

GAO

United States General Accounting Office

Report to the Chairman, Committee on  
the Budget, House of Representatives

August 1996

# STATE DEPARTMENT

## Options for Addressing Possible Budget Reductions



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National Security and  
International Affairs Division

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August 29, 1996

The Honorable John R. Kasich  
Chairman, Committee on the Budget  
House of Representatives

Dear Mr. Chairman:

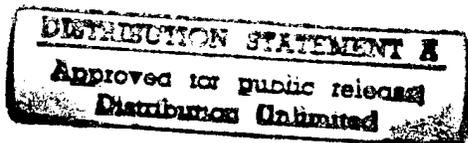
This report discusses the State Department's reform and cost-cutting efforts and identifies options that would enable State to adjust to reduced budgets. The report includes a recommendation to the Secretary of State and two matters for congressional consideration to assist the Department in reducing costs.

We are sending copies of the report to the Secretary of State and to other appropriate congressional committees. We will make copies available to others upon request.

This report was prepared under the direction of Benjamin F. Nelson, Director, International Relations and Trade Issues, who may be contacted on (202) 512-4128 if you or your staff have any questions about this report. Other major contributors to the report are listed in appendix III.

Sincerely yours,

Henry L. Hinton, Jr.  
Assistant Comptroller General



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# Executive Summary

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## Purpose

The State Department received appropriations of \$2.695 billion for fiscal year 1995 and \$2.671 billion for fiscal year 1996 for the administration of foreign affairs. In light of plans to reduce funding for foreign affairs activities, the Chairman of the House Committee on the Budget asked GAO to determine the status of State's reform and cost-cutting efforts and identify options that would enable State to adjust to reduced budgets.

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## Background

The State Department is responsible for conducting foreign relations, including formulating policy on diverse international issues and coordinating and supporting U.S. programs and activities overseas. State is expected to perform a wide variety of functions that are critical to U.S. interests: provide leadership to help bring peace and stability to areas such as Bosnia and the Middle East; report on overseas events; influence other countries to adopt policies and practices consistent with U.S. interests on security, economic, narcotics, crime, environment, democracy, and other issues; assist U.S. business abroad; provide services to U.S. citizens overseas; and issue passports and visas.

In July 1995, the Office of Management and Budget suggested reducing State's funding to \$2.5 billion by 2000—a 7-percent decline from 1995. When inflation is factored in, State's 1995 purchasing power would be reduced by \$770 million or 30 percent. Under the 7-year concurrent budget resolution, passed by the Congress in June 1995, funding levels could be even less.

The President has requested \$2.713 billion for fiscal year 1997—\$18 million more than for fiscal year 1995 and \$39 million more than for fiscal year 1996. The actual funding level is subject to negotiation.

To develop options to allow the State Department to accommodate potential budget reductions, GAO analyzed State's reform initiatives and examined the functions of State's headquarters organization, overseas posts in 6 countries, and selected activities of 14 other U.S. government agencies that share responsibility with State for certain international activities.

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## Results in Brief

Although the State Department has reduced the number of its staff and implemented some cost reduction measures, it has been reluctant or unable to significantly reduce its overseas presence and the scope of its activities or to substantially change its business practices. In

February 1995, the Secretary of State chose not to support reforms that might fundamentally change the Department's mission, organizational structure, and processes. The State Department believes that a substantial downsizing to accommodate potential funding reductions would severely jeopardize its ability to achieve U.S. foreign policy goals. However, GAO believes that State can take steps to reduce its costs, while continuing to protect U.S. interests.

The budgetary stringency that the federal government is projected to face in the next few years makes it unlikely that State will receive the level of funding that would allow it to maintain its current level of activities. Because of inflation and cost increases overseas, GAO estimates that maintaining current functions and personnel would cost \$584 million more in 2000 than in 1995, a 22-percent increase. But it is likely that State will receive less resources in the future. If total discretionary spending is held to the levels envisioned in the congressional budget resolution for fiscal year 1997, spending will fall by almost 6 percent between 1995 and 2002. State will probably have to bear a share of this planned reduction. Furthermore, larger reductions in State's funding have been proposed by the Office of Management and Budget and the Congress. New fiscal realities dictate that State increase its cost consciousness, make choices about resource priorities for its wide range of locations and functions, and fundamentally rethink the way that it does business in order to increase efficiency and reduce operating costs.

The greatest opportunity to significantly reduce costs is by closing, or reducing the size of, overseas posts, which cost about \$1.9 billion annually. This amount, which includes support costs, is equivalent to nearly 70 percent of State's budget. State maintains a diplomatic presence in 252 overseas locations, including countries where the United States has limited interests. This structure has not changed substantially since the end of the Cold War. Fiscal realities may require a fundamental rethinking and redesign of overseas diplomatic structure, locations, functions, and practices. Such a rethinking could lead to changes that would increase operating efficiencies and reduce costs. Eliminating posts will be difficult, as State has typically met with resistance from within and from other agencies and members of Congress when it has tried to close some low priority posts. Establishing an independent panel to review post closures and reductions is one strategy to overcome this resistance.

State could also reduce support costs by several hundred million dollars by accelerating changes to its business practices. State currently spends

nearly \$1.8 billion on communications, real estate, and a wide variety of other support services for domestic and overseas operations. Prompt disposal of unneeded overseas real estate is just one example of how State could reduce its support costs.

In addition, State may have to limit and/or eliminate its role in selected functions. (State shares responsibility with various other U.S. government agencies for many issues.) Although this may impact on the way U.S. international activities are implemented, lessening State's role could lead to personnel reductions that would reduce headquarters costs and facilitate reductions in costs for overseas posts and support.

In light of potential funding reductions and post Cold War realities, State needs to plan for how it can become a smaller, more efficient, and less expensive organization. Development of a downsizing strategy should start with identification of core missions and functions and critical locations and the resources required to support them. GAO recognizes that implementation of some downsizing measures may require changes in legislation or negotiations with other agencies. State's strategy should include a plan to obtain support from the Congress and cooperation by other U.S. agencies.

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## Principal Findings

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### State Has Not Developed a Downsizing Strategy

The State Department does not have a comprehensive strategy to restructure its operation to adjust to potential funding reductions. Management attention to downsizing has been distracted by (1) the need to address foreign affairs crises and (2) internal bureaucratic pressures. Moreover, the Department has not fully accepted that it may have to substantially reduce its costs. As a result, State has not done a comprehensive review of its functions and processes to identify unnecessary and low-priority work. State continues to hope that funding will be sufficient to avoid making major cuts to its operations. It notes that the President's proposed funding for fiscal year 1997 would require some modest downsizing, but not the level of downsizing that would be required under other proposed funding reductions.

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## Limited Cost Reductions

The two major management initiatives undertaken since 1993 have not led to fundamental changes in State's organizational structure and business practices or achieved significant cost reductions. Instead, State has opted to implement administrative and other changes that would not have a dramatic impact.

The Secretary established the Strategic Management Initiative in 1994 to set the future course for the Department and to eliminate duplication and unnecessary or marginal functions. Although State initially estimated that proposed actions under the initiative could reduce costs by well over \$100 million, State officials told GAO that actual cost reductions have been limited.

In 1993, the National Performance Review recommended actions that it estimated would reduce State's costs by \$68 million over 5 years. State has completed 2 of 14 recommended actions and has estimated cost reductions at \$1.2 million annually.

State points out that its funding has been relatively flat for several years and that it has already reduced personnel and taken other actions to reduce its costs accordingly. For example, State reports that it has reduced its staff by 2,200 since 1993, from about 26,000 to 23,800, or an 8.5-percent reduction.

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## Options for Reducing State's Involvement in Some Functions

One option to cope with reduced funding is to reduce or eliminate State's involvement in some areas and to lessen the degree of overlap among its bureaus and with other agencies. State's organizational structure and operating procedures have the potential to create unnecessary overlap, duplication, and inefficiency. The Department's geographic bureaus are organized to overlap with many other foreign policy and administrative functions. These bureaus operate as six micro-departments that basically administer U.S. foreign policy for a particular region of the world. In fact, concerns about potential duplication among the various units within State headquarters were raised in a 1995 State Department internal study of domestic positions. The study identified examples of potential duplication of work among offices within the Department. For example, the study indicated that there is potential overlap between the Bureau of Intelligence and Research and regional and functional bureaus throughout the Department.

There is also overlap of work between State and other agencies. In August 1995, the Office of Inspector General for the Arms Control and Disarmament Agency (which also serves as the Office of Inspector General for the Department of State) reported that duplication between the Agency and State's Political-Military Bureau "promotes inefficient use of resources by both organizations and accentuates turf consciousness, dissipating energies and damaging morale."<sup>1</sup>

Also, with congressional approval where necessary, State could streamline some informational reports—for example, its annual human rights report, which consumes resources of many bureaus and nearly all overseas missions—or eliminate reports that contain information available from other sources, such as country reports on trade practices.

State could also eliminate certain positions or consolidate responsibility for certain issues. For example, eliminating labor attaché positions and transferring labor issues to political and economic officers could reduce costs by about \$7.4 million annually. Finally, State could recover some of the costs of many services, such as factual and analytical reports, business assistance services, and assistance to overseas visitors, that it provides to other entities.

Making these changes would not be easy, as State's functions are broadly linked to foreign policy objectives, specifically required by statute, or required by interagency processes, and according to State, some decisions would have to be made in an interagency forum or may require legislative approval.

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### Options for Reducing the Costs of Overseas Presence

State has embassies in most foreign capitals and consulates in some commercial centers outside capital cities. Despite advances in communications and transportation, geopolitical changes, and new budget realities, State's vast network of embassies and consulates and the way they are configured and operated have remained largely unchanged. Although there are some reform initiatives currently underway, a fundamental rethinking of the vast overseas infrastructure has not taken place. State could potentially increase operating efficiency, reduce the size of some posts, and close others in order to reduce costs. Cost reductions from closing a small post with about nine Foreign Service officers could total about \$2 million per year or \$10 million over 5 years.

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<sup>1</sup>Report of Inspection, The U.S. Arms Control and Disarmament Agency (ACDA-ISP/I-95-44, Aug. 1995).

Offices within State, members of Congress, and other agencies have often opposed closures of posts. In July 1995, State identified 19 posts for possible closure but decided to close only 13 due to pressure from others. For example, the Consulate in Curacao, Netherlands Antilles, was taken off the closure list in response to pressure from a member of Congress and objections from the Drug Enforcement Administration. According to State officials, the Department may be forced to close 50 to 100 of its 252 overseas posts if proposed funding cuts become a reality.

One strategy to review post closing and downsizing options would be to establish an independent post closure panel like the Defense Base Closure and Realignment Commission—an approach that resulted in decisions to close, realign, or otherwise downsize hundreds of military bases and installations. Although the criteria involved in closing and downsizing overseas diplomatic posts are different, a panel much like the Commission may be useful. Since many other agencies depend on State's overseas presence, such an approach would allow for decision-making based on the need to support both State and non-State activities consistent with overall U.S. policy interests and priorities as well as available resources.

Another strategy to pursue cost reductions would be to implement the National Performance Review recommendation that, on a pilot basis, U.S. ambassadors be given expanded authority over all U.S. government fiscal and staffing resources at overseas posts. Expanding ambassadors' authority raises the potential for negative consequences, however. For example, an ambassador and a federal agency may have differences of opinion about the types and levels of resources needed to sustain agency activities. However, because expanding ambassadors' authority could reduce costs, GAO supports a pilot study to test the concept. State has not initiated action on this recommendation. State officials told GAO that the Department cannot move on this recommendation until the National Performance Review/Vice President's staff propose legislation to the Congress. However, National Performance Review staff told GAO that proposing legislative action is State's responsibility. In November 1995, the U.S. Ambassador to Senegal asked that State's Under Secretary for Management convene the Vice President's Interagency Council to obtain its agreement to test increased authority of ambassadors. State has been reviewing the proposal.

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Options for Reducing Support Costs

Potential budget reductions could also be met by reducing support costs, which currently consume two-thirds of the Department's budget. State is

experimenting with, studying, or considering several options to reduce its support costs. GAO identified additional cost reduction options that are not currently under review.

The Department of State Appropriations Act, 1996, requires that, starting in fiscal year 1997, State have in place a system that allocates to each department and agency the full cost of its overseas presence. State and other U.S. agencies are developing a system sponsored by the President's Management Council that devolves authority for overseas support to individual post interagency councils. This is a significant change in philosophy, and State expects it to result in increased reimbursements from other agencies and eventually lower the support costs. State estimates it would spend about \$108 million less to support other agencies overseas during the first year of the new system. Additional cost reductions are expected from greater efficiency and interagency coordination. However, implementation will require strong interagency and congressional cooperation.

Other cost-cutting measures being considered by State include (1) hiring more U.S. family members to fill overseas staffing positions, (2) increasing employees' payments for medical services, (3) increasing the length of overseas tours, and (4) reducing State's cost for Marine guard detachments at overseas posts by deactivating certain units or shifting the costs to the Defense Department. Over the long term, State hopes to further reduce its operating expenses through business process reengineering and the outsourcing of certain support functions. In both areas, however, only limited progress has been made.

GAO identified several additional options State could implement to adjust to potential budget cuts as well as some of the potential adverse consequences of these options. These options include (1) expanding the use of foreign nationals in support positions at overseas posts, (2) reviewing employees' benefits and allowances, (3) reviewing support staff levels in headquarters, and (4) disposing of excess and underused properties overseas.

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## Recommendations

GAO is not taking a position on the level of resources needed by the State Department for the administration of foreign affairs. However, given the likely decline in discretionary spending in the federal budget and the various proposals for reductions in State's budget, it is unlikely that State will receive funding at a level necessary to support current services. For

example, fiscal constraints may not permit State to continue to maintain its vast network of embassies and consulates as they are configured today. A fundamental rethinking of functions, locations, and practices is needed to determine what is essential and affordable to support U.S. interests. State needs to plan for how it can become a smaller, more efficient, and less expensive organization.

GAO recommends that the Secretary of State develop a downsizing strategy that (1) identifies critical and noncritical functions and their costs; (2) specifies the changes that would be necessary to adjust to potential funding levels; and (3) identifies what legislative actions or modifications to interagency agreements, if any, would be required to implement the changes. Because overseas posts consume 70 percent of State's budget, reassessment of the network of overseas posts will be an important part of the downsizing strategy. At a minimum, State should have a strategy that is based on out-year funding guidance from the Office of Management and Budget. (Such a strategy would allow for consideration of other funding proposals and could be adjusted to accommodate actual appropriation amounts.)

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## Matters for Congressional Consideration

If future funding levels require the State Department to close and reduce the size of posts, the Congress may wish to establish an independent panel to review State's proposals in view of (1) the potential financial benefits to the U.S. government, (2) the impact on governmentwide interests and the many agencies that depend on State's services, and (3) the potential opposition to closing posts. Although the criteria involved in closing and downsizing overseas diplomatic posts are different, a panel much like the Defense Base Closure and Realignment Commission established to review military installations may be useful.

Also, if the Congress believes that ambassadors' authority over U.S. government resources should be expanded to reduce spending, it could explore with the executive branch how a pilot program, such as the one recommended by the National Performance Review, could be structured and implemented.

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## Agency Comments and GAO's Evaluation

In commenting on a draft of this report, State disagreed with GAO's conclusions and recommendation regarding the need to develop a strategy for adjusting to potential budget reductions. State described the actions it has taken over the last several years to absorb a reduction in real

resources and its plans for further gradual downsizing. Although it agreed that strategic planning for downsizing is important, State stressed that it does not accept and will not plan for proposed funding reductions that could approach 44 percent. It believes reductions of this magnitude would pose unacceptable risks and cause irreparable damage to America's national interests.

State opposed many of the options GAO identified to address possible budget reductions and asserted that State's diplomacy, when compared to other tools for pursuing U.S. national security and other interests, is relatively inexpensive. State indicated that the report does a good job describing the difficulties in closing overseas posts. State also noted that it cannot act unilaterally in reducing a post's size because of the many other agencies involved. State's comments are reprinted in their entirety in appendix II, along with GAO's evaluation of them.

GAO did not make judgments on the relative value of State's functions and activities or try to compare the relative merits of State's diplomacy to other U.S. government tools. Instead, GAO pointed out that both the legislative and executive branches had proposed substantial funding reductions for State and that, barring a \$584-million increase in funding from 1995 to 2000, State would be unable to maintain its current level of activities. Given the funding situation, GAO believes that State needs to seriously consider actions for adjusting to the potential funding scenarios. Furthermore, GAO believes that developing a downsizing strategy would enable State to focus available resources on its most critical functions and activities. Absent a downsizing strategy based on a comprehensive review of its functions and processes, the Department will not have the data and analyses and therefore cannot demonstrate clearly how funding reductions will hamper U.S. interests or be in a position to protect critical functions. GAO did not recommend specific actions to cut costs but identified a number of options that could be part of a State Department downsizing strategy.

GAO did not request formal comments from other agencies. However, to verify data, GAO provided a copy of a draft of this report to the Departments of Agriculture, Commerce, Labor, the Treasury, and Transportation; the Environmental Protection Agency; the U.S. Agency for International Development; the U.S. Arms Control and Disarmament Agency; and the Office of the U.S. Trade Representative. Where appropriate, GAO incorporated the revisions that were suggested by these agencies.

The U.S. Agency for International Development objected to expanding an ambassador's authority over the programmatic direction and funding of overseas programs even on an experimental basis. The U.S. Agency for International Development and the Office of the U.S. Trade Representative emphasized that increasing reimbursements for administrative support at overseas posts may require additional funding for agencies other than State to cover certain costs they may not have budgeted for in the past.

The Office of the U.S. Trade Representative and the Department of Labor expressed concern about coordination issues, emphasizing that cost-cutting decisions that State could make may affect other agencies. The Department of Labor objected to eliminating labor attaché positions and transferring the responsibility for covering labor issues to political and economic officers. In addition, Labor expressed concern about streamlining the country reports on human rights practices, noting that these reports are central to the U.S. policy goal of promoting human rights.

# Contents

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<b>Executive Summary</b>		2
<b>Chapter 1</b>		14
<b>Background</b>	State's Functions and Organization	14
	Funding and Allocations	17
	Funding Prospects and Potential Impact	19
	Objectives, Scope, and Methodology	22
<b>Chapter 2</b>		24
<b>State Is Not Prepared to Cope With Proposed Reductions</b>	State Has Made Limited Progress in Streamlining Its Organization	24
	Private and Public Experiences Show Planning Is Essential to Downsizing	27
	Conclusions	28
	Recommendation	28
	Agency Comments and Our Evaluation	28
<b>Chapter 3</b>		30
<b>Opportunities for Streamlining Functions</b>	State Has a Varying Role in Diverse Functions	30
	Option: Reassess Involvement in Certain Functions	30
	Option: Cut Activities and Recoup Costs	36
	Potential Impact of Cutting Back on State's Role in Certain Functions	40
	Conclusions	41
	Agency Comments and Our Evaluation	41
<b>Chapter 4</b>		43
<b>Options for Reducing Overseas Presence</b>	Overseas Posts Are Costly to Operate	43
	Post Functions and Resource Allocations	44
	Options for Closing and Restructuring Posts	48
	Options to Reduce Post Costs	51
	Conclusions	55
	Matters for Congressional Consideration	55
	Agency Comments and Our Evaluation	55
<b>Chapter 5</b>		57
<b>State's Support Costs Can Be Reduced</b>	Support Network Consumes a Large Portion of the Budget	57
	State Is Seeking to Reduce Its Support Costs	58
	Additional Cost Reduction Options	63
	Process Reengineering and Outsourcing May Lead to Long-Term Cost Reductions	68

---

Contents

---

	Conclusions	71
	Agency Comments and Our Evaluation	71
<b>Appendixes</b>	Appendix I: Activities at Overseas Posts	74
	Appendix II: Comments From the Department of State	82
	Appendix III: Major Contributors to This Report	103
<b>Related GAO Products</b>		106
<b>Tables</b>	Table 1.1: Fiscal Year 1995 Net Budget Authority for Appropriations for the Administration of Foreign Affairs	18
	Table 1.2: Fiscal Year 1995 Allotments	19
	Table 4.1: State's More Costly Missions	44
	Table 4.2: Post Resources in Six Countries	46
	Table 4.3: Support Staffing Levels in Six Countries	48
<b>Figures</b>	Figure 1.1: Organization of Selected State Bureaus	15
	Figure 1.2: Future Funding Scenarios for the Administration of Foreign Affairs	21
	Figure 4.1: State's Overseas U.S. Direct-Hire Employees	45

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**Abbreviations**

ACDA	Arms Control and Disarmament Agency
FAAS	Foreign Affairs Administrative Services
FSN	foreign service national
ICASS	International Cooperative Administrative Support Services
OMB	Office of Management and Budget
USAID	U.S. Agency for International Development
USTR	Office of the U.S. Trade Representative

# Background

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The State Department conducts activities designed to promote and protect U.S. interests overseas. To support these activities, State maintains a headquarters with regional and functional bureaus and 252 overseas posts. The State Department received slightly less than \$2.7 billion for the administration of foreign affairs in both fiscal years 1995 and 1996, with the bulk of these resources allocated to salaries, infrastructure, and operating expenses. State faces a widening gap between available budget resources and the costs of maintaining existing activities.

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## State's Functions and Organization

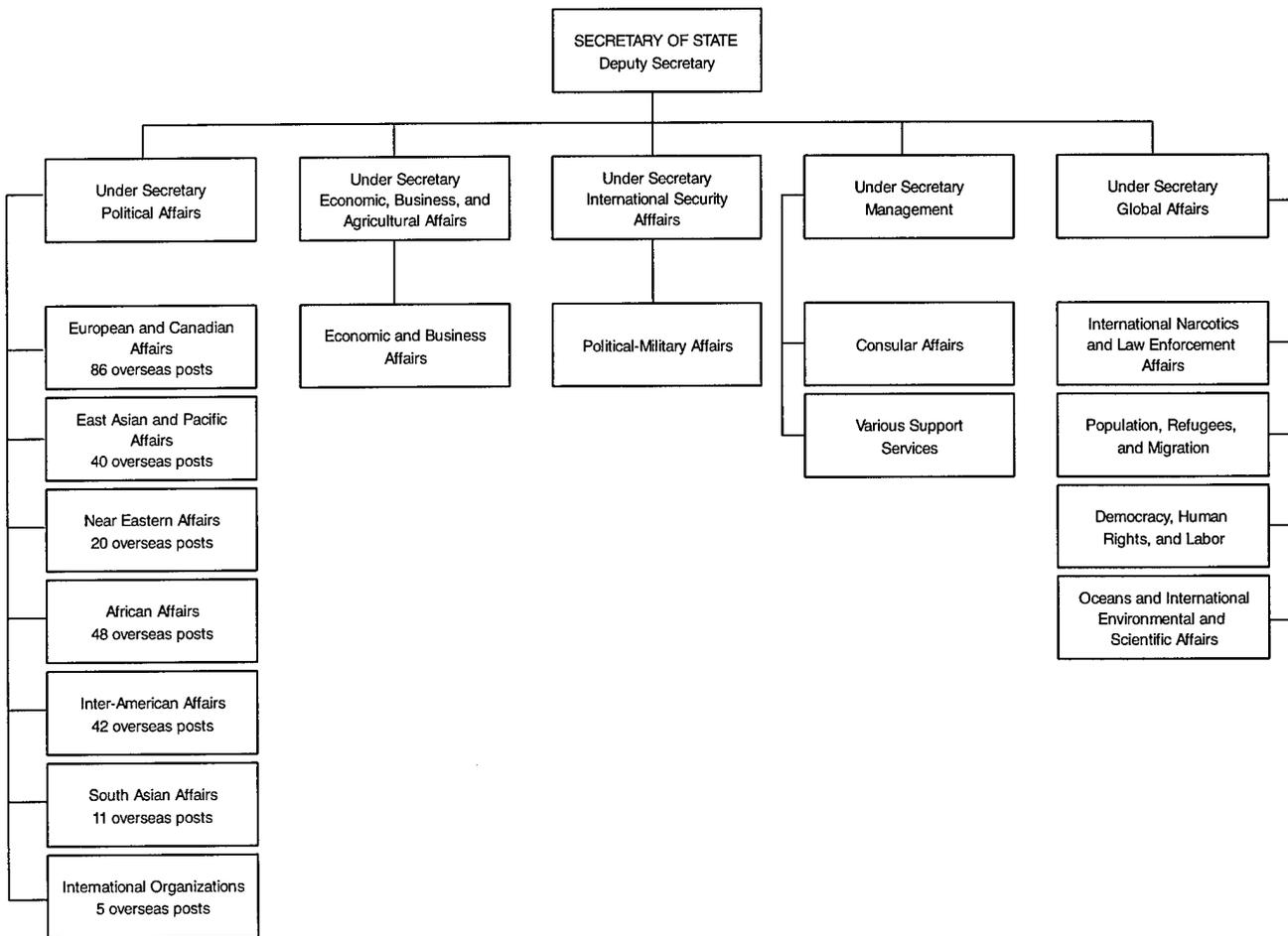
The State Department is the central agency for coordinating and implementing U.S. foreign policy in support of U.S. interests. State provides leadership to help bring peace and stability to areas such as Bosnia and the Middle East and carries out a variety of activities to promote these interests, including

- negotiating and overseeing over 14,000 treaties and agreements in force since 1946, including 24 treaties and 338 agreements concluded in 1994;
- analyzing overseas events to obtain information critical to U.S. policymakers in Washington;
- preparing over 130 congressionally mandated reports covering such diverse subjects as the abuse of human rights and foreign trade;
- representing the United States at 700 international conferences annually;
- providing consular services to Americans overseas and issuing over 5 million passports and 8 million visas annually; and
- providing administrative support to about 35 federal departments and independent agencies with staff overseas.

State's headquarters in Washington, D.C., includes geographic bureaus that are organized along regional lines (such as the Bureau of East Asian and Pacific Affairs) and bureaus that are organized along functional lines (such as the Bureau of Political-Military Affairs). Figure 1.1 shows the basic organizational structure of the Department.

Chapter 1  
Background

Figure 1.1: Organization of Selected State Bureaus



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State's Geographic  
Bureaus

The Under Secretary for Political Affairs oversees State's six geographic bureaus and the Bureau of International Organizations. With 1,143 headquarters staff, Political Affairs is the Washington focal point for the development of policy recommendations, for coordination with other departments and agencies, and for transmission of guidance to ambassadors in the field. The geographic and International Organizations bureaus guide, coordinate, and supervise nearly all of the State Department's activities overseas, including the operation of 163 embassies, 64 consulates general, 13 consulates, 8 missions to international organizations, 2 branch offices, 1 liaison office, and 1 interests section.

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State's Functional Bureaus

The functional bureaus generally manage and coordinate specific issues and activities. The Bureau of Economic and Business Affairs, under the jurisdiction of the Under Secretary for Economic, Business, and Agricultural Affairs, is responsible for integrating U.S. economic interests with U.S. foreign policy in such areas as international energy, trade, and international civil aviation. In addition, State economic officers support U.S. foreign policy initiatives, including devising, negotiating, and implementing strategies and agreements to advance U.S. goals such as Russia's transition to democracy and Bosnia's reconstruction. The Under Secretary also oversees the Office of the Coordinator for Business Affairs, which was created in 1993 to facilitate U.S. businesses' access to markets abroad.

The Under Secretary for International Security Affairs coordinates national security functions pursuant to over 20 provisions of law. The Under Secretary manages the Bureau of Political-Military Affairs, which provides guidance, coordinates policy formulation, and participates in all major negotiations involving the nonproliferation of weapons of mass destruction and missile technology, nuclear and conventional arms control, defense relations and security assistance, and export controls.

The Under Secretary for Global Affairs facilitates the implementation of U.S. foreign policy on 11 issues grouped under 4 bureaus: the Bureau of Democracy, Human Rights, and Labor; the Bureau of International Narcotics and Law Enforcement Affairs; the Bureau of Oceans and International Environmental and Scientific Affairs; and the Bureau of Population, Refugees, and Migration. Global Affairs administers over \$800 million for narcotics control, refugee, and other programs and prepares reports such as the annual human rights report to the Congress.

The Bureau of Consular Affairs administers and enforces immigration and nationality laws in issuing passports, visas, and related services and provides for the protection and welfare of American citizens and interests abroad. The Bureau also manages the Department's border security program through which State is attempting to improve visa and passport functions. In fiscal year 1995, Consular Affairs issued 5.7 million passports, processed 7.8 million nonimmigrant visas and 604,000 immigrant visas, and provided over 1.1 million special services.

The Under Secretary for Management directs all budgetary, support, and personnel policies of the Department. The Under Secretary's principal function is to reconcile resources, both fiscal and personnel, with policy requirements. This Under Secretary also coordinates the activities of other bureaus, including the bureaus of Consular Affairs, Personnel, Administration, and Finance and Management Policy.

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## Funding and Allocations

The State Department was appropriated \$2.695 billion for fiscal year 1995 and \$2.671 billion for fiscal year 1996 for the administration of foreign affairs.<sup>1</sup> State spends nearly 92 percent of its funding for fixed costs: personnel, operating supplies, utilities, and essential contracts. The remaining 8 percent is for mission-essential travel, the replacement of worn-out equipment, and infrastructure projects.

Table 1.1 shows the allocation of State's fiscal year 1995 appropriations by major account category.

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<sup>1</sup>In addition to the amount appropriated for fiscal year 1995, State received net budget authority of \$595 million in permanent appropriations and trust funds for the administration of foreign affairs. State also received additional appropriations of \$2.1 billion for international organizations and commissions and related programs and \$857 million for refugee assistance, drug control programs, and other purposes. State's budget authority is provided by two appropriation acts: the Department of State and Related Agencies Appropriations Act and the Foreign Operations, Export Financing, and Related Programs Appropriations Act.

**Chapter 1  
Background**

**Table 1.1: Fiscal Year 1995 Net Budget Authority for Appropriations for the Administration of Foreign Affairs**

Dollars in millions	
<b>Account</b>	<b>Net budget authority</b>
Diplomatic and consular programs	\$1,757.7
Salaries and expenses	367.4
Capital Investment Fund	0.5
Office of the Inspector General	23.8
Representation allowances	4.8
Protection of foreign missions and officials	9.1
Security and maintenance of U.S. missions	379.9
Emergencies in the diplomatic and consular service	6.5
Repatriation loan program account: subsidy and administration	0.8
Payment to the American Institute in Taiwan	15.4
Payment to the Foreign Service retirement and disability fund	129.3
<b>Total</b>	<b>\$2,695.2</b>

Note: Table excludes permanent appropriations and additional budget authority for trust funds.

Source: State Department, Bureau of Finance and Management Policy.

Table 1.2 shows how these funds were actually spent, based on our analysis of State Department data. This analysis shows that overseas posts cost about \$1.9 billion (the combined funding for overseas foreign policy, overseas consular functions, overseas support provided by both geographic and management bureaus, and security and maintenance of U.S. missions). State support functions cost about \$1.8 billion (the combined costs of domestic support, overseas support provided by both geographic and management bureaus, and security and maintenance of U.S. missions). Support functions include, among others, information systems, housing, telecommunication, security, personnel, finance, training, and medical services.

Table 1.2: Fiscal Year 1995 Allotments

Dollars in millions	
Primary purpose of funding	Funds allotted
Domestic foreign policy	\$214.3
Domestic consular functions	90.0
Overseas consular functions	178.7
Overseas foreign policy	295.9
Overseas support provided by geographic bureaus	499.8
Overseas support provided by management bureaus	497.6
Security and maintenance of U.S. missions	379.9
Domestic support	385.9
Other <sup>a</sup>	153.1
<b>Total</b>	<b>\$2,695.2</b>

<sup>a</sup>Includes funding for the Office of the Inspector General and Foreign Service retirement and disability fund.

Source: GAO analysis based on data from the State Department, Bureau of Finance and Management Policy.

## Funding Prospects and Potential Impact

Because of inflation and cost increases overseas, we estimate that maintaining current functions and personnel would cost \$584 million more in 2000 than in 1995, a 22-percent increase. But, it is likely that the Department of State will face budget cutbacks over the next several years. If total discretionary spending is held to the levels envisioned in the congressional budget resolution for fiscal year 1997, spending will fall by almost 6 percent between 1995 and 2002. It will be difficult to exempt State from bearing a share of this planned reduction. Moreover, larger reductions in State's funding have been proposed by the Office of Management and Budget (OMB) and the Congress.

For fiscal year 1996, State's budget is \$2.671 billion for the administration of foreign affairs—\$87 million less than requested. In July 1995, OMB proposed reducing funding for the administration of foreign affairs to \$2.5 billion by 2000—a 7-percent decline from fiscal year 1995. When inflation is factored in, this represents a \$770-million reduction in State's purchasing power. Under the terms of the 7-year concurrent budget resolution passed by the Congress in June 1995, funding levels for the administration of foreign affairs could be even less than OMB projections. If the administration of foreign affairs were to take a proportional share of

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the proposed reductions for international affairs (the 150 budget function), State would receive \$1.4 billion less in fiscal year 2000 than the amount required to sustain current activity levels. This represents a greater than 44-percent reduction in real terms from fiscal year 1995 levels. This analysis assumes that the administration of foreign affairs would receive the same percentage reductions as the rest of the 150 function, which may not be the case.

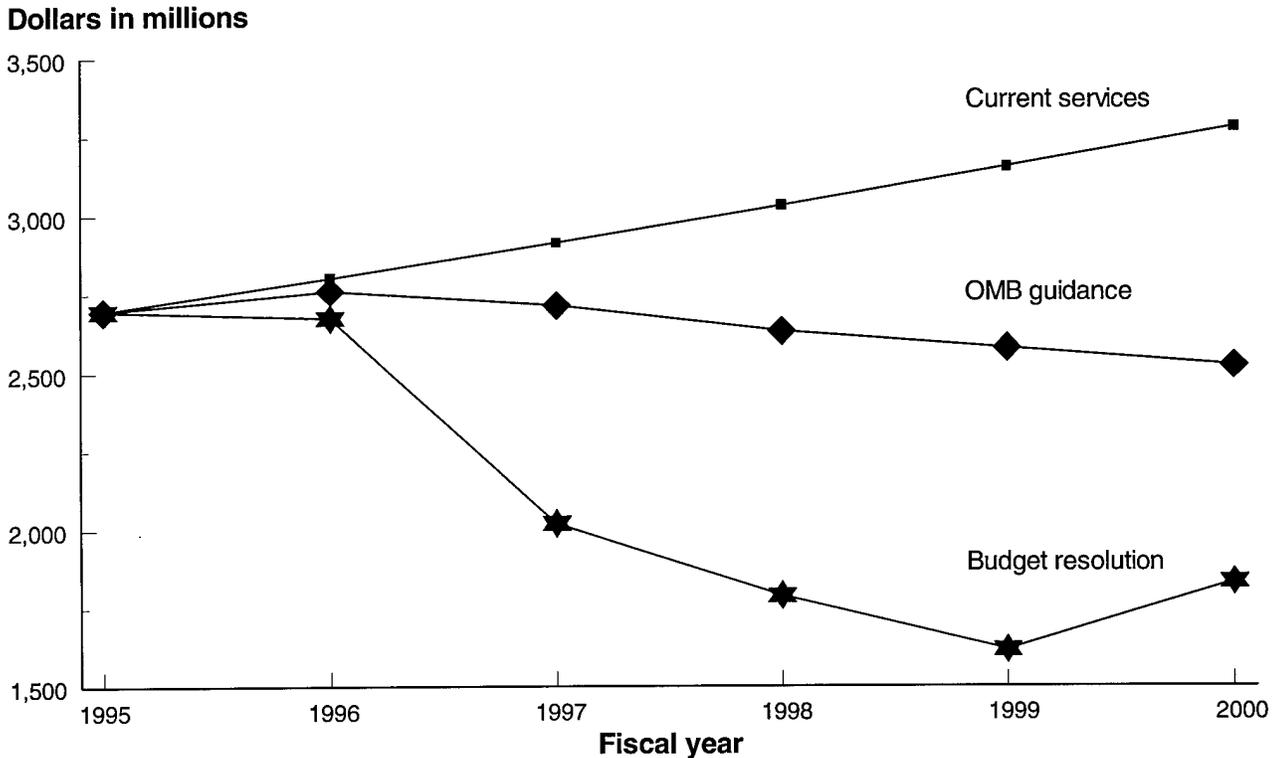
To maintain the current—fiscal year 1995—level of services, we estimate that State would need \$584 million more in appropriations in fiscal year 2000 than it received in fiscal year 1995—a 22-percent increase. We calculated this amount by applying a 4-percent annual inflation rate to the fiscal year 1995 funding.<sup>2</sup>

Figure 1.2 illustrates the widening difference between the funding needed to sustain State's current level of services and funding provided under the OMB and congressional scenarios.

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<sup>2</sup>State's budget has to absorb the overseas inflation rates, which generally exceed U.S. rates. According to State budget officials, a budget with no change from the prior year roughly translates into a 4-percent reduction in buying power because of these inflationary factors.

Figure 1.2: Future Funding Scenarios for the Administration of Foreign Affairs



Note: Current services projections represent the funding State would need to maintain the purchasing power of fiscal year 1995 funding. It assumes 4 percent inflation annually through fiscal year 2000. OMB guidance shows projected funding for the administration of foreign affairs based on the President's requests for fiscal years 1996 and 1997, and on OMB's July 1995 guidance to State for fiscal years 1998-2000. For the budget resolution projection we calculated the percentage reduction to the 150 budget function called for in the fiscal year 1996 concurrent budget resolution. We applied the same percentage reduction to the administration of foreign affairs spending.

The magnitude of the likely difference between available resources and the funding needed to maintain current operations dictates the need for a fundamental change in the management and structure of the foreign affairs apparatus. In the remainder of this report, we discuss State's own reform efforts and the importance of developing an effective strategy to guide

fundamental change (ch. 2) and present various options to realize cost reductions—streamlining State functions (ch. 3), restructuring State's overseas presence (ch. 4), and reducing support costs (ch. 5).

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## Objectives, Scope, and Methodology

In response to a request from the Chairman, House Committee on the Budget, we reviewed State's reform and cost-cutting initiatives and identified options that would enable State to adjust to reduced budgets. We did not make judgments on the relative value of State's functions and activities or the level of resources that are required.

In Washington, D.C., we interviewed officials and collected data in the bureaus responsible for political, economic and business, international security, global, consular, and support issues and functions. We also conducted work at agencies that perform related functions, including offices at the Departments of Agriculture, Commerce, Defense, Justice, Labor, Transportation, the Treasury, and other agencies, including the U.S. Agency for International Development (USAID), the U.S. Information Agency, the Arms Control and Disarmament Agency (ACDA), the Peace Corps, the Environmental Protection Agency, the U.S. Export-Import Bank, and the Office of the U.S. Trade Representative (USTR). Although our work describes State's relationships with these agencies, we did not evaluate State's effectiveness relative to these agencies. In addition, we met with various individuals in the private sector, including representatives from the U.S. Chamber of Commerce, the Executive Council on Foreign Diplomacy, the Kenan Institute of Private Enterprise, and the National League of Cities.

We interviewed management officials and conducted work at offices and private firms undergoing reforms and providing support. We also visited Canada to discuss its overseas diplomatic practices and cost concerns.

To understand the work of the State Department overseas, we visited posts in six countries: Belarus, Brazil, Malaysia, The Netherlands, Paraguay, and Senegal. These posts were selected based on their varying missions, sizes, and geographical locations. We interviewed officials and reviewed the work of each section to identify primary activities, focusing on the months of September and October 1995, and discussed management and funding issues with post managers.

We obtained formal comments on the draft of this report from the State Department. They are discussed at the end of chapters 2, 3, 4, and 5, and

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**Chapter 1**  
**Background**

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are presented in their entirety in appendix II, along with our evaluation. To verify data, we provided a copy of a draft of this report to the Departments of Agriculture, Commerce, Labor, the Treasury, and Transportation; the Environmental Protection Agency; USAID; ACDA; and USTR. We have incorporated their comments and suggested revisions to the text where appropriate.

We did our review between June 1995 and June 1996 in accordance with generally accepted government auditing standards.

# State Is Not Prepared to Cope With Proposed Reductions

The Department of State has not developed a comprehensive strategy to restructure its operations to adjust to potential funding reductions. State officials have not fully accepted that State may have to substantially reduce its costs. It notes that the President's request for fiscal year 1997 would require some modest downsizing, but not to the level required by other proposed funding levels. Believing that substantial funding reductions would severely jeopardize its ability to conduct foreign policy and achieve U.S. goals, State has decided not to plan how it would accommodate proposed budget reductions.

State's various reform initiatives over the past 3 years—including the 1994 Strategic Management Initiative and responses to National Performance Review recommendations—have not resulted in overall plans to implement the substantial changes that may be necessary. State's reform initiatives ultimately focused on short-term, narrowly focused actions that have had little impact on the structure of the foreign affairs apparatus and did not achieve significant cost reductions. Adjusting to proposed budget reductions will require more substantial changes than those that have occurred to date. Our assessments of other government and private sector organizations show that planning is essential for effective downsizing and restructuring. Without such a strategy, State's ability to effectively carry out its broad mission of promoting and protecting U.S. interests overseas will be jeopardized in light of the severe budget gap it is facing.

## State Has Made Limited Progress in Streamlining Its Organization

According to State, since 1993 it has cut the number of deputy assistant secretaries by 25 percent; reduced the general workforce by 2,200 positions—an 8.5-percent reduction; will have closed 14 small overseas posts during fiscal year 1996; reduced the cost of security programs by 15 percent by applying risk management principles; and reduced travel, contracts, and equipment expenses. These actions accommodated the flat budgets between 1993 and 1995 and responded to a 1993 presidential memorandum to reduce positions by 12 percent between fiscal year 1994 and 1999. These actions, though positive, are not sufficient to enable State to cope with proposed reduced funding. Moreover, State has been unwilling or unable to make major changes suggested under its Strategic Management Initiative and the National Performance Review—changes that would result in a more efficient operation.

## Expectations of 1994 Strategic Management Initiative Not Met

The Secretary of State established the Strategic Management Initiative in 1994 to set the Department's future course and eliminate unnecessary or marginal functions and internal duplication. He tasked the Department

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**Chapter 2**  
**State Is Not Prepared to Cope With**  
**Proposed Reductions**

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with formulating and implementing a plan of action to focus the organization around its core mission. The Secretary asked his staff to consider restructuring the Department to carry out its mission with a substantial reduction in resources, and he recognized that, to do so, a comprehensive review of functions was needed. In January 1995, State announced that the initiative would highlight the highest priority functions and products and identify low priority, redundant, duplicative, and less valued work, which would be discontinued. The Secretary told State employees that "we must remake ourselves from the bottom up" and that State faces "a painful process culminating in hard choices." This initiative represented a major change for State, which in the past tended to implement across-the-board budget reductions when necessary rather than deciding what was more or less important.

The initiative's first phase resulted in a series of reports analyzing issues related to workload reduction, constituents' views on State's products and services, eminent Americans' views on State's future role, reengineering of the Foreign Service transfer process, communications, and the best practices of organizations that have restructured. The teams provided these reports, along with recommendations for change, to the Secretary in January and early February 1995.

According to the initiative's coordinator, the Secretary decided in February 1995 that it was not a good time to propose fundamental changes to State's mission, organizational structure, and processes and that the initiative should focus on recommendations that would not involve major changes to operations. The Secretary was concerned that proposed legislation to consolidate foreign affairs agencies could severely affect the organization.

Under the second phase, the emphasis of the initiative has been to achieve operating efficiencies. The Secretary also made improving the quality of life for State personnel a priority. The Secretary stipulated that any recommendations could not change the basic structure of the Department and must be implemented in a short period of time. In March and April 1995, seven teams developed 300 recommendations based on the assumption that State's operating budget would not change.

Forty-five recommendations were presented to the Secretary; in May 1995, he approved 33. As of February 1996, State had implemented or was implementing 30 of the 33 recommendations, including streamlining processing for arms sales and export licensing requests, simplifying the

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Chapter 2  
State Is Not Prepared to Cope With  
Proposed Reductions

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Department's travel order and vouchering system, and reducing the number of required reports from overseas posts. The 15 recommendations that had not been implemented include closing some diplomatic security resident agent offices, establishing an overseas staffing board, using an interagency advisory board to strengthen overseas staffing controls, and setting priorities for intelligence gathering and reporting. If these recommendations were implemented, costs could be significantly reduced.

In April 1995, the initiative's team leaders initially identified \$61 million in potential domestic cost reductions, an additional \$35 million in out-year cost reductions, and \$17 million in annual cost reductions from the closure of overseas posts. Furthermore, they estimated that by terminating some support functions, \$33 million of the Management Bureau's domestic support funds could be reallocated to other needs. (Actions that State is considering to streamline support functions are discussed in ch. 5.) Although the Department did not attempt to track the actual cost reductions achieved, the initiative coordinator told us in October 1995 that few of the approved recommendations will reduce costs. Furthermore, he indicated that cost reduction had not been a primary goal of the Strategic Management Initiative, and therefore the Department had not established cost reduction targets.

State's reports show that Strategic Management Initiative efforts have resulted in the elimination of as many as 130 positions. (We were unable to verify reductions in positions claimed in State's reports.) Beyond the cost reductions from eliminating those positions, State estimated that it would reduce costs by about \$2.5 million in fiscal year 1996 and about \$9.3 million annually thereafter by closing 13 overseas posts. However, a major cost at these posts—salaries for U.S. staff—is not included in the estimates because the positions would be moved to other locations, not eliminated. State has taken the position that elimination of these posts is part of State's overall plan to reduce staff. However, the above State Department cost reduction estimates do not reflect cost reductions from staff cuts.

The initiative's primary goals (1) to highlight priority functions and products and (2) to identify and stop low-priority, redundant work have, for the most part, not been realized. To date, no comprehensive review of State's functions and processes has been conducted. Although State has made some minor reductions in duplication among State offices and in the number of its reports, no functions have been eliminated.

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## Potential Cost Reductions Not Realized From the National Performance Review's Recommended Actions

The National Performance Review, established in March 1993 to make government work better and cost less, recommended in September 1993 that State implement 14 action items to reduce costs by (1) cutting operating costs at overseas posts, (2) improving collection of receivables, (3) relocating regional administrative management centers, and (4) expanding management authority of chiefs of mission (generally ambassadors). The National Performance Review estimated that implementing these actions could yield about \$68 million in cost reductions between fiscal year 1994 and 1999.

As of January 1996, State had partially implemented only 2 of the 14 action items. State deactivated Marine security guard detachments at a net total of 11 overseas posts where classified operations did not warrant 24-hour cleared American presence. This will achieve an estimated annual cost reduction of \$1.2 million. State also established an accounting and debt collection procedure for all overseas medical expenses. State estimated that this action resulted in collections of over \$1 million in fiscal year 1994.

The remaining 12 action items are either under study, require legislation for implementation, or are not yet completed. To cut support costs, State was relocating a regional administrative management center from Mexico City to Charleston, South Carolina, and has discussed relocating functions handled by centers in Bangkok, Thailand and Paris, France to reduce annual costs by as much as \$3.5 million 5 years after completing the moves. State does not have a plan for implementing these relocations.

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## Private and Public Experiences Show Planning Is Essential to Downsizing

The experiences of private and public sector organizations show that planning is essential for effective downsizing and restructuring.<sup>1</sup> For example, our reports on previous reviews show that (1) downsizing needs to be based on a clear determination of an organization's mission and resource requirements and (2) personnel reductions need to be taken with a view toward retaining a viable workforce. Without identifying core missions, functions, and processes, organizations acknowledged that they had cut needed employees, suffered skill imbalances, and were often forced to rehire or replace employees who had been separated. At one company we reviewed, officials said that early cuts were not sufficiently tied to a larger strategy and only exacerbated the company's problems because work did not go away simply because staff positions were cut.

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<sup>1</sup>Federal Downsizing: Observations on Agencies' Implementation of the Buyout Authority (GAO/T-GGD-95-164, May 17, 1995); Workforce Reductions: Downsizing Strategies Used in Selected Organizations (GAO/GGD-95-54, Mar. 13, 1995); and Federal Downsizing: The Administration's Management of Workforce Reductions (GAO/T-GGD-95-108, Mar. 2, 1995).

Eventually, this company analyzed the value of each functional area in the organization.

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## Conclusions

Although State's precise funding for the administration of foreign affairs has not been agreed upon, bipartisan efforts to balance the budget and downsize the government make it likely that State will receive less resources for the foreseeable future. To successfully cope with the challenge of directing U.S. foreign policy in the post-Cold War era during a period of declining real resources, State must be prepared to clearly articulate its key missions, identify the core functions linked to those missions, prioritize those activities that directly support missions and functions, and link potential resource levels to these activities. Only then can the merits of various options for achieving significant cost reductions be effectively weighed, the need for administrative or legislative changes necessary to implement those options be identified, and difficult choices be made.

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## Recommendation

We are not taking a position on the level of resources needed by the State Department for the administration of foreign affairs. However, given the likely decline in discretionary spending throughout the federal government and the various proposals for reductions in State's budget, State needs to plan for how it can become a smaller, more efficient, and less expensive organization.

We recommend that the Secretary of State develop a downsizing strategy that (1) identifies critical and noncritical functions and their costs; (2) specifies the changes that would be necessary to adjust to potential funding levels; and (3) identifies what legislative actions or modifications to interagency agreements, if any, would be required to implement the changes. At a minimum, State should have a strategy that is based on out-year funding guidance from OMB. (Such a strategy would allow for consideration of other funding proposals and could be adjusted to accommodate actual appropriation amounts.)

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## Agency Comments and Our Evaluation

In commenting on a draft of this report, State disagreed with our conclusions and recommendation regarding the need to develop a strategy for adjusting to potential budget reductions. State also commented that the report did not fully recognize some of the positive actions State has taken to streamline its operations. For example, State said that its

Overseas Staffing Board met in June 1996 to begin implementation of an overseas staffing model. State also indicated that it had progressed in setting priorities for intelligence gathering and reporting by expanding State's representation on the intelligence community and interagency boards. State agreed that strategic planning for downsizing is important, and believed that it had planned for what it described as "future reasonable budget cuts." But, State stressed that it does not accept and will not plan for proposed funding reductions that could approach 44 percent. It believes reductions of this magnitude would pose unacceptable risks and cause irreparable damage to America's national interests.

Given the funding situation, we believe that State needs to seriously consider actions for adjusting to the potential funding scenarios. Furthermore, we believe that developing a downsizing strategy would enable State to focus available resources on its most critical functions and activities. Absent a downsizing strategy based on a comprehensive review of its functions and processes, the Department cannot demonstrate clearly how funding reductions will hamper U.S. interests or be in a position to protect critical functions.

# Opportunities for Streamlining Functions

Reducing or eliminating State's role in some foreign policy and consular functions could lead to cost reductions at headquarters and overseas posts, where State has a broad mandate to represent and protect U.S. interests and provide services to a wide range of customers, including the Congress, other U.S. agencies, the private sector, and the American public. Over \$500 million of the budget is specifically focused on implementing foreign policy, and about \$270 million is devoted to consular functions. Options for State to consider include (1) reassessing the extent of its involvement in functions where State shares substantial, overlapping responsibility with other agencies and (2) cutting back on some specific activities and recouping the costs of some products and services. State needs to face the challenge of identifying its core functions and their costs and making choices about the level of resource investments that are both appropriate and affordable to sustain those functions.

## State Has a Varying Role in Diverse Functions

More so than ever, many government issues, policies, and activities have an international dimension, and State has taken a role in most cases. In consultation with other government agencies, the State Department develops, coordinates, and implements U.S. foreign policy and activities. State's various functional offices and bureaus focus on key foreign policy objectives and programs that over time have evolved to cover a wide range of issues. The Department evolved as a bulwark against the threat of communism, and U.S. foreign policy was directed toward its containment. With the end of the Cold War, State has increased its role in some areas. For instance, with the consent of the Congress, State created a new Under Secretary for Global Affairs to direct efforts toward promoting human rights and workers' rights, supporting emerging democracies, protecting and improving the global environment, controlling population growth, assisting migration and refugees, and controlling international narcotics and crime. Some of these issues were peripheral during the Cold War.

To adjust to reduced budgets, State must scrutinize its functions and reassess its involvement in those functions. State also must consider reducing some of its activities wherever feasible and recouping costs of the wide array of products and services it provides to numerous customers.

## Option: Reassess Involvement in Certain Functions

State's functional bureaus share responsibility with multiple U.S. agencies on various overlapping policy issues. We identified nearly 30 agencies and offices involved in trade policy and export promotion, about 35 engaged in global programs, and over 20 involved in international security functions.

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These agencies look to State for overall foreign policy guidance, and State often relies on them for program funds and technical expertise. According to agency officials, the value State adds to these functions is its language expertise and negotiating skills as well as its knowledge of foreign governments, access to and contacts with host government officials, and understanding of the foreign political and economic environment.

In the sections that follow, we describe selected State functions. The extent of State's involvement in these functions varies from one of a supporting role to that of a lead player. The involvement of many agencies in similar or related functions does not mean the agencies unnecessarily duplicate activities, but it does suggest the potential for consolidation or transfer of some of State's duties. However, choosing which areas to cut is complicated because State's functions and activities can be broadly linked to foreign policy objectives, functions are specifically required by statute, or interagency processes require State's participation. Furthermore, decisions about resource trade-offs are difficult because State's financial management system does not provide accurate cost data to show the amount State spends by function or activity or the level of resources applied to specific policy objectives.

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## Trade and Economic Issues

In the area of international trade, the U.S. government formulates, coordinates, and implements U.S. economic and trade policy. State helps U.S. government efforts to (1) negotiate international treaties and trade agreements; (2) enforce U.S. trade laws; (3) promote U.S. exports; and (4) collect, analyze, and report information on economic issues. While USTR and the Department of Commerce are at the center of federal trade activity, the Departments of State, the Treasury, Agriculture, and Labor are also involved in trade policy. Overall about 20 other U.S. agencies and offices have varying responsibilities under trade and economic policy. USTR shepherds the formulation of U.S. trade policy through an interagency process, and the Secretary of Commerce chairs the Trade Promotion Coordinating Committee, an interagency group that is required by statute to develop a governmentwide strategy for rationalizing the federal government's export programs.<sup>1</sup>

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<sup>1</sup>We have issued several reports regarding coordination and reorganization of governmentwide international trade functions, including Government Reorganization: Observations About Creating a U.S. Trade Administration (GAO/T-GGD-95-234, Sept. 6, 1995), Commerce's Trade Functions (GAO/GGD-95-195R, June 26, 1995), Government Reorganization: Issues Relating to International Trade Responsibilities (GAO/T-GGD-95-218, July 25, 1995), and International Trade: Coordination of U.S. Export Promotion Activities in Pacific Rim Countries (GAO/GGD-94-192, Aug. 29, 1994).

In some cases, agencies' responsibilities overlap in the area of international trade and economic policy functions. For example, although USTR plays a lead role in developing and coordinating international trade policy, investigating some alleged unfair trade practices, and enforcing trade agreements, it relies on an interagency trade policy group to assist with these responsibilities. State participates actively in this group, sometimes as a lead player, and USTR relies on State to lead some negotiations and to execute policy. State economic officers at overseas posts obtain information from and convey U.S. positions to foreign governments. In fiscal year 1995, USTR had a staff of 163 employees and a budget of about \$21.4 million.

The Department of Commerce's U.S. and Foreign Commercial Service and the Department of Agriculture's Foreign Agricultural Service promote exports. The Commercial Service has 824 staff, including 213 foreign commercial officers at 133 overseas offices in 69 countries, and a fiscal year 1995 budget of \$96.1 million. With these resources, it helps individual U.S. companies take advantage of specific export opportunities by providing foreign market research, trade finance-related information, and trade facilitation services. The Foreign Agricultural Service promotes exports of U.S. food and agricultural products and administers programs to enhance the competitiveness of U.S. agricultural exporters. As of September 1995, the Foreign Agricultural Service had 1,097 staff, including 265 at 75 overseas locations, and a fiscal year 1995 budget authority of \$118 million.

The role of State economic officers is to (1) persuade foreign governments to open markets for U.S. companies by seeking lower tariffs and eliminating nontariff barriers; (2) seek to improve protection for intellectual property rights; (3) monitor implementation of trade agreements; and (4) participate in negotiations of economic agreements—a role it shares with USTR and the Departments of Commerce, the Treasury, and Agriculture. In over 100 smaller countries with limited markets, and where the U.S. and Foreign Commercial Service and the Foreign Agricultural Service are not represented, State economic officers provide commercial assistance to U.S. businesses and perform their traditional economic duties. They identify export opportunities, provide businesses with contacts and advice on host country business practices and economic conditions, and sponsor trade events.

U.S. state governments and many city governments also promote trade abroad. Some have offices overseas, and the U.S. Chamber of Commerce

has over 70 affiliated chambers in 65 countries. While these entities supplement the U.S. government's export promotion efforts, they are not generally viewed as a substitute for continued U.S. government involvement in this area. Officials we interviewed emphasized that nonfederal entities cannot officially represent the U.S. government, nor can they provide market intelligence worldwide because collecting such information would be cost prohibitive. Thus, the State Department plays a critical role in comprehensively representing U.S. interests around the world and can, if necessary, challenge foreign governments' unfair or unethical practices to level the odds for U.S. businesses.

On transportation, international telecommunications, and international energy issues, State officials cite statutes and executive orders as the basis for State's involvement. Other agencies generally provide the technical expertise, while State handles key negotiations and integrates agencies' actions with overall U.S. foreign policy. For example, State and the Department of Transportation are engaged in activities important to U.S. economic policy, including those of the Office of International Aviation within the Office of the Secretary and the U.S. Maritime Administration.<sup>2</sup>

In fiscal year 1995, the International Aviation had about 40 positions and a budget of \$3.3 million, while the Maritime Administration devoted about 7 positions and \$612,100 of its budget to international activities. For International Aviation, Transportation and State share responsibilities for formulating, coordinating, and executing the U.S. international aviation policy. These responsibilities include negotiating and overseeing 107 bilateral air transport agreements that establish air service rights.<sup>3</sup> In addition, some countries' carriers serve the United States on the basis of comity and reciprocity without any written agreement. Transportation provides technical expertise and does the substantive work in negotiating agreements, and State chairs aviation negotiations. On international shipping policy, however, the U.S. Maritime Administration takes the lead and chairs U.S. delegations, negotiating with the five countries that have bilateral maritime agreements with the United States. State is an active participant in these negotiations and is consulted on matters affecting U.S.

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<sup>2</sup>Other Transportation offices that work with State on international activities are (1) the Federal Aviation Administration, which has 365 positions, including 179 overseas, and a budget of \$42.3 million; (2) the Office of International Transportation and Trade, with 22 positions and a budget of \$1.6 million; (3) the Office of the General Counsel, which has 10 positions and a budget of \$1 million for its work on international law; and (4) the U.S. Coast Guard, whose 16-member international affairs staff have a budget of \$929,630.

<sup>3</sup>The United States has negotiated 72 air transport agreements that are currently in force. In addition, 35 countries that were former colonies of other nations have in force the provisions of the preindependence bilateral agreement between the United States and the previous governing power.

foreign relations and economic interests. To carry out its transportation responsibilities, the Bureau of Economic and Business Affairs has 7 officers involved in negotiating aviation agreements and 14 officers working on transportation policy, including maritime negotiations.

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## International Security Issues

In the area of international security affairs, State focuses on arms control, the nonproliferation of weapons of mass destruction, export controls, and regional security. In some cases, State shares its expertise on certain issues, while other agencies complement State's contribution. In other cases, the uniqueness of each agency's contribution is unclear. For example, one area of overlap is in the review of export license applications. State's Office of Defense Trade Controls, under the Political-Military Bureau, works in partnership with the Defense Department on license applications for arms exports. The Office also confers with the Commerce Department on license applications for exports of sensitive dual-use items and with the Department of Energy for exports of nuclear-related material. Both State and ACDA are involved in dual-use and arms export issues. In some instances, multiple agencies review the same applications to provide their perspectives and expertise.

In the area of arms control, studies issued by the Office of Inspector General for ACDA, the Office of Inspector General for State, and the National Security Council suggest that duplication between State and other agencies could be eliminated. In August 1995, the Office of Inspector General for ACDA (which also serves as the Office of Inspector General for the Department of State) reported that duplication between ACDA and State's Political-Military Bureau "promotes inefficient use of resources by both organizations and accentuates turf consciousness, dissipating energies and damaging morale."<sup>4</sup> Without specifying where duplication exists, the report recommended that ACDA, with State, reassess the division of labor and make more extensive use of teams to accomplish tasks of mutual interest.

A State official acknowledged that the Political-Military Bureau's Office of Strategic Policy and Negotiations and ACDA probably have some duplication or overlap in functions on which ACDA is the lead agency. He said, however, that duplication of this type does not mean that both organizations are doing the same work. Rather, State's office represents the Department's interests and articulates State's positions on delegations or interagency groups. Furthermore, the official said such duplication was

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<sup>4</sup>Report of Inspection, *The U.S. Arms Control and Disarmament Agency (ACDA-ISP/I-95-44, Aug. 1995)*.

necessary because each agency has different goals, perspectives, and agendas. The official added that without State's involvement, needed political and diplomatic input would be lost, and overall policy and diplomacy efforts could become imbalanced. State noted that it is seeking to identify and reduce unnecessary duplication between State and ACDA in order to reduce costs while maintaining a productive overlap.

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## Global Issues

Although State represents U.S. interests and formulates policy on global issues, USAID plays a key role in implementing programs concerning democratization (\$432 million), population (\$568 million), and the environment (\$799 million), spending a total of about \$1.8 billion in fiscal year 1995. USAID works with State to develop conference agendas and provides technical expertise, but State leads delegations to international conferences and negotiates treaties on these issues.

On environmental issues, State often relies on the Environmental Protection Agency for policy and technical expertise. However, State plays a key role in representing U.S. interests in international organizations' activities relating to environment, science and technology, and health issues. In addition, State clears bilateral agreements negotiated by the Environmental Protection Agency. In fiscal year 1995, the Agency devoted about 160 work years, including 15 staff in overseas assignments, and a budget of \$44 million to its international activities. These activities included protecting U.S. citizens and natural resources from transboundary and global environmental threats, leading U.S. government efforts to implement the Western Hemisphere Summit Program on Partnership for Pollution Prevention. The Environmental Protection Agency also works with other agencies and the private sector to match pressing environmental problems overseas with U.S. suppliers of environmental technologies.

Labor and workers' rights issues are addressed within State's bureaus of Democracy, Human Rights, and Labor; Economic and Business Affairs; Population, Refugees, and Migration; and International Organizations. In addition, State's Office of International Labor Affairs, which has a headquarters budget of \$381,000, maintains about 45 attachés overseas to gather detailed information on workers' rights outside the United States and prepare congressionally required reports on workers' rights. Moreover, the Department of Labor, which is the lead agency for formulating international economic, trade, and immigration policies affecting U.S. workers, has a fiscal year 1995 budget of \$12.2 million and

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about 90 staff to deal with its international responsibilities. It participates in interagency committees and international conferences and meetings and serves as the lead U.S. representative in multilateral forums on labor.

By eliminating the positions of 6 headquarters staff and the 45 labor attachés overseas, State could reduce costs by about \$7.4 million annually. According to several officials at overseas posts, labor issues could be adequately covered by political and/or economic officers. In addition, several State bureaus monitor labor issues. State has proposed abolishing or lowering the rank of some labor attaché positions in the past but has encountered resistance from the Department of Labor and organized labor.

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### Option: Cut Activities and Recoup Costs

Faced with a reduced budget environment, State must make choices about which areas to cut while considering the interrelationships among State's bureaus and offices and between State and other agencies. State may find it difficult to decide where it can transfer, eliminate, or deemphasize its role, yet maintain priority functions and activities. Nevertheless, in our opinion, State can cut some of its expenses by eliminating or reducing the Department's involvement in some areas. Furthermore, State can also consider alternative ways to recover the costs of the wide array of the products and services it provides to its customers.

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### Options for Reducing Reporting Requirements

Reduced budgets will likely compel State to reassess its workload requirements to match its resources. One key area is that of reporting. State is a principal provider of information used by the U.S. government in foreign policy formulation. It reports on key developments, including analyses of the politics, economic trends, and social forces at work in foreign countries, to some 60 federal agencies dealing with national security, intelligence, economic and commercial matters, science and technology, and other issues. While some of the reports could be eliminated or curtailed, it is not clear which are the best candidates because their cost and relative value to the users are unknown.

In fiscal year 1996, State is required to produce over 130 congressionally mandated reports.<sup>5</sup> These reports require input from numerous posts worldwide and the use of considerable resources at headquarters and at overseas posts. Streamlining some of these reporting requirements not

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<sup>5</sup>These reports are required periodically—that is, monthly, quarterly, semiannually, annually, or as specified. About 40 additional reports are required intermittently, as actions warrant.

only could significantly reduce resource requirements at State but also could reduce demands on other agencies that must review some of these reports.

The Bureau of Economic and Business Affairs, which recently eliminated over 40 reports affecting up to 110 posts, believes that the requirement to produce country reports on economic policy and trade practices should be eliminated. These reports, required by the Omnibus Trade and Competitiveness Act of 1988, consume the equivalent of 5 staff years at headquarters and 100 posts at an annual cost of at least \$500,000. Several officials suggested that State seek legislative relief from this requirement, since the reports' information is available through other sources.

Other reporting requirements that consume substantial resources are the annual country reports on human rights practices and the annual report on science, technology, and American diplomacy. Geographic bureau and post officials reported that they spent large blocks of time producing these reports. For the human rights reports, the time required to prepare an annual report varies from country to country. One overseas official, who said he spends 40 to 50 percent of his time covering human rights issues, estimated that drafting a country summary for the human rights report takes at least 4 weeks. The concern here is that State expends resources on these reports even in countries where human rights issues are not significant. In addition to the 194 overseas posts that contribute to the report, State has indicated that one employee spends roughly 6 months working on the reports, and seven work on the reports full time for 4 months. About 12 more employees review reports within their regional areas of responsibility in the course of their regular workday. According to one State official, if faced with substantial budget reductions, State may have to limit reporting on those countries where human rights abuses are least prevalent.

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### Options for Reducing Overlap Within State

Lessening overlap within State's offices could reduce costs. For most functions and activities, several offices and bureaus within State headquarters and overseas posts are involved. In February 1995, State completed a preliminary functional study of domestic positions, focusing on potential areas of overlap and duplication. Although the study did not offer definitive answers or management options, it provided some clear examples of potential duplication of functions for further research. For example, 24 political-military positions are in bureaus other than the Bureau of Political-Military Affairs, 59 economist positions are in bureaus

other than the Bureau of Economic and Business Affairs, and 9 science positions are outside the Bureau of Oceans and International Environmental and Scientific Affairs. Moreover, the study indicated that there is potential overlap between the Bureau of Intelligence and Research and regional and functional bureaus throughout the Department.

Furthermore, geographic bureaus are organized to overlap with many foreign policy and support functions. In a way, they operate as six micro-State departments, basically administering U.S. foreign policy in different regions of the world. Within each of the six bureaus is an Office of the Executive Director with financial management, personnel, and other support positions; a political and economic section or a combined political-economic section with regional responsibilities; and country desks that serve as the liaison between State headquarters offices and overseas posts.

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### Options for Recovering Costs of Some Services

State could recover some costs by charging for selected services and products. Charging for such services would force the customer to reassess the relative value of the service. State currently makes only limited efforts to routinely compile data on the cost of its reports and services. Agencies we contacted generally valued the reports and services that State provided, but since costs are unknown, organizations have difficulty making cost-benefit decisions.

State has historically charged for consular services but not for its factual and analytical reports, business assistance services, and assistance to overseas visitors. For example, the economic/ commercial section of Embassy Asuncion, Paraguay, handled about 30 interagency requests between September and October of 1995, including requests from USTR; the Federal Aviation Administration; the U.S. Trade and Development Agency; and the Departments of Commerce, the Treasury, and Energy—none of which has representatives in Paraguay. The Consulate General in Sao Paulo, Brazil, supported at least 14 high-level visits in 1995, including one congressional delegation; the Secretary of Commerce and the Secretary of the Treasury; the governors of Wisconsin and Nebraska; the mayor of Orlando, Florida; the Director-General of the U.S. and Foreign Commercial Service; and U.S. Export-Import Bank officials. State is not compensated for staff time and some other expenses associated with these services.

Unlike other areas in the Department, State's goal in Consular Affairs is to recover the total cost of selected services. For example, based on a 1991

cost study that showed the average cost of a passport was about \$60, State now charges \$65 to issue a passport. In fiscal year 1995, State collected \$552 million in consular fees—funds that reverted back to the Treasury. Since 1994, State has been authorized to retain the surcharge collected for machine-readable visas, expedited passport fees, and certain processing fees. For fiscal years 1994 and 1995, State was allowed to keep up to \$107.5 million—funds that the Bureau of Consular Affairs indicated it is using to finance improvements to some of its passport and visa programs. Consular Affairs is considering raising fees and charging for services that are currently free and may seek legislative authority to retain more fees to finance its activities. It may also seek legislative authority to make permanent the Department's retention of machine-readable visa fees.

In March 1996, State issued instructions to overseas posts to collect fees for some commercial services. Under a newly authorized program, State will collect fees for commercial services at posts where the Commercial Service is not represented. The potential annual revenues, estimated to be as much as \$3,000 per post, will be reinvested to support business assistance activities.

In September 1995, State's Inspector General recommended that the Bureau of Political-Military Affairs consider expanding manufacturer and exporter registration and licensing fees to improve State's arms export and compliance activities. Under its annual appropriation act, State may retain a stated amount annually, funds that the Bureau has used for information systems to modernize the Bureau's operations. In fiscal year 1995 State retained \$700,000. In comparison, officials from the Nuclear Regulatory Commission, which also charges arms manufacturers and exporters registration and licensing fees, said that the Commission's licensing process is self-financing from fees that range from \$100 to \$7,000 per license.

While State currently has authority to collect and retain fees for a number of the products and services it provides, it should determine whether there other areas in which it could benefit from additional cost-recoupment authority.

## Potential Impact of Cutting Back on State's Role in Certain Functions

The cost-cutting decisions that State may make could adversely affect other agencies. For example, because USTR has only one overseas office in Geneva, Switzerland, it relies on State for field support in developing and enforcing trade agreements. In a similar vein, the U.S. Export-Import Bank, which has no offices overseas, also relies on State for support in analyzing the credit risks of countries and negotiating and enforcing the terms of foreign loans. Moreover, State and agency officials emphasized that if other agencies, such as the Department of the Treasury and the Federal Aviation Administration, downsize their presence overseas due to reduced budgets governmentwide, they are likely to rely on State even more for field support of international activities.

Other agencies also rely on State for support from the international conferences and contingencies account, which funds the U.S. government's participation in about 700 international conferences. Although the State Department coordinates overall U.S. participation, other agencies, such as the Departments of Labor and Transportation and USTR, provide technical expertise and lead delegations where appropriate. When the Congress reduced the account from \$6 million in fiscal year 1995 to \$3 million in fiscal year 1996 (\$2 million for conferences), the State Department told other agencies that it could no longer fund non-State participants. According to agency officials, State's decision forced agencies to limit or cancel their participation in some conferences, even though in some instances the other agencies, not State, lead the U.S. delegation. To help them plan for anticipated cuts in State support and services, agency officials urged the Department to coordinate its plans with other agencies in advance to allow those affected by State's decisions sufficient time to make alternate arrangements.

Another example of the impact of State cutbacks on other agencies is in the assignment of detailees. State assigns detailees to agencies such as USTR, the National Security Council, and the Department of Defense as well as to congressional offices. Similarly, other agencies, like USAID, assign detailees to the State Department. As State and other agencies face reduced budgets, they may have to consider the costs and benefits of detailing staff to outside assignments. Although State has no immediate plans to eliminate or seek reimbursements for all detailees, the Department recently formed a committee to review the policy. State currently has 136 employees detailed to other agencies. USTR has about 40 detailees from other agencies, 10 of whom are from the State Department, to augment its 163-member staff. Officials there expressed concern that State would first try to reduce costs by eliminating the detailees it provides

cost-free. USTR officials told us that, considering their limited budget and staff, such an action would adversely affect their operations.

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## Conclusions

Given the potential that State's budget will decline, the Department must scrutinize its diverse functions to determine which are critical, decide on appropriate levels of resource investments, and identify areas that could be streamlined. Offices within State share responsibility with multiple U.S. agencies for various overlapping policy issues, which may suggest the potential for consolidating or transferring some of State's duties. Other agencies may be able to assume greater responsibility in some areas. On the other hand, budget considerations may increase other agencies' reliance on State for support of their international activities. Therefore, in making these streamlining and management decisions, State will need to consider how cost-cutting decisions within the Department may adversely affect other agencies.

State also must reassess its involvement in certain functions and activities. This may include seeking legislative relief from certain congressionally mandated reports or authorization to downgrade the level of certain services. State also needs to consider recouping the costs of products and services it provides to numerous customers. This will require State to maintain cost information (which it does not currently have) in order to weigh the costs and benefits of its products and services and prioritize requirements. More importantly, the availability of cost information could help State identify which functions and activities are most essential and which areas can be eliminated, reduced, or deemphasized should reduced budgets compel such action.

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## Agency Comments and Our Evaluation

In commenting on a draft of this report, State said that this chapter accurately describes State's foreign affairs activities and the large number of other organizations involved. State made a number of technical suggestions, some of which we incorporated in the report.

Regarding our discussion of the human rights reports, State indicated that the Department had taken steps to streamline the report preparation process (such as eliminating unnecessary redrafting and providing updates only, rather than full reports). The Department of Labor expressed its concern regarding streamlining these reports, noting that continuity in coverage is important to the analysis of human rights issues. State also said that it had taken steps to streamline its labor function, which State

believes remains important to U.S foreign policy interests. The Department of Labor also objected to eliminating labor attaché positions and asserted that neither political nor economic officers can effectively perform the labor function.

We did not recommend that specific functions or activities be curtailed or eliminated. Rather, we identified a number of options that, if implemented, would help enable State to adjust to potential budget reductions. In a period of limited resources, State may have to scrutinize its functions and reassess its involvement in all areas, including human rights reporting and labor functions.

# Options for Reducing Overseas Presence

Overseas posts consume almost 70 percent of State's budget. Thus, a fundamental rethinking and restructuring of the U.S. overseas presence offers the greatest potential to achieve substantial budget reductions. State officials believe that certain proposed funding levels could force them to close 50 to 100 of its 252 overseas posts. The post closures and other actions that would result from such a restructuring would mean a reversal of State's long-standing "universality" policy to maintain a presence in nearly every country and could have other consequences as well. State has proposed the closure of some posts and made efforts to reduce post costs but has made little headway because of internal and external resistance. Establishing an external commission to review proposed post closures and vesting greater authority in the chiefs of mission to achieve cost reductions are two approaches for addressing the problems.

## Overseas Posts Are Costly to Operate

The State Department's overseas posts cost about \$1.9 billion annually. This amount includes the personnel costs for State's overseas U.S. direct-hire and foreign service national (FSN) employees; operating expenses; and the costs for equipment, security, and building acquisition and maintenance. State employs about 7,000 U.S. direct-hire workers and about 9,300 FSNs at its posts.<sup>1</sup> It maintains embassies in most countries' capitals, consulates in some commercial centers outside capital cities, and missions to international organizations in some countries.

The agendas, sizes, and costs of overseas posts vary greatly. Some posts are small and provide basic U.S. representation in a country. Other posts' operations are comprehensive, with more staff and larger budgets to support a large number of government agencies. The State Department categorizes posts as representational, focused, small, medium, large, and comprehensive.

A representational post serves as a diplomatic and consular presence in a host country's capital or in a major city of the country. Posts in the Central African Republic, Grenada, and Western Samoa are considered representational, and their annual costs range from about \$240,000 to about \$2.5 million.<sup>2</sup> A focused post not only serves as a diplomatic or

<sup>1</sup>The U.S. government has approximately 35,300 U.S. government employees at overseas posts, including about 18,600 direct-hire employees and about 16,700 FSN employees.

<sup>2</sup>These are State's estimates of fiscal year 1995 funding levels and include the estimated personnel costs for State's overseas U.S. direct-hire and FSN employees; operating expenses; and equipment, security, and foreign building operations. Estimated funding includes direct appropriations and reimbursements from other agencies and may also include funds for some nonrecurring costs (e.g., construction).

consular presence but also functions in one or more specific areas, such as foreign assistance or narcotics control. The posts in Burkina Faso, Mongolia, and Vatican City are considered focused, and their annual costs range from about \$1.6 million to about \$3.1 million.

The responsibilities of posts increase with their designation as small, medium, large, and comprehensive. Responsibilities range from addressing U.S. government policy and support requirements with a small staff at a small post to addressing a full range of intensive bilateral and multilateral issues as well as important and long-standing U.S. domestic issues with a large, diverse staff at a comprehensive post. Costs for medium, large, and comprehensive posts are substantial. For example, it costs \$54.2 million annually for a comprehensive embassy and five consulates in Japan.

Large and comprehensive posts—those with the greatest responsibilities—understandably absorb a disproportionate share of the total costs of U.S. overseas posts. As shown in table 4.1, 10 of State’s more expensive missions accounted for over \$396 million, or over 21 percent of costs in fiscal year 1995. In contrast, 10 of State’s least expensive missions accounted for nearly \$14 million, or less than 1 percent of total costs.

**Table 4.1: State’s More Costly Missions**

Dollars in millions	
Mission	Fiscal year 1995 funding
Germany	\$90.3
Japan	54.2
Mexico	42.3
France	53.5
Italy	35.1
United Kingdom	28.0
Brazil	27.4
Canada	19.6
Austria	23.1
Saudi Arabia	22.8

Source: State Department, Bureau of Finance and Management Policy.

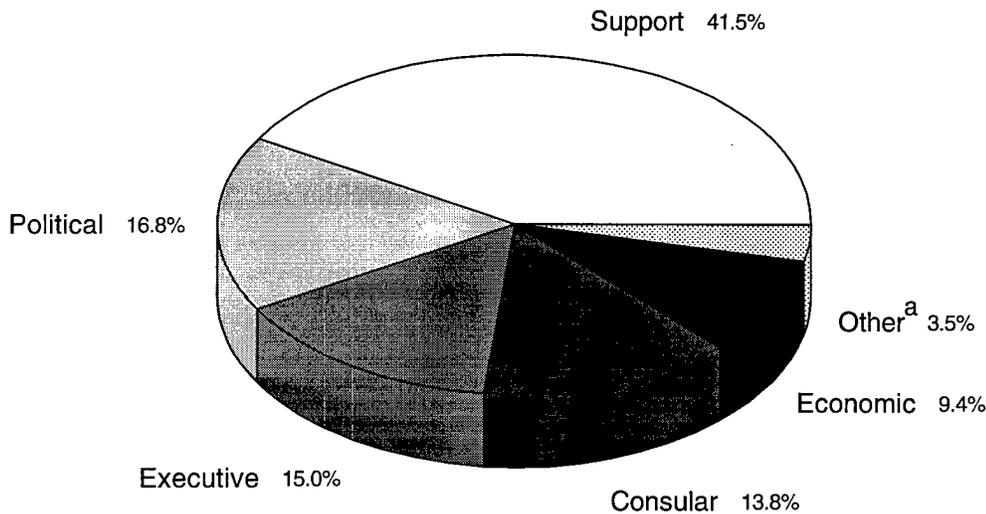
## Post Functions and Resource Allocations

The overseas posts’ primary mission is to support U.S. foreign policies by promoting political interests; supporting U.S. economic and trade

interests; participating in efforts affecting global issues such as the environment, counternarcotics, and labor; issuing visas; and assisting American citizens. Posts also provide a wide range of services, including communications, office and residential building operations, health, equipment installation and maintenance, personnel, budget and fiscal, travel, motor pool, procurement, shipment and customs support, and security in support of mission operations and staff.

Figure 4.1 shows the work assignment distribution of State's direct-hire employees posted overseas. As shown in the figure, support functions consume a significant amount of post resources.

Figure 4.1: State's Overseas U.S. Direct-Hire Employees



<sup>a</sup>Other includes science, refugee, and narcotics positions.

Source: State Department, Office of Resource Management and Organization Analysis, Bureau of Personnel.

**Chapter 4**  
**Options for Reducing Overseas Presence**

In addition to U.S. direct-hire employees working in support positions, State also employs over 9,300 FSNs, most of whom work in support areas. State supports not only its own activities but also those of other agencies; in fact, State supports more of other agencies' U.S. direct-hire employees—whose number has increased steadily—than its own.<sup>3</sup>

Individual posts provide a good illustration of resource allocations and post functions. During our review, we visited posts in six countries that vary in the numbers of staff, work, and budgets (see table 4.2).

**Table 4.2: Post Resources in Six Countries**

Dollars in millions

Country	Number of posts	State staff		Other agencies' staff		Total staff	State's funding level (fiscal year 1995) <sup>b</sup>
		U.S. direct hire	FSN and other <sup>a</sup>	U.S. direct hire	FSN and other <sup>a</sup>		
Belarus	1	12	48	3	12	75	\$2.0
Brazil	5 <sup>c</sup>	120	431	88	204	843	27.4
Malaysia	1	41	123	32	44	240	8.4
The Netherlands	2	40	69	78	43	230	9.3
Paraguay	1	19	125	21	80	245	4.5
Senegal	1	29	147	43	157	376	8.0

<sup>a</sup>Includes part-time intermittent temporary employees, U.S. personal service contractors, Marine security guards (listed only as State Department staff), and foreign national personal service contractors.

<sup>b</sup>Includes personnel costs for State's overseas U.S. direct-hire and FSN employees; operating expenses; and equipment, security, representation, and foreign building operations. Amounts may include some nonrecurring costs such as those for building construction and remodeling.

<sup>c</sup>While conducting our fieldwork, Brazil had five posts, but the Consulate in Porto Alegre closed earlier this year and Brazil now has four posts.

Source: U.S. missions to Belarus, Brazil, Malaysia, The Netherlands, Paraguay, and Senegal and the State Department's Bureau of Finance and Management Policy.

The posts in Belarus and Paraguay are considered small posts; those in Malaysia, The Netherlands, and Senegal are considered medium to large; and the embassy in Brazil is considered large. Appendix I includes information on the State Department's overseas political; economic; and commercial, global, and consular activities, focusing on activities at these posts during September and October 1995. These activities may or may not

<sup>3</sup>Of the approximately 18,600 U.S. direct-hire employees assigned to overseas posts, about 11,600 (62 percent) work for non-State agencies.

be representative of the posts' missions as defined by State, but they give insight into the variety of issues the posts must deal with.

An important function of overseas posts has traditionally been to maintain contact with foreign governments on political and security issues. Together with the ambassador and the deputy chief of mission, a post's political section attends to the day-to-day political relations with the host government and attempts to build support for U.S. government policies. It also informs the U.S. government of host country policies and actions that affect U.S. interests. At the posts we visited, the political sections spent most of their time analyzing and reporting on the political situation there, representing the U.S. government and developing contacts within the host country, and supporting official visitors to the country.

State posts also support U.S. economic interests overseas, particularly in the areas of business assistance and trade advocacy. At the posts we visited, ambassadors were spending up to one-third of their time on economic and trade advocacy activities, often personally weighing in on behalf of U.S. businesses where appropriate. Posts also support issues of a global nature, such as the environment, counternarcotics, and labor as well as specific issues like international war crimes tribunals.

The consular section of an overseas post provides passport and citizenship services; immigrant and nonimmigrant visa services; and services to U.S. citizens overseas, for example, helping Americans in trouble abroad. The sections we visited do a high volume of work with limited staff, collecting fees for many of their services.

Although political, economic, and consular functions are the primary missions of the overseas posts, support structures consume a large share of State's allocated resources. At the posts we visited, 28 to 67 percent of State's staff were devoted to support duties. According to State officials, the number of personnel needed for support is influenced by several factors, including language constraints, the quality of the local infrastructure, and the availability of skilled labor locally. Table 4.3 shows the support staffing levels in the six countries we visited.

Table 4.3: Support Staffing Levels in Six Countries (1995)

Country	State staff	Total staff	State support staff	Total support staff (percent)
Belarus	60	75	50	67
Brazil	551	843	397	47
Malaysia	164	240	118	49
The Netherlands	109	230	65	28
Paraguay	144	245	119	49
Senegal	176	376	154	41

Source: U.S. missions to Belarus, Brazil, Malaysia, The Netherlands, Paraguay, and Senegal.

The contrast between the number of support staff and staff working on the primary missions is striking at some of the posts. For example, of the 843 employees at the posts in Brazil, 551 work for State. Of State's 551 employees, 154 work in substantive areas and 397 work in support areas.

## Options for Closing and Restructuring Posts

State has closed and reduced the size of posts in recent years because of funding constraints. For example, since 1991, State has closed 31 posts, most of which were consulates in countries with multiple posts. During the same period, State has also opened 28 posts mostly in the newly independent states of the former Soviet Union.

State has a number of options to consider in closing more posts and streamlining post operations. However, such actions are likely to face continued resistance both from within State and externally. According to a 1992 State management study, some State officials favor multiple country accreditation in some regions, where an ambassador operating from a regional post would "circuit ride" to several small, neighboring countries. Regional posts would allow consolidation of staff and other resources in one central location, although cost reductions would be offset to some degree by travel and other related expenses. The study stated that dual or triple accreditation can work if there is reasonable geographic proximity or if convenient air routes are available; no or very small other-agency representation is in the country or countries concerned; and only occasional "tending" for diplomatic reasons is needed. State favorably cited British representation in Africa, where ambassadors are accredited to three or four countries each. The U.S. Embassy in Bridgetown, Barbados, has full diplomatic responsibilities for 7 countries and partial diplomatic responsibility for 14 others in the eastern Caribbean. If the foreign affairs budget declines, Embassy Bridgetown could serve as a

model for regionalizing American diplomatic presence. To reduce costs, the State Department could expand multiple country accreditation to other regions, such as the Baltic States, Africa, and countries in South America such as Guyana and Suriname.

A second option would be to reevaluate the need for consulates. One Deputy Chief of Mission suggested that while consulates served a variety of purposes during the Cold War, expanded media coverage and improved information and telecommunications technology have lessened the need for them. The Deputy Chief of Mission posed an option to eliminate all consulates to avoid political pressures when closures of specific consulates are debated. Although many consulates are small or moderately sized, some are bigger and more expensive to operate than major embassies. For example, in fiscal year 1995, the consulate in Frankfurt, Germany, cost about \$18.8 million—substantially more than the cost of operating the embassy in Ottawa, Canada (\$5.9 million), and almost as much as the combined total for the embassy and all six consulates in Canada (\$19.6 million).<sup>4</sup>

To critically review these and other options, one strategy would be to establish an independent post closure panel like the Defense Base Closure and Realignment Commission—an approach that resulted in decisions to close, realign, or otherwise downsize hundreds of military bases and installations. Although the criteria involved in closing and downsizing overseas diplomatic posts are different, a panel much like the Commission may be useful. A panel could review the needed governmentwide presence at overseas posts as they relate to planned funding priorities. Since many other agencies depend on State's overseas presence, we believe that such an approach would allow for decision-making based on the need to support both State and non-State activities, consistent with overall U.S. policy interests and priorities as well as available resources.

We believe that establishing such a commission would also have the added advantage of mitigating at least some of the pressures and parochial interests that have historically operated to maintain a U.S. overseas presence. The State Department's traditional policy of maintaining a diplomatic presence in nearly every country—the policy of “universality”—is the primary reason that there are 252 overseas posts, even where U.S. interests are now minimal.

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<sup>4</sup>These are State's estimates of fiscal year 1995 funding levels. The estimated costs for the embassy in Ottawa do not include the cost of foreign building operations; however, the combined total for Canada includes these costs.

Universality is a principle rooted in the Cold War. According to the National Performance Review, during the Cold War, the United States obligated itself to maintain a presence around the world at least equal to that of the Soviet Union. However, despite the end of the Cold War, State remains reluctant to close embassies. In 1992, State decided to help finance new posts in the former Soviet Union by closing posts in other geographic regions, but some of State's geographic bureaus resisted proposing posts for closure. One bureau argued that it had been established in response to congressional interest in the region and that closing posts would be contrary to congressional intent. Another bureau initially refused to propose that any post be closed because it wanted to retain at least some presence in all countries.

Despite the expense, the concept of universality remains firmly rooted in State's policy. State officials say that even in countries with minimal U.S. interests, a U.S. presence is important to provide international leadership, for example, to influence votes in the United Nations. In September 1995, the Secretary of State reaffirmed his commitment to universal representation, noting that it had been invaluable in extending the nuclear nonproliferation treaty earlier in the year and that it was essential when crises erupt in unexpected places like Burundi and Belarus and when American citizens experience trouble abroad.<sup>5</sup>

In addition to internal resistance, the State Department has faced outside resistance to closing posts. In December 1992, for example, State reported that congressional scrutiny, special interests, ethnic groups, and other domestic U.S. political constituencies often emerge to oppose the closing of posts.<sup>6</sup> In its 1992 post closing exercise, State originally proposed closing 20 posts in fiscal years 1993 and 1994. After consultation with congressional members on these closures, State announced that 19 of the 20 would close and then later reduced that number to 17.

In July 1995, in its latest attempt to close posts, State notified the Congress that it intended to close 19 posts. It later withdrew six of the posts from the list due to external pressures. For example, as a result of pressure from a member of Congress and the Drug Enforcement Agency, State removed the consulate in Curacao, Netherlands Antilles, from the list. Some of the other five withdrawn posts—in Apia, Western Samoa; Edinburgh, Scotland; Florence, Italy; and Hermosillo and Matamoros,

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<sup>5</sup>Speech before the Council on Foreign Relations, Washington, D.C., September 20, 1995.

<sup>6</sup>State 2000: A New Model for Managing Foreign Affairs, State Department, Washington, D.C., December 1992.

Mexico—have repeatedly appeared on lists of proposed closures. State had expected to reduce its costs by about \$12 million a year beginning in fiscal year 1997, the year following the 19 closures. However, after withdrawing six posts from the list, the projected cost reductions were reduced to about \$9.3 million.

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## Options to Reduce Post Costs

In addition to actual post closures and consolidations, another option is to consider ways to reduce post costs. Since a large portion of overseas costs are structured around staffing, large budget reductions will likely mean further cuts in overseas staff and operating costs. However, embassy managers have little control over resources. As a result, the National Performance Review recommended that a pilot project be set up to give chiefs of mission more authority over all U.S. government resources at posts.<sup>7</sup> This recommendation has not yet been implemented.

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## Options for Reducing Overseas Staffing

Because of possible budgetary constraints, State may have to further reduce the size of overseas posts—an even more likely possibility if State remains reluctant to abandon its policy of near universal representation. State could achieve significant cost reductions by making large-scale reductions in overseas staffing. The prospect of further reductions in overseas staffing means that an effective system for allocating overseas staff based on agency goals and objectives is essential.

In December 1992, State reported that there had long been concerns that the overseas staffing process was not directly linked with the goals and objectives at specific posts. In 1993, among a number of other organizational changes, the Secretary approved a plan to restructure the overseas diplomatic presence. As part of this effort, State was to implement a new overseas staffing model, under development since 1990, to provide a rational basis for allocating personnel to overseas posts. However, as of January 1996, State had still not implemented the model. In commenting on a draft of this report, State noted that its Overseas Staffing Board met in June 1996 to begin implementation of a model to rationalize overseas staffing.

State's costs would be much less if State made large-scale reductions in overseas staffing. For example, the cost reductions from eliminating only 10 positions from overseas posts could total at least \$1.5 million. State's

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<sup>7</sup>Creating a Government That Works Better and Costs Less: Department of State and U.S. Information Agency, Accompanying Report of the National Performance Review, Office of the Vice President (Washington, D.C.; Sept. 1993).

Office of Budget and Planning estimates the cost of positions overseas from two different perspectives: (1) the costs of adding a new American position and associated start-up expenses and (2) cost reductions from eliminating a position. To estimate the costs of adding a new U.S. direct-hire position to an existing overseas post, the Office uses a figure of \$214,400 for the first full year—an amount that includes the average salary, compensatory and incentive allowances and benefits, and other operating expenses. The Office uses a figure of \$156,500 to estimate cost reductions from cutting a U.S. direct-hire position overseas.<sup>8</sup> This amount is \$57,900 less than the costs of adding a position because it does not include certain operating costs, such as security, which may not decrease when a position is cut. These figures vary by region and by post. For example, the cost reductions from eliminating half of the 67 U.S. direct-hire employees in India and half of the 100 in France could amount to about \$5.2 million and \$7.8 million, respectively.

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### Option for Controlling Post Costs

Chiefs of mission (generally ambassadors) currently control only a small portion of the total resources devoted to their posts' operations; headquarters offices control the larger share. The National Performance Review report noted that the centralized management of program and staff resources in Washington, D.C., is less efficient than management of resources in the field. For example, some embassy managers told us that they were reluctant to hire FSNS or spouses to serve as secretaries because their salaries and benefits would come from the posts' budgets. On the other hand, the salaries and benefits of U.S. direct-hire secretaries, which are substantially more, are paid by headquarters offices.

Posts have tried to cut costs that are within their control, but cost reductions have been small. For example, the post employees in Paraguay are working longer hours Monday through Thursday and closing at noon on Friday to reduce utility costs—an estimated cost reduction of about \$10,000 a year. Similarly, in Malaysia, the post's air conditioning is turned off at 5:00 p.m. on weekdays and all day on Saturday—a measure estimated to reduce costs between \$35,000 and \$40,000 a year. The post in The Hague is considering requiring staff to bring their own furniture overseas, initially reducing the post's costs by an estimated \$10,000 a year, with further cost reductions over time. The post now pays to operate a furniture warehouse, but the cost of shipping household goods overseas is paid by headquarters.

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<sup>8</sup>These figures reflect State's estimates as of July 1995. We reported similar information in Overseas Presence: Staffing at U.S. Diplomatic Posts (GAO/NSIAD-95-50FS, Dec. 28, 1994).

According to some embassy managers, regulations and long-standing State practices leave little room for innovative approaches to cutting costs. For example, the managers at one post said that current prohibitions governing lease/purchase arrangements do not allow for entrepreneurial approaches to obtaining U.S. government real property.

State officials also argue that they lack sufficient authority over other agencies' resources at posts. A variety of laws, State Department directives, and presidential letters of instruction give chiefs of mission the authority over State's and other agencies' staffing decisions.<sup>9</sup> Nevertheless, the National Performance Review noted that National Security Decision Directive-38 (NSDD-38), issued June 2, 1982, makes the authority of the chief of mission more theoretical than real in many cases. NSDD-38 allows other agencies to challenge a decision made by the chief of mission. According to State officials, headquarters management often does not support chiefs of mission in bureaucratic battles with agencies that resist their attempts to limit or reduce their staffs. Moreover, when a chief of mission successfully limits an agency's staff growth at one post, the agency sometimes manages to increase its presence in a nearby country instead. For example, although the Ambassador in Brazil negotiated with the Internal Revenue Service to close its office in Sao Paulo because he, along with Inter-American Affairs Bureau management, agreed that Internal Revenue Service operations could be effectively managed in the United States, the Internal Revenue Service opened a new office in Chile. Our prior work has shown that other agencies' staffs have increased steadily, while State's has decreased slightly.<sup>10</sup>

Even if chiefs of mission successfully exercise authority over staff levels, they do not have practical day-to-day control over their personnel and fiscal resources. According to the National Performance Review, because of the diffusion of responsibility, authority, and operational prerogatives among the various overseas agencies, chiefs of mission lack the flexibility to shift resources to respond to changing requirements or evolving foreign policy objectives. The Ambassador in Senegal managed to cut 14 positions in Dakar, 13 of which were from other agencies, with estimated overall cost reductions of about \$3 million. He believes, nevertheless, that he

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<sup>9</sup>State is not responsible for large numbers of personnel who are paid directly or indirectly by other U.S. government agencies and involved in U.S. government activities overseas, for example, military personnel under a U.S. area military commander.

<sup>10</sup>In 1994, we reported an overall increase of 19 percent in overseas staffing between 1984 and 1994. Agencies such as the Departments of Justice, Transportation, and the Treasury accounted for the largest increases. See Overseas Presence: Staffing at U.S. Diplomatic Posts (GAO/NSIAD-95-50FS, Dec. 28, 1994).

could achieve greater cost reductions if he had day-to-day operational control over total U.S. government funding and resources at his post. A review of the post's mission and structure, led by the Ambassador, concluded that the explosion of different administrative, financial, and information systems among the various agencies overseas calls for consolidation of support functions, privatization, and other changes that can come about only with expanded chief of mission authority. For example, the agencies in Dakar have four different communication systems. Also, 7 independent financial operations and 38 staff positions are devoted to financial management functions there. The study indicated that there are similar redundancies elsewhere and that streamlining and cost reductions could be achieved in areas such as real estate and facilities management, security, and quality-of-life benefits. (Options for cost reductions in some of these areas are explored in more detail in ch. 5.)

To strengthen the ability of chiefs of mission to achieve significant cost reductions, in September 1993 the National Performance Review recommended a pilot project giving U.S. ambassadors at selected posts more authority over all U.S. government resources at their posts, including staff. There may be some potential negative consequences to expanding ambassador authority. For example, a chief of mission and a federal agency may have differences of opinion concerning the types and levels of resources needed to sustain agency activities.

State has not initiated action on this recommendation. State officials told us the Department cannot move on this recommendation until the National Performance Review/Vice President's staff propose the needed legislation to the Congress. However, National Performance Review staff told us that proposing legislation is the agency's responsibility. State does not want to initiate action because it believes the pilot program should be viewed as an administration initiative to gain the interagency support such a project would require. State has also told us that anticipated congressional opposition to such a project has inhibited their submission of a legislative proposal.

Consistent with the recommendation, in November 1995, the U.S. Ambassador to Senegal submitted a study concluding that the chiefs of mission need more authority and control over U.S. government programs, personnel, and resources under their management. He asked that the Under Secretary for Management convene the Vice President's Interagency Council to obtain agreement from its members to designate selected posts

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to test the study's conclusions. State management has been reviewing the proposal.

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## Conclusions

Because of fiscal constraints, State may not be able to continue to maintain its vast network of embassies and consulates as they are configured today. The end of the Cold War coupled with improvements in communications capabilities provide the opportunity to rethink how the U.S. government's overseas presence is structured and develop new ways of operating that could increase efficiency and reduce costs. Balanced, thoughtful decisions must be made to ensure that U.S. interests are well served overseas and Americans are protected within the constraints of reduced funding.

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## Matters for Congressional Consideration

If future funding levels require the State Department to close and reduce the size of posts, the Congress may wish to establish an independent panel to review State's proposals in view of (1) the potential financial benefits to the U.S. government, (2) the impact on governmentwide interests and the many agencies that depend on State's services, and (3) the potential opposition to closing posts. Although the criteria involved in closing and downsizing overseas diplomatic posts are different, a panel much like the Defense Base Closure and Realignment Commission established to review military installations may be useful.

Also, if the Congress believes that ambassadors' authority over U.S. government resources should be expanded to reduce spending, it could explore with the executive branch how a pilot program, such as the one recommended by the National Performance Review, could be structured and implemented.

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## Agency Comments and Our Evaluation

State said that the chapter did a good job of describing State's experiences in proposing posts for closure and outlining some approaches to reducing the number of posts. State asserted that a diplomatic presence in all countries with which the United States has diplomatic relations continues to be important today. State also emphasized that Americans traveling abroad as well as other U.S. agencies depended on the network of embassies and consulates. These factors will need to be carefully considered in determining what overseas presence is essential and affordable.

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**Chapter 4**  
**Options for Reducing Overseas Presence**

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USAID objected to expanding an ambassador's authority over the programmatic direction and funding of overseas programs, even on an experimental basis. Increasing ambassadors' authority, on a pilot basis, is one option we offered as a means to reduce costs. We stated that increasing ambassadors' authority could have negative consequences.

# State's Support Costs Can Be Reduced

The State Department spends two-thirds of its budget on support operations. In response to reduced operating budgets, State is pursuing or studying several options to reduce its support costs. These include (1) recouping the full cost of support provided to other agencies overseas, (2) hiring more U.S. family members to fill overseas staffing positions, (3) increasing employees' payments for medical services, (4) increasing the length of overseas tours, and (5) reducing its costs for Marine guard detachments at overseas posts by deactivating certain units or shifting its cost to the Department of Defense.

We identified several additional options State could implement if it has to adjust to potential budget cuts. These options include (1) reducing support staffing levels in headquarters, (2) reviewing employees' benefits and allowances, (3) expanding the use of foreign nationals in support positions at overseas posts, and (4) disposing of excess and underused properties overseas.

Over the long term, State hopes to reduce its operating expenses through business process reengineering and the outsourcing of certain support functions. In both areas, however, only limited progress has been made.

## Support Network Consumes a Large Portion of the Budget

In fiscal year 1995, State allotted \$1.8 billion, or about 65 percent of its budget, to domestic and overseas support operations.<sup>1</sup> These funds provided support for both Department staff and employees from other federal agencies. Centrally funded operations<sup>2</sup> account for approximately \$1.1 billion of the support budget and cover central administration costs and the costs of running several regional centers that provide financial and information management services to overseas posts. The geographic bureaus control the remaining portion of State's support budget, which is largely used to fund the salaries of those employees in support positions.

State is reimbursed for some support costs under the Foreign Affairs Administrative Services (FAAS) system, which attempts to allocate costs among agencies based on workload. Under FAAS, other agencies at overseas posts reimburse State for the incremental cost of providing some support services. In fiscal year 1995, State received an estimated

<sup>1</sup>State has never determined how this rate compares to other diplomatic services or firms in private industry. State's Assistant Secretary for Administration noted that in theory this could be done, but added that any comparison would be complicated by State's security requirements and support responsibilities for other agencies overseas.

<sup>2</sup>These include security, personnel, finance, information systems, telecommunications, security and maintenance of U.S. missions, logistical operations, training, and medical services.

\$187 million in FAAS reimbursements from other agencies. These funds were primarily used to pay the salaries of FSNS and personal service contractors hired to meet the administrative needs of other agency staff. According to State's Chief Financial Officer, however, these payments only partially covered the increased costs of hosting staff from other federal agencies.

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## State Is Seeking to Reduce Its Support Costs

State officials recognize the need to reduce the Department's support costs. In a March 1994 memorandum, the Under Secretary for Management notified managers throughout the Department that significant and sustained cuts in support costs must be made to allow State to continue to operate with declining budgets. Under the direction of the Under Secretary for Management, State has launched a number of initiatives designed to reduce its support costs. The most significant of these initiatives involves an attempt to recoup certain support costs that were previously unreimbursed under the administrative cost-sharing system used by State and other federal agencies overseas.

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## New Mechanism for Overseas Cost Allocation Has Potential for Cost Reductions

Under FAAS, agencies at overseas posts reimburse State for the incremental cost of providing some support services. State believes that FAAS reimbursements do not capture the Department's full costs for support to other agencies, and as a result State subsidizes their overseas operations. The President's Management Council (a federal managers' forum established under the National Performance Review) also expressed concerns about the complexity and equity of FAAS, noting that FAAS is primarily a reimbursement mechanism—not a system for rationalizing delivery of overseas administrative services—and it does not address quality and delivery of services. To address these problems, the President's Management Council developed the International Cooperative Administrative Support Services (ICASS) System.

Under ICASS, greater responsibility and authority for managing resources and making decisions about paying for common administrative support service will be delegated to the posts. Posts will be encouraged to explore additional options for obtaining administrative support, rather than relying solely on State. These options could include allowing other agencies to provide support functions, using commercial contractors, or introducing improved technologies. In addition, costs are to be clearly delineated by agency for all post- and Washington-related services.

Since ICASS is designed to better rationalize the delivery of overseas administrative services, it should serve to help identify specific steps that can be taken to streamline overseas operations, reduce the costs of administrative services, and make better use of information systems and communications technology.

In fiscal year 1997, State plans to implement ICASS administrative procedures worldwide,<sup>3</sup> but State and other agencies will fund overseas support operations using FAAS funding practices. The ICASS cost recovery system will not go into effect until fiscal year 1998. State views ICASS as a mechanism to equitably spread the full cost of providing overseas support across all agencies with an overseas presence. State estimates that in terms of cost recovery alone, implementing ICASS would allow the Department to spend \$108 million less per year for support to other agencies. Redistribution of costs currently covered under FAAS would reduce costs to State by \$15 million, and billings for new cost items not currently covered under FAAS would reduce cost to State by an additional \$93 million.<sup>4</sup> From a governmentwide perspective, these funding shifts alone do not represent cost reductions. Some officials thought that once agencies had to pay the true cost of placing personnel overseas, many would decide to reduce their overseas presence. Such reductions would reduce overall U.S. spending for overseas support.

State is also exploring how to bill agencies for costs that were previously provided at no charge. For example, the Congress has tasked State's Diplomatic Telecommunications Service Program Office with devising a system for charging agencies the actual cost of providing overseas communication links. State is also considering billing agencies for foreign building operations, overseas schools, security officers, as well as some incremental domestic support costs associated with other agency operations overseas. State has not estimated the potential revenue gain from charging for these and other services.

Other agencies support the new system, noting that ICASS represents a cultural change in the way overseas operations are managed. The move to customer-based service standards and principles presents an opportunity for cost reductions from greater efficiency and interagency coordination.

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<sup>3</sup>The Department of State Appropriations Act, 1996, requires that in fiscal year 1997 a system be in place that allocates to each department and agency the full cost of its presence outside the United States.

<sup>4</sup>Beginning in fiscal year 1998, State will bill other agencies for local guard services at office buildings, the community liaison officer, and building operations and expenses for government-owned and long-term leased properties.

Agencies also applaud the move to grant more decision-making authority to the posts as to how they are managed. Major disagreements, however, remain to be resolved over which costs should be covered under ICASS and how these costs should be allocated among participating agencies. Every agency we spoke to expressed concerns about paying higher costs under ICASS and funding to cover those costs. Some agencies would like State to transfer funds from its budget to them to offset the expected higher costs under ICASS.

Agencies also expressed concern that (1) a financial system to track costs and transfers of funds has not been field-tested; (2) the pilot tests have not lasted long enough to evaluate ICASS capabilities; and (3) details for handling different budget cycles, financial systems, and requirements across agencies have not been resolved. State says it will be able to address these concerns in time for worldwide implementation. State Department officials also noted that the Department has to comply with a congressional mandate to obtain full recovery of each department and agency's costs in fiscal year 1997.

ICASS has merit and the potential to change the culture of overseas operations. However, ICASS implementation will likely lead to a protracted debate over funding issues within the executive branch. Since ICASS implementation will affect overseas funding and staffing decisions at over 35 U.S. government agencies, it will require significant, high-level support within the executive and legislative branches for full implementation.

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### U.S. Family Member Program Is Expanding

In October 1995, a task force established by the Under Secretary for Management recommended that State increase the hiring of family members to help meet overseas staffing needs. State could cut costs by an estimated \$105,000 for each family member hired to fill a position normally reserved for a junior officer. A State official noted that the Department will hire only about half of its normal junior office class in fiscal year 1996. This will heighten the importance of the family member program to help meet overseas staffing needs. In commenting on this report, State noted that not all junior officer positions can, or should, be filled by family members, since these positions provide valuable career training for Foreign Service officers.

## Cost Reductions From Changes in Medical Services

To provide adequate health care for its employees worldwide, State operates a health clinic in Washington, D.C., and 139 health units throughout the world, providing many free services to its employees and employees of other foreign affairs agencies.<sup>5</sup> State's main health clinic has diagnostic and laboratory facilities, including unique capabilities in the area of tropical and parasitic diseases, and provides the physical examinations required before staff and family members are posted overseas. State also has a clinic at the National Foreign Affairs Training Center. The overseas programs provide free occupational health-related services (such as first aid for minor on-the-job injuries) and primary medical care. The Inspector General reported that there were about 79 Foreign Service health-care professionals, supplemented by local hire nurses and contract physicians, working in overseas posts as of January 1994.

According to a report by State's Inspector General,<sup>6</sup> State spent about \$19 million in fiscal year 1995 to provide uncompensated medical care to its employees. The Inspector General recommended that State shift up to \$13 million of these costs to private health insurers responsible for reimbursing employees for the costs of these services. The Inspector General recommended that the remaining \$6 million in uncompensated care not be transferred. The Inspector General proposed that the Department absorb this cost because it represents patient copayments and deductibles that impose an administrative burden to track and recoup. Also, different living conditions among posts could result in varying illness rates, and employees should not be penalized for working in less desirable locations. A provision in the fiscal year 1996 authorization bill would enable State to collect reimbursements for medical services rendered. A senior State official noted that additional cost reductions could be achieved if the Department contracted for some services currently provided by State headquarters medical clinics and if routine medical services, such as physical examinations, were tailored to an employee or dependent's age, sex, and known risk factors. The same official estimated that these actions could reduce costs by an estimated 30 percent of the annual \$4.5 million cost of clinical services, or about \$1.4 million.

<sup>5</sup>Included in the Department's medical health program are all U.S. citizen employees of the Foreign Service and eligible dependents and U.S. citizen federal employees assigned abroad by other federal agencies participating in the medical health program and their eligible dependents.

<sup>6</sup>Office of Inspector General, U.S. Department of State Report of Audit No. 5-SP-013: Overseas Health Units, March 1995.

Overseas, State ensures that its employees receive care by authorizing and approving payment for inpatient medical care and related outpatient treatment of eligible overseas U.S. citizen employees and their dependents. It then relies on its employees to file insurance claims and forward reimbursements to State. In August 1995, State's Office of Medical Services and the Bureau of Finance and Management Policy began tracking whether its employees filed such claims and whether reimbursements were turned over to the Department. Posts issue authorizing services and report to the Office of Medical Services the obligation number, insurance carrier, amount expended, and information on the service provider. The Office of Medical Services issues fund cites for all hospitalizations overseas and tracks the recovery of medical insurance benefits. As of January 1996, of the \$1.5 million expended for overseas hospitalizations, State had collected about \$1.2 million (77 percent) and expected the final recovery rate to exceed 80 percent. In 1996, employees will be held liable for the cost of care, and debts will be turned over to the Bureau of Finance and Management Policy for collection through State's debt collection procedures.

While embassies have the same guidelines for pursuing reimbursements for medical services, State does not track expenses for other federal employees that rely on it for medical services. Therefore, it does not know whether other agencies' employees reimburse embassies. In August 1992, we recommended that State begin tracking costs for other agencies and whether these costs were reimbursed by private insurers. A State medical official agreed that tracking could be done but that the tracking workload would increase by 80 percent. State has not attempted to quantify the costs and benefits of tracking payments from other agencies' overseas staff, but it appears likely that State would achieve cost reductions similar to those achieved by tracking reimbursements from State employees.

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### Extending Tours of Duty

State estimated that it spent \$68.7 million in fiscal year 1995 for travel for post assignments. A 1993 State study of its policy on tours of duty projected cost reductions of about \$2 million annually by extending tours to 3 years for all overseas posts (tours at hardship posts are currently 2 years). Longer tours at all posts could further reduce costs. With longer tours, State could also increase productivity and effectiveness because staff need several months to adjust to foreign local cultures, languages, and environments and to master a new job and about 9 months to go through the reassignment process at the end of the tour. A 2-year tour can therefore leave relatively little time for peak performance.

Although costs could be reduced by extending tours of duty, State has concluded in the past that the negative impact on employees' morale and State's assignment process did not permit extending tours of duty. However, State said it is now reexamining the issue in light of the current budget situation.

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### Potential to Reduce State's Cost for Marine Guard Detachments

In fiscal year 1994, State paid its share—\$22 million—for 125 Marine guard detachments at 112 embassies, 11 consulates general, one U.S. mission, and one U.S. interests section. The guards are jointly funded by the Marine Corps and the State Department and primarily safeguard classified documents. As recommended by the National Performance Review and to reduce costs, Marine guard detachments have been deactivated at some posts where the level of classified operations do not warrant 24-hour cleared American presence. The State Department and the intelligence community are reviewing whether some detachments could be deactivated or transferred to other locations. In lieu of Marine guards, State may have to expend funds to increase security safeguards—for example, by providing better real time surveillance equipment at the chancery. But, on balance, deactivation of guard detachments could reduce cost where security conditions permit.

For fiscal year 1997, the executive branch has proposed that funding for the Marine guard detachments shift from State to the Department of Defense. If this occurs, State will no longer spend its funds on the Marine guard detachments.

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### Additional Cost Reduction Options

Other options State may wish to consider in the future include (1) reducing support staff levels in Washington, (2) reviewing employee benefits and allowances, (3) expanding the use of FSNS in support positions at overseas posts, and (4) selling excess or underused overseas property.

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### Support Staff in Headquarters

According to a number of management reports, there may be opportunities to reduce staffing in headquarters support offices. A senior State official in Personnel noted the Department has been slow to initiate a detailed review of support staffing levels in Washington. However, a preliminary assessment of State's domestic staffing, issued in February 1995, noted a basic concern that support functions account for almost 60 percent of State's domestic workforce.

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Similar concerns over the proportion of domestic staff devoted to support functions were raised in earlier management studies at State. The State 2000 Management Task Force report issued in December 1992 noted that about 60 percent of headquarters salaries and expense resources are expended for centrally managed support staff and that this level was much too high. According to a 1993 State report, some estimates project that Department staffing in Washington exceeds optimal levels by 15 to 20 percent in view of the low productivity of many organizations and personnel. The report recommended that a baseline review of headquarters support staffing be conducted and noted that potential long-term cost reductions from such a study could be substantial, as each 5-percent reduction in personnel would reduce the Department's costs by \$46 million.

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## Employee Benefits and Allowances

If substantial reductions in appropriations occur, State may have to review the benefits and allowances it provides to its employees, even though this could involve difficult and painful decisions. For example, costs could be reduced by millions of dollars if employees were required to pay for a portion of their overseas housing costs. State noted that because benefits and allowances are payable to all civilian government employees working overseas, any changes would require interagency support and may require legislative action. State officials also noted that a consideration would be the potential negative impact on employee morale and the impact on State's ability to attract and retain staff to effectively carry out its mission. We agree.

Overseas allowances and benefits are authorized by statute for U.S. federal civilian employees stationed in foreign areas. There are two purposes for granting allowances and benefits to U.S. staff employed overseas. First, they can serve as reimbursement for extraordinary living costs to prevent employees from being financially penalized for working overseas. Second, they can serve as recruitment and retention incentives. Benefits and allowances provided to Foreign Service employees working overseas include free housing and utilities, hardship post payments, danger pay, cost-of-living allowances, education allowances, and separate maintenance allowances.

These benefits and allowances offer one potential area for cost reduction efforts. According to the Director of State's Office of Allowances, the only comprehensive and recent review of Foreign Service benefits and allowances was conducted in 1994 by a private firm under contract to

USAID. In a January 1995 memorandum to the Director General of the Foreign Service, USAID's Deputy Assistant Administrator for Human Resources noted that this study found that (1) the Foreign Service compensation package was somewhat below that received in the private sector; (2) the Foreign Service benefits package was comparable to the private sector, except for retirement where the government is more generous, and (3) Foreign Service allowances were comparable to the private sector except for housing allowances where the private sector generally deducted a home-country norm from the housing allowance so that employees do not get free housing overseas.<sup>7</sup>

USAID's consultant concluded that by paying only for excess housing costs, private industry, without any apparent disruption to programs, avoided substantial costs that the government pays. The consultant further concluded that USAID employees' benefits of receiving essentially free housing and utilities amount to about 12 to 15 percent of their base pay.

We also noted that Canadian Foreign Service officers are expected to contribute to a portion of their overseas housing costs based on Ottawa housing costs and on their salary levels and household sizes. Likewise, Australian Foreign Service officers are expected to contribute toward their overseas housing costs based on a published schedule. The Director of State's Office of Allowances noted that other countries, such as Japan, France, and Germany, also have a rent-share arrangement with their employees. Like the United States, however, other countries such as Great Britain and Ireland, fully reimburse overseas housing costs—up to a set limit.

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### Increased Use of Foreign Service Nationals Is an Option

The administrative section at overseas posts is generally headed by an administrative counselor or officer who is assisted by several Foreign Service officers who manage administrative subunits and oversee a staff comprised mainly of FSNS. In response to budget pressures, State could increase its use of FSNS to replace Foreign Service specialists working in

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<sup>7</sup>Specifically, the consultants found that when total remuneration costs—which include salaries, bonuses, and benefits such as retirement—were compared between USAID and the private sector, USAID's costs were almost identical to the private sector. With regards to overseas allowances, the consultant found that USAID versus private sector comparisons varied from location to location; however, USAID's costs were significantly higher than private sector allowances in all locations studied. The most significant difference between USAID and the private sector was that the private sector required employees to pay a portion (ranging from \$13,565 to \$19,957) of their overseas housing costs based on a U.S. housing standard.

senior support positions.<sup>8</sup> Employment of FSNS is less costly than employment of Foreign Service officers because FSNS do not receive the benefits and allowances payable to Foreign Service employees and generally are paid lower salaries than Foreign Service employees.

In addition to the cost reductions that would result from the increased use of FSNS, this practice would have two other advantages. First, State would not have to periodically rotate hundreds of Foreign Service specialists between headquarters and overseas posts. Second, an FSN-driven support structure would eliminate the significant learning curve Foreign Service specialists face at a new post.

State is reluctant to expand the use of FSNS because of security and fiduciary concerns. These are valid concerns that would be compelling without regard to oversight costs. However, cost-benefit and risk management principles suggest that some level of increased risk may be acceptable in return for significantly reduced oversight costs. Given potential budget reductions, State would have to carefully weigh the potential cost reductions resulting from increased use of FSNS against the perceived risks.

Although security and fiduciary matters are a serious concern, the following observations show that the increased use of FSNS may be feasible at some posts and that the associated risks may be manageable or could be mitigated.

- In Malaysia, the embassies of Australia, Canada, and Great Britain employ foreign nationals to manage administrative sections under the overall supervision of a diplomatic officer. In comparison, the U.S. Embassy, with one exception, used American Foreign Service officers to head up the administrative subunits.
- At some U.S. posts, FSNS are already employed to head some administrative sections, such as personnel, working under the general supervision of U.S. administrative counselors or officers.
- FSNS do not have access to sensitive records and information because embassies have secure areas they are not permitted to enter. The number of sensitive records is presumably small relative to support functions typically handled in budget and fiscal, general services, and personnel offices.

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<sup>8</sup>The Department hires Foreign Service specialists to fill 16 types of positions such as budget and fiscal officers, general services officers, and information management officers. State currently has over 1,100 specialist positions in Washington and almost 2,500 specialist positions overseas.

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- Posts generally have two distinct computer systems, one classified and one unclassified. FSNS do not have access to the separate classified system.
  - The Inspector General's procedures for periodic inspections could be modified to provide additional oversight of FSNS that handle U.S. funds. Also, the use of standard internal control procedures, such as the division of duties and mandatory vacations, could help to ensure that funds are managed responsibly.

Nonetheless, we agree that certain Foreign Service specialist positions would not be appropriate for an FSN, given the classified or highly sensitive nature of the position. These positions include communications specialists, regional security officers, regional medical officers, foreign building operations officers, technical staff working with classified communications systems, and Foreign Service secretaries assigned to work with classified information.

FSNS could replace the more costly existing staff as budget and fiscal officers, general services officers, information management specialists working with unclassified computer systems, personnel officers, regional medical technologists, and Foreign Service nurses. We estimate that State currently has about 500 Foreign Service specialists in these six job categories in its overseas posts. This figure does not include rotational positions in Washington. If State replaced these overseas specialist positions with FSNS, the Department's costs would be reduced by approximately \$53 million annually in allowance and benefit costs.

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### State Could Sell Excess and Underused Properties

The State Department has over \$10 billion in real estate at its overseas posts. Some of this real estate is excess and underused; State has identified properties for potential sale valued at \$467 million as of October 1995. Moreover, as we have reported, State also has millions of dollars in potentially excess real estate at closed posts that are not included in this amount and could be sold.<sup>9</sup> The Inspector General, individual embassies, and State's Office of Foreign Building Operations have also identified some of these excess properties. However, because of internal and external pressures, State has been slow in disposing of these properties. Selling these properties would not only generate revenues but could also significantly reduce maintenance costs.

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<sup>9</sup>Overseas Real Estate: Millions of Dollars Could Be Generated Selling Unneeded Real Estate (GAO/NSIAD-96-36, Apr. 23, 1996) and Overseas Real Estate: Inaction on Proposals to Sell High-Value Property in Tokyo (GAO/NSIAD-95-73, Apr. 7, 1995).

In our most recent report, we recommended improvements in the State Department's procedures to identify and sell excess real estate. For example, we recommended the establishment of an independent panel to make recommendations regarding the sale of unneeded real estate, to ensure that the taxpayers' interests and the financial needs of the State Department are considered.

## Process Reengineering and Outsourcing May Lead to Long-Term Cost Reductions

State's Under Secretary for Management has called for and supported individual reengineering efforts throughout the Department.<sup>10</sup> Some of State's managers have launched reengineering and reinvention exercises in an attempt to improve services and lessen costs. Examples of such efforts include State's attempts to reengineer the Foreign Service transfer process, major personnel management reforms in such areas as pay broadbanding for FSNS, and an ongoing reengineering of the logistics function. Under State's Strategic Management Initiative, the Department attempted to gauge the advisability of outsourcing a limited number of support functions. These are positive signs of a desire for long-term reform of how support services are procured and managed at State. However, they represent just a beginning, since several major business functions remain to be reengineered or analyzed in terms of outsourcing potential.

## State's Information Management Capabilities Have Hampered Reengineering Efforts

State's use of an outdated, proprietary operating system that is largely tied to computer purchases made over 15 years ago complicates current reengineering efforts. The poor condition of the information technology platform has been the subject of repeated discussions both within and outside the Department. State officials are frank in their assessments of the numerous deficiencies in current systems and acknowledge the critical need for a system that offers data users the flexibility and tools they need to accomplish the Department's work.

State launched a modernization program in 1992; according to State officials, full implementation of the program will be delayed by funding constraints. Information management resource problems have made it difficult to effectively reengineer processes. For example, State selected the Foreign Service's transfer process as a reengineering test case because

<sup>10</sup>Reengineering is the redesign of an organization's processes to achieve dramatic performance improvements in such areas as cost, timeliness, quality, and customer satisfaction. Reengineering requires that a "blank sheet" approach be taken toward the process to be redesigned. Marginal improvements to existing procedures are by definition excluded. For additional information on reengineering in the federal government see *Reengineering Organizations: Results of a GAO Symposium* (GAO/NSIAD-95-34, Dec. 13, 1994) and *Management Reforms: Examples of Public and Private Innovations to Improve Service Delivery* (GAO/AIMD/GGD-94-90BR, Feb. 11, 1994).

the process had 117 steps, 23 forms, and a number of dispersed operations. Over 2 months, steps in the process were charted and brainstormed, and best practices in the private and public sectors were reviewed. The final report recommended a streamlined system that would enhance customer satisfaction and reduce costs. The team concluded that by improving computer interconnectivity and empowering employees, the number of full-time employees involved in the transfer process could be reduced from 24 to perhaps 4 to 5 permanent positions, supplemented by private contractor assistance. However, a year after completing the work, two team members told us that none of these positions had been eliminated because State does not have the information management tools to make the system work as designed.

In a December 1994 report, we compared several private and public leading organizations' best practices in applying information technology to improve performance to State's practices and found that the Department was deficient in several areas.<sup>11</sup> Our report noted that State had no integrated information management plan that identified goals and objectives and linked information resource management projects to them;<sup>12</sup> the information resource management and budgeting processes at State were not closely linked; and State had not appointed a chief information officer to serve as a bridge between top management, line managers, and information support professionals.

The Under Secretary for Management has begun to take steps to improve State's information resource management capabilities, including forming an information technology review board of senior department managers. In May 1995, the Under Secretary for Management established an acting chief information officer position. In May 1996, State appointed a permanent chief information officer to comply with the mandate of the 1996 Information Technology Reform Act. Finally, State is currently working on its latest 5-year strategic information resource management plan (1996-2000), which should be issued in 1996.

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<sup>11</sup>Department of State IRM: Strategic Approach Needed to Better Support Agency Mission and Business Needs (GAO/AIMD-95-20, Dec. 22, 1994). This report compared State's practices to those of leading organizations as defined in GAO's May 1994 guide on best practices. See Executive Guide: Improving Performance Through Strategic Information Management and Technology (GAO/AIMD-94-115, May 1994). GAO's best practices guide formed the basis for OMB's Evaluating Information Technology Investments: A Practical Guide (Version 1.0, Nov. 1995), which is designed to help federal agencies link information technology investment decisions to strategic objectives and related business plans.

<sup>12</sup>In July 1995, State issued an updated information resource management modernization plan.

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## Outsourcing Administrative Functions

The National Performance Review encouraged federal agencies to identify their core missions and unique competencies and to outsource functions that can be provided more effectively and at a lower cost by other agencies or private companies. State has not done this in any comprehensive manner, even though the Strategic Management Initiative called for outsourcing studies of telecommunication services offered through the Diplomatic Telecommunications Service Program Office, the payroll function, vendor and pension payments, the Foreign Service medical examination program, and the training courses offered at the National Foreign Affairs Training Center. An official from the Diplomatic Telecommunications Service Program Office told us that the office was never formally tasked with conducting this study and thus did not respond to the recommendation. The Office of Medical Services also did not prepare an outsourcing study, although an official from that office said a study will soon be initiated. Outsourcing studies of State's payroll operations and vendor and pension payments processes were contracted to an outside consulting firm. The results of these studies should be available shortly. The only published outsourcing studies available at the time of our review involved a limited number of courses offered by the National Foreign Affairs Training Center. In each case, with certain minor modifications, the internal review team concluded that the Center's offerings were cost-effective.<sup>13</sup>

State has not yet considered the numerous options for outsourcing many of its noncore activities, particularly data processing and administrative activities. Outsourcing options can be found in both the private and public sector. Private contractors are already providing a wide range of data processing and administrative services, including payroll, personnel management, and financial management services, and have contracts with several federal agencies.

According to one private firm, its worldwide network of data processing centers could meet State's domestic and overseas data processing demands with relative ease. Officials from the same company cited several examples of outsourcing contracts with federal agencies, including a 10-year contract with the Federal Aviation Administration to manage its computer resources nucleus project and a 5-year contract with the Immigration and Naturalization Service to manage its Information

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<sup>13</sup>A March 1996 independent accountant's report prepared for the Office of the Inspector General recommended that the National Foreign Affairs Training Center establish user charges that fully reflect the Center's costs, as required by OMB-Circular A-25. The report also recommended that the Institute reevaluate the training courses it offers and consider eliminating courses that do not fully recover their costs and could be obtained at other training centers at a lower cost.

Technology Partnership Program. Also, another country's internal revenue service has contracted with this firm to assume all of its information technology responsibilities, including computer systems, systems development and integration, systems maintenance, hardware and software procurement, hardware maintenance, hardware and software installation, and information technology project management. Transferring with these responsibilities are three development centers, two accounts offices, nine data centers, and 2,100 employees who are now the contractor's employees.

Another outsourcing option available to State is the work of the Defense Logistics Agency Administrative Support Center, which been designated a reinvention laboratory under the National Performance Review. The Center provides a wide array of administrative services to Defense and other nongovernment agencies, state and city governments, and private firms. Customers pay only for actual services provided. According to its latest survey of selected services offered by the Center, its costs were significantly lower than prices in the private sector. The Director explained that the Center does not operate on a profit margin and can leverage Defense's worldwide infrastructure to offer services at the lowest costs possible. According to the Director, his staff periodically conduct surveys of best practices in private industry to stay abreast of the latest management techniques.

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## Conclusions

The successful implementation of some or all of the options discussed in this chapter could substantially reduce State's support costs. Congressional approval and negotiations with other agencies may be required to implement some of these options. In addition, they would require the potential displacement of hundreds of current employees and the loss of some employee benefits, with potential adverse consequences for employee morale and productivity. However, they represent the types of changes that would enable State to operate with less resources.

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## Agency Comments and Our Evaluation

State expressed concerns regarding a number of options discussed in this chapter, pointing out the drawbacks. Regarding increased use of FSNS in certain positions, State emphasized that American personnel are required to minimize fiduciary concerns. We did not recommend increased use of FSNS, but we believe this option should be considered. We share some of State's concerns, but we believe that risk management principles suggest that some level of increased risk may be acceptable in return for

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**Chapter 5**  
**State's Support Costs Can Be Reduced**

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significantly reduced costs. Given potential budget reductions, State would have to carefully weigh the potential savings resulting from increased use of FSNS, as well as implementation of other cost reduction measures, against the perceived risks.

State said the chapter clearly described ICASS, which State believes is its most important undertaking involving overseas support costs. USAID and USTR emphasized that increasing reimbursements for administrative support at overseas posts may require additional funding for agencies other than State to cover certain costs they may not have budgeted for in the past.

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# Activities at Overseas Posts

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In this appendix, we provide examples of the State Department's overseas political, economic and commercial, global, and consular activities. Unless otherwise noted, these activities occurred during September and October 1995. In addition, as discussed in chapters 4 and 5, State has numerous functions and activities to support State and other U.S. government agencies' personnel and operations at overseas posts.

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## Political Activities

The political sections spent most of their time reporting and analyzing countries' political situations, representing the United States and developing contacts within the host countries, and supporting official visitors to the countries.

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### Belarus

For political issues, the combined political and economic section spent major portions of its time on reporting and analysis, trade and finance promotion and support, and coordination and support of other agencies' programs, such as the Defense Department's Cooperative Threat Reduction Program to help remove nuclear weapons. Other major activities included representation and contact development and dealing with the shutdown of an American hot-air balloon by the Belarussian military. Reporting and analysis included cables on internal government shakeups, the confrontation between the Belarussian president and parliament, and human rights.

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### Brazil

The political section at the Embassy in Brasilia spent a significant amount of time preparing for and supporting the First Lady's visit, which included visits to a school for street children, a vocational institution, and a maternity hospital. The section also supported a visit by the Under Secretary for Global Affairs. Overall, the section spent approximately one-third of its time on visitor support. Another third of the time was spent on reporting and analysis, and the rest of the time was spent on representation and contact work and coordination with other agencies. The section worked with the government of Brazil to resolve several rocket technology issues, encouraged the government to support a global ban on land mine production and sales, and helped Brazil gain entry into the Missile Technology Control Regime, which may encourage closer cooperation on nonproliferation.

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Malaysia

The political section in Malaysia spent much of its time on reporting and analysis, representation and contact work, and support for other agencies. The Southeast Asian Nuclear Weapons Free Zone Treaty topped the list of issues that were addressed. The section also dealt with issues concerning U.S. policy toward Bosnia—an issue for which the United States has been severely criticized in Malaysia. The section covered the 15-nation Organization of Islamic Conference, advocating U.S. views and seeking the support of the Malaysian Chairman of the United Nations Human Rights Commission on related issues in Bosnia. Other efforts included representations to the Ministry of Foreign Affairs on United Nations issues, counternarcotics cooperation, arms sales, and security cooperation. In addition, the section analyzed criminal law and procedures and the political implications of a case involving an American citizen charged with drug crimes that carry a mandatory death sentence.

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The Netherlands

In The Netherlands, a large portion of the political section's time was spent advocating U.S. policies and presenting demarches. Reporting and analysis was also a major activity. The remainder of the section's time was spent on representation and contact development, visitor support, and other tasks. The section worked to counter untrue press reports that the United States had failed to alert the Dutch that an attack on Srebrenica (in Bosnia) in the summer of 1995 was imminent. It also helped gain Dutch support for the U.S. approach regarding assistance to Bosnia. In early 1995, the section used its ties with parliamentary defense experts to overcome obstacles, clearing the way for a \$100 million sale of air-to-air missiles, and worked to maintain Dutch abstentions from voting on a Cuban resolution to condemn the U.S. trade embargo against Cuba.

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Paraguay

The political section in Paraguay spent about three-fourths of its time on democracy and narcotics issues. The visit of the First Lady to attend a conference of her counterparts consumed most of the post's time, including 25 percent of the political section as well as other embassy sections. In its efforts to help control narcotics traffic, the section also assisted a visiting team from the Departments of Justice and the Treasury to help draft money-laundering legislation for the government of Paraguay. The section also drafted a summary of the human rights situation as input to the annual human rights report and supported a visit of State's Principal Deputy Assistant Secretary for Inter-American Affairs.

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Senegal

The political section in Senegal spent the largest portion of its time on reporting and analysis and the remainder on representation, contact development, the presentation of demarches, coordination with and support to other agencies, and other activities. The section reported on the leadership succession in Islamic brotherhoods, violence in ruling party internal elections, human rights, and other issues. Moreover, it obtained Senegal's agreement not to oppose the U.S. positions at the United Nations regarding sanctions against Cuba and Libya's candidacy for a Security Council seat.

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**Economic and  
Commercial Activities**

Economic and business promotion was among the top priorities of the posts. Several ambassadors spent up to one-third of their time on economic and trade advocacy activities, personally weighing in on behalf of U.S. businesses where appropriate.

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Belarus

In Belarus, the combined economic and political section helped coordinate USAID's programs and reported on the International Monetary Fund stand-by program. The section also helped facilitate a U.S. contract to establish an international gateway teleport involving potential U.S. exports worth up to \$24 million and helped coordinate a U.S. business delegation's meetings with the Belarussian president and other government officials.

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Brazil

Brazil is one of 10 emerging markets identified in the U.S. national export strategy. The Ambassador has established trade advocacy as one of the mission's top priorities.<sup>1</sup> The economic section in Brasilia has advocated cases with Brazilian ministries, up to the highest levels of government. Success stories during 1995 included helping obtain a \$15 million contract for a U.S. firm to develop a wastewater treatment facility. In addition to trade advocacy, the economic section in Brasilia focused its efforts on promoting economic reform and intellectual property rights. It produced about 60 cables during September and October, including 16 on, for example, the banking sector and stock market where billions of U.S. dollars are invested; 10 on intellectual property rights, which included Brazilian congressional action on the subject; 13 on transportation (including civil aviation and maritime affairs); 8 on telecommunications, asking U.S. agencies to engage the Brazilians on this sector; 5 on the

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<sup>1</sup>Advocacy is carried out by several embassy sections, including the U.S. and Foreign Commercial Service offices in Brasilia, Rio de Janeiro, Sao Paulo, and Belo Horizonte.

energy sector in preparation for the Hemisphere Energy Summit; 2 on World Trade Organization issues; and 1 in support of a major export promotion project. Among the highlights of the mission's accomplishments during this time was the completion of the Bilateral Trade Review, which was presented to Presidents Clinton and Cardoso in November 1995.

Economic officers at posts spent a large portion of their time on reporting and analysis. They also spent significant time on representation and contact development; coordination with other agencies such as the Overseas Private Investment Corporation, U.S. Export-Import Bank, Federal Reserve System, Federal Communications Commission, and Department of the Treasury; and support for visitors, including the First Lady of the United States and the governors of Nebraska, West Virginia, and Wisconsin on trade missions.

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## Malaysia

In Malaysia, providing support to American business and enhancing the business environment for U.S. companies are among the mission's highest priorities. With support from the economic section, working in cooperation with the U.S. and Foreign Commercial Service staff, top post officials are actively engaged in numerous trade advocacy efforts. For example, the Ambassador aggressively pursued contracts for U.S. firms at the \$4 billion international airport; this support contributed to a \$35 million U.S. contract for passenger loading bridges and a \$60 million U.S. contract for systems integration. In addition, the economic section provides macroeconomic analysis and conveys U.S. government positions on a wide range of bilateral and multilateral trade and investment issues. Supporting air service agreements and protecting intellectual property rights are among the section's key objectives.

During the months of September and October, staff in the economic section spent much of their time on representation and contact development, including numerous meetings with Malaysian government and business representatives and U.S. business representatives; visitor support for 10 official visits; trade and finance promotion and support; and reporting and analysis. In addition, the section handled numerous requests from many U.S. agencies, including the Office of the U.S. Trade Representative (USTR); the Federal Reserve Board; the White House Office of Science and Technology Policy; the Trade Development Agency; the Federal Aviation Administration; and the Departments of Commerce, the Treasury, Agriculture, and Labor.

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## The Netherlands

Promoting commercial relationships and U.S. exports to The Netherlands is a top priority. The Netherlands is the eighth largest U.S. export market, the United States maintains a multibillion dollar trade surplus with The Netherlands, and each country invests heavily in the other. The Ambassador and Deputy Chief of Mission have intensively advocated specific business deals involving officials at the highest levels of both governments. One of the embassy's major successes in 1995 was an effort involving staff from many embassy sections to help win a \$750 million contract for the Apache helicopter. Aside from individual export deals, U.S. and Dutch views on trade issues are often the same, and The Netherlands has been a valuable ally in advancing U.S. economic policy goals in the International Monetary Fund, the World Trade Organization, and other multilateral bodies.

A U.S. and Foreign Commercial Service office helps individual U.S. firms do business. Complementing this effort, the economic section represents U.S. interests on a macro or policy level. The economic section spent a large portion of its time on reporting and analysis. Other major activities included trade and finance promotion, representation and contact development, and visitor support. Accomplishments included advancing the candidacy of the U.S. choice to chair a multilateral negotiating group on the multilateral agreement on investment and helping devise a strategy to secure market access for U.S. genetically modified agricultural products. After bilateral negotiations facilitated by the economic section's aviation officer, the United States and The Netherlands also signed a bilateral aviation safety agreement, setting a precedent for other civil aviation partners.

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## Paraguay

Working in support of the negotiation and approval of treaties on foreign investment and economic development, the economic/commercial section in Paraguay deals primarily with issues involving government corruption, intellectual property rights, and incorporating an informal commercial sector into the economy. In terms of trade and business promotion, the economic/commercial section offers the full array of services that U.S. and Foreign Commercial Service posts usually provide. The mission is tracking several infrastructure projects with business potential, including the \$200 million Asuncion Bay reclamation project and the \$2.4 billion Corpus hydroelectric project. In addition to handling 15 demarches on behalf of State headquarters, the section handled over 30 requests from other U.S. agencies, supported 7 trade shows, and met with more than 30 U.S. business visitors during September and October 1995.

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## Global and Other Issues

Missions cover global issues such as the environment, counternarcotics, and labor. In Paraguay, the political section administers the counternarcotics program. In The Netherlands, the economic and political sections handle a variety of global issues, including energy, health care, population, and narcotics issues. In Brazil, a section is devoted to science and technology issues, including export controls, nonproliferation, nuclear energy, space cooperation, and environmental/conservation issues. Also, a narcotics assistance office helps Brazil combat drugs, and a labor officer monitors labor conditions for trade agreements.

In The Netherlands, a legal section performs functions relating to the international war crimes tribunals for the former Yugoslavia and Rwanda, the International Court of Justice, and the Iran-U.S. Claims Tribunal. The section provides reporting and analysis and acts as a liaison for the U.S. government on matters relating to the war crimes tribunals and the International Court of Justice. Regarding the Claims Tribunal, the section supports the State Department's legal adviser in legal and technical negotiations with Iran. The section also represents the U.S. government in cases at the Tribunal that are between the two governments, supports private U.S. claimants in cases between private parties and the government of Iran, and represents the U.S. government in administrative and budgetary issues involving the Tribunal. To date, U.S. claimants have received nearly \$2.4 billion from the government of Iran through Tribunal awards. The legal section's activities included reporting and analysis on subjects of ongoing technical and legal negotiations with Iran and the Tribunal's hearings in an intergovernmental case and a private claim brought by a U.S. company against Iran. The section participated in preparing the U.S. defense in the intergovernmental case and advised the U.S. claimant and its counsel on Tribunal practice and precedent relevant to its claim. The section also engaged in negotiations with Iranian representatives concerning possible settlement of certain cases and provided support for State's legal adviser when he visited The Hague.

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## Consular Services

Each post had busy consular sections, but posts in Brazil and Paraguay had especially heavy visa workloads. Following are examples of the consular workload.

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### Belarus

During fiscal year 1995, the consular section in Belarus processed 7,944 nonimmigrant visa cases, 90 percent of which required interviews, and processed 239 passport cases. The section provided 389 special consular

services involving matters such as reports of the death of American citizens and inquiries about the welfare and whereabouts of American citizens. The section spent 67 percent of its time on nonimmigrant visa processing activities, including answering questions regarding applications, 3 percent on immigrant visa processing activities, 27 percent on special consular services, and 3 percent on other activities.

The shutdown of an American hot-air balloon by the Belarussian military in September consumed all of the consular officer's time and indeed that of almost the entire mission for days. The consular section did all of the groundwork associated with the incident, attempting to contact the surviving Americans, identifying the bodies and sealing the morgue container to prevent tampering prior to an autopsy, calling the families involved, contacting the balloon club for information, photographing of the scene, cataloging the personal effects of the victims, taking statements from other participants, and arranging for final disposition of the remains.

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## Brazil

The consular workload at posts in Sao Paulo and Rio de Janeiro has reached near-crisis proportions and affected each post entirely, including nonconsular sections. Managing the workload is a serious problem, and the consular sections have proposed several ways to streamline operations, increase efficiency, and raise revenues, given resource constraints. Because of the popularity of tourism in the United States among Brazilians, a strong local currency, confidence in the economy, and bargain airfares, growth in the nonimmigrant visa workload has stressed posts to their limits. In Sao Paulo, all State Department staff and some non-State staff assist with visa work. This has caused some concern that Sao Paulo and Rio de Janeiro are becoming unidimensional posts, essentially functioning as "visa mills." According to post officials, a Brazilian family spends an average of \$3,000 during a visit to the United States; tourism from Brazil contributes about \$1 billion to the U.S. economy each year. Moreover, the United States collects over \$10 million in visa and other consular fees. The Ambassador expressed concern that delays and difficulties in obtaining visas may discourage some Brazilian tourists from visiting the United States.

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## Malaysia

Approximately 75 percent of the consular section's workload involves processing nonimmigrant visas, which numbered over 10,000 between September and October 1995. In September, an American citizen was arrested on drug trafficking charges, a death penalty offense. This took a

considerable amount of the consular section's time. (All charges were subsequently dropped and the person was released.) In addition, to capitalize on the signing of an extradition treaty in August 1995, the embassy urged the government of Malaysia to begin negotiations on a mutual legal assistance treaty. Negotiations were scheduled to begin in June 1996.

Consular fees collected by the post in 1995 totaled about \$1,132,400. The embassy processed about 50,000 nonimmigrant visa applications, a caseload that is expected to grow by about 20 percent per year. Immigrant visa cases numbered about 430, representing about 5 percent of the consular workload. American citizen services, which represent about 20 percent of the consular workload, included 3,769 passport cases and 2,158 special consular services, half of which were notarial and judicial services.

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## Paraguay

The consular workload is particularly heavy in Paraguay because of the complexity and growing volume of adoption cases. In addition, Paraguay tends to have a high number of fraudulent visa cases involving unskilled Korean citizens trying to emigrate to the United States. In fiscal year 1995, the section processed 510 immigrant visas including about 363 adoption cases, 11,870 nonimmigrant visas, 557 special consular services, and 1,552 passport cases. U.S. staff in the section spent approximately 60 percent of their time on immigrant visa processing, 30 percent on nonimmigrant visa processing, and 10 percent on American citizens' services. Consular collections in fiscal year 1995 totaled \$554,217.

# Comments From the Department of State

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

UNDER SECRETARY OF STATE  
FOR MANAGEMENT  
WASHINGTON

June 13, 1996

Dear Mr. Bowsher:

We appreciate the opportunity to review the General Accounting Office (GAO) draft report entitled "State Department - Options for Addressing Possible Budget Reductions" (delivered to State in mid-May). The draft is, in many ways, a thorough and useful report; however, Secretary Christopher and I take strong issue with a number of the conclusions expressed in the Executive Summary. Since these points are central to the role of GAO reports in the budget debate, I wanted to make sure you had our views directly. I have also enclosed a more detailed statement of our positions on a number of items in the GAO report. I have sent a similar package to Chairman Kasich, the Congressional recipient of the report.

The report has a wealth of information on State's role in inter-agency coordination of foreign policy on trade, national security, and global issues such as the environment, and equally rich detail in Appendix I on the importance of the six overseas missions visited by GAO in ensuring the protection of U.S. political, economic, and consular interests.

U.S. Embassy Brasilia's consular workload is described, for example, as having "reached near-crisis proportions." As another example, the report outlines the role of U.S. Embassy the Hague's political section in promoting a \$100 million military sale. The six posts studied by the GAO are illustrative of the challenges faced at some 252 embassies, consulates and missions where the State Department provides an operating platform for more than 40 independent U.S. government agencies operating overseas.

It is in light of the clear picture of the functions State performs that one of the report's central conclusions is so dismaying, namely that State has failed to plan adequately for outyear budget cuts, which GAO points out could reach \$500-770 million, or a cut of up to 44 percent, under some budget scenarios.

GAO itself lists a small number of measures State could take (in addition to the considerable cuts in staff and in real funding State has already taken), and acknowledges that many of them are risky, (such as giving more responsibility to Foreign

The Honorable  
Charles Bowsher,  
Comptroller General of the United States,  
U.S. General Accounting Office.

See comment 1.

See comment 2.

Appendix II  
Comments From the Department of State

-2-

Service National employees, a practice which GAO itself has criticized in other reports). Savings, including from these risky measures, identified by GAO total no more than \$200 million out of a possible \$770 million needed, and State disagrees strongly with most of the savings steps.

See comment 3.

The rest, the report acknowledges, would have to come out of reductions in the scope and functions of our efforts to conduct America's foreign policy. In this regard, GAO gives no suggestions on what bilateral relations or foreign policy functions should, or could, be foregone by the President or the Congress, on behalf of the American people, or what major structural changes should be made to State's organization.

See comment 4.

I share GAO's view that strategic planning for downsizing is the best way to keep incremental downsizing from damaging an organization. Under the leadership of Secretary Christopher and his management team, the State Department has already absorbed a 20 percent reduction in real resources and is planning for further gradual downsizing of staff and steady increases in productivity. The body of the GAO report (although not the Executive Summary) describes these steps.

See comments 1 and 5.

The Secretary, however, has expressed repeatedly, in testimony and in statements inside and outside the Department, that significant cuts in geographic scope, functions, or staffing would seriously undermine State's ability to implement effectively the foreign policy of the United States. He and I believe that such dramatic changes at the State Department would pose unacceptable risks and cause irreparable damage to America's national interests. The damage done (e.g. lost trade) would far outweigh the savings generated, which when put in the context of government-wide spending, are miniscule.

See comment 5.

Within the full range of tools for pursuing United States national security, diplomacy is relatively inexpensive. The serious risk of major cuts in the skill and scope of our diplomacy outweighs any value of State's contribution in reducing our budget deficit. This is the central question in deciding State's future resource levels and should be addressed more explicitly in the report's final version, drawing on GAO's own material in the report's body.

I would like to thank you in advance for your attention to our concerns.

Sincerely,



Richard M. Moose

Enclosure:  
As stated.

Appendix II  
Comments From the Department of State

DEPARTMENT OF STATE COMMENTS  
on GAO Draft Report

"State Department - Options for Addressing  
Possible Budget Reductions" (GAO Job Code 711134)  
as of June 21, 1996

SUMMARY OF COMMENTS AND EXECUTIVE SUMMARY

This ambitious GAO report contributes to a significant advancement of the reader's understanding of what the State Department does, how we do it in conjunction with, and in service of, other agencies, and the way in which we are guided by legislation and Congressional oversight. It also presents a clear picture both of how we spend our resources and of the range of funding scenarios with which we are confronted. The Executive Summary, however, does not fully capture the useful findings of the full report.

We take strong exception to the GAO's explicit conclusion that the Department of State has not developed a downsizing strategy. The Department has planned, and will continue to plan, for future reasonable budget cuts. We believe that the draft GAO report is remiss in not acknowledging the Department's effort at effecting major operational reductions. Besides, many of the cost-saving recommendations proposed by the GAO cannot be implemented unilaterally by the Department. Even if implemented, they would not necessarily result in a net savings. In particular, the suggestion regarding the shifting of responsibilities to FSNs could conceivably result in added expenses to the Department. Lastly, the GAO does not offer a strategy for balancing a possible 44 percent shortfall in our resources with the imperative of protecting the national security interests of the United States.

As GAO mentions on p. 20, by the end of FY 1996, we will have reduced the general workforce by more than 2200 FTE since the beginning of FY 1993. In the same period, we have also closed 30 posts, reduced the size of the Senior Foreign Service by more than 10 percent, reduced overseas allowances and slashed operating budgets. By means of the Department's internal financial plan, we have allocated budget reductions for personnel costs to our various bureaus in a systematic and prioritized manner.

Mindful of funding shortfalls, we have over the course of the last three fiscal years hired at 50 percent of attrition (25 percent in FY 1996). Our intake of new junior Foreign Service Officers has been at half our historical rate of intake and does not accommodate our total consular needs overseas. To address our overseas staffing requirements, we have devised alternative employment practices (e.g., American Family Member Program) to fill this gap partially. Similarly, with respect to the civil service, we have maintained a policy of recruiting outside hires for only our highest priority needs. We are beginning to see workforce and skills imbalances (e.g. in accounting).

See comments 1, 2,  
and 3.

Now on p. 24.  
See comments 4 and 6.

Appendix II  
Comments From the Department of State

-2-

See comment 7.

The report does not recognize that the Department has, in recent years, re-engineered a number of its management support functions, adjusted its security activities to match specific threat levels, and fine-tuned its strategic planning capabilities. Department Assistant Secretaries are actively engaged in our annual bureau and mission planning processes, exercises aimed at enabling Department bureaus and overseas missions to link and prioritize their goals and objectives to available resources.

See comment 8.

Since the draft GAO report there has been further progress in our use of the **Overseas Staffing Model** to rationalize overseas staffing. The Overseas Staffing Board, chaired by Ambassador Stapleton Roy and consisting of the principal deputy assistant secretaries in our regional bureaus, the Director General of the Foreign Service, the Chief Financial Officer, and the Department's Executive Secretary, met during the first two weeks of June to implement the Overseas Staffing Model. The Model, a product of the Department's internal Strategic Management Initiative (SMI), is designed to make the necessary connection between our overseas resources and our key foreign policy priorities, by establishing minimum staffing levels for embassies of different size and foreign policy functions.

See comment 9.

We would also like to clarify the report's discussion of the Department's SMI. The SMI's mandate was to streamline, re-engineer, and reinvent specific activities, not to alter fundamentally the Department's mission or organizational structure.

See comment 10.

We do not understand the basis for the assertion that the Initiative's various teams had operated "on the assumption that State's operating budget would not change." We are also unable to identify the source of the statement on page 4 that the Initiative had hoped to save the Department \$100 million. The Initiative was premised on the notion that the Department needed to take the appropriate measures, short of undermining national security, to enable it to better adjust to a world of shrinking resources.

Now on p. 26.  
See comment 11.

In backup in the body of the report, GAO incorrectly states on page 22 that the Department has not carried out the SMI recommendation regarding the setting of priorities for intelligence gathering and reporting. The Department's Bureau of Intelligence and Research has expanded Department representation on intelligence community and interagency boards responsible for setting intelligence collection and reporting priorities.

See comment 12.

The GAO report does not mention that the Under Secretary for Management through the financial plan reduced **domestic support costs** as part of SMI in order to free resources for

Appendix II  
Comments From the Department of State

-3-

See comment 13.

Now on p. 26.

reprogramming to upgrades in the Department's infrastructure, (e.g., information management, equipment and quality of life improvements). The report gives the erroneous impression (page 22) that post closings recommended by the SMI will not lead to any personnel reductions. This statement ignores, as stated above, the fact that the Department has indeed cut both positions and employment.

See comment 14.

The GAO study also leaves its readers with the incorrect view that the Department has failed to act upon the Initiative's recommendations vis-a-vis the **closing of domestic diplomatic security offices**. We have closed three resident agent offices, downsized one field office to a resident office, significantly reduced the staffing levels of three additional field offices, and have cut overall diplomatic security field staff by 60 positions. We determined that further closings were not cost effective; however, we will continue to review the efficiency and effectiveness of the field offices on an annual basis to ensure that the structure of the DS offices and utilization of resources is maximized.

Chapter 1: "STATE'S FUNCTIONS AND ORGANIZATION"

Now on p. 14.

In general, Chapter 1 of the GAO draft report is a useful overview of the Department's functions, how funding is used for them, and of the wide range of outyear funding scenarios. In particular, Table 1.2 is a concise outline of funding by activity for Administration of Foreign Affairs, one which the Department itself will find useful. Figure 1.2 is a compelling diagram showing the range of uncertainty confronted by the Department.

Now on p. 17.  
See comment 15.

We would like to add the following to the end of the fifth tic (page 11) pertaining to **consular affairs**: "and managing the border security program." Hence, the phrase should now read: "providing consular services to approximately 1.7 million Americans overseas, issuing over 5 million passports annually, and managing the border security program."

The description on page 13 of the **functions of the Bureau of Consular Affairs** is not complete. It should include an explicit reference to the fact that the Bureau manages the Department's **border security program** through which State is making major improvements to both the visa and passport functions. All such improvements are funded through fees paid by aliens seeking visas to enter the United States. All revenues, which will exceed \$100 million in FY 1997, are being devoted to activities which directly strengthen consular operations. The Consular Affairs Bureau's Office of Fraud Prevention Programs provides intelligence and practical support to the Bureau of International Narcotics and Law Enforcement Affairs' anti-crime and alien smuggling programs.

Appendix II  
Comments From the Department of State

-4-

Now on p. 16.

See comment 15.

Similarly, the discussion at the top of page 13 with respect to the **Bureau of Economic and Business Affairs** does not paint a complete portrait of the Bureau's responsibilities. We would like included in the report a reference to the fact that at a time of shrinking foreign assistance budgets and constraints on the use of military force overseas to advance U.S. security goals, the Secretary of State depends on State Department economic officers to support important foreign policy initiatives. State's economic officers in Washington and overseas devise, negotiate, and implement such strategies and agreements as Russia's transition to democracy, Bosnia's reconstruction, sustaining Haiti's democratic government, and ensuring continued Jordanian and Palestinian support for Middle East peace, among others.

See comments 2 and 3.

Having censured the Department for its perceived inability and reluctance to face up to **fiscal reality**, the GAO analyzes in Chapters 3, 4, and 5 the measures the Department has adopted, and could conceivably adopt, to reduce its expenses. The savings suggested by the GAO total less than \$200 million, a majority of which derive from measures that the Department considers to be very risky and which the Department does not accept. GAO does not begin to identify savings that would fill the possible \$770 million gap in the Department's operational budget which could conceivably result were the OMB's FY 2000 funding scenario to become a reality.

Chapter 3: GENERAL

Chapter 3 captures well the specifics of foreign affairs activities, the large number of organizations involved, the Congressional and legislative interest and some of the obstacles to changing the legislative and oversight framework.

The detailed discussion in Chapter 3 of the specific foreign policy functions carried out by State in coordination with other agencies, illustrates the many forms that coordination takes and the subtle line between coordination and duplication and overlap. Apart from the critiques noted below, this section is a vivid description of the nuts and bolts of foreign policy activities for those not familiar with these activities.

The chapter usefully points out much of the legislation that guides State activities (with mischaracterisations and omissions noted below) and the degree to which other agencies are dependent on State.

Chapter 3: "OPTION: REASSESS INVOLVEMENT IN CERTAIN FUNCTIONS"

See comment 16.

The GAO underscores the Department's value added in the foreign affairs arena in the form of **linguistic and negotiating expertise**, knowledge of host country institutions and actors, etc. In noting this, the GAO does not address the matter of

Appendix II  
Comments From the Department of State

-5-

how the United States Government can replace these skills in those places where the Department lowers or eliminates its overseas presence.

In the subsection dealing with "Trade and Economic Issues," we propose to include in the first full paragraph on page 28 mention of the number of positions (seven) the Bureau of Economic and Business Affairs devotes to **negotiating aviation agreements**. The failure to mention this fact will leave the reader with the impression that the State Department earmarks an equal number of personnel and resources as the Department of Transportation (33 positions and \$3.3 million in budget) to this activity.

As to the text entitled "International Security Issues," we believe that the report's authors should have taken greater note of the steps taken by the Department to reduce its costs in the international security realm. For more than a year, the Bureau of Political-Military Affairs has actively sought to identify and reduce unnecessary duplication with ACDA. Specifically, the Bureau has eliminated the position of Deputy Assistant Secretary of State for Arms Control and has added these responsibilities to those of the Bureau's Principal Deputy Assistant Secretary of State. Moreover, the Bureau of Political Military Affairs has abolished the office of Arms Control Implementation, eliminated three of its positions, and reallocated the remaining four to another office. In addition, the Bureau has eliminated a position and will eliminate another three in its office of Strategic Policy and Negotiations.

The Department has taken its Inspector General's report on the Bureau of Political-Military Affairs and is working to implement its suggestions designed to foster a greater sense of shared effort with ACDA, include ACDA more frequently in decision-making, and clarify which organization has the lead responsibility on specific issues. All of this has been designed to reduce costs while, at the same time, maintaining what the Inspector General termed a "productive overlap" in the arms control policy played by both ACDA and the Bureau of Political-Military Affairs.

Regarding the subsection "Global Issues" in which the labor function is discussed, we do not agree with the report's recommendation to eliminate the Bureau of Democracy, Human Rights, and Labor's (DRL) Office of International Labor Affairs and labor officer positions abroad. Significant steps have already been taken to streamline this function in line with diminished budgets.

Now on p. 34.

See comment 15.

See comment 15.

See comment 17.

Appendix II  
Comments From the Department of State

-6-

As the report points out, an interagency review of the labor function was undertaken in 1994. This review underscored the importance of labor diplomacy to U.S. foreign policy interests. The spectrum of labor issues is, in fact, expanding in the post-Cold War environment -- encompassing transnational industrial relations, job creation and unemployment, protection of worker rights to ensure fair global competition, labor's role in democratization, and the critical issues of child and forced labor.

The 1994 review recognized that labor-designated positions ensure that there will be a core group of Foreign Service Officers experienced in the issues of labor diplomacy, but that these officers should also be integrated into embassy economic or political sections, and have responsibility for other issues where justified by workload. As a result of the restructuring of the labor function based on the 1994 review and Department-wide downsizing goals, the Department will accomplish by 1997 a 25 percent reduction in labor positions from 1995 levels. These and earlier reductions substantially diminish, however, the capability of the regional bureaus and overseas posts to conduct labor diplomacy and evaluate labor activities, and make more necessary DRL's Office of International Labor Affairs.

Chapter 3: "OPTION: CUT ACTIVITIES AND RECOUP COSTS"

In the subsection regarding the reduction of reporting requirements, the report suggests that resources could be saved were the Department to lessen its Congressionally-mandated reporting burden. In making this recommendation, the GAO's draft fails to place the proper emphasis on the need for Congress to take the requisite remedial action to relieve the Department of these reporting requirements. Specifically, the GAO's comments on the annual Country Reports on Human Rights Practices do not provide a complete and accurate picture of either the purpose or use of the Reports on Human Rights, or of the resources used in their preparation. The GAO recommendation that Country Reports on Human Rights should be limited to "only those countries where human rights abuses are most prevalent" will certainly be of serious concern to Congressional committees and human rights groups.

Country Reports on Human Rights are required by the provisions of the Foreign Assistance Act of 1961, as amended, and the Trade Act of 1974, as amended. Hence, the Executive Summary's depiction of these reports as "unneeded informational reports" is not accurate. We would like to underscore that most of the abuses on which the reports focus are those linked to the enforcement of U.S. legislation. The consequences for foreign countries and their citizens of the human rights abuses detailed in the Reports on Human Rights may include mandatory

See comment 18.

Appendix II  
Comments From the Department of State

-7-

cutoff of some forms of foreign assistance, review of most-favored-nation status, withdrawal of trade preferences, and changes in the determination of immigration, refugee, and asylum status.

In the preparation of the Reports on Human Rights, standardization and universality of treatment provide the critical basis for their credibility. In any event, the Department has already taken steps to streamline the preparation process, with an emphasis toward elimination of unnecessary redrafting. We ask posts abroad to provide updates only, not full new reports.

In this regard, the figures provided in the GAO report concerning the total number of employees of the Bureau of Democracy, Human Rights, and Labor who work on the Country Reports on Human Rights are not accurate. One employee spends roughly six months working on the reports, seven work on the reports full-time for four months, of whom five are employed on short-term appointments, and about a dozen additional employees review reports within their regional areas of responsibility in the course of their regular workday. Overseas, the time required to prepare an annual report varies from country to country. While the time and effort required is extensive and is constantly reviewed with an eye towards streamlining, the Reports on Human Rights make an important contribution to furthering our national interests.

Chapter 3: OTHER SECTIONS

In the subsection regarding the reduction of overlap within the Department, we believe that the GAO overstates the extent of duplication and overlap within the Department. In fact, the body of the GAO discussion is a description of careful coordination among U.S. government agencies of foreign policy economic, political and global activities, with little or no duplication. We would like to point out by way of example that the SMI Steering Group did not identify a problem of overlap between the Bureau of Intelligence and Research and other bureaus in the Department. While policy bureaus are tasked with advising the Secretary on what he should do, the Bureau of Intelligence and Research is tasked with telling the Secretary what he needs to know.

In the second paragraph of the subsection (page 33) entitled "Options for Recovering Costs of Some Services," we would like to clarify the initial sentence in the second paragraph to reflect the fact that State has only recently been given the authority to retain some consular fees. Hence, the sentence should now read: "While State has not charged for its

See comment 19.

Now on p. 38.

Appendix II  
Comments From the Department of State

-8-

factual and analytical reports, business assistance services, and assistance to overseas visitors, it has historically charged for consular services and, until just recently, all of the fees collected have been deposited in the U.S Treasury."

See comment 15.

With respect to the issue of **cost recovery** contained in the third paragraph of this subsection, we believe that the point should be made that the \$552 million in consular and passport fees reverted to the Treasury and were not retained by the State Department. On the issue of the machine-readable visa fees, passport expedite fees, etc., we ask that the report to reflect the fact that we are using these fees innovatively to finance both automated namechecks and worldwide connectivity to the Consular Lookout and Security System in order to fund a more secure passport and to cover peak season staffing.

In this regard, we urge the GAO to recommend that the Department's **retention of machine-readable visa fees** be made permanent.

See comment 20.

In its discussion of **fee-for-services**, the report is remiss in not observing the fact that the Department is often obligated for legal, humanitarian and foreign policy considerations to provide assistance to American citizens (e.g., arrested or destitute Americans) who are without the means to pay for the services rendered to them.

See comment 21.

With regard to business assistance, the Department has done more than "begin to consider collecting fees for business assistance services...." In fact, we have already implemented procedures to charge fees for commercial services in posts where the Department of Commerce does not provide commercial services. In early March 1996, we dispatched instructions on this matter to overseas posts.

See comment 22.

The report correctly observes in the subsection on the **potential impact of cutting back on State's role** that the Department will be called upon to fill the void should other agencies (e.g., the Federal Aviation Administration) lower their overseas profile. In making this observation, the report does not proffer any solutions as to how a downsizing Department will address this vacuum.

Chapter 3: "CONCLUSIONS"

See comment 23.

"The conclusion to Chapter 3 needs to contain an explicit acknowledgement of the **legislative mandate underpinning consular services**. Hence, legislation would be required were the Department to decide to downgrade the level of consular services provided.

Appendix II  
Comments From the Department of State

-9-

Chapter 4: GENERAL

Building on the detailed case studies of six overseas embassies described in Appendix I, Chapter 4 adds further to the description of the nuts and bolts of foreign policy activities that was begun in Chapter 3. The chapter also does a good job (apart from problems noted below) of describing State's experience in proposing posts for closure and a good job of outlining some approaches to reducing the number of posts.

Drawing on the case studies, the chapter makes it clear that State cannot act unilaterally in reducing post size since it is dealing with significant other agency presence.

Chapter 4: "POST FUNCTIONS AND RESOURCE ALLOCATIONS"

We find misleading some of the comments set out in this subsection. For example, the last sentence of the third full paragraph (page 42) addressing consular matters again does not indicate that most of the fees collected are remitted to the Treasury and not retained by the State Department. Moreover, the penultimate and ultimate paragraphs on page 42, as well as Table 4.3 on page 43 are apt to confuse the reader. The text in question, along with the table, compares the number of Department personnel to the number of Department support personnel, without any reference to the fact that Department support personnel are also engaged in supporting numerous employees of other agencies of the United States Government.

Chapter 4: "OPTIONS FOR CLOSING AND RESTRUCTURING POSTS"

The first full paragraph on page 44 does not take cognizance of the fact that consulates are frequently established primarily to provide essential services to American citizens in a given region. This factor is given due consideration when decisions to close posts are made.

In this subsection, the report correctly observes that we have encountered substantial resistance to our efforts at closing some of the 19 posts recommended by the SMI. The report incorrectly attributes this to "external and internal resistance." We believe that the report should clearly emphasize that Congressional and public resistance have prevented the closing of our embassy in Apia and our consulates or consulates general in Curacao, Edinburgh, Florence, Hermosillo, and Matamoros.

See comment 24.  
Now on p. 47.  
Now on pp. 47-48.  
Now on p. 48.  
See comment 25.

See comment 26.

Appendix II  
Comments From the Department of State

-10-

See comment 27.

The report implies that the principle of near universality wherein we seek to maintain a diplomatic presence in all countries with which we have diplomatic relations is an anachronistic relic of the Cold War. We, however, believe that, while this principle may very well be rooted in Cold War politics, it clearly is applicable to current political realities. With the breakup of the bipolar world and greater recourse to multilateral institutions, it is equally important for the United States to be able to engage in diplomatic dialogue in every capital with which we maintain relations.

Now on p. 50.

The very first paragraph on page 45 also fails to take into consideration the fact that Americans are traveling abroad to a greater extent than ever before and thus are in greater need of consular services. It also does not take give any weight to the fact that foreigners, spending huge sums of money stateside, need visas to enter the United States. Moreover, the report writers, in downplaying the importance of adhering to the notion of universality, have failed to mention the fact that other governmental agencies often require the platform of an embassy or consulate to conduct their business.

Chapter 4: "OPTIONS TO REDUCE POST COSTS"

See comment 28.

In the subsection "Option for Controlling Post Costs," the draft's authors convey the distinct impression that we are intentionally delaying implementation of the National Performance Review pilot program to give greater authority to chiefs of mission over resources available to their posts. Anticipated Congressional opposition (which would involve many committees and subcommittees) to such a project has inhibited our submission of the necessary legislative proposal. Given such opposition, we believe that such a project should first be prefaced by the successful implementation of both the Overseas Staffing Model and the International Cooperative Administrative Support Services (ICASS), a new process by which the costs of overseas administrative services will be more equitably apportioned among the various agencies of the United States Government.

See comment 29.

We do not think that requiring overseas personnel to bring their own furniture to post is necessarily a prudent option. While it might save the mission money, it is likely to have negative financial repercussions for the Department as a whole. The following are only some of the advantages attendant to providing government furniture:

--While government furniture is shipped only once every eight years, used personal furniture must be shipped back to the United States or to the employee's next post at more frequent intervals. Added storage costs is another factor to consider with respect to requiring employees to bring their own furniture to post.

Appendix II  
Comments From the Department of State

-11-

--Government furniture can be sold after eight years.  
Hence, some of the initial costs can be recovered.

Chapter 5: GENERAL

Chapter 5 gives a clear description of State's most important undertaking in overseas support costs, the newly launched International Cooperative Administrative Support Services program (ICASS). The chapter points out the importance of the effort, the extent to which it represents a cultural change in the way State and the USG agencies it supports do business overseas and the potential of ICASS for stimulating further cost reductions.

See comment 3.

We also appreciate GAO's exploration of the way in which other foreign ministries handle overseas allowances, which can be a source of useful perspective on our own practices, even though we may have specific disagreements with some of the resulting recommendations as outlined below.

Chapter 5: "STATE IS SEEKING TO REDUCE ITS SUPPORT COSTS"

See comment 15.

Concerning the subsection on expanding the program to use **American family members to staff junior officer positions**, we would like to emphasize the fact that not all junior officer positions can, or should, be filled by family members. These positions provide valuable career training for Foreign Service Officers.

See comment 15.

While we are in general agreement with the recommendation in the subsection labeled "**Potential to Deactivate Marine Guard Detachments**," we would like to add the caveat that such actions can be undertaken only where the level of classified operations does not warrant the need for a 24-hour cleared American presence.

In this subsection, we would like to add the fact that the resources subgroup of the Bureau of Intelligence and Research-created State Intelligence Policy Board can be viewed as a model for reworking policy, program and budget issues across bureau lines.

Chapter 5 "ADDITIONAL COST REDUCTION OPTIONS"

See comment 15.

The subsection on "**Employees Benefits and Allowances**" needs to be clarified somewhat to reflect the fact that benefits and allowances are payable to all civilian United States Government employees working overseas, and not simply to employees of the Department. Hence, any such changes would require interagency support and approval. Moreover, in many instances, the underlying legislation would need to be either repealed or amended.

Appendix II  
Comments From the Department of State

-12-

See comment 30.

We strongly maintain that the subsection advocating an increased use of **Foreign Service National Employees (FSNs)** needs to be revised to highlight the fact that certain, critical, high visibility, highly-related functions must be done by Americans for accountability, internal controls, and fiduciary reasons. At many posts in the world, there are no more than a handful of American officers, and often only a single American officer devoted to the duties performed by the majority of the FSNs. This is the bare minimum for command and control purposes. In addition, there are many countries in which our FSNs do not have the necessary education and/or training. This necessitates having a higher proportion of American personnel.

By statute and regulation, American personnel are required to certify actual obligations and personal property inventories annually. There is no room for error -- many of these functions are subject to criminal prosecution or adverse administrative procedures if they are not performed correctly. There is no evidence of either GAO or our own Inspector General demonstrating a willingness to allow any latitude in these areas.

With respect to the recommendation that FSNs be given control over unclassified computer systems, we would again like to point out that the Department's OIG has been adverse to the notion of FSN oversight of unclassified computer systems. The OIG maintains the position of greater American involvement in and control over these systems.

We believe that the report should contain a clear statement indicating that it would be inappropriate for FSNs to adjudicate visa and passport applications. To entrust FSNs with this authority would serve to compromise our border security efforts and prejudice the integrity of our travel documents.

See comment 31.

The draft report's subsection concerning **"Excess and Underused Properties"** contends that "millions of dollars" could be recouped by the Department through the sale of excess and underutilized properties. We, however, believe that assertion misstates the findings of the referenced GAO study. This latter study only cited three properties at closed posts, and in two of those cases, another agency of the United States had taken over and was using the facilities. Hence, there was no evidence presented in that study to support the recommendation regarding the sale of property.

Appendix II  
Comments From the Department of State

- 13 -

Chapter 5 "PROCESS RE-ENGINEERING AND OUTSOURCING MAY LEAD TO  
LONG-TERM COST REDUCTIONS"

See comment 32.

With regard to the issue of outsourcing various functions, we believe that cost shifting does not necessarily result in a cost reduction. Specifically, we would like to emphasize our view that the outsourcing of our diplomatic telecommunications services would undermine our ability to provide guaranteed communications in support of our international security needs.

See comment 33.

Furthermore, we believe that the reference to the Defense Logistics Agency (DLA) contains spurious logic and is misleading. The DLA does indeed support other agencies and does not operate on a profit margin, but then so does the Department support numerous other agencies and also does not function on a profit margin. Furthermore, DLA's infrastructure is not nearly as geographically dispersed as that of the Department's. The Department operates in some 164 countries, and DLA is probably present in less than 40.

APPENDIX I

See comment 1.

Appendix I, the result of short visits to some six posts, while only providing the briefest of snapshots of the role played by the State Department overseas, vividly demonstrates the importance of these missions in ensuring the protection of our political, economic, and consular interests. Describing Brazil's consular workload as having "reached near-crisis proportions" or the role played by our political section in The Hague in promoting a \$100 million military sale, illustrates why the Department does not accept and will not plan for funding reductions that could approach 44 percent.

See comment 15.

In addition, we would like to express our dismay over the fact that Appendix I does not contain a single reference to the overseas administrative support provided by the Department to other agencies. All of the cost data presented in the report includes that which supports other agencies and therefore "Activities At Overseas Posts" needs to be expanded to embrace the Department's administrative support responsibilities.

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The following are GAO's comments on the Department of State's letter dated June 13, 1996.

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## GAO Comments

1. Both the legislative and executive branches have proposed funding levels that are well below the amounts needed to maintain the status quo. Given the magnitude of changes that may be necessary to adjust to reduced budgets, it is essential that State develop a downsizing strategy based on a comprehensive review of its functions and processes. Even if State's funding is not significantly reduced, we believe that developing a downsizing plan would help State to focus whatever resources are available on its most critical functions and activities.

2. We did not attempt to develop a cost reduction package. We clearly stated that the Department would have to reduce the scope of activities to absorb funding cuts of the magnitude being discussed. We did not attempt to quantify the amount of cost reductions that could be achieved through implementation of all of the options we identified. However, the total amount of cost reduction options discussed in our report far exceeds the \$200 million figure cited by State. For example, we noted that State could substantially reduce the costs of its overseas presence by closing some posts and reducing the size of others, but we did not specify posts that should be closed or downsized or the amount of cost reduction that would result. However, given that State spends about \$1.9 billion annually on its overseas operations, the amount of cost reductions from downsizing State's overseas presence could be substantial.

3. We identified a number of options that, if implemented, would help enable State to adjust to potential budget reductions. Some of the options would require a reduction in the scope of State's current functions and activities. We did not attempt to recommend which combination of options would be most appropriate. Although State may oppose many of these options, future funding levels may require State to consider them as part of a downsizing strategy. We believe it is State's responsibility to specify the actions, as well as the resulting cost implications, that would be necessary to adjust to the various funding levels that have been suggested by the executive and legislative branches.

4. The executive summary notes that, for several years, State has reduced personnel and taken other actions to reduce costs accordingly, such as reducing staff levels by 2,200 since 1993. It should be noted that this staff reduction represented an 8.5 percent cut in personnel.

5. We did not make judgments on appropriate funding levels for State or the relative value of State's functions and activities and we did not try to compare the relative merits of State's diplomacy to other U.S. government tools.

6. We noted that since 1991, State has closed 31 posts, most of which were consulates in countries with multiple posts. During the same period, State also opened 28 posts mostly in the newly independent states of the former Soviet Union.

7. Chapter 5 notes that State's Under Secretary for Management has called for and supported individual reengineering efforts throughout the Department in an attempt to improve services and lessen costs.

8. We modified the report to reflect action taken in June 1996 to begin implementation of the overseas staffing model, which has been in the design phase for several years.

9. We agree that the mandate of the Strategic Management Initiative was to streamline, reengineer, and reinvent specific activities. In its budget request for fiscal year 1996, State also said that the initiative would establish a clear strategic direction, match resources to priorities, be consistent with budget realities, and result in significant reductions. Furthermore, the Strategic Management Initiative coordinator told us that the original goal of the initiative was to look at models for reorganizing State and overseas missions. We stated in our report that the Secretary of State decided in February 1995 that it was not a good time to propose fundamental changes to State's mission, organizational structure, and processes and that the initiative should focus on recommendations that would not involve major changes to operations.

10. The coordinator of the Strategic Management Initiative told us that reengineering teams assumed a flat State Department budget when they made their recommendations. They did not plan for overall budget cuts. But, in an April 1995 letter to the Secretary, the initiative's team leaders conveyed their recommendations and identified over \$100 million in potential reductions: \$61 million in domestic cost reductions, \$35 million in out-year cost reductions, \$17 million in annual cost reductions from the closure of overseas posts, and \$33 million of reductions in the Management Bureau's domestic support costs.

11. State documents prepared in February 1996 indicated no action on a recommendation to improve setting priorities for intelligence collection. We modified the report to incorporate State's update on its efforts to set priorities for intelligence gathering and reporting by expanding its representation on the intelligence community and interagency boards.

12. Chapter 5 discusses the initiatives of the Under Secretary for Management to reduce support costs.

13. Our report accurately reflects State Department cost estimates for post closures, which do not include salaries for U.S. staff. We have noted in the report that post closures will result in additional cost reductions if they contribute to overall staff reductions.

14. In April 1995, a reengineering team recommended termination of law enforcement activities. In May 1995, the Secretary decided that the recommendation required further review in light of the President's counterterrorism initiative. In October 1995, the Coordinator of the Strategic Management Initiative told us that the recommendations had been tabled. We agree with State that it has closed resident offices (New Haven, Detroit, and St. Louis), reduced three offices, and downsized the Philadelphia field office. However, the Under Secretary for Management notified the Congress of the plans to close these offices in November 1993, 1 year prior to the commencement of the Strategic Management Initiative. We were unable to verify the number of diplomatic security field staff positions that have been cut.

15. We modified the report to incorporate this suggestion.

16. It was not the intent of our report to specifically direct State's downsizing efforts. Our report stresses the importance of ensuring that personnel reductions are taken with a view toward retaining a viable workforce. To avoid the pitfalls of skill imbalances that could result from such personnel reductions, it is essential that State develop plans for downsizing or restructuring that include identifying its core missions, functions, and processes.

17. We did not recommend that the Bureau of Democracy, Human Rights, and Labor's Office of International Labor Affairs and labor officer positions abroad be eliminated. We offered this as one of many options and measures that could reduce costs. Our point was that given potential

budget shortfalls State needs to scrutinize its functions and reassess its involvement in all areas.

18. We suggested that reporting may be one area that State could reduce if budget levels compel the Department to reassess its workload requirements to match the level of resources it must live with, and stressed that some of State's reports are legislatively mandated. Our report recommends that State identify legislative actions, if any, that would be needed to adjust to proposed funding levels.

We did not recommend elimination or otherwise limiting specific reporting requirements. We mention three reports—the annual country reports on economic policy and trade practices; human rights practices; and science, technology, and American diplomacy—as examples of some of the congressionally mandated reports that consume considerable resources at headquarters and at overseas posts. Although the costs associated with its reports have not been quantified, streamlining some of these reporting requirements has the potential to significantly reduce resource requirements. State will need to maintain cost information it presently does not have in order to weigh the costs and benefits of its reports and other products and services and to prioritize requirements. Where appropriate, we have incorporated the technical changes that State has noted in its comments.

19. We did not attempt to determine the extent of duplication and overlap within the Department. However, we noted that State itself, in a February 1995 study, had identified several areas of potential duplication, including overlap between the Bureau of Intelligence and Research and regional and functional bureaus throughout the Department.

20. We did not suggest that State charge fees for all services. We understand that recouping the costs of certain products and services may not be feasible.

21. We updated the report to acknowledge that, in March 1996, State provided instructions to overseas posts for the collection of fees for commercial services in posts where the Department of Commerce does not provide commercial services. However, State could also explore further options to recoup some of the costs it incurs in providing other services.

22. It was not our intent to tell State or other agencies how to set priorities when downsizing. If other agencies lower their overseas profile and ask State to fill the void, it will be incumbent upon State to adjust its resource allocations based on strategic priorities.

23. In concluding that State must reassess its involvement in certain functions and activities, we noted that State may need to seek legislative relief from certain congressionally mandated reports or obtain legislative authorization to downgrade the level of certain services.

24. This section of the report characterizes the work that State performs overseas and was not intended to describe how the funding for consular programs was managed. Information on funding for consular programs is contained in chapter 3.

25. Chapters 4 and 5 describe how State not only supports its own activities but also those of other agencies. In fact, State supports more of other agencies' U.S. direct-hire employees—whose number has increased steadily—than its own.

26. Our report accurately characterizes how internal and external pressures make closing posts difficult. We have modified the text in our report to note that external pressures contributed to State's decision to maintain six posts that it had proposed to close.

27. Our report accurately characterizes State's policy on universality. If its budget is significantly reduced, State will probably have to reduce its overseas presence and may not be able to afford universal diplomatic representation. Our report recognizes that other agencies are located at U.S. diplomatic posts and depend on State for services. This is one reason why we believe an independent panel to review proposals to close and downsize posts may be useful.

28. We modified the report to note State's concerns about congressional opposition to the National Performance Review recommendation to give ambassadors greater authority. We do not believe that implementation of the overseas staffing model and ICASS is a necessary precondition to initiate a pilot program to test the concept of increasing ambassadors' authority.

29. We agree that requiring overseas personnel to bring their furniture to posts is not necessarily a prudent option, and our report did not offer this

as an option. Rather, we noted that the post in The Hague was considering requiring staff to bring their own furniture overseas in order to reduce post costs. We also noted that the cost of shipping household goods is paid by State headquarters. This example demonstrates that posts do not have full control of the resources and as a result may make decisions associated with post operations that protect the post's budget, but do not necessarily reduce State's costs.

30. We did not recommend increased use of the foreign service nationals (FSN), but we believe this option should be considered. We share State's concerns about increased use of FSNS, but we believe that cost-benefit and risk management principles suggest that some level of increased risk may be acceptable in return for significantly reduced costs. State needs to carefully weigh the cost and risk implications of this option.

31. We do not understand the context for this comment. This report did not recommend the sale of properties. However, in a prior report, Overseas Real Estate: Millions of Dollars Could Be Generated by Selling Unneeded Real Estate (GAO/NSIAD-96-36, Apr. 23, 1996), we (1) pointed out that State had a list of over 100 properties for potential sale valued at \$467 million; (2) identified other properties worth millions of dollars not on the list that are potentially excess to State's needs or have a questionable value and are often expensive to maintain; and (3) proposed that an independent panel be established to decide which properties should be sold.

32. Outsourcing is an option that should be considered. State's Strategic Management Initiative called for an outsourcing study of telecommunications services. Studies to determine the cost-effectiveness of outsourcing other functions may also uncover ways to reduce costs.

33. We believe that the Defense Logistics Agency is one outsourcing option available for State to consider, even though the Agency may not be able to meet all of State's needs. State would need to compare its costs for providing certain support functions to the costs of contracting with the Defense Logistics Agency for these same services.

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**Appendix III**  
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**Appendix III**  
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# Related GAO Products

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## Products on the State Department

Overseas Real Estate: Millions of Dollars Could Be Generated Selling Unneeded Real Estate (GAO/NSIAD-96-36, Apr. 23, 1996).

State Department: Actions Needed to Improve Embassy Management (GAO/NSIAD-96-1, Mar. 12, 1996).

State Department: Additional Actions Needed to Improve Overseas Real Property Management (NSIAD-95-128, May 15, 1995).

Overseas Real Estate: Inaction on Proposals to Sell High-Value Property in Tokyo (GAO/NSIAD-95-73, Apr. 7, 1995).

Overseas Staffing: U.S. Government Diplomatic Presence Abroad (GAO/T-NSIAD-95-136, Apr. 6, 1995).

Overseas Presence: Staffing at U.S. Diplomatic Posts (GAO/NSIAD-95-50FS, Dec. 28, 1994).

Department of State IRM: Strategic Approach Needed to Better Support Agency Mission and Business Needs (GAO/AIMD-95-20, Dec. 22, 1994).

State Department: Overseas Staffing Process Not Linked to Policy Priorities (GAO/NSIAD-94-228, Sept. 20, 1994).

Financial Management: State's Systems Planning Needs to Focus on Correcting Long-standing Problems (GAO/AIMD-94-141, Aug. 12, 1994).

State Department: Widespread Management Weaknesses at Overseas Embassies (GAO/T-NSIAD-93-17, July 13, 1993).

State Department: Survey of Administrative Issues Affecting Embassies (GAO/NSIAD-93-218, July 12, 1993).

State Department: Management Weaknesses at the U.S. Embassies in Panama, Barbados, and Grenada (GAO/NSIAD-93-190, July 9, 1993).

State Department: Management Weaknesses at the U.S. Embassy in Mexico City, Mexico (GAO/NSIAD-93-88, Feb. 8, 1993).

High-Risk Series: Management of Overseas Real Property (GAO/HR-93-15, Dec. 1992).

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Foreign Affairs Issues (GAO/OCG-93-26TR, Dec. 1992).

Financial Management: Serious Deficiencies in State's Financial Systems Require Sustained Attention (GAO/AFMD-93-9, Nov. 13, 1992).

State Department: Facilities in Eastern Europe and the Former Soviet Union (GAO/NSIAD-92-284, Sept. 22, 1992).

State Department: Need to Ensure Recovery of Overseas Medical Expenses (GAO/NSIAD-92-277, Aug. 7, 1992).

State Department: Management Weaknesses in the Security Construction Program (GAO/NSIAD-92-2, Nov. 29, 1991).

State Department: Status of Actions to Improve Overseas Procurement (GAO/NSIAD-92-24, Oct. 25, 1991).

State Department: Efforts Underway to Enhance Management of Overseas Real Property (GAO/NSIAD-91-277, Sept. 5, 1991).

State Department: Status of the Diplomatic Security Construction Program (GAO/NSIAD-91-143BR, Feb. 20, 1991).

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