

GAO

Report to the Subcommittee on Oversight
of Government Management, the Federal
Workforce and the District of Columbia,
Committee on Homeland Security and
Governmental Affairs, U.S. Senate

July 2009

**STATE
DEPARTMENT**

**Key Transformation
Practices Could Have
Helped in
Restructuring Arms
Control and
Nonproliferation
Bureaus**



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Highlights of [GAO-09-738](#), a report to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate.

Why GAO Did This Study

In 2004, the Department of State (State) Inspector General (IG) concluded that State’s three-bureau structure for conducting arms control and nonproliferation policy did not adequately address post-September 11 challenges, including possible terrorist use of weapons of mass destruction. The IG also noted that State had yet to formalize the responsibilities of the three bureaus in its Foreign Affairs Manual (FAM), which sets out agency organization and functions. Between late 2005 and early 2006, State created a new two-bureau structure to better address these issues and improve efficiency

GAO was asked to assess the extent to which State addressed (1) the objectives of its 2005-2006 reorganization and (2) key reorganization practices. For this effort, GAO reviewed State documents pertaining to the reorganization and staffing data for the affected bureaus in the periods before and after the reorganization and interviewed former and current State officials in Washington, D.C.

What GAO Recommends

GAO recommends that State (1) formally delineate in the FAM the roles of the two new bureaus and (2) direct that key transformation practices and steps be incorporated into the FAM. State agreed with our conclusions and recommendations and the Undersecretary for Management has directed that GAO’s key practices be adopted by State when undertaking organizational changes.

To view the full product, including the scope and methodology, click on [GAO-09-738](#). For more information, contact Joseph Christoff, at 202-512-8979 or christoffj@gao.gov.

STATE DEPARTMENT

Key Transformation Practices Could Have Helped in Restructuring the Arms Control and Nonproliferation Bureaus

What GAO Found

State cannot demonstrate that the 2005-2006 restructuring of its Nonproliferation, Arms Control, and Verification and Compliance bureaus achieved all of its objectives because it did not clearly define the objectives and lacked metrics to assess them. State’s objectives were to enable it to better focus on post - September 11 challenges; reduce bureaucratic inefficiencies and top-heavy management; and eliminate overlap. State sought to achieve its first objective by creating new offices and roles to address terrorism and counterproliferation issues. To meet its second objective, State merged three bureaus having 30 offices and functions into two bureaus having 26 offices and functions and freed up staff slots for these new roles, but problems with workload mismatches persisted after the reorganization as State employees noted it left some offices overworked and some offices underworked. State cannot demonstrate that it met its third objective, reducing top-heavy management, as its goals were undefined. Although it reduced the number of senior executives from 27 to 20 and reduced office directorships, the overall number of higher-ranking employees increased from 91 to 100 and executive office staff increased from 44 to 50. Moreover, concerns about mission overlap persist, in part because bureau roles remain undefined in the FAM.

State’s reorganization addressed few of the key practices for organizational mergers and transformations that GAO developed in 2002. These practices are found to be at the center of successful mergers and transformations. As illustrated below, State generally addressed one key practice, partially addressed two, and did not address the remaining five. For example, State did not address establishing coherent mission and strategic goals because it did not define an end state with measurable goals, nor did it devise a means to gauge progress toward such goals or assess the results of actions taken. As a result, State lacks reasonable assurance that the reorganization achieved its objectives or that it can identify any lessons learned.

Extent to Which State’s 2005-2006 Bureau Reorganization Addressed Key Practices for Organizational Transformations and Mergers

Practice	Addressed?
Ensure top leadership drives the transformation	<input checked="" type="radio"/>
Dedicate an implementation team to manage the transformation process	<input type="radio"/>
Establish a communications strategy to create shared expectations and report progress	<input type="radio"/>
Involve employees to gain their ideas, as well as ownership over the transformation	<input type="radio"/>
Focus on a set of key principles and priorities at the outset of the transformation	<input type="radio"/>
Set implementation goals and a timeline to build momentum and show progress from day one	<input type="radio"/>
Establish a coherent mission and integrated strategic goals to guide the transformation	<input type="radio"/>
Use the performance management system to define responsibility and assure accountability for change	<input type="radio"/>

Generally addressed Partially addressed Not addressed

Source: GAO.

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Abbreviations

AC	Bureau of Arms Control
ACDA	Arms Control and Disarmament Agency
AFSA	American Foreign Service Association
CBW	chemical and biological weapons
DAS	Deputy Assistant Secretary of State
FAM	Foreign Affairs Manual
FSO	Foreign Service Officer
FO	Foreign Officer
GS	General Schedule
FTE	full-time equivalent
HR	Bureau of Human Resources
NP	Bureau of Nonproliferation
IG	Office of Inspector General
ISN	Bureau of International Security and Nonproliferation
PDAS	Principal Deputy Assistant Secretary of State
PSI	Proliferation Security Initiative
SMP	Senior Management Panel
SES	Senior Executive Service
T	designation of the bureaus reporting to the Undersecretary of State for Arms Control and International Security (T)
WMD	weapons of mass destruction
VC	Bureau of Verification and Compliance
VCI	Bureau of Verification, Compliance and Implementation

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United States Government Accountability Office
Washington, DC 20548

July 15, 2009

The Honorable Daniel K. Akaka
Chairman
The Honorable George V. Voinovich
Ranking Member
Subcommittee of Oversight of
Government Management, the Federal
Workforce, and the District of Columbia
Committee on Homeland Security
and Governmental Affairs
United States Senate

The United States has negotiated numerous arms control and nonproliferation treaties and agreements over the past 40 years, with the Department of State (State) playing a major role in the process. In December 2004, State's Office of Inspector General (IG) reported that the April 1999 integration of the Arms Control and Disarmament Agency (ACDA) into State had produced a three-bureau structure—the bureaus of Arms Control (AC), Nonproliferation (NP), and Verification and Compliance (VC)—to deter the spread of weapons of mass destruction (WMD) and further U.S. arms control objectives. According to the IG, however, this arrangement did not meet post-September 11, 2001, challenges, and unclear lines of authority, uneven workload, and unproductive competition impeded the three bureaus.¹ Among other things, the IG recommended merging the bureaus of Arms Control and Nonproliferation. Between July 2005 and March 2006, State undertook the reorganization of its arms control bureaucracy to address both IG concerns and a number of security challenges and priorities that had risen after the September 11 terrorist attack. The Secretary of State merged the Arms Control and Nonproliferation Bureaus into the new Bureau of International Security and Nonproliferation (ISN) and expanded the functions of the Verification and Compliance Bureau, renaming it the Bureau of Verification, Compliance and Implementation (VCI). The former Undersecretary of State for Arms Control and International Security characterized the reorganization as an effort to refocus the

¹Together with the Bureau of Political-Military Affairs, these bureaus are collectively referred to as the T bureaus as they all report to the Under Secretary of State for Arms Control and International Security, whose office designation is T.

bureaus on contemporary nonproliferation threats, rather than on past threats such as nuclear confrontation with the former Soviet Union. In January 2009, the Secretary of State announced at her nomination hearing that the new administration placed high importance on the missions of these bureaus and intended to review their organizational and staffing requirements before making a decision to reorganize further.

In this requested report, we examine the extent to which State addressed (1) the objectives of its 2005-2006 reorganization and (2) key transformation practices GAO has developed for organizational transformations and mergers.² To address these objectives, we reviewed State IG reports that recommended the reorganization and examined relevant State personnel standards, applicable policies, and other documents related to the planning, implementation, and review of this reorganization. We met with directors of the current arms control bureaus and with past and present State officials involved in the reorganization, including all of the officials assigned to the senior management panel that designed and implemented the reorganization. We also met with officials from State's Human Resources and Management bureaus and examined State workforce allocations, staffing patterns, and promotion and attrition data for the affected bureaus from periods before and after the reorganization. We applied GAO's criteria for key organizational transformation and merger practices to assess how State addressed them in the reorganization. Furthermore, we reviewed various State documents—including draft descriptions of bureau missions and functions, memorandums, and e-mails—with guidance on the restructuring process and criticisms of it, and a study of the new bureaus' workforce conducted shortly after the reorganization.

We conducted this performance audit from September 2008 to July 2009 in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Appendix I provides a more detailed description of our scope and methodology.

²See GAO, *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, [GAO-03-669](#) (Washington, D.C.: July 2, 2003).

Results in Brief

State cannot demonstrate that the 2005-2006 restructuring of its Nonproliferation, Arms Control, and Verification and Compliance bureaus achieved all of its objectives because State did not clearly define the objectives and lacked metrics to assess them. State's objectives, as notified to Congress, were to restructure these bureaus to (1) focus on emerging challenges in the post-September 11 world, (2) combine related offices to reduce bureaucratic inefficiencies, (3) reduce top-heavy management, and (4) eliminate overlap among the bureaus. State sought to achieve its first objective by merging the Arms Control and Nonproliferation Bureaus into the new International Security and Nonproliferation Bureau and by creating new offices and roles within that bureau, thus highlighting new or priority security threats. For example, State designated a Principal Deputy Assistant Secretary (PDAS) for Counterproliferation Issues in ISN and created new offices to address WMD terrorism and missile proliferation. To address its second objective, State reduced the number of offices and functions by combining 30 offices and functions of the 3-bureau structure into 26 offices and functions under the 2 new bureaus. However, it cannot demonstrate whether the reductions resolved the bureaucratic inefficiencies cited as one justification for the reorganization because it had not established goals or identified specific inefficiencies. For example, State employees claimed that the workload mismatches identified as inefficiencies in the 2004 State IG report persisted after the reorganization as it left some former NP offices overworked and some former AC offices under worked. To address its third objective, State reduced the number of management positions at the office director level and reduced the number of senior executive positions from 27 to 20 by 2008, but it cannot demonstrate whether this reduced the overall number of management and administrative personnel in the absence of a goal that identified the ranks or positions to be eliminated. For example, State increased the number of Foreign Service officers and some of the civil servants with ranks just below the senior level—but who fill some of the same management positions as senior executives—from 64 to 80 by 2008, and did not reduce the size of the offices providing administrative support for the ISN and VCI bureaus.³ Further, State's restructuring does not appear to have addressed its fourth objective of eliminating overlap among the bureaus' missions and issues. According to a May 2006 study, employees cited numerous instances of

³T bureau office directorships and other management positions are usually filled by Foreign Officer (FO)-1s and above in the Foreign Service, or by General Schedule (GS)-15s and above in the civil service. However, not all FO-1s and GS-15s hold management positions in the T bureaus.

mission overlap between the two new bureaus immediately after the reorganization, some similar to those they had noted among the three bureaus before the reorganization.⁴ In April 2009, several State officials from the ISN and VCI bureaus told us that concerns about overlap remain. The State Inspector General had noted in 2004 that State's failure to clearly delineate the roles and responsibilities of the three bureaus in the Foreign Affairs Manual⁵ (FAM) may have contributed to overlap and confusion about roles and responsibilities before the reorganization.⁶ Although State notified Congress in June 2008 that these omissions would be rectified, it has not yet modified the manual.⁷

When it reorganized its Nonproliferation, Arms Control, and Verification and Compliance bureaus in 2005 and 2006, State addressed few of the key practices that we have identified for transforming organizations. If State had addressed more of these key practices, it might have avoided some of the problems cited above. State's approach to the 2005-2006 reorganization generally addressed one key practice, partially addressed two additional practices, but did not address five others. Key practices include (1) ensuring that top leadership drives the reorganization, (2) dedicating an implementation team to manage the process, (3) involving employees from the beginning, and (4) focusing on and establishing a coherent mission and

⁴James Michel and William I. Bacchus, *Workforce Allocation and Career Development in the Bureaus Reporting to the Under Secretary of State for Arms Control and International Security* (Washington, D.C.: May 31, 2006).

⁵State's FAM defines the organization and function of bureaus in the department but makes no reference to the roles and responsibilities of the Bureaus of International Security and Nonproliferation and Verification, Compliance and Implementation. The State IG noted in 2004 that updating the FAM to include the Arms Control, Nonproliferation, and Verification, Compliance and Implementation bureaus was important as the FAM serves as the ultimate arbiter of the roles and responsibilities of each bureau and office.

⁶U.S. Department of State and the Broadcasting Board of Governors, Office of Inspector General, Report of Inspection, *The Bureau of Arms Control*, Report Number ISP-I-05-49 (Washington, D.C.: Dec. 2004).

⁷Response to Question for the Record Submitted to Principal Deputy Assistant Secretary Patricia McNerney and Deputy Assistant Secretary Linda Taglialatela by Senator Carl Levin (#1), Senate Committee on Homeland Security and Governmental Affairs, June 6, 2008 (Senate Hearing 110-679). See www.gpo.gov.

integrated strategic goals.⁸ For instance, State generally addressed the practice calling for leadership to drive the process because two successive Secretaries of State signed memos authorizing the merger of the two bureaus. State partially addressed the practice of dedicating an implementation team to manage the process by establishing a senior management panel to manage the reorganization. However, none of the panel's members had any experience or knowledge of the many complex tasks associated with such reorganizations. State did not address the practice of involving employees in the process; for example, the senior management panel did not include career officials. Only in response to employee concerns was a career official appointed to the panel. State also did not address the practice of establishing coherent mission and strategic goals because it did not establish a strategic plan or results-oriented reporting framework that defined an end state with clear and measurable goals, nor did it devise a means to gauge progress toward such goals or assess the results of actions taken. State's approach to the reorganization was unsystematic and State's FAM does not address the use of these practices. As a result, State lacks reasonable assurance that the reorganization achieved its objectives or that it can identify any lessons learned.

We are recommending that the Secretary of State address the overlapping and unclear roles and responsibilities in the Bureau of International Security and Nonproliferation and the Bureau of Verification, Compliance, and Implementation—and fulfill a pledge made to Congress—by formally delineating the roles and responsibilities of each bureau in the Foreign Affairs Manual. We also are recommending that the Secretary of State issue written guidance to direct that the key practices and steps associated with successful organizational mergers and transformations are incorporated into the FAM.

In written comments on a draft of this report, State agreed with our conclusions and recommendations. State indicated it will delineate the roles and responsibilities for the ISN and VCI bureaus and add them to the

⁸Other key practices are establishing coherent mission and integrated strategic goals, dedicating an implementation team to manage the process, using the performance management system to define managers' responsibility and accountability, and establishing a comprehensive strategy to ensure good communication between management and employees. For more detail on these key practices, see *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, [GAO-03-669](#) (Washington, D.C.: July 2, 2003).

FAM. Moreover, the Undersecretary for Management has directed that GAO's key practices be adopted by State when undertaking organizational changes. State's comments are included in appendix V.

Background

State assumed direct responsibility for arms control, nonproliferation, and disarmament issues when the Foreign Affairs Reform and Restructuring Act of 1998 abolished ACDA and transferred its functions to the Department of State, which in turn established two new State bureaus—the bureaus of Arms Control and Nonproliferation—headed by a new Undersecretary for Arms Control and International Security (the Undersecretary).⁹ Once these bureaus were established in April 1999, they were combined with State's existing Bureau of Political-Military Affairs to form a new "T family" of bureaus. Subsequently in 2000, due to congressional concerns regarding effective verification of and compliance with arms control agreements, part of the Bureau of Arms Control became a separate Bureau of Verification and Compliance.¹⁰

In 2004, the State IG began reviews of the three new bureaus to examine the effectiveness of ACDA's incorporation into State and the performance and interaction of the T bureaus.¹¹ The IG found that the organizational structure did not meet current needs and was marked by unclear lines of authority, unproductive competition among offices, and uneven workloads. The IG also found that the management structure of the three bureaus was top-heavy, resulting in poor promotion prospects for junior civil service staff and the difficulty of attracting Foreign Service Officers (FSOs). The IG noted that State had yet to agree upon language formalizing the responsibilities of the three bureaus in its FAM 5 years after the merger. The IG recommended that the Secretary of State, in

⁹This Act also resulted in the State's incorporation of the U.S. Information Agency. Public Law 105-277, sections 1211, 1212 (codified at 22 U.S.C. 6511, 6512).

¹⁰See Div. B, sec. 1112 of the Admiral James W. Nance and Meg Donovan Foreign Relations Authorizations Act, FYs 2000, d 2001, incorporated as Appendix G to P.L. 106-113, the Consolidated Appropriations Act, 2000.

¹¹The three reports detailing the IG's findings were completed and submitted to State for comment in August 2004, but were not published until December 2004. In the fall of 2004, the IG also conducted a review of the Bureau of Political-Military Affairs; however, this review did not result in a recommendation to alter the bureau's structure. U.S. Department of State and the Broadcasting Board of Governors, Office of Inspector General, Report of Inspection, *Bureau of Political-Military Affairs*, Report Number ISP-I-05-03 (Washington, D.C.: Mar. 2005).

coordination with the Undersecretaries for the Management and T bureaus (1) form a task force to oversee the merger of AC and NP into a single bureau to improve the policymaking process; and (2) restructure the VC bureau into a smaller specialized entity better able to focus on its core mission.

In response, State established a task force in August 2004 to evaluate the T bureaus' organizational structure, recommend changes if necessary, and prepare a strategy for implementing structural changes. However, according to a senior State official, the task force disbanded without agreeing on a course of action. Nevertheless, the outgoing Secretary of State approved the merger in December 2004. He deferred the implementation of the merger until his successor could review the matter. The new Secretary reaffirmed the decision in February 2005 but deferred the matter until the Senate confirmed a new Undersecretary of State for Arms Control and International Security in May 2005.

On July 29, 2005, State presented a proposed structure to Congress showing how the Arms Control and Nonproliferation bureaus would be merged into a new international security and nonproliferation bureau. The proposed new structure was put together by the new Undersecretary. It shifted significant responsibilities for implementing arms control agreements to the newly expanded and renamed Bureau of Verification, Compliance and Implementation. On September 12, 2005, the Undersecretary announced the establishment of the new International Security and Nonproliferation Bureau and the creation of a Senior Management Panel (SMP) to implement the merger, consisting of the three principal deputy assistant secretaries from the Arms Control, Nonproliferation, and Verification and Compliance bureaus, plus the U.S. Representative to the Conference on Disarmament, based in Geneva, Switzerland.¹²

On September 28, 2005, the SMP sent an e-mail and memo to staff summarizing the reorganization procedures and designating acting office directors to lead the new bureau. From October through December 2005, the SMP carried out other actions, including the preparation of final position and mission descriptions and the final placement or "crosswalk"

¹²State's Foreign Affairs Manual states that Assistant Secretaries are usually in charge of leading bureaus; however, at the time of the reorganization, only the Bureau of Political-Military Affairs had an Assistant Secretary. The SMP was assisted by a small support staff.

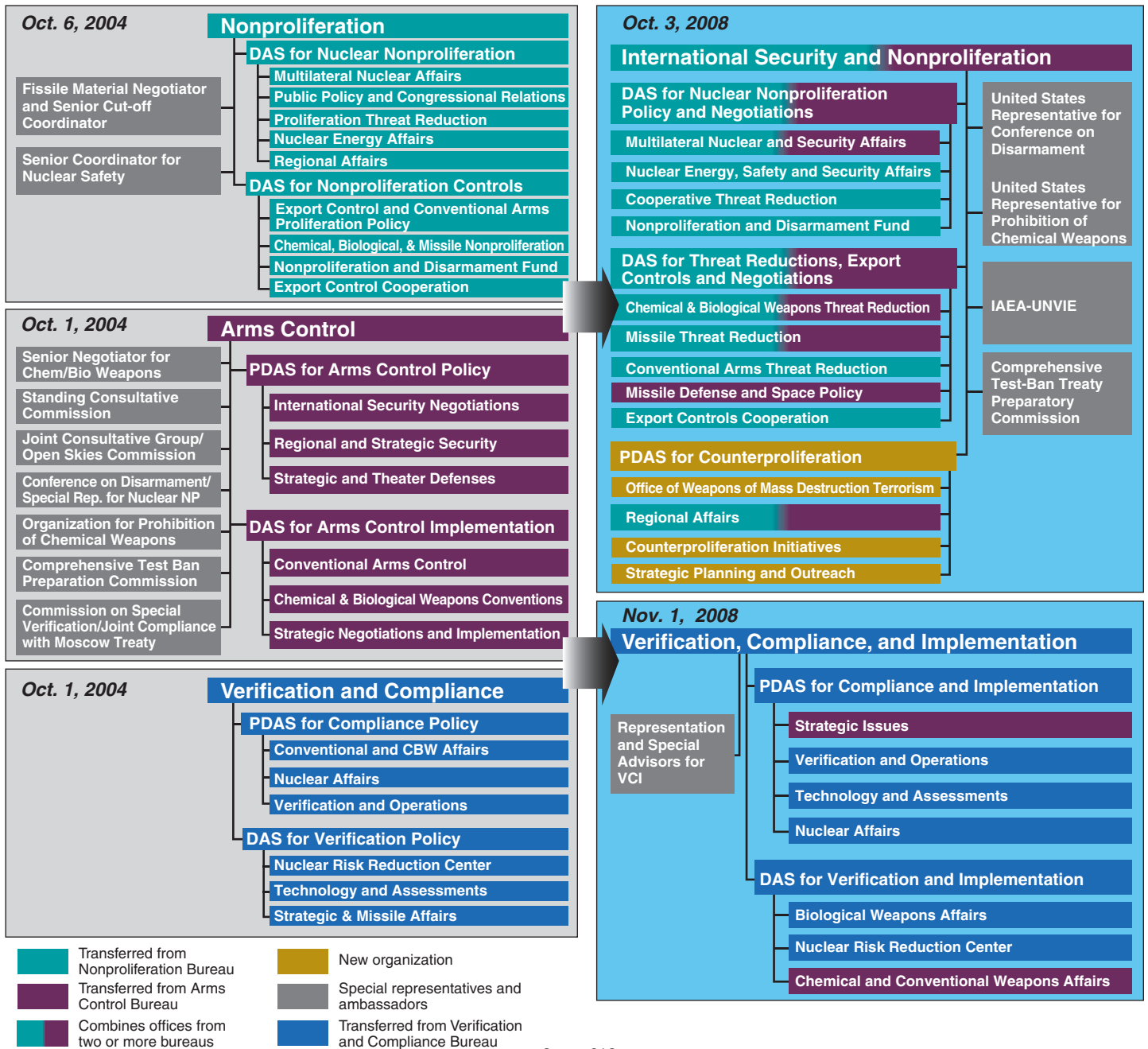
of AC and NP bureau staff to their new positions in the ISN bureau in November 2005. The SMP was disbanded by January 2006 but only after the reorganization had substantively ended. The reorganization of the VCI bureau was finalized by March 2006. The reorganization affected 440 employees distributed among 30 offices and functions in 3 bureaus.¹³

State Cannot Demonstrate That It Achieved the Objectives of Its 2005-2006 Reorganization

Although State restructured the bureaus to better focus on post-September 11 challenges and priorities and combined related offices to streamline staff, it cannot demonstrate that it reduced inefficiencies and top-heavy management or that it eliminated mission overlap among the offices. Moreover, the reorganization failed to accomplish other goals that State officials said they hoped to achieve. Figure 1 shows how State organized its T bureaus before and after the reorganization, where it moved or combined old offices, and where it created new offices.

¹³A fourth T bureau, Political-Military Affairs, transferred a small number of positions as part of the reorganization. In return, State transferred some AC and NP positions to the Political-Military Affairs bureau.

Figure 1: State's T Bureaus before and after the Reorganization



Note: The figure excludes the four offices associated with the administrative functions for the T bureaus as a whole (the Executive Office and the Offices for Personnel [renamed the Office of Human Resources], Budget General Services, and Resource Management). These offices were in the NP bureau in 2004 and in the ISN bureau as of 2008.

^aCBW: conventional and biological weapons.

^bIAEA-UNVIE: International Atomic Energy-United States Mission to International Organizations in Vienna.

^cThe VCI chart excludes the Office of Missile Defense and Space Policy, which was transferred to ISN in June 2007.

State Restructured Bureaus to Focus on Post-September 11 Challenges

State restructured key AC and NP offices and created new offices to better focus State's efforts on post-September 11 challenges, such as interdicting illicit shipments of weapons of mass destruction (WMD) technology and increasing attention on WMD terrorism and threat reduction programs. For example, State designated a Principal Deputy Assistant Secretary (PDAS) for Counterproliferation Issues in ISN and created three new offices:

- The Office of Counterproliferation Initiatives was to take the lead in developing, implementing, and improving Proliferation Security Initiative (PSI)¹⁴ and other efforts to interdict or deny shipments of WMD and their delivery systems.
- The Office of Weapons of Mass Destruction Terrorism was to develop policy guidance and a diplomatic strategy. State officials noted that this office was created to address as an emerging challenge the need to counter the efforts of terrorists actively seeking weapons of mass destruction. In February 2006, the Undersecretary testified that this office would help bridge a gap between the government's traditional state-focused WMD counterproliferation efforts and the focus of its antiterrorist intelligence efforts on individuals and groups. The PDAS of ISN stated in 2008 that this office also helped create the Global Initiative to Combat Nuclear Terrorism, which works to develop counterproliferation and interdiction capabilities in other governments.

¹⁴GAO issued a report on the Proliferation Security Initiative, launched by the President in 2003 to enhance U.S. efforts to prevent the spread of weapons of mass destruction. The report noted that the administration has yet to direct U.S. agencies to take actions to strengthen PSI activities, establish clear PSI structures, submit a required budget report to Congress, or take other steps to specify how it has addressed or will address previous GAO recommendations, such as calling for better performance measures consistent with internal controls, or other provisions called for in the law. See GAO, *Nonproliferation: U.S. Agencies Have Taken Some Steps, but More Effort Is Needed to Strengthen and Expand the Proliferation Security Initiative*, [GAO-09-43](#) (Washington, D.C.: Nov. 10, 2008).

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- The Office of Strategic Planning and Outreach, in part, was to address a perceived gap in the ability of the T bureaus to innovatively address future threats, identify emerging proliferation threats, and develop a coordinated and strategic counterproliferation response. For example, the Undersecretary described the need to develop new ways to assess and counter the proliferation challenges posed by black markets, front companies, and global terrorist networks.

In addition, State merged existing offices to reflect the greater priority it placed on these post-September 11 challenges, according to State's July 2005 notification to Congress. For example, State merged offices from two bureaus to form the Office of Chemical and Biological Weapons Threat Reduction, which would lead new ISN efforts to prevent states or other entities from pursuing, using, or proliferating WMD weapons and their technology. State similarly merged two existing offices to form the Office of Missile Threat Reduction to take the lead in implementing policies and programs to counter the proliferation of ballistic and cruise missiles capable of delivering weapons of mass destruction and better coordinate these efforts with overall counterproliferation efforts.

Combining Related Offices May Not Have Reduced Bureaucratic Inefficiencies

State reduced the number of offices and functions assigned to the affected bureaus, but cannot demonstrate how the merger reduced bureaucratic inefficiencies or redressed uneven workloads. Combining functionally compatible offices to streamline staff and reduce bureaucratic inefficiencies was the second objective of the reorganization. State documents and officials noted that State expected this reorganization would streamline and refocus these offices, make them operationally more effective, free up personnel resources, and make them available for higher priority missions.

State Reduced the Overall Number of Offices and Functions Assigned to the Reorganized Bureaus but Did Not Reduce Overall Staff Levels

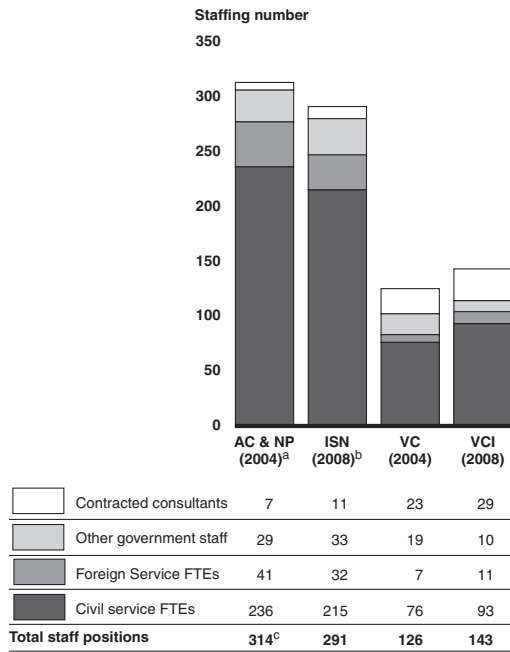
Overall, State combined 30 offices and functions present in the three-bureau structure into 26 offices and functions present under the new two-bureau structure. In particular, the merger of the AC and NP bureaus into the new ISN bureau resulted in an organization with fewer offices, functions, and staff. The reorganization consolidated 24 issue-related offices and functions present in the two old bureaus into 17 issue-related offices and functions in the new bureau. State also succeeded in slightly reducing its overall personnel positions in these bureaus. In October 2004, the AC, NP, and VC bureaus had a total of 440 staff positions; by November 2008, the ISN and VCI bureaus had a total of 434 staff positions. The reorganization affected four types of personnel positions: (1) civil service full-time equivalents (FTEs), which are positions funded by the

bureau in which they are located; (2) Foreign Service FTEs; (3) other government staff (that is, personnel not directly funded by the bureaus such as detailees from other State bureaus, other government agencies, the armed services, and interns); and (4) contracted employees.

In 2004, the AC and NP bureaus had a total of 314 staff positions. By 2008, after they had merged to form the new ISN bureau, that total had decreased to 291 staff positions. As depicted in figure 2, the new total reflects changes in the numbers and composition of the staff positions available to ISN, with declines in the number of civil service FTEs, Foreign Service FTEs, and other government staff, but a slight increase in the number of contracted employees.¹⁵

¹⁵Staffing profiles for 2008 identify 7 of the 14 ISN consultants as issue area specialists; it lists the other seven as administrative or human resource consultants in the ISN executive office

Figure 2: Affected T Bureaus' Staff Positions by Service and Bureau, before and after the 2005-2006 Reorganization



Source: GAO analysis of State staffing profiles.

Note: Other government staff are personnel not directly funded by the bureau to which they are presently assigned. This category includes detailees from other State bureaus and agencies, military personnel, and interns. With the exception of staff from the Political-Military Affairs Bureau, directly funded employees from one T bureau on detail with another T bureau are excluded from this category to avoid double-counting.

^aThe 2004 AC & NP total includes 44 staff for AC/NP/VC executive office functions.

^bThe 2008 ISN total includes 50 staff for ISN/VCI executive office functions.

^cThe 2004 total includes one vacant FTE position that State had yet to determine to fill with a Foreign Service or civil service employee at the time the staffing profile was compiled.

The reductions resulting from the merger of the AC and NP bureaus into the ISN bureau were largely offset by the augmented roles and increased staff given to the old VC bureau. According to State officials, Congress had made its acceptance of the new two-bureau structure conditional upon the transfer of some offices and duties to the newly expanded and renamed Bureau of Verification, Compliance and Implementation.

The VC Bureau's PDAS for Compliance Policy was re-designated as PDAS for Compliance and Implementation; moreover, the VC bureau's Deputy Assistant Secretary (DAS) of State for Verification Policy was re-designated the DAS for Verification and Implementation. The number of offices and functions reporting to these officials initially rose from six to

nine. This was in part due to State's decision to shift responsibility for implementing strategic arms control agreements with the former Soviet Union, such as the Conventional Forces in Europe treaty and the Strategic Arms Reduction Talks, to VCI. According to a State announcement, the expanded VCI bureau enhanced State's ability to verify and ensure full compliance with arms control and nonproliferation commitments. As part of this shift, VCI incorporated four additional offices and functions from the AC bureau to create the VCI Office of Chemical and Conventional Weapons Affairs, the Office of Strategic Issues, and the Office of Missile Defense and Space Policy. The latter office was transferred to ISN in June 2007, and the total number of VCI offices and functions dropped from nine to eight.

As a result of these changes, total staff positions increased from 126 under the old VC bureau to 143 under the new VCI bureau. As depicted in figure 2 above, the new total reflects changes in the numbers and composition of the staff positions available to VCI, with increases in the number of civil service and Foreign Service FTE positions, and in contracted consultant positions, and decreases in the number of other government staff positions. See appendix II for additional details on T Bureau staffing profiles before and after the reorganization.

State Cannot Demonstrate That It Reduced Bureaucratic Inefficiencies as Problems Persisted after the Reorganization

While State achieved a reduction in the number of offices and functions, it cannot demonstrate that these reductions resolved the bureaucratic inefficiencies cited as one justification for the reorganization. State did not define what constituted bureaucratic inefficiencies, nor did it determine how reductions in the number of offices or personnel would improve efficiency.¹⁶ Moreover, State did not establish targets or goals by which progress toward achieving reductions in inefficiencies could be measured. In contrast, State officials and documents show that some inefficiencies identified before the reorganization, such as mismatched or uneven workloads, persisted afterward and may have grown worse.

Some State officials contend that the reorganization addressed bureaucratic inefficiencies. A senior official involved in the reorganization stated that the merger reduced issue overlap, clarified office missions, and streamlined staffing. He noted that the reorganization (1) reduced the

¹⁶The notification did assert that the proposed merger of the NP Nuclear Energy Office and the NP Office of the Senior Coordinator for Nuclear Safety into the ISN Office of Nuclear Energy, Safety, and Security was one example of how the reorganization would reduce inefficiencies.

number of offices focused on furthering strategic arms limitations talks with the Russians from 3 offices with 22 personnel to 1 office with 4 personnel, and (2) consolidated responsibilities for multilateral arms control issues into one office and reduced the number of staff dedicated to these issues from 28 to 18.

Nevertheless, workload mismatches persisted after the reorganization. For example, the 2004 IG reports noted that NP staff were overworked, the VC bureau believed it needed more staff, and some in the AC bureau were embarrassed at their light workload. A post-reorganization review conducted for State in 2006 by two consultants found three former NP offices with continuing heavy workloads.¹⁷ Moreover, the review noted that many staff believed the AC offices transferred to VCI remained underworked. According to some SMP officials and employees interviewed after the reorganization, transferring these AC offices to VCI did not relieve the heavy workloads of some of the NP offices transferred to ISN. Instead, the reductions in staff available to ISN to address the undiminished workloads of preexisting missions, combined with the new workloads imposed by the new counterproliferation missions, and the reprogramming of resources increased the workload burden on ISN staff, according to the review and State officials.

Absent Clearly Defined Goals, State Cannot Demonstrate That It Achieved Its Objective of Making Management Less Top-heavy

In its July 2005 notification to Congress, State noted as its third objective that the merger would reduce top-heavy management. For example, the plan envisioned trimming the AC and NP bureaus' front offices and limiting the ISN bureau to two Deputy Assistant Secretaries and one PDAS. Our analysis of State staffing profiles shows that State succeeded in reducing the number of PDAS and DAS positions from 4 to 3, and the number of office director positions and special representatives from 24 in AC and NP in 2004 to 17 in ISN in 2008. However, in the absence of (1) a definition of what constituted top-heavy management, and (2) measurable goals that identified the number and ranks of the positions to be reduced or eliminated, State cannot demonstrate whether these actions achieved this objective.

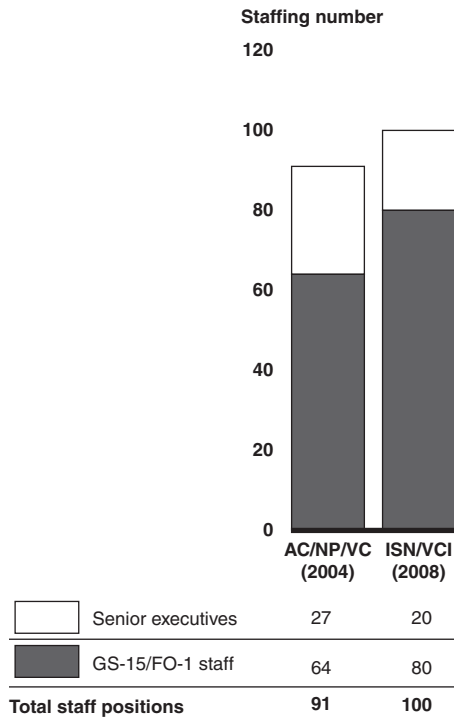
Given the ambiguous nature of this objective, the results of the reorganization can be interpreted differently. For example, while the

¹⁷These are the offices of Conventional Arms and Threat Reduction, Export Controls Cooperation, and Nonproliferation and Disarmament Fund.

number of Foreign Service and civil service senior executives in the affected bureaus decreased from 27 in 2004 to 20 in 2008, the number of Foreign Service positions and civil servant positions with ranks just below the senior level increased from 64 in 2004 to 80 in 2008.¹⁸ These officials, Foreign Service Officer (FO)-1s in the Foreign Service and General Schedule (GS)-15s in the civil service, fill some of the same management positions held by the senior executives. Overall, the total number of staff with a rank of FO-1 and above in the Foreign Service and GS-15 and above in the civil service increased from 91 in 2004 to 100 by 2008. While not all GS-15s and FO-1s hold management or supervisory positions in the bureaus affected by the reorganization, State cannot demonstrate whether the changes in the number and positions of the employees holding these ranks helped it reduce top-heavy management. Figure 3 depicts how the total number of staff with a rank of FO-1 and above in the Foreign Service and GS-15 and above in the civil service increased from 91 in 2004 to 100 by 2008.

¹⁸T bureau office directorships and other management positions are usually filled on a permanent basis by FO-1s or Senior Foreign Service officials in the Foreign Service and by GS-15s or Senior Executive Service officials in the civil service

Figure 3: Affected T Bureaus' Higher Staff Positions by Grade, before and after the 2005 Reorganization



Source: GAO analysis of State staffing profiles.

Moreover, while State reduced the number of front office staff working directly for the assistant secretaries, deputy assistant secretaries and principal deputy assistant secretaries from 49 in AC, NP, and VC in 2004 to 37 in ISN and VCI by 2008, State officials involved in the 2005-2006 reorganization did not define the front office positions to be trimmed by the reorganization. The 2004 State IG reports also called the front offices for the AP, NP, and VC bureaus top-heavy, but did not identify which positions to eliminate.¹⁹

¹⁹ Although the IG made a recommendation regarding the roles of a specific employee in the AC front office, it did not establish an ideal size or role for these offices. The IG report on the NP bureau stated that a blueprint for the reorganization of the front offices in the event of a merger was best left to a multi-bureau reorganization task force under the auspices of the Undersecretary of Management. State formed such a task force in August 2004, but it disbanded without agreeing on a course of action.

State Reduced the Number of Issue-Related Offices, but Concerns about Mission Overlap among Offices Persist

State's fourth objective was to eliminate overlap.²⁰ In 2004, before the reorganization, the State IG reports identified a number of areas of overlap between the AC, NP, and VC bureaus, including multiple bureau reporting channels for some U.S. international conference representatives and treaty negotiators, and unclear and conflicting demarcation of responsibilities between AC and NP for their South Asia and North Korea issues.²¹ State officials noted that the reorganization had addressed some organizational redundancies. However, a May 2006 study on workforce allocation conducted by two State contracted employees in the T bureaus conducted after the reorganization found that mission redundancies persisted for chemical weapons, missile defense and space policy, nuclear nonproliferation, and bioterrorism issues among 14 VCI and ISN offices and functions. Moreover, the study noted that further staff adjustments between the two bureaus were under way 2 months after the formation of the VCI bureau in March 2006.²²

The ongoing lack of clear guidance in the FAM contributes to the persistent overlap problem. The State IG first noted in 2004 that State's failure to clearly delineate the roles and responsibilities of the three bureaus in the FAM may have contributed to problems before the reorganization.²³ The section of the manual detailing the roles and

²⁰While the notification did not define explicitly what it meant by overlap, a 2008 State document asserted the reorganization eliminated redundancies in office missions, as illustrated by the merger of the NP bureau office working on chemical and biological weapons proliferation issues with an AC bureau office working on chemical and biological issues. See "Questions for the Record Submitted to Principal Deputy Assistant Secretary Patricia A. McNerney and Deputy Assistant Secretary Linda Tagliatela by Senator Daniel K. Akaka," (#14a), Senate Committee on Homeland Security and Government Affairs, June 6, 2008.

²¹U.S. Department of State and the Broadcasting Board of Governors, Office of Inspector General, Report of Inspection, *The Bureau of Arms Control*, Report Number ISP-I-05-49 (Washington, D.C.: Dec. 2004); Report of Inspection, *The Bureau of Nonproliferation*, Report Number ISP-I-05-50 (Washington, D.C.: Dec. 2004); and Report of Inspection, *The Bureau of Verification and Compliance*, Report Number ISP-I-05-50 (Washington, D.C.: December 2004)

²²Michel and Bacchus.

²³State's FAM defines the organization and function of bureaus in the department but makes no reference to the roles and responsibilities of the Bureaus of International Security and Nonproliferation and Verification, Compliance and Implementation. The State IG noted that updating the FAM to include the Arms Control, Nonproliferation, and Verification, Compliance and Implementation bureaus was important as the FAM serves as the ultimate arbiter of the roles and responsibilities of each bureau and office. See U.S. Department of State and the Broadcasting Board of Governors, Office of Inspector General Report Number ISP-I-05-50.

responsibilities of these bureaus has never been drafted and approved since the 1999 incorporation of ACDA into State and the creation of the AC, NP, and VC bureaus. Furthermore, one member of the SMP noted that the panel's deliberations about assigning roles and missions to the new ISN/VCI structure were hindered by the lack of an up-to-date FAM for these bureaus.

Although State assured Congress in June 2008 that these omissions in the FAM would be rectified, it had not modified the manual as of July 2009.²⁴ Some former State officials noted in testimony that the missions of the PM, ISN, and VCI bureaus are also encapsulated in their Bureau Strategic Plans and internal planning documents that outline the bureau's goals and resource needs for future years. Nevertheless, some current State T bureau officials told us in April 2009 that the concerns about overlap remain and that updating the FAM could help address this condition.

State Cannot Demonstrate That It Met Goals to Retain Experienced Staff, Increase Career Advancement Opportunities, and Increase Foreign Service Participation Rates

In addition to the four objectives for the reorganization presented to Congress in July 2005, the Undersecretary and State officials responsible for implementing the reorganization cannot demonstrate that State achieved some additional internal goals, such as retaining experienced staff, increasing career advancement opportunities for individuals, and increasing Foreign Service participation in the new bureaus. In contrast, civil service and Foreign Service staffing data, promotion rates, and attrition rates indicate the reorganization may have made it more difficult to achieve these goals.

State cannot determine whether it met its objective of retaining experienced staff because State officials involved in the reorganization noted that they had established no measurable goals for retention of experienced staff.²⁵ While our analysis of staffing profiles notes that some experienced senior staff were retained as employees or contracted employees after the reorganization, some senior State officials concluded that expertise in some affected offices was significantly reduced. For

²⁴Question for the Record Submitted to Principal Deputy Assistant Secretary Patricia McNerney and Deputy Assistant Secretary Linda Tagliatela by Senator Carl Levin (#1), Senate Committee on Homeland Security and Governmental Affairs, June 6, 2008.

²⁵As of October 2008, 5 of 24 AC/NP office directors and special representatives were still in the T bureaus; and 7 of 38 contracted employees in the ISN and VCI bureaus as of 2008 had been AC, NP, or VC employees in 2004.

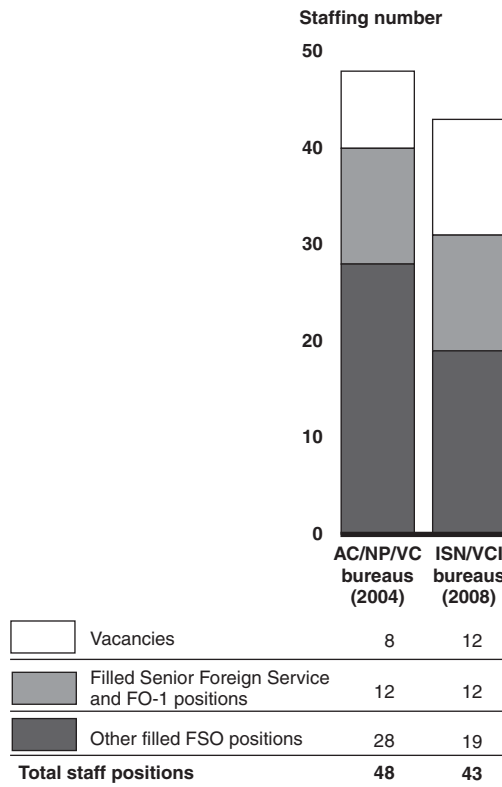
example, one official singled out the offices of Multilateral Nuclear and Security Affairs, Regional Affairs, and Cooperative Threat Reduction as experiencing particularly significant loss in staff expertise. Additionally, we reported in March 2009 that State officials noted that the reorganization resulted in the loss of 9 of the 14 staff in the office responsible for overseeing the International Atomic Energy Agency and the Nonproliferation Treaty, limiting its ability to effectively monitor Technical Cooperation program developments.²⁶

Similarly, State officials did not establish goals for improved career advancement opportunities. In contrast, available evidence indicates that post-reorganization opportunities have declined. For example, the FSO promotion rate within the NP bureau was about 12 percent in 2004 and 2005 before it merged into the ISN bureau—compared with an average annual promotion rate of 40 percent for FSOs in the regional bureaus in the same period. The rates then declined precipitously after the reorganization; only two FSOs were promoted in ISN between 2006 and 2008.

Furthermore, State officials involved in the reorganization also noted that State did not succeed in increasing FSO participation in the affected T bureaus as the SMP had intended. As figure 4 indicates, the number of FSO positions declined from 48 FTEs to 43 FTEs between 2004 and 2008. This represents a decline of 10 percent. The number of higher ranking FSO positions dropped from 14 (including 2 vacant positions) to 12, and the number of overall vacancies increased from 17 percent of the total (8 positions) to 28 percent (12 positions). Comparable civil service FTE vacancy rates in 2004 and 2008 were 10 percent and 17 percent, respectively.

²⁶GAO, *Nuclear Nonproliferation: Strengthened Oversight Needed to Address Proliferation and Management Challenges in IAEA's Technical Cooperation Program*, [GAO-09-275](#) (Washington, D.C.: Mar. 5, 2009).

Figure 4: Foreign Service FTE Positions in the Affected T Bureaus before and after the 2005-2006 Reorganization



Source: GAO analysis of State staffing profiles.

Note: The 2004 vacancies include two Senior Foreign Service and no Foreign Officer 1 (FO-1) positions. All Senior Foreign Service and FO-1 positions were filled as of October 2008.

State officials indicated that the need to contribute some FSO positions to help meet State’s priority to fully staff Iraq and Afghanistan positions at the expense of other assignments contributed to this decline. However, a more persistent cause is the ongoing FSO perception that assignments to ISN or VCI are not as attractive as assignments to other bureaus.

According to the head of the task force that conducted a survey of FSOs in the T bureaus in 2006, service in these bureaus is not attractive for several reasons, including (1) a regional bureau preference to reward regional rather than functional expertise, (2) career FSOs’ lack of understanding of the missions and roles of the T bureaus, and (3) limited opportunities and incentives to acquire technical experience needed for leadership in these bureaus. State formed a task force in April 2006 to determine why FSOs are underrepresented in T bureaus and suggest ways of making T bureaus

more attractive to FSOs. As of March 2009, State officials noted that the group's more comprehensive proposals had yet to be addressed, such as requiring FSOs to obtain functional bureau experience to qualify for promotion to the Senior Foreign Service.²⁷

State Lacks Reasonable Assurance That It Achieved Its Reorganization Objectives because State Addressed Few Key Transformation Practices

To better assist federal agencies implementing mergers and transformations, we have identified eight practices fundamental to the success of organizations undergoing transformations or mergers.²⁸ State's approach to the 2005-2006 reorganization generally addressed only one of these practices, partially addressed two, and did not address the remaining five. As a result, State lacks reasonable assurance that the reorganization achieved its objectives or that it can identify any lessons learned. Rather State's reorganization was unsystematic, which contributed to staff and employee group criticisms of the process and contributed to the ISN bureau's higher than average civil service attrition rates immediately after the reorganization. State did not substantively modify its approach in response to employee criticisms, which may have adversely affected staff morale. State's FAM states that bureaus considering changes to their organizational structure should consult during the planning process with staff from the Undersecretary for Management with regard to general management policy and planning issues, but does not describe or require the use of key practices for reorganizing, merging, or transforming organizations.

²⁷Other recommendations waiting action include establishing and funding a limited number of overseas FSO positions to advise senior embassy officials on arms control and nonproliferation issues, or allow T bureau representatives take part in the selection of senior embassy officials.

²⁸See GAO, *Highlights of a GAO Forum: Mergers and Transformation: Lessons Learned for a Department of Homeland Security and Other Federal Agencies*, [GAO-03-293SP](#) (Washington, D.C.: Nov.14, 2002). This report identified a ninth practice, building a world-class organization. We did not include it in this review because its associated steps were too broad to apply to this reorganization.

Key Practices That Leading Organizations Use to Guide Organizational Transformations and Mergers and Inform Reorganization Goals

We have reported that organizations that fail to adequately address or consider a wide variety of people and cultural issues are more likely than others to have unsuccessful mergers and transformations. To better assist federal agencies implementing mergers and other organizational transformations, we have identified eight key practices for successfully merging and transforming organizations. Drawn from the experiences of successful major private and public sector mergers and organizational transformations, GAO developed these practices as part of a September 2002 forum of industry and government leaders to guide the formation of the newly created Department of Homeland Security.²⁹ The practices emphasize, among other things, planning, transparency, and accountability and are designed to address the wide variety of people and cultural issues that determine the success or failure of a merger or reorganization. These practices can also help managers balance the need to move quickly to implement the reorganization, while addressing key challenges, including short-term losses of productivity, effectiveness, and employee morale that can often occur after an organizational transformation or merger. The practices also incorporate broader workforce planning strategies that we have identified as good practices that leading organizations follow. These are designed to enable agencies and organizations to (1) align their human capital programs with current and emerging missions and (2) develop long-term strategies for acquiring, developing, and retaining staff to achieve programmatic goals.³⁰ Appendix III lists the implementation steps associated with each key practice and provides a broader discussion of the key challenges to successfully managing change. Appendix IV lists selected GAO reports assessing organizational transformations.

²⁹See [GAO-03-293SP](#).

³⁰For a discussion of the broader workforce planning strategies that leading organizations follow, see GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, [GAO-04-39](#) (Washington, D.C.: Dec. 11, 2003). Our strategic workforce planning model is consistent with similar efforts by the Office of Management and Budget and the Office of Personnel Management to develop federal human capital standards.

**State's Implementation of
the Reorganization
Addressed Few of the
Eight Key Practices for
Successfully Restructuring
and Merging Organizations**

According to State officials, to guide the reorganization process, State prepared a nine-page methodology paper that the SMP used as its informal implementation guide that, in effect, became its plan for implementing the reorganization and placing employees in their new positions. The guide devoted one page to the procedures for implementing the reorganization and eight pages to describing how staff would be placed in their positions and who would conduct the selection process. Based on our identified key practices for implementing organizational transformations and mergers, we found that State generally addressed one key practice, partially addressed two practices, and did not address the remaining five. Figure 5 shows the results of our analysis, which compares State's actions with the key practices, while also taking into account the experience that we have had assessing other agencies' actions to merge and reorganize.

Figure 5: Assessment of the Extent to Which State’s 2005-2006 Reorganization of the T Bureaus Addressed Key Practices for Organizational Transformations and Mergers

Practice	Addressed?	Summary of Findings
Ensure top leadership drives the transformation		<ul style="list-style-type: none"> Two successive Secretaries of State set the direction and tone of the reorganization by signing memos authorizing the merger of the Arms Control and Nonproliferation bureaus. State’s July 2005 notification letter defined and articulated a succinct and compelling reason for the change, among them the need to address post September 11, 2001 emerging challenges; reduce bureaucratic inefficiencies; and increase Foreign Service officer participation in the new bureaus.
Dedicate an implementation team to manage the transformation process		<ul style="list-style-type: none"> The Undersecretary for Arms Control and International Security established a Senior Management Panel (SMP) in September 2005 to implement the reorganization. The SMP initially consisted of four political appointees, including the deputy assistant secretaries of the 3 bureaus that were undergoing reorganization. However, the SMP initially did not include any career officials. The SMP also initially did not include any representatives of other State bureaus and offices with knowledge or expertise dealing with personnel issues, such as the Bureau of Human Resources, and change management principles.
Establish a communications strategy to create shared expectations and report related progress		<ul style="list-style-type: none"> State communicated with staff through meetings, memos and e-mails, but the informal implementation paper it developed to guide the reorganization did not contain an overall communications strategy. The messages communicated were not consistent and did not always meet the specific needs of employees.
Involve employees to obtain their ideas and gain ownership for the transformation		<ul style="list-style-type: none"> The SMP directed the reorganization in a top-down fashion, excluding career officials in deciding who the acting office directors would be. Only in response to employee concerns was a career official appointed to the SMP in October 2005. The American Foreign Service Association (AFSA), which represents Foreign Service officers, also expressed concern that agency officials were not sufficiently making an effort to engage it in the reorganization process.
Focus on a set of key principles and priorities at the outset of the transformation		<ul style="list-style-type: none"> State’s informal implementation paper to guide the reorganization process never explicitly identified a set of principles to guide internal decision making. A senior T bureau official criticized the SMP for focusing only on the most basic legal or regulatory aspects of the personnel placement process and not adhering to sound personnel management principles.
Set implementation goals and a timeline to build momentum and show progress from day one		<ul style="list-style-type: none"> State’s implementation paper to guide the reorganization process never set goals or a timeline. State did not craft the reorganization with reference to its larger workforce planning goals in mind; it did not make use of a baseline workforce allocation study completed in September 2004 by the Bureau of Human Resources.
Establish a coherent mission and integrated strategic goals to guide the transformation		<ul style="list-style-type: none"> State’s informal implementation paper to guide the reorganization process was never formalized and did not set forth a results-oriented reporting framework that defined an end state with clear and measurable goals.
Use the performance management system to define responsibility and assure accountability for change		<ul style="list-style-type: none"> The fiscal year 2006 AC, NP, and VC bureau performance plans and fiscal years 2007 and 2008 VCI and ISN plans make no reference to the reorganization.

Generally addressed: State addressed most of the implementation steps associated with this practice.

Partially addressed: State addressed some of the implementation steps associated with this practice.

Not addressed: State did not substantively address many of the steps associated with this practice.

Source: GAO.

State Generally Addressed One Key Practice

We found that State generally addressed the key practice of ensuring that top leadership drives the transformation. Leadership must set the direction, pace, and tone, and define and articulate a succinct and compelling reason for change. During State's merger of the NP and AC bureaus, two successive Secretaries of State drove the process by signing memos approving the reorganization. In addition, State's July 2005 notification to Congress also described reasons to justify merging the two bureaus, including the need to address post-September 11 challenges and combine related offices to reduce bureaucratic inefficiencies.

State Partially Addressed Two Practices

State's 2005-2006 reorganization partially addressed two practices: (1) dedicating an implementation team to manage the transformation process and (2) establishing a communication strategy to create shared expectations and report related progress.

State dedicated an implementation team, the SMP, to manage the transformation process, but initially the team did not contain any career officials when it selected acting office directors non-competitively. The composition of an implementation team is important because it sends a clear signal regarding the components of a merger and whether the new organization is a merger of equals. In the latter case, the team should consist of a balance of employees from the various components. In addition, according to State officials, the qualifications of implementation team members are also a visible sign that top leadership is serious and committed to the merger or transformation. For instance, the implementation team can include personnel with knowledge or expertise on personnel issues, change management principles, and perform other complex tasks associated with such reorganizations. While the SMP functioned as an implementation team to help manage the process, it initially lacked balance because it contained neither career officials nor employees with the knowledge of how to conduct necessary reorganization steps, such as preparing implementation plans; and establishing target personnel ceilings, position descriptions, and grade levels. Staff were not permanently placed, and position descriptions and office mission statements were not formalized until after the start of the reorganization. T human resource officials told us this should have been done before the reorganization started.³¹ Moreover, the chair of the SMP stated that its members did not have any knowledge of the eight key

³¹ T human resource officials belong to the T executive office, which provides administrative support for the T bureaus.

practices that are critical to the success of any merger or transformation. In fact, Bureau of Human Resources (HR) and T human resource officials originally envisioned the SMP would serve as a recommending body, with HR and T human resource officials in charge of implementing the reorganization.

State communicated with staff through meetings, memos, and e-mails, but its informal implementation guide did not contain an overall communications strategy. Moreover, the messages communicated were not consistent and did not always meet the specific needs of employees. As we noted in our 2003 report, communication is most effective when done early, clearly, often, and in multiple directions. It also needs to be consistent in tone and content to alleviate the uncertainties generated during the transformation effort. We found that the SMP's communications were not consistent. While the SMP's September 28, 2005, announcement designating acting office directors stated that HR had approved the SMP's decisions, HR did not agree with all of them. Moreover, SMP officials told us that the panel's deliberations were conducted in near secrecy, without HR participation or written criteria to justify decision-making. In addition, the information provided did not always meet the specific needs of employees. For instance, employees stated that they were being required to make work choices without key information, such as final mission and position statements corresponding to the new organization. According to T human resource officials, these statements should have been developed prior to requiring staff to submit their work preferences.

State Did Not Address Five Practices

State's 2005-2006 reorganization did not address five practices. It did not (1) involve employees to obtain their ideas and gain ownership for the process, (2) focus on a key set of principles and priorities at the outset of the transformation, (3) set implementation goals and a timeline to build momentum and show progress from day one, (4) establish a coherent mission and integrated strategic goals to guide the transformation, and (5) use the performance management system to define responsibility and assure accountability for change.

- State did not involve employees to obtain their ideas and conducted the reorganization in a top-down fashion. Organizations undergoing mergers and other organizational transformations must involve employees from the beginning to achieve their ownership for the changes that are occurring in the organization. This can be done in several ways. For instance, the U.S. Citizenship and Immigration Service involves its employees through focus groups, project teams, and meetings with union representatives. Information gathered from focus groups will be used to create feedback surveys. We found that State did not effectively involve employees in the

process and directed the reorganization in a top-down fashion. For example, it excluded career officials in deciding who the acting office directors would be. Only in response to employee concerns was a career official appointed to the panel. In addition, according to American Foreign Service Association (AFSA) officials, State did not effectively engage AFSA, the union that represents FSOs.

- State did not focus on key principles and priorities from the outset of the merger, such as adherence to sound personnel management principles. For example, the new organization must have a clear set of core values and priorities that serve as a framework to assist in the creation of a new culture and to define the attributes that are intrinsically important to the new organization. Aside from stating that the placement process would be done fairly and in accordance with personnel laws and regulations, State's informal implementation guide never explicitly identified a set of principles to guide internal decision making. In addition, a senior T bureaus official criticized the SMP for focusing on only the most basic legal or regulatory aspects of the personnel placement process and not adhering to sound personnel management principles. According to this official, this included not finalizing office mission and position descriptions and not extensively involving career and other officials, such as ones from HR, from the beginning of the reorganization.
- State did not set implementation goals and a timeline to build momentum and show progress from day one. At a minimum, successful mergers and acquisitions have careful and thorough 30-, 60-, and 90-day plans in place well before the effective implementation date, as well as a timeline for achieving their goals.³² This can help an organization track its progress toward intermediate and long-range goals, show progress, help pinpoint performance shortfalls and gaps, and suggest midcourse corrections. However, the SMP's informal implementation guide did not set goals or a timeline. SMP officials said that they did not set a timeline for the reorganization because they wanted to complete the reorganization quickly and did not know how long it would take. In addition, State did not craft the reorganization with reference to its larger workforce planning goals in mind. Moreover, it did not make use of a September 2004 baseline workforce allocation study performed by the HR bureau in anticipation of the reorganization, which was based on data from State's Domestic

³²See [GAO-03-293SP](#).

Staffing Model.³³ According to State officials, this study was made available to the task force formed to respond to the State IG's recommendations, but was not provided to the SMP. As a result, potential workload imbalances or staffing gaps identified in the report were not addressed. According to SMP officials, the Undersecretary did not use data from the staffing model because the reorganization would not add staff positions and would eliminate positions with long-standing vacancies.

- State did not establish a coherent mission and integrated goals to guide the transformation. This includes setting performance goals, measuring progress, and determining strategies and resources to effectively accomplish the goals. It also includes using performance measures to make the programmatic decisions necessary to improve performance and formally communicate results in performance reports. The SMP's informal implementation guide was never formalized and did not contain a results-oriented reporting framework, including performance measures that defined an end state with clear and measurable goals.³⁴
- State did not use its performance management system to define responsibility and ensure accountability for change. A new organization's performance management system should create a "line of sight" showing how team, unit, and individual performance can contribute to overall organizational results.³⁵ We have identified specific measures that can be taken to accomplish this, such as (1) aligning individual performance expectations with organizational goals, (2) providing and routinely using performance information to track organizational priorities, and (3) linking pay to individual and organizational performance.³⁶ While State's fiscal year 2006 AC, NP, and VC bureau performance plans and fiscal years 2007 and 2008 VCI and ISN plans use performance ratings to track progress

³³State uses the Domestic Staffing Model to establish human resource demands for its domestic workforce. The Domestic Staffing Model quantifies current demand, estimates future demand based on workload trends, and documents current and projected workforce requirements for use in resource planning over a 5-year planning horizon.

³⁴We have developed a body of work that agencies can use to help them become more results oriented. See GAO, *Agency Performance Plans: Examples of Practices That Can Improve Usefulness to Decisionmakers*, [GAO/GGD/AIMD-99-69](#) (Washington, D.C.: Feb. 26, 1999).

³⁵See [GAO-03-293SP](#).

³⁶For additional information about using performance management measures as part of an organization's transformation process, see [GAO-03-669](#).

toward organizational goals and objectives, the plans do not mention the reorganization.³⁷

State's Unsystematic Approach Contributed to Staff and Employee Group Concerns

Instead of using the above practices to plan, implement, and assess the results of the restructuring, State reorganized the bureaus unsystematically, contributing to staff and employee group criticisms of the process and suspicions that some staff decisions had been politically motivated. State officials told us that they spent most of their time in the months before September 2005 developing the organizational structure for the new bureau and little time planning to implement the reorganization. In the wake of the reorganization, some ISN staff stated they perceived morale within their bureau to be lower. According to State data, attrition rates rose to levels higher than the average for State's civil service as a whole.

To implement the reorganization, the T human resource office furnished an informal implementation guide to the SMP at the panel's request. This paper envisioned a reorganization directed by the Bureau of Human Resources and the T bureaus' human resource office, while the SMP would serve as an advisory body that would recommend specific actions, such as decisions on acting directors, staffing levels, and other details for the new ISN offices. Instead, according to a senior T official, the SMP made its own implementing decisions and reduced HR's and the T bureaus' human resource office's roles to ensuring that State followed all applicable legal and regulatory requirements.

State officials and employees expressed concerns about the SMP's direction and conduct of the reorganization even before the panel made its first public announcement about the reorganization on September 28, 2005. While the Office of the Legal Advisor and HR stated that the SMP could direct the reorganization, some officials in HR and the T bureaus' human resource office disagreed with this decision.³⁸ According to T

³⁷We focused on the 2006 AC, NP, and VC bureau performance plans because these outlined the bureaus' priorities for fiscal year 2006, which started on October 1, 2005. We also focused on the 2007 VCI performance plan and the 2008 ISN performance plan because these were prepared right before or after the reorganization. According to State officials, ISN did not prepare a fiscal year 2007 bureau performance plan.

³⁸HR's and the Office of the Legal Advisor's roles were to review the SMP's decisions to prevent the SMP from taking steps that were unlawful or violated applicable regulations or personnel practices.

bureau officials, they were concerned that the panel's members were not sufficiently knowledgeable about change and personnel management principles. On September 29, 2005—the day after the SMP sent out its summary of the reorganization procedures—a senior T bureaus' official with human resource responsibilities sent an e-mail to the SMP stating that it was not following sound personnel management principles.³⁹ The email also stated that the SMP had ignored or misinterpreted her office's recommendations, advice, and suggestions to the extent that the office had been unable to contribute meaningfully to the reorganization process.

Some ISN employees and AFSA officials also criticized the SMP's decisions after it publicly announced its reorganization procedures and named acting office directors in September 2005. Eleven ISN employees wrote a memorandum to the Undersecretary for Management and the Director General of the Foreign Service in October 2005, stating that morale was poor within the new ISN bureau.⁴⁰ Moreover, these employees stated that the SMP's selections for acting office directors (which resulted in passing over several experienced officials for these positions) reinforced their doubts about the impartiality of the process, as did the lack of career officials or representatives from the T bureaus' human resource office, HR, and the Office of the Legal Advisor. They also expressed concern about other aspects of the process, such as the requirement to express workforce preferences without first having concrete position and office mission descriptions, position grades, or the names of permanent office directors or deputies. The employees asked the Undersecretary for Management and the Director General of the Foreign Service to suspend the reorganization until a comprehensive staffing plan had been developed and add career civil service or FSOs and HR staff to the SMP, among other actions. AFSA expressed similar concerns in a November 2005 letter to the Secretary of State and noted that the reorganization could result in the potential downgrade or elimination of Foreign Service-designated positions. It also requested, among other things, that State form an independent panel to review all proposed

³⁹The HR bureau also criticized the SMP's selection of some acting office directors but eventually agreed that the SMP did not need its approval for this process.

⁴⁰The Undersecretary for Management is the head of State's M family of bureaus, which includes the Bureau of Human Resources. The Director General of the Foreign Service's full title is Director General of the Foreign Service and Director of Human Resources. The Director General oversees the Bureau of Human Resources, which handles recruitment, assignment evaluation, promotion, discipline, career development, and retirement policies and programs for both State's Foreign Service and Civil Service employees.

reorganization decisions related to Equal Employment Opportunity concerns and allegations of prohibited personnel practices. In response to these concerns, State named a career official to the SMP, and included representatives of the HR bureau and the Office of the Legal Advisor in the SMP's discussions, and agreed to have HR review the position descriptions of the acting office directors and prepare new position descriptions where necessary.

The lack of confidence in the reorganization may have adversely affected staff morale and may have contributed to increased ISN civil service attrition rates that immediately followed the reorganization, according to current and former State officials and documents. Twelve percent of ISN's full-time civil service employees retired or otherwise left the bureau in fiscal 2006, the highest level for the bureau and its predecessors from fiscal year 2004 to fiscal year 2008. In contrast, State's overall civil service attrition rate during the same period averaged about 8 percent.⁴¹

State's Foreign Affairs Manual Does Not Address Use of Key Practices for Merging, Transforming, or Reorganizing Bureaus

State's FAM does not address the use of key practices in merging, transforming, and reorganizing bureaus, offices, and other organizations. Volume 1 of the FAM provides broad guidance and principles for structuring bureaus and offices within the Department.⁴² It also states that bureaus considering changes to their organizational structures should consult with staff from the Undersecretary for Management with regard to general management policy and planning issues, since the Undersecretary can overturn any changes that violate these broad organizational policies. However, the FAM does not discuss or document any procedures for reorganizing, merging, or transforming an organization, including the use of key practices.

Conclusion

State cannot demonstrate that it achieved all of the stated objectives for the 2005-2006 reorganization of its arms control and nonproliferation functions. For example, State intended to address the previously identified

⁴¹Attrition rates are based on the number of career full-time employees, and include retirements, non-retirement separations, and conversions. Conversions include employees who converted to an employment status that is not a full-time civil service career position.

⁴²For example, the FAM requires organizational entities and subcomponents to have a minimum of eight employees and suggests that like functions should be grouped together in an organization.

deficiency of overlapping and uncertain roles and responsibilities among the arms control, nonproliferation, and verification bureaus. However, concerns about this deficiency persist, in part because State has yet to clearly delineate the roles and responsibilities of the three bureaus in the FAM, despite having notified Congress in June 2008 that these omissions would be rectified. In addition, the reorganization appears to have been conducted in an unsystematic fashion with little effort to address key transformation practices, such as involving employees from the beginning or establishing a coherent mission and strategic goals. By not addressing these key practices, State undermined its ability to implement an effective and credible reorganization, achieve its stated goals, and correct documented deficiencies. As a result, the reorganization appeared to lose credibility among staff, may have contributed to reduced employee morale, and created negative perceptions among staff that continue to the present. Any future efforts to restructure State's arms control and nonproliferation bureaucracy need to address these key transformation practices. In particular, by establishing a results-oriented reporting framework with a defined end state with clear and measurable goals, State would be better able to gauge progress toward its goals and assess the results of restructuring.

Recommendations for Executive Action

- We recommend the Secretary of State take the following two actions:
- To better clarify the roles and responsibilities of the two new bureaus created in this restructuring, the Bureau of International Security and Nonproliferation and the Bureau of Verification, Compliance, and Implementation—and to fulfill a pledge made to Congress—the Secretary of State should formally delineate the roles and responsibilities of each bureau in the FAM.
 - To better achieve stated goals and to implement effective and credible organizational mergers or transformations, the Secretary of State should modify the FAM to direct that the key practices and steps associated with successful organizational mergers and transformations are incorporated into subsequent bureau reorganizations.

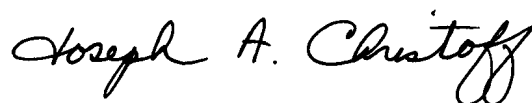
Agency Comments and Our Evaluation

In written comments on a draft of this report, State concurred with our conclusions and recommendations. State indicated it will delineate the roles and responsibilities for the ISN and VCI bureaus and add them to the FAM. Moreover, State's Undersecretary for Management has directed that GAO's key practices for organizational transformations and mergers be adopted by State when undertaking organizational transformations and mergers. It noted that these principles will be incorporated in the Foreign Affairs Handbook and FAM as appropriate. State's comments are included in their entirety in Appendix V.

We are sending copies of the report to the Secretary of State and other interested parties or interested congressional committees. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff have questions about this report, please contact me at (202) 512-4128 or at christoffj@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix VI.

Sincerely,



Joseph A. Christoff
Director, International Affairs and Trade

Appendix I: Scope and Methodology

To assess the extent to which the Department of State's (State) 2005-2006 reorganization achieved its objectives, we examined State Department Inspector General's 2004 reports to determine its findings and recommendations. We also reviewed various documents, including State's July 2005 congressional notification letter; the 2002 U.S. National Strategy to Combat Weapons of Mass Destruction, and the T bureaus' strategic and performance plans before and after the reorganization, as well as mission statements. These and other documents enabled us to determine the goals and achievements of the reorganization and construct the before and after organizational charts found in the report.

To better understand what State did and did not achieve, we examined State's workforce allocations, staffing patterns, aForeign Service Officer (FSO) promotion rates and civil service and FSO attrition data for the affected bureaus before and after the reorganization, as well as a study of the Bureau of International Security and Nonproliferation's (ISN) workforce conducted in May 2006. We met with officials from State's ISN and Bureau of Verification, Compliance, and Implementation (VCI), as well as the Human Resources and Management bureaus. We determined that the staffing data provided by State are sufficiently reliable for our purposes by verifying that the personnel information for each employee named in the 2004 and 2008 staffing profiles had a corresponding position description and grade listed on the employees' profiles. To determine the reliability of the staffing data, we randomly selected at least 10 percent of the staff listed in both the 2004 roster and the 2008 roster and only found minor discrepancies that did not impact the total number of FTEs in our sample.

State did not provide consistent before and after promotion rate data for civil service and Foreign Service staff in the bureaus affected by the reorganization. State said that providing data to enable us to compare T bureau promotion rates with State-wide averages or regional bureau averages would be misleading because promotion in the civil service and the Foreign Service is based on performance over a 5-year period and for that reason cannot be attributed solely to service in the T bureaus. Instead, we have used data State previously provided to the Congress after the 2008 congressional hearings. Similarly, we asked State to provide consistent before and after attrition rate data for civil service staff in the bureaus affected by the reorganization and for State as a whole between fiscal years 2002 and 2008. State did provide bureau-specific civil service attrition rate data for the requested years and provided the department-wide data between fiscal years 2004 and 2008. Finally, we examined State's

Foreign Affairs Manual to determine that, as of June 2009, the manual still does not define the organization and roles of the ISN and VCI bureaus.

To assess the extent to which State's 2005-2006 reorganization addressed eight key transformation practices, we obtained and analyzed State's methodology for implementing the reorganization, as well as e-mail, memos, and letters describing the decision-making process and concerns about the manner in which State implemented the reorganization. While previous GAO reports had noted ninth practice, that of building a world class organization, we determined that its associated implementation steps were too broad to apply to the limited reorganization of State's arms control and nonproliferation bureaucracy. We assessed this evidence to determine whether it demonstrated that State had generally addressed, partially addressed, or had not addressed the objective. We determined that State's reorganization had generally addressed a practice if State addressed most of the implementation steps associated with this practice. We determined that it had partially addressed a practice if the evidence demonstrated State had addressed some of the implementation steps associated with this practice but had not addressed others. We determined that State had not addressed a practice if it had not substantively addressed any of the steps associated with this practice. Two analysts independently reviewed and reconciled any differences in the data, and their results were subject to supervisory review.

We also interviewed all of the principal members of the Senior Management Panel, as well as other staff knowledgeable about the process, including staff from the T bureaus' executive office and the Bureau of Human Resources. We obtained and analyzed transcripts of congressional hearings in 2006 and 2008 that addressed aspects of the reorganization. We analyzed and compared the information obtained from these sources with GAO's key practices, especially as laid out in [GAO-03-293SP](#) and [GAO-03-669](#). We also analyzed and compared State's actions with our reports documenting reorganizations conducted by other U.S. government agencies, such as the Small Business Administration and the U.S. Citizenship and Immigration Services. We examined State's Domestic Staffing Model for the T bureaus to assess how the reorganization affected allocations among the broad missions of affected T bureau workforce resources.

We conducted this performance audit from September 2008 through July 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe

that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Staffing Profiles of the Affected Bureaus before and after the Reorganization

Overall, State combined 30 offices and functions present in the three-bureau structure into 26 offices and functions present under the new two-bureau structure. In particular, the merger of the bureaus of Arms Control (AC) and Nonproliferation (NP) into the new ISN bureau resulted in an organization with fewer offices, functions, and staff. The reorganization consolidated 24 issue-related offices and functions present in the two old bureaus into 17 issue-related offices and functions in the new bureau. Also State did succeed in slightly reducing its overall personnel needs in these bureaus. In October 2004, the AC, NP, and Verification and Compliance (VC) bureaus had a total of 440 staff positions; by November 2008, the ISN and VCI bureaus had a total of 434 staff. The reorganization affected four types of personnel positions: (1) civil service full-time equivalents (FTE), which are positions funded by the bureau in which they are located; (2) Foreign Service FTEs; (3) other government staff (that is, personnel not directly funded by the bureaus such as detailees from other State bureaus, other government agencies, the armed services, and interns); and (4) contracted employees.

In 2004, the AC and NP bureaus had a total of 314 staff positions. By 2008, after they had merged to form the new ISN bureau, that total had decreased to 291 staff positions. As depicted in table 1, the new total reflects changes in the numbers and composition of the staff positions available to ISN, with declines in the number of civil service and Foreign Service FTEs, but an increase in the number of contracted employees. The number of other government staff positions also declined.

The reductions resulting from the merger of the AC and NP bureaus into the ISN bureau were largely offset by the augmented roles and increased staff given to the old VC bureau. Congress had made its acceptance of the new two-bureau structure conditional upon the transfer of some offices and duties to the newly expanded and renamed Bureau of Verification, Compliance and Implementation. As a result of these changes, total staff positions increased from 126 under the old VC bureau to 143 under the new VCI bureau.

**Appendix II: Staffing Profiles of the Affected
Bureaus before and after the Reorganization**

Table 1: Staffing Profiles of the Affected Bureaus before and after the Reorganization: All Staff

Positions	Bureaus					
	Arms Control and Nonproliferation Bureaus Combined (2004)	Verification and Compliance Bureau (2004)	Total 2004	International Security and Negotiations Bureau (2008)	Verification, Compliance, and Implementation Bureau (2008)	Total 2008
Principal/ Deputy Assistant Secretaries	4	2	6	3	2	5
Issue-related offices and functions	24	6	30	17	8	25
Total FTEs ^a	278 ^a	84	362	247	103	350
—Civil service	236	77	313	215	92	307
—Foreign Service	41	7	48	32	11	43
Other government staff ^b	29	19	48	33	11	44
Contracted Employees	7	23	30	11	29	40
Total staff slots	314	126	440	291	143	434

Source: GAO analysis of State Department data.

^aTotal includes one FTE position of an undetermined service or grade at the time the 2004 staffing profile was produced.

^bOther government staff are personnel not directly funded by the bureau to which they are presently assigned. This category includes detailees from other State bureaus and agencies, military personnel, and interns

Table 2: Staffing Profiles of the Affected Bureaus before and after the Reorganization: Staff with A Rank of FO-1 and Above In the Foreign Service and GS-15 and Above In the Civil Service

Category	Arms Control and Nonproliferation Bureaus Combined (2004)	Verification and Compliance Bureau (2004)	Total 2004	International Security and Negotiations Bureau (2008)	Verification, Compliance, and Implementation Bureau (2008)	Total 2008
Total Foreign Service positions	14	0	14	10	2	12
— Senior Foreign Service	6	0	6	6	1	7
— FO-1s	8	0	8	4	1	5
Total civil service positions	56	21	77	58	30	88
— SES	16	5	21	8	5	13
— GS-15s	40	16	56	50	25	75
Totals	70	21	91	68	32	100

Source: GAO analysis of State Department data.

Appendix III: GAO’s Key Practices and Implementation Steps for Organizational Transformations and Mergers

Figure 6: GAO’s Key Practices and Associated Implementation Steps

Practice	Implementation Step
Ensure top leadership drives the transformation	<ul style="list-style-type: none"> • Define and articulate a succinct and compelling reason for change • Balance continued delivery of services with merger and transformation activities
Dedicate an implementation team to manage the transformation process	<ul style="list-style-type: none"> • Establish networks to support implementation team • Select high-performing members
Establish a communications strategy to create shared expectations and report related progress	<ul style="list-style-type: none"> • Communicate early and often to build trust • Ensure consistency of message • Encourage two-way communication • Provide information to meet specific needs of employees
Involve employees to obtain their ideas and gain ownership for the transformation	<ul style="list-style-type: none"> • Use employee teams • Involve employees in planning and sharing performance information • Incorporate employee feedback into new policies and procedures • Delegate authority to appropriate organizational levels
Focus on a set of key principles and priorities at the outset of the transformation	<ul style="list-style-type: none"> • Embed core values in every aspect of the organization to reinforce the new culture
Set implementation goals and a timeline to build momentum and show progress from day one	<ul style="list-style-type: none"> • Make public implementation goals and timeline. • Seek and monitor employee attitudes and take appropriate follow-on actions • Attract and retain key talent • Establish an organizationwide knowledge and skills inventory to exchange knowledge among merging organizations • Identify cultural features of merging organizations to increase understanding of former work environments.
Establish a coherent mission and integrated strategic goals to guide the transformation	<ul style="list-style-type: none"> • Adopt leading practices for results-oriented strategic planning and reporting
Use the performance management system to define responsibility and assure accountability for change	<ul style="list-style-type: none"> • Adopt leading practices to implement effective performance management systems with adequate safeguards

Source: GAO.

Following the key practices and implementation steps outlined in figure 6 above can reduce the chances that major problems could surface and minimize the duration and significance of reduced productivity and effectiveness. However, it does not mean that problems will not emerge. This methodology recognizes that mergers and reorganizations can ultimately create a new organization that is more than “the sum of its

parts” over the longer term. It also acknowledges that transformation can be difficult and disruptive to implement in the shorter term, particularly in the public sector, since public sector reorganizations must contend with more stakeholders and power centers, less management flexibility, and greater transparency than in the private sector. To be successful, managers must understand and reconcile some contradictions while implementing change. These contradictions include the following:

- The need to move quickly, achieve early successes, and build momentum while acknowledging that successful mergers and organizational transformation can often take years to accomplish, and the pace cannot be forced. The experiences of major change initiatives in large public and private sector organizations suggest that it can take 5 to 7 years before such initiatives are fully implemented.
- Productivity and effectiveness normally decline in the period immediately following the merger. This is because employees are often preoccupied with how their jobs will be affected, what their rights and protections will be, or how their responsibilities might change with the new organization.
- Attrition can increase as a result of the reorganization, requiring the new organization to identify and re-recruit its key staff; however, it can also result in opportunities to recruit “new blood.” While some turnover is to be expected and appropriate, the new organization must “re-recruit” its key talent to limit the loss of needed individuals who leave because they do not see their place in the new organization.
- While it is important to involve employees in the transformation process, day-to-day operations, service quality, and mission accomplishments must continue to take first priority. Organizations and their employees must guard against being so involved in implementing their transformation initiatives that they lose sight of the fundamental reason for their transformation—improved results.

Appendix IV: GAO Reports Assessing Organizational Transformations Using Mergers and Transformation Criteria

Since 2002, we have evaluated the implementation of several governmental organizational transformations using some or all of the key practices and implementation steps. The following is a list of selected products that have fully or partially applied the key practices and implementation steps identified in Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations ([GAO-03-669](#)) and used them to make recommendations to Congress.

Homeland Security: Management Challenges Remain in Transforming Immigration Programs, [GAO-05-81](#) (Washington, D.C.: Oct. 2004).

Military Transformation: Clear Leadership, Accountability, and Management Tools Are Needed to Enhance DOD's Efforts to Transform Military Capabilities, [GAO-05-70](#) (Washington, D.C.: Dec. 17, 2004).

Department of Homeland Security: A Comprehensive and Sustained Approach Needed to Achieve Management Integration, [GAO-05-139](#) (Washington, D.C.: Mar. 16, 2005).

Human Capital: DOD's National Security Personnel System Design Generally Reflects Key Transformation Practices, but Faces Implementation Challenges, [GAO-05-730](#) July 15, 2005.

Military Transformation: Additional Actions Needed by U.S. Strategic Command to Strengthen Implementation of Its Many Missions and New Organization, [GAO-06-847](#) (Washington, D.C.: Sept. 8, 2006).

Force Structure: Joint Seabasing Would Benefit from a Comprehensive Management Approach and Rigorous Experimentation before Services Spend Billions on New Capabilities, [GAO-07-211](#) (Washington, D.C.: Jan. 26, 2007).

Military Base Closures: Management Strategy Needed to Mitigate Challenges and Improve Communication to Help Ensure Timely Implementation of Air National Guard Recommendations, [GAO-07-641](#) (Washington, D.C.: May 16, 2007).

USCIS Transformation: Improvements to Performance, Human Capital, and Information Technology Management Needed as Modernization Proceeds, [GAO-07-1013R](#) (Washington, D.C.: July 17, 2007).

**Appendix IV: GAO Reports Assessing
Organizational Transformations Using
Mergers and Transformation Criteria**

*Defense Business Transformation: Achieving Success Requires a Chief
Management Officer to Provide Focus and Sustained Leadership,*
[GAO-07-1072](#) (Washington, D.C.: Sept. 5, 2007)

Appendix V: Comments from the Department of State



United States Department of State

Washington, D.C. 20520

JUL 13 2009

Ms. Jacquelyn Williams-Bridgers
Managing Director
International Affairs and Trade
Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548-0001

Dear Ms. Williams-Bridgers:

We appreciate the opportunity to review your draft report, "STATE DEPARTMENT: Key Transformation Practices Could Have Helped Restructuring of Arms Control and Nonproliferation Bureaus," GAO Job Code 320640.

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 Jim LaFemina, Deputy Director, International Security and Nonproliferation at (202) 647-9501 and Susan Curley, Senior Analyst, Office of Management Policy, Rightsizing, and Innovation at (202) 647-0550.

Sincerely,

A handwritten signature in black ink, appearing to read "James L. Millette".

James L. Millette

cc: GAO – Jeff Phillips
ISN – Eliot Kang (Acting)
M/PRI – Marguerite Coffey
State/OIG – Mark Duda

Department of State Comments on Draft GAO Report
Key Transformation Practices Could Have Helped Restructuring of Arms
Control and Nonproliferation Bureaus
(GAO-09-738)

Thank you for allowing the Department of State the opportunity to comment on the recommendations included in the draft report, "STATE DEPARTMENT: Key Transformation Practices Could Have Helped Restructuring of Arms Control and Nonproliferation Bureaus."

Recommendation: To better clarify the roles and responsibilities of the two new bureaus created in this restructuring, the Bureau of International Security and Nonproliferation (ISN) and the Bureau of Verification, Compliance, and Implementation (VCI) – and to fulfill a pledge made to Congress – the Secretary of State should formally delineate the roles and responsibilities of each bureau in the Foreign Affairs Manual.

Response: We concur with the recommendation. The Department will delineate the roles and responsibilities for the ISN and VCI bureaus and add them to the Foreign Affairs Manual.

Recommendation: To better achieve stated goals and to implement effective and credible organizational mergers or transformations, the Secretary of State should issue written guidance to direct that the key practices and steps associated with successful organizational mergers and transformations are incorporated into subsequent bureau reorganizations.

Response: We concur with the recommendation. The Under Secretary for Management has directed that GAO's Key Practices for Organizational Transformations and Mergers be adopted by the Department when undertaking organizational transformations and mergers. Those key principles will be incorporated into the Foreign Affairs Handbook and Manual as appropriate.

We also appreciate the thorough review of this process provided by GAO, and will certainly refer to the conclusions and recommendations found in this report going forward.

Appendix VI: GAO Contact and Staff Acknowledgments

GAO Contact:

Joseph A. Christoff, (202) 512-4128 or christoffj@gao.gov

Staff Acknowledgments

In addition to the individual contact named above, Jeff Phillips, Assistant Director; B. Patrick Hickey; José M. Peña III; Katherine Bernet; Lynn Cothorn; and Joseph Carney made key contributions to this report. Technical assistance was provided by Martin De Alteriis, Mark Dowling, Etana Finkler, and Sarah E. Veale.

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