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United States General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-282873

July 20, 1999

The Honorable Dick Armey
Majority Leader
House of Representatives

The Honorable Dan Burton
Chairman, Committee on Government Reform
House of Representatives

The Honorable Fred Thompson
Chairman, Committee on Governmental Affairs
United States Senate

Subject: Observations on the Department of State's Fiscal Year 2000 Performance Plan

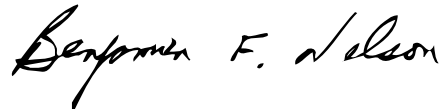
As you requested, we have reviewed and evaluated the fiscal year 2000 performance plans for the 24 Chief Financial Officers (CFO) Act agencies that were submitted to Congress as required by the Government Performance and Results Act of 1993 (Results Act). Enclosure I to this letter provides our observations on the fiscal year 2000 performance plan for the Department of State. Enclosure II lists the identified GAO management challenges and the State Inspector General's areas of concern that the agency faces and the applicable goals and measures in the fiscal year 2000 annual performance plan.

Our objectives were to (1) assess the usefulness of the agency's plan for decisionmaking and (2) identify the degree of improvement the agency's fiscal year 2000 performance plan represents over the fiscal year 1999 plan. Our observations were generally based on the requirements of the Results Act, guidance to agencies from the Office of Management and Budget (OMB) for developing the plan (OMB Circular A-11, Part 2), our previous reports and knowledge of State's operations and programs, and our observations on State's fiscal year 1999 performance plan. Our summary report on the CFO Act agencies' fiscal year 2000 plans contains a complete discussion of our objectives, scope, and methodology.¹

¹ Managing for Results: Opportunities for Continued Improvements in Agencies' Performance Plans (GAO/GGD/AIMD-99-215, July 20, 1999).

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As agreed, unless you announce the contents of this letter earlier, we plan no further distribution until 30 days from the date of the letter. The major contributors to this report are listed in enclosure III. Please call me on (202) 512-4128 if you or your staff have any questions.

A handwritten signature in black ink that reads "Benjamin F. Nelson". The signature is written in a cursive style with a large initial 'B' and a long, sweeping tail on the 'n'.

Benjamin F. Nelson, Director
International Relations and Trade Issues

Enclosures - 3

Observations on the Department of State's Performance Plan for Fiscal Year 2000

State's fiscal year 2000¹ annual performance plan provides a partial picture of (1) intended performance across the agency, (2) the strategies and resources that will be used to achieve the performance goals, and (3) the methods it will employ to ensure the credibility of the information used to assess agency performance. For example, State's strategic goal of opening foreign markets has two areas of emphasis. However, the plan provides performance information for only one of them. Figure 1 highlights the plan's major strengths and key weaknesses that need to be addressed in future plans.

Figure 1: Major Strengths and Key Weaknesses of State's Fiscal Year 2000 Annual Performance Plan

Major Strengths

- Contains more results-oriented goals, strategies, and quantifiable measures
- Includes baseline and targets for each performance

Key Weaknesses

- Does not provide a complete performance picture for all strategic goals
- Does not sufficiently describe how resources will help achieve goals
- Does not describe efforts to verify and validate performance

The Department of State's fiscal year 2000 performance plan represents a moderate improvement over the fiscal year 1999 plan in that it shows some progress in addressing the weaknesses we identified in our assessment of that plan. In reviewing the fiscal year 1999 plan, we observed that (1) many of the goals were not clearly stated and/or extended beyond State's span of control, (2) the plan did not have baselines and targets for each performance indicator, and (3) cross-cutting issues and data limitations were not addressed. Among improvements in the fiscal year 2000 plan are the addition of baselines, targets, and quantifiable measures to gauge performance, and results-oriented goals that better capture what State can accomplish.

¹ This plan sets out the Department of State's performance targets for fiscal years 1999 and 2000. It replaces the fiscal year 1999 plan submitted in February 1998. The performance report due in March 2000 will report results against the fiscal year 1999 targets from this plan.

The Agency's Performance Plan Provides a Limited Picture of Intended Performance Across the Agency

State's plan contains results-oriented goals and quantifiable measures, including baselines and targets, for many of its performance goals. However, State's plan is incomplete in that it only partially identifies its performance goals and related performance information, contains targets or measures that are sometimes unclear, and does not identify how it plans to coordinate its activities with other agencies. Thus, this segment of the plan, although a moderate improvement over last year's plan, will be limited in assessing the agency's performance in some areas.

The performance plan identifies 19 goals, 3 diplomatic readiness and 16 strategic, with multiple areas of emphasis. For the 3 diplomatic readiness goals (human resources, information, and infrastructure and operations), State provides 15 performance "goal papers," one paper for each area of emphasis (for example, career development, systems security, and overseas facilities). The "goal papers" state the performance goal and outline the full range of objectives, strategies, external factors, and performance indicators for that performance goal. For the 16 strategic goals (for example, regional security, exports, and international crime), the plan usually presents only one illustrative goal paper for each strategic goal, even though there may be more than one area of emphasis. The plan acknowledges that absent these papers, the plan does not provide a complete picture of its planned activities for all 16 strategic goals. To illustrate, the strategic goal to open foreign markets to free the flow of goods, services, and capital, has two areas of emphasis for fiscal years 1999 and 2000. They are (1) reestablishing financial stability and economic growth in Asia, Russia, the Americas, and other areas affected by the Asian economic crisis; and (2) expanding the scope and coverage of regional and multilateral trade and investment agreements. The paper for this strategic goal only provides performance information for the second area of emphasis. State concluded in its plan that preparing goal papers for each area of emphasis would produce a performance plan with more than 600 pages. The agency indicated that it would continue to explore ways to present a more comprehensive performance plan without producing a document that is too voluminous.

Although the plan did not have a complete set of performance goal papers, the goal papers presented with the plan demonstrated that the agency generally had a clear understanding of the expected results. For example, the agency's goal to train foreign governments in the methods and techniques of combating international crime and drug trafficking includes numerical targets for enrolling foreign officials in law enforcement training programs. Further, goal papers for the strategic goals included an "outcome desired" in addition to a performance goal. The performance goal captures what State believes it can accomplish. The outcome desired provides a link between what State is doing and the broadly stated strategic goal. For example, one strategic goal is to ensure that local and regional instabilities do not threaten the security and well-being of the United States or its allies. An outcome desired is

that Great Britain, Ireland, and Northern Ireland implement the Good Friday 1998 peace agreement. The performance goal is to minimize factors inhibiting implementation of the peace agreement. The addition of an outcome desired seems appropriate in those cases where State is one of several agencies or organizations addressing an issue.

A significant improvement in this year's plan is the addition of performance measures that include a fiscal year 1998 baseline and identify target levels of performance for multiyear goals, or trend data for past performance to show how a program's anticipated performance level compares with past performance. For example, the diplomatic readiness goal for "establishing and maintaining infrastructure and operating capacities that enable employees to pursue policy objectives and respond to crisis" identifies multiyear efforts for achieving energy efficiency, renovating and constructing facilities, and replacing vehicles. In several areas, State uses quantifiable measures. In one goal paper, concerning Northern Ireland, State uses a non-quantifiable, alternative form of measurement. The alternative form includes descriptive statements of "successful," "minimally effective," and "unsuccessful" performance to assess results. For example, one measure of the success of the peace agreement is the degree to which the institutions created by the accord operate as envisioned.

In some cases, certain targets and measures need to be further clarified. For example, State has two targets/measures for achieving overseas security in fiscal year 1999—getting the embassies in Dar es Salaam, Tanzania, and Nairobi, Kenya, operational, and ensuring that "project management plans for security upgrades are at least 40 percent through their execution phase." However, since State did not define what "execution phase" means, it will be difficult to measure performance. In addition, State's goals for protecting employees in domestic facilities and enhancing overseas security contain somewhat different measures without explanation. Domestically, the measures are the number of facilities that meet security standards and the number of incidents that result in physical harm due to inadequate physical security. Overseas, the security targets do not mention meeting standards or numbers of incidents of physical harm. Further, the plan acknowledges that some of its goals will or should lead to economies and efficiencies; however, there are no indicators or targets for achieving such savings. For example, State's goal for improving its logistics acquisition system calls for expanding the use of electronic commerce. The plan notes that electronic commerce will lead to the consolidation of warehouses, however, there is no specific target for such consolidation.

In addition, the plan would be more useful if it elaborated on the many cross-cutting issues facing the agency. While the plan appropriately references other agencies involved in the achievement of the goal, it does not identify the programs that contribute to the same or similar results and planned coordination strategies. In addition, it does not include complementary performance goals and common or complementary performance measures to show how differing program strategies are mutually reinforcing. For example, the strategy for the performance goal to focus U.S. government export promotion efforts on the best

international market prospects merely states that it will work closely with the U.S. Trade Representative and the Department of Commerce to facilitate resolution of trade issues with the European Union. It does not explain what each agency will do. In addition, although the performance plan frequently mentions other agencies and organizations as partners in accomplishing these and other strategic goals, it is not always clear who will be held accountable for achieving the results.

The Agency's Performance Plan Provides a Limited Discussion of the Strategies and Resources the Agency Will Use to Achieve Its Goals

This year's plan shows a moderate improvement over last year's plan in that it more clearly describes the strategies the agency will use to achieve results. But since State did not prepare a complete set of goal papers for its 16 strategic goals, not all strategies are presented. The plan provides budget data related to the achievement of the strategic goals and each of the diplomatic readiness performance goals. However, there is limited discussion of how personnel, capital assets, and mission-critical management systems will be used to achieve results.

For those strategies contained in the goal papers, State links strategies to specific performance goals and describes how the strategies will contribute to the achievement of those goals. For example, one of State's strategic goals is to control how immigrants and nonimmigrants enter and remain in the United States. A related performance goal is to replace approximately 5.5 million border crossing cards used to enter the United States by October 1, 2001, without disrupting cross-border travel and trade. State's strategy calls for opening/expanding consulates and setting up temporary facilities to handle the additional workload, as well as working closely with the Immigration and Naturalization Service to produce the cards.

In some cases, State's planned strategies or actions need to be clarified. For example, the plan does not adequately discuss strategies for resolving visa-related management challenges identified by us and by State's Inspector General. The strategy section of the plan briefly refers to the installation of the second-generation, machine-readable visa computer system. State presents a performance goal for replacing border-crossing cards, but other management challenges associated with visa issuance, such as staffing shortages and other limitations in the consular automated systems, are not addressed. State's strategy for reducing its child abduction caseload should also be clarified. The plan establishes a fiscal year 1998 baseline of 140 child abduction cases per officer and a target of 80 cases per officer in fiscal year 1999, without explaining what it plans to do to reduce the caseload.

Attached to State's plan is a table that allocates funding from State's budget accounts for fiscal years 1998 through 2000 to all of State's strategic and/or performance goals. This represents some improvement over last year's plan, which did not provide such information. However, because the plan aggregates program activities within its accounts, it is difficult to determine how individual program activities are related to performance goals.

The plan also does not sufficiently address how human capital, proposed capital assets, and mission-critical management systems (for example, information technology, financial management, procurement, and other systems) will support the achievement of program results. In February 1999,² we reported on practices that were applied in some agencies' annual performance plans that might, if consistently applied, improve the usefulness of all agencies' performance plans. Such practices include describing the processes, technologies, and types of resources, including capital, that are needed to achieve performance goals. We also noted that useful performance plans also provide agencies with the opportunity to show how a proposed capital asset will, for example, decrease costs, improve service quality, or increase productivity. State's diplomatic readiness goals (human resources, information, and infrastructure and operations) capture what State needs to carry out its overall mission and to support other agencies in pursuing theirs. However, the plan does not provide a clear rationale for how these resources will be used to improve performance or help achieve specific performance goals. For example, the plan only loosely addresses how information technology will aid State in meeting its strategic goals, and there is no discussion of how specific information resources will do so. A second example is in the plan's discussion of overseas security. Although the plan refers to new hires and new monies, it does not describe how the current staff and existing assets will be used to achieve the security goal.

The Agency's Performance Plan Provides Limited Confidence That Agency Performance Information Will Be Credible

The agency has taken a good first step by identifying data sources and the responsible organizational unit for each indicator in the plan. However, the agency has acknowledged that it does not have good data sources across the board. In addition, the plan recognizes that known system deficiencies and data limitations will impact performance measurement but does not specifically discuss the actions planned to address these deficiencies. Thus, this segment of the plan shows little improvement over last year's plan.

Although State has improved its identification of data sources, some data sources are not specific enough to develop a methodology for verification. For example, as the plan itself

² *Agency Performance Plans: Examples of Practices That Can Improve Usefulness to Decisionmakers* (GAO/GGD/AIMD-99-69, Feb. 26, 1999).

points out, the data sources are sometimes vaguely expressed as “X report” or “Bureau X records.” After identifying the internal and external sources for performance data, the next step is to determine how best to verify and validate the data. State does not address whether there are specific efforts underway to ensure that the information is sufficiently complete, accurate, and consistent. For data that are unavailable or of questionable quality, the plan should address the implications of the quality of the data, including accuracy, reliability, and timeliness, and the cost of collection. The plan should also indicate what actions are being taken to compensate for the limitations and report when those actions will be taken.

One of State’s long-standing shortcomings has been the absence of an effective financial management system that can assist managers in making “cost-based” decisions. The plan acknowledges known deficiencies in the financial management systems and their impact on performance measurement. Among improvements in the fiscal year 2000 plan is the identification of areas of focus in financial management for the next 2 years. For example, the plan indicates that State will develop an account coding structure that will provide for resource utilization measurement by foreign affairs goal and function. State believes that implementing this new coding structure in fiscal year 2000 will enable it to integrate the Results Act (1993 Government Performance and Results Act) requirements into the strategic planning and resource allocation process.

Other Observations on the Department of State’s Implementation of Performance-Based Management

While we have not made an overall assessment of performance-based management implementation, State’s plan acknowledges that the process of managing for results, as envisioned by the Results Act, is not well entrenched. State reports that to many people the planning process appears to be a paper exercise with no connection between the plans they prepare and the budgets they receive. This perception exists at the mission level, the bureau level, and the agency level. Furthermore, the plan states that because State’s progress is influenced to a large degree by forces outside State’s control, many people believe it is unreasonable to hold them accountable for performance based on a plan. Despite these criticisms, State says that planning and managing for results continues to be a desirable goal and that it will continue to work toward achieving this goal. We agree that performance-based management presents a new way of doing things at State but are encouraged that the agency recognizes the challenge and is taking steps to address the issue.

Agency Comments

On April 13, 1999, we obtained comments from officials of State’s Office of Management Policy and Planning and the Bureau of Finance and Management Policy on a draft of our analysis of the agency’s fiscal year 2000 annual performance plan. These officials generally

Enclosure I

Observations on the Department of State's Performance Plan for Fiscal Year 2000

agreed with our analysis. However, they questioned the need for identifying the roles, responsibilities, and complementary performance goals and measures of other agencies with cross-cutting programs. They believe that adding more detailed references to other agencies goes beyond what time and resources will allow. They also requested a more explicit discussion of the requirement that the plan show how State's personnel, capital assets, and mission-critical management systems contribute to achieving performance goals. We have included additional guidance on this issue in our analysis.

Management Challenges

The following table presents management challenges confronting the agency that we and State's Inspector General have identified and describes goals and measures in State's fiscal year 2000 performance plan that address these challenges. This table shows that the performance plan includes goals and measures that address, to some extent, most of the management challenges identified.

Table II.1: Management Challenges in State's Fiscal Year 2000 Performance Plan

Management challenges	Applicable goals and measures in the fiscal year 2000 performance plan
Enhance the management of security programs for overseas personnel and property. (State's Inspector General (IG) also identified this area as a management challenge.)	None. The performance goals and measures do not specifically address the management challenges identified by GAO and the State IG regarding State's ability to implement a major security construction program and to ensure the efficient and effective use of funds. State's performance plan contains strategies for getting the embassies in Nairobi and Dar es Salaam operational and upgrading security at overseas facilities.
Year 2000 IRM problems. (State's IG also identified this area as a management challenge.)	State's goal is to ensure its infrastructure, including its information technology (IT) systems, works after December 31, 1999. The plan says that State expects to have all 59 mission-critical and 180 non-mission-critical systems Year 2000 compliant and implemented during fiscal year 1999.
Improve information security.	One goal is to keep State's IT systems and the information processed and stored in them safe from unauthorized access, change, disclosure, disruption, or denial of services. In fiscal year 1999, State plans to resolve all eight major GAO recommendations regarding computer security made in GAO's May 1998 report and conduct information security penetration testing. It expects to prevent unauthorized access by independent testers 100 percent of the time. Another goal is to ensure that all classified and sensitive information at overseas and domestic facilities is safeguarded from physical and technical compromises. State anticipates that no incidents involving the compromise of classified information will occur in fiscal years 1999 and 2000 (as was the case in fiscal year 1998). It also anticipates accelerating its security clearance update schedule for State's U.S. direct-hire employees.
Modernize IT capabilities utilizing the planning and investment process called for in federal guidance. (State's IG also identified this area as a management challenge.)	State's goal is to make modern, integrated IT accessible to all employees. Although the performance plan states how it will upgrade IT capability, primarily through ALMA (a logical modernization approach) deployment and compliance with ALMA standards, it does not address how State plans to use the planning and investment process called for in federal guidance.
Improve the visa processing system, streamline and rationalize visa workloads, and reduce the incidence	None. No goals specifically address issues identified by GAO and the IG, such as unfilled computer hardware

Enclosure II
Management Challenges

Management challenges	Applicable goals and measures in the fiscal year 2000 performance plan
<p>of fraud.</p> <p>(State's IG also identified this area as a management challenge.)</p>	<p>and software requirements, insufficient staffing overseas, and inadequate interagency coordination. However, the plan does include a performance goal aimed at decreasing the vulnerability to illegal entries. This goal is to replace approximately 5.5 million border-crossing cards by October 1, 2001, without disrupting cross-border travel and trade.</p>
<p>Improve financial management.</p> <p>(State's IG also identified this area as a management challenge.)</p>	<p>State's goal is to have financial and accounting systems that meet internal and external financial management and programmatic requirements. State also plans to upgrade its central financial management system, develop a regional financial management system, develop a financial account code structure, improve interfaces, implement systems changes/enhancements to meet standards, and correct material weakness during fiscal years 1999 and 2000.</p>
<p>Manage the reorganization of foreign affairs agencies.</p> <p>(State's IG also identified this area as a management challenge.)</p>	<p>State's goal relating to reorganization is to integrate the Department of State, the U.S. Information Agency, (USIA), and the Arms Control and Disarmament Agency, (ACDA), into a single institution. The performance plan did not list any indicators or targets for this effort because of the number of aspects involved in the reorganization. The plan referred to State's reorganization plan and report submitted to Congress in December 1998 for details on the implementation of the Foreign Affairs Reform and Restructuring Act of 1998, including milestones.</p>
Other areas identified by State's IG	Applicable goals and measures in the fiscal year 1999-2000 performance plan
<p>Assess the adequacy of training and preparation for both Foreign Service and Civil Service personnel, and handle staffing shortages, particularly in areas of consular operations, security, and information management.</p>	<p>State plans to (1) create a Department-wide, integrated workforce plan, that will include USIA and ACDA and that will determine the size, distribution, composition, and recruitment needs of its U.S. workforce through 2010, and (2) ensure State is staffed with a fully skilled workforce and is ready to handle the surge in "baby boomer" retirements without a disruption in its work.</p> <p>State plans to complete and issue the workforce plan in fiscal year 1999, and develop and implement a hiring plan in fiscal year 2000. It also plans to increase the number of information management specialist positions for both fiscal years 1999 and 2000 and plans to increase the number of Foreign Service positions in four global bureaus during fiscal years 1999 and 2000. To ensure a fully skilled workforce, State plans to increase participation in leadership and management courses during fiscal years 1999 and 2000 and to make assignments on a more timely basis.</p>

Major Contributors

GAO Contacts

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In addition to the contact named above, Diana M. Glod, Edward D. Kennedy, La Verne G. Tharpes, Ronald L. Hess, and Linda P. Garrison made key contributions to this product.

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