

DOCUMENT RESUME

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[Cost of Placing and Maintaining AID Personnel Overseas].
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Report to Rep. Clarence D. Long, Chairman, House Committee on Appropriations: Foreign Operations Subcommittee; by Elmer E. Staats, Comptroller General.

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In response to a congressional inquiry, the documentation the Agency for International Development (AID) used to arrive at cost estimates for placing personnel abroad was reviewed, and AID's costs were compared with allowances provided by other agencies and the private sector. AID's approach to identifying initial assignment costs involved two steps: (1) determination of what items would be needed anywhere in the world to fill a new position and what these items would cost; and (2) identification of those costs or portions of costs in mission operating budgets that could be attributed to U.S. direct-hire positions. Certain costs could be allocated easily, but many costs required AID officials to make some assumptions based on judgment and experience. From this limited analysis, it appears that AID's approach to estimating the costs of placing additional staff overseas is reasonable. However, such figures derived on an overall basis are of limited value in projecting the cost of adding new positions at any one mission. A February 1978 report pointed out that: AID's mission operating expense budgets are not adequately evaluated, AID has no assurance that mission requests for operating expense funds are reasonable, and AID's operating expense funds have been used for questionable purposes. (RRS)

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COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

B-133220

April 27, 1978

The Honorable Clarence D. Long, Chairman
Subcommittee on Foreign Operations
Committee on Appropriations
House of Representatives

Dear Mr. Chairman:

Your March 22, 1978, letter requested GAO to (1) assess the justification and need for the large costs of placing and maintaining Agency for International Development (AID) personnel abroad, (2) compare AID's costs with those of other U.S. Government agencies and of private industry operating abroad, and (3) determine which costs of placing and maintaining AID personnel abroad are mandated by law, needed to attract qualified personnel, or provided by AID as a matter of internal policy. You asked for our reply by April 28, 1978.

AID used its overseas operating expense budget as the basis for computing costs of placing and maintaining AID personnel overseas. This budget is based on budgets submitted by each overseas mission and is the most detailed data available to AID officials in Washington. A detailed analysis of AID's estimates would require extensive work at overseas missions and could not be accomplished by April 28, 1978. Therefore, staff of our International Division met with your staff and agreed to limit our efforts to reviewing the documentation AID used in arriving at its cost estimates and comparing some allowances that can be readily compared to allowances provided by other agencies and the private sector.

AID plans to increase U.S. direct-hire employees overseas by 100 in fiscal year 1978 and by another 100 in fiscal year 1979. It is identifying the costs required to assign employees to new overseas positions and to maintain ongoing positions. AID is also identifying that part of a mission's budget representing initial assignment costs, i.e., those necessary solely to fill additional positions.

AID's approach to identifying initial assignment costs involved two steps. First, it determined what items would be needed anywhere in the world to fill a new position and what these items would cost. Certain assumptions had to be made. For example, office space would be available but office furniture and equipment would be needed; every three

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new staff members would require one new vehicle; leasing or renting a residence would be necessary (which would require renovation); a complete set of residential furniture would have to be purchased and shipped. Additional costs would include transportation for the employee and dependents, shipment of a privately owned vehicle, and shipment or storage of household effects. For the costs of transporting the employee and his effects, AID used the "average" family consisting of the employee, spouse and two children, the allowable maximum on shipment and storage, and the estimated air fare, all weighted to reflect the fact that the majority of new positions would be in Africa and the Near East.

These estimated initial assignment costs are summarized below.

| | | |
|--|---------------|-----------------|
| Office equipment | \$ 1,100 | |
| Vehicle procurement (1/3 of \$9,000) | <u>3,000</u> | \$4,100 |
| Renovation of residence | \$ 2,200 | |
| Residential furniture and shipping | <u>22,300</u> | \$24,500 |
| Employee and dependent travel, transfer allowance | \$ 4,500 | |
| Shipment of household effects, car, air freight, storage | <u>13,400</u> | <u>\$17,900</u> |
| Total | | <u>\$46,500</u> |

The second step was to identify those costs, or portions of costs in the mission operating budgets that could be attributed to U.S. direct-hire positions. These costs were allocated to (1) salaries and benefits, (2) annual maintenance, or (3) initial assignment costs. Certain costs could be allocated easily, such as U.S. citizen basic pay, differential pay, cost of living allowance, and education allowance. Most costs, however, required AID officials to make some assumptions based on their best judgment and experience.

We made a brief comparison of certain elements of AID's estimated annual maintenance costs with data available for other Government agencies and the private sector. AID's estimates are a worldwide average and are used in conjunction with its worldwide average base salary of \$32,050. For comparison with other agencies, we used estimated allowances (prepared by Inter-Agency Committee on Overseas Allowances

and Benefits for U.S. Employees) for three countries for a \$40,000 employee with a spouse and two school-aged children. For comparison with the private sector, we used data available on allowances at prevailing rates in four countries for a \$40,000 employee with spouse and two school-aged children.^{1/} For those allowances compared, AID's estimate seemed to be reasonable. Housing and education allowances are compared below.

| <u>Location</u> | <u>Allowance</u> | |
|----------------------------|------------------|------------------|
| | <u>Housing</u> | <u>Education</u> |
| AID's worldwide average | \$ 9,800 | \$ 2,500 |
| Other Government agencies: | | |
| Yemen | a/26,512 | 9,000 |
| Upper Volta | a/16,839 | 9,250 |
| Panama | 8,580 | 5,565 |
| Private sector: | | |
| Saudi Arabia | 30,420 | 10,740 |
| Japan | 23,628 | 6,290 |
| Mexico | 6,636 | 2,436 |
| Hong Kong | 20,628 | 4,968 |

a/ Full cost of providing quarters, which are primarily Government-owned or leased.

From our limited analysis, we believe that AID's approach to estimating the costs of placing additional staff overseas is reasonable. It is an overall estimate developed, to a large extent, from allocating budget figures because initial assignment costs are not separately identifiable. We believe, however, that such figures derived on an overall basis are of limited value in projecting the cost of adding new positions at any one mission. In our view, not all the costs included would necessarily be incurred to the same extent. Estimating the costs in each such case will require individual decisions at the mission, based on knowledge of what is available, what is additionally needed, and what historical actual costs reflect.

AID officials informed us that the fiscal year 1980 budget guidelines sent to overseas missions are intended to provide for more rigorous determinations of the actual costs necessary to add new positions. We believe this is a management improvement that will allow AID to better track and control the costs of maintaining staff overseas.

^{1/} See GAO report, "Impact on Trade of Changes in Taxation of U.S. Citizens Employed Overseas," Feb. 21, 1978 (ID-78-13).

Our February 1978 report, "Improved Management Needed Over the Agency for International Development's Operating Costs" (ID-78-15), pointed out that

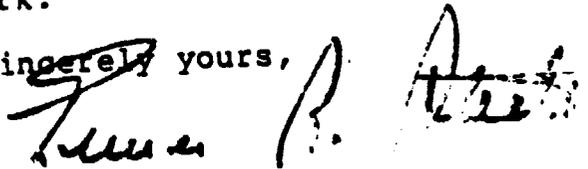
- AID's mission operating expense budgets are not adequately evaluated,
- AID has no assurance that mission requests for operating expense funds are reasonable, and
- AID's operating expense funds have been used for questionable purposes.

We made a number of recommendations for improving AID's management of operating expense funds and have been advised that the AID Administrator has implemented or plans to implement several management improvements. Also, in response to our report draft dated December 23, 1977, the Administrator said that a program of management audits was underway to ensure that operating expense funds are appropriately controlled and administered.

In following up on the status of these management audits, we found that the Auditor General is continuing a worldwide audit of mission operating expenses and budgeting as directed by the Administrator. As of March 31, 1978, 11 audits of overseas missions had been completed. A number of these audits pointed out that questionable costs were being incurred and recommended action to improve property management procedures, ensure that approval is obtained from Washington for expenditures above certain levels as provided by agency guidelines, and provide better control over furnishings and local utility allowances.

We are starting a review of the actions taken by AID management to implement the numerous recommendations which have been made for improving the economy and efficiency of administering U.S. development assistance programs. We will give special attention to your concern for the high cost of maintaining AID personnel abroad and will keep your staff briefed on the progress of our work.

Sincerely yours,



Comptroller General
of the United States