

GAO

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House of Representatives

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OVERSEAS PRESENCE

Systematic Processes Needed to Rightsize Posts and Guide Embassy Construction

Statement of Jess T. Ford, Director
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Highlights of [GAO-03-582T](#), testimony before the Subcommittee on National Security, Emerging Threats, and International Relations, House Committee on Government Reform

Why GAO Did This Study

More than 60,000 Americans and foreign nationals work at about 260 diplomatic posts worldwide. Since the mid-1990s, GAO has highlighted the need for State and other federal agencies to establish a systematic process for determining their overseas staffing levels, particularly after the 1998 bombings of two U.S. embassies in Africa. GAO was asked to discuss three reports, including two being issued today, on rightsizing—that is, realigning the number and location of staff—at U.S. embassies and consulates: (1) the rightsizing framework GAO developed last year, (2) follow-on work to further test the framework, and (3) the processes to project staffing levels for new embassy construction and the proposals to share construction costs among U.S. agencies.

What GAO Recommends

GAO recommends that OMB expand the use of our rightsizing framework and that State adopt additional measures to ensure that U.S. agencies take a systematic approach to assessing workforce size that considers security, mission, and cost factors. GAO also recommends that State develop guidance on a systematic approach for developing and vetting staffing projections for new diplomatic compounds.

Both OMB and State agreed with GAO’s recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-03-582T.

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

OVERSEAS PRESENCE

Systematic Processes Needed to Rightsize Posts and Guide Embassy Construction

What GAO Found

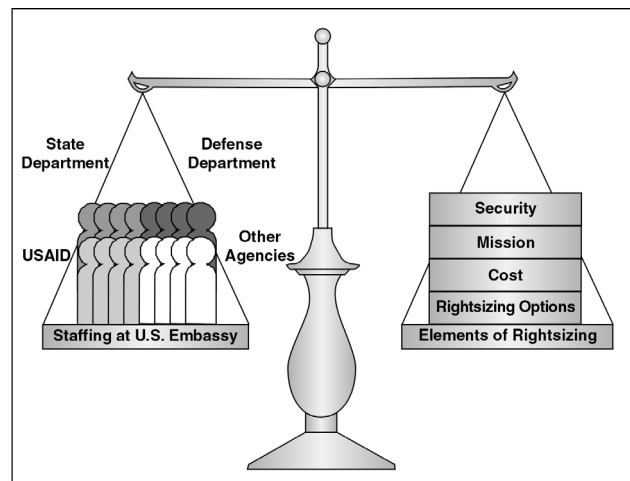
In July 2002, GAO presented a rightsizing framework outlining a systematic approach for assessing overseas workforce size that considers security, mission, and cost. GAO recommended that the Office of Management and Budget (OMB) use the framework as part of the administration’s rightsizing initiative, and OMB is now using it to review posts in Europe and Eurasia.

After initially applying the framework at the U.S. Embassy in Paris, GAO further tested it at other U.S. embassies in three developing countries in West Africa to address concerns about whether the framework could be applied uniformly at all posts. GAO’s analysis indicates that the rightsizing framework can be applied at U.S. embassies in developing countries.

GAO also found that U.S. agencies’ staffing projections for new embassy compounds are developed without a systematic approach or comprehensive rightsizing analyses. Moreover, State provides little formal guidance on factors to consider when projecting staffing needs. Further, there is a lack of documentation on projection exercises and factors staff considered when developing projections. Finally, staffing projections are not consistently vetted with all other agencies’ headquarters. These and other deficiencies could lead the government to build wrong-sized buildings.

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 staff 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.

Assessing Overseas Workforce Size Using GAO’s Rightsizing Framework



Source: GAO.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here to discuss GAO's work on rightsizing the U.S. overseas presence—that is, deciding the number and types of personnel that should be assigned to our embassies and consulates. The U.S. overseas presence is significant—more than 60,000 Americans and foreign nationals representing approximately 40 U.S. departments and agencies overseas work at about 260 diplomatic posts worldwide. Since the mid-1990s, we have highlighted the need for the Department of State and other federal agencies to establish a systematic process for determining their overseas staffing levels. The administration, through the *President's Management Agenda*,¹ has directed all agencies operating overseas to rightsize their presence. The administration's initiative aims to put the right people in the right places overseas—and to station the minimum number necessary—to meet U.S. foreign policy goals. Because of the security threats facing many of our embassies, which are heightened by the current war in Iraq, as well as changes in foreign policy missions and priorities and the high costs of maintaining our significant presence, this effort is vitally important.

Today I will discuss the three reports we have issued on rightsizing issues since I testified before this subcommittee almost a year ago,² two of which are being released today.³ These reports describe (1) the rightsizing framework we developed last year, (2) the results of applying the framework in developing countries, and (3) the processes used to project staffing levels for new embassy construction and proposals to share construction costs among U.S. agencies.

Summary

Because the U.S. government does not have a sound process for determining overseas staffing requirements, in July 2002 we presented a

¹Office of Management and Budget, *The President's Management Agenda, Fiscal Year 2002* (Washington, D.C.: Aug. 2001).

²U.S. General Accounting Office, *Overseas Presence: Observations on a Rightsizing Framework*, [GAO-02-659T](#) (Washington, D.C.: May 1, 2002).

³U.S. General Accounting Office, *Overseas Presence: Rightsizing Framework Can Be Applied at U.S. Diplomatic Posts in Developing Countries*, [GAO-03-396](#) (Washington, D.C.: Apr. 7, 2003), and U.S. General Accounting Office, *Embassy Construction: Process for Determining Staffing Requirements Needs Improvement*, [GAO-03-411](#) (Washington, D.C.: Apr. 7, 2003).

rightsizing framework⁴ that provides a systematic approach. The framework is a set of questions designed to link staffing levels to three critical elements of overseas diplomatic operations: (1) physical/technical security of facilities and employees, (2) mission priorities and requirements, and (3) cost of operations. This is the same framework that I described in testimony before this subcommittee in May 2002. Our framework provides guidance for assessing overseas workforce size and identifying options for rightsizing by using a set of standard criteria to help ensure greater accountability and transparency. Therefore, we recommended that the Office of Management and Budget (OMB) use it as a basis for assessing staffing levels as part of the administration's rightsizing initiative. OMB is using our framework in its ongoing review of staffing at embassies and consulates in Europe and Eurasia. (See app. 1 for our rightsizing framework.)

Following our July report and in response to your request, we examined whether our framework could be applied at other U.S. embassies in developing countries. We are issuing a report on this work today.⁵ Our analysis of three embassies we visited in West Africa indicates that the rightsizing framework can be applied at U.S. embassies in developing countries. Officials in State's Bureau of African Affairs and other geographic bureaus agreed that broad application of the framework and its corresponding questions would provide a logical and commonsense approach to systematically considering rightsizing issues in both developed and developing countries. We are recommending that the Director of OMB, in coordination with the Secretary of State, expand the use of our framework in assessing staffing levels at all U.S. embassies and consulates. We are also recommending that the Secretary of State include the framework as part of State's mission performance planning process.⁶ In response to a draft of our report, State has agreed to incorporate elements of the framework into its future planning processes.

⁴U.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).

⁵GAO-03-396.

⁶Mission Performance Plans (MPP) are annual embassy plans that link performance goals and objectives to staffing and budgetary resources needed to accomplish them in a given fiscal year.

Today we are also issuing a report that discusses how the lack of a systematic process for determining staffing requirements can have serious repercussions.⁷ State has embarked on a multiyear, multibillion-dollar facility replacement program. The size and cost of these facilities depend on the staffing projections developed by U.S. agencies. We found that staffing projections for new embassy compounds are developed without a consistent, systematic approach or comprehensive rightsizing analyses. Moreover, State headquarters provides little formal guidance to embassy teams—those who develop the projections—on factors to consider when projecting staffing needs, nor does it stress the importance of accurate projections. Further complicating the process is the frequent turnover of embassy personnel responsible for developing projections, combined with posts' failure to document how projections were developed or the underlying support for staffing decisions. Finally, staffing projections are not consistently vetted with all other agencies' headquarters. To help ensure that the U.S. government builds rightsized facilities, we are recommending adoption of a more disciplined and systematic process for projecting staffing requirements. In comments on a draft of our report, State agreed to implement our recommendations.

The report also discusses the administration's plan to require agencies to pay a greater share of the costs associated with their overseas presence, which could include the costs of embassy construction. Currently, most agencies are not required to pay for new embassy construction. The administration believes that implementing such a plan could encourage all agencies to weigh cost considerations more carefully before posting personnel overseas. OMB is leading an interagency effort aimed at creating a cost-sharing mechanism. It may be reasonable to expect agencies to share the costs of new embassy construction, but there are many factors and questions to consider before an effective and equitable cost-sharing program can be implemented.

Background

Following the 1998 terrorist bombings of two U.S. embassies in Africa that resulted in more than 220 deaths and 4,000 injuries, a series of high-level and independent studies called for the reassessment of staffing levels at

⁷[GAO-03-411](#).

U.S. embassies and consulates.⁸ In August 2001, the *President's Management Agenda* directed all agencies to rightsize their overseas presence to the minimum personnel necessary to meet U.S. policy goals.

In May 2002, we testified before this subcommittee on a rightsizing framework we developed to guide decisions on the appropriate number of staff to be assigned to a U.S. embassy.⁹ The framework includes questions about (1) the security of embassy buildings, use of existing space, and vulnerability of staff to terrorist attack; (2) justification of agency staffing levels relative to embassy priorities and the extent to which it is necessary for each agency to maintain or change its presence in a country; and (3) development and consolidation of cost information from all agencies at a particular embassy to fully document operational costs and permit cost-based decision making. Our framework also includes questions that assess the feasibility of rightsizing options, such as reassigning staff to the United States or to regional centers and competitive sourcing.¹⁰

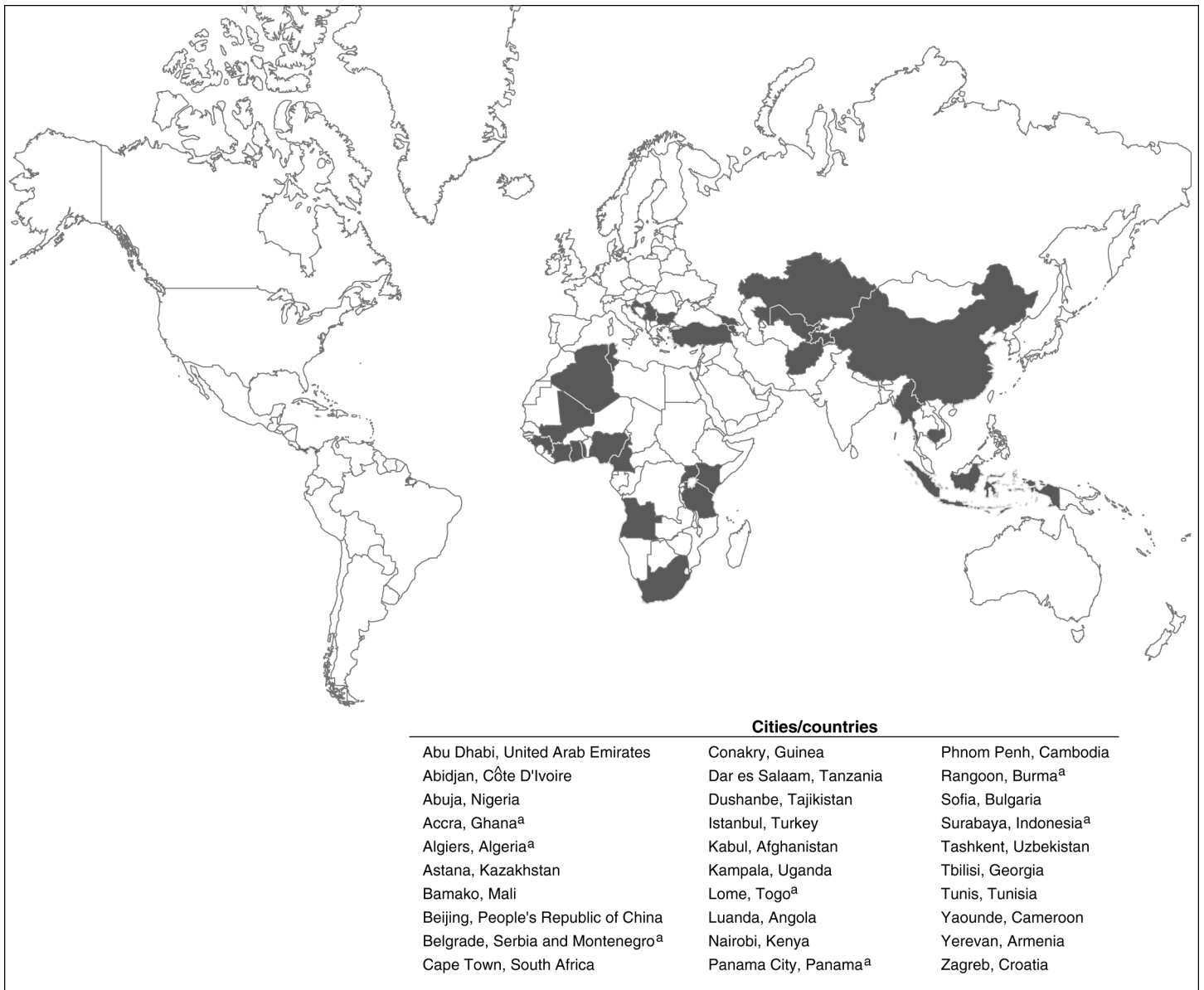
In addition to recommending that agencies rightsize their overseas presence, one group of experts recommended major capital improvements to U.S. overseas facilities. In response, State initiated a major building program to provide new facilities at about 185 locations worldwide. This is a large-scale program that will cost an estimated \$16 billion to complete. State received close to \$2.6 billion for new embassy compound construction in fiscal years 1999 through 2003 and has requested approximately \$760 million for projects in fiscal year 2004. Figure 1 shows the locations where State plans to build new compounds with these funds.

⁸Former Secretary of State Madeleine Albright appointed 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). Secretary Albright also established the Overseas Presence Advisory Panel 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.: Nov. 1999).

⁹[GAO-02-659T](#).

¹⁰With enactment of the Federal Activities Inventory Reform Act of 1998 (P.L. 105-270), Congress mandated that U.S. government agencies identify activities within each office that are not "inherently governmental," that is, commercial activities. Competitive sourcing involves using competition to determine whether a commercial activity should be performed by government personnel or contractors. The *President's Management Agenda* states that competition historically has resulted in a 20-to 50-percent cost savings for the government.

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.

^aIndicates new compound projects for which State has requested funding in fiscal year 2004.

GAO's Rightsizing Framework and Its Use

As a follow-up to our testimony on developing a rightsizing framework, in July 2002 we issued a report that presented the framework in more detail.¹¹ We recommended that OMB use the framework as a basis for assessing staffing levels as part of the administration's rightsizing initiative, starting with its planned assessments of staffing levels and rightsizing options at U.S. embassies in Europe and Eurasia. OMB adopted the basic elements of our framework in its ongoing assessment of staffing at these posts. OMB adapted the framework into a questionnaire, which it sent to all U.S. agencies at all posts in this region. It expects to finish analyzing responses to the questionnaire later this year. More recently, OMB has convened an interagency rightsizing committee comprising agency staff from throughout the federal government to 1) reach agreement on a common set of criteria to be applied when assessing staffing at posts worldwide, and 2) develop standard accounting procedures for assessing embassies' operating costs.

In addition, Mr. Chairman, other agencies have taken rightsizing initiatives that are consistent with our framework. For example, State's Bureau of European and Eurasian Affairs has urged chiefs of mission¹² to review all current and future staffing requests filed under National Security Decision Directive number 38 (NSDD-38) "through the optic of rightsizing and regionalization."¹³ In addition, the Department of the Treasury now requires that all proposals for adding staff positions overseas be accompanied by an analysis of the costs associated with that position. For the first time, the U.S. Agency for International Development is pursuing a strategic human capital initiative, and has sought GAO's advice on how to use our framework to align its staffing overseas. We have also briefed others on the framework at their request, including geographic bureaus at State, the OMB-led interagency rightsizing task force, and congressional staff. In addition, State's Office of the Inspector General has incorporated a standard set of rightsizing questions in its methodology for conducting

¹¹[GAO-02-780](#).

¹²According 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).

¹³NSDD-38, "Staffing At Diplomatic Missions and Their Overseas Constituent Posts," signed June 2, 1982, requires all agencies with staffs operating under the authority of chiefs of mission to seek the chief of mission's approval on any proposed changes in size, composition, or mandate of any staff elements at an overseas facility.

post inspections. These questions incorporate the basic elements of, and include some of the same questions as, our rightsizing framework. Finally, State recently purchased a former military hospital in Frankfurt, Germany, in part as a rightsizing effort to provide a secure facility for personnel who furnish diplomatic, programmatic, and administrative services to embassies throughout Europe, the Middle East, and Africa. At your request, we are currently reviewing State's plans for this facility, which we will report on later this year.

State has expressed concerns about the relative importance assigned to security, mission, and cost in our framework. State believes the most important question for decision makers is whether the United States has a compelling reason to assign staff to a particular location, noting that it may be necessary to station staff in certain locations despite security concerns and high costs. We agree that in some circumstances, the mission benefits of stationing staff in a certain location may carry more weight than either security or cost considerations. However, there may be other circumstances where security or cost carry more weight. For example, in testimony last month before the Senate Foreign Relations Committee, we reported that there are serious security concerns at many embassy and consulate facilities around the world and that thousands of employees may be at risk.¹⁴ At one post we visited, staff are assigned to a building that does not meet all of State's key security standards. This building is very vulnerable to terrorists because it is bordered on three sides by public streets and on one side by a public gas station (see fig. 2). Decision makers need to carefully consider the security risks to staff stationed in this building. Our framework encourages decision makers to analyze security, mission, and cost collectively in deciding whether they are willing to accept the risk and pay the cost of stationing personnel overseas to meet mission requirements.

¹⁴U.S. General Accounting Office, *Overseas Presence: Conditions of Overseas Diplomatic Facilities*, [GAO-03-557T](#) (Washington, D.C.: Mar. 20, 2003).

Figure 2: Public Gas Station behind an Embassy Annex Building Poses Security Concern



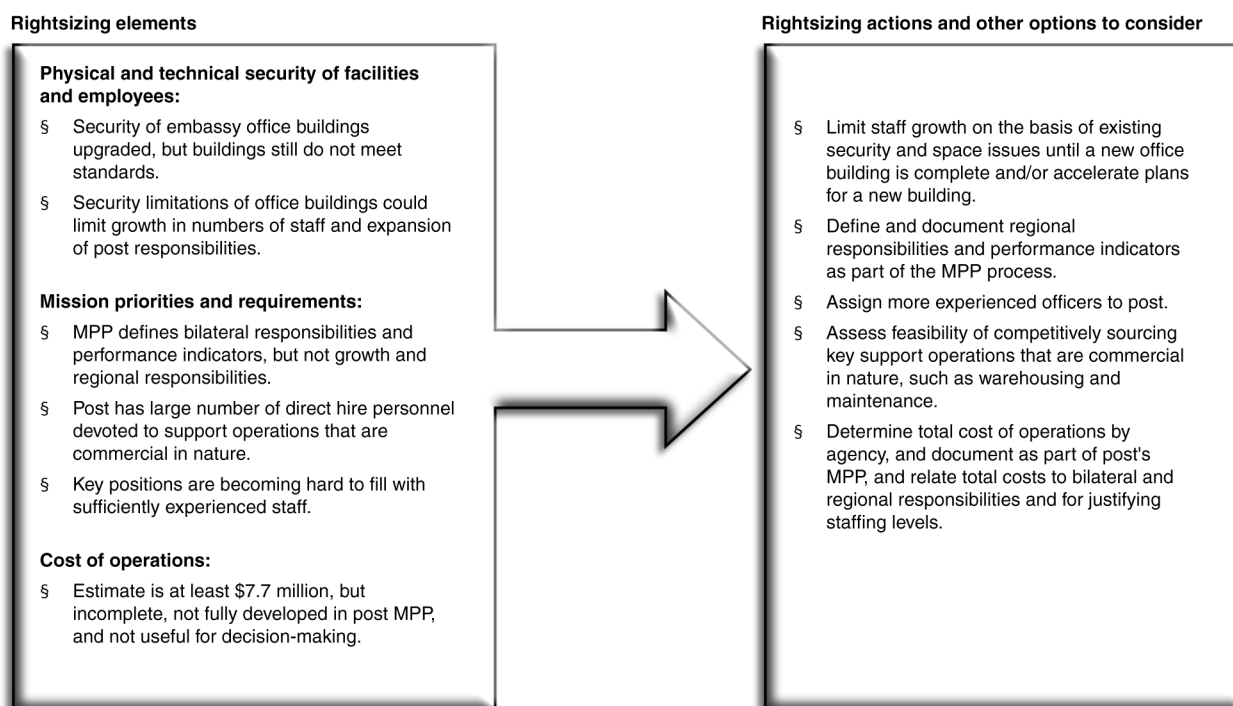
Source: GAO.

GAO Rightsizing Framework Can Be Applied at Posts Worldwide

Our work at three embassies in West Africa illustrates that our framework could be used to address the importance of facility security in making decisions to change staffing levels. It could also be used to identify and exercise rightsizing actions and options, such as adjusting staffing requirements, competitively sourcing certain commercial goods and services, and streamlining warehousing operations. For example, if the U.S. embassy in Dakar, Senegal, used our framework to complete a full and comprehensive analysis of the services it provides or could provide to other embassies in the region, in conjunction with analyses of mission priorities and requirements of other embassies in West Africa, then staffing levels could be adjusted at some of the region's posts. One rightsizing option suggests assessing the feasibility of competitively sourcing the work of painters, upholsterers, electricians, and others currently employed by the embassy to yield cost savings and reduce staff requirements. This could have a particularly significant impact at Embassy Dakar, which employs more than 70 staff working in these types of

positions.¹⁵ Applying elements of the rightsizing framework and the corresponding questions collectively can lead decision makers to rightsizing actions and other options. Figure 3 illustrates the application of the framework at Embassy Dakar.

Figure 3: Applying Rightsizing Framework and Corresponding Questions at U.S. Embassy Dakar, Senegal



Source: GAO.

In our report released today, we are recommending that OMB, in coordination with State, ensure that application of our framework be expanded as a basis for assessing staffing levels at embassies and consulates worldwide. In comments on a draft of our report, OMB agreed. In addition, in light of State's predominant role in conducting foreign policy and the responsibilities of chiefs of missions at overseas posts, it is critical that State strengthen its management planning processes by

¹⁵During our work at the embassy in Paris, we identified as many as 50 positions at the post that are commercial in nature and responsible for providing services or goods that have the potential to be competitively sourced to the private sector or performed at another location.

systematically addressing rightsizing issues. Therefore we are recommending that State adopt the framework as part of its mission performance planning process. State generally agreed with our recommendation.

Systematic Effort to Project Staffing Needs for New Embassies Is Lacking

Planning for the construction of new embassies illustrates the importance of having a systematic process for determining staffing levels. The size and cost of new facilities are driven by the number of staff and the type of work they do. Therefore, it is imperative that staffing levels be projected as accurately as possible. This is difficult because it requires managers to project staffing needs 5 to 7 years in the future. State's Bureau of Overseas Buildings Operations (OBO) has designed a reasonable process for developing staffing projections needed to design buildings that are the right size, but we found this process was not adopted uniformly across all of the posts and geographic bureaus that we studied.¹⁶ In addition, State is not providing embassies with sufficient guidance on factors to consider in developing staffing projections. Agencies at the posts we contacted lacked a systematic approach, such as our framework, to conduct rightsizing analyses. Moreover, none of the posts we contacted conducted a rightsizing analysis of existing staffing levels prior to projecting future requirements. Such an analysis would help identify options for adjusting staffing levels for new embassies. We also found little evidence that staffing projections were consistently vetted with all other agencies' headquarters. Finally, the process was further complicated by the frequent turnover of embassy personnel who did not maintain documentation on the projection process, as well as breakdowns in communication among multiple agencies.

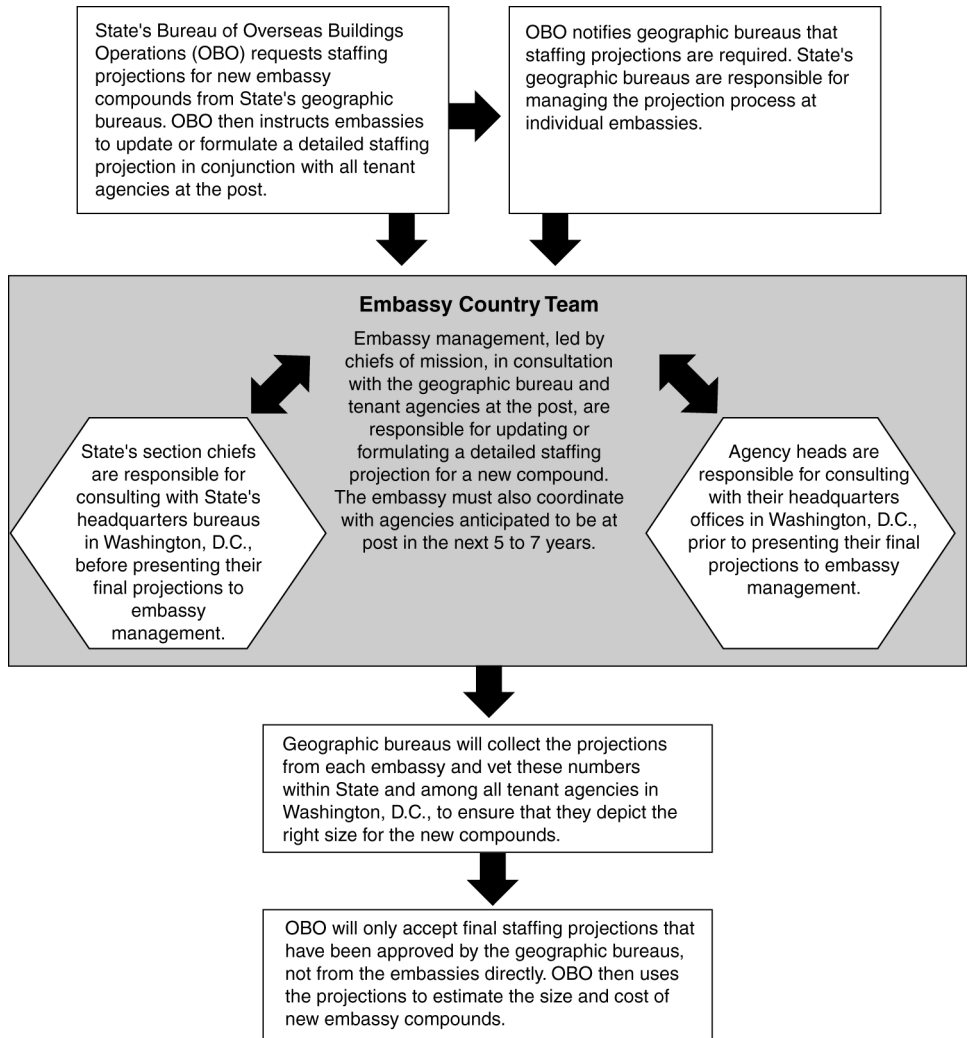
Before I discuss our findings in more detail, let me explain the process OBO designed to help ensure that new compounds are designed as accurately as possible. Developing staffing projections is a key component of the planning process for new embassy compounds. OBO's projection process encourages the active participation of embassy personnel, officials in State's geographic bureaus,¹⁷ and officials from all other

¹⁶We visited seven posts in Europe and Eurasia and contacted seven additional embassies worldwide, which represent about one-quarter of the new compounds OBO plans to fund between fiscal years 2002 and 2005.

¹⁷There 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.

relevant federal agencies (see fig. 4 for OBO's staffing projection process). It also calls on embassy management and geographic bureaus to review and validate all projections before submitting them to OBO. Embassies and geographic bureaus generally have the opportunity to submit staffing projections several times before they are finalized. However, OBO will not accept changes after the projections are final because this could result in construction delays and additional costs.

Figure 4: Components of OBO's Staffing Projection Process



Source: Department of State.

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

Staffing projection exercises were not consistent across the posts we contacted, and indeed, State officials acknowledged that efforts to develop and validate projections were informal and undisciplined. Some management teams (the chiefs of mission, deputy chiefs of mission, and administrative officers) were more engaged in the projection process than others. For instance, at several posts we contacted, chiefs of mission or deputy chiefs of mission led interagency—or country team—meetings to

discuss the post's long-term priorities and the staffing implications. However, management teams at other posts we contacted were less engaged. At the U.S. embassy in Tbilisi, Georgia, management did not document recent growth in staffing levels, which led to final projections that were too low. Therefore, the new facility may be overcrowded upon opening, according to embassy officials. If embassy and geographic bureau 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, have varied levels of involvement in the projection process. For example, officials from the U.S. embassy in Beijing, China, said that representatives from their geographic bureau in Washington, D.C., were very involved in developing their projections. Conversely, officials at Embassy Belgrade said State's geographic bureau did not request justifications for or provide input into the final projections submitted to OBO. Based on our review, the more these officials were involved in the process, the more confidence we had that their projections were accurate.

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

Our analysis indicates that State is not providing embassies with sufficient formal guidance on important timelines 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 said their headquarters bureaus had not provided specific, formal guidance on key factors to consider when developing staffing projections. Although OBO informed the geographic bureaus that final projections for fiscal year 2004 funding were due in spring 2002, officials at some of the posts we examined did not realize that additional requirements they might submit at a later date would not result in a larger-sized building.

According to OBO, individual embassies should have conducted rightsizing exercises before submitting the staffing projections used to develop and update the Long-Range Overseas Buildings 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.¹⁸ 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 embassy needs. However, OBO's mandate is to manage property, and it 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 the bureaus have incorporated rightsizing exercises into the projection process.

We found that agencies at the posts we examined did not conduct comprehensive rightsizing analyses when determining future staffing requirements. Decision makers did not analyze existing positions before projecting future requirements and did not consider rightsizing options, such as competitive sourcing or relocating certain positions to the United States or regional centers. In addition, we found that most agencies with staff overseas did not consistently consider operational costs when developing staffing projections. In general, for these posts, rightsizing exercises were largely limited to predictions of future funding levels and workloads.

Little Evidence of Long-term Staffing Assessments

At each of the seven posts we visited, we found little or no documentation that staff conducted comprehensive assessments of the number and types of people they would need in the year that their new facility would open. Officials from several of these posts told us they had considered factors such as operating costs or the potential to streamline administrative functions—yet they did not consistently document their analyses or the rationales for their decisions. Moreover, we found little or no documentation explaining how previous projections were developed or the justifications for these decisions. As a result, future management teams will not have accurate information on how or why previous decisions were made when they update and finalize staffing projections.

¹⁸The current version of the Long-Range Overseas Buildings Plan covers fiscal years 2002 through 2007. State plans to publish an updated version of the plan covering fiscal years 2003 through 2008 by late April 2003.

Geographic Bureaus Do Not Consistently Vet Staffing Projections

According to OBO, the relevant geographic bureaus are expected to review and verify individual embassies' staffing projections and confirm these numbers with other agencies' headquarters before they are submitted to OBO. However, we found that the degree to which staffing projections were reviewed varied. In addition, we found little evidence 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 required to conduct formal vetting exercises once embassies submit their projections; (2) there is no formal vetting process; and (3) geographic bureaus expect that officials in the field consult with all relevant agencies and therefore the bureaus rarely contact agency headquarters officials.

Additional Factors Complicate Staffing Projection Process

We found additional factors that complicate the staffing projection process. First, frequent turnover of embassy personnel responsible for developing staffing projections disrupts continuity in the projection process. Embassy staff may be assigned to a location for only 2 years, and at some locations, the assignment may be shorter. 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 projection process lacks continuity. Staff turnover combined with little 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. Following the 1998 embassy bombings, a law was passed requiring that all U.S. agencies working at posts slated for new construction be located in the new compounds unless they are granted a special co-location waiver.¹⁹ 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, waiver requests must be incorporated early in the staffing projection process so that OBO is not designing and funding buildings that are too large or too

¹⁹22 U.S.C. § 4865 requires the Secretary of State, in selecting a site for any new U.S. diplomatic facilities abroad, to ensure that all U.S. personnel under chief of mission authority be located on the site. However, this requirement may be waived 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 interest.

small. Post officials acknowledged that these decisions must be made before the staffing projections are finalized. In Yerevan, for example, the Department of Agriculture office projected the need for 26 desks in the new chancery, yet Agriculture officials in Yerevan plan to use only 13 of these desks and to locate the remaining personnel in their current office space. However, Agriculture has not yet requested a co-location waiver for these remaining 13 positions. 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.

Finally, separate funding requirements for USAID annexes could complicate the projection process. In compounds where USAID is likely to require desk space for more than 50 employees, USAID attempts to secure funding in its own appropriations for an annex building on the compound.²⁰ However, officials from at least two of the posts we examined had trouble determining where USAID would be located, which could delay planning and disrupt OBO's overall plan for concurrent construction of the USAID annexes with the rest of the compounds. For example, at Embassy Yerevan, confusion among USAID officials in Washington and the field over whether USAID would fund a separate annex has caused annex construction and funding to fall behind OBO's schedule. Therefore, USAID may be forced to remain at a less secure facility—at an additional cost—until its annex is completed, unless alternative arrangements can be made. In addition, chancery and USAID annex construction has not proceeded on the same schedule in some countries because funding for USAID's annexes is behind schedule. According to USAID officials in Washington, D.C., two-track construction could lead to security concerns, work inefficiencies, and additional costs.

To ensure that U.S. agencies are conducting systematic staffing projection exercises, we are recommending that the Secretary of State (1) provide embassies with formal, standard, and comprehensive guidance on developing staffing projections; (2) require chiefs of mission to maintain documentation on the decision-making process including justifications for

²⁰Pursuant to an informal agreement between OBO and USAID, USAID is required to pay 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.

these staffing projections; and (3) require all chiefs of mission and geographic bureaus to certify that the projections have been reviewed and vetted before they are submitted to OBO. In comments on our draft report, State agreed to implement our recommendations.

Efforts to Implement a Capital Cost-sharing Mechanism

As part of the *President's Management Agenda*, OMB is leading an effort to develop a cost-sharing mechanism that could require agencies that use U.S. overseas facilities to pay a greater share of the costs associated with their overseas presence. The administration believes that requiring agencies to pay a greater portion of the costs associated with their presence could give them an incentive to scrutinize long-term staffing more thoroughly when assessing their overseas presence. OMB officials also believe greater cost sharing could more clearly link the costs of new facilities that result directly from agencies' presence.

State historically has been responsible for funding the construction and maintenance of U.S. embassies and consulates, while most other U.S. government agencies traditionally have not been required to help fund capital improvements to overseas facilities. In 1999, the Overseas Presence Advisory Panel noted a lack of cost sharing among agencies that use overseas facilities, particularly for capital improvements. As a result, the panel proposed the development of cost-sharing arrangements to help fund construction of new facilities. In summer 2000, an interagency body formed to develop a capital cost-sharing mechanism recommended that agencies be assessed a surcharge based on the space they actually use in overseas facilities, but this plan was never implemented. Recently, State proposed a cost-sharing program that would require agencies to fund an annual share of the capital construction program based on their respective proportions of total U.S. overseas staffing. State believes that, in addition to generating funds for the construction program, linking the costs of capital construction to agency staffing levels would provide incentive for all agencies overseas to initiate rightsizing actions.

The administration is committed to implementing a new cost-sharing program by fiscal year 2005 that would require agencies to pay a greater portion of the total costs associated with their overseas presence, which could include requiring agencies to help fund the cost of new embassy construction. In January 2003, OMB developed a virtual budget for how much each agency would be charged in fiscal year 2004 based on State's

capital cost-sharing proposal.²¹ During 2003, OMB is requiring agencies to complete a census of the total overseas staffing. Also during 2003, OMB will lead an interagency committee to develop a mechanism for capital cost sharing.

Mr. Chairman, it may be reasonable to expect that agencies pay for all U.S. government costs associated with their presence in overseas facilities. Moreover, charging agencies a portion of the costs of new embassy construction may encourage them to fully consider how their presence affects the government's overall costs for new embassies and consulates. We agree with OMB, State, and the Overseas Presence Advisory Panel that implementing a new cost-sharing arrangement may add greater discipline to the staffing projection and rightsizing processes. However, in deciding how costs will be shared, decision makers at affected agencies need to develop consensus on the equity of a new arrangement, while designing a system that is relatively easy to administer.

Rightsizing is More Relevant than Ever

The concept of rightsizing is as important today as it was following the bombings of our embassies in Africa nearly 5 years ago. As figure 5 illustrates, the key elements of our rightsizing framework—security, mission, cost, and rightsizing options—need to be considered collectively to determine embassy staffing, and decision makers need to be looking for alternative ways of conducting business, such as transferring functions to the United States or to regional centers, where appropriate. Recent events illustrate the significance of maintaining a rightsized overseas presence:

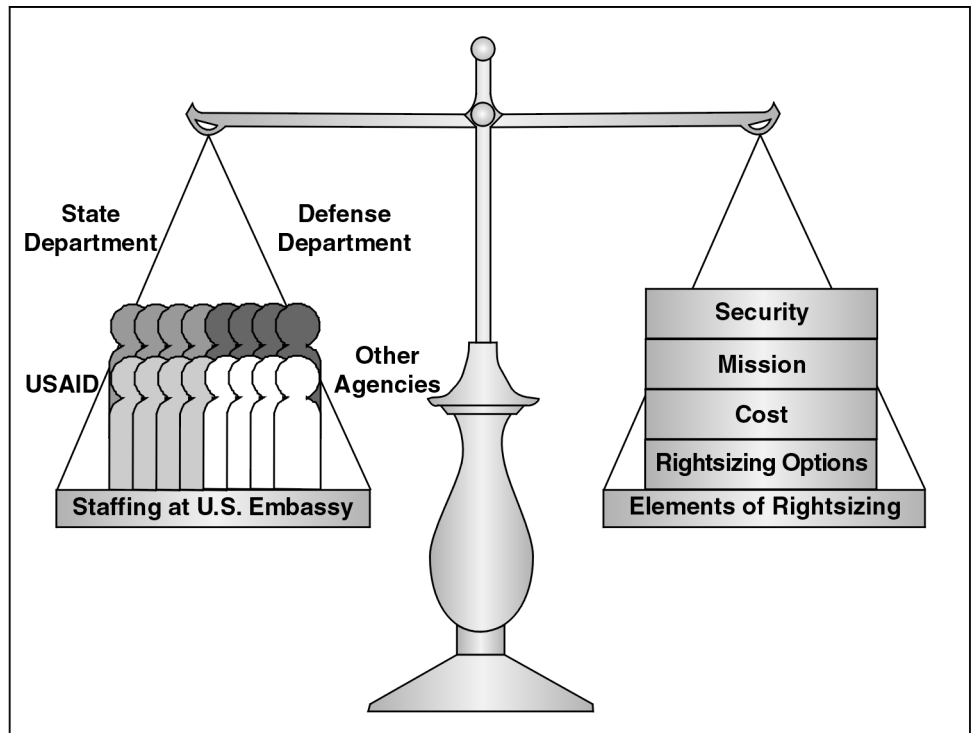
- Security concerns continue today and are probably much greater in view of the September 11, 2001, terrorist attacks and the ongoing war in Iraq. Security deficiencies at many of our facilities overseas place personnel at risk. While State's new embassy construction program will, over time, help reduce the security risk, this program will take many years to complete. In the meantime, thousands of employees will be assigned to embassies and consulates that do not meet security standards, placing them at risk.
- The changing needs of U.S. foreign policy will continue to affect rightsizing initiatives. Ensuring that the U.S. government has the right people in the right places to support U.S. goals and objectives may require reallocation of staff among posts. Furthermore, creation of the Department of Homeland Security, the war on terrorism, and post-war

²¹Because the State proposal and OMB assessment were completed after the budget submission deadline, OMB told agencies that they would not actually be charged in 2004.

engagement with Iraq will affect foreign policy missions and priorities and may also require staffing adjustments.

- Maintaining a large overseas presence is an enormous expense, particularly with current budget deficits. For example, State estimates that it costs roughly \$300,000 annually to station an employee overseas. Moreover, plans for a multibillion-dollar, multiyear embassy construction program highlight the importance of linking staff size to the size and cost of new embassies and consulates.

Figure 5: Assessing Overseas Workforce Size Using GAO’s Rightsizing Framework



Source: GAO.

In conclusion, our work in the past year has further demonstrated the feasibility of achieving a systematic and comprehensive approach to rightsizing the U.S. overseas presence. Such an approach can have substantial payoffs if OMB, State, and other agencies operating overseas support it. I believe we all recognize that, to be successful, rightsizing will be a long-term effort requiring the commitment of all agencies operating overseas. I am encouraged that the momentum for developing a meaningful approach to rightsizing continues. Both State and OMB have

endorsed our rightsizing framework and are working together and with other agencies to improve the process for determining overseas staffing levels. However, to support this process, we are recommending in our reports additional steps that agencies should take to adopt a systematic approach that considers security, mission, and cost factors in assessing overseas workforce size and to improve the staffing projection processes for new embassies and consulates.

Mr. Chairman, this concludes my prepared statement. I will be happy to respond to any questions you or other members may have.

Contacts and Acknowledgments

For future contacts regarding this testimony, please call Jess Ford or John Brummet at (202) 512-4128. Individuals making key contributions to this testimony included David G. Bernet, Janey Cohen, Kathryn Hartsburg, Lynn Moore, Ann Ulrich, and Joseph Zamoyta.

Appendix I: Rightsizing Framework and Corresponding Questions

Physical/technical security of facilities and employees

- What is the threat and security profile of the embassy?
- Has the ability to protect personnel been a factor in determining staffing levels at the embassy?
- To what extent are existing office buildings secure?
- Is existing space being optimally utilized?
- Have all practical options for improving the security of facilities been considered?
- Do issues involving facility security put the staff at an unacceptable level of risk or limit mission accomplishment?
- What is the capacity level of the host country police, military, and intelligence services?
- Do security vulnerabilities suggest the need to reduce or relocate staff?
- Do health conditions in the host country pose personal security concerns that limit the number of employees that should be assigned to the post?

Mission priorities and requirements

- What are the staffing levels and mission of each agency?
- How do agencies determine embassy staffing levels?
- Is there an adequate justification for the number of employees at each agency compared with the agency's mission?
- Is there adequate justification for the number of direct hire personnel devoted to support and administrative operations?
- What are the priorities of the embassy?^a
- Does each agency's mission reinforce embassy priorities?
- To what extent are mission priorities not being sufficiently addressed due to staffing limitations or other impediments?
- To what extent are workload requirements validated and prioritized and is the embassy able to balance them with core functions?
- Do the activities of any agencies overlap?
- Given embassy priorities and the staffing profile, are increases in the number of existing staff or additional agency representation needed?
- To what extent is it necessary for each agency to maintain its current presence in country, given the scope of its responsibilities and its mission?
 - Could an agency's mission be pursued in other ways?
 - Does an agency have regional responsibilities or is its mission entirely focused on the host country?

Cost of operations

- What is the embassy's total annual operating cost?
- What are the operating costs for each agency at the embassy?
- To what extent are agencies considering the full cost of operations in making staffing decisions?
- To what extent are costs commensurate with overall embassy strategic importance, with agency programs, and with specific products and services?

Consideration of rightsizing options

- What are the security, mission, and cost implications of relocating certain functions to the United States, regional centers, or to other locations, such as commercial space or host country counterpart agencies?
 - 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?
 - Do new technologies and transportation links offer greater opportunities for operational support from other locations?
 - Do the host country and regional environments suggest there are options for doing business differently, that is, are there adequate transportation and communications links and a vibrant private sector?
 - To what extent is it practical to purchase embassy services from the private sector?
 - Does the ratio of support staff to program staff at the embassy suggest opportunities for streamlining?
 - Can functions be reengineered to provide greater efficiencies and reduce requirements for personnel?
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- Are there best practices of other bilateral embassies or private corporations that could be adapted by the U.S. embassy?
 - To what extent are there U.S. or host country legal, policy, or procedural obstacles that may impact the feasibility of rightsizing options?
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Source: GAO.

^aEmbassy priorities are the U.S. government priorities in that country.