations at an Embassy.

ECONOMIC/COMMERCIAL REPORT

A report on the economic/commercial section at one Embassy contained numerous factual and evaluative comments on the staffing, experience, dedication, and competence of personnel in the section. It also mentioned that five officers were engaged mainly in economic reporting on a wide range of subjects of keen interest to the United States, including transportation, communications, energy, minerals and mining, fisheries, law of the sea, foreign assistance, and finance. But aside from merely mentioning these essential matters the report gave them no further attention.

We do not discount the value of the report's comments concerning the personnel of the economic/commercial section and other administrative matters, but we believe the report's

primary emphasis should have been around one or more of the essential matters since they represent some of the section's basic activities.

The report would have been more useful and informative to Department management and provided a better insight into how the section was accomplishing its purpose if some of the essential matters had been evaluated from the standpoint of (1) how each fits in with overall U.S. interests, (2) specific projects or efforts being undertaken or planned, (3) actual or potential issues, problems, and controversies involved, (4) possible solutions, and (5) obstacles that might be impeding solutions.

The report also questioned the need for continuing the country commercial program, considering that the U.S. share of imports to the country was about 70 percent and as high as 90 percent in some categories. It recommended that the Department, together with the Commerce Department and the Embassy, reexamine the program to determine whether the effort being put into its preparation and execution, relative to results, justifies the program's continuation in its present form.

We believe that if the inspection had been designed to delve more deeply into the program, the inspectors might have been able to present additional facts that would have pointed to a firm recommendation to either curtail or totally abandon the program. On the other hand, an indepth review might have shown that the program should be continued in its present form.

CONSULAR REPORT

A report on the visa issuance services in the consular section of an Embassy emphasized that visa issuance and refusal had a strong impact on United States and host country relations; the report characterized as imperative the need to remove or reduce the irritations resulting from the visa requirement.

The report called for a more balanced allocation of resources to cope with the illegal alien problem, long waiting lines of visa applicants, minimal (3-minute) interview time per applicant, and certain procedures which encourage or facilitate fraud and misrepresentation. The report described the visa office staffing and characterized the work area as generally not appealing. It cited a need for improved

management and supervision in the visa office, suggested transferring the American secretary to the consul general's office to attain fuller personnel utilization, and suggested transferring eight cabinets of material from the classified vault to other areas to facilitate access to their contents by persons having need therefor.

The report's section on the nonimmigrant visa unit dealt primarily with the extremely heavy workload, low morale, adverse working conditions and space problems, limited interview time per applicant, working habits and attitudes of local employees, need for more staff, and other matters of similar importance.

Several matters of a more substantive nature were mentioned but so briefly as to indicate that little effort was made to analyze them in depth. One comment, for example, referred to disagreement over the relevance of documents presented by visa applicants. The genuineness and worth of documents purporting identity and other qualifications are essential in determining whether a visa should be issued. Because this was cited as a problem area, it appears that some intensive review and analysis was warranted so that appropriate conclusions could be drawn and recommendations made about whether documentation and evidence standards should be tightened or relaxed, regulations modified, or instructions to visa officers clarified to ensure more consistent application of standards.

To eliminate "corralling" of immigrant visa applicants for a whole day, the report suggested that appointments be scheduled and applicants be divided into morning and afternoon groups for medical examinations.

The inspection could have been designed as a comprehensive review of visa issuance and directed toward an analysis of the nature, extent, causes, and effects of problems. Such a review could serve to justify additional funds to improve working conditions and obtain additional personnel to better cope with the problems.

By addressing such essential issues, related problems, and underlying causes, instead of readily apparent symptoms only, S/IG inspections and reports could contribute more

substantially to improving the Department's functions and activities.

S/IG's regularly scheduled COR inspections are designed to focus on each post as the basic unit under review. Individual post lines are crossed, however, when specific functions or problems are inspected on a broad basis at the request of top management or the indication of congressional or public interest. Several of the executive directors whom we interviewed said that the requested reports were generally more informative and useful than the reports based on scheduled inspections.

STATE DEPARTMENT COMMENTS
AND OUR EVALUATION

The Department said that inspections on a country basis are needed to respond to the concerns of the President and the Secretary of State about how an ambassador is handling relations with the host country.

One of the principal criticisms of S/IG reports by executive directors we interviewed (see p. 6) was that information in those reports was outdated and probably had already been received in the Department via daily communications. Most importantly, however, we doubt that many of the kinds of matters reported on would warrant Presidential or Secretarial attention.

The Department said also that S/IG is already making functional inspections, including program results, and it referred to a 1977 evaluation of the consular function as an example.

Functional and regional inspections were not done as an integral part of regularly scheduled COR inspections which focus mainly on individual posts and during which the same fixed guidelines are applied year after year.

The report on an evaluation of the consular function, referred to in the Department's comments, was not initiated by S/IG as part of its regularly scheduled inspection process, but at the specific request of the House Committee on International Relations. We believe that the inspection process could be made more effective if inspections of that type were planned and regularly scheduled. Of course, it

might become necessary occasionally to review a particular post or country when emerging events or problems so warrant.

NEED FOR ELIMINATION OF STATUTORY
REQUIREMENT FOR BIENNIAL INSPECTION
OF FOREIGN POSTS

Section 681 of the Foreign Service Act of 1946, as amended (22 U.S.C. 1036), requires the Secretary of State to assign or detail Foreign Service officers to inspect, in a substantially uniform manner at least once ever 2 years, the work of the diplomatic and consular establishments of the United States.

The requirement for biennial inspections was first imposed by section 4 of the act of April 5, 1906 (ch. 1366, 34 Stat. 99), which, among other things, reorganized the consular service and created a consular inspection corps of five officers to inspect each consular office at least once every 2 years.

It was enacted at a time when certain undesirable practices had crept into the consular service. One such practice, for example, stemmed from the fact that consular officers received no Government salaries, although they were permitted to keep the fees they collected. However, those officers stationed at consulates where very little commercial business was transacted were barely able to subsist; as a result, some of them engaged in businesses, including the practice of law, on their own accounts. To eliminate such practices the 1906 act, among other things, provided salaries for consular officers and required that the fees they collected be covered into the Treasury and accounted for.

Also at the time, the Department had no means of knowing whether the consul at any station was doing his work properly, except from information which casually found its way to the Department from letters or conversations of American travelers.

To ensure that fee collections would be properly accounted for, the Congress created the inspection service to "inspect consulates just as national banks are inspected by bank examiners, and [inspectors] may be put in charge of consulates which are going wrong, just as bank examiners are put in charge of banks that go wrong."

The requirement was retained by the act of May 24, 1924 (ch. 182, 43 Stat. 140), which, among other things, combined the diplomatic and consular services into a single Foreign Service, and provided for the detailing of Foreign Service officers for purposes of inspection.

The legal requirement for biennial inspections of each diplomatic and consular post imposes severe demands on the inspection staff. S/IG's limited staff resources are under constant pressure to complete assignments on schedule so that all posts can be inspected every 2 years. As a result, indepth analyses of problem areas cannot be made. During our interviews with inspectors, we were told that sometimes they had time to merely point out potential problem areas to post officials and suggest they study and correct such situations.

On the basis that the number of persons employed is a fair indication of the nature and extent of U.S. interests and activity in a country, we believe that the volume and complexity of such interests and activities at some lesser posts may not warrant inspection every 2 years. Data obtained from State's Budget Office showed that as of September 30, 1977, Americans and local nationals employed at U.S. Embassies and consulates ranged from a high of almost 800 in West Germany to a low of 4 in several countries. The Department employed 20 or fewer persons in 24 countries and 10 or fewer in 12 of the 24 countries. We believe that, under normal conditions, biennial inspections of U.S. diplomatic and consular posts in such countries would not be warranted. Conversely, we believe it is highly desirable to permit flexibility in programing work so that S/IG's limited resources may be more effectively used to inspect those areas needing greatest attention. The Department advised us that it adjusts the size of the audit team to the project.

INSPECTION COVERAGE IS TOO EXTENSIVE

Inspectors have many areas to cover during COR inspections. S/IG guidelines cover 10 specific areas, encompassing (1) management and organization, (2) political affairs, (3) labor matters, (4) economic/commercial affairs, (5) consular affairs, (6) administration, (7) personnel, (8) budget and fiscal, (9) general services, and (10) communications and records. Inspectors also evaluate performances of certain personnel. (See ch. 4.) In addition, where applicable, inspections are made of such activities, as the Narcotics Suppression Program and employee associations and related funds. This extensive diversity of activities, functions, and programs to be inspected leaves little chance that any one will be analyzed in depth.

By using inspection guidelines that provide for inspections of the same areas in the same way year after year, S/IG is, in effect, restricting its regularly scheduled inspections and inhibiting innovative approaches to the inspection process. The restriction is virtually guaranteed by the tight schedules under which inspections are made and the hurried pace at which the specified areas must be covered.

Further contributing to overly extensive inspection coverage is S/IG's interpretation of that part of section 681 of the Foreign Service Act which provides that the diplomatic and consular establishments are to be inspected "in a substantially uniform manner." S/IG has interpreted the term as requiring virtually the same extent of coverage at each post inspected. Consequently, each area in the guidelines is covered at each post, where applicable, during each inspection.

The term was initially inserted into Foreign Service legislation by the act of February 23, 1931 (ch. 276, 46 Stat. 1207), which dealt mainly with grading, classification, and compensation of Foreign Service clerks and with problems in the implementation of the act of May 24, 1924, which combined the diplomatic and consular services. The legislative history of the act of February 23, 1931, however, contains no specific indications of what the Congress intended the term to mean. The term was included, also without explanation, in the current law, the Foreign Service Act of 1946, as amended.

In light of the circumstances which led to passing the act of February 23, 1931, it seems more likely that the inserted language was intended to eliminate differences between the way diplomatic posts were being inspected and the way consular posts were being inspected.

We do not believe that the Congress intended to make the inspection process so rigid as to deny the Inspector General the flexibility to probe into areas that need to be inspected and to postpone inspections of those where problems may not exist or which have lower priority.

STATE DEPARTMENT COMMENTS AND OUR EVALUATION

The Department said that its primary task is to advise top management about whether embassies and other posts abroad and regional and functional units are performing their work in a way that will enable the Department to carry out its primary mission. We agree with this statement of purpose,

which is fundamental to the existence of any internal evaluation group. We are not convinced, however, that the evaluative methods that S/IG employs can always contribute to the making of such substantial determinations.

State said also that because its functions and activities are unique, S/IG's role and the roles of other Federal agencies' evaluation groups are not comparable. All agencies' functions and activities are unique to a greater or lesser extent; that is why different agencies exist. We cannot agree, however, with the notion, implied in the Department's response, that such differences warrant an essentially different evaluation approach. Of course, specific procedures and methods employed must be tailored to fit the situation at hand, but the basic approach to effective management evaluation stems from the same fundamental concepts and principles that apply to all agencies.

DOMESTIC INSPECTIONS

Because State considers the management of U.S. foreign relations as its most important responsibility, inspection priority is given to posts abroad and the related geographic bureaus and offices in Washington. The legal requirement for biennial inspections of every overseas post also contributes substantially to this priority ranking. Consequently, staff resources required for COR inspections are scheduled first, and any remaining available staff are assigned to domestic inspections.

Very little attention was given in the past to the inspection of the Department's domestic bureaus and offices. Until 1975, domestic inspections were not regularly scheduled; they were performed at special request of top management or on the basis of congressional or public interest. During 1971-74 a total of 25 domestic inspections were made: 1 in 1971, 5 in 1972, 9 in 1973, and 10 in 1974. In 1975 and 1976, domestic inspections increased steadily when 11 and 13 were done, respectively.

A June 1975 internal evaluation report on S/IG noted that under its priorities system, about 75 to 80 percent of S/IG's expenses, excluding salaries, were devoted to COR inspections in 1974. We were told that, based on scheduled staff-days, about 42 percent of the inspectors were assigned to domestic inspections in 1976. From staffing and inspection schedules established for 1976, we estimate that about 68 percent of S/IG's inspector field staff resources (6,400 staff-days) were used on COR inspections and 32 percent (3,000 staff-days) on domestic inspections.

S/IG has now identified 46 principal organizational units in the Department as subject to domestic inspection and plans to inspect each unit over a 4-year period. Such a schedule would require assigning the equivalent of about 10 inspectors to domestic inspections, assuming that S/IG's estimates of staff time needs are reasonable. The 46 units include all segments of State's organization except such high-level policymaking offices as the immediate Office of the Secretary, Deputy Secretary, Under Secretaries for Political and Economic Affairs, and the Counselor of the Department. Several other small offices are not inspected separately but are included in other inspections.

Any assessment concerning the reasonableness of S/IG's estimated domestic inspection staffing requirements would depend on whether the proposed staffing allocations would permit indepth analyses of the results of ongoing functions and activities (in addition to determinations of efficiency and economy, adequacy of controls over funds and other resources, and compliance with applicable laws and regulations), and result in the issuance of meaningful reports.

STATE DEPARTMENT COMMENTS
AND OUR EVALUATION

The Department said that in 1975 it reviewed the requirement for biennial inspections of overseas posts and proposed to the Office of Management and Budget that the requirement be eliminated. The legislative proposal was dropped, however, when the Department concluded that the information in S/IG reports was essential to management decisions, that it was no longer current after a year, and that after two budget cycles circumstances had usually changed sufficiently to need inspection. Moreover, the Department stated that the requirement for biennial inspections tended to allay criticism that a post may be singled out for more or less frequent inspections. We believe that substantially more flexibility in scheduling inspections would permit inspectors to concentrate on problem areas and that management would benefit through

- more meaningful reporting;
- less frequent inspection of posts;
- less travel, thereby saving costs and strain on inspectors and their families; and
- shifting of resources to inspections of programs and activities which had been given little or no attention in the past.

The existing system, under which all activities of a post are inspected every 2 years, contributes to hurried inspections that do not address the underlying causes of the problems identified in the activities reviewed.

The Department said also that S/IG is under constant pressure to continue reviewing all functions at diplomatic and consular posts and that as a result, inspection teams can delve deeply into specific functions only if they have reason to believe that a problem exists.

S/IG inspections are carried out under a fixed set of inspection guidelines which specify the areas to be covered. (See p. 11.) Inspection schedules are very tight, and time constraints do not permit substantial diversions into areas not covered by the guidelines. Our review showed that no effort was made to review problem areas in depth even when they were identified.

As a case in point, inspectors noted that the nonimmigrant visa refusal rate in a certain country varied widely at constituent posts, ranging from less than 2 percent to 23 percent. The inspector speculated that the condition could have resulted from the application, by visa officers, of substantially different standards. Instead of either reviewing the situation in depth, or recommending that a separate, broad-based, indepth review be undertaken, the inspectors recommended that the Embassy request and the Department approve funds for a meeting of consular officers in the host country to discuss the standards applied in the nonimmigrant visa operation.

The Department characterized as understandable our finding that inspection reports give limited treatment to certain functions at certain posts.

The Department's comment substantially understates our finding which was that limited inspection treatment was generally the rule for most functions covered during regularly scheduled inspections.

CONCLUSIONS

We believe that S/IG should substantially reduce the number of areas covered during each COR inspection and concentrate on more indepth, analytical examinations. S/IG reports, in our opinion, could be more substantive in content and thereby more meaningful if more inspections were geared toward selected functions and activities on a regional or

worldwide basis, as appropriate and feasible and if, in addition to determining economy and efficiency, inspectors also evaluated the results of ongoing functions and activities.

The statutory requirement to inspect each diplomatic and consular post at least once every 2 years prevents the Inspector General, Foreign Service, from undertaking, as a general practice, the selective analytical examination of programs, functions, and activities on a regional or worldwide basis.

The evolution of auditing concepts since World War II has shifted the emphasis of internal auditing away from the narrow role of verifying primarily finance-related transactions in favor of the broader based managerial and operational auditing and the use of auditing resources in the areas of greater volume and complexity. For these reasons we believe the requirement for biennial inspection at all posts is obsolete and should be abandoned.

RECOMMENDATION TO THE CONGRESS

Section 681 of the Foreign Service Act of 1946, as amended, should be amended to eliminate the requirement for an inspection of each diplomatic and consular post at least once every 2 years and to substitute therefor a more flexible inspection interval, such as 2 to 5 years, which would permit the Inspector General, Foreign Service, to revise the inspection interval for each post based on his knowledge of the type and extent of activities at each post and the importance of each post to overall U.S. interests.

RECOMMENDATION TO THE SECRETARY OF STATE

The Inspector General, Foreign Service, should be directed to revise its inspections to emphasize to a greater extent broad overall audits of programs, functions, and activities rather than to focus principally on the inspections of the individual posts, and should be required to tailor assignments to those programs, functions, and activities considered most important, thereby permitting his inspectors to delve more deeply into those areas.

CHAPTER 3

INDEPENDENCE AND GRADE STRUCTURE

OF THE INSPECTION CORPS

TEMPORARY DETAILING OF FOREIGN SERVICE OFFICERS AS INSPECTORS CREATES DOUBT AS TO THEIR INDEPENDENCE

In most instances, Foreign Service Officers detailed to S/IG serve for 2 years and then are reassigned to Foreign Service duty. The use of Foreign Service Officers as inspectors is required by section 681 of the Foreign Service Act of 1946, as amended (22 U.S.C. 1036), which states in part that:

"The Secretary shall assign or detail Foreign Service Officers as Foreign Service inspectors to inspect in a substantially uniform manner and at least once every two years the work of the diplomatic and consular establishments of the United States. * * *"

The provision initially became a part of foreign service legislation with passage of the act of May 24, 1924 (ch. 182, 43 Stat. 140), and has been included in foreign service legislation since.

The fact that Foreign Service Officers are detailed as inspectors for temporary tours of 2 years and then reassigned to activities which they may have evaluated has negative as well as positive aspects. On the one hand, the Foreign Service Officer has extensive experience in the foreign affairs area, but on the other hand, this same experience could lead the officer to accept the present operating methods without raising questions that might occur to independent observers. The likelihood and the awareness that an inspector will later become one of the inspected officers in a new role as an Ambassador, deputy chief of mission, political officer, or economic/commercial officer could constrain him from reporting as candidly as he otherwise might. These circumstances and the inspectors' own close relationships with the Foreign Service and its functions tend to dilute their independence and lessen others' confidence in the completeness and objectivity of their inspections and reporting. It is important, not only that auditors (including inspectors) be independent and impartial in fact, but also that others consider them so.

Also, it takes time and constant exposure to develop and retain the skills, knowledge, techniques, inquisitiveness, and healthy skepticism that are essential qualities

of a competent auditor-inspector. The 2-year tours of Foreign Service officer inspectors are too brief to adequately develop and retain these essentials, and the benefits of the learning process are lost to the inspection function when the officer returns to regular foreign service duty.

STATE DEPARTMENT COMMENTS
AND OUR EVALUATION

The Department considered it unfortunate that our report does not go beyond the theoretical analysis of the independence issue.

The matter of independence or lack thereof is one which cannot be proved conclusively either way. However, an auditing and evaluating organization should be so constituted that it should not be subject to question concerning its objectivity and independence.

In our opinion, it is not likely that, during their brief 2-year tours as inspectors, Foreign Service officers could sufficiently separate themselves from the individual and institutional ties that have been established during careers spanning 20 years and more. Moreover, career goals could not be adequately associated with such tours as to generate enthusiasm for the assignment. This is not to impugn the integrity of the individuals involved; rather, it recognizes inherent human tendencies that develop during such special relationships over long periods.

The Department also commented extensively on the perceptions of officials of inspected units who purportedly had expressed reservations concerning the quality of the auditors' work. Efforts by S/IG to meet such criticisms include: (1) rotating the auditors after 5 years to Foreign Service assignments to obtain practical experience and (2) providing administrative training courses to increase their technical knowledge of the functions they inspect.

We believe that when circumstances so warrant, Foreign Service officers could be called on to participate on the audit team, but the control and responsibility for conduct of the audit should remain in the Inspector General.

In discussing the possibility of extending the tours of Foreign Service officer inspectors to more than 2 years to provide more continuity, Department officials said that this would be unacceptable on the basis that the extensive travel involved and the prolonged family separations would be difficult to endure for more than 2 years. Auditors, who travel overseas as extensively as the Foreign Service

officer inspectors, are expected to complete 5-year tours before reassignment.

We believe our recommendation for eliminating the requirement for biennial inspections of each post would substantially alleviate this problem by reducing the need for such extensive travel.

THE GRADE STRUCTURE OF THE INSPECTION CORPS IS HIGH

The Foreign Service officers on the S/IG staff are a highly paid group. As of March 31, 1978, S/IG had 33 Foreign Service officers in its organization with the following grades or equivalent: 14 FSO-1s, 8 FSO-2s, 10 FSO-3s and 1 FSO-4. Each of the 14 FSO-1s and 2 of the FSO-2s were paid the maximum allowable salary, \$47,500. The salaries of the 6 other FSO-2s ranged between \$42,114 and \$44,922 and averaged \$43,284. The 22 FSO-1s and FSO-2s averaged \$46,350. The overall average salary of the 33 FSOs was \$43,190.

The salaries of the 19 audit-qualified inspectors in the organization at the same time ranged between \$26,889 and \$42,114 and averaged \$33,880.

We questioned the need for the extremely high proportion of supergrade Foreign Service officers, since we know of no other organization, internal review or otherwise, that has such a high ratio of supergrades at the working level. Moreover, the level of review and responsibility does not appear to warrant the current grade structure.

S/IG asserts that Foreign Service officers with broad experience in political, economic, commercial, and consular matters are the only ones qualified to effectively inspect those activities. In our opinion, an auditor or inspector does not necessarily have to be experienced in a technical area to raise valid questions about its management.

S/IG also contends that the prestige and influence of comparable rank are essential when inspection findings and recommendations are discussed with chiefs of missions.

The acceptability of findings and recommendations should be determined objectively on the basis of (1) accuracy, completeness, and relevance of the supporting facts, (2) reasonableness of the conclusions drawn from the facts, and (3) feasibility of implementing the recommendations. Comparability or disparity of rank between the inspector and the inspected should have no bearing on the issue. Moreover,

comparability of rank is achieved implicitly when supportable and reasonable findings and recommendations are issued in reports approved by the Inspector General.

One S/IG representative told us that S/IG had tried using lower grade officers on inspections but they were not as effective. However, he was not able to furnish documents or other specifics indicating when the experiment took place, what particular assignments and offices were involved, and what the deficiencies in their work were.

Broad experience in the functional or program area may be of value to the evaluator, provided he is also properly trained and oriented toward applying imaginative evaluation techniques and making objective, critical analyses. Such capabilities are essential prerequisites for effective evaluations, and they are acquired only with proper training and experience in the evaluation field.

Our review of S/IG reports showed that such evaluation techniques were noticeably absent, and we question whether operating experience, of itself, without appropriate background and training in making critical evaluations has contributed as much to effective inspections as S/IG contends.

STATE DEPARTMENT COMMENTS AND OUR EVALUATION

The Department said, among other things, that Foreign Service inspectors are selected on the basis of their skills and knowledge developed over years of operating and managerial experience. Upon selection, each new inspector is provided two training sessions devoted to interview techniques, report construction, and the practical elements of recognizing and describing management problems and bringing about action for improvement.

Training sessions alone do not produce proficient management auditors any more than college courses do. Proficiency in management auditing is acquired mainly through regular exposure in an on-the-job environment where the necessary skills and techniques are learned and further developed. Two-year terms for inspectors, in our opinion, are not of sufficient duration to allow the acquisition of skills essential to effective management review and analysis. We believe that, given the opportunity under the revised inspection to approach recommended in this report and needed access to essential data, qualified professional management auditors at less compensation could produce the kinds of meaningful reports that are needed from the Inspection Corps.

If managerial experience qualifies Foreign Service officers to be inspectors, then there would be no need for inspections or internal audits because the managers would then be able to identify problems, inefficiencies, and deviations from established rules as soon as or before they emerged. Under that premise no organization--public, private, profit, or nonprofit--would have a need for internal auditors or inspectors.

Auditing is a separate, specialized discipline, and the mere transplanting of persons from another separate, different discipline into a management auditing organization does not qualify them as auditors.

CONCLUSIONS

Because of the close and continuing relationships that Foreign Service officers have with the Foreign Service, valid questions emerge as to whether they can be independent as inspectors. Also, their 2-year tours as inspectors are too brief for developing and maintaining the necessary skills and techniques. Further, the skills that are acquired during the 2-year period become unavailable to the inspection process when the officer is returned to regular duty.

The grades of the Foreign Service officers in the Office of the Inspector General, Foreign Service, are unusually high. Supergrade officers are making field evaluations that could be done as effectively by persons of lower grades with education and experience in program and management evaluations.

RECOMMENDATION TO THE CONGRESS

The Congress should eliminate from section 681 of the Foreign Service Act of 1946, as amended, the requirement that Foreign Service Officers be detailed as inspectors.

RECOMMENDATION TO THE SECRETARY OF STATE

The Secretary of State should analyze the composition of the Inspector General's operations in terms of the type of personnel and the duration of their assignment with a view that the internal evaluation group should--to the maximum extent possible, consistent with the Department's operation--be comprised of persons with substantial education and experience in managerial and operational auditing and analysis. Under this concept, Foreign Service Officers could participate in selected examinations to which their specialized skills and experience could contribute toward more effective reviews.

CHAPTER 4

INSPECTORS' PARTICIPATION IN PERSONNEL

OPERATIONS SHOULD BE DISCONTINUED

Departmental regulations require inspectors to evaluate, as appropriate, the performance of Foreign Service personnel in the United States or abroad as directed by the Inspector General. In compliance with this regulation, inspectors prepare inspector evaluation reports (IERS) which cover each evaluated officer's supervisory function, personal performance, and promotion potential. Inspectors are also expected to furnish, to the extent possible, supplementary comments on performance and potential.

Before 1976, inspectors prepared IERS on all Foreign Service officers serving at overseas posts for more than 6 months and, optionally, for persons at post for 3 to 6 months. Estimates of the portion of inspectors' time needed to evaluate personnel and prepare IERS ranged from 20 to 50 percent of total inspection time.

Effective with inspections commencing in 1976, new guidelines were issued for S/IG evaluation of Foreign Service personnel. In the future, IERS were to be performed on officers in classes 2, 3, and 6 located in the Department and at foreign posts. This was intended to focus on those officers at critical stages of their careers, whose status warranted special attention as they became candidates for crossing the junior (FSO-6) threshold to the midcareer (FSO-5) level and to the senior levels (from FSO 3 and 2 to FSO 2 and 1, respectively). We were informed that, as a result of these changes, S/IG inspectors now spend about 10 percent of their time preparing IERS.

The basic personnel evaluation report on Foreign Service officers is the officer evaluation report (OER), prepared annually pursuant to the Foreign Affairs Manual (3 FAM 500) under guidelines developed by the Bureau of Personnel. Indications are, however, that OERs are not serving their intended purposes and that IERS are regarded as the acceptable evaluation reports.

A June 1975 S/IG internal evaluation report commented that:

"* * * a two to one majority of non-S/IG respondents are vocal that inspectors continue to prepare IERs on employees overseas. They stress that the Department's evaluation system has become almost useless.

"We also found a widespread dissatisfaction with the IER system and the feeling that something will have to change in the future."

That internal auditors should not participate in (as opposed to examine) operations is a well-founded and generally accepted principle.

The Comptroller General's principles, standards, and concepts for internal auditing in Federal agencies, prescribed under mandate of the Budget and Accounting Act of 1950, clearly state that internal auditing is a staff and advisory function, not a line-operating function, and that internal auditors should not be given direct operating responsibilities.

Standards for the professional practice of internal auditing, approved by the Board of Directors of the Institute of Internal Auditing in June 1978, state that:

"Internal auditors should not assume operating responsibilities. But if on occasion management directs internal auditors to perform nonaudit work, it should be understood that they are not functioning as internal auditors. Moreover, objectivity is presumed to be impaired when internal auditors audit any activity for which they had authority or responsibility. This impairment should be considered when reporting audit results."

A standard textbook on internal auditing 1/ states:

Page 7 - "* * * the work of the internal auditor needs to be detached from the regular day-to-day operations of the company."

1/Victor Z. Brink, James A. Cashin, and Herbert Witt, Modern Internal Auditing - An Operational Approach, Third Edition, Ronald Press.

Page 8 - "* * * the internal auditor is a staff man and that, therefore, he should not usurp the role and responsibility of other individuals."

Page 40 - "In terms of professional concepts such activities should be carried out by personnel of some regular operational group, the activities then being subject to appropriate later internal auditing review."

STATE DEPARTMENT COMMENTS
AND OUR EVALUATION

The Department said that our report appears to miss completely the point of S/IG's evaluating a representative portion of the Department's personnel resources, and that S/IG's evaluation of certain categories of personnel has enabled it to develop facts about and speak authoritatively on certain critical deficiencies in the Department's personnel system, such as

- the mismatch between requirements and available skills and the need for a more precise inventory, for improved recruiting practices, and for training programs;
- the weakness of the personnel evaluation system itself, which is not carried out effectively by supervisors; and
- assignment and training practices that fail to prepare officers for management tasks at the senior levels.

We agree that the above-cited objectives are proper for an Inspector General's review of the Department's personnel operations. But the rating by S/IG of individual officers at critical stages of their careers for the purpose of determining, in effect, whether they have the potential for further advancement and ultimately whether they will be retained in the Foreign Service is direct participation in the personnel operation and, as such, a violation of the premise that evaluation groups shall not participate in operations that they review. S/IG undertook an inspection of the Personnel Bureau in 1977. The specific selection for evaluation of officers at certain critical stages of their careers is not "a representative portion" of the Department's personnel resources.

We believe that officers' superiors, who have day-to-day contact with their subordinates for sustained periods, are in better positions to evaluate officer performance and promotion potential than are the inspectors whose contacts with such officers are very limited.

If, as the Department said, the regular personnel evaluation system is not being carried out effectively by supervisors, it then becomes S/IG's responsibility to find out what the weaknesses are, identify causes, make appropriate recommendations to bring that system up to an acceptable level, and eliminate the duplicative S/IG evaluations.

The Department also stated that travel by the inspection groups to each of the posts permitted an independent evaluation at minimum cost. While such a view is commendable, it does not appear that it should be the guiding factor in assigning this function to the Inspector General.

CONCLUSIONS

By permitting inspectors to make direct personnel evaluations via the IER process, S/IG directly participates in an operating function, and such participation is contrary to the basic premise that internal evaluation groups should not perform operational functions.

Further, we believe that if the Department's basic personnel evaluation process is not working satisfactorily, the Department has a responsibility to ascertain what the problems, causes, and effects are and to take corrective action. By installing a redundant personnel evaluation process while retaining the basic evaluation process, the Department is utilizing scarce inspector resources which could otherwise be engaged in proper inspection activities.

RECOMMENDATION TO THE SECRETARY OF STATE

The Office of the Inspector General, Foreign Service, should be relieved of the responsibility for evaluating the performances of personnel assigned to posts and offices under inspection so that inspectors could focus more completely on their regular inspection functions. The officer performance evaluations would then be performed by officers' supervisors under the Department's basic personnel evaluation process.

CHAPTER 5

SUPPLEMENTAL PAYMENTS TO INSPECTORS

SHOULD BE DISCONTINUED

In a letter dated July 27, 1977 (ID-77-46), to the Secretary of State, we questioned the State Department's payment of a special allowance to its inspectors based on absences from their U.S. residences for periods of more than 30 days while inspecting U.S. diplomatic and consular establishments. The payments were in addition to the maximum per diem allowed under Government travel regulations and were made from the "Emergencies in the Diplomatic and Consular Service" appropriation.

The Department justified the extra allowance on the grounds that, because of severe travel requirements (as many as 3 trips a year averaging about 10 weeks each), inspectors incur extraordinary expenses, including (1) costs of additional home insurance needed because their homes are vacant for extended periods, (2) lawn care, emergency repairs, and other home maintenance costs incurred during their extended absences, (3) travel costs of spouses to inspection sites, which are considered necessary to reduce strain on the family units during prolonged separations.

We also questioned the payments on two principal bases: (1) payment of the allowance violates 5 U.S.C. 5536 because the payments are not specifically authorized by law and the appropriation from which they are made does not specifically state that it is for the additional allowance and (2) the "Emergencies in the Diplomatic and Consular Service" appropriation is not available for the payments because they do not arise from conditions that may fairly be characterized as either unforeseen or an emergency. A copy of our letter is included as appendix I.

Specific statutory authority is an essential element of each benefit and allowance paid to Federal employees in foreign areas. Each benefit and allowance being paid to Federal Government employees overseas has as its authority a specific statute, but the special allowance here in question does not.

During this review our attention was directed to three reports, 1/ issued in relatively recent years, dealing with benefits and allowances paid to U.S. Federal employee overseas. In these reports, each benefit and allowance discussed was referenced to a specific section of the United States Code authorizing its payment. The inspectors' special allowance, however, was not mentioned in any of the three reports, presumably since such payments were made from the confidential fund of the Department of State.

In a letter dated November 2, 1977, to the Chairman, House Committee on Government Operations, the Assistant Secretary of State for Congressional Relations concluded that (1) payment of the inspectors' allowance is properly payable from the "emergencies" appropriation, and (2) the Department proposes to continue the payments unless the Congress objects. A copy of the Assistant Secretary's letter is included as appendix II.

We have evaluated the Department's letter and found no basis for modifying the position taken in our letter of July 27, 1977. A copy of our evaluation of the Department's reply is included as appendix III.

CONCLUSION

We affirm the position, taken in our July 27, 1977, letter to the Secretary of State, that (1) the inspection allowance is not specifically authorized by statute, and (2) the appropriation entitled "Emergencies in the Diplomatic and Consular Service" is not an authorized funds source for the payments. Accordingly, we also affirm our recommendation that payment of the allowance be discontinued. If the Department of State is convinced that the special allowance is justified, it should seek specific legislative authority for the allowance.

1/A Study Of Overseas Personnel Allowances, Differentials, And Benefits Granted To Federal U.S. Citizen Employees In Foreign Areas--Office of Management and Budget (June 5, 1973).

Fundamental Changes Needed To Achieve A Uniform Government-Wide Overseas Benefits And Allowances System For U.S. Employees (B-180403, September 9, 1974)--Comptroller General of the United States.

Report of the Inter-Agency Committee on Overseas Allowances and Benefits for U.S. Employees (June 1977).

CHAPTER 6

S/IG'S ASSUMPTION OF THE DUTIES AND

AUTHORITY OF THE INSPECTOR GENERAL,

FOREIGN ASSISTANCE

Section 124 of the International Development and Food Assistance Act of 1977 (Public Law 95-88, Aug. 3, 1977), abolished the Office of the Inspector General, Foreign Assistance (IGA) and authorized the President to (1) assign to S/IG any of the duties and responsibilities presently vested in IGA and (2) allow S/IG to exercise such authorities, previously granted the IGA, necessary for S/IG to carry out the reassigned duties and responsibilities. These provisions took effect on July 1, 1978.

The changes made by Public Law 95-88 were prompted by the Senate Foreign Relations Committee's finding that the IGA was not effectively performing the functions for which it was created. Specifically, the Committee found the quality of the IGA reports to be uneven and too frequently focused on issues of low priority rather than those of substance and importance.

S/IG's early plan contemplated that S/IG would (1) make audits and inspections of the Agency for International Development, Overseas Private Investment Corporation, the Inter-American Foundation, Public Law 480 programs, and the Peace Corps and (2) increase its inspection staff by about 30 persons, most likely Foreign Service officers recruited from within the Department. None would be selected from the former IGA staff.

Executive Order 12066, signed by the President on June 29, 1978, assigned to the Inspector General, Foreign Service, the duties and responsibilities previously vested in the Inspector General, Foreign Assistance, by section 624 of the Foreign Assistance Act of 1961, as amended (22 U.S.C. 2384 (d)). Certain limiting provisions of the order, however, modified the reassigned duties and responsibilities. The Inspector General, Foreign Service, was directed to concentrate on matters of substantial and direct impact on the Secretary of State's responsibilities under section 622(c) of the Foreign Assistance Act. Under that section the Secretary of State is responsible for:

"* * * the continuous supervision and general direction of economic assistance, military

assistance, and military education and training programs, including but not limited to determining whether there shall be a military assistance (including civic action) or a military education and training program for a country and the value thereof, to the end that such programs are effectively integrated both at home and abroad and the foreign policy of the United States best served thereby."

Also, the authority to suspend all or a part of any project or operation is to be exercised only with the specific consent of the Secretary of State and under regulations to be prescribed by him which, when practical, would afford the head of an agency, whose programs are subject to Inspector General review, a reasonable opportunity to take corrective action before any suspension takes effect.

However, we have been informed by State Department officials that the Department has no plans for its Inspector General to assume the reassigned duties because a funds reprogramming request, which would have provided the Inspector General with the personnel needed to perform the reassigned duties, was denied by the Senate Appropriations Committee.

CONCLUSION

If the congressional objective of improving the quality and substance of inspection reports on foreign assistance and development programs is to be realized, then in our view, S/IG needs to revise its basic inspection approach--as proposed in this report--in order to produce the kinds of evaluations and reporting needed by management and contemplated by the Congress. This objective has recently been reinforced by the enactment of the Inspector General Act of 1978 which established Offices of Inspector General in 12 major departments and agencies. The law was enacted to create competent, independent, and objective units to provide among other things leadership and coordination and recommend policies for activities designed to promote efficiency and effectiveness in the administration of programs and operations as well as to detect fraud and abuse in these programs. We believe the actions contemplated in this report will contribute to the fulfillment of these objectives.



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

INTERNATIONAL DIVISION

B-134192

July 27, 1977

The Honorable
The Secretary of State

Dear Mr. Secretary:

The State Department has been paying inspectors of its office of the Inspector General, Foreign Service, a special allowance based on absences from their residences in the United States for periods of more than 30 days while performing inspections of U.S. diplomatic and consular establishments. The payments are in addition to the maximum per diem allowed under Government travel regulations and have been made from the "Emergencies in the Diplomatic and Consular Service" appropriation.

The Department justifies the extra allowance on the grounds that, because of severe travel requirements (as many as 3 trips a year averaging about 10 weeks each), Foreign Service inspectors incur extraordinary expenses. Specific types of extraordinary expenses cited include (1) costs of additional home insurance needed because their homes are vacant for extended periods, (2) lawn care, emergency repairs, and other home maintenance costs incurred during their extended absences, (3) travel costs of spouses to inspection sites, which are considered necessary to reduce strain on the family units during periods of prolonged separation.

Expenditures for emergencies in the diplomatic and consular service are made under 22 U.S.C. 2671 which authorized the Secretary of State to:

"Make expenditures, from such amounts as may be specifically appropriated therefor, for unforeseen emergencies arising in the diplomatic and consular service and, to the extent authorized in appropriations Acts, funds expended for such purposes may be accounted for in accordance with section 107 of Title 31 * * *."
(Underscoring supplied.)

ID-77-46

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Section 107 of title 31, in turn, provides that:

"Whenever any sum of money has been or shall be issued, from the Treasury, for the purposes of intercourse or treaty with foreign nations, in pursuance of any law, the President is authorized to cause the same to be duly settled annually with the General Accounting Office, by causing the same to be accounted for, specifically, if the expenditure may, in his judgment, be made public; and by making or causing the Secretary of State to make a certificate of the amount of such expenditure, as he may think it advisable not to specify; and every such certificate shall be deemed a sufficient voucher for the sum therein expressed to have been expended."

The President has not caused expenditures from the Emergencies appropriation to be duly settled with GAO by accounting for them specifically. Presumably the President's judgment is that these expenditures should not be made public, at least not in this manner. The expenditures have been settled by the Secretary's "certificate of the amount" excluded, which by law is "a sufficient voucher" for the sum stated in the voucher of expenditure. Therefore, our Office has been unable to determine precisely the period over which such payments have been made, the current rates or the amounts paid, or the Department's criteria for determining eligibility for such payments. However, we were able to ascertain that in March 1974 inspectors were receiving an extra \$10 a day while in the field.

Payment of the special allowance does not appear to arise from any condition which could be fairly characterized as either unforeseen or an emergency. Inspections of the diplomatic and consular establishments are made pursuant to section 681 of the Foreign Service Act of 1946, as amended (22 U.S.C. 1036), which requires that the work of these establishments be inspected at least once every 2 years. Nor does the special allowance appear to be of a confidential character. Benefits and allowances paid to Federal employees are not generally kept confidential.

B-134192

The Congress has enacted numerous laws specifically to authorize payments to Federal employees for travel, living quarters, post differentials, cost-of-living differentials, education of employees' children, etc.

Section 5702 of title 5 of the United States Code provides in pertinent part that:

"(a) An employee, while traveling on official business away from his designated post of duty, is entitled to a per diem allowance * * *. For travel outside the continental United States, the per diem allowance may not exceed the rate established by the President or his designee * * *." (Underscoring supplied.)

Pursuant to authority delegated by the President, the Secretary of State has established maximum per diem rates for civilian officers and Government employees on official travel in foreign areas. These rates appear in the Department's standardized regulations (Government Civilians, Foreign Areas). Accordingly, per diem allowances may not exceed the rates established in those regulations. The special allowance, combined with the per diem paid, exceeds that limitation.

Also, 5 U.S.C. 5536 provides that:

"An employee or a member of a uniformed service whose pay or allowance is fixed by statute or regulation may not receive additional pay or allowance for the disbursement of public money or for any other service or duty, unless specifically authorized by law and the appropriation therefor specifically states that it is for the additional pay or allowance." (Underscoring supplied.)

The above section was derived from former sections 70 and 71 of title 5 (1964 ed.) which provided, respectively that:

"No officer in any branch of the public service, or any other person whose salary, pay, or emoluments are fixed by law or regulations, shall receive any additional pay, extra allowance, or compensation, in any form whatever, for the disbursement of public money, or for any other service or duty whatever, unless the same is

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authorized by law, and the appropriation therefor explicitly states that it is for such additional pay, extra allowance, or compensation.

"No civil officer of the Government shall receive any compensation or perquisites, directly or indirectly, from the treasury or property of the United States beyond his salary or compensation allowed by law."

In Hedrick v. United States, 16 Ct. Cl. 88 (1880), the Court of Claims indicated that the purpose of the Act of June 20, 1874, which became former section 71 of title 5, was to preclude claims by public officers for extra compensation on the ground of extra services. Nevertheless, the language of former section 71 appears broad enough to preclude extra compensation when a claim is based on grounds other than the performance of extra services. For example, the Comptroller General has held (34 Comp. Gen. 445) that the Canal Zone Government's practice of providing free living quarters for the district judge, the district attorney, and the marshal, whose salaries had been fixed without regard to the free quarters contravened former sections 70 and 71 of title 5.

Thus the statutes from which section 5536 of title 5 is derived have been interpreted as applying not only to issues concerning compensation for extra services but also to those concerning additional payments for reasons other than extra services. Because 5 U.S.C. 5536 does not differ essentially from superseded sections 70 and 71, we believe that the two cited cases would have been decided identically under 5 U.S.C. 5536.

We requested documentation citing the Department's basis for paying the special allowance, but neither the Legal Adviser's Office nor the Inspector General's Office provided any legal basis for the payments.

We believe payment of the special allowance should be discontinued. We shall appreciate receiving your early response.

Sincerely yours,

C. D. Hylander
for
J. K. Fasick
Director



DEPARTMENT OF STATE

Washington, D.C. 20520

November 2, 1977

Dear Mr. Chairman:

The following statement is provided in connection with a July 27, 1977, Letter Report of the General Accounting Office concerning payments to Foreign Service Inspectors. It is submitted in compliance with Section 236 of the Legislative Reorganization Act of 1970. The Report is related to the current GAO audit of the Office of the Inspector General, Foreign Service, begun in August 1976.

The Letter Report states that the State Department "has been paying inspectors of its office of the Inspector General, Foreign Service, a special allowance based on absences from their residences in the United States for periods of more than 30 days while performing inspections of U.S. diplomatic and consular establishments." The Report questions the legality of such payments and the propriety of making them from the appropriation, Emergencies in the Diplomatic and Consular Service.

The Department believes that there has been a misunderstanding with regard to the Department's procedures for reimbursing extraordinary expenditures by Foreign Service Inspectors. The Report's conclusions rest in part on what is stated to be the flat-sum nature of the reimbursement, based on information it cites pertaining to the situation in March 1974. Reimbursements are in fact made on a specific claim basis, and only for expenditures considered justified by the extraordinary requirements of Inspection service, as explained below.

The Department has been compensating for this type of expenditure for at least forty years. Our current practice is to reimburse for actual expenditures not to exceed a rate of \$10 per day. Reimbursement is made on a specific claim basis. The earliest record we have for this practice is Executive Order 7779 of December 28, 1937. President Franklin D. Roosevelt issued this order to amend Executive

The Honorable
Jack Brooks,
Chairman, Committee on
Government Operations,
House of Representatives.

Order 5643 dated June 8, 1931, which apparently through oversight omitted the authority to reimburse Foreign Service Inspectors for extraordinary expenses incurred in connection with their duties abroad. The then acting Comptroller General by letter dated November 29, 1937 supported this amendment.

The second point made by the Report is that such payments are recurrent items and therefore not authorized to be paid from the "Emergencies in the Diplomatic and Consular Service" appropriation.

We believe this conclusion rests upon a misapprehension of the nature of that appropriation, which is authorized by section 4(c) of the Act of August 1, 1956, as amended (22 U.S.C. 2671) and additionally each year by the Foreign Relations Authorization Act (currently P.L. 95-105). The Department has justified that appropriation before the authorizing or appropriation committees of the Congress for more than the forty years in which the special reimbursement for inspectors has been paid, and it regularly has included recurring types of expenditures, for example repatriation loans. While the Department's records are unclear as to when these particular reimbursements of inspectors were first paid from this appropriation, this practice would appear to have begun between 15 and 25 years ago. That the Congress was aware of this is indicated by the attached excerpt from the hearings before the Senate Foreign Relations Committee on the State/USIA Authorization Bill on March 11 and 12, 1974.

The Department believes, therefore, that the inspectors' allowances are properly authorized to be paid from the appropriation for "Emergencies in the Diplomatic and Consular Service." The amounts of such payments have been certified in accordance with 31 U.S.C. 107.

Another point raised in the report is alleged inconsistency with other laws. 5 U.S.C. 5702(a) provides that a per diem allowance for an employee may not exceed the rate established by the President or his designee. The inspection allowance, however, no longer reimburses inspectors for the expense of food and lodging while traveling, and it is therefore not a per diem allowance. As stated in the Report, the inspection allowance covers items of extraordinary expense incurred as a consequence of protracted absence, but not expenses of the employee's official travel. The Department of State does not consider that 5 U.S.C. 5702(a) applies to the inspection allowance.

5 U.S.C. 5536 provides that an employee whose pay or allowance is fixed by statute or regulation may not receive additional pay or allowance unless specifically authorized by law and the appropriation therefor specifically so states. Section 013 of the Standardized Regulations contains specific authority for special cost of living allowances in addition to other allowances in unusual circumstances as determined by the Secretary of State. As indicated above, there is a well-established practice, made known to the Congress, for the inspectors' special allowance to be paid from the appropriation for "Emergencies in the Diplomatic and Consular Service." Accordingly, the inspection allowance does not require further specific authorization and appropriation language under 5 U.S.C. 5536 because it is not additional to allowances fixed by regulation.

The Department strongly believes that continued reimbursements to its Foreign Service Inspectors for extraordinary expenses incurred in the performance of their duties is equitable and necessary if we are to maintain the caliber of inspectors required. We find it difficult to recruit suitable officers to carry out the inspection and auditing functions, involving as it does extensive travel for long durations away from their place of residence. Foreign Service Inspectors are assigned to and live in Washington, but spend up to fifty percent (50%) of their time overseas in inspections of up to twelve weeks duration. This leads to unique expenditures as well as to extraordinary strains on the family.

The alternative to providing reimbursement for these unusual expenditures would be to assign the inspector and his family overseas, a practice we understand is followed by other agencies and the General Accounting Office. The Department has rejected this alternative to minimize its overall inspection service costs. For example, it is estimated that the added cost of assigning an inspector with his family in Europe would be \$35,000 greater than his assignment to Washington.

Another practice followed by many agencies is to permit inspection personnel to return to their homes over weekends at Government expense. For the Department to follow this practice would be both impracticable and costly because of the distances involved.

Inasmuch as the payments in question constitute a reimbursement for duty-related expenditures and not a predictable allowance at a fixed rate, the Department proposes to continue these payments from the appropriation, "Emergencies in the Diplomatic and Consular Service", unless the Congress perceives some objection to the continuation of this practice. At the same time, we will continue to seek means to pay an alternative allowance from our Salaries and Expenses appropriation which would provide equity for Foreign Service Inspectors as well as for any other employee in a like extended travel situation assigned to Washington.

Sincerely,

Douglas J. Bennet, Jr.
Assistant Secretary for
Congressional Relations

Enclosure:

Hearing Excerpt as stated.

Mr. BROWN. This is now required of all Ambassadors, career and noncareer, to list all contributions of all relatives.
 Senator PELL. I am delighted to hear that.

PER DIEM RECEIVED BY INSPECTION CORPS MEMBERS

Do members of the Inspection Corps still receive an extra per diem of \$10 from the so-called confidential funds when in the field?

Mr. BROWN. Yes, sir.

Senator PELL. What about ad hoc members of the Inspection Corps?

Mr. BROWN. Are you thinking of public members?

Senator PELL. Foreign Service members who are temporarily assigned.

Mr. BROWN. No, sir.

Senator PELL. Why shouldn't they get the same? Why shouldn't they be treated alike?

Mr. BROWN. You are thinking of short-term inspectors. They have a home base. Our inspectors, one of the problems of getting people into the Inspection Corps is the fact they were gone from a country for a good part of a year. They have no home base in that sense and they do have an apartment. It is an added expense, so we have been trying to take care of them largely and not the ad hoc ones.

Senator PELL. Thank you.

HAVING ONLY ONE CAREER SERVICE SUGGESTED

I have seen the USIA go back and forth every 10 or 15 years from being an in-house agency to an outside agency, not an outhouse.

I have been partially responsible because my bill, in creating a separate Foreign Service Information Officers Corps, also created a tiny bit of a Frankenstein. Maybe we would do better if we had one career service. Certainly the political officers and Foreign Service officers in general, economic, commercial, anyway would benefit by being exposed to the press and public information functions.

And I think also the USIA officers would do better by being exposed to the regular Foreign Service.

What is your reaction? Maybe we did the wrong thing or I did the wrong thing 5 years ago in the bill and perhaps we would do better to reduce the Foreign Service Corps to one instead of two.

Mr. SISCO. I will let our management Under Secretary respond to that.

I want to say generally, of course, what set the route after that is the relationship really between the Agency and the Department of State and here I have always felt over the years, if you got to distinguish between the USIA on the one hand and the Voice of America, on the other, USIA after all has the function of giving guidance, information guidance to our various information people in the field, based on a policy which is evolved in the executive branch.

There obviously has to be a very close coordination between the so-called policy officers in both USIA as well as the State Department itself.

Now that is distinction, Senator Pell, from the Voice of America, which historically has been a media instrumentality that does not make

GAO EVALUATION OF STATE DEPARTMENT'S RESPONSECONCERNING PAYMENTS TO FOREIGN SERVICE INSPECTORS

In its letter dated November 2, 1977, to the Chairman of the House Government Operations Committee, the Department of State contended that the inspectors' allowance is not a flat-sum allowance but rather a reimbursement made on a specific claim basis. However, we have been unable to verify that the payments have been reimbursements for actual expenditures because the payments have been certified by the Secretary of State pursuant to 31 U.S.C. 107, and GAO's right of access does not extend to records supporting expenditures properly certified thereunder. For the same reason, we have been unable to verify what types of expenses have been reimbursed.

Our July 27, 1977, letter stated that the special allowance is not authorized by 22 U.S.C. 2671, since "the special allowance does not appear to arise from any condition which could be fairly characterized as either unforeseen or an emergency." In response, the State Department contended that the "emergencies" appropriation is available for recurring types of expenditures. However, this contention appears to conflict with a prior position taken by the Comptroller General concerning the scope of the "emergencies" appropriation.

In a letter dated February 28, 1973, the State Department's Office of the Legal Adviser requested the Comptroller General's opinion concerning the permissibility of reimbursing an employee from the "emergencies" appropriation for legal expenses incurred in connection with a grievance proceeding. The Office of the Legal Adviser indicated that "there is a substantial question whether payment of attorneys' fees in grievance cases amounts to unforeseen emergencies arising in the diplomatic and consular service."

In 52 Comp. Gen. 859 (1973), the Comptroller General determined that payment of attorneys' fees in grievance proceedings from the "emergencies" appropriation would be unauthorized since it would be difficult to say that the payment of attorneys' fees in such proceedings amounts to "unforeseen emergencies arising in the diplomatic and consular service."

Statements justifying the appropriation indicate that the appropriations committees were made aware that the appropriation was used for repatriation loans which State described as recurring expenditures. However, it remains our

view that the "emergencies" appropriation is not available for expenditures that do not arise from conditions that may fairly be characterized as either unforeseen or an emergency.

The Department of State does not consider that 5 U.S.C. 5702(a) applies to the inspection allowance. We agree that the inspection allowance is not a per diem allowance authorized by 5 U.S.C. 5702(a).

The Department of State cited 5 U.S.C. 5536, which provides that an employee whose pay or allowance is fixed by statute or regulation may not receive additional pay or allowance unless specifically authorized by law and the appropriation therefor specifically states that it is for the additional pay or allowance. It also cited section 013 of its Standardized Regulations (Government Civilian, Foreign Areas) as specific authority for special cost-of-living allowances in addition to other allowances in unusual circumstances as determined by the Secretary of State. Section 013 provides:

"Authority of Head of Agency

"When authorized by law, the head of an agency may defray official residence expenses for, and grant post differential, quarters, cost-of-living, and representation allowances to employees of his/her agency and require an accounting therefor, subject to the provisions of these regulations and the availability of funds. Within the scope of these regulations, the head of an agency may issue such further implementing regulations as he or she may deem necessary for the guidance of his/her agency with regard to the granting of and accounting for these payments. Furthermore, when the Secretary of State determines that unusual circumstances exist, the head of an agency may grant special quarters, cost-of-living, and representation allowances in addition to or in lieu of those authorized in these regulations." (Emphasis added.)

The Department then concluded that "the inspection allowance does not require further specific authorization and appropriation language under 5 U.S.C. 5536 because it is not additional to allowances fixed by regulation."

The State Department seemed to suggest that 5 U.S.C. 5536 permits an agency regulation, presumably implementing the "emergencies" authorization statute, to create and "fix" an allowance for State Department employees even though there

is no authorization or appropriation statute that specifically provides for or even contemplates such an allowance. We have serious reservations about such a proposition. Nevertheless, we find it unnecessary to address this question further since, in our view, an inspection allowance is not within the scope of the regulation cited by the Department of State as fixing the allowance.

Section 013 of the State Department's Standardized Regulations should be read in conjunction with section 012, entitled "Exercise of Authority." Section 012 enumerates the statutory authorities for the allowances that the regulations govern. The list includes quarters, cost-of-living, and representation allowances authorized by 5 U.S.C. 5923, 5 U.S.C. 5924, and 22 U.S.C. 1131, respectively. However, as discussed below, these statutes do not authorize an inspection allowance. The list does not include 22 U.S.C. 2671. The last sentence of section 013 of the Standardized Regulations can be reasonably interpreted as referring only to allowances that are in addition to, or in lieu of, those authorized in the Standardized Regulations--but still they must be within the scope of the authorizing legislation listed in section 012. Section 012 does not list any statute that would authorize the inspection allowance. Accordingly, in our view, section 013 does not fix an inspection allowance within the meaning of 5 U.S.C. 5536.

Therefore, payment of the inspectors' allowance violates 5 U.S.C. 5536 because such payments are not specifically authorized by law and the appropriation from which they are paid does not specifically state that it is for the additional allowance.

Executive Order 5643, June 8, 1931, referred to in the Department's letter, was issued pursuant to the authorization in section 19 of the act of February 23, 1931, ch. 276, 46 Stat. 1209, to prescribe regulations governing representation and post allowances. By letter dated November 29, 1937 (A-90695), the then-acting Comptroller General indicated that a proposed amendment to the regulations "would appear to be sufficient to authorize the granting of such allowances to foreign service officers detailed as inspectors." Although the proposed regulations referred to "representation" allowances, it is not clear under the regulation that was promulgated whether the allowance was considered a "representation" allowance or a "post" allowance within the meaning of the authorizing statute.

In any event, section 19 of the act of February 23, 1931, was repealed by the Foreign Service Act of 1946, ch. 957,

60 Stat. 999. The latter act contained new authorization for quarters, cost-of-living, and representation allowances.

The authorization for quarters and cost-of-living allowances is now codified in sections 5923 and 5924 of title 5 of the United States Code. Section 5923 authorizes (1) a temporary lodging allowance for the reasonable cost of temporary quarters, (2) a living quarters allowance for rent, heat, light, fuel, gas, and water, and (3) payment or reimbursement for expenses incurred in initial repairs, alterations, and improvements to the privately leased residence of an employee at a post of assignment in a foreign area.

Section 5924 authorizes (1) a post allowance to offset the difference between the cost of living at the employee's post of assignment in a foreign area and the cost of living in the District of Columbia, (2) a transfer allowance, (3) a separate maintenance allowance to assist an employee who is compelled, because of dangerous, notably unhealthful, or excessively adverse living conditions at his post of assignment in a foreign area, or for the convenience of the Government, to meet the additional expenses of maintaining, elsewhere than at the post, his wife or dependents, or both, and (4) an education allowance.

The Department of State has not attempted to justify the inspectors' allowance as an allowance within the above enumerated categories. Indeed, although the Department of State Appropriation Act, 1978, specifically appropriates funds for allowances authorized by 5 U.S.C. 5921-5925, the inspectors' allowance is not paid out of that appropriation. In our view, the allowances authorized by sections 5923 and 5924 are clearly described by the statutory language and no allowances other than those enumerated are authorized by the cited sections. Nor has the Department of State attempted to justify the inspectors' allowance as a representation allowance authorized by 22 U.S.C. 1131. Although inspectors may be entitled, along with other Foreign Service officers, to reimbursement for representation expenses, the inspectors' allowance clearly goes beyond reimbursement for expenses that may appropriately be described as representation expenses. Furthermore, although the Department of State Appropriation Act, 1978, specifically appropriates funds for representation allowances authorized by 22 U.S.C. 1131, the inspectors' allowance is not paid from that appropriation.

Accordingly, we affirm our position that the payment of the inspectors' allowance is without an adequate legal basis and in violation of 5 U.S.C. 5536.

In 1976, we were requested by the Assistant Director for Legislative Reference of the Office of Management and Budget to comment on a bill drafted by the Department of State that would have authorized a special allowance of up to 25 percent of an inspector's per diem if he is absent from his residence in the United States for over 30 days while performing an inspection. In our response dated July 13, 1976, we pointed out that the proposed special allowance would be inconsistent with a position taken in our report "Fundamental Changes Needed to Achieve a Government-Wide Overseas Benefit and Allowance System for U.S. Employees" (B-180403, Sept. 9, 1974). Our position was that U.S. employees overseas should receive uniform benefits and allowances. Accordingly, we objected to that proposed special allowance, since it would introduce another inconsistency in allowances paid to agency personnel performing similar functions under similar conditions. We suggested that legislation granting additional benefits solely to Department of State personnel would be inappropriate, and if the Congress decided that a supplemental allowance should be paid, it should be made applicable to all Federal personnel meeting criteria to be set forth in the statute. We affirm this position.

In commenting negatively on the same provision of the draft bill, the Office of Management and Budget notified the Secretary of State in a letter dated September 23, 1976, that (1) the proposal would have provided preferential treatment for one group of Federal employees contrary to the principle of equal treatment for all employees in similar situations and (2) there is no precedent in Federal allowance policy for increasing per diem allowances based on length of absence from residence.

Thus it is our view that the inspectors' allowance is also inappropriate as a matter of policy.



DEPARTMENT OF STATE

Washington, D.C. 20520

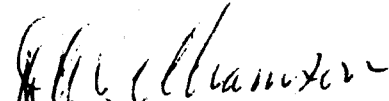
March 20, 1978

Mr. J. E. Milgate
Associate Director
International Division
US General Accounting Office
Washington, D. C. 20548

Dear Mr. Milgate:

In response to your letter of February 24, 1978, attached are the Inspector General's comments on your draft report (ID-78-19). Although you did not request written comments, I believe that they are necessary to assure that our position is clearly understood. In addition to the attached comments, the Office of the Inspector General has comments that they would be glad to discuss with you. If you want to discuss the attached comments or our verbal comments, contact Marvin F. Smith, Director of Audits, to arrange a meeting.

Sincerely,


Daniel L. Williamson, Jr.
Deputy Assistant Secretary
for Budget and Finance

Attachment:

As stated.

Comments by the Office of the Inspector General
On the GAO Draft Report on Review of the Office of
The Inspector General, Foreign Service

The evaluation process managed by the Office of the Inspector General is intended primarily to serve the needs of the Department's managers at the Assistant Secretary and Ambassadorial level and above and especially the needs of the Deputy Under Secretary for Management and the Department's Priorities Policy Group in formulating the Department's budget and managing its resources.

We note that the GAO Team did not interview those that the inspection process is designed primarily to serve, but executive directors whose primary responsibility is to provide administrative support to carry out the Department's mission. The primary work of the Department of State is advising the President and the Secretary of State on foreign affairs, representing the United States abroad, and providing information and analysis on activities in foreign countries. Accordingly, the primary task of S/IG is to advise top management whether Embassies and posts abroad and regional and functional units in the Department are performing their work in a way that will enable the Department to carry out its primary mission.

The Department of State is unique in having this responsibility, in the mix of resources at its disposal to carry it out, and the product it produces. Any attempt to compare S/IG, which has the responsibility for evaluating how this unique role is carried out, with evaluation units in other agencies which have large scale programs and are responsible for the delivery of services to the public, is not very productive.

The GAO report addresses primarily how S/IG carries out its responsibility to evaluate the Department's administrative support functions. Because the report addresses itself to this fairly narrow issue, these comments on the report will also be addressed to this issue.

Recommendation 1 - Amend Foreign Service Act to eliminate two-year inspection cycle.

The Department reviewed in 1975 the existing provision in the Foreign Service Act and made a proposal to the Office

of Management and Budget, along with other changes, to permit more flexibility in the inspection schedule by eliminating the two-year requirement. At the same time, the Department was developing a new Departmental management group known as the Priorities Policy Group. As this Group developed, especially for the review of the Department's budget, it became clear that the biennial Inspection Reports were the best independent source of information on how the Department's resources are used, whether resources may be reprogrammed, or whether more are needed to perform the Department's mission. The Department concluded that the detailed and independent information these reports contained was an essential ingredient in management decisions, that it began to lose its currency and value after one year, and after two budget cycles circumstances had usually changed sufficiently so that a new on-the-spot review was required. Accordingly, the Department dropped its proposal to change the present two-year review.

Inspection teams review the activities of all functions at diplomatic and consular posts, and S/IG is under continuing and heavy pressure from all functional areas of the Department to continue to do so. As a result, the teams can only delve deeply into specific functions if they have reason to believe there is a problem. Accordingly, it is understandable that the GAO team would find inspection reports that give limited treatment to certain functions at certain posts. We welcome the GAO's view that this is an acceptable interpretation of the existing legislation.

At the same time, the GAO report leaves the impression that we spend as much time inspecting, for example, a 10 person post as we do on our inspections in Germany where there are 800 employees. In fact, we schedule one or two Inspectors for two or three days at the very small posts and for a country such as Germany or Mexico we schedule seven or more Inspectors for up to ten weeks. The goals and objectives of each post vary and we tailor our coverage to consider the goals, objectives, importance, sensitivities, resources and known problems of the post.

Few Inspectors or Auditors are ever completely satisfied that they have delved deeply enough or had sufficient time. Judgments have to be made during each inspection as to when sufficient depth has been achieved considering other priorities. In some instances, there is not time to solve a large and complex problem or the detailed solution is basically the responsibility of the post. We are concerned with identifying the problem and making practicable recommendations. We try to be as helpful as possible and make

our recommendations as specific as practicable. In those relatively few instances where we recommend that a study or review be made, the Department has two programs to deal with these as well as felt needs expressed by Embassies and consular posts. On the administrative side, the Department follows up with Administrative Assistance Teams (AMAT) and for the consular function the Department is using Consular Assistance Teams (CAT). The Department chose these devices because S/IG does not have sufficient resources to provide the kinds of in-depth assistance that posts want and to do so would involve S/IG in operations diverting it from its primary responsibility for evaluation.

Financial Management Circular 73-2 leaves to the management of each agency the frequency, approach and types of evaluations to be performed as long as certain objectives and standards are met. We are meeting those objectives and standards and the management of the Department believes that S/IG's approach is responsive to its needs.

The GAO Team noted the resource constraints on S/IG to perform its required functions but they resisted S/IG's request that it indicate what GAO thought would be an appropriate level of resources. The team suggested a revised approach without indicating in any specific way whether this would resolve the problem. It is difficult to see how S/IG could spend more time digging deeper into all the specific problems on which Executive Directors tell us they need help without substantial additional resources. We note, for example, that GAO has more auditors in Frankfurt alone, albeit with other agency responsibilities, than S/IG has inspectors. GAO's International Division employs 267 persons compared with a total of 65 employed by S/IG to meet the Secretary of State's responsibilities in the foreign affairs field.

Recommendation 2 - Staff S/IG with Professional Auditors.

The Office of the Inspector General has 46 inspectors. Of this number, 18 are professional auditors who have until now been permanently assigned, i.e., they have not rotated as Foreign Service Officers do. The GAO proposal would make all inspectors professional auditors. The report is correct that some Bureau Executive Directors and Embassy Administrative Officers do not consider inspection teams too helpful on administrative matters. This has become a pronounced view recently because Inspection Teams have been charged by management as a result of budgetary pressure with identifying resources that can be reprogrammed. Understandably, Bureau and Embassy administrative personnel do not find helpful

recommendations to trim their resource base. On the other hand, as indicated above, the Priorities Policy Group has found that Inspection Reports provide an independent and unbiased view essential to the management decisions it must consider for the Department as a whole.

A secondary criticism made of Inspection Teams by Ambassadors and others in inspected units is that our professional auditors who do almost all of the evaluation of administrative functions do not have practical Foreign Service experience. It is the professional auditors on the S/IG staff that Executive Directors do not find helpful. We are repeatedly urged to eliminate the professional auditors from the staff and assign experienced administrative officers "who know what they are talking about." We are trying to meet this criticism by (a) rotating our professional auditors after five years to Foreign Service assignments so that they can obtain practical experience and improve their credibility in the system and (b) assigning our professional auditors, as time permits, to consular and administrative training courses so that they will have more technical knowledge about the functions being inspected.

S/IG has resisted proposals to drop professional auditors and assign only experienced Foreign Service administrative officers to evaluate the administrative functions precisely because such officers do not have expertise in the audit field that S/IG needs. An additional reason has been that the Department's personnel system has not been able to provide consistently even the few experienced administrative inspectors (as opposed to auditors) in our staffing pattern and we have to resort all too frequently to ad hoc assignments of administrative and consular officers to meet the inspection schedule.

S/IG has confidence in its professional auditors, has selected newer ones with broader management experience as the opportunities arose, and considers that the present mix of experienced FSOs and professional auditors provides the management level which S/IG serves with the balanced and quality evaluation it wants.

Recommendation 3 - Emphasize Functionally as opposed to Geographically Oriented Inspections.

A key question of continual concern to the President and the Secretary of State is how well relations are being handled by an Ambassador with a particular country. It is not possible to be responsive unless inspections on a country basis are conducted. At the present time S/IG can

be responsive, but the proposal in the GAO report would severely limit that capability.

The Draft Report leaves the impression that functional and regional inspections are not done. The Office of the Inspector General is already doing such inspections and this year will complete a four-year cycle that evaluates every major region and function of the Department of State, so it is immaterial that it may represent only one-third of available resources. These evaluations included program results in the inspection process. This office, for example, completed in 1977 a full evaluation of the consular function which was commended in hearings of the House International Relations Committee.

It is correct that S/IG has been able to accomplish this partly through the assignment on a temporary basis of the equivalent of an additional nine person-years to S/IG, i.e., S/IG needed 55 permanently assigned inspectors to carry out the inspection schedule and respond to top management's ad hoc requirements. Obviously S/IG would much prefer to be permanently staffed to carry out its assigned role. But it also recognizes that it employed numerous highly qualified officers in some urgent and essential tasks who for a variety of reasons were not fully employed at the time and thereby saved the Department in excess of \$250,000. Under the GAO formula this would not have been possible and these personnel resources would have been wasted.

S/IG's evaluations of functions have resulted in recommendations to reduce the size of or eliminate constituent posts, to eliminate functions at posts (e.g., visa issuance), to combine functions (economic and political work, commercial and USIS libraries, administrative services), to eliminate offices and redundant responsibilities in the Department, and to do away with unnecessary reporting (both substantive and administrative).

The GAO Report appears to overlook the fact that the COR inspection reports serve three purposes: as evaluations of how Chiefs of Mission are carrying out their total range of responsibilities as required by statute and Presidential directive; as indicators of general regional or functional problems and vehicles for obtaining detailed information for evaluation of such problems and issues; and as the basis for the Inspector General's Annual Report which raises broad policy and management issues. Analyzed in total, the COR reports provide the deep and penetrating information that helps the Department reach judgments on the performance of functional and regional responsibilities and the system as a whole.

Recommendation 4 - Evaluation of Personnel.

The GAO Report appears to miss completely the point of evaluating a representative portion of the Department's personnel resources. The primary resource of the Department is personnel. The primary product of the Department is policy papers for the President and Secretary of State based on the intellectual efforts of its personnel in reporting and analysis. The result to be evaluated is whether the effort expended results in behavior of other governments that is consonant with mutually shared objectives or at least not inconsistent and/or detrimental. It is not possible to pin point problems in the Department's accomplishment of its mission without looking at the people who play a crucial role in that performance. The participation of the Inspection Corps in evaluating certain categories of personnel has made it possible for S/IG to develop facts and speak authoritatively on certain critical deficiencies in the personnel system of the Department such as:

-- the mismatch between requirements and available skills and the need for a more precise inventory, for improving recruiting practices, and for training programs;

-- the weakness of the personnel evaluation system itself which is not carried out effectively by supervisors;

-- assignment and training practices that fail to prepare officers for management tasks at the senior levels.

Although the specific end product is an IER, the process is necessary to our evaluating and enables inspectors to delve deeply into the functioning of the Department's work and to make recommendations that are solidly based. We would miss the most essential element in everything that the Department does if we did not review this representative sample of its personnel and how they are performing.

Additionally, the establishment of a separate staff in Personnel to conduct these personnel evaluations in lieu of S/IG would involve a costly duplication of evaluative effort and a duplicator of travel.

(Deleted comments pertain to matters in the draft report which have been omitted from the final report.)

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The Team makes comments on certain other issues on which it does not make recommendations to the Secretary of State:

1. Independence and Grade Structure

Chapter 3 addresses two questions which concerned the GAO auditors when they started their audit. They believed that the use of Foreign Service Officers as Inspectors necessarily "tend[ed] to dilute their independence and lessen others' confidence in the completeness and objectivity of their inspections and reporting." The auditors also believed that a "competent auditor", presumably of an appropriate lower rank, could raise the necessary questions about how an activity in a "technical area" is being managed

and that Inspectors of senior rank are therefore unnecessary. In their report they cite the grade structure of the audit services of two other agencies with major program responsibilities in support of this conclusion.

It is unfortunate that the report does not go beyond this theoretical analysis of the independence issue. While management users and inspected elements occasionally differ sharply with inspection findings, the criticism has not to S/IG's knowledge been one of timidity. The reaction of those familiar with S/IG reports has been highly positive on this score. This reaction is epitomized by a recent statement by Congressman Rosenthal, that his subcommittee had been impressed with the "candor and thoroughness" of the S/IG-Commerce evaluation of the commercial function of the Department of State and Commerce. While the occasion for such unsolicited comment is obviously rare because S/IG reports are internal management documents, a broader inquiry by the GAO auditors would obviously have been useful to test the validity of the lack-of-independence thesis.

Inspectors in the Foreign Service have traditionally been selected on the basis of their skills and knowledge, developed over years of operating and managerial experience. Inquisitiveness and skepticism are hardly qualities developed or enhanced, in the positive sense of effecting management improvement, by length of audit service. On the training side, two training sessions are provided each new inspector. These are devoted to interview techniques, report construction and the practical elements of recognizing and describing management problems and bringing about action for improvement.

It is the latter goal -- achieving action -- that has led the Department to staff S/IG with relatively senior officers, including team leaders of chief of mission equivalent rank. A trained person at any level can identify mismanagement of funds, malfeasance or lack of compliance with law or regulation. The enforcement of such findings is automatic, no matter what the rank of the auditor. Where the questions go beyond this to management of policy, to the way in which the President's representative handles his responsibilities for mission coordination and oversight, to weighing relationships between the Department and the field or with other agencies and identifying causes of deficiencies, in other words, to overall management effectiveness, Ambassadors and Assistant Secretaries pay little attention to evaluators without experience and credibility in the areas of judgment being criticized. Credibility is the key to getting something done. The difficulty S/IG's audit qualified personnel have under these circumstances, even in administrative inspections, is commented on above.

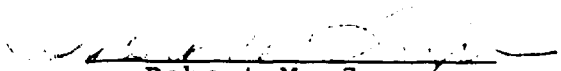
2. IGA Function

Chapter 8 is no longer germane. It described a situation that existed in October 1977. The Congress did not approve a reprogramming request which would have permitted S/IG to exercise certain of the authorities previously exercised by IGA.

(Comment deleted.)

Unfortunately, the GAO Team does not provide much assistance in defining what is meant by substance that leads to the quality it asserts is lacking. On page 9, for example, it speaks of "essential matters" without defining what those are. It makes the same allusions in other places in the report without any specifics. On page 9, it also speaks of "Department management" without defining what that means. Because the Team only spoke to bureau Executive Directors, it may be that that is what the Team means. The Executive Directors, of course, have management responsibilities, but they are not Department management.

The Department has, of course, had an experience with the type of inspection approach recommended in the report -- The Inspector General of Foreign Assistance. It was composed primarily of professional auditors and was completely independent. The GAO's reports are the best available information on how it worked; in effect, the GAO found its reports to be good but duplicative of agency reports and irrelevant to the concerns of the Secretary of State. The Congress abolished the organization with the concurrence of the Department of State.


Robert M. Sayre
Inspector General

OTHER STATE DEPARTMENT COMMENTS
AND GAO EVALUATION

"We note that the GAO team did not interview those that the Inspection process is designed primarily to serve, but executive directors whose primary responsibility is to provide administrative support to carry out the Department's mission."

When we began our interviews, we contacted the offices of the appropriate Assistant Secretaries but were usually referred to the executive directors. After several such referrals, we contacted the executive directors exclusively. Nevertheless, we found the executive directors--who were, almost without exception, experienced Foreign Service officers--to be sufficiently knowledgeable of and conversant with the matters we discussed.

"The GAO report addresses primarily how S/IG carries out its responsibility to evaluate the Department's administrative support functions."

Chapter 2 of this report deals exclusively with S/IG reports on "substantive" rather than administrative matters. The examples cited in that chapter represent only two of the numerous reports we examined, and the discussion compares the contents of those reports with other more essential issues that, in our opinion, should have been addressed. These and other examples were discussed in detail with the Inspector General and the Director of Audits before our draft was submitted to the State Department for comment.

"* * * the GAO report leaves the impression that we spend as much time inspecting, for example, a 10 person post as we do on our inspections in Germany where there are 800 employees. In fact, we schedule one or two inspectors for two or three days at the very small posts and for a country such as Germany or Mexico we schedule seven or more inspectors for up to ten weeks."

Our report questions the need for inspecting the smaller posts as frequently as the larger posts since the volume and complexity of activities at larger posts would normally warrant more frequent and more extensive inspection. Our review

of inspection schedules and inspection times allotted to the various posts indicated that smaller posts were not receiving an unusually high proportion of inspection attention. Had we found such conditions, we certainly would have questioned the prudence of such a practice.

"* * * In those relatively few instances where we recommend that a study or review be made, the Department has two programs to deal with these as well as felt needs expressed by Embassies and consular posts. On the administrative side, the Department follows up with Administrative Assistance Teams (AMAT) and for the consular function the Department is using Consular Assistance Teams (CAT). The Department chose these devices because S/IG does not have sufficient resources to provide the kinds of in-depth assistance that posts want and to do so would involve S/IG in operations diverting it from its primary responsibility for evaluation."

AMATs and CATs are involved directly in helping posts solve operational problems, but only if the posts involved specifically request such help. It was explained to us, for example, that if a post is experiencing problems implementing a prescribed inventory control or property management procedure and if that post requests help on the matter, the Department will send an AMAT to the post to help solve the problem. In effect, such teams act as in-house consultants on operational problems upon request of the posts. But they do not get involved in evaluative projects such as reviews of compliance with laws and regulations, efficiency and economy of resource utilization, or evaluation of program results. It is clear from the above that the functions of AMATs and CATs are completely different from those of S/IG and cannot be construed as augmenting or supplementing the evaluative work that is S/IG's responsibility, as the Department's comments implied.

"Financial Management Circular 73-2 leaves to the management of each agency the frequency, approach and types of evaluations to be performed as long as certain objectives and standards are met. We are meeting those objectives and standards and the management of the Department believes that S/IG's approach is responsive to its needs."

FMC 73-2, superseded by OMB Circular A-73, revised effective March 15, 1978, incorporates by reference the Comptroller General's Standards for Audit of Governmental Organizations, Programs, Activities, and Functions.

The Comptroller General's standards require reviews of program results to determine whether the desired results or benefits are being achieved, whether the objectives established by the legislature or other authorizing body are being met, and whether the agency has considered alternatives which might yield desired results at a lower cost. However, S/IG's inspections were not designed to specifically ascertain whether program, functional, or activity objectives were being attained.

The standards also require independence of persons responsible for reviewing governmental programs, activities, and functions. In chapter 3 of this report, we question whether Foreign Service officers detailed to serve for 2 years as inspectors could be truly independent.

In further connection with independence, the standards cite as personal impairments an auditor's previous involvement in a decisionmaking or management capacity in the operations of the governmental entity being audited. In chapter 4 we concluded that S/IG's practice of permitting inspectors to evaluate the performances of individual Foreign Service officers, for the purpose of determining whether they have the potential for further advancement and ultimately whether they will be retained in the Foreign Service, is contrary to the basic premise that evaluation groups should not perform operational functions.

"The GAO Team noted the resource constraints on S/IG to perform its required functions but they resisted S/IG's request that it indicate what GAO thought would be an appropriate level of resources."

Implementation of the recommendations made in this report would require substantial revisions in S/IG's overall inspection approach. For example, some foreign posts would be inspected less frequently than others; across-the-board inspections of specific functions and activities would require more penetrating examinations at not one but several posts; inspections of domestic offices, functions, and activities would probably require varying inspection frequencies and different depths of review, depending on the extent and complexity of the functions and activities involved.

Until an experience data base is acquired under the concepts proposed in this report, neither GAO nor S/IG can reasonably estimate S/IG's ultimate staff resource needs.

"A secondary criticism made of Inspection Teams by Ambassadors and others in inspected units is that our professional auditors who do almost all of the evaluation of administrative functions do not have practical Foreign Service experience. It is the professional auditors on the S/IG staff that Executive Directors do not find helpful. We are repeatedly urged to eliminate the professional auditors from the staff and assign experienced administrative officers 'who know what they are talking about.'"

During our discussions with the Executive Directors, their views concerning the content of S/IG reports (cited on p. 8 of the draft) applied to the areas reviewed by Foreign Service officers, as well as the administrative areas covered by the auditors.

"The Draft Report leaves the impression that functional and regional inspections are not done. The Office of the Inspector General is already doing such inspections and this year will complete a four-year cycle that evaluates every major region and function of the Department of State, so it is immaterial that it may represent only one-third of available resources. These evaluations included program results in the inspection process. This office, for example, completed in 1977 a full evaluation of the consular function which was commended in hearings of the House International Relations Committee."

Our draft report stated that, in the past, inspections of the Department's domestic (functional) bureaus and offices were not regularly scheduled until 1975 but that inspections of these domestic units had steadily increased in recent years. The draft also said that at times individual post lines are crossed when specific functions or programs are inspected upon ad hoc requests from top management or on indications of congressional or public interest. The evaluation of consular functions, referred to in the comments, was made at the request of the House International Relations Committee, not as a regularly scheduled inspection.

The draft implied that multipost functional inspections were not being made as part of the regularly scheduled inspection of diplomatic and consular establishments. These inspections are designed to focus on the individual post as the principal unit under review.

"* * * S/IG would much prefer to be permanently staffed to carry out its assigned role. But it also recognized that it employed numerous highly qualified officers in some urgent and essential tasks who for a variety of reasons were not fully employed at the time and thereby saved the Department in excess of \$250,000. Under the GAO formula this would not have been possible and these personal resources would have been wasted."

We do not object to occasional, ad hoc use of Foreign Service officers to aid in the inspection process when particular circumstances so justify, so long as control of the inspection remains with the permanently assigned auditors.

Also, we are concerned about the use of S/IG as a transitional assignment for unassigned or underemployed officers. However, it appears that a review directed at ascertaining the extent and causes of an apparent surplus of officers would be a proper S/IG function.