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**Testimony**

Statement For The Record

Before the Subcommittee on Commerce, Justice, State, and  
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**OVERSEAS STAFFING**

**U.S. Government Diplomatic  
Presence Abroad**

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International Affairs Issues; National Security and International  
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Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the size and costs of the U.S. government's overseas diplomatic presence. The information in this statement is based on work done over the last 2 years. We developed data on the number and associated costs of the overseas presence and reviewed processes used to decide how many staff to assign to each location. We previously issued two reports based on our work.<sup>1</sup>

#### RESULTS IN BRIEF

In 1994, the Department of State, the U.S. Information Agency (USIA), and about 35 other agencies employed about 37,800 direct-hire personnel at about 260 U.S. embassies, consulates, and other diplomatic posts around the world. About half of these personnel are Americans.

It is expensive to maintain U.S. government personnel overseas. According to various agency estimates, it costs roughly two to three times more to assign staff abroad than in Washington. For example, when adding a U.S. direct-hire position to an overseas post, State uses an estimated cost of \$228,000 for the first year. This represents \$93,000 for allowances, an average salary of \$60,000, and \$75,000 for other operating expenses. We obtained overseas cost data for State and nine other agencies. Based on this data, these agencies spent over \$2.6 billion in fiscal year 1993 to maintain their overseas diplomatic presence.

We are not in a position to conclude that the number of staff assigned overseas is more than needed. However, based on our data, significant savings would result if overseas staffing were reduced. State, USIA, and other agencies need to consider the extent to which their diplomatic presence is essential and affordable given world changes and efforts to reduce the cost of government.

Agencies use a variety of methods for establishing overseas staffing levels. For example, State has relied on historical staffing levels at each location instead of determining the staffing required to achieve key foreign policy objectives in a country. Without a methodology that links resources to policy priorities, it has been difficult for State to respond to changing priorities and budget constraints. State recently indicated that it is improving its methodology for linking resources to priorities and is shifting resources from low priority locations to high priority locations. Furthermore,

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<sup>1</sup>State Department: Overseas Staffing Process Not Linked to Policy Priorities (GAO/NSIAD-94-228, Sept. 20, 1994), and Overseas Presence: Staffing at U.S. Diplomatic Posts (GAO/NSIAD-95-50FS, Dec. 28, 1994).

agencies are using incomplete data on the cost of their overseas operations in their decision-making processes. By developing more systematic staffing allocation systems that use complete cost data, agencies will be in a better position to determine needed staffing levels and make appropriate reductions consistent with efforts to reduce the cost of government.

We also found that mechanisms to review and monitor aggregate staffing levels are fragmented and weak. National Security Decision Directive Number 38 (NSDD-38) gives ambassadors certain authorities over staff levels at their posts. But this mechanism has not always operated effectively.

#### SIZE AND COMPOSITION OF OVERSEAS PRESENCE

In 1994, the U.S. government employed approximately 37,800 personnel overseas, including about 18,900 U.S. direct-hire and 18,870 foreign service national direct-hire personnel, at its diplomatic posts located in almost every country in the world. This total does not include large numbers of personnel that are paid directly or indirectly by the U.S. government and involved in U.S. government activities overseas. For example, it does not include military personnel under the command of a U.S. area military commander. It also does not include contract personnel hired by State and other agencies at diplomatic posts. State and other agencies do not have accurate data on the number of contract hires. However, in a report issued by a State Management Task Force, it was estimated that in 1992, U.S. agencies employed 2,415 U.S. personal services contractors and 38,465 foreign national contractors at overseas posts.<sup>2</sup>

Of the 18,900 U.S. direct-hire employees at diplomatic posts, State accounts for 38 percent, the Defense Department for 36 percent, the U.S. Agency for International Development for 7 percent, USIA for 5 percent, Justice for 5 percent, and many other agencies for the remaining 9 percent.

Over the past 10 years, the U.S. presence has expanded both in terms of personnel and locations. The number of posts increased by 12 percent from 233 in 1984 to 260 in 1994. Overall, the data show that the number of U.S. direct-hires increased by 19 percent. Excluding the Defense Department, where there are uncertainties in the historical data, there has been a 6-percent overall increase.

Most of this growth has been in nonforeign affairs agencies, including the Departments of Justice, the Treasury, and

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<sup>2</sup>U.S. Department of State, State 2000: A New Model for Managing Foreign Affairs, Report of the U.S. Department of State Management Task Force (Dec. 1992).

Transportation. Since 1984, the number of U.S. direct hires authorized for nonforeign affairs agencies overseas, excluding Defense, went from 1,578 to 2,265--an increase of about 44 percent. State's U.S. direct-hire staffing levels have increased slightly but not as much as some other agencies.

There is at least one post in almost every country in the world, including countries where the United States has limited interests. This is because State, as a matter of policy, believes that the United States should have an official presence in every country with which it has diplomatic relations. This policy, referred to as universality, is a primary reason why there are so many overseas posts.

Of the 260 posts, 162 were embassies, almost always located in the capital city of a foreign country, and 84 were consulate generals or consulates located in noncapital cities. The remaining 14 posts included U.S. missions to multilateral organizations, small branch and liaison offices, and an interests section. The largest number of posts was in Europe and Canada, which had 93 posts, or about 36 percent of the total. There were 50 posts in Africa, 43 in Latin America and the Caribbean, 42 in East Asia and the Pacific, 21 in the Near East, and 11 in South Asia. The median staffing level for all agencies at diplomatic posts in a country was about 100 personnel--50 U.S. direct-hire employees and 50 foreign service national employees.

#### COST OF OVERSEAS PRESENCE

It is expensive to maintain U.S. government personnel overseas. According to various agency estimates, it costs roughly two to three times more to assign staff abroad than in Washington. For planning and budgeting purposes, the State Department uses an estimated cost of \$228,000 for the first year when adding a U.S. direct-hire position to an overseas post. This represents \$93,000 for compensatory and incentive allowances and benefits, an average salary of \$60,000, and \$75,000 for other operating expenses.

Recently, State has been trying to develop better overseas data that reflect actual allotments for each post. Although these data are still preliminary, they indicate that State's planning figure may understate the costs. Based on fiscal year 1993 actual post allotments, preliminary data show that the average cost per U.S. direct hire was about \$248,000. In some locations, the cost was much higher. For example, State's fiscal year 1993 data show that its average cost per U.S. direct hire in several European posts was over \$330,000.

Foreign service national employees do not receive the same benefits as American employees. However, their costs are also substantial. According to State, the average annual salary for a

foreign service national direct-hire employee is about \$24,000. Several agencies included the costs of foreign service nationals when estimating the per capita costs of each U.S. employee. For example, the U.S. Agency for International Development estimates the average cost of each overseas U.S. direct hire at \$352,000 by considering all overseas operating costs, including the costs of foreign service nationals and personal services contractors.

We obtained overseas cost data for fiscal year 1993 from the 10 agencies with the largest overseas presence. Although the data do not include all costs, they give some order of magnitude on the personnel and other costs of overseas diplomatic posts. Based on the data, we estimate that it costs at least \$2.6 billion for these 10 agencies to maintain their overseas diplomatic presence. Of this amount, the State Department accounted for \$1.6 billion and USIA accounted for \$326 million. Four other agencies under the jurisdiction of this Subcommittee, (the U.S. and Foreign Commercial Service, the Federal Bureau of Investigation, the Drug Enforcement Administration, and the Immigration and Naturalization Service) accounted for \$177 million.

In addition to savings from eliminating an individual position overseas, the need for real and personal property and other operating expenses declines as the number of people employed is reduced. If entire posts were closed, government-owned real property could be sold, thereby generating revenues. These properties are generally located in urban centers where market values are high.

#### WEAKNESSES IN AGENCY STAFFING PROCESSES

Agencies use a variety of methods for establishing overseas staffing levels. Some agencies determine staffing based on policy priorities in a country. Others, including the Department of State, do not always do this. State has relied heavily on historical staffing levels at each location instead of analyses of policy objectives in each country and region.

Between 1991 and 1994, State's Inspector General criticized staffing levels in many locations. For example:

- The embassy in Malabo, Equatorial Guinea and the consulate in Shenyang, China were staffed with approximately the same number of personnel, yet U.S. interests and objectives in Equatorial Guinea are much less than in the region served by the consulate in Shenyang.
- The seven posts in Germany had generous staffing levels, and a zero-based staffing review was needed. (The Department subsequently completed a study recommending an overall staff reduction of 16 percent.)

- The embassy in Botswana had not reduced its staffing, although U.S. interests in Botswana had diminished significantly.
- The embassy in Antigua and Barbuda was roughly twice what was appropriate considering its mission. (State decided to close the embassy in June 1994.)

Without a methodology that links resources to policy priorities, it has been difficult for State to respond to changing priorities and budget constraints. The process the Department used in 1992 to close 17 posts demonstrates the difficulties it has had in shifting resources due to changing policy priorities. According to senior State officials, in 1992, State decided to help finance the opening of new posts in the former Soviet Union by closing posts in other geographic regions. To select posts for closure, the Under Secretary for Management directed the geographic bureaus to identify lower priority posts, which he defined as posts where reporting is less critical and where U.S. citizens can be served from nearby posts. The Under Secretary, however, did not provide criteria that would permit the bureaus to consider an assessment of agencywide priorities in their decision-making. As a result, a different method was used to identify posts to close in each region. For example:

- After the Bureau of African Affairs declined to propose posts to be closed, the Under Secretary for Management rejected the Bureau's position and identified four African posts that could be closed.
- The Bureau of Inter-American Affairs used mission program plans, prepared by the posts, to analyze staffing needs. Based on this analysis, the Bureau ranked posts according to its priorities and identified several for closure.
- The Bureau of South Asian Affairs was reluctant to close posts, arguing that State recently created the Bureau in response to congressional interest in the region.

Lack of an objective methodology for allocating staff resources based on policy priorities, illustrated by the 1992 post-closing exercise, has been a long-standing weakness at State. Several studies since 1988 have indicated that State did not have an effective system for deciding how many diplomatic personnel are needed at overseas locations. Correcting this weakness is particularly important given current efforts to reduce the cost of government. State and other agencies should be able to specify what changes in overseas presence would be required and the likely impact on activities and programs, given proposed budget cuts.

We reviewed processes used by State and nine other agencies to determine overseas staffing needs and allocate staff among competing needs. Based on our work, we found that the positive attributes of staffing allocation processes include (1) a list of priorities or ranking of posts based on agency mission/U.S. policy objectives, (2) an ability to obtain and use cost data, and (3) an analysis of workload to determine the optimal staffing levels needed to accomplish specific objectives.

Compared to State, other agencies generally had more systematic processes for allocating personnel. Several agencies, including the U.S. and Foreign Commercial Service, use staffing methodologies with all three attributes. The majority of agencies we reviewed, including USIA and the U.S. and Foreign Commercial Service, provided evidence that they rank their posts by policy priorities and allocate personnel resources accordingly. Some also take workload, cost, and performance factors into consideration when staffing their overseas offices.

In September 1994, we recommended that State improve the way it allocates staff overseas by implementing a methodology that systematically matches staff to policy priorities. State had been developing such a methodology over the past 4 years, but had not integrated it into its personnel resource planning and allocation system. State agreed with our recommendation and, in December 1994, indicated it had improved its staffing methodology and was using it to shift resources from low priority locations to high priority locations. State also said it was working with the Office of the Inspector General to improve the criteria used to assess post staffing levels.

#### INCOMPLETE COST DATA MAY BIAS STAFFING DECISIONS

In today's world, cost must be considered a primary factor in agency decision-making. However, an underlying problem with agency staffing allocation systems involves using incomplete cost data. The current method used to compute agencies' share of certain costs of operating overseas posts results in some agencies not paying their true costs to operate overseas.

In order to prevent duplication of administrative services overseas, the Foreign Affairs Administrative System (FAAS) was established in 1976. FAAS distributes the cost of certain shared administrative services provided by State, such as budget and fiscal, health, procurement, and motor pool services, among agencies based on the quantity of services used. In 1993, other agencies reimbursed State approximately \$345 million for these services. However, under FAAS, State is not reimbursed for some costs, including communications, government-owned/long-term leased buildings, and security. State's policy is to pay these costs to ensure that the overseas administrative infrastructure remains in place.

Costs for these nonreimbursable items are affected by the number of staff from agencies other than State that are assigned to the post. Although other agencies use these facilities, they do not share the costs. As a result, when deciding to station staff overseas, they risk making the decisions based on the cost to their agency, not on the total cost to the U.S. government. This could result in some agencies stationing more staff overseas than they would if they were paying the full cost. According to the Director of State's Office of Reimbursements, who is responsible for FAAS, if agencies were to pay the full cost of operations, many agencies would reduce their overseas presence.

The following illustrates this point. The U.S. government owns housing units in Tokyo, and the State Department is responsible for maintaining these units. Agencies assigned to government-owned housing do not pay the rent they would have to if they had to lease units commercially. In addition, maintenance costs are paid by State and are not charged to the agency whose representatives live in the housing. As a result, agencies may not incur housing costs at some posts even though there is a cost to the government (both for maintaining and holding the property rather than selling it.) This is also true for office facilities. State recently financed the construction of a \$73-million facility in Bangkok that is primarily used by other agencies. (According to the Executive Director, Bureau of East Asian and Pacific Affairs, State has 15 percent of the occupants.) The other agencies did not share the construction costs and are not charged for the facility. By not sharing certain expenses, it costs less for other agencies to assign staff overseas, but it does not cost less for the U.S. government as a whole.

The State Department estimates that it spends about \$130 million for nonreimbursable communications, security, maintenance, and other operating expenses overseas to support other agency personnel. This does not include other State-funded costs such as building construction, support to official visitors, and other services that benefit non-State agencies.

#### COST DATA ARE FRAGMENTED

Cost data are fragmented at both the headquarters and post levels; therefore, data to identify the consolidated costs of overseas operations were not routinely developed. We requested data from 10 agencies on their overseas operations costs for fiscal year 1993. This had to be collected specifically for our review because the data were fragmented, both between the post and headquarters and among individual agencies at the post.

Post administrative officers explained that they controlled and accounted for only a small portion of the total costs. Most of the costs are controlled and accounted for by headquarters



offices of State and other agencies. Generally, the embassies could provide data on the cost of local national and contractor salary costs, short-term lease costs, representation costs, field travel, rest/recuperation expenses, and certain maintenance expenses. However, we had to obtain other costs such as salaries, benefits, and relocation expenses for U.S. staff at headquarters offices. Furthermore, State's and other agencies' headquarters offices could not provide actual cost data by overseas location because the financial management information systems were not structured to do this.

Because embassy managers control, and are responsible for, only a small part of the costs associated with their post, they have little incentive or capacity to implement cuts in overall post costs. For example, almost all of the costs associated with each State Department foreign service officer are managed by four different headquarters offices. At one location, post officials said that they managed only about \$3,000 per officer and were reluctant to suggest staffing reductions because this would result in little savings to the post.

#### WEAKNESSES IN GOVERNMENTWIDE OVERSEAS STAFFING PROCESSES

We also found weaknesses in how the government, as a whole, determines and monitors overseas staff levels.

#### Office of Management and Budget

We found that the Office of Management and Budget does not review total overseas presence, either in terms of costs or the appropriateness of current levels given U.S. interests. The Office establishes work-year ceilings for direct-hire full-time equivalent (FTE) positions for each agency, but does not set separate ceilings for overseas levels.

#### National Security Decision Directive-38

In 1982, President Reagan signed NSDD-38, giving chiefs of mission, usually ambassadors, the authority to approve all changes to the size, composition, and mandate of staff assigned to overseas posts. NSDD-38 also directs that all disputes over the size, composition, or mission of an agency overseas that cannot be resolved by the ambassador and the agency go first to the Secretary of State for resolution and then to the Assistant to the President for National Security Affairs. The directive applies to all full-time, permanent, direct-hire executive branch employees, but, according to State, generally does not affect contractors and employees on temporary duty assignments.

At the posts we visited, ambassadors and deputy chiefs of mission told us that they do not perform periodic staffing reviews to

ensure that the number and types of personnel are consistent with the needs. They generally said that they work with the agency representatives at the post to agree on staff changes that are proposed by agencies. Only a few of the ambassadors had recommended a staffing decrease of any of the agencies at their posts. Several ambassadors we interviewed acknowledged that they did not have the requisite knowledge to determine staffing levels for each unit at the embassy.

Non-State agencies generally maintain that they, not individual ambassadors, must decide on staffing levels. They pointed out that NSDD-38 does not give ambassadors explicit authority to identify and implement cuts. One agency complained that an ambassador had resisted an agency decision to remove staff from his post, even though the agency believed it needed to transfer resources to higher priority posts.

According to many ambassadors and other State officials we interviewed, the NSDD-38 appeals process has historically worked in favor of non-State agencies and against ambassadors because Secretaries of State have been hesitant to become involved in disputes with Secretaries of other agencies over staffing issues.

We identified several situations where ambassadors' authority to control staffing under NSDD-38 was effectively blocked by other agencies. In October 1993, the Assistant Secretary of State for Inter-American Affairs directed all ambassadors in the region to "take a hard look at your operations with a view toward reducing them. This should include specific position numbers to be eliminated." Several days later, the Acting Director of USIA sent a cable to posts in the region, stating that the Director of USIA would make all personnel resource decisions regarding agency staff, not the ambassadors. The ambassadors did not move forward with the directive to reduce all agency staffing at posts in the region. We found other examples in Denmark and the Philippines where ambassadors believed agencies had assigned too many staff to the post and had unsuccessfully sought reductions. These examples illustrate NSDD-38's limited effectiveness to date as a downsizing tool and the limited practical authority of ambassadors to determine the size and composition of agencies at the post.

#### Use of contractors

Some agencies supplement position ceilings by using personal services contractors. (Personal services contractors and foreign service nationals at overseas posts perform similar duties.) In some cases, contractors are paid at the pay and benefit rate of direct-hire employees. Using personal services contracts to supplement the position ceilings tends to hide the magnitude of total overseas presence.

We identified a number of cases where direct-hire foreign service national employees were converted to personal services contractors to supplement position ceilings. This reduced the number of direct hires, but did not necessarily reduce costs. For example:

- In Guyana, between 1989 and 1993, embassy personal services contractor staffing levels increased 32 percent, from 39 to 57, while direct-hire positions decreased 11 percent, from 69 to 58. Overall embassy staffing increased approximately 7 percent during this period. Embassy officials said that decreases in State-imposed position ceilings caused the embassy to contract for work previously done by direct-hire staff because contractors did not count against position ceilings.
- In Costa Rica, between 1991 and 1994, the Peace Corps converted six local national direct hires to personal services contracts in response to a cut in positions mandated by headquarters.
- In Thailand, between 1989 and 1993, embassy personal services contractor levels increased 43 percent, from 155 to 222, while direct-hire levels dropped 6 percent, from 1,352 to 1,276.

Some agencies have hired personal services contractors after the ambassador disapproved requests for direct-hire staffing increases. In the Philippines, USIA and the U.S. and Foreign Commercial Service proposed increases to their direct-hire local national levels in 1993. USIA wanted to hire 14 local national direct hires to work at a Voice of America broadcast transmission station; the U.S. and Foreign Commercial Service requested an additional 8 local national positions to support its Asian Environmental Partnership. The Ambassador denied both requests under NSDD-38. In turn, the Voice of America stations hired 14 local nationals as personal services contractors for the same jobs, and the U.S. and Foreign Commercial Service hired 8 local national personal services contractors.

#### National Performance Review

The issues of overseas diplomatic staffing levels and control over these resources were raised by the National Performance Review (NPR) in its September 1993 report and the accompanying report on the Department of State and USIA. NPR recommended that, on a pilot basis, ambassadors be given more authority over U.S. government resources at their post, including staff resources, and use this authority to achieve savings.

There are several potential drawbacks to increasing the authority of ambassadors over all agencies' resources at a post. First, some ambassadors, particularly at large posts with staff from many agencies, may find it difficult to stay abreast of all activities at their post, and therefore may not be in a good position to make informed decisions on what level of staffing is appropriate. Second, ambassadors' decisions may differ substantially from an agency's decision and could adversely affect programs that an agency believes are essential. Ambassadors' decisions could also affect programs in a way not intended by the Congress.

Despite these potential drawbacks, we have endorsed a test of increasing ambassadors' authority through pilot studies at selected posts. Congressional committee and federal agency jurisdictional issues, however, may make it difficult to implement NPR's recommendation.

The executive branch has not issued a directive to establish the pilot program and NPR's recommendation has not been implemented. USIA expressed concern that implementing the recommendation would impinge on its legislative mandate. State believes that legislative action is needed before proceeding to implement a pilot program. However, State has not proposed legislation because it believes the pilot program should be a White House initiative to achieve interagency support. State officials told us that the Department can move no further on this recommendation until the NPR/Vice President's staff propose the needed legislation to the Congress. However, NPR staff advised us that seeking legislative action is the agency's responsibility.

#### RECENT INITIATIVES ON OVERSEAS STAFFING

The State Department is taking steps as part of its recent Strategic Management Initiative to develop criteria for staffing overseas posts and a process to better coordinate staffing and program resources across functional lines. If successfully implemented, these steps could improve allocation of resources between agencies and better match the resources with U.S. foreign policy objectives in a particular country. We also understand that a working group of the President's Management Council, under the direction of the Under Secretary of State for Management, is reviewing the overall presence of agencies overseas. We believe these initiatives are positive steps to ensure the proper allocation of resources to overseas diplomatic posts.

Lastly, we note that congressional oversight of overseas diplomatic presence and costs is fragmented. For example, this Subcommittee has jurisdiction over appropriations for State, USIA, Justice, and Commerce, but not for many other agencies that

assign staff to overseas diplomatic posts. Nevertheless, we believe that today's hearing offers an opportunity to scrutinize overseas staffing levels and explore possible opportunities for savings.

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This concludes my prepared statement.

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