

**GAO**

Report to the Chairman, Subcommittee  
on National Security, Emerging  
Threats, and International Relations,  
Committee on Government Reform,  
House of Representatives

---

April 2003

# EMBASSY CONSTRUCTION

## Process for Determining Staffing Requirements Needs Improvement



**GAO**  
 Accountability • Integrity • Reliability  
**Highlights**

Highlights of [GAO-03-411](#), a report to the Chairman, Subcommittee on National Security, Emerging Threats, and International Relations, House Committee on Government Reform

**Why GAO Did This Study**

The 1998 terrorist attacks on two U.S. embassies in Africa highlighted security deficiencies in diplomatic facilities, leading the Department of State to embark on an estimated \$16 billion embassy construction program. The program's key objective is to provide safe, secure, and cost-effective buildings for employees overseas. Given that the size and cost of new facilities are directly related to agencies' anticipated staffing needs, it is imperative that future requirements be projected as accurately as possible.

GAO was asked to (1) assess whether State and other federal agencies have adopted a disciplined process for determining future staffing requirements and (2) review cost-sharing proposals for agencies with overseas staff.

**What GAO Recommends**

GAO recommends that the Department of State (1) develop standard and comprehensive guidance for projecting staffing requirements, (2) require the retention of documentation on how embassies determined these requirements, and (3) ensure that all staffing projections have been validated.

We received comments from State, OMB, and the U.S. Agency for International Development, all of which generally agreed with our conclusions and recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-03-411](http://www.gao.gov/cgi-bin/getrpt?GAO-03-411).

To view the full report, including the scope and methodology, click on the link above. For more information, contact Jess T. Ford at (202) 512-4128 or [fordj@gao.gov](mailto:fordj@gao.gov).

**EMBASSY CONSTRUCTION**

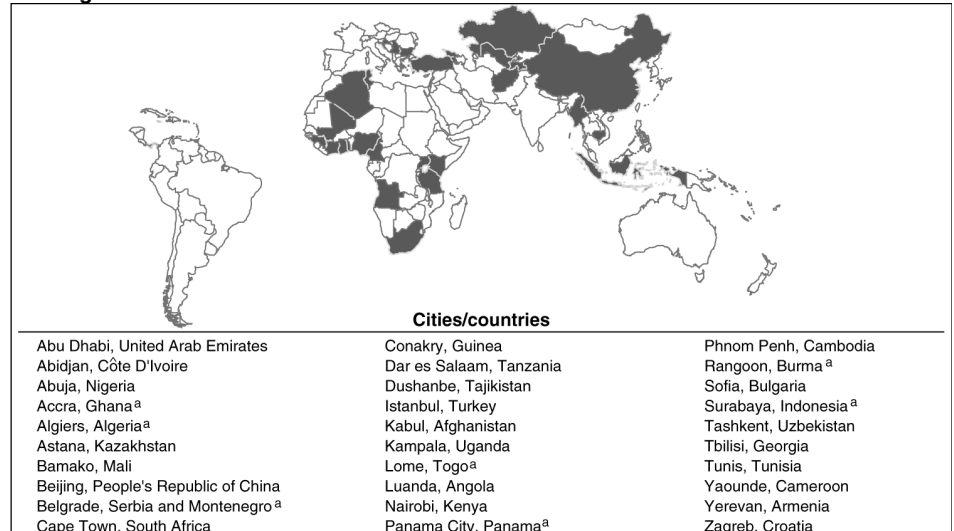
**Process for Determining Staffing Requirements Needs Improvement**

**What GAO Found**

U.S. agencies' staffing projections for new embassy compounds are developed without a systematic approach or comprehensive rightsizing analyses. State's headquarters gave embassies little guidance on factors to consider in developing projections, and thus U.S. agencies did not take a consistent or systematic approach to determining long-term staffing needs. Officials from each of the 14 posts GAO contacted reported that their headquarters bureaus had not provided specific, formal guidance on important factors to consider when developing staffing projections. The process was further complicated by the frequent turnover of embassy personnel who did not maintain documentation on projection exercises. Finally, staffing projections were not consistently vetted with all other agencies' headquarters. Because of these deficiencies, the government could construct wrong-sized buildings. In fact, officials at two embassies GAO visited said that due to poor projections, their sites may be inadequate almost immediately after staff move onto the new compound.

State has proposed a cost-sharing plan that would require federal agencies to help fund new embassy construction. The Office of Management and Budget (OMB) is leading an interagency committee to develop a cost-sharing mechanism that would provide more discipline when determining overseas staffing needs and encourage agencies to think more carefully before posting personnel overseas. Numerous issues will need to be resolved for such a program to be successful, including how to structure the program and how payments will be made.

**Map of New Embassy Compound Construction Projects, Fiscal Years 1999 through 2004 Funding**



Source: Department of State.

<sup>a</sup>Indicates projects for which State has requested funding in fiscal year 2004.

---

# Contents

---

<b>Letter</b>		<b>1</b>
	Results in Brief	2
	Background	4
	Systematic Effort to Project Staffing Needs for New Embassies Is Lacking	12
	Government Aims to Distribute Costs of Overseas Facilities among Users	20
	Conclusions	25
	Recommendations for Executive Action	25
	Agency Comments and Our Evaluation	26
	Scope and Methodology	27
<b>Appendix I</b>	<b>Standard Embassy Compound Design</b>	<b>30</b>
<b>Appendix II</b>	<b>Comments from the Department of State</b>	<b>31</b>
<b>Appendix III</b>	<b>Comments from the U.S. Agency for International Development</b>	<b>34</b>
<b>Appendix IV</b>	<b>GAO Contact and Staff Acknowledgments</b>	<b>37</b>
	GAO Contact	37
	Staff Acknowledgments	37
<b>Table</b>		
	Table 1: Notional Distribution of Costs under State’s Capital Security Cost-sharing Proposal Based on a May 2001 Overseas Personnel Survey	22
<b>Figures</b>		
	Figure 1: Map of New Embassy Compound Construction Projects, Fiscal Years 1999 through 2004 Funding	6
	Figure 2: Major Milestones in Planning for a New Embassy Compound Scheduled for Fiscal Year 2007 Funding	9

---

Figure 3: Components of OBO's Staffing Projection Process	11
Figure 4: Standard Design for New Embassy Compounds	30

---

### Abbreviations

ICASS	International Cooperative Administrative Support Services
OBO	Bureau of Overseas Buildings Operations
OMB	Office of Management and Budget
OPAP	Overseas Presence Advisory Panel
USAID	U.S. Agency for International Development

This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



United States General Accounting Office  
Washington, DC 20548

April 7, 2003

The Honorable Christopher Shays  
Chairman, Subcommittee on National Security,  
Emerging Threats, and International Relations  
Committee on Government Reform  
House of Representatives

Dear Mr. Chairman:

As a result of the 1998 terrorist attacks on two U.S. embassies in Africa, which highlighted the security deficiencies in U.S. diplomatic facilities, the Department of State has embarked on an estimated \$16 billion embassy construction program, the largest program of its kind in the department's history. The program's key objective is to provide safe, secure, and cost-effective buildings for employees working overseas. Given that the size and cost of new facilities are directly related to anticipated staffing requirements for these posts, it is imperative that future staffing needs be projected as accurately as possible.

In August 2001, the President identified rightsizing<sup>1</sup> of embassies and consulates as one of his management priorities.<sup>2</sup> One of the goals of this initiative is to develop accurate staffing projections for new overseas construction. In July 2002, we developed a framework for assessing embassy staff levels to help support rightsizing initiatives for existing facilities.<sup>3</sup> However, developing staffing requirements for a new embassy is much more difficult than for an existing facility because it requires managers to project staffing needs 5 to 7 years in the future.

In response to your concerns, we assessed whether State and other federal agencies have adopted a disciplined process for determining staffing

---

<sup>1</sup>We define rightsizing as aligning the number and location of staff at U.S. embassies and consulates with foreign policy goals. See U.S. General Accounting Office, *Overseas Presence: Framework for Assessing Embassy Staff Levels Can Support Rightsizing Initiatives*, [GAO-02-780](#) (Washington, D.C.: July 26, 2002).

<sup>2</sup>Office of Management and Budget, *The President's Management Agenda, Fiscal Year 2002* (Washington, D.C.: August 2001).

<sup>3</sup>[GAO-02-780](#).

---

requirements for new embassies and consulates. We also reviewed cost-sharing proposals for agencies with overseas staff. To meet these objectives, we collected documentation from and conducted interviews with executive branch agencies in Washington, D.C., including the Departments of State, Defense, Justice, and others, regarding future staffing requirements, the projection process, and the extent to which cost considerations were factored into the decision-making process. To assess agencies' actions in developing staffing requirements, we visited seven U.S. posts and contacted seven additional embassies in a range of geographic regions, all of which are slated for new compounds. These posts represent about 16 percent of the new embassy compound projects in State's construction plan for fiscal years 2002 through 2007, and 23 percent of these projects are expected to be funded by fiscal year 2005.

---

## Results in Brief

U.S. agencies' staffing projections for new embassy compounds are developed without a systematic approach or comprehensive rightsizing analyses. Officials at the embassies we visited approached the process in different ways. For example, some embassies solicited input from all agencies and held several meetings to discuss future needs, while others developed requirements without serious effort or review. Although embassies play a key role in the projection process, State Department headquarters officials provide chiefs of mission<sup>4</sup> with little formal guidance on factors to consider when setting requirements, nor do they stress the importance of accurate projections. Moreover, at each of the seven posts we visited, we found little or no documentation to show that staff had completed a comprehensive assessment of the number and types of people they would need in the year that their embassy would be completed. In fact, a failure to account for recent growth in current staffing levels at one embassy we visited led to final projections that were too low and may result in significant overcrowding in the new facility. In addition, State's

---

<sup>4</sup>According to the Foreign Service Act of 1980 (P.L. 96-465), as amended, "chiefs of mission" are principal officers in charge of diplomatic missions of the United States or of a U.S. office abroad, such as U.S. ambassadors, who are responsible for the direction, coordination, and supervision of all government executive branch employees in a given foreign country (except employees under a military commander).

---

geographic bureaus<sup>5</sup> are not consistently reviewing and validating projections to ensure that they accurately reflect future requirements. Finally, additional factors complicate the projection process, including the frequent turnover of embassy personnel and other breakdowns in communication among multiple agencies with differing requirements on new embassy compounds. Building secure and modern facilities for U.S. government employees working overseas is extremely important and will require a significant investment. However, without a systematic process, the U.S. government risks building wrong-sized facilities, which could lead to security concerns, additional costs, and other work inefficiencies.

The State Department has proposed the Capital Security Cost-sharing Plan that would require federal agencies to help fund its embassy construction program. Currently, other U.S. agencies are not required to fund capital improvements to overseas facilities. The Office of Management and Budget (OMB) is working with State and other agencies through an interagency committee to develop a cost-sharing mechanism that would provide more discipline when determining U.S. government overseas staffing needs. The administration has committed to implementing greater cost sharing among agencies that use overseas facilities because it believes that if agencies are required to pay a greater share of the costs associated with their overseas presence, they will weigh cost considerations more carefully before posting personnel overseas. The interagency committee will consider State's and others' proposals when developing a new cost-sharing mechanism. There are numerous issues that will need to be resolved for a cost-sharing program to be successful, such as how best to structure the program, how charges will be determined, and how payments will be made.

This report contains recommendations to the Secretary of State that the department (1) develop standard and comprehensive guidance for projecting staffing requirements for new embassy compounds, (2) require the retention of documentation on how agencies and embassies determined these requirements and the rationales for the decisions, and

---

<sup>5</sup>There are six geographically defined bureaus that report to the Undersecretary of State for Political Affairs—bureaus for Africa, East Asia and the Pacific, Europe and Eurasia, the Near East, South Asia, and the Western Hemisphere. The Assistant Secretaries of the geographic bureaus advise the Undersecretary and guide the operation of the U.S. diplomatic missions within their regional jurisdiction. They are assisted by Deputy Assistant Secretaries, office directors, post management officers, and country desk officers. These officials work closely with U.S. embassies and consulates and with foreign embassies in Washington, D.C.

---

(3) ensure chiefs of mission and State’s geographic bureaus certify that the projections have been reviewed and vetted before they are submitted to State’s Bureau of Overseas Buildings Operations (OBO).

We received written comments from State and the U.S. Agency for International Development (USAID), which we have reprinted in appendixes II and III. We also received oral comments from OMB, which we have summarized at the end of this report. All three agencies agreed with our findings, conclusions, and recommendations.

---

## Background

The 1998 terrorist bombings of the U.S. embassies in Kenya and Tanzania highlighted the compelling need for safe and secure overseas facilities. Following the bombings, two high-level independent groups cited problems at U.S. overseas facilities. In January 1999, the chairman of the Accountability Review Boards,<sup>6</sup> formed to investigate the bombings, reported that unless security vulnerabilities associated with U.S. overseas facilities were addressed, “U.S. Government employees and the public in many of our facilities abroad” would be at continued risk from further terrorist bombings.<sup>7</sup> Later that year, the Overseas Presence Advisory Panel (OPAP)<sup>8</sup> concluded that many U.S. overseas facilities are unsafe, overcrowded, deteriorating, and “shockingly shabby” and recommended major capital improvements and more accountability for security. In addition, the panel recommended that the United States consider rightsizing its overseas presence to reduce security vulnerabilities. In January 2001, we recommended that State develop a long-term capital construction plan to guide the multibillion dollar program to build new secure facilities.<sup>9</sup> We also reported in July 2002 on a rightsizing framework

---

<sup>6</sup>Secretary of State Madeline Albright appointed the Accountability Review Boards to investigate the facts and circumstances surrounding the 1998 embassy bombings. Department of State, *Report of the Accountability Review Boards on the Embassy Bombings in Nairobi and Dar Es Salaam* (Washington, D.C.: Jan. 1999).

<sup>7</sup>Admiral William J. Crowe, *Press Briefing on the Report of the Accountability Review Boards on the Embassy Bombings in Nairobi and Dar Es Salaam* (Washington, D.C.: Jan. 8, 1999).

<sup>8</sup>Secretary of State Albright established the Overseas Presence Advisory Panel following the 1998 embassy bombings in Africa to consider the organization and condition of U.S. embassies. Department of State, *America’s Overseas Presence in the 21st Century, The Report of the Overseas Presence Advisory Panel* (Washington, D.C.: November 1999).

<sup>9</sup>U.S. General Accounting Office, *Embassy Construction: Long-Term Planning Will Enhance Program Decision-making*, [GAO-01-11](#) (Washington, D.C.: Jan. 22, 2001).



---

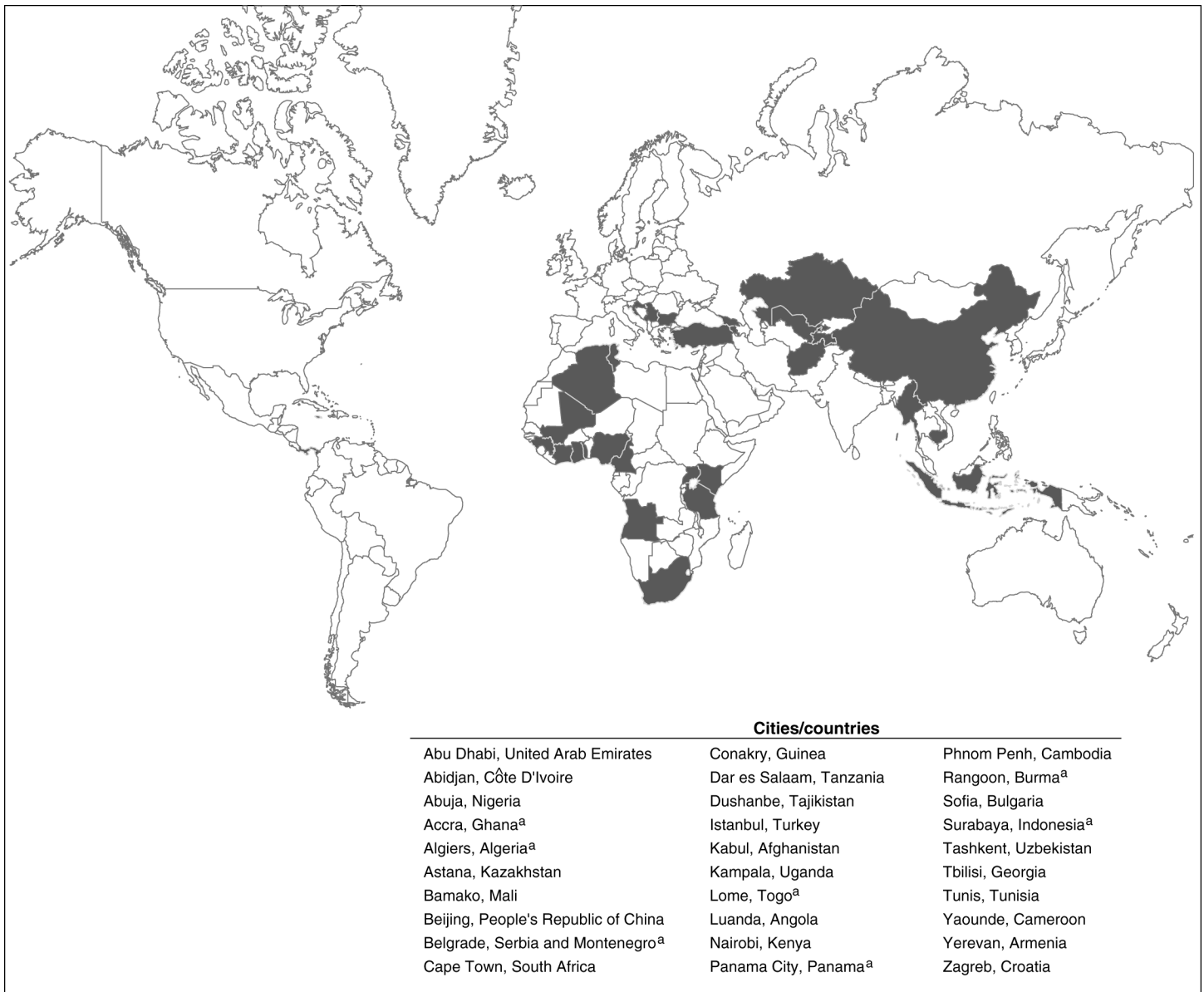
we developed to facilitate the use of a common set of criteria for making staff assessments and adjustments at overseas posts, which included consideration of security, mission priorities and requirements, and costs. We recommended that OMB use the framework as a basis for assessing staffing levels at existing overseas posts.<sup>10</sup>

Figure 1 illustrates the locations worldwide for which State has received funding for new embassy compound construction in fiscal years 1999 through 2003 and for which it has requested funding for projects in fiscal year 2004.

---

<sup>10</sup>[GAO-02-780](#).

**Figure 1: Map of New Embassy Compound Construction Projects, Fiscal Years 1999 through 2004 Funding**



Source: Department of State.

Note: The facilities in Cape Town, Istanbul, and Surabaya are U.S. consulates. We did not include other projects, such as the construction of new annex buildings on existing compounds, for which State has received or requested funding during this period.

<sup>a</sup>Indicates projects for which State has requested funding in fiscal year 2004.

---

In July 2001, State published its first Long-Range Overseas Building Plan, a planning document that outlines the U.S. government's overseas facilities requirements and guides implementation of State's expansive and unprecedented overseas construction program. This program aims to provide safe, secure, and cost-effective buildings for the thousands of U.S. employees working overseas. State identified the projects with the most compelling case for replacement and ranked them in the plan, which OBO plans to update annually as compounds are completed and new projects are added to the priority list.<sup>11</sup> The current long-range plan describes building new embassy compounds at more than 70 locations during fiscal years 2002 through 2007.<sup>12</sup> State estimates this will cost more than \$6.2 billion.<sup>13</sup> Additional funding will be needed after this time to continue the program.

State's construction program of the late 1980s encountered lengthy delays and cost overruns in part because of a lack of coordinated planning of post requirements prior to approval and budgeting for construction projects. As we reported in 1991, meaningful planning began only after project budgets had been authorized and funded. As real needs were determined, changes in scope and increases in costs followed.<sup>14</sup> OBO now requires that all staffing projections for new embassy compounds be finalized prior to submitting funding requests, which are sent to the Congress as part of State's annual budget request each February. To accomplish this task, OBO requires that final staffing projections be submitted the previous spring. Figure 2 outlines the major milestones and highlights key dates in the planning and construction process for a new embassy compound scheduled for 2007 funding. As Figure 2 depicts, OBO will receive final staffing projections for fiscal year 2007 projects in spring 2005. Between spring 2005 and February 2006, OBO will develop more firm cost estimates

---

<sup>11</sup>Pursuant to the Secure Embassy Construction and Counterterrorism Act of 1999 (P.L. 106-113), the State Department is required to identify embassies for replacement or major security enhancements. The first report was due to the Congress by February 1, 2000, as is each subsequent update through 2004.

<sup>12</sup>According to State officials, OBO expects to issue an updated building plan for fiscal years 2003 through 2008 in late April 2003.

<sup>13</sup>In total, there are about 260 diplomatic posts worldwide, including embassies, consulates, and other special missions and offices, such as the U.S. Mission to the European Union and the U.S. Office of the High Commissioner in Bosnia-Herzegovina.

<sup>14</sup>U.S. General Accounting Office, *State Department: Management Weaknesses in the Security Construction Program*, GAO/NSIAD-92-2 (Washington, D.C.: Nov. 29, 1991).

---

for the project, vet the resulting funding requirements through OMB, and submit the funding request to the Congress. Appropriations for these fiscal year 2007 projects will not be secured until at least October 2006—18 months after final projections are submitted—and construction may not begin for another 6 months. In total, OBO estimates that, in some cases, it could take 2 to 3 years from the time projections are finalized to actually begin construction of a new compound, which could take another 2 to 3 years to complete.

**Figure 2: Major Milestones in Planning for a New Embassy Compound Scheduled for Fiscal Year 2007 Funding**

2001	<b>Spring</b>	▶ OBO requests initial staffing projections from the geographic bureau and the embassy. OBO will use these projections to create rough estimates of the size and cost of the new facility.
2002	January	▶ OBO requests updated staffing projections from the geographic bureau and the embassy. OBO will revise its size and cost estimates accordingly as it updates the long-range plan.
2003	January	▶ OBO again requests updated staffing projections from the geographic bureau and the embassy and updates its estimates accordingly. However, at this point, the projections are flexible.
2004	January	▶ OBO requests further updates of the staffing projections from the geographic bureau and the embassy. OBO's size and cost estimates are becoming more exact; however, the embassy may still submit revisions to the projections.
2005	<b>January</b>	▶ OBO requests final projections from the geographic bureau and embassy. These estimates will be the basis for OBO's fiscal year 2007 budget request.
	February-May	▶ Embassy submits final staffing projections to geographic bureau. Geographic bureau sends final staffing projections to OBO. After this point, OBO will only accept minor changes to the projections, unless extreme circumstances dictate otherwise.
	Summer/Fall	▶ OBO develops the fiscal year 2007 budget request. If OBO requires clarifications on data in the staffing projections, OBO may contact the embassy or geographic bureau. OBO will vet the budget request through OMB.
2006	<b>February</b>	▶ The President's fiscal year 2007 budget submitted to the Congress. Staffing projections are considered locked. According to OBO's policy, any additional space requirements will be accommodated within the cost parameters set forth in this request.
	October	▶ The Congress approves fiscal year 2007 budget, which includes new construction projects.
2007	April	▶ OBO moves to award a construction contract for the new embassy compound project and the official design period begins, after which point any changes to the space requirements could potentially result in additional costs and/or project delays.
	November	▶ Construction of the new compound begins.
2010	<b>November</b>	▶ Staff move into new embassy compound.

Source: Department of State.

To ensure that projects in the long-range plan proceed on schedule and at cost, OBO will not request additional funding to accommodate changes made after funding requests are submitted to the Congress. Once OBO receives appropriations for construction projects, it moves immediately to complete the design of a new compound and secure a contracting firm for the project. Changes to staffing projections after this point may result in

---

redesign and could lead to lengthy delays and additional costs, according to an OBO official. For example, large changes generally require that materials already purchased for the project be replaced with new materials. According to OBO, there is little room for flexibility after the budget is submitted given budgetary and construction time frames. However, OBO does include a margin of error in the designs for all new embassy compounds, which typically allows for a 5-10 percent increase in building size to accommodate some additional growth.

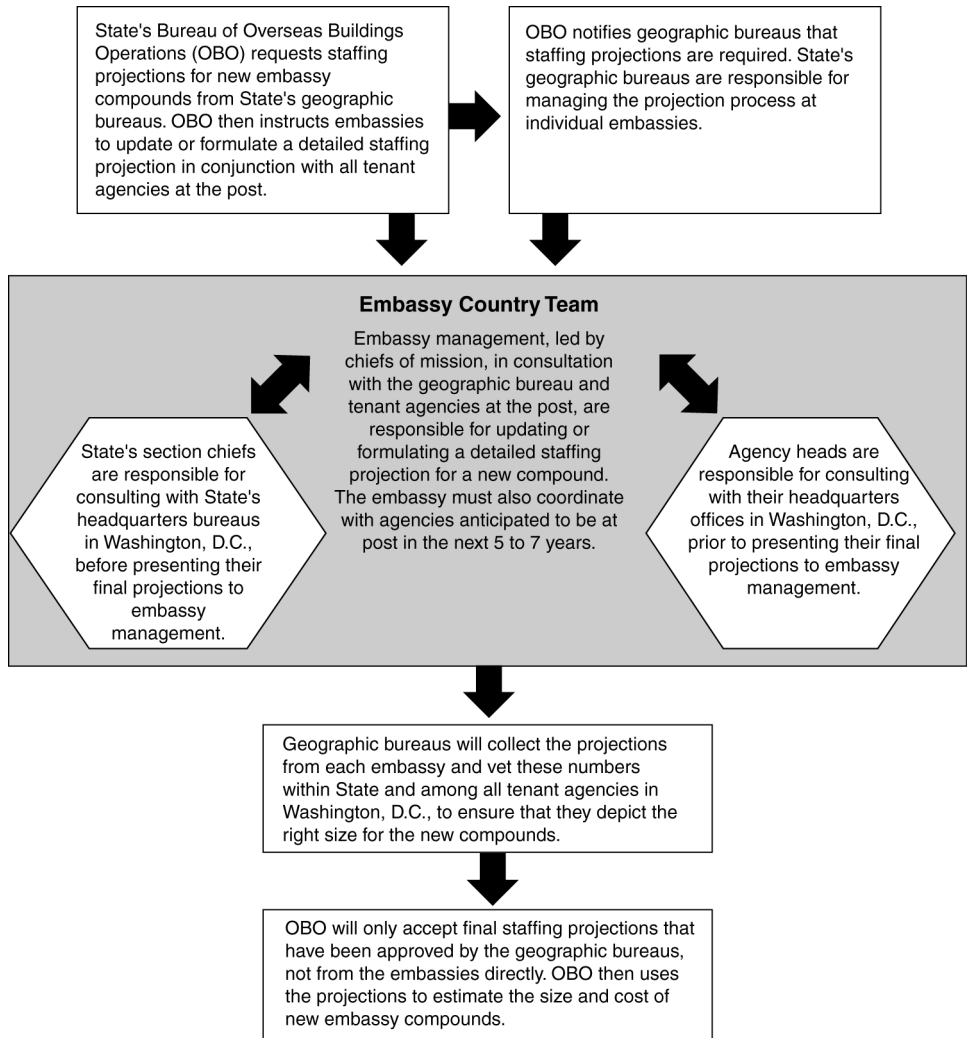
A key component of the planning process outlined in figure 2 is the development of staffing projections for new embassy compounds. Staffing projections present the number of staff likely to work in the facility and the type of work they will perform. These are the two primary drivers of the size and cost of new facilities. Individual embassies and consulates, in consultation with headquarters bureaus and offices, are responsible for developing the staffing projections, which OBO then uses to design the new compounds and prepare funding requests. As the government's overseas real property manager, OBO must rely on the other bureaus in the State Department and other U.S. agencies for policy and staffing decisions. OBO is not in a position to independently validate the projections once the geographic bureaus have given their approval.

To help ensure that new compounds are designed as accurately as possible, OBO designed a system for collecting future staffing requirements, as shown in figure 3, that encourages the active participation of embassy personnel, officials in State's geographic bureaus, and officials from all other relevant federal agencies.<sup>15</sup> This process also calls upon embassy management and geographic bureaus to review and validate all projections before submitting them to OBO. OBO generally gives embassies and geographic bureaus the opportunity to submit staffing projections several times before they are finalized.

---

<sup>15</sup>As the Overseas Presence Advisory Panel (OPAP) reported in 1999, there are more than 30 federal departments or agencies operating overseas, including the Departments of State and Defense, as well as agencies such as the Federal Bureau of Investigation, the U.S. Commercial Service, and the Foreign Agricultural Service.

**Figure 3: Components of OBO's Staffing Projection Process**



Source: Department of State.

Finally, it should be noted that while OBO takes the lead in designing and constructing all buildings on new embassy compounds, OBO is not always responsible for securing funding for all compound buildings. Pursuant to an informal agreement between OBO and USAID, USAID will secure funding for a separate annex in a compound when it requires desk space for 50 or more employees. However, if USAID projects it will need fewer than 50 desks, its offices will be in the chancery building in the compound, which State would fund, as it would for all U.S. government agencies in

---

the chancery. According to OBO and USAID headquarters officials, there is some flexibility in the maximum number of USAID desk spaces allowed in a chancery, and this issue is handled on a case-by-case basis.

---

## Systematic Effort to Project Staffing Needs for New Embassies Is Lacking

Although OBO has designed a reasonable approach to developing staffing projections, we found that it was not adopted uniformly across all of the embassies and geographic bureaus that we studied. While some of the embassies we examined have conducted relatively thorough analyses of their future needs, in other cases the process has been managed poorly, both in the field and at headquarters offices, thus raising concerns about the validity of the projected requirements. For example, with few exceptions, officials at the posts we visited did not appreciate the seriousness of the staffing projection process as it relates to the size and cost of new diplomatic facilities. Moreover, none of the embassies we contacted received formal, detailed guidance on how to develop projections. In addition, they had no systematic approach, such as the one presented in our framework, to conducting rightsizing analyses that would ensure that projected needs are the minimum necessary to support U.S. national security interests. In general, for the embassies we contacted, rightsizing exercises were largely limited to predictions of future workload, priorities, and funding levels, and did not include analyses of other factors, such as operational costs. Moreover, none of the embassies we contacted conducted a rightsizing analysis of existing staffing levels prior to projecting future requirements. We also found that posts did not maintain documentation of the assessments they conducted when completing staffing projections, and that State's geographic bureaus did not consistently vet posts' projections prior to submitting them to OBO. Finally, the process was further complicated by other factors, such as frequent personnel turnover and breakdowns in communication among multiple agencies.

---

## Efforts to Develop Staffing Projections Vary Significantly across Embassies and Geographic Bureaus

We found that staffing projection exercises were not consistent across all of the embassies we contacted, and, indeed, State officials acknowledged that efforts to develop and validate projections were informal and undisciplined. Some embassy management teams were more engaged in the projection process than others. For instance, at several of the U.S. embassies we contacted, chiefs of mission or deputy chiefs of mission led interagency, or country team, meetings to discuss the embassy's long-term priorities and the staffing implications. In addition, management followed up with agency representatives in one-on-one meetings to discuss each agency's projected requirements. However, management teams at other



---

embassies we contacted, such as the U.S. embassies in Belgrade, Serbia and Montenegro, and Tbilisi, Georgia, were less engaged and had relied mainly on administrative officers to collect information from each agency informally. In Belgrade, officials acknowledged that the projection exercise was not taken seriously and that projections were not developed using a disciplined approach. In Tbilisi, a failure to document recent growth in current staffing levels led to final projections that were too low. OBO has had to meet immediate additional requirements by using all of the growth space it built into the original compound design and reducing the amount of common space, such as conference rooms, to accommodate additional offices. Therefore, the new facility may be overcrowded upon opening, embassy officials said. If embassy or headquarters officials communicated earlier to OBO the likelihood of large staffing increases by the time construction was completed, OBO might have been able to better accommodate these needs in its plans.

In addition to inconsistencies in the field, we found that officials in the geographic bureaus in Washington, D.C., whose staff are responsible for working most closely with embassies and consulates, also have varied levels of involvement in the projection process. Officials with whom we spoke in State's geographic bureaus acknowledged that there is no mechanism to ensure the full participation of all relevant parties. When these officials were more involved, we have more confidence in the accuracy of the projections submitted to OBO. For example, officials from the U.S. Embassy in Beijing, China, said that representatives from their geographic bureau in Washington, D.C., have been very involved in developing their projections. They reported that the geographic bureau contacted all federal agencies that might be tenants at the new embassy—even agencies that currently have no staff in the country—to determine their projected staffing needs. Conversely, officials at Embassy Belgrade said State's geographic bureau did not request any justifications for or provide any input into the final projections submitted to OBO. Officials in the geographic bureau acknowledged that the bureau does not require formal justification for embassies' projected staffing requirements for new compounds. Given the weaknesses in how staffing projections were developed in Embassy Belgrade, State has little assurance that the planned compound will be the right size.

---

## Embassies Do Not Receive Consistent, Formal Guidance on Staffing Projection Process and Importance of Rightsizing

Our analysis indicates that the State Department is not providing embassies with sufficient formal guidance on important time lines in the projection process or factors to consider when developing staffing projections for new embassy compounds. Officials from each of the 14 posts we contacted reported that their headquarters bureaus had not provided specific, formal guidance on important factors to consider when developing staffing projections. One geographic bureau provided its embassies with a brief primer on the process by which State determines priorities for new embassy compounds that broadly described the projection process and OBO's long-range plan. However, we found that State generally did not advise embassies to consider factors such as (1) anticipated changes in funding levels, (2) the likelihood that policy changes could result in additional or fewer work requirements, (3) linkages between agencies' annual operating costs and the achievement of embassy goals, (4) costs associated with their presence in a new facility, or (5) alternative ways to consolidate certain positions among neighboring embassies, among others. Absent such guidance from Washington, D.C., we found that factors that embassy officials considered when developing projections varied on a case-by-case basis. Officials at Embassy Sarajevo, for example, conducted a relatively thorough analysis of their future needs, including consulting World Bank indicators for Bosnia-Herzegovina to determine the likelihood of increased U.S. investment in the region and link future staffing needs accordingly. In addition, a consular affairs officer analyzed the likelihood that new security requirements for consular sections, which may allow only American consular officers to screen visa applicants, would boost that section's staffing requirements.

Other embassies we contacted conducted less thorough analyses of future needs. For example, officials from several of the other embassies we contacted reported that they largely relied on information from annual Mission Performance Plans<sup>16</sup> to justify future staffing needs in a new compound. Although the performance plan links staffing to budgets and performance, and may include goals related to improving diplomatic facilities, it is a near-term tool. For example, performance plans for fiscal year 2004 identify goals and strategies only for that fiscal year. For a project scheduled for 2004 funding, an embassy may go through two or three additional performance planning cycles before embassy staff move

---

<sup>16</sup>Mission Performance Plans are annual embassy plans that link performance goals and objectives to staffing and budgetary resources needed to accomplish them in the given fiscal year.

---

onto a new compound. The performance plan, while a reasonable starting point, is not directly linked to long-term staffing requirements and by itself is not sufficient to justify staffing decisions for new compounds.

Indeed, an official from one geographic bureau said that while the bureau works with the embassies in developing staffing projections, it generally does not send out additional or separate formal guidance to all relevant embassies. Although OBO informed the geographic bureaus that final projections for fiscal year 2004 funding would be due in spring 2002, officials at some of the embassies we examined were unaware of this deadline. For example, officials at the U.S. Embassy in Harare, Zimbabwe, said they lacked information on the major time frames in the funding process for their new compound. Officials at the Embassy Belgrade said they were unaware that the projections they submitted to OBO in spring 2002 would be their final chance to project future staffing needs, and that the results would be used as the basis for the new compound's design. In other words, they did not know that additional requirements they might submit would not result in a larger-sized building.

#### Use of Rightsizing Exercises

According to OBO, individual embassies should have conducted rightsizing exercises before submitting the staffing projections used to develop the July 2001 version of the long-range plan. In addition, in January 2002, OBO advised all geographic bureaus that staffing projections should incorporate formalized rightsizing initiatives early in the process so that building designs would accurately reflect the embassies' needs. However, OBO is not in a position to know what processes the geographic bureaus use when developing staffing projections. Indeed, OBO officials stated that they cannot hold the geographic bureaus accountable for policy-related decisions and can only assume that rightsizing exercises have been incorporated into the projection process.

The degree to which each geographic bureau stressed the importance of rightsizing staffing projections differed across the embassies we studied. We found that agencies at the posts we examined were not consistently considering the three critical elements of diplomatic operations outlined in our rightsizing framework—physical security of facilities, mission priorities and responsibilities, and operational costs—when determining future staffing requirements. In general, for these posts, rightsizing exercises were largely limited to predictions of future funding levels and likely workloads. For example, officials at each of the seven posts we visited reported that staffing projections were, in large part, linked to anticipated funding levels. In Skopje, for example, USAID officials estimated that funding levels for some programs, such as the democracy

---

and governance program, could decline significantly over the next 5 years and could result in a reduction in staff assigned to these areas.

Although these embassies had considered mission requirements as part of the projection process, they did not consistently consider other factors that are mentioned above, such as options for relocating certain positions to regional centers or consolidating other positions among neighboring embassies. Moreover, decision makers at these embassies used current staffing levels as the basis for projecting future requirements. None of the posts we contacted conducted a rightsizing analysis of existing staffing levels prior to projecting future requirements. In addition, we found that most agencies with staff overseas are not consistently considering operational costs when developing their staffing projections. The President's rightsizing initiative has emphasized cost as a critical factor in determining overseas staffing levels. However, during our fieldwork, only USAID officials consistently reported that they considered the implications of anticipated program funding on staffing levels and the resulting operational costs. Furthermore, we found only one instance where an agency, the U.S. Commercial Service, reported that as part of its overseas staffing process, it compares operating costs of field offices with the performance of those offices.

---

### Little Documentation of Comprehensive Assessments of Long-term Staffing Needs

At each of the seven posts we visited, we found little or no documentation to show that staff had completed a comprehensive assessment of the number and types of people they would need in the year that their new embassy would be completed. As part of our prior work on rightsizing, we developed examples of key questions that may be useful for embassy managers in making staffing decisions. These include, but are not limited to the following questions:

- Is there adequate justification for the number of employees from each agency compared to the agency's mission?
- What are the operating costs for each agency at the embassy?
- To what extent could agency program and/or routine administrative functions (procurement, logistics, and financial management functions) be handled from a regional center or other locations?

However, we did not find evidence of these types of analyses at the posts we visited. Officials from several embassies told us they had considered these factors; yet, they did not consistently document their analyses or the rationales for their decisions. Although officials at the embassies we visited said that these types of considerations are included as part of their

---

annual Mission Performance Plan process, there was little evidence of analyses of long-term needs. Moreover, we found little or no documentation explaining how previous projections were developed or the justifications for these decisions. For example, by the time the new embassy compound is completed in Yerevan, Armenia, the embassy will be four administrative officers removed from the person who developed the original staffing requirements, and current embassy officials had no documentation on previous projection exercises or the decision-making processes. Thus, there was generally no institutional memory of and accountability for previous iterations of staffing projections. As a result, future management teams will not have accurate information on how or why previous decisions were made when they embark on efforts to update and finalize staffing projections.

---

### Staffing Projections Are Not Vetted Consistently by Geographic Bureaus

According to OBO, the relevant geographic bureaus are expected to review and verify the staffing projections developed by individual embassies and confirm these numbers with other agencies' headquarters before they are submitted to OBO. However, we found that the degree to which the staffing projections were reviewed varied. For example, officials at Embassy Belgrade reported that their geographic bureau was not an active participant in projection exercises. But officials at Embassy Sarajevo reported that officials from the same geographic bureau were involved in the projection process and often requested justifications for some decisions. In addition, we found little evidence to show that staffing projections were consistently vetted with all other agencies' headquarters to ensure that the projections were as accurate as possible. Indeed, State officials acknowledged that (1) State and other agencies' headquarters offices are not held accountable for conducting formal vetting exercises once projections are received from the embassies; (2) there is no formal vetting process; and, (3) the geographic bureaus expect that officials in the field consult with all relevant agencies; therefore, the bureaus rarely contact agency headquarters officials.

---

### Additional Factors Complicate Staffing Projection Process

We found additional factors that further complicate the staffing projection process. First, frequent turnover of embassy personnel responsible for developing staffing projections results in a lack of continuity in the projection process. This turnover and the lack of formal documentation may prevent subsequent embassy personnel from building upon the work of their predecessors. Second, we found that coordinating the projected needs of all agencies could be problematic. For example, some agencies may decide not to be located in the new compound, while others, such as

---

USAID, may have different requirements in the new compound. However, we found that these issues were not always communicated to embassy management in a timely fashion, early in the projection process.

#### Lack of Continuity in Projection Process

Frequent turnover in embassy personnel can contribute to problems obtaining accurate staffing projections. Embassy staff may be assigned to a location for only 2 years, and at some locations, the assignment may be shorter. For instance, the U.S. Office in Pristina, Kosovo, and the U.S. Embassy in Beirut, Lebanon, have only a 1-year assignment requirement. Given that personnel responsible for developing the projections could change from year to year, and that posts may go through several updates before the numbers are finalized, the continuity of the projection process is disrupted each year as knowledgeable staff are transferred to new assignments. Officials in Kosovo reported that the frequent turnover of administrative personnel has forced incoming staff to rebuild institutional knowledge of the projection process each year.

#### Breakdowns in Communication among Multiple Agencies

Part of the complexity of the projection process is the difficulty in coordinating staffing requirements for multiple agencies in a given location. Agencies' space needs in the main office building may differ—for instance, some may require classified space, which is more expensive to construct and thus has different implications for the design and cost of a new building than unclassified space. However, agencies requesting office space may not currently be situated in the country in question and, thus, communication between them and embassy managers is difficult. For example, embassy management in Yerevan, Armenia, stated that one agency without personnel currently in Armenia did not notify the ambassador that it planned to request controlled access space in the new embassy. Embassy officials stated they learned of this only when floor plans for the new chancery were first delivered. These kinds of issues should be communicated to embassy managers in the early stages of the projection process so that the final projections are based on the most accurate information available. Embassy officials in Rangoon, Burma, for example, reported that close interaction among agencies at post and OBO during the staff projection process, under the leadership of the deputy chief of mission and the administrative officer, kept OBO apprised of changes to requirements early enough in the process that it was before the budget proposal was submitted to the Congress and the projections were locked.

#### Failure to Provide Timely Requests for Co-location Waivers

Following the 1998 embassy bombings, a law was passed requiring that all U.S. agencies working at posts slated for new construction be located on the new embassy compounds unless they are granted a special co-location

---

waiver.<sup>17</sup> However, agencies are not required to submit these waiver requests prior to submitting their final staffing projections to OBO. To ensure that OBO has the most accurate projections, it is imperative that waiver requests be incorporated early in the staffing projection process so that OBO is not designing and funding buildings that are too large or too small. In Yerevan, for example, the Department of Agriculture office projected the need for 26 desks in the new chancery, yet officials in Yerevan plan to use only 13 of these desks and to house the remaining personnel in their current office space. However, Agriculture has not yet requested a waiver. If Agriculture receives a waiver and proceeds according to current plans, OBO will have designed space and requested funding for 13 extra desks for Agriculture staff. We found other instances where agencies had not requested a waiver before submitting final projections. In Sarajevo, for example, the Departments of the Defense, Treasury, and Justice have staff in host country ministries they advise. However, officials at Embassy Sarajevo, including the regional security officer, were uncertain about which agencies would be requesting a waiver for the new compound. Embassy officials acknowledged that these decisions must be made before the staffing projections are finalized.

### Separate Funding for USAID Annexes Could Complicate the Projection Process

In compounds where USAID is likely to require desk space for more than 50 employees, it is required to secure funding in its own appropriations for an annex building on the compound. However, officials from at least two of the embassies we examined had trouble determining where USAID would be located, and this kind of problem could delay planning and disrupt OBO's overall plan for concurrent construction of the USAID annex with the rest of the compound. For example, at Embassy Yerevan, confusion among USAID officials in Washington and the field over whether USAID would fund a separate annex has caused construction and funding on the annex to fall behind schedule. Therefore, USAID staff will not move to the new site concurrent with the rest of the embassy's staff. Rather, USAID may be forced to remain at the current, insecure facility—at an additional cost—until completion of its annex, unless alternative arrangements can be made.

---

<sup>17</sup>22 U.S.C. § 4865 requires the Secretary of State, in selecting sites for new U.S. diplomatic facilities abroad, to ensure that all U.S. personnel under chief of mission authority be located on the site. However, the Secretary of State may waive this requirement if the Secretary, together with the heads of those agencies with personnel who would be located off site, determines that security considerations permit off site location and that it is in the U.S. national interests.

---

We also found a related problem in Sarajevo, Bosnia-Herzegovina, where USAID officials were concerned about having to build a separate annex. Current staffing levels and projections exceed the 50-desk level, which will require USAID to fund the construction of an annex on the compound. However, the assistance program may be declining significantly soon after the completion of the new compound and, as a result, the office may need far fewer staff. Thus, USAID may be constructing an annex that is oversized or unnecessary by the time construction is completed or soon after. USAID officials in Sarajevo acknowledged they would need to coordinate with embassy management and their headquarters offices regarding the decision to build a separate annex so that OBO has the most accurate projections possible.

The issue of USAID annex construction is further complicated by difficulty coordinating funding schedules. One of the key assumptions of the long-range plan is that where USAID requires a separate annex, construction will coincide with the State-funded construction projects. However, annual funding levels for USAID construction have been insufficient to keep chancery and USAID annex construction on the same track in some countries. In Tbilisi, Georgia, for example, funding for the USAID annex has fallen behind State Department funding by 2 to 3 fiscal years. According to USAID officials in Washington, D.C., two-track construction could lead to security concerns, work inefficiencies, and additional costs. Because USAID is required to secure funding for its annexes separate from State's funding for new compounds, it is imperative that decisions regarding the future location of USAID personnel be made early in the staffing projection process to avoid additional security or financial risks.

---

## Government Aims to Distribute Costs of Overseas Facilities among Users

The State Department, which historically has been responsible for funding the construction and maintenance of U.S. embassies and consulates, recently proposed a capital security cost-sharing plan that would require federal agencies to help fund its embassy construction program. Traditionally, U.S. government agencies other than State have not been required to help fund capital improvements of U.S. embassies and consulates. OMB is examining State's and other cost-sharing proposals designed to create more discipline in the process for determining overseas staffing requirements. The administration believes that if agencies were required to pay a greater portion of the total costs associated with operating overseas facilities, they would think more carefully before posting personnel overseas. In spring 2003, OMB will lead an interagency committee to develop a cost-sharing mechanism that would be implemented in fiscal year 2005. This new mechanism could require



---

agencies to help fund the construction of new embassies and consulates. While it may be reasonable to expect that agencies should pay full costs associated with their overseas presence, many factors and questions must be addressed prior to implementing an effective and equitable cost-sharing mechanism.

---

### State's Proposed Capital Security Cost-sharing Plan

The State Department has presented a capital security cost-sharing plan to OMB that would require agencies to help fund State's capital construction program. State's proposal calls for each agency to pay a proportion of the total construction program costs based on its total overseas staffing levels.<sup>18</sup> Agencies would be charged different costs based on whether their staff are located in classified or nonclassified access areas.<sup>19</sup> Agencies would be assessed a fee each year, which would be updated annually, until the building program is completed. An added benefit of such a program, State believes, is it would provide incentive for agencies to place greater consideration of the total costs associated with their presence abroad, which in turn, would lead to greater efforts to rightsize overseas presence. Table 1 shows an estimated distribution of costs for each agency once the program is fully implemented, based on State's May 2001 survey data.

---

<sup>18</sup>Each agency's proportion was based on a May 2001 State Department survey of U.S. government employees working overseas under the authority of chiefs of mission.

<sup>19</sup>Based on data from State's May 2001 survey, the total construction costs for controlled access, or classified, areas are about 40 percent per desk more than the total costs for construction of noncontrolled access, or unclassified, areas.

**Table 1: Notional Distribution of Costs under State's Capital Security Cost-sharing Proposal Based on a May 2001 Overseas Personnel Survey**

<b>Agency</b>	<b>Annual cost</b>	<b>Percentage of cost<sup>a</sup></b>
Department of State	\$775,324,345	55.38
United States Agency for International Development	187,627,814	13.40
Department of Defense	183,889,473	13.13
Department of Justice	77,458,156	5.53
Department of Commerce	48,000,356	3.43
Department of the Treasury	26,956,128	1.93
Department of Agriculture	24,016,819	1.72
International Broadcasting Bureau	19,156,184	1.37
Department of Health and Human Services	13,383,305	0.96
Foreign Broadcast Information Service	8,914,998	0.64
Library of Congress	8,008,619	0.57
North Atlantic Treaty Organization	7,274,495	0.52
Department of Veterans Affairs	5,973,095	0.43
Department of Transportation	5,579,943	0.40
American Battle Monuments Commission	4,004,309	0.29
National Aeronautics and Space Administration	1,148,350	0.08
United States Trade Representative	1,023,823	0.07
Department of Energy	795,083	0.06
Department of the Interior	667,385	0.05
National Science Foundation	241,601	0.02
Environmental Protection Agency	166,846	0.01
Federal Emergency Management Agency	141,493	0.01
General Services Administration	100,108	0.01
Department of Labor	80,534	0.01
Department of Housing and Urban Development	66,738	0.00
<b>Total</b>	<b>\$1,400,000,000</b>	<b>100.00</b>

Source: Department of State.

<sup>a</sup>The percentage of cost reflects the proportion of all overseas employees from a particular agency and the type of space occupied by its staff. Space for State Department personnel associated with the International Cooperative Administrative Support Services (ICASS) system and for Marine Security Guards would not be charged to State or to the Marine Corps. Rather, these costs would be distributed among all agencies at post because all agencies benefit from the services provided by ICASS and the Marines.

## Efforts by OMB to Develop a Cost-sharing Mechanism

As part of the *President's Management Agenda*, OMB is leading an effort to develop a cost-sharing mechanism that would require users of U.S. overseas facilities to share the costs associated with those facilities to a

---

greater extent than currently required.<sup>20</sup> OMB and the administration believe that such a requirement would provide agencies with an incentive to scrutinize long-term staffing more thoroughly when assessing their overseas presence. OMB officials also believe greater cost sharing could provide a clear linkage between the costs of new facilities that result directly from agencies' presence.

In its November 1999 report, the Overseas Presence Advisory Panel (OPAP) noted a lack of cost sharing among agencies that use overseas facilities, particularly as it related to capital improvements and maintenance of sites. As a result, OPAP recommended that agencies be required to pay rent in government-owned buildings in foreign countries to cover current operating and maintenance costs. In effect, agencies would pay for space in overseas facilities just as they would for domestic office space operated by the General Services Administration. In response to the OPAP recommendation, a working group consisting of staff from the Departments of Commerce, Defense, Justice, State, and Transportation; the Central Intelligence Agency; OMB; and USAID was created to develop a mechanism by which agencies would be charged for the use of overseas facilities. In summer 2000, the working group recommended to the Interagency Subcommittee on Overseas Facilities that agencies be assessed a surcharge based on the space they actually use in overseas facilities.<sup>21</sup> Like State's more recent proposal, the working group's plan was designed to help fund construction of new embassy compounds, but the plan was not implemented.

In January 2003, OMB notified each federal agency with overseas staff how State's capital cost-sharing proposal would affect the agencies' respective budgets in fiscal year 2004. Because the State proposal and OMB assessment were completed after the budget submission deadline, OMB told agencies that they would not be charged in 2004; however, OMB did say that a capital construction surcharge would be phased in over 5 years beginning in 2005. In addition, agencies were invited to participate in an interagency working group charged with developing an equitable cost-sharing program this year. Also during 2003, OMB is requiring that

---

<sup>20</sup>Agencies contribute funding to support the ICASS system, which funds common administrative support functions, such as travel, mail and messenger, vouchering, and telephone services, that all agencies at a post may use.

<sup>21</sup>This subcommittee was part of the Interagency Overseas Presence Board, which was formed to implement OPAP's recommendations.

---

agencies complete a census of all current overseas positions and an assessment of agencies' future staffing plans as part of their budget requests for 2005. The results of this census will become the baseline for how future cost-sharing charges are determined.

---

### Factors to Consider When Developing a Capital Cost-sharing Mechanism

The impact of agencies' staffing levels on the costs associated with maintaining and improving the physical infrastructure of overseas facilities is an important factor agencies should consider when placing staff overseas. However, agency personnel in Washington and in the field, and embassy management teams with whom we spoke, expressed concerns over many factors involved in implementing a new cost-sharing arrangement. Therefore, as OMB and the interagency committee work to develop a new cost-sharing mechanism, they also need to develop consensus on many issues, including

- how the cost-sharing mechanism would be structured—for example, as capital reimbursement for new embassy compounds, or as a rent surcharge applied to all embassy occupants worldwide or just those at new embassy compounds;
- the basis for fees—such as full reimbursement of capital costs in a year or amortized over time, or rent based on local market rates, an average of market rates within a region, or one flat rate applied worldwide;
- how charges would be assessed—based on the amount of space an agency uses or on its per capita presence—and whether charges would be applied on a worldwide level, at the post level, or just for posts receiving new facilities;
- whether different rates would be applied to staff requiring controlled access rather than noncontrolled access space;
- whether agencies would be charged for staff not located within facilities operated by the State Department—for example, USAID staff working in USAID-owned facilities outside an embassy compound or staff who work in office space at host country ministries and departments;
- if and how costs associated with staff providing shared services would be offset, and whether costs associated with Marine and other security services would be covered;
- how fees would be paid and who would collect the payments—whether through an interagency transfer of funds or through an existing structure such as ICASS; and
- whether potential legal barriers exist and, if so, what legislation would be necessary to eliminate them.

In addition, the interagency committee must develop consensus on the underlying purpose of capital cost sharing, demonstrate how such a

---

mechanism would benefit users of overseas facilities, and determine how the mechanism can be implemented with the greatest fairness and equity. Finally, the committee must figure out how to minimize the management burden of whatever mechanism it develops.

---

## Conclusions

The State Department has embarked on an expansive capital construction program designed to provide safe, secure, and cost-effective buildings for employees working overseas. This program will require a substantial investment of resources. Given that the size and cost of new facilities are directly related to anticipated staffing requirements for these posts, it is imperative that future staffing needs be projected as accurately as possible. Developing staffing projections is a difficult exercise that requires a serious effort by all U.S. agencies to determine their requirements 5 to 7 years in the future. However, we found that efforts to develop these projections at the embassies we studied were undisciplined and did not follow a systematic approach. Therefore, the U.S. government risks building new facilities that are designed for the wrong number of staff. We believe that additional, formal guidance and the consistent involvement of the geographic bureaus would help mitigate the cost and security risks associated with wrong-sized embassies. Although any staffing requirements could be affected by changing world events and circumstances, we believe a systematic process would help ensure that the construction of new embassies is based on the best projections possible and most accurate information.

Costs associated with the physical infrastructure of facilities are important factors that agencies need to consider when deciding whether to assign staff to overseas locations. Recent proposals to implement a new cost-sharing mechanism may help add greater discipline to the staffing projection and rightsizing processes. However, in deciding how costs will be shared, decision makers will need to address issues such as fairness and equity, while designing a system that is relatively easy to administer.

---

## Recommendations for Executive Action

To ensure that U.S. agencies are conducting systematic staffing projection exercises, we recommend that the Secretary of State provide embassies with formal, standard, and comprehensive guidance on developing staffing projections for new embassy compounds. This guidance should address factors to consider when developing projections, encourage embassywide discussions, present potential options for rightsizing, and identify important deadlines in the projection process, including planning, funding, and construction time lines. To ensure continuity in the process, we also

---

recommend that the Secretary of State require that chiefs of mission maintain documentation on the decision-making process including justifications for these staffing projections. Finally, we recommend that the Secretary require all chiefs of mission and geographic bureaus to certify that the projections have been reviewed and vetted before they are submitted to OBO.

---

## Agency Comments and Our Evaluation

State and USAID provided written comments on a draft of this report (see apps. II and III). OMB provided oral comments. State agreed with our conclusion that it is essential that staffing projections for new embassy compounds be as accurate as possible. State also said it plans to implement our recommendations fully by creating a standard and comprehensive guide for developing staffing projections, which it anticipates completing by late April 2003. State said this guide would provide posts and geographic bureaus with a complete set of required steps, the timelines involved, and the factors to consider when developing staffing projections. Moreover, State agreed with our recommendations that posts should retain documentation on the processes they used to develop staffing projections, and that chiefs of mission and geographic bureaus should certify staffing projections. State provided technical comments related to our cost-sharing discussion, which were incorporated into the text, where appropriate.

USAID also agreed that U.S. agencies do not take a consistent approach to determining long-term staffing needs for new embassy compounds. Specifically, USAID supported the recommendation calling for standard and comprehensive guidance to assist posts when developing staffing projections. USAID also expressed deep concerns about the security and cost implications that result from delayed funding for their facilities on new embassy compounds. Indeed, USAID acknowledged that its employees will continue to work in facilities at two overseas locations that do not meet minimal physical security standards even though other agencies have been moved to new embassy compounds. USAID said that the lack of funding has prevented USAID and State from coordinating the construction of new facilities.

In oral comments, OMB said it agrees with our conclusions regarding both the staffing projection process and cost sharing, and with our three recommendations to the Secretary of State. In addition, OMB suggested it would be useful to have an independent body review the vetted staffing projections prior to their submission to OBO, to augment the guidance developed by State, and ensure that agencies and embassy management

---

examine rightsizing options. OMB intends to address this issue with the interagency cost-sharing committee. OMB also stated it is concerned about the security and cost implications that can result from funding delays for USAID annexes, and it is studying ways to overcome this problem. OMB also provided technical comments, which we addressed in the text, as appropriate.

---

## Scope and Methodology

To determine how U.S. agencies are developing staffing projections for new embassy compounds, we analyzed the State Department's Long-Range Overseas Buildings Plan and interviewed State Department officials from OBO, the Office of Management Policy, and the six geographic bureaus. We also interviewed headquarters officials from agencies with overseas personnel, including officials from the Departments of Agriculture, Commerce, Defense, Justice, and the Treasury, and officials from USAID and the Peace Corps. In addition, we reviewed reports on embassy security and overseas staffing issues, including those of the Accountability Review Boards and OPAP, and we met with officials from OMB to discuss how they are implementing the overseas presence initiatives in the *President's Management Agenda*.

To further assess agencies' efforts to develop long-term staffing projections and the extent to which agencies were conducting rightsizing exercises as part of the projection process, we visited seven posts in State's Bureau of European and Eurasian Affairs—Yerevan, Armenia; Baku, Azerbaijan; Sarajevo, Bosnia-Herzegovina; Tbilisi, Georgia; Pristina, Kosovo; Skopje, Macedonia; and Belgrade, Serbia and Montenegro—where State is planning to construct new compounds from fiscal years 2002 through 2007. We selected these two groups of neighboring posts—the Balkans and Caucasus posts—because State is planning to complete a significant number of construction projects in these subregions. By focusing on these subregions within Europe and Eurasia, we were able to assess the extent to which these posts considered combining services or positions when developing staffing projections for their new compounds. At each post, we interviewed management teams (ambassadors/chiefs of mission, deputy chiefs of mission, and administrative officers), representatives of U.S. agencies, and other personnel who participated in the staffing projection process. To examine the staffing projection process at embassies in other geographic bureaus, we also conducted structured telephone interviews with administrative officers or deputy chiefs of mission from seven other embassies slated for new compounds—Rangoon, Burma; Beijing, China; Quito, Ecuador; Accra, Ghana; Beirut, Lebanon; Panama City, Panama; and Harare, Zimbabwe. These embassies

---

would have just recently completed or were about to complete their staffing projection process. In all, the posts we contacted represent about 16 percent of the new embassy compound construction projects in OBO's Long-Range Overseas Buildings Plan for 2002 through 2007, and 23 percent of those construction projects in the plan expected to be funded by fiscal year 2005.<sup>22</sup> We also reviewed planning documents, staffing patterns, staffing projections for the new building, and other documentation provided by the posts.

To examine the issue of capital cost sharing for construction of new diplomatic facilities, we solicited the views of agency headquarters staff and the management teams of our case study posts to determine the extent to which cost considerations were factored into the decision-making process. We also solicited the views of agency headquarters staff and the management teams of our case study posts to determine the potential advantages and disadvantages of different capital cost-sharing programs. In particular, we interviewed OBO officials and reviewed documentation supporting its capital security cost-sharing proposal. We also held discussions with OMB officials on their plans for developing and implementing an equitable cost-sharing program and on potential issues for the planned interagency working group. Finally, we attended meetings of OBO's Industry Advisory Panel where cost sharing was discussed by private sector and industry professionals. We also interviewed staff from the International Facility Management Association on how cost sharing is implemented within the private sector.

We conducted our work between May 2002 and February 2003 in accordance with generally accepted government auditing standards.

---

We are sending copies of this report to other interested Members of Congress. We are also providing copies of this report to the Secretary of State and the Director of the Office of Management and Budget. We will also make copies available to others upon request. In addition, this report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

---

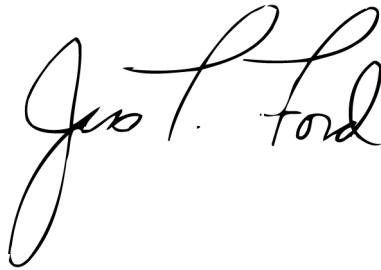
<sup>22</sup>Includes new embassy compounds in the security capital and regular capital programs outlined in the long-range buildings plan and excludes construction of annexes on existing compounds. The U.S. embassies in Yerevan, Armenia, and Accra, Ghana, are also excluded. Embassy Yerevan was funded in fiscal year 2001 and, thus, was not in the long-range plan for 2002 through 2007. Embassy Accra was not initially in the long-range plan, but was subsequently added.



---

If you or your staff have any questions about this report, please contact me on (202) 512-4128. Another GAO contact and staff acknowledgments are listed in appendix IV.

Sincerely yours,

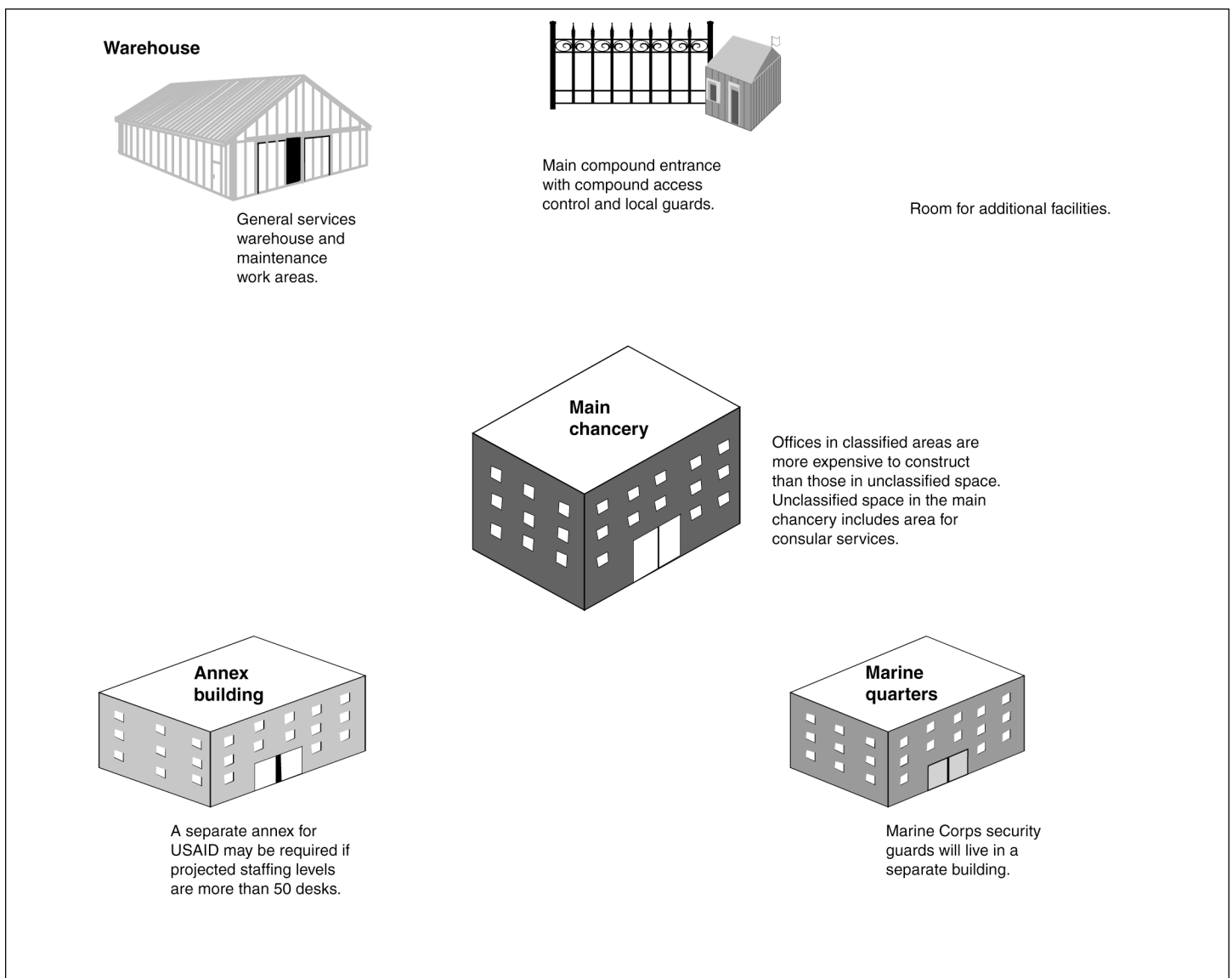
A handwritten signature in black ink that reads "Jess T. Ford". The signature is written in a cursive style with a large, looping initial "J" and a distinct "T" and "F".

Jess T. Ford  
Director, International Affairs and Trade

# Appendix I: Standard Embassy Compound Design

Figure 4 depicts the elements of a new embassy compound. State's Bureau of Overseas Buildings Operations is purchasing parcels of land large enough to accommodate these elements and the department's security standards, which include the placement of all buildings at least 30 meters from a perimeter wall.

**Figure 4: Standard Design for New Embassy Compounds**



Source: Department of State and Nova Development Corp.

# Appendix II: Comments from the Department of State



United States Department of State

Washington, D.C. 20520

Dear Ms. Westin:

We appreciate the opportunity to review your draft report, "EMBASSY CONSTRUCTION: Process for Determining Staffing Requirements Needs Improvement," GAO-03-411, GAO Job Code 320124.

The enclosed Department of State comments are provided for incorporation with this letter as an appendix to the final report.

If you have any questions concerning this response, please contact Jay Anania, Office of Management Policy, at (202) 647-1368.

Sincerely,

A handwritten signature in black ink, appearing to read "Christopher B. Burnham".

Christopher B. Burnham  
Assistant Secretary for  
Resource Management and  
Chief Financial Officer

Enclosure:

As stated.

cc: State/M - Mr. Grant Green  
State/H - Mr. Paul Kelly  
State/OIG - Mr. Luther Atkins  
GAO/IAT - Mr. John Brummet

Ms. Susan S. Westin,  
Managing Director,  
International Affairs and Trade,  
U.S. General Accounting Office.

**Department of State Comments on GAO Draft Report  
EMBASSY CONSTRUCTION: Process for Determining Staffing Requirements  
Needs Improvement  
(GAO 03-411, GAO Job Code 320124)**

The Department of State welcomes GAO's work looking at how staffing projections are developed for New Embassy Complex (NEC) construction projects.

The Department agrees completely with the statement in the GAO report that: "Given that the size and cost of new facilities are directly related to anticipated staffing requirements for these posts, it is imperative that future staffing needs be projected as accurately as possible." As GAO also points out, however, it is difficult to project staffing needs five to seven years in the future. Even the most thorough and well-documented staffing review can become obsolete in the face of changing international circumstances and emerging foreign policy priorities. A current example is the as yet unclear impact of new Homeland Security staffing requirements on overseas staffing.

In order to ensure more consistency and completeness in staffing projections for posts slated for new construction projects, the Department of State is now preparing a "Guide to Developing Staffing Projections." We anticipate completing and clearing the guide within State by the end of April 2003.

Specifically, we agree that such a guide needs to be standard and comprehensive so that posts preparing NEC staffing projections and the regional bureaus understand the importance of the task, the complete set of required steps, the timelines involved, and the factors to consider (such as those laid out in the GAO "mission – security – cost" rightsizing framework). We agree that posts need to retain documentation of their staffing projection process so that new personnel understand what has previously occurred. (The Bureau of Overseas Buildings Operation (OBO) retains complete documentation of all projects, but this does not negate the desirability of having posts track their own projects.) We agree that, as part of the process, Chiefs of Mission (COMs) and the regional bureaus should certify staffing projections, which themselves have the explicit concurrence of all USG agencies with a presence – current or planned – at a particular post, before submitting them to OBO.

GAO's rightsizing framework is a useful contribution. It lays out a common-sense approach that asks the kinds of questions COMs and other decision-makers have always routinely addressed through formal and informal processes when considering staffing issues. Among the three elements of the framework, we strongly believe that the first priority is without question Mission. The first question that must be answered before all others is whether the United States has a compelling reason to be in a particular location. If the answer is "Yes," then it may be necessary to place personnel there, even in the face of serious security concerns or excessive costs (e.g., the opening of the U.S. Embassy in Kabul, Afghanistan). If the answer is "No," the question of whether personnel can be securely or economically located there is irrelevant.

We endorse GAO's definition of rightsizing:

· Rightsizing [is] aligning the number and location of staff assigned overseas with foreign policy priorities and security and other constraints. Rightsizing may result in the addition or reduction of staff, or a change in the mix of staff at a given embassy or consulate. (GAO-02-780 *Overseas Presence: Framework for Assessing Embassy Staff Levels Can Support Rightsizing Initiatives*, p. 1, July 2002)

We look forward to continuing to work with GAO and the Office of Management and Budget on rightsizing.

---

# Appendix III: Comments from the U.S. Agency for International Development

---



U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

MAR 11 2003

Mr. Jess T. Ford  
Director  
International Affairs and Trade  
U.S. General Accounting Office  
441 G Street, N.W.  
Washington, D.C. 20548

Dear Mr. Ford:

I am pleased to provide the U.S. Agency for International Development's (USAID) formal response on the draft GAO report entitled "EMBASSY CONSTRUCTION, Process for Determining Staffing Requirements Needs Improvement" (March 31, 2003).

USAID agrees with the GAO finding that U.S. agencies overseas did not take a consistent approach to determining long-term staffing needs.

USAID, for example, develops staffing projections as part of each 5-year Country Strategic Plan. Strategic Plans are vetted through Chiefs of Missions and project the number of staff and the professional skills required in each of the technical, program, and administrative support units to achieve the mission's development objectives in each respective country. The projections are reviewed and updated as part of each USAID mission's Annual Report to reflect the actual staff on board as of a date specific and to include future "out" year projections.

To some extent, USAID and other agencies may have relied on current projections without fully considering such projections in the context of a New Embassy Compound. USAID supports the recommendation that standard and comprehensive guidance be developed that will allow each agency to project staffing requirements or revise existing projections to ensure the construction of buildings and compounds that are conducive to the achievement of the objectives of each agency in support of broader foreign policy objectives.

1300 PENNSYLVANIA AVENUE, N.W.  
WASHINGTON, D.C. 20523

The resources required to post an employee overseas are significant. These costs are carefully considered by USAID in the formulation of budgets and in the design of development programs with achievable results. USAID's decision to post an employee overseas in support of a strategic objective or the overall program is not made lightly. USAID recognizes that additional costs imposed through a cost-sharing program, as with any additional costs, would be likewise considered in this programmatic context.

USAID remains committed, first and foremost, to the security of its personnel. The approval of funding of facilities for USAID personnel has lagged behind that of the State Department and USAID personnel stationed overseas are increasingly vulnerable as a result. The Secure Embassy and Counterterrorism Act of 1999 mandated the construction of secure facilities and the collocation of employees on secure Embassy compounds. USAID recognizes the critical nature of this requirement and fully supports this objective.

The delayed, or in some cases failed, passage of appropriations has complicated planning efforts and compromised the security of USAID employees. The lack of funding has prevented the coordination of construction efforts with the State Department Office of Overseas Buildings Operations (OBO) at significant financial cost to both agencies.

Yerevan is representative of this unfortunate situation. The request for appropriated funds for the construction of the USAID annex remains in pending status and the opportunity to economize through efficient scheduling of the project has been lost. Although uncertainty surrounding the status of the funding request did complicate planning efforts and may have contributed to a sense of confusion, delays in construction were simply due to the lack of funding itself. This situation has been repeated at other locations. USAID requests for the funding of building construction have remained in "pending" status for months or even years following the approval of funding for State Department facilities on the same compounds. At two locations, USAID employees continue to work in facilities that do not meet minimal standards for physical security even though counterparts from other agencies have been moved to new Secure Embassy Compounds. Three additional Secure Embassy Compounds are scheduled for construction this year. To date, funds have not been appropriated to include USAID on these secure compounds.

USAID has large programs and a corresponding presence in many countries and OBO does not have the ability to fund separate annexes for USAID. The security driven legal requirement, which USAID endorses, to co-locate USAID facilities on Secure Embassy Compounds involves considerable cost. An estimated \$406 million will be needed to fund the construction of USAID facilities between now and FY 2006. To be successful, a practical approach to the administration of U.S. foreign assistance programs must include an integrated discussion of how we provide all employees with adequate facilities in which to work. The Capital Cost Sharing Security Program considers the cost requirements for most buildings overseas but does not include an integrated staffing methodology or a solution to funding the construction of required USAID annexes. This cannot be done in the current fiscal environment.

It is critical that any system used to project staffing levels reflects a consideration of all foreign policy issues that require federal agencies to have presence overseas. This holistic approach needs to incorporate input from entities beyond the Department of State and the Chiefs of Missions to ensure that projections of other Agency staff are adequate to maintain their program management and oversight responsibilities. Construction overseas is very expensive and space is in short supply. The increase in terrorist activity worldwide has made it painfully obvious that there is an urgent requirement for secure facilities. All agencies should have adequate opportunity to provide meaningful input and to address the issues. Above all, staff of all agencies should be assured that the physical security of their workplace will receive the attention it deserves in an increasingly dangerous world. USAID welcomes the opportunity to contribute to the development of improved systems for determining staffing requirements and a funding solution that ensures secure facilities for all U.S. Government employees overseas.

Thank you for the opportunity to respond to the GAO draft report and for the courtesies extended by your staff in the conduct of this review.

Sincerely,



John Marshall  
Assistant Administrator  
Bureau for Management



---

# Appendix IV: GAO Contact and Staff Acknowledgments

---

## GAO Contact

John Brummet (202) 512-5260

---

## Staff Acknowledgments

In addition to the individual named above, David G. Bernet, Janey Cohen, Martin de Alteriis, David Dornisch, Kathryn Hartsburg, Edward Kennedy, and James Strus made key contributions to this report.

---

## GAO's Mission

The General Accounting Office, the audit, evaluation and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

---

## Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through the Internet. GAO's Web site ([www.gao.gov](http://www.gao.gov)) contains abstracts and full-text files of current reports and testimony and an expanding archive of older products. The Web site features a search engine to help you locate documents using key words and phrases. You can print these documents in their entirety, including charts and other graphics.

Each day, GAO issues a list of newly released reports, testimony, and correspondence. GAO posts this list, known as "Today's Reports," on its Web site daily. The list contains links to the full-text document files. To have GAO e-mail this list to you every afternoon, go to [www.gao.gov](http://www.gao.gov) and select "Subscribe to daily E-mail alert for newly released products" under the GAO Reports heading.

---

## Order by Mail or Phone

The first copy of each printed report is free. Additional copies are \$2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. General Accounting Office  
441 G Street NW, Room LM  
Washington, D.C. 20548

To order by Phone:   Voice:   (202) 512-6000  
                                  TDD:    (202) 512-2537  
                                  Fax:     (202) 512-6061

---

## To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: [www.gao.gov/fraudnet/fraudnet.htm](http://www.gao.gov/fraudnet/fraudnet.htm)

E-mail: [fraudnet@gao.gov](mailto:fraudnet@gao.gov)

Automated answering system: (800) 424-5454 or (202) 512-7470

---

## Public Affairs

Jeff Nelligan, managing director, [NelliganJ@gao.gov](mailto:NelliganJ@gao.gov) (202) 512-4800  
U.S. General Accounting Office, 441 G Street NW, Room 7149  
Washington, D.C. 20548