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BY THE COMPTROLLER GENERAL RELEASED

Report To The House Subcommittee On Legislation And National Security

OF THE UNITED STATES

Fundamental Changes Needed To Achieve Shared Support Services For Federal Agencies Overseas

The State Department offers support services such as security, housing and motor pools to most Federal agencies overseas on a reimbursable basis. While agencies endorse the concept of shared services, they have developed extensive and costly duplicate capabilities. At 12 posts, GAO identified about 800 persons employed by agencies at a combined annual salary of over \$8 million to perform services which essentially duplicated those offered by the State Department.



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The State Department's system of charging for services is based on estimated rather than actual costs, and its process for allocating costs to other agencies produces questionable and confusing charges. While the Department has not submitted the system for approval to GAO, it plans to submit a redesigned system as required.

GAO recommends fundamental changes in the administrative operations of agencies overseas, including mandatory participation in consolidated services, and modifications to the State Department's accounting and financial management system.



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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-202492

The Honorable Jack Brooks
Chairman, Subcommittee on Legislation
and National Security
House Committee on Government Operations

Dear Mr. Chairman:

As requested in your letter dated May 13, 1980, we are reporting on administrative activities of U.S. agencies in foreign countries.

At the request of your office, we did not obtain comments from the agencies involved.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of the report. At that time, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,

A handwritten signature in cursive script that reads "Milton J. Fowler".

Acting Comptroller General
of the United States

D I G E S T

Consolidated administrative support for Federal agencies overseas has been authorized by statute, encouraged in the State Department Foreign Affairs Manual, and emphasized by Presidential memo. While GAO found that consolidated support was far along at some posts, the concept was far from a reality at most of the 15 posts it visited.

In most cases the State Department is the focal point for providing these services, such as security, housing and motor pools, for its own needs as well as for other overseas agencies. At some posts, service organizations are jointly staffed by the State Department and other agencies. While the State Department provided some services on a reimbursable basis at the posts GAO visited, many agencies had developed extensive duplicate capabilities.

In a 1975 report GAO examined overseas administrative support and suggested that the State Department change the system for allocating administrative support costs to agencies. In 1976 the State Department established the Foreign Affairs Administrative Support system which provides for charging other agencies only for the incremental support costs incurred because of their presence overseas.

REQUIRING ALL AGENCIES TO COMBINE
ADMINISTRATIVE CAPABILITIES COULD
REDUCE DUPLICATION

Although the sharing of administrative support has received wide endorsement, no requirement exists for agencies to consolidate, and as a result, sharing remains largely voluntary. The sharing of services varies from post to post and is influenced by several factors including the commitment of the ambassador. The lack of independence of the administrative support function is also perceived as a problem by the agencies because the State Department both provides and uses these services. (See pp. 6 to 9.)

At 12 of the 15 posts it visited, GAO obtained data which showed that agencies at the posts employed about 800 persons at a combined annual salary of over \$8 million for administrative services which essentially duplicated those offered by the State Department. This does not represent GAO's estimate of savings possible through maximum consolidation of administrative services. It shows extensive and costly duplicate administrative capabilities exist at overseas posts. [The most commonly duplicated services were motor pools and personnel management systems.] (See pp. 9 to 11.)

In addition, [at those posts located within reasonable proximity of Department of Defense activities, GAO found potential for some consolidation of similar administrative functions.] (See pp. 13 and 14.)

SYSTEM FOR ALLOCATING COSTS
OF ADMINISTRATIVE SUPPORT
NEEDS ATTENTION

The State Department's approach to establishing charges to agencies for administrative support is unacceptable because it bases charges on estimated rather than actual costs. The significance of the amounts involved (about \$70 million in fiscal year 1980) and the fact that other agencies do transfer funds to the State Department dictate that charges be based on actual costs. (See p. 17.)

The State Department's accounting system, including the process for establishing and distributing costs, must be submitted to GAO for approval. GAO believes the problems identified should be considered in the Department's current redesign of the accounting system. (See pp. 17 and 18.)

The Foreign Affairs Administrative Support system is complicated and not adequately documented. Personnel generally do not understand how the system operates, the estimated cost of administrative personnel is generally divided inaccurately between the State Department and other agencies, and allocation principles are applied inconsistently from post to post. (See pp. 19 to 24.)

The State Department is aware that major deficiencies exist in its accounting and financial management system and has efforts

underway to correct them. These efforts, undertaken by contract, are in preliminary stages, and specific areas to be redesigned have not yet been established. (See p. 18.)

THE QUALITY OF ADMINISTRATIVE
SUPPORT IS GENERALLY ADEQUATE
BUT COULD BE IMPROVED

Dissatisfaction with support provided by the State Department was not a significant reason why other agencies maintained their own administrative capability or discontinued services at the posts visited by GAO. Agency officials were generally satisfied with the quality of support received although they identified some services which had suffered because of inadequately trained State Department personnel. (See ch. 4.)

At 11 of the posts visited, GAO identified key administrative personnel who had little or no training, and in some cases limited experience in the area to which they were assigned. (See pp. 26 and 27.)

RECOMMENDATIONS TO THE SECRETARY OF STATE

GAO recommends that the Secretary of State:

- Assure that charges for administrative support are established on actual rather than estimated costs as the redesign of the State Department's accounting system continues. (See p. 24.)
- Submit the accounting system to GAO for formal approval as required. (See p. 24.)
- Establish headquarters and post level training programs for State Department and other agency personnel to achieve a consistent, accurate, and adequate understanding of the overseas administrative support program and the cost accounting and allocation techniques. (See p. 24.)
- Develop and implement a program to enhance the selection, development and placement of personnel within the administrative function. (See p. 28.)

RECOMMENDATIONS TO
THE CONGRESS

GAO recommends that the Congress establish a policy of mandatory consolidation of most administrative support for those agencies under the jurisdiction of an ambassador abroad. Certain services such as vehicle operations and maintenance, building operations and local procurement should only be available through a consolidated arrangement. However, since total consolidation of some administrative activities such as personnel management and budget and fiscal services may not be feasible, agencies should be authorized to maintain separate capabilities on an exception basis provided the need to do so is justified. (See pp. 15 and 16.)

GAO believes this policy would provide the opportunity to increase the dependability and acceptability of the administrative support function by bringing together into a single entity the best qualified administrative personnel of all agencies operating overseas. This could result in an organization more capable of satisfying the requirements of all U.S. agencies operating in foreign countries. (See p. 16.)

In addition, GAO recommends that the Congress task the Secretaries of State and Defense to (1) identify those posts which are located within reasonable proximity of Department of Defense activities and (2) determine which administrative support activities should be shared. (See p. 15.)

At the request of the Chairman, Subcommittee on Legislation and National Security, House Committee on Government Operations, GAO did not follow its usual practice of obtaining agency comments on this report.

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ABBREVIATIONS

DAS	Distributed Administrative Support
DOD	Department of Defense
FAAS	Foreign Affairs Administrative Support
FBO	Office of Foreign Buildings Operations
GAO	General Accounting Office
JAO	Joint Administrative Organization

CHAPTER 1

INTRODUCTION

All U.S. Government organizations located overseas have a need for administrative services such as security, personnel management, housing, and motor pool operations. Experience has shown that the sharing of administrative services is the most practical and cost-effective method of providing needed administrative support overseas--particularly when many agencies share facilities. The concept of a shared administrative support system is that the agency most qualified should provide the service to all other organizations. When this concept is implemented the total cost to the Federal Government should be less than several smaller administrative sections. Traditionally, the State Department in its role as the major overseas representative of the United States Government has provided these services to other organizations.

THE CONCEPT OF SHARING ADMINISTRATIVE SUPPORT

The concept behind the sharing of administrative support is that effectiveness and economy are maximized when U.S. Government agencies participate, where practical, in joint arrangements for providing required administrative support to personnel assigned overseas. Normally, the agency most qualified, in terms of support personnel at post, should provide the service to other agencies, although services can be provided through jointly staffed administrative units. The concept of sharing administrative support has received wide endorsement.

Sharing administrative support is cost effective

The sharing of administrative support on a reimbursable basis could be the most economical way of providing needed services to U.S. agencies overseas. Joint regulations ^{1/} encourage combined servicing when criteria as to effectiveness, capability and economy are met. According to the Foreign Affairs Manual, combined services should result in savings to the U.S. Government when it is possible to

- reduce or combine staffs,
- eliminate duplicate facilities, or
- combine the management of supplies.

^{1/}Section 125, Volume 2 of the Foreign Affairs Manual entitled "Basic Principles for Overseas Combined Administrative Support Services."

Although State Department usually provides administrative support to other agencies, if another agency in-country is more qualified it may be delegated responsibility for providing certain administrative support services with Washington approval. Under both of these circumstances the serviced agency maintains a simple contractual relationship with the servicing agency.

Joint Administrative Offices are an alternative

Another method of sharing administrative support at overseas posts is the establishment of a Joint Administrative Office (JAO). Because the competence of key personnel is the major factor in the success of any combined organization, qualified individuals are selected without regard to parent agency and, as appropriate, may be detailed or assigned to the agency providing the support service on a reimbursable basis.

To govern the overall establishment and operation of JAOs in circumstances where full consolidation is considered practical, effective and economical, the State Department and the Agency for International Development entered into an interagency agreement on June 28, 1979. Among other things, the agreement cites guidance on the establishment, administration, staffing and financing of overseas shared administrative services.

Presidential endorsement of shared administrative support

The concept of sharing administrative support capabilities overseas, and JAOs in particular, has been advocated by the Carter Administration as a means of reducing U.S. employment abroad. In May 1979 the President requested the Secretary of State and the Director, Office of Management and Budget, to review the number of U.S. employees abroad. As a result of this review, the President, in a Memorandum for the Heads of Executive Departments and Agencies dated September 25, 1979, directed that several actions be taken immediately to reduce U.S. employment abroad. One of the actions was as follows:

"At many of our posts abroad, administrative support activities are fragmented among the various agencies represented. This results in too many people doing too little work while some basic services are not being adequately provided. To eliminate duplication and improve efficiency, I am directing that, in consultation with affected agencies, the Secretary of State establish joint administrative organizations at all U.S. diplomatic missions abroad, where efficiency and reduction of personnel will result."

STATE DEPARTMENT MECHANISMS FOR FINANCING
ADMINISTRATIVE SUPPORT COST AT OVERSEAS POSTS

Over the years, the State Department had used two different approaches to financing administrative operations at overseas posts. Originally all costs of providing administrative services were prorated among agencies including the State Department, on the basis of usage. In 1977, an incremental costing system was implemented whereby the State Department pays all fixed costs of the administrative support, and incremental costs are prorated to other agencies on the basis of usage.

Shared Administrative Support program

Beginning in 1955 the State Department provided services, on a reimbursable basis, to other U.S. Government offices located overseas under the Shared Administrative Support program. The specific services provided were set forth in agreements between the State Department and the serviced agencies. The basic premise of the cost-sharing system was that costs of the services were allocated on the basis of use. For example, if an agency used 10 percent of a particular service, it was charged 10 percent of the estimated cost of that service.

In February 1974 a task force was established within State Department by the Assistant Secretary for Administration to make an urgent review of existing procedures and funding. The task force issued its final report on May 10, 1974. The report recommended an incremental cost system wherein State essentially funds its fixed costs and the other agencies fund the added costs attributable to their presence at post.

Concurrent with the efforts by the State Department task force, we conducted a survey to determine if practical alternatives were available which would limit the continuing difficulties with the system. Our report 1/ concluded that the cost allocation method was deficient because it did not identify the additional cost to the State Department of servicing other agencies and suggested the adoption of an incremental system.

In May 1975 the State Department announced its intention to adopt a new system of financing administrative support costs. The new system, called Foreign Affairs Administrative Support (FAAS), was approved with the signing of the fiscal year 1977 State Department appropriation bill and became effective October 1, 1976.

1/"Concept, Cost, and Management of Administrative Support Services Provided by Department of State to Other Federal Agencies Overseas" (ID-76-7, Dec. 11, 1975).

Foreign Affairs Administrative
Support system

The State Department defines FAAS as an incremental cost system wherein State funds the fixed administrative support costs, and the other agencies fund the variable or added costs incurred by virtue of their presence overseas. The system applies to Washington domestic costs as well as overseas post costs. The fixed and added costs of this system are called CORE (not an acronym) and Distributed Administrative Support (DAS), respectively. CORE costs are those costs necessary to support the operations of the State Department and include those positions and funds that are unaffected, or only minimally so, by changes in the volume of administrative support provided to other agencies. DAS costs include those positions and funds that vary depending on the nature and extent of the administrative support provided to other agencies. The specific administrative services offered by the State Department are shown in appendix I.

During fiscal year 1981, the State Department is using the FAAS system to establish charges for administrative support services provided to other agencies in 122 countries.

OBJECTIVES, SCOPE, AND METHODOLOGY

The overall objective of our review was to evaluate the State Department's program for providing administrative support to U.S. agencies overseas. Work was conducted at the Washington, D.C., headquarters of the State Department and other agencies with offices overseas, and at 15 overseas posts. The methodology used included reviews of State Department and attached agency policies and procedures, FAAS system documentation including current fiscal year estimates, and discussions with officials on all aspects of sharing administrative support overseas.

Objectives

Specific objectives of our review were to assess the

- extent to which agencies located overseas have duplicative administrative capabilities,
- system used by the State Department to accumulate and allocate administrative support costs to other agencies,
- quality of administrative support provided by the State Department, and
- extent to which administrative operations of the State Department and other agencies could be combined with Department of Defense (DOD) activities in selected locations.

Scope

In addition to the State Department we also conducted work at the Washington, D.C., headquarters of selected agencies with offices overseas. These agencies which were selected because of their relatively large participation in the FAAS system included the Agency for International Development, Peace Corps, Defense Intelligence Agency, the International Communication Agency, and the Department of Agriculture's Foreign Agricultural Service.

The 15 posts which we visited overseas were selected using several factors, including the relative size of the mission and the FAAS program, the presence of a JAO, and representation within the different State Department bureaus. The 15 posts which were visited were:

Australia	Mexico
Egypt	Nepal
France	Panama
Germany	Peru
Guatemala	Philippines
Hong Kong	Sudan
Indonesia	Upper Volta
Korea	

Methodology

To assess the extent of duplicate capabilities, we interviewed State Department and other agency officials on how needed administrative support was obtained and reviewed post staffing levels and job descriptions. To assess the system for accumulating and allocating costs, we performed detailed reviews of FAAS documentation and interviewed State Department and other agency officials to determine their understanding and opinions on the usefulness and problems of the system. To assess the quality of support being provided we also interviewed agency officials to obtain their views on the timeliness and usefulness of the service, and reviewed the qualifications of individuals providing service. Assessing the extent to which State Department and DOD have combined administrative support was limited to posts located within reasonable proximity to a DOD installation. This situation existed in 3 of the 15 posts we visited--Germany, Korea, and Panama. To assess the actual or potential combining, we interviewed officials of the State Department and DOD installations and reviewed past, present, and proposed agreements for sharing of administrative support.

At the request of the Chairman, Subcommittee on Legislation and National Security, House Committee on Government Operations, we did not follow our usual practice of obtaining agency comments on this report.

CHAPTER 2

A REQUIREMENT THAT ALL AGENCIES OVERSEAS

CONSOLIDATE ADMINISTRATIVE CAPABILITIES COULD REDUCE THE EXTENSIVE DUPLICATION WHICH CURRENTLY EXISTS

The sharing of administrative support at overseas posts has received wide endorsement, yet there is no requirement that agencies consolidate. As a result, the sharing of administrative services varies from post to post and many agencies have duplicate capabilities. At some posts the sharing of services was relatively extensive and duplication was generally limited. In these cases, we noted, however, that the ambassador had taken action to restrict duplicate capabilities and encourage consolidation, either through an emphasis on cross-servicing or the establishment of a JAO. We found that, while three of the posts visited were located within reasonable proximity to DOD activities, the sharing of common administrative services had not been adequately considered. In order to increase the sharing of administrative support overseas and reduce the existence and cost of duplicate capabilities, we believe that all agencies operating overseas should be required to consolidate administrative support capabilities.

REQUIREMENTS TO COMBINE OR SHARE ADMINISTRATIVE CAPABILITIES ARE CURRENTLY NON-EXISTENT

Although the concept of sharing administrative support capabilities is authorized by statute and encouraged by the Foreign Affairs Manual, the decision to participate at the post level is fundamentally voluntary. As a result, the extent of consolidation at individual posts is influenced by several factors including the commitment of the ambassador to the concept of sharing administrative support and whether a JAO has been established. We also found that increased consolidation has been discouraged by State Department personnel being unwilling or, in some cases, unable to provide certain services.

Sharing of services is perceived as voluntary

The consolidation of administrative support services between the State Department and other agencies performing any foreign affairs function is provided for by 22 U.S.C. 2695. Specifically, the code states that the Secretary of State and the heads of any other Federal agencies performing a foreign affairs function may, subject to the approval of the Director of the Office of Management and Budget, conclude an agreement for consolidated services if it is determined to be more advantageous, economical, and to the benefit of all agencies concerned.

Section 125 of the Foreign Affairs Manual contains guidance on combining administrative capabilities, but it is limited to general criteria of economy, effectiveness, and capability. Some

agencies like the Peace Corps and Defense Intelligence Agency have taken action to further refine this criteria for consolidating administrative activities. Officials contacted at the 15 posts we visited, however, told us the decision of whether or not to participate in the sharing of administrative services was voluntary.

Several factors influence the sharing of services

During our review we identified a difference between those posts where sharing of services was relatively extensive and those where it was not. Specifically, we found that since there is no requirement to consolidate the extent of sharing at the post level is influenced by several factors, including the

- existence of a JAO,
- commitment of the ambassador to the concept of shared administrative support,
- existence of hardship conditions of the host nation, and
- the size of the other agencies in relation to the embassy.

Four of the posts visited during this review were operating under the JAO method of sharing administrative capabilities. At all four of these posts, the ambassador had also taken action to prevent or limit agencies from employing personnel to perform administrative services which could be obtained through the JAO. As a result the sharing of services was generally greater, duplication limited, and the majority of the personnel we contacted were satisfied with the adequacy and timeliness of services being provided. In our opinion these posts are examples that the concept of sharing administrative support services is sound and that it can work effectively. However, it is important to note that consolidation has been effective at these posts because the flexibility of participating in shared services has been limited.

In addition we found the sharing of services at some posts had been hampered by actions of the State Department and concerns over the independence of the entire administrative support function. Specifically, other agencies had at times been discouraged from consolidating by an unwillingness or, in some cases, an inability of the State Department to provide selected services. Also, officials of other agencies told us they had been reluctant to share services because the FAAS system and the personnel providing services are part of the State Department and, therefore, subject to an inherent bias.

For example, at several of the 15 posts we visited, the State Department had expressed a reluctance to provide pooled motor vehicle services to other agencies. At one post, the officials

did not believe the mechanism for reimbursement of this service was adequate and at another, the embassy did not have the capability to provide the service. Also, State Department officials generally agreed with the rationale provided by other agency officials for providing their own personnel management services-- primarily the peculiarities of the various personnel systems and the relatively large staff increase it would require on the part of the embassy to provide this service.

The concerns of agency officials about the independence of the administrative support function are based on a number of factors. As discussed in chapter 3, the FAAS system is complicated and not adequately documented. As a result, key personnel generally do not understand the system but believe it is biased in the State Department's favor. In addition, a conflict of interest is perceived since the State Department provides services to other agencies and at the same time is a primary user of those services. Some officials told us that the State Department places priority on its needs. Furthermore, the administrative support services offered by the State Department have been designed to meet its own needs and not those of other agencies.

THE SHARING OF SERVICES VARIED FROM POST TO POST

At the 15 posts visited, we developed information to show the percent of available services which were shared by all agencies. The percentages ranged from a low of 45 percent to a high of 86 percent. In our opinion, the variation in these percentages can be attributed to the flexibility which agency officials have in deciding whether or not services are shared. The table on the following page shows the percentage of shared services for each of the posts visited. The information was developed from the fiscal year 1981 administrative support agreements between the State Department and all other agencies at the posts. The percentages indicate the extent to which the State Department and other agencies have agreed to share the 21 services available through the FAAS system. (See app. I.)

<u>Country</u>	<u>Percent of services shared</u>
Egypt (note a)	86
Hong Kong	b/ 86
France	78
Indonesia (note a)	77
Germany	76
Upper Volta (note a)	75
Korea	74
Peru	71
Australia	66
Mexico	64
Guatemala	63
Philippines	60
Nepal	56
Sudan (note a)	45
Panama	45

a/Administrative support provided by JAO.

b/Fiscal year 1980 percentage. The 1981 agreements had not been signed when we performed our work at post.

EXISTING ADMINISTRATIVE CAPABILITIES OF AGENCIES OVERSEAS ARE EXTENSIVE AND COSTLY

This review and previous efforts within the State Department have identified duplicate administrative capabilities in agencies overseas. These capabilities, which are both extensive and costly (in terms of the number of personnel and salary cost alone), most often involve about three categories of service. However, in spite of recommendations to consolidate, agencies maintaining these capabilities have rationalized them on several factors.

Duplicate administrative capabilities

At 12 overseas posts visited during this review, we identified administrative positions within agencies other than the State Department which accounted for more than 800 personnel and approximately \$8 million in related annual salary costs. This information was developed by reviewing the staff rosters of all agencies located at the 12 overseas posts. The reviews included identifying the number and annual salary of the American or foreign employees encumbering positions in the following categories:

Administrative Assistant	Personnel Management
Vehicle Operations	Security
Vehicle Maintenance	Cashier Disbursing Operations
Plant Maintenance	Mail and Messenger
Accounting & Finance	Inventory Control

The information on personnel and salary costs does not represent our estimate of savings possible through maximum consolidation of administrative services. We did not identify which positions

were needed, and which were not, or which agency was better qualified to perform a service because we believe these decisions should be made jointly by the agencies at post. In our opinion, what the data shows is that extensive and costly duplicate administrative capabilities exist at overseas posts.

We did note that another agency may be better qualified to provide a certain service than is the State Department. We believe in such cases, the State Department should rely on the other agency for administrative support.

The following table summarizes, by overseas post, those positions within agencies other than the State Department which are involved in administrative support functions. A table which identifies these positions by agency is presented as appendix II.

<u>Country</u>	<u>Number of personnel</u>	<u>Annual salary cost</u>
Australia	10	\$ 138,530
Indonesia	96	717,925
Hong Kong	17	158,897
Nepal	108	336,299
Germany	46	954,999
France (note a)	127	3,006,652
Egypt	58	548,270
Sudan	16	164,655
Upper Volta	3	78,201
Korea	31	412,772
Philippines	222	900,345
Guatemala	<u>67</u>	<u>661,645</u>
Total	<u>801</u>	<u>\$8,079,190</u>

a/Includes 58 personnel and salary cost of \$1,422,515 for the Regional Administrative Management Center. Although a component of the State Department, the Center independently negotiates for FAAS services.

Three of the posts we visited, Panama, Peru, and Mexico are not included in the above table because we did not obtain needed information at those locations.

Capabilities most often duplicated

Particular administrative support capabilities which were most often duplicated by agencies other than the State Department include motor vehicle operations, personnel management, and budget and fiscal services. For example, at all 15 posts included in our review at least one agency other than the State Department had motor vehicle operations exclusively for its own use. We also found one or more agency which had personnel management and budget and fiscal capabilities at 11 and 12 of the posts, respectively.

In addition, we found instances where capabilities were duplicated by several other agencies. For example, in Sudan the State Department and all four other agencies had motor vehicle operations. In Peru, the State Department and all nine other agencies had motor vehicle operations and eight of these agencies also obtained vehicle maintenance independently.

In Manila, the State Department and three other agencies were performing local procurement functions. In several instances, both the State Department and the Veterans Administration were contracting with the same firms for identical items including reproduction services and the maintenance and repair of calculators and typewriters. The State Department was receiving the reproduction and calculator services at a price less than the Veterans Administration, while the Veterans Administration was receiving the typewriter services at a better price than the State Department.

Previous reviews have identified duplicate capabilities

Many of the administrative capabilities we identified as duplicate have been noted in numerous State Department reviews and reports as areas where additional consolidation could be achieved. However, recommendations which have ranged from the consolidation of a particular service to the formation of a JAO have met with resistance, a general lack of interest, and little or no action.

For example, a 1979 Inspector General memorandum on administrative affairs in Indonesia reported that six separate motor pool operations existed at post. The memorandum recommended that the post establish an in-house task force to study motor pool operations with the purpose of reducing the number of vehicles and consolidating motor pool usage. At the time of our visit, in August 1980, we were told by the Administrative Counselor that a task force had not been formed, but he was planning to discuss increased consolidation with officials of the other agencies.

The results of Inspector General studies in Guatemala have also suggested that the integration of common administrative services was feasible, given the right attitudes and planning by those involved. State Department officials at the post concurred with the inspectors, conducted a separate study in December 1979, and concluded that considerable duplication could be eliminated at an estimated annual savings of about seven positions and \$147,000. Besides the projected savings, officials contended that consolidation would result in standardization of policies and procedures and increase the efficiency of mission operations. However, the majority of agencies at the post disagreed in varying degrees with the conclusions and recommendations of the State Department and, as a result, no action had been taken at the time we conducted our work.

Rationale for duplicate capabilities

The rationale provided by agency officials during our review for maintaining duplicate capabilities was generally consistent with responses to previous reviews and included the following:

- unique agency needs,
- program requirements,
- need or desire for control over and flexibility in the delivery of services,
- insufficient State Department personnel and/or expertise to provide required levels of service,
- geographic separation of the servicing and serviced agencies, and
- limited or no potential cost savings through consolidation.

In our opinion, some of these reasons may have merit. However, disagreements among agencies at posts concerning the feasibility of sharing, and the fact that services are shared at some posts but not others, raises questions about the validity of some of the reasons.

For example, the participation of the U.S. International Communication Agency in budget and fiscal services varied considerably at the 15 posts we visited. At nine of the posts, we found that the agency received all budget and fiscal support from the embassy or JAO, while at the other six posts it had varying degrees of in-house capability. The rationale for less than full participation provided by officials at these six posts also varied considerably. In Paris, where the agency has the capability to meet all of its budget and fiscal requirements, we were told that the officials preferred the greater control over the budgets of their programs. In Bonn, we were told that the agency provided all of its own budget and fiscal services except accounting because it was cheaper than obtaining them from the embassy. In Upper Volta, the agency performed its own vouchering because, according to the officials we contacted, the JAO was not capable of meeting their needs.

As previously noted we did not attempt to identify which positions were not needed or which agency should have provided the service. However, the fact that capabilities were duplicated is evidence that the concept of sharing administrative support has not been properly implemented. In that context we believe that the potential for increased economies and efficiencies of administrative support exists at many of the overseas posts.

OPPORTUNITIES EXIST FOR FURTHER
CONSOLIDATION WITH DOD ACTIVITIES
IN OVERSEAS LOCATIONS

Based on our discussions and observations at three posts, the opportunity for further consolidation of administrative support capabilities with DOD activities exists. The State Department posts in Seoul, Bonn, and Panama City are located within close proximity to major DOD activities. Although these DOD activities are performing administrative support functions similar to those needed and performed by the State Department and other agencies, we found that consolidation has only been considered and achieved to limited degrees. Many of the officials we contacted at these posts believed the potential for increased consolidation existed. Other officials who did not believe increased consolidation was feasible generally cited concerns involving differing regulations and suspicions about the quality of services which would be provided.

Based on the limited consolidation we found between the State Department and other agencies which are collocated, it was predictable that sharing between these agencies and DOD activities would also be limited. In our opinion, the reasons provided were not sufficient to preclude increased consolidation and it should be pursued within the concept that the most qualified agency provides needed administrative support to all others.

Minimal consolidation in Panama City
in spite of potential and one proposal

There are extensive military activities including U.S. Army, Air Force, Navy and Marine Corps functions in the former Panama Canal Zone which is located several miles from the embassy. In addition, the Panama Canal Commission, previously the Panama Canal Company, is located in the Canal area. These activities have numerous administrative capabilities which are similar to those needed and performed by the State Department and other agencies. However, DOD provides few administrative services to the State Department or the other agencies. In fact, with the exception of the mail system, there are no formal agreements for the provision of administrative services by DOD or the Panama Canal Commission.

State Department and DOD officials in Panama told us there is some potential for consolidation of administrative services. However, they believed that the differences in regulations and requirements are serious constraints to extensive consolidation. The most prominent areas for potential consolidation include motor vehicle repair, administrative supplies, procurement, local personnel management, and travel. We noted that a proposal was made by the Panama Canal Commission to centralize commercial airlines reservations and ticketing for all U.S. agencies in Panama. As of August 1, 1980, however, a decision had not been made because an issue involving the delivery of tickets had not been resolved.

Two agreements exist in Seoul
and additional consolidation
may be feasible

The State Department in Seoul, Korea, and the Headquarters, Eighth U.S. Army also in Seoul, currently have two agreements which involve the sharing of administrative capabilities. Under one agreement, the State Department provides the Army with 65 houses and related support. Under the second agreement, the Army provides services for the State Department housing area which is located within the confines of the Army garrison. This support includes fire protection, utilities, real property maintenance, and entomology services.

Army officials involved in local personnel management, contracting and procurement, and vehicle maintenance who we contacted, believed their functional areas are similar to those performed by the State Department. Furthermore, these officials believed that consolidation with State Department is possible and that savings can be realized. We were advised by the Army officials that they had not been approached by the State Department on the possibility of sharing these services under an interdepartmental agreement. State Department officials, including the Administrative Counselor, also believed consolidation in some of these areas is possible but they had not pursued this subject in the past because they did not think the Army could adequately fill their needs.

Several agreements exist in Bonn
but further consolidation has
not been explored

The embassy in Bonn and the U.S. Army in Europe currently have several agreements for sharing administrative support. These include agreements concerning heating, medical procurement, the mail system, and automotive transmission repair. Some of these agreements were made over 20 years ago and others have only begun in the last year.

The possibilities for further sharing of administrative services have not been explored by State Department and DOD officials in Bonn. However, some officials who we contacted believed there is potential for further consolidation in certain areas. Those who thought further sharing was feasible believed that accounting, motor vehicle maintenance, and buildings operations were areas with some potential. Both State Department and DOD officials who thought further sharing was not feasible cited several reasons, including different regulations and suspicions about the quality of services which would be provided.

CONCLUSIONS

Administrative capabilities are extensively duplicated among agencies at overseas posts, resulting in unnecessary cost to the U.S. Government. The existence of these duplicate capabilities is evidence of the potential for further consolidation between

State Department and other agencies at overseas posts. We also believe that the potential exists for further or initial consolidation of similar administrative support services at those posts located within reasonable proximity to DOD activities. The rationale provided by agency officials to us during the review, and in response to previous State Department inquiries, for maintaining these capabilities is arbitrary and generally ignores the concept of shared administrative support.

We believe the primary reason why duplicate capabilities exist is the lack of any requirement for consolidating or sharing of administrative support activities overseas. We also believe that agencies' willingness to voluntarily consolidate administrative support has been adversely affected by a number of factors.

State Department officials we contacted during this review agree that these factors, whether they are real or perceived, do have an adverse impact on consolidation. However, as we found at those locations where a JAO has been established, the adverse impact of these factors can be avoided and as a result the sharing of services is generally increased and the extent of duplication lessened. Therefore, consideration should be given to increasing the acceptance of the administrative support function and bringing together into a single entity the best qualified administrative personnel of all agencies operating overseas. These changes, if accompanied by a requirement that agencies overseas combine administrative operations, could result in an organization capable of satisfying the administrative support requirements of all U.S. agencies operating in foreign countries.

RECOMMENDATIONS

In order to identify and fully realize the potential for increasing consolidation of administrative support between posts and DOD activities, we recommend that the Congress task the Secretaries of State and Defense to identify those posts which are located within reasonable proximity of DOD activities, and to determine which administrative support activities should be shared.

Furthermore, to eliminate the existence of duplicate administrative capabilities overseas, we recommend that the Congress establish a policy of mandatory consolidation of most administrative support for those agencies under the jurisdiction of an ambassador abroad. Certain services such as vehicle operations and maintenance, building operations, and local procurement should only be available through a consolidated arrangement. However, since total consolidation of some administrative activities such as American personnel management and budget and fiscal services

may not be feasible, agencies should be authorized to maintain separate capabilities on an exception basis, provided the need to do so is justified. 1/

We believe this policy would provide the opportunity to increase the dependability and acceptability of the administrative support function by bringing together into a single entity the best qualified administrative personnel of all agencies operating overseas. This could result in an organization more capable of satisfying the requirements of all U.S. agencies operating in foreign countries.

1/One option for accomplishing this would be to require each agency to submit justifications for separate administrative capabilities to the Office of Management and Budget as part of the agency's annual budget submission. The Office of Management and Budget could then analyze the justification and make a determination as to its validity. This procedure would be similar to the manner in which overseas personnel staffing proposals are submitted as part of the Monitoring Overseas Direct Employment process.

CHAPTER 3

STATE DEPARTMENT'S SYSTEM FOR ALLOCATING

COSTS OF ADMINISTRATIVE SUPPORT

NEEDS IMMEDIATE ATTENTION

The State Department's present approach for establishing charges to agencies for administrative support is unacceptable because the charges are based on estimated rather than actual costs. The significant charges involved (about \$70 million in fiscal year 1980) and the fact that attached agencies do reimburse the State Department these amounts, dictate the use of actual costs. The system for allocating costs is complicated and not adequately documented. As a result, key personnel who should know, generally do not understand how the system operates; allocation principles are applied inconsistently from post to post; and the cost of administrative personnel is generally divided inaccurately among the State Department and other agencies.

The State Department's accounting system, which includes both the processes for establishing and allocating administrative support costs, must be submitted to us for approval. However, we believe the problems identified in this chapter should be considered in the current redesign of the State Department's financial management system.

CHARGES SHOULD BE BASED ON ACTUAL RATHER THAN ESTIMATED COSTS

The State Department establishes annual billings for agencies receiving administrative support through a system which estimates and projects the costs of services provided. In view of the significant amounts involved and because reimbursements are made to the State Department on the basis of these billings, we believe that charges must be based on actual costs.

The following table shows the FAAS reimbursements by agency for fiscal years 1979 and 1980:

	<u>FY 1979</u>	<u>FY 1980</u>
	(000 omitted)	
Agency for International Development	\$11,072	\$17,358
International Communication Agency	18,053	21,220
Defense Intelligence Agency	5,908	7,119
ACTION/Peace Corps	1,761	2,603
Foreign Agricultural Service	2,638	2,780
Other	<u>15,437</u>	<u>18,556</u>
 Total	 <u>\$54,869</u>	 <u>\$69,636</u>

The State Department is aware that major deficiencies exist in its accounting and related data systems, and efforts are underway to correct them. A bid solicitation was issued in February 1980 for modifications to its financial management system. The document stated, in part:

"The Department's present accounting and related data systems fail to provide all the needed program, functions, and activities information needed by management. The Department's present accounting system does not satisfy minimal funds control and account integrity. To be sure, certain segments of the system are efficient; but the overall system is weak.

--Adequate cost information is not available. Managers do not know what it costs to run a particular organization, function, program, or activity in the Department."

At the time of our work, two private contractors were developing proposals to correct these and other problems. The solicitation document contains references to charges for overseas administrative support. The most specific is that an objective of the proposed system is to account for the cost of serviced agencies and accumulate reimbursements, including overhead due from each agency.

State Department officials have informed us that part of the effort now underway will provide for the use of actual rather than budgeted or estimated costs for services provided. The accounting system, to accumulate the costs and account for the reimbursements, will be included within the departmental system which must be submitted to the Comptroller General for approval under the requirement of 31 U.S.C. 66a. The Department currently estimates the overall system will be ready for submission by the end of fiscal year 1982.

KEY PERSONNEL GENERALLY
DO NOT UNDERSTAND THE
SYSTEM FOR ALLOCATING COSTS

One of the FAAS system principles is that the chief agency representative at a post make certain the costs attributed to his agency are equitable. Representatives accomplish this by reviewing and agreeing to the distributions of workload and cost data on the various FAAS documents. However, at all 15 of the posts visited we identified agency representatives who should have but did not understand the FAAS system. The effects of this lack of understanding are twofold. The checks and balances which supposedly exist through the review and acceptance of charges are questionable. More importantly, however, disagreements develop between State Department and agency representatives, which could be detrimental to the sharing of services and lead to increased duplication. During our review, we identified instances where agency representatives objected to charges as exorbitant, were suspicious the State Department was manipulating costs to its advantage, and discontinued or threatened to discontinue sharing services.

Misconceptions about the
cost allocation process are
widespread and significant

At all 15 posts visited, we found that key agency representatives often did not understand basic features of the FAAS system. As a result, we doubt that many officials can make sound decisions about the equitableness of charges or the desirability of continuing to procure the services. Some examples of the misconceptions we identified are as follows:

- Agency representatives at two posts were not aware of what services they were entitled to or receiving through the FAAS system. At one post, an agency representative had agreed to a charge without realizing the service was not provided. The State Department subsequently found and corrected the error.
- Agency representatives at eight posts believed that if they elected "partial" use for one of the services instead of "full," their charges would be less. (Actually charges are estimated based on the use of a particular service regardless of the elected participation.)
- Agency representatives at seven posts were unable to identify charges to their agencies from the schedules furnished by the State Department.
- Agency representatives at eight posts were unfamiliar with how costs are allocated among the different agencies.

--Agency representatives at five posts expressed opinions that the accuracy of individual post data was immaterial because of negotiations and adjustments to agency charges which take place in Washington, D.C. At three of the posts, this opinion was expressed by State Department employees in the budget and fiscal section.

Agency representatives at nine posts admitted their knowledge of the FAAS system was inadequate and expressed concern about this lack of knowledge. Also, based on our discussions at five additional posts, we concluded the knowledge of some agency representatives about the FAAS system was superficial. At five posts, representatives stated they suspected the Department was overcharging other agencies at post and shifting State Department costs to other agencies.

An adequate description of the FAAS system needs to be developed

Even though the FAAS system has been in existence for over 5 years, it has not been adequately documented. Existing documentation describes the system used prior to FAAS, augmented by a series of modifications and instructions relating to FAAS problem areas and annual changes. In our opinion, this documentation is confusing, cumbersome, and difficult to use. As discussed on page 23 of this report, this lack of documentation has resulted in errors and inconsistent application of various FAAS principles.

The State Department acknowledged the FAAS system documentation is inadequate, and a project to develop a new description has been underway for almost 2 years. Department officials estimate the project will be completed by September 30, 1981, about a year before the expected completion date for redesign of the financial management system. These efforts are being undertaken independently even though the redesign of the financial management system is likely to result in changes to the FAAS system.

Most agency representatives have received inadequate training on the FAAS system

Little improvement has been made in training agency representatives on the cost allocation process since we issued our report in December 1975, referred to on page 3. In that report we pointed out that more than half the persons contacted received no FAAS training before being assigned to post. Some agencies have developed training programs and/or brochures and manuals to assist representatives in understanding the system. However, officials at 78 of the 96 overseas offices contacted at the 15 posts visited during this review had no training on the system before being assigned to post.

MANY CHARGES ARE QUESTIONABLE

At 13 of the posts visited we found charges allocated through the FAAS system which were questionable. The most significant problem was that serviced agencies were overcharged because personnel costs were inaccurately divided among the State Department and other agencies. We identified other charges which were clearly inaccurate. In addition, we found that allocation principles were interpreted and applied differently from post to post. We did not attempt to recompute and reallocate charges to determine the net effect of questionable charges because the process is extensive and cannot be completed at the post level.

Disproportionate personnel cost

In our opinion, the concept used by the State Department to divide personnel cost is sound. However, if the original position classifications were accurate, then it appears a significant imbalance has developed because of shifts in workload without a corresponding reclassification of positions. This problem has occurred because there is no requirement to periodically reevaluate workload and position classifications. State Department instructions regarding changes in workload and position classifications have been unclear and confusing to post personnel.

A fundamental concept of the incremental FAAS system is that the State Department pays for personnel needed to support its operations and other agencies pay for additional personnel needed because of their presence. As discussed in chapter 1, personnel needed by the State Department are classified as CORE positions while personnel to support other agencies are classified as DAS positions. Proper classification of positions at a post is critical to the accuracy and reasonableness of charges for administrative support. However, at nine of the posts visited we found questionable personnel classifications. In most cases personnel were inappropriately classified as DAS and, therefore, incorrectly charged to other agencies. We identified 29 positions which appeared to be misclassified.

When the FAAS system was implemented, each post classified all administrative support positions as either CORE or DAS using the established criteria. Once this determination was made and approved by headquarters, the classifications could not be changed or adjusted at the post level without headquarters approval. The State Department assumed responsibility for management and control of CORE positions. The Inter-Agency Council on Administrative support assumed responsibility for management and control of DAS positions. No changes can be made at post level without prior approval of the appropriate headquarters unit.

After the FAAS system was implemented, the State Department assumed responsibility for funding certain services which were formerly shared. Beginning in fiscal year 1978, the number of shared services was reduced from 28 to 21. The services eliminated were:

Payrolling
 Budgeting and Financial Planning
 Reproduction
 Telegraphic Traffic
 Files and Records
 Physical Security
 Marine Guard Service

These services were eliminated because they were low cost, outmoded, or normally associated with CORE positions. Also, beginning with fiscal year 1981 estimates, all expenses associated with government-owned and long-term leased buildings were changed from shared to State Department costs.

At many locations, however, we found personnel performing these functions were still being charged to other agencies. For example, the following 10 positions which should have been converted to CORE were classified as DAS.

<u>Functions</u>	<u>Number of positions</u>
Buildings Operations	4
Reproduction	2
Physical Security	2
Telegraphic Traffic	1
Budgeting and Financial Planning	<u>1</u>
	<u>10</u>

In addition, we identified another 18 DAS positions which appeared to be misclassified. These positions were necessary to support the State Department's activities and, therefore, should have been classified as CORE. For example:

- All four employees in the word processing center at one post were classified as DAS. These positions had been reprogramed from other services, but were not reevaluated to determine if work performed by the center was in support of other agencies.
- Both of the cashier positions at one post were classified as DAS. However, under the CORE/DAS concept at least one of the positions should be CORE. A similar situation which existed at another post involved two DAS travel clerk positions.
- The only medical position at one post was a DAS nurse. We were informed that agency officials knew the position should be CORE, but they agreed to pay for it because medical capability was desperately needed and the State Department was at its ceiling of CORE positions.

An additional problem caused by not reclassifying positions to reflect shifts in workload was that some posts were forced to

charge the costs of personnel to different services than the personnel were performing. We identified about 30 positions where personnel costs were misallocated. For example,

- an employee performing reproduction services, was charged to mail and messenger service,
- an employee performing a physical security service was charged to personnel investigations, and
- six employees performing building management and maintenance services at one post were charged to administrative supply.

At one location, the misclassification resulted in a serious dispute between officials of the State Department and one agency. The agency officials threatened to substantially reduce participation in the FAAS program unless adjustments were made. The conflict was resolved during our review and State Department officials agreed to reclassify some nine positions and significantly reduce the amount charged to the agency.

Inaccurate charges

We identified errors in the FAAS documentation and computations at 13 of the 15 posts visited. There were no patterns to the errors other than their existence at almost all locations. The errors identified included the following:

- charges to agencies for services not provided,
- failure to charge for services provided,
- mistakes in transferring figures between forms,
- costs distributed differently than indicated,
- computational errors,
- use of incorrect percentages for allocating costs to attached agencies,
- inclusion of inappropriate costs on certain forms, and
- reversed participation rates (and charges) for some agencies.

Inconsistent allocations

In comparing FAAS documentation and computations at the posts visited we found allocation principles were interpreted and applied differently from post-to-post. At four posts we found instructions relative to certain Office of Foreign Buildings Operations (FBO)

costs were interpreted differently. As a result, three of the posts were allocating the FBO costs to other agencies while one was not. This inconsistency was significant because it impacted CORE/DAS percentages. After discussions with officials who prepared the FAAS forms at the four posts, we concluded the instructions were sufficiently vague to prohibit a determination of which interpretation is accurate.

Another inconsistency involved the distribution of "other object" costs between the State Department and other agencies. The method used at one post resulted in the State Department absorbing more than its share of the costs.

CONCLUSIONS

In our opinion the State Department's process for establishing and allocating administrative support charges is unacceptable because of the use of estimated rather than actual costs. In addition, the allocation process does not achieve an equitable division of charges because of several factors. First, the State Department has not periodically reassessed and adjusted personnel costs to compensate for shifts in workload between itself and other agencies. Secondly, inaccuracies and inconsistencies exist because the allocation process is complicated, not adequately documented, and misunderstood by personnel at the post level.

We also believe that developing documentation for the FAAS system independently and in advance of redesigning the financial management system is questionable. Undoubtedly, the redesign effort will include changes in the FAAS system.

RECOMMENDATIONS

We recommend that the Secretary of State:

- Ensure that charges for administrative support are established on actual rather than estimated costs as the redesign of the State Department's accounting system continues.
- Submit the accounting system, which includes FAAS, to us for formal approval as required.
- Include the development of documentation describing the FAAS system in the redesign of the accounting system.
- Establish department- and post-level training programs to achieve a consistent, accurate, and adequate understanding of the overseas administrative support program and the FAAS system by State Department and other agency personnel.

CHAPTER 4

QUALITY OF ADMINISTRATIVE SUPPORT PROVIDED

BY STATE DEPARTMENT IS SATISFACTORY

BUT COULD BE IMPROVED

The results of our review did not support charges that the quality of administrative support provided by the State Department is unsatisfactory. Agency representatives overseas were generally satisfied with the quality of services they received. Quality of service did not appear to be a significant factor in agency decisions to maintain their own administrative capability rather than obtain services from the State Department. We found, however, that the quality of some services may be enhanced if the training and--in some cases--experience of administrative personnel were improved.

POOR QUALITY OF ADMINISTRATIVE SUPPORT MAY BE EXAGGERATED

Dissatisfaction with the quality of administrative support provided by the State Department was not having an adverse impact on the sharing of services at the posts visited. Although we identified specific problems with the quality of some services, these had not caused agencies to discontinue sharing or to duplicate State Department capabilities.

Headquarters officials of agencies with offices overseas have expressed opinions that the quality of administrative support provided by the State Department was unsatisfactory. Various reasons were given for the inability to provide satisfactory support. For example, some officials believed State Department administrative personnel may not be adequately trained or otherwise qualified to provide the required support. Also, many headquarters officials believed the needs of their agencies are ignored until State Department has fulfilled its own requirements.

In contrast, representatives of the 96 overseas offices we contacted at the posts visited were generally satisfied with the quality of administrative support provided by the State Department. Furthermore, we identified only four instances where an agency had discontinued participation in a consolidated service because the quality of support received was unsatisfactory. At all 15 posts we received complaints of dissatisfaction with the quality of support in specific services. These complaints, however, were presented as minor and, in many cases, attributed to environmental or other considerations beyond the control of personnel providing the services.

For example, complaints about excessive time delays for payment on vouchers submitted through the administrative section

of the State Department or JAO were prevalent in Australia and Indonesia. However, officials generally told us the cause of the delay was not inefficiency at the post level but the length of time required to transmit the authorization and payment between the posts and the Regional Finance and Data Processing Center in Thailand.

Officials also stated that sufficient numbers of administrative staff may not be available because State Department personnel reductions have occurred primarily in the administrative area. However, our comparison of staffing levels since fiscal year 1977 at 11 of the posts visited did not substantiate such a pattern.

As discussed in chapter 2, however, extensive duplicate administrative capabilities were maintained at the posts we visited. Because agencies provided for many of their own requirements, we believe that the likelihood for an agency to be dissatisfied with the quality of support provided by the State Department was lessened. It also appears that if administrative services were consolidated to a greater extent, the potential for problems with quality would increase.

TRAINING OF ADMINISTRATIVE PERSONNEL NEEDS EMPHASIS

We found that in many cases improvements are needed in the training of personnel assigned to administrative duties at overseas posts. At 11 of the posts visited, we identified key administrative personnel who had little or no training, and in some cases, limited experience in the areas to which they were assigned.

The State Department has several training programs available to its administrative personnel including Administrative Operations, Personnel, Budget and Fiscal, and General Services. Generally, an Administrative Counselor would be expected to complete all of these courses while other administrative officers would be required to complete only the courses related to their area of responsibility. In practice, however, officers may not receive any training prior to their arrival at post.

For example, the Budget and Fiscal Officers at two of the locations visited received no training in their area of responsibility prior to assignment to an overseas post. One officer's prior experience was as a travel voucher examiner in Washington, D.C. The other officer told us that his ability to provide administrative services was seriously limited during his first year overseas. He informed us that most of his effort was spent in on-the-job training and learning about his duties and responsibilities. Officials of other agencies and the State Department believe situations of this type exist because of the Department's emphasis on economic and politically oriented personnel.

The Administrative Counselor at one large post told us that without questioning their effectiveness, the backgrounds of

his current officers illustrated a lack of training in the State Department administrative function. Two of his senior officers were formerly diplomatic couriers and two others had been communicators. Two of the junior officers on his staff had come to post with no training in their area of responsibility and neither of them had any prior experience in administrative functions. One had previously served as a consular officer, and the other was formerly a secretary. The Administrative Counselor told us he believes the State Department should make a more concerted effort to professionalize the administrative function. Several other agency officials commented specifically on this Administrative Counselor's professionalism and excellent capabilities. He informed us that his education and experience have been exclusively in administration, and that he has spent most of his time at overseas posts.

We also observed that problems with the experience and training of administrative officers was more pronounced in hardship posts where the State Department has traditionally had difficulty in assigning personnel. We were informed that personnel are often assigned to these posts as their first tour in the administrative function. Officials at two of the hardship posts we visited told us that the problem of inexperienced administrative personnel is aggravated by the conditions which characterize a hardship post. They stated that these conditions which include power failures, inadequate labor forces, and severe climates demand experienced and highly qualified personnel.

DEFENSE INTELLIGENCE AGENCY
RATED SUPPORT SATISFACTORY

A review conducted by the Defense Intelligence Agency in late 1979 disclosed that the support received by its overseas posts under the FAAS system was satisfactory or better. From the responses of 78 posts the perceived general levels of support were categorized as follows:

	<u>Number</u> <u>of posts</u>	<u>Percent</u> <u>of total</u>
Excellent	17	22
Above average	17	22
Satisfactory	36	46
Unsatisfactory	<u>8</u>	<u>10</u>
	<u>78</u>	<u>100</u>

The review also requested the posts to provide specific examples of shortcomings encountered by the Defense Attache and his office in obtaining FAAS services. While some problems were found to be unique to a particular post, most were shared by others. The following areas were mentioned most frequently:

	<u>Posts</u>
Travel vouchers	22
Property records	14
Vehicle maintenance	14
Procurement/contracting	8
General budget and fiscal	8
Building operations	6
Shipping and customs	5

The results of the review, which were summarized by the State Department in February 1980, noted that the reasons given for these problems varied but centered around two main areas of concern, understaffing and a lack of training.

CONCLUSIONS

The quality of administrative support provided by the State Department is satisfactory, but it could be improved. Agency officials contacted overseas were satisfied with the quality of support provided by the State Department. However, the quality may have suffered in some services because administrative personnel did not have adequate training or experience in their areas of responsibility. Also, since many agencies duplicated services offered by the State Department, the likelihood of dissatisfaction may have been lessened.

RECOMMENDATIONS

In order to improve the quality of support and reduce the potential for dissatisfaction, we recommend that the Secretary of State develop and implement a program to enhance the selection, development, and placement of personnel within the administrative function. Such a program should include as a minimum the identification of

- administration as an area of expertise which requires special skills,
- appropriate selection criteria which reflects a need for the identified skills,
- internal and external training programs which will aid in developing and maintaining the ability to satisfactorily provide administrative services, and
- critical experience and training requirements for placement in the various administrative positions at overseas posts.

ADMINISTRATIVE SUPPORT SERVICES AVAILABLE
THROUGH THE FAAS SYSTEM

Personnel Services

American Personnel Management
Local Personnel Management
Welfare and Health Services
Travel Services

Budget and Fiscal Services

Accounts and Records
Payrolling a/
Vouchering
Cashier and Disbursing Operations
Budgeting and Financial
Planning a/

General Services

Vehicle Operations (Pooled)
Vehicle Maintenance (Non-Pooled)
Administrative Supply
Procurement
Reproduction a/
Shipment and Customs
Building Operations - Office
Building Operations - Residential
Leasing

Communications Services

Telegraphic Traffic a/
Pouching
Files and Records a/
Mail and Messenger Services
Reception and Switchboard
Services

Security Services

Personnel Investigations
Physical Security a/
Marine Guard Services a/
Watchman Services

Management Services

a/The instructions for preparing the fiscal year 1978 FAAS estimates eliminated these subfunctions because they were low cost, outmoded or normally associated with CORE positions.

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PERSONNEL OF AGENCIES OTHER THAN STATE DEPARTMENT INVOLVED IN ADMINISTRATIVE SUPPORT ACTIVITIES

Personnel & annual salary cost in (note a)	Agency for International Development	International Communication Agency	Peace Corps	Defense Attache Office	Other defense agencies	Other agencies	Total
Australia		5 \$ 67,251		2 \$ 33,330	2 \$ 23,910	1 \$ 14,039	10 \$ 138,530
Germany		20 438,238		4 68,615	5 51,563	17 396,583	46 954,999
Hong Kong		8 74,970		5 28,160		4 55,767	17 158,897
Indonesia	55 \$ 439,456	15 91,057		6 29,979	20 157,433		96 717,925
Nepal	85 267,023	6 11,042	16 \$57,265	1 969			108 336,299
Egypt	43 441,939	7 67,846		5 31,265		3 7,220	58 548,270
Sudan	9 138,523	4 8,320		1 2,484		2 15,328	16 164,655
Upper Volta	3 78,201						3 78,201
Korea	6 133,435	16 186,711	4 50,418	1 8,684		4 33,524	31 412,772
Philippines	69 382,022	61 225,880	6 29,984	3 6,706	3 5,491	b/ 80 250,262	222 900,345
Guatemala	55 568,008	4 28,648	5 42,806	1 5,394	1 9,544	1 7,245	67 661,645
France		20 554,049			17 357,287	c/ 90 2,095,316	127 3,006,652
Total	325 \$2,448,607	166 \$1,754,012	31 \$180,473	29 \$215,586	48 \$605,228	202 \$2,875,284	801 \$8,079,190

a/Panama, Peru and Mexico are not included because we did not obtain the needed information.

b/Includes 55 personnel and salary cost of \$172,029 for the Veterans Administration.

c/Includes 58 personnel and salary cost of \$1,422,515 for the Regional Administrative Management Center.

APPENDIX I I

APPENDIX I I

AN EQUAL OPPORTUNITY EMPLOYER

**UNITED STATES
GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548**

**OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE, \$300**

**POSTAGE AND FEES PAID
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THIRD CLASS