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Statement of
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Director, International Division
U.S. General Accounting Office
Before the
House Subcommittee on Legislation
and National Security
Committee on Government Operations
Concerning [Review of the State Department's Office
of the Inspector General, Foreign Service]



Mr. Chairman and Members of the Subcommittee.

We appreciate the opportunity to appear before the subcommittee to summarize the results of our followup on our report on the operations of the State Department's Office of the Inspector General. Our work was performed at your request and followed the issuance of our report in December 1978 entitled: "State Department's Office of Inspector General, Foreign Service, Needs to Improve Its Internal Evaluation Process." You specifically requested that we determine the extent to which the Office of the Inspector General was

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*Auditing proposed legislation
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complying with our report recommendations and with GAO auditing standards and whether the Office of the Inspector General should be included in the legislation concerning Inspectors General.

In our previous report we found that:

- Independence and competence are compromised by the legal 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 attempts to conduct across-the-board evaluations at each post at least biennially and to cover such a broad range of functions that the staff is sometimes spread too thin to do a thorough analytical job.
- The Inspector General is responsible for evaluation of foreign policy assessments and for political, economic, and commercial audits, as well as more traditional audit functions involving consular, budget and finance, administration, and general services. His staff is composed of Foreign Service officers serving 2-year tours and auditors with longer tenure.
- 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 officers have extensive experience in the foreign affairs area, but on the other hand this same experience could lead the officers to accept present operating methods without the raising questions that might occur to independent observers. 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 an internal review group.

We recommended 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.

With respect to these findings we also recommended that the Secretary of State:

- Direct the Inspector General, Foreign Service, to revise inspections to emphasize to a greater extent the broad, overall audits of programs, functions, and activities rather than focusing principally on individual foreign posts.
- Require the Inspector General to tailor assignments to those programs, functions, and activities considered most important, thereby allowing his inspectors the 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 evaluation 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 duration of their assignments with a view that the evaluation group should be--to the maximum extent possible, consistent with the Department's operations--comprised of personnel with substantial education and experience in managerial and operational auditing and analysis.

We concluded by stating that proper implementation of these recommendations would result in the production of the kinds of evaluations and reports contemplated by the Inspectors General Act of 1978.) 4A

Our followup has shown that very little action has been taken on our recommendations to date. In our opinion, the matters that require priority attention are (1) increasing the independence of the Inspector General function, (2) placing adequate attention on audit matters vis-a-vis investigation matters, (3) initiating actions necessary to expand area and program coverage, and (4) reducing individual post inspections.

We would like to point out, however, that the fundamental constraint inhibiting the State Department from full implementation of our recommendations is Section 681 of the Foreign Service Act, which (1) requires inspections of all posts on a 2-year cycle and (2) assigns Foreign Service officers as inspectors for 2-year tours. If we expect the State Department to meet the intent of our recommendations, than we urge that the Foreign Service Act be amended to provide for more flexible inspection cycles and to eliminate the requirement that Foreign Service officers be assigned as inspectors.

We noted that the State Department has proposed legislation that partially meets the intent of our recommendations and has also taken some actions to comply with them. Nevertheless, we believe that the Department falls far short in the following areas.

INDEPENDENCE

The State Department's proposed legislation appointing the Inspector General without a specific tenure is, in itself, not sufficient to assure a maximum degree of independence. We believe that, to maximize the degree of independence, the Inspector General should be appointed for an indefinite tenure or until retirement to preclude reentry into normal Foreign Service assignments.

Also, the proposed legislation does not eliminate the requirement that Foreign Service officers be assigned to serve as inspectors. We believe that such assignment is improper because of the likelihood that the inspectors will later become the inspected (as they are well aware) and this could constrain them from reporting as candidly as they otherwise should. These circumstances and the inspectors' own close relationships with the Foreign Service and its functions could tend to dilute the independence, completeness, and objectivity of their inspections and reporting. It is important that all inspectors and auditors be impartial, independent, competent, and objective. Therefore, it would be inappropriate for inspectors and auditors to be Foreign Service officers with short tenures. We believe, however, that, when circumstances so warrant, Foreign Service officers could be called upon to participate on audit or inspection teams with the control and responsibility for conduct of audits remaining in an independent inspector or auditor.

Our position on this matter is not to impugn the integrity of the Foreign Service officers involved; rather, it recognizes inherent human tendencies that develop during such special relationships over extended time and thus gives the appearance of non-independence.

AUDIT VERSUS INSPECTION MATTERS

The State Department has not, in our opinion, given adequate emphasis to the auditing functions. Illustrative of the Department's approach is the fact that the two Deputy Inspectors General are Foreign Service officers, whereas the top auditor serves only as a staff officer. It would be more appropriate for one of the deputy positions to be filled by a competent, qualified auditor with line responsibilities. Also, such action would be in consonance with the Inspector General Act, which provides for recognition of the difference and the importance of both the investigation and audit functions.

PROGRAM, FUNCTION AND ACTIVITY REVIEWS

The Inspector General's reports, in our opinion, could be more substantive in content, and, thereby, more meaningful if more inspections were directed toward selected functions and activities on a regional or worldwide basis, as appropriate and feasible and if, inspectors also evaluated the results of ongoing functions and activities.

The legal requirement for post inspection every 2 years limits the Inspector General's ability to embark on more

efforts of a broad nature. We are not suggesting the traditional post inspections be completely eliminated, but rather pointing out that the legal requirement limits the Inspector's flexibility. Even so, we have noted some attempts since our review to undertake broader efforts.

GAO AUDITING STANDARDS

As stated previously, independence is one of the basic tenets of GAO's Auditing Standards. While recognizing that independence is a relative matter, we have strong reservations that Foreign Service officers who serve temporary duty of 2 years as inspectors fully meet our standard of independence.

Also, the results of our work shows that the State Department's Inspector General is not fully complying with the most fundamental GAO Auditing Standard--documentary support for findings, conclusions, and recommendations--which affects the authenticity of other standards. Thus, we believe the Inspector General should set up a review system that would assure compliance with GAO Auditing Standards and proper workpaper documentation.

FUNCTIONS OF INSPECTOR GENERAL FOREIGN ASSISTANCE

The Inspector General, Foreign Service, is not performing all of the functions reassigned from the Inspector General, Foreign Assistance. The Inspector General, Foreign Assistance was responsible for reviews, inspections, and audits or program

administered by: (1) Agency for International Development (AID), (2) the Military Assistance Program (MAP) including sales, (3) Peace Corps, and (4) Overseas Private Investment Corporation and Inter-American Foundation.

The function of the Inspector General, Foreign Assistance was, broadly speaking, to perform for the Secretary of State, with respect to foreign assistance operations, services some what analogous to those performed by internal auditors.

The State Department stated that it has plans for its Inspector General to assume all of the reassigned duties. The plans have not been implement because a funds reprogramming request, which would have provided the resources needed for the reassigned functions, was denied.

We believe that, if the congressional objective of improving the quality and substance of inspection reports on foreign assistance and development progrars is to be realized, the Inspector General needs to revise its basic inspection approach in order to produce the kinds of evaluation and reporting needed by management and contemplated by the Congress.

We also believe that the State Department needs the necessary funding to implement the transferred functions and to acquire the needed staff.

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INCLUSION OF STATE IC UNDER
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As we stated, the implementation of recommendations to review the Foreign Service Act of 1946 and to improve the staffing, planning, and programing operations of the Inspector General could bring that function closely in line with the objectives of the Inspector General Act of 1978. It would, however, be beneficial to bring the State Department under the Act in order to insure the continuous application of the objectives of the Act. It well could be that new administrations in the State Department would not be supportive of the Act's intent and, in the absence of legislation, the function's effectiveness could be diluted.

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Mr. Chairman, this concludes my prepared statement. We will be pleased to respond to any questions you or other members of the Subcommittee may wish to ask.