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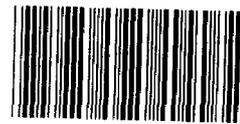
Testimony

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PERSONNEL MANAGEMENT ISSUES
IN THE
FOREIGN COMMERCIAL SERVICE

STATEMENT OF
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BEFORE THE
SUBCOMMITTEE ON COMMERCE,
CONSUMER, AND MONETARY AFFAIRS
HOUSE COMMITTEE ON GOVERNMENT OPERATIONS



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Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss with you our preliminary findings regarding the foreign operations of the United States and Foreign Commercial Service, the U.S. Government's primary tool for assisting small and medium-sized exporters. Our investigation was prompted by your July 1986 request that we undertake a major review of the Service's foreign operations and its effectiveness.

On April 1, 1980 the President transferred primary responsibility for overseas commercial work from the State Department to the Commerce Department, creating the Foreign Commercial Service (FCS) within Commerce's International Trade Administration. The objective of this transfer was to revitalize the U.S. trade promotion program to help U.S. firms meet increasing competition in world markets. Later, the FCS was combined with Commerce Department District Offices to form the United States and Foreign Commercial Service (US&FCS). The foreign operation has about 175 commercial officers in 64 countries. The officer corps is augmented by about 450 foreign service nationals. The US&FCS is headed by an assistant secretary level Director General. Organizationally, foreign operations consist of the Office of Deputy Assistant Secretary for Foreign Operations, the Office of Export Promotion Services, and the Office of Planning and Management. The Office of Foreign Service Personnel, the Office of

Foreign Operations and the overseas posts are under the direction of the Deputy Assistant Secretary for Foreign Operations.

The personnel management system of the FCS along with the foreign services of seven other executive agencies and departments is governed by the Foreign Service Act of 1980.

Though you requested an overall review of FCS operations, my statement today will focus on personnel management issues. Upon starting our review, we were inundated with complaints and allegations regarding abusive personnel management practices at the FCS. The allegations were made by present and former officers, FCS management officials, other Commerce officials, and State Department officials. The allegations were that officers who disagreed with the Director General were given hardship assignments, that completed performance appraisals had been altered, and that the assignment process was too tightly controlled by the Director General. We also received complaints that non-career limited appointees were being assigned to certain posts although well-qualified career officers were available to fill these positions. Therefore, after briefing this Subcommittee on the results of our initial survey, it was agreed our work would focus on the management of FCS personnel matters.

We found serious systemic problems in all areas we examined. These problems taken together give the impression of a breakdown in the management of the FCS personnel systems. We believe that personnel

problems at the FCS have had a negative impact on the morale of the officer corps and have diverted energy and attention from the goal of assisting U.S. businesses to expand exports. Specifically, we found:

- selection decisions involving the use of limited appointees were not adequately documented,
- agency practices not always followed in choosing people for overseas assignments,
- evidence of irregularities in the performance appraisal system and lack of openness in the promotion process,
- problems in the management of FCS' "up or out" or so called "time-in-class system" and,

We believe that the conditions found at the US&FCS stem from the concentration of authority in the position of the office of the Director General rather than in a personnel system with real checks and balances, and from the lack of departmental oversight.

Further, though required by Department of Commerce regulations, no formal assignment appeal process has been established. In contrast, at the Department of State, which has the largest foreign service agency, most personnel management processes are conducted by prescribed independent panels and the Director General serves in an appellate capacity.

Another matter that you asked us to inquire into involves the recommendation of this Subcommittee that US&FCS establish a management and program review function. In 1985 reviews were conducted at three posts. However, no reviews have been conducted since the first three. It is our understanding that plans for conducting additional reviews are now being formulated.

Let me highlight our findings in several key areas of the FCS personnel management system.

FCS USE OF NON-CAREER
LIMITED APPOINTMENTS

When the FCS was created in 1980, it acquired 162 Foreign Service Officer positions overseas, -- to be phased in over a five year period. Approximately 30 incumbent State Department officers transferred to the new agency. In order to fill the gap and bring on board experienced individuals who would be able to make an immediate contribution, the FCS sought and obtained from Congress an exception to the five percent limitation on the number of non-career Senior Foreign Service officers that would be permitted. Had the FCS not obtained this exception, FCS would have been allowed only one non-career limited appointee at this level. This requested exception in the Foreign Service Act of 1980 allowed for up to 10 non-career appointments, and extended to October 1, 1985. Such non-career or "limited" appointees are directly hired, for a period of up to five years, based on their prior work experience.

In May, 1985, the Subcommittee on Civil Service, House Committee on Post Office and Civil Service agreed to introduce legislation to make permanent a limited appointment exemption for the Senior Foreign Service. The Foreign Relations Authorization Act for fiscal years 1986 and 1987, (Public Law 99-93, section 119) which was enacted in August 1985 provides for one non-career Senior Foreign Service appointee without any conditions imposed, but authorizes the limited appointment without a numerical ceiling of other individuals to the Senior Foreign Service if two conditions are met:

- no career member of the Foreign Service with the necessary qualifications is available to serve in the position, and
- the appointed individual has unique qualifications for the specific position.

In addition, the Commerce Department Operations Manual (Section 714.7.1 Functions of the US&FCS Overseas Assignment Panel), dated June 1985, requires that assignment panels give preference to career officers and career candidates prior to drawing upon other resources.

We reviewed the record of Senior Foreign Service appointments that were made following the May 1985 agreement. Our analysis of assignment panel decisions is based on a review of documentation in the assignment panel files. We found that between May 1985 and December 1986 there were seven assignments to Senior Foreign Service positions for which both career and non-career limited

appointees were considered by assignment panels. In four of these cases limited non-career appointees were selected. Although, we were told by Office of Foreign Service Personnel staff that only the names of qualified candidates are forwarded to assignment panels for consideration there was no documentation explaining why limited non-career individuals were selected in lieu of career officers. In addition, there was one assignment of a non-career limited appointee to a Senior Foreign Service position for which only his name and no others were submitted to the assignment panel for consideration.

Between May 1985 and December 1986 non-career limited appointments were made to Senior Foreign Service positions in Beijing, Brussels, Buenos Aires, and London (to which two different assignments were made). During this time non-career limited appointees occupied the top positions in Tokyo, Brussels, Paris, Sidney, Rome, and Bonn. In subsequent actions, career officers were appointed to the top positions in Bonn and Rome, and career candidates are now in the top positions in Paris and Sydney. A career candidate is an officer who has passed the entrance examination and been selected for a career in the FCS, but has not yet been granted tenure.

There is no ceiling on the number of non-career limited appointments below the Senior Foreign Service. However, in the course of Congressional consideration of the proposal to remove the restriction on the use of non-career limited appointees the

Chairperson of the House Subcommittee on Civil Service, expressed concern that appointments at the FS-1 level -- the level immediately below the Senior Foreign Service -- would be used to circumvent the limits on the use of non-career personnel in the Senior Foreign Service. This could be done by assigning non-career FS-1 level appointees to Senior Foreign Service positions. The Chairperson expressed the concern that the FCS could be "larded with political appointees at the FS-1 level to circumvent the strict limits on the use of non-career personnel in the Senior Foreign Service."

In the period May 1985 to December 1986 non-career limited appointees with a personal rank equivalent to FS-1 were appointed to Senior Foreign Service positions in three of the four limited appointments discussed above. -- Beijing, Brussels and Buenos Aires.

We also noted that a non-career limited FS-1 was appointed to a new position in Singapore. The name of this limited appointee was the only one forwarded to the assignment panel. This position was not listed on the open assignment list prepared two weeks before the panel met. We further noted that a total of 11 individuals including career officers, career candidates, and district office employees did bid on an FS-2 position in Singapore that was on the bid list and reviewed by the same panel. We assume that had the

new FS-1 position been advertised there would have been other bidders.

FCS accommodation to the wishes of limited appointees has also led to costly assignment practices. For example, the FCS reassigned a non-career limited appointee in Western Europe to a top position at a different post in Western Europe because, according to a wide range of current and former Commerce Department officials, this individual wanted that post. A career officer who had been recently assigned to the senior position at that post, and who had been at the post for a short period of time, was then given the number two position and now reports to the limited appointee. Documents in the assignment panel file show that the non-career limited appointee was to assume the duties that had already been assigned to the career officer. We were told that this case had a strong adverse impact on the morale of the career officer corps.

The FCS, in seeking a permanent exemption to the Foreign Service Act limitation on the use of limited appointments to the Senior Foreign Service, stated

"The authority to make limited appointments is an efficient way to meet critical short-term staffing needs. The authority allows the US&FCS to have immediate access to senior managers with specific industry skills not available in the more generalized career service. For example, if the need exists for 'high-tech' expertise to implement a new marketing initiative, the current authority would permit hiring on a short-term basis to get the program off-the-ground rapidly."

These comments suggest to us that upon completion of their limited

appointments, these individuals would return to the private sector and their positions would eventually be filled by career officers.

We found, however, that this is not always the case. Two of the five Senior Foreign Service non-career limited appointees on board at the time FCS requested the permanent exemption to the Foreign Service Act have converted to career status at FS-1. A third was reappointed to an FS-1 non-Senior Foreign Service limited position in another country. And, a fourth was given an extension and is scheduled to continue in the FCS until August 1987.

WEAKNESSES IN THE OVERSEAS ASSIGNMENT PANELING PROCESS

During the course of our review we repeatedly heard complaints about the FCS assignment paneling process. We also received several complaints that assignments have been used to punish officers and to quell dissent. To examine this issue we reviewed and analyzed the results of all 25 assignment panels covering 158 assignments between May 1985 and October 1986.

Assignment panel membership includes: 1) the Director General as Chair, 2) Assistant Secretary for Trade Development, 3) Assistant Secretary for International Economic Policy, 4) Deputy Assistant Secretary, US&FCS (the Director, Office of Foreign Service Personnel will serve in the absence of the Deputy Assistant Secretary), and 5) Assignments Officer, OFSP, US&FCS. Non-FCS members at the assistant secretary level may authorize a substitute

representative who is directed to be at the deputy assistant secretary level. According to US&FCS policy, assignment panel decisions are to be made by majority vote.

We found that the reports of the results of the 25 panel meetings -- referred to as minutes at the FCS -- do not include the names of participating panel members; do not discuss why a particular assignment was made; and do not include information on how the participating members voted.

Senior FCS officers with whom we talked and some of the people who work directly under the Director General, told us that the perception of unfairness about the overall assignment process stems from the fact that the Director General and the Director of the Office of Foreign Service Personnel make all decisions. We were told by FCS officials and staff that many assignments are made outside of the panel process, and that the panels only serve to formalize the decisions.

For the most part, the Office of Foreign Operations which is responsible for coordinating FCS overseas operations has little or no involvement in the overseas assignment process and in most other personnel matters. This observation was confirmed by two former Deputy Assistant Secretaries for Foreign Operations as well as the current Director of Foreign Service Personnel. The Director also said that the primary reason for the lack of involvement by the

Office of Foreign Operations is the rapid turnover and lack of stability in this office. We note there have been five different Deputy Assistant Secretaries heading this office since 1981. Four served in an acting capacity and one had other assignments while serving in this position.

We found questionable FCS assignment practices. Often officers are assigned to posts below their ranks, while other officers are assigned to posts above their ranks. We found that 80 of the 158 assignments made since May 1985, were below or above personal rank. State Department officials told us that such assignments at State are made only on an exception basis and that every effort is made to match position responsibility with personal rank.

The assignment process is further confused by the fact that, unlike the State Department, the FCS accepts bids from officers for new assignments scheduled to begin before their current tours are completed. According to the officers with whom we talked, this adds to the confusion in the assignment process.

A few days ago we were contacted by an individual who said that his name had been placed on several FCS assignment lists though he had neither applied for, nor inquired about the particular assignments. The individual expressed the view that his name was added to the lists of those wishing to be considered for open positions to give the appearance of a competitive selection. We reviewed the

documentation and we found that his name had been placed on two FCS bid lists. We discussed this issue with FCS officials. They advised us that this was probably an oversight and that procedures for preparing bid lists will be reviewed to assure that this does not occur in the future.

We identified two instances (Paris and Singapore) in which positions were filled without being advertised. According to Office of Foreign Service personnel staff, this is not in accordance with normal FCS practices. Though everyone with whom we talked agreed that the individual selected for Paris is an outstanding career candidate, the way in which this assignment was filled helps to create a perception of unfairness in the assignment process.

There have also been allegations of punitive assignments. Each case that we looked into had the same elements: each officer involved was paneled or advised that he would be sent to a post below his rank; each had served in the Office of Foreign Operations; and lastly, each one, though for different reasons, had some minor disagreements with the Director General. We will share with you some of the particulars and the resulting impact of one of these cases.

The case involves a Senior Commercial Officer who had been called to Washington at the request of the preceding Director General to

serve as a Regional Manager Coordinator. At the request of the current Director General he later served simultaneously as acting Deputy Assistant Secretary for Foreign Operations and as one of four Regional Manager Coordinators. He was selected by an assignment panel on December 31, 1985 to go to the Netherlands in July 1986 as the post's senior commercial officer.

In March 1986 this individual, while in his capacity as Regional Manager Coordinator, sent a memo to the Director General expressing his assessment of weaknesses in the assignment process and suggested improvements. (A December 1986 letter from the Director, Office of Foreign Service Personnel to the officer accused this officer of sending copies of his memo anonymously to other FCS officers.)

Days before his departure to The Hague, Netherlands on July 2, 1986 -- and after a contract had been made by State Department to ship his household goods overseas on July 7 -- this officer was told that he was being sent to Bogota, Colombia. Bogota is a hardship post. The officer, after several confrontations with FCS management and consultation with senior management in other ITA units, agreed to a short assignment to Bogota. The officer eventually spent about three months on temporary duty in Bogota and returned to The Hague. While he was on temporary duty on September 9, 1986 he was paneled, that is chosen, for a permanent 2 year assignment to Bogota even though he

had not bid on this position. Then on September 18, 1986 his assignment to Bogota was rescinded and another officer was selected.

Since his return to The Hague, the officer involved received a 5-day suspension for alleged administrative violations in connection with his move to The Hague. He was also directed not to attend this year's regional European senior officer conference in Brussels. Further, on February 20, 1987 his name alone was submitted to an assignment panel for a position in Detroit, Michigan. The officer did not request that he be considered for this opening. The panel was directed by the Commerce Department Personnel Director to withhold action on this matter.

Since (1) FCS officers make a commitment to worldwide availability, (2) a vacancy existed, and (3) the officer was qualified for the job, the Director General was within his power and authority to assign this officer to Bogota. Nevertheless, according to FCS managers, Commerce Department officials and commercial officers we talked to -- most of whom initiated contact with GAO -- this case and the resulting publicity have had a chilling effect on the morale of the agency. The events surrounding this assignment, according to State Department officials, private sector individuals, and senior Commerce Department officials, have been embarrassing. The situation reached a point where the Ambassador to Colombia and later, the Charges d'Affaires in Colombia and the

Netherlands became involved personally in what had become a widely-known problem.

Our review of the facts available and discussion with State Department officials show that

- there was evidence of a pending vacancy in Bogota at least 3 months before the officer was told he was being assigned there,
- normal procedures used to fill emergencies were not used -- the normal practice, according to State Department officials is to ask for volunteers before deciding to unilaterally assign an officer to a hardship post,
- the FCS did not send out an open assignment cable soliciting volunteers for the position until Thursday, August 28, 1986. The cable was sent out over a three day weekend and closed by COB Wednesday, September 3, 1986. Thus, prospective bidders had six days to make their decisions and submit their bids. Again, this is not the normal practice. And lastly,
- of the 158 FCS assignments between May 1985 and December 1986, this was the only assignment for which the panel agenda did not include the names of possible officers to be assigned to the post.

This particular case has diverted energy and attention from export promotion programs. We found most of the FCS officials with whom we needed to work were preoccupied with the case.

Lack of an Assignment Appeal Process

Finally, though required by the Commerce Department's Operations Manual no formal assignment appeals process has been established. At the State Department, the Director General acts in an appellate capacity but he is not directly involved in the day-to-day

assignment process. We believe that an appeals process, preferably at the level of Commerce's International Trade Administration, would tend to increase the morale of officers and add credibility to the assignment process.

PROBLEMS WITH PERFORMANCE APPRAISALS,
PROMOTIONS AND RETENTION

We also noted some serious problems in three other interrelated areas -- performance appraisal preparation, promotion practices and management of the agency's "up or out" system.

Performance Appraisals

We did not plan to review the FCS performance appraisal system in detail. However, in early February 1987 we began receiving numerous complaints from different sources about the way in which 1986 performance appraisals were done. The primary allegation was that there was an attempt to subvert the 1987 selection process by altering 1986 performance appraisals. Specifically, it was alleged that the Director General whited-out, or ordered to be whited-out, original performance ratings and substituted different ratings for certain officers. It was also alleged that whoever changed the ratings also made comments on some forms that implied that the altered rating reflected the original raters' views on the rated officers' performance. Allegedly, comments such as, "I agree with the rater that this officer was fully satisfactory" were made although the rater may have given the individual a commendable rating.

After we verified that ratings were altered, we wrote to the Director of Foreign Service Personnel to express our concerns, determine the extent of the problem, and learn of what action she had taken to address the situation. We also advised her that in trying to verify these allegations, we found FCS instructions in this area were inadequate in that they did not spell out the duties and responsibilities of rating and reviewing officials and the procedures to be followed. Accordingly, we suggested that the FCS adopt the instructions used by the Department of State.

On February 23, 1987, the Foreign Service Personnel Director advised us by letter that in the course of reviewing incoming performance appraisals, her staff discovered ten cases in which the original ratings had been whited-out and different ratings were substituted. In some cases this created a discrepancy between the narrative description of the quality of the officers' work and the adjective rating for certain critical elements. She explained that the appraisals were returned to the Deputy Assistant Secretary for Foreign Operations citing the specific deficiencies in each appraisal and the corrective action required.

Further, she agreed that the instructions in the FCS performance appraisal manual need to describe more precisely the duties of the reviewing official, and that this will be done prior to the end of the current appraisal cycle.

She advised that:

"This issue has not been a problem in the past because the rating and reviewing officials held discussions prior to issuing the ratings. The reviewing official's changes were incorporated into the final rating. This year three of the four Regional Managers (rating officials) were reassigned before the end of the rating cycle which prevented such discussions. Normally the Regional Managers prepare their ratings in draft until discussions are held and decisions made. However, due to their early departure, they prepared their appraisals in final form. The differences identified by the Deputy Assistant Secretary for Foreign Operations and the Director General were improperly recorded by the new Regional Managers."

We discussed this issue with the Director General and he advised us that the problem with the performance appraisals was the result of a misunderstanding by subordinates of his instructions, and an oversight on his part due to the press of business.

Promotions

We believe that there needs to be more openness in the FCS promotion process. Unlike the State Department, the FCS does not announce the number of available promotion opportunities to its Selection Boards. Our understanding is that the Director General decides on the number of promotions to be granted when he receives the Selection Board's rank order list. We believe this needs to be changed, particularly in light of the fact that the Director General is not required to accept Selection Board recommendations for promotions and awards. In 1986, sixteen of the 24 FS-2 promotions (two-thirds) recommended by the Selection Board were rejected by the Director General. The State Department, as a

matter of practice, discloses the number of promotion opportunities to its Selection Boards and to the employee association.

One of the difficulties in the process at FCS is that the Director General is involved in preparing ratings and is also the selecting official. Since the Director General is not required to accept and can set aside Selection Boards' recommendations, we believe the number of promotion opportunities should be released to the Selection Boards.

Time-in-Class System

One of the unique features that distinguishes the Foreign Service from its Civil Service counterpart is the "up or out" principle. Authorized in the Foreign Service Act of 1946 and retained in the 1980 major overhaul of the Foreign Service System, its objective is to ensure continued high quality staffing in U.S. missions overseas. Basically, an officer must be promoted through merit selection in a certain length of time or else be involuntarily separated -- "selected out" of the Service. At the FCS, it is frequently referred to as being "TICed-out", with TIC representing "Time-In-Class." All Foreign Service agencies are required to have an up or out system and the head of each agency is required to prescribe regulations specifying the maximum period in which members may remain in a class or combination of classes. Time-in-class limitations may not be less than three years in each class of the Senior Foreign Service.

FCS has the most stringent TIC policy of any of the Foreign Service agencies. Though the FCS essentially retained the same TIC structure as that used for Senior Foreign Service Officers at State, it tightened requirements for officers' progression through non-senior ranks. At State, non-senior officers are allowed 22 years to progress from FS-4 through FS-1 with no more than 15 years in any one grade. In contrast, at the FCS, non-senior class officers are allowed to spend only five years each at the FS-4 and FS-3 levels, and are afforded a maximum of 15 years for progression from class FS-2 through FS-1, with no more than eight years in the FS-02 position. Under the State Department system a career officer who is given tenure is able to complete 20 years of service. An officer with 20 years of service, who satisfies other requirements, qualifies for an immediate pension if he or she is selected out. Under the FCS system, officers who have demonstrated above average performance could be selected out with less than 20 years of service. In such a circumstance an officer who meets other foreign service retirement requirements would not have sufficient years of service to qualify for an immediate pension.

As noted above, the Foreign Service Act requires each covered agency to implement a time-in-class system. Initially, FCS employed the same TIC structure as the State Department. In 1983, the current TIC policy was implemented by the then Director General. We were told that at the time the policy was implemented

officers were not consulted, advised or given a chance to comment on the new structure. According to these officials, the new policy violated a pledge made by the first Director General. He reportedly told State Department officers who transferred to Commerce when the FCS was created in 1980, that they would have the same career protection as they had at the State Department.

We have concerns with the way the FCS time-in-class system is being managed, the resulting impact on the career service, and its cost. But before we comment on our specific concerns, let us mention a few of the basic tenets that we believe are necessary in an "up or out" or time-in-class system.

First, there should be some type of rationale for the time restrictions for each class.

Second, it is generally conceded that to operate a career service there must be a reasonable number of promotion opportunities so as to be able to retain above average performers.

Third, a credible performance appraisal system must be in place.

Fourth, there must be periodic management reviews and adjustments to the system as appropriate.

Our review showed problems in each of these areas.

Rationale For Stringent TIC Not Clear

We were unable to find documents supporting the need for the FCS' TIC policy. We believe FCS management needs to conduct a thorough review of its TIC policy. Such a review in response to changing needs is envisioned in the Foreign Service Act which allows changes in the maximum time-in-class limitations as may be required. In

1983, when the current policy was implemented, FCS was growing and such a policy may have been based on expectations that are in conflict with circumstances today.

Number of Promotions

Based on the promotion rates to date, a substantial number of FCS officers may be selected out. FS-2 and FS-1 classes are where the bottlenecks occur in the FCS career progression. In 1984, two of 37 FS-2 officers were promoted to FS-1, and one of 31 FS-1 officers was promoted to the Senior Foreign Service. In 1985, the FCS promoted a higher number of officers than in prior years, but substantially less than the Selection Board recommended. Seven of 44 FS-2 career officers were promoted to FS-1, and three of 31 career officers were promoted to the Senior Foreign Service. At these rates of promotion, considering FS-1 and FS-2 time in class limitations, a substantial number of officers may be selected out even though they may have demonstrated above average performance. This situation is made more difficult by the current practice of making limited appointments at the FS-2 levels and above.

Most of the limited appointees come in noncompetitively at mid to senior levels, and some of them eventually convert to career status. Further, some limited appointees are promoted before they are tenured. Potentially, an FS-1 limited appointee who becomes a career candidate can spend 20 years at the same level before being separated out. This is possible because the limited appointment

can be up to five years and the appointee can spend an additional 15 years in career status at the FS-1 level before being selected out.

Lack of a Credible Performance Appraisal System

FCS management has recognized weaknesses in its performance appraisal system. The appraisal form, and the number of organizations providing input to officer ratings have changed several times. These changes have made the system much more complicated and, in our opinion, susceptible to challenge from officers who are dissatisfied with their appraisals. Many FCS officers are rated by individuals in ITA who are not part of the FCS. Others are rated by individuals who have little firsthand knowledge of the officers' performance or in some cases, they have never met. The 1986 Selection Board's formal report to the Director General states

"Some appraisals are incomplete. Frequently there are no reasons given for less than a full year's evaluation nor for the lack of a statement by a reviewing officer. Other folders do not indicate the promotion history of the individual involved. The Board recommends that all FCS performance files be reviewed to correct such omissions and to eliminate duplicate materials.

The Board noted that the signatures of the rating and reviewing officers are often illegible. All signatures in reports should have the name and title typed underneath.

The Board noticed that those officers who were evaluated by officers in Washington rather than at post tended to be assessed more harshly. Because officers at post are likely to have a clearer picture of an individual's performance, the Board recommends that whenever possible evaluations be prepared by immediate supervisors at post."

One officer who was scheduled to be selected-out last year was given a one-year extension because his last performance appraisal was faulty. It is our understanding that he has requested that the faulty appraisal be removed from his file. In addition, we were told at least one of the 1986 performance appraisals that were whited-out was for another officer who will be selected-out if he is not promoted this year.

Heretofore, few officers have faced selection-out because the FCS is a relatively new agency. However as the number of officers subject to selection-out increases, there will be heightened reliance on the performance appraisal system since it is central to the operation of the career system.

Today we have a system at the FCS in which experienced career officers with good performance records and foreign language capability are faced with selection-out because of limited advancement opportunities, while new individuals, some of whom have little overseas business experience and/or no foreign language proficiency are being brought in at the same or higher levels. On one occasion, the FCS found itself in the embarrassing position of having to bring an officer who had been selected-out back as a limited appointee because no suitable replacement could be found.

We believe a comprehensive review of the rationale for the existing policy and its expected and actual results is needed. FCS needs to

answer the question: is it cost effective to separate good, experienced officers based on a TIC policy whose basis is not clear, and replace them with unproven officers? We fully recognize the difficulty of FCS' task in this area. We also recognize that there may not be an immediate solution to some of these issues and that they will have to be addressed over time.

NO MANAGEMENT AND PROGRAM REVIEW
OF OVERSEAS ACTIVITIES

In April 1984, this Subcommittee after reviewing FCS operations, recommended that the Service establish an internal audit mechanism based on the system used by the State Department to audit each post at least once every five years. In response to this recommendation, the FCS began to take steps to create an in-house management and program review function. Different operating approaches were discussed, and comments were solicited from the Commerce Department Inspector General. Commerce Department viewed the proposal as a very positive management improvement initiative. In 1985, three test audits were conducted on two domestic posts and one overseas post. The current Director General had decided that, in light of Gramm-Rudman-Hollings budget cuts, no further audits would be planned. We feel that such audits would be useful for three reasons:

- The validity of statistics from FCS posts have been openly challenged by ITA programming units and by this Subcommittee. Questions have continually been raised as to

whether reports accurately reflect the actual work of the posts -- particularly in the categories of trade promotion, event support and business counseling.

- Gramm-Rudman-Hollings reductions, which will force agencies to make hard choices, increase the urgency of adopting initiatives, such as the proposed management and program review, which provide the kind of data needed to make informed cuts. It is generally recognized that the FCS may have to close some marginal posts.
- The audit initiative, if properly implemented and well managed, may be able to identify savings to partially offset its cost.

We understand that the Director General has now reconsidered his decision not to proceed with implementing the recommendation.

Mr. Chairman, this concludes my statement. I will be happy to try to answer any questions you may have.