

GAO

Transition Series

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Department of State Issues



Comptroller General
of the United States

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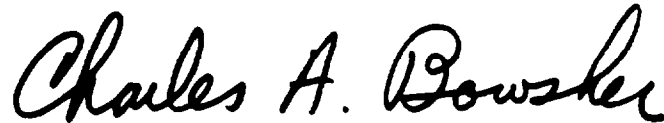
November 1988

The President of the Senate
The Speaker of the House of Representatives
The Secretary-designate of State

This transition report is one of a series that addresses major policy, management, or program issues facing many key agency heads in the new administration. Some of these concerns are relatively new, while others represent long-standing and unresolved problems.

This report identifies four important issues that we believe should be included in the agenda the Secretary of State and Congress set for the management of our nation's foreign affairs. They are (1) management deficiencies, (2) improving U.S. participation in United Nations organizations, (3) improving effectiveness of the international narcotics control program, and (4) improving administration of refugee programs.

These issues are discussed in detail in the reports listed at the end of this report.



Charles A. Bowsher

Contents

Letter	1
Management Deficiencies	4
Improving U.S. Participation in United Nations Organizations	13
Improving Effectiveness of International Narcotics Control Program	16
Improving Administration of Refugee Programs	18
Related GAO Products	20
Transition Series	22



Management Deficiencies

Although senior State Department officials devote much of their attention to formulating and implementing U.S. foreign policy, they also are charged with the substantial responsibility for managing billions of dollars in assets around the world. For example, the Department manages thousands of properties in over 250 overseas locations and provides various types of administrative support services to more than 50 federal agencies overseas. High-level State Department officials have acknowledged that, historically, management and administration have not received high-level Department attention. The lack of specific accountability in administering State stewardship of resources, the lack of technically qualified personnel, and the normal rotation of foreign service generalists have contributed substantially to the continuing management shortcomings.

Over the past several years, numerous congressional hearings and reports by the State Inspector General and by GAO have identified major problems in State's management practices, resulting in fraud, waste, and abuse of resources. State officials have repeatedly promised corrective actions, but with the change in administrations, it is important to ensure that resource management receives adequate attention.

Managing State's worldwide operations should be considered as one of the most challenging jobs in either the private or public sector. The assignment of overseeing the network of far-flung diplomatic posts is loaded with tremendous opportunities. State needs to focus more attention on the use of its people and other resources in carrying out its stewardship responsibilities. Steps that State needs to take include the following.

- Assuring the timely completion and full implementation of the long overdue financial management system; without it, State has little chance of effectively managing its resources.
- Attracting, in sufficient quantities, qualified professionals in such technical fields as financial management, maintenance engineering, and real estate operations. The use of foreign service officers (generalists) to perform such specialized tasks for which they have little or no training, experience, or interest needs to be changed.
- Establishing short- and long-range plans to determine what legitimate resource needs exist in each bureau and at each overseas diplomatic post and how best to satisfy them. Such plans could be used to help

reduce the pressure for making costly changes to overseas construction projects merely to satisfy personal preferences of ambassadors or other officials.

- Enforcing compliance with existing federal requirements and vigorously implementing internal control procedures to provide the mechanisms to ensure accountability.

Strong Management Needed for Overseas Construction and Property

The State Department is responsible for managing billions of dollars worth of assets—embassies, office buildings, residences, motor vehicles, communications networks, security equipment, and office and home furnishings—so much that State does not know the general value of its property. It is buying and selling properties around the world on an ad hoc basis and has had a long-standing problem of poor recordkeeping and accountability.

Construction of buildings overseas over the years has encountered long delays, poor workmanship, and large cost overruns. The State Department's construction program has also been subjected to external pressures. For example, officials have intervened in the construction process to press for design changes as personal preferences. In other cases, political concerns about U.S.-host country relations have

taken precedence over technical construction judgments (for example, the arrangements that substantially diminished U.S. ability to control Soviet work on the U.S. embassy in Moscow were hastily completed to coincide with a high-level, U.S.-Soviet meeting).

The State Department in recent years has also embarked upon a massive \$2.1-billion, multi-year effort to strengthen the physical security of embassies and consulates around the world. The administration of this security enhancement program needs to be improved. For example, the actual costs of security upgrades at a number of embassies were almost double the original estimates. The security projects also generally have taken much longer to complete than originally planned because of numerous design modifications after construction was well underway, inadequate coordination among headquarters and overseas personnel, and the selection of contractors who lacked the skills and resources to promptly complete the projects.

Overseas Properties
Need Improved
Maintenance

Because of years of neglect, a serious maintenance problem now exists at a number of the 2,500 government-owned and long-term leased properties overseas.

This has occurred in part because responsibility for identifying maintenance needs typically rests with foreign service generalists at overseas locations who do not have the technical skills to assess maintenance problems. A scheduled cycle of preventive maintenance has not been used. State lacks sufficient facility management officers; as a consequence, maintenance problems are either not reported or not addressed until the facility requires major rehabilitation.

State officials acknowledge a serious maintenance backlog and estimate that about \$1 billion would be needed to provide necessary maintenance and repairs. However, State has not sought sufficient funds to begin to deal with the maintenance backlog.

The result of State's long-standing failure to provide adequate maintenance has been that good buildings have deteriorated, decreased in value, and now require costly rehabilitation.

State Needs to
Provide Adequate
Overseas
Administrative
Support to Other
Agencies at a
Reasonable Cost

Since World War II, the State Department has provided administrative support services to other federal agencies overseas. This arrangement, which involves hundreds of millions of dollars annually, has been based on the premise that the interests of efficiency and economy are best served by expanding State's basic administrative capacity to include the common administrative requirements of other agencies, thus preventing duplication of staffing and resources. A factor which will have a broad impact on such support services relates to State's ability to satisfy the other agencies. Under legislation enacted in December 1987, other agencies will soon begin to pay the full cost of services received. This will significantly change the cost distribution system, since State for a number of years has been charging other agencies only for the incremental support costs incurred because of their presence overseas.

If State cannot provide adequate services at a reasonable cost, the other agencies that now voluntarily participate in the State support system will probably seek alternatives. The challenge to State and the other agencies will be to avoid (1) undermining previous efforts to curb the duplication of support capabilities, (2) creating competition among agencies for the

same services in locations where limited alternatives exist, and (3) increasing costs to the government because economies of scale will be lost.

Improved Internal Controls Are Required

The State Department has broad-ranging, multi-faceted responsibilities for managing and accounting for funds used at over 250 overseas locations. Numerous transactions made in various local monetary currencies with fluctuating values increase the difficulties in properly controlling funds. Such a complex worldwide system requires sophisticated technical attention. Managing these resources is a significant challenge that must be met with experienced staffing and adequate equipment.

State needs to comply with numerous applicable laws, federal regulations, and/or its own directives in handling funds and other resources. Generally speaking, it has not applied some basic internal controls. There have been a number of cases of embezzlement and cashier fraud. We found State had not been performing physical inventories of such property as computers, security and communication electronic gear, vehicles, and office furniture and equipment; at some warehouses, controls were so lax that property could easily have been taken without detection. In some cases, other agencies have been

charged improperly for overseas administrative support services because of the questionable allocation methods.

Since at least 1979, the Department has recognized that its current financial management system contains inherent deficiencies. A new system is scheduled to be fully operational in October 1989. The Foreign Service has had a chronic shortage of qualified budget and finance officers, and the Office for Financial Operations has had a long-standing vacancy rate for Civil Service employees in excess of 30 percent because of State's inability to hire and retain qualified personnel.

The authority and responsibility over many locations and levels of organizations are dispersed to such a degree that no one individual or organization is held specifically accountable for the stewardship of State's resources.

Priority attention should be given to improving financial accountability and resources management; doing so will provide substantial financial savings at a time when the Department is facing budget reductions. Continuing to place low priority on effective and efficient management creates a negative perception with the

Congress as well as with foreign governments and can hinder the achievement of U.S. foreign policy objectives.

Improving U.S. Participation in United Nations Organizations

Over the last several years serious concerns have been raised over the adequacy and effectiveness of financial and program management in the United Nations and its specialized agencies. We believe the United States can enhance the effectiveness of these organizations by (1) helping them regain their financial integrity, (2) improving their evaluation capabilities, and (3) bettering the system for managing U.S. participation in these organizations.

Since at least 1980, U.S. policy makers have been seriously concerned over uncontrolled budget growth in the U.N. organizations. Reductions in U.S. contributions have stimulated some financial reforms and limited budget growth. As a result, in September 1988 the United States announced that it would pay a portion on its arrears to the United Nations and that it would fully fund its future years' assessments. However, the United States has not yet developed a specific plan and program to implement the September 1988 policy announcement.

We believe that State needs to develop, in partnership with the Congress, a clear program which (1) consolidates the gains achieved from its withholding policy, (2) guards against potential program deterioration stemming from the current financial

weaknesses, and (3) allocates arrearage payments to useful purposes.

The United States has long sought to strengthen the U.N.'s evaluation capabilities so that member nations can be assured that economy, efficiency, and effectiveness of U.N. programs and activities are maintained. Efforts to improve the U.N. Joint Inspection Unit and other internal evaluation systems have been productive, but more needs to be done to improve U.N. evaluation capability. We believe the Department needs to place renewed effort on strengthening and improving the U.N.'s external and internal evaluation systems.

For a long time, State has sought to develop a structured way for managing U.S. participation in international organizations. It established a management process to develop medium- and long-term objectives and an action plan for implementing them. In recent years this process has been downgraded to a more ad hoc method which emphasized a short-term approach to issues at hand, thus detracting from the usefulness of the process.

We believe a new administration should look closely at its organizational arrangement for policy development and program

management and coordination, including the renewed use of action plans as a basis for establishing and implementing medium- and long-range plans for managing U.S. interests in international organizations.

Improving Effectiveness of International Narcotics Control Program

Drug abuse is a major international problem, and drug control has become a critical element of U.S. foreign policy. Despite increased U.S. assistance to cooperating countries' crop control and law enforcement efforts and increased eradication, narcotics production in 1987 exceeded 1986 levels substantially. Opium production increased by an estimated 19 percent, coca production increased from 7 to 12 percent, and marijuana production was up from 17 to 32 percent. Since U.S. demand amounts to a small percentage of worldwide supply of heroin, cocaine, and marijuana, these drugs are readily available to the United States, and street prices are down.

U.S. efforts to control illicit drug production in producing countries are inherently limited because (1) farmers can make far more income from illicit drug crops than from legitimate crops and alternative crops are not easily available, (2) governments in many source countries are weak and do not exert political or administrative control over all growers, (3) some major source countries are controlled by governments which are hostile to the United States, thus limiting U.S. influence over drug control, and (4) the set of source countries is not fixed, thus new producers emerge to replace suppressed production.

We believe that the Department of State can significantly improve the management of its international narcotics control program by streamlining its programming and management system as well as by instituting effective review and evaluation procedures. We recognize, however, that it is not likely that the intractable problems which limit a foreign government's ability to control narcotics production and trafficking can be easily overcome. Nevertheless, we believe that the new administration should thoroughly review its international narcotics control strategy to determine whether better ways can be found to implement it.

Improving Administration of Refugee Programs

Worldwide, there are approximately 13 million refugees. Historically, the United States has expressed a priority commitment to helping refugees. However, unnecessary administrative problems and bottlenecks are creating hardships on refugees.

State's administration of the U.S. refugee program has been adversely affected by the complex process of establishing policy advice and coordinating interagency actions to process overseas applications for refugees. Voluntary resettlement agencies have criticized the processing procedures as costly and outmoded and have cited budget problems and a chronic shortage of personnel.

According to State, "bureaucratic mistakes" contributed to the abrupt suspension in processing of applications for Armenian refugees. Surges in applications for refugees from the Soviet Union, Vietnam, and Kampuchea (formerly Cambodia) are expected to exacerbate the processing problems for the near future.

Improved accountability for refugee resettlement funds and better oversight of the private voluntary agencies which administer such funds are also needed. We believe that a new administration should review

the effectiveness and efficiency of the
Department's budgeting and monitoring of
refugee program funds.

Related GAO Products

State Department's Management of Real Property (GAO/T-NSIAD-89-1, Oct. 5, 1988).

Overseas Construction: State Initiates Corrective Actions, But Improvements Still Needed (GAO/NSIAD-88-27, Oct. 30, 1987).

U.S. Embassy, Moscow: Why Construction Took Longer and Cost More Than Anticipated (GAO/NSIAD-88-23, Oct. 23, 1987).

Overseas Support: Current U.S. Administrative Support System Is Too Complicated (GAO/NSIAD-88-84, Mar. 25, 1988).

Internal Controls: State Department Needs to Improve Management of Travel Advances (GAO/NSIAD-88-178, Aug. 15, 1988).

Internal Controls: State's Controls Over Personal Property Management Are Inadequate (GAO/NSIAD-87-156, June 10, 1987).

United Nations: Progress to Strengthen U.N. Internal Evaluation System Has Been Slow (GAO/NSIAD-87-54, Jan. 14, 1987).

United Nations: Implications of Reduction in U.S. Funding (GAO/NSIAD-86-162BR, July 17, 1986).

Drug Control: U.S. Supported Efforts in Colombia and Bolivia (GAO/NSIAD-88-226, Nov. 1988).

Drug Control: U.S. International Narcotics Control Activities (GAO/NSIAD-88-114, Mar. 1, 1988).

Immigration: Studies of the Immigration Control Act's Impact on Mexico (GAO/NSIAD-88-92BR, Feb. 17, 1988).

Loans to Refugees: Status of Efforts to Improve Refugee's Transportation Loan Payments (GAO/NSIAD-87-64, Feb. 27, 1987).

The Budget Deficit (GAO/OCG-89-1TR)

The Public Service (GAO/OCG-89-2TR)

Revenue Options (GAO/OCG-89-3TR)

Financial Services Industry Issues (GAO/OCG-89-4TR)

International Trade Issues (GAO/OCG-89-5TR)

Information Technology Issues (GAO/OCG-89-6TR)

Financial Management Issues (GAO/OCG-89-7TR)

Program Evaluation Issues (GAO/OCG-89-8TR)

Defense Issues (GAO/OCG-89-9TR)

Health and Human Services Issues (GAO/OCG-89-10TR)

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Environmental Protection Agency Issues (GAO/
OCG-89-20TR)

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OCG-89-22TR)

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OCG-89-23TR)

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Internal Revenue Service Issues (GAO/OCG-89-26TR)

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