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State Department Efforts to Improve  
Management of Overseas Real Property

Statement of  
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Before the  
Legislation and National Security Subcommittee  
Committee on Government Operations  
House of Representatives



Mr. Chairman, Members of the Subcommittee:

I am pleased to be here today to discuss our work on the State Department's management of overseas properties. Specifically, I will be reporting on our ongoing reviews of the State Department's internal controls for overseas real property and the Diplomatic Security Construction Program. Given the State Department's vast real estate holdings and its reliance on over 250 posts to manage overseas facilities, proper internal controls are crucial to safeguard U.S. government resources. Better management of the more than 8,000 properties in the State Department's \$10 billion worldwide real estate program could result in significant savings.

For nearly 30 years, we have been reporting on the State Department's lax oversight of overseas real estate programs and lack of planning for post facilities' needs. On the basis of our past reviews, the Comptroller General has designated the State Department's management of overseas real property as one of 16 areas of the federal government at high risk for waste, fraud, and abuse. We have recommended specific actions to improve planning, accountability, and program management, and our current review indicates that the State Department has recently begun to address past problems. However, many State Department initiatives are only at the planning stage or early stages of implementation.

Our current analysis also indicates that limited progress has been made in the Diplomatic Security Construction Program. When this program was initiated in 1986, it represented a major commitment by Congress and the executive branch to safeguard Americans and

diplomatic facilities from terrorist attacks. Although the Congress appropriated over \$1 billion to build new embassies, the program has suffered delays and cost increases.

We continue to believe that the State Department's overseas real estate program is vulnerable to waste. Further, according to FBO officials, Americans overseas are vulnerable to security threats.

#### LONG-STANDING PROBLEMS IN MANAGING REAL PROPERTY

The State Department's Office of Foreign Buildings Operations (FBO) is responsible for acquiring, constructing, selling, maintaining, and operating overseas properties. Since the 1960s we have reported continuing problems in FBO's management of real property, including: inadequate maintenance of overseas properties; provision of overseas housing that exceeds space standards; failure to establish oversight and information systems to ensure efficient and effective use of resources at posts; and the lack of long- and short-range planning for the overseas real estate program. (See attachment I for more information on our reviews of FBO programs since 1963.) Under the Federal Managers' Financial Integrity Act, the State Department has reported material internal control weaknesses in its management of overseas facilities maintenance and housing programs and outlined action plans to improve internal controls.

STATE DEPARTMENT INITIATIVES TO  
ADDRESS PROBLEMS

In response to the deficiencies outlined in our past work, FBO has taken some steps to improve management of overseas real estate operations. First, FBO has conducted professional engineering surveys of post conditions to help determine maintenance requirements. As of June 1991, FBO had surveyed over 114 posts. The surveys revealed both routine and major maintenance problems at a number of posts. For example, at the embassy in New Delhi FBO identified over 230 maintenance requirements that will cost about \$14.5 million. FBO estimates that the total backlog of maintenance repairs will cost the U.S. government about \$350 million.

Second, FBO has established maintenance assistance centers to provide technical, hands-on assistance to posts and has required posts to undertake systematic maintenance practices. FBO has also assigned technically competent facilities managers to 11 posts. In May 1991, the State Department approved the establishment of a facilities manager skill group within the Foreign Service.

Third, since 1989, FBO has required Chiefs of Mission to certify annually that their posts have complied with established policies in implementing processes for managing housing programs. According to FBO officials, the requirement serves to bring management attention to housing programs.

Fourth, FBO has established new housing guidelines that standardize measurement criteria, eliminate most representational housing, and allow posts to establish long-term housing inventories based on staff demographic profiles.

Fifth, FBO has conducted financial audits at three posts, with two additional audits planned.

Finally, FBO has developed its first plan that projects comprehensive funding and staff resource needs for proposed programs over 5 years.

We view these initiatives as positive steps toward improving FBO's management of real property. However, these initiatives will not fully address long-standing problems of post personnel's noncompliance with established policies and standards in housing and other real estate programs until FBO's oversight mechanisms are in place.

FBO OVERSIGHT OF POSTS HAS  
BEEN LIMITED

FBO has taken a decentralized approach to managing its overseas property. It establishes policies and provides funding for housing and facilities maintenance activities, but posts are generally responsible for routine and preventive maintenance, special projects, and post housing programs. However, GAO and the State Department's Inspector General reports of increased costs to the

U.S. government due to posts' noncompliance with established policies and procedures are evidence that stronger oversight of post real estate programs is needed.

Because the posts manage overseas facilities, FBO should conduct systematic and thorough oversight activities to ensure that they are complying with established policies and procedures and properly accounting for resources. Unauthorized post activities have continued for years without FBO's knowledge or approval. For example:

- From 1986 to 1990 the post in Manila leased space, without authorization, for a nongovernmental organization, the American Historical Library, at an annual cost of \$16,500.
  
- The recreation association at the post in Kinshasa, Zaire, was keeping the proceeds from the rental of government-owned apartments used by government officials on temporary duty at the post. FBO informed the post in June 1990 that established policy requires posts to keep a small percentage of rental income to cover administrative costs and return the remainder to FBO. As of May 1991, the post had not complied with the policy. According to the area manager, on June 19, 1991, FBO cabled the post requesting that it return monies earned since January 1991, an amount FBO estimates to be about \$100,000.

- After receiving FBO approval and signing a 3-year lease for commercial office space in 1987, the post in Panama almost immediately executed a second lease for additional space without FBO approval. The second lease extended the lease commitment to 9 years, increased floor space by 200 percent, and obligated the State Department to increased costs of over \$8.5 million over the 9 years of the lease. When the embassy staff was reduced because of serious economic and political problems in Panama, the embassy was burdened with excess space it could not use or turn back to the landlord. As a result, the post incurred lease costs of \$800,000 for vacant space.
  
- The post in Dakar, Senegal, had initiated an unauthorized addition to a government-owned residence that subsequently caused structural damage, according to State Department's Inspector General. The residence had to be vacated in 1988, and the post rented alternative accommodations for \$20,000 per year.

FBO's primary mechanisms for oversight of post activities are (1) monitoring by FBO area managers and other officials and (2) automated information systems which provide data supplied by posts on property inventory and expenditures of resources. Although FBO is taking steps to standardize monitoring activities and enhance key automated information systems, management controls and oversight mechanisms are not yet in place. As a result, FBO remains vulnerable to waste and misuse of funds.

Area Managers Have Not Conducted Systematic Monitoring Activities

FBO area managers, stationed in Washington, D.C., were expected to visit each post annually to review post financial records, check the posts' compliance with housing standards, and inspect the physical condition of all government-owned and leased properties to ensure their effective and efficient use. FBO has not kept systematic records on post visits or monitoring activities. For example, documentation was available for only 37 percent of the trips FBO reported it had made. However, available documentation indicated that 15 percent of all overseas posts had not been visited in the last 3 years, and 37 percent had been visited only once. Further, FBO has not routinely reviewed financial records or verified the appropriateness of housing assignments. For example, only 7 percent of all available area managers' reports on post visits documented a review of post financial records, 39 percent noted reviewing post housing, and 49 percent cited reviews of post maintenance conditions.

When area managers have visited posts they have found, in some cases, that post personnel have not complied with established procedures and regulations. For example, in 1988 an area manager reported that the embassy in Bangkok had leased a 30-unit apartment building for \$610,000 per year without FBO approval. The apartment units were all overstandard. In addition, the same post had signed 14 separate leases for a townhouse complex, presumably,



according to the area manager, so that individual leases would be under the \$25,000 ceiling and would not require prior approval by FBO.

We spoke with 17 of the 25 area managers in FBO. Although area managers seemed to be aware of their monitoring responsibilities, they have not made monitoring a high priority. Several area managers told us that they are reluctant to monitor post activities because they do not want to give the impression they do not trust post management. Others cited the need to maintain a good relationship with the posts. Several told us they were not technically qualified to perform certain monitoring activities, notably reviewing post financial records.

On May 24, 1991, FBO established a policy requiring systematic visits to posts to undertake specified monitoring activities, including inspecting housing and maintenance and reviewing financial documentation. According to FBO officials, in 1992, FBO plans to add 5 area managers to the current number of 25 to enable it to implement this policy and has already assigned 5 facilities managers to support area management activities. We believe that the new policy, if fully implemented, will help strengthen FBO oversight over real property activities. However, FBO needs to ensure that its area managers are adequately trained to monitor financial, maintenance, and leasing activities effectively.

Information Systems Enhanced,  
but Data Accuracy Is Not Assured

FBO is relying on two information systems, the Real Estate Management System and the Central Financial Management System, to monitor post real estate programs more effectively. However, these systems are not fully implemented, and it is too early to assess their effectiveness.

Enhancement of the Real Estate Management System--or REMS--is a key element in FBO's effort to improve monitoring of post housing programs. The current system was initiated in 1982 in response to the Legislation and National Security Subcommittee's 1978 recommendation that FBO develop an information system to provide data to assist in the proper management (leasing, acquisition, disposition, and maintenance) of overseas facilities. The enhanced REMS is designed to enable FBO to collect information on housing assignments, including the rank and family size of occupants, and the cost and square footage of housing units. FBO expects to install the new system at about 76 posts by 1996. Until the system is fully implemented, FBO will have difficulty monitoring posts' compliance with housing standards.

In past reviews, we and the State Department's Inspector General have found persistent problems in the accuracy and completeness of the data posts have supplied to the property inventory system, including properties not listed in the inventory and inaccurate data on property size and value. The enhanced REMS will continue

to rely on inventory data reported by the posts. Thus, it is unclear whether the new systems will provide the accurate data FBO needs to manage its programs effectively.

In October 1990, the State Department began using its new Central Financial Management System to account for FBO's financial transactions. FBO officials believe that this system will improve FBO's ability to track expenditures and obligations. In addition, according to FBO officials, the system will enable FBO to track expenditures by project.

Neither REMS nor the Central Financial Management System will enable FBO to track costs at the building level, as we have repeatedly recommended. FBO will still be unable to determine the total costs associated with its properties and the feasibility of retaining them. FBO officials have stated that although they recognize the merit of such information, developing a cost accounting system that ties routine maintenance expenditures to specific buildings is a low priority, given limited resources.

#### INADEQUATE PLANNING

FBO has not adequately linked current programs with the State Department's long-range foreign policy plans through comprehensive master planning. We have reported for years that until FBO undertakes master facilities planning it will not be sure that its overseas programs operate as efficiently as possible. In April

1990, FBO established a policy requiring each post to have a master facilities plan that matches short- and long-term requirements with current assets to develop cost-effective alternatives for management of real estate programs. The State Department has not developed any master plans that meet the criteria in the 1990 policy statement, even though it is currently planning several multi-million dollar construction programs, such as an \$80 million construction and renovation project in Bangkok.

FBO is conducting asset management studies at selected posts as part of its current planning effort. Studies have been completed for Tokyo, Bangkok, and Manila and are currently underway in Athens and New Delhi and its constituent posts in India. These studies are designed to develop appraisals of the fair market value of identified properties, collect market data, provide complete information on applicable laws and regulations, and analyze the highest and best use of selected properties. According to FBO officials, the posts currently being assessed were selected because of the high value of the property. To date GAO has not been provided access to the results of these studies. However, we were told that a single property in Japan was valued at several billion dollars. FBO officials did not provide documentation to show how the current asset management studies were linked to a complete review of post assets and a requirements analysis, as called for in the 1990 policy on master planning.

THE DIPLOMATIC SECURITY  
CONSTRUCTION PROGRAM

Now I would like to discuss the Diplomatic Security Construction Program, which represents an embassy building program of unprecedented scope for the State Department. Initiated in response to the 1985 recommendations of the Secretary of State's Advisory Panel on Overseas Security, the program was designed to build secure new office buildings and other diplomatic facilities at high threat and serious security risk posts around the world.

As in other areas, we have reported for nearly 3 decades on a continuing pattern of problems in the State Department's overseas construction program. These problems included the lack of long-range planning, poor cost estimates, project cost increases and schedule delays, and insufficient technical personnel. In some cases, interference from ambassadors has affected the decision-making process. For example, we found that the ambassador's residence in Tokyo would require renovations and repairs partly because post personnel were provided limited access to the residence. In 1987, we reported that the scope of the Diplomatic Security Construction Program, combined with FBO's history of construction management problems, raised serious questions about FBO's ability to execute the program effectively. The State Department acknowledged FBO's long-standing problems but believed that several actions underway would enable FBO to accomplish the program's objectives.

These actions included (1) reorganizing FBO to improve its performance in the planning, management, and execution of construction projects and (2) contracting with the Embassy Task Group (ETG) of Sverdrup Corporation to provide construction management and other support services. FBO also received authorization for 133 additional staff positions at the beginning of the program. Our work since then indicates that although FBO, with the help of ETG, was able to commit substantial resources to numerous projects, progress has been very limited. In February 1991, we reported that few projects had been completed, substantial cost increases were typical, and schedule delays were often measured in years instead of months.

#### LIMITED PROGRESS IN THE DIPLOMATIC SECURITY PROGRAM

The State Department originally included 57 projects in the Diplomatic Security Construction Program. Our analysis indicates that (1) only 7 had been completed as of June 1991, most of which had been funded or initiated prior to the authorizing legislation; (2) 7 projects were in the construction phase; (3) 18 were under design, out for architectural and engineering (A&E) selection, or in site acquisition; and (4) 25 were on hold, deferred, or cancelled. Although \$1 billion had been appropriated for the program through fiscal year 1990, nearly \$474 million remained to be obligated because of delays in entering the construction phase of projects.

## PROJECT DELAYS AND COST INCREASES

The majority of the projects included in the program have had significant schedule delays and cost increases (see attachment 3). Examples include (1) a 60-percent cost increase and delays of 1 to 2 years for the projects in Nicosia, Cyprus, and La Paz, Bolivia; (2) a 50-percent cost increase and delays of over 4 years in executing the project in Pretoria, South Africa; and (3) cost increases of about one-third and schedule delays exceeding 19 months or more for the projects in Bogota, Colombia, and Bangkok, Thailand. Because of project delays, FBO has decided to extend for 1 year its \$69.4 million contract with ETG.

## FACTORS CONTRIBUTING TO LIMITED PROGRESS

FBO has cited the lack of funding as a major factor limiting its ability to meet the program's objectives. We agree that limited funding in recent years has restricted FBO's ability to begin more projects. However, the large unobligated project account balances, cost increases, and schedule delays indicate systemic weaknesses in the program. Our analysis indicates that fundamental problems in the program began with unrealistic project requirements estimates in the State Department's fiscal year 1986 supplemental budget request. Reasons for delays and cost increases have since varied by project and have included problems in obtaining sites; weaknesses in coordination among FBO, the posts, and other State Department offices in establishing requirements;

frequent changes in project scope; and changes in security requirements. In some projects, conditions beyond FBO's control have had a negative impact. For example, project efforts in Kuwait and Jordan were placed on hold as a result of the Persian Gulf war, and contractor performance problems have also affected a number of projects.

Some examples of major problems that have delayed program implementation include the following:

- In Bogota, Colombia, a delay of over 1 year resulted because FBO and the post could not agree on a site for a new office building. This delay contributed to substantial increases in estimated costs, which totaled \$20 million as of November 1990. Also, a number of questions were raised within the State Department about security of the site selected.
  
- Delays of nearly 4 years resulted due to the inability of FBO, the Diplomatic Security Bureau, and other State Department offices to agree on a site in Tunis, Tunisia, that would satisfy security and communications requirements. Original cost estimates for the project were \$33.3 million; recent estimates are \$50.8 million. The increase is largely due to inflation associated with the site acquisition delays.
  
- Delays of several years in designing the new office building in Pretoria, South Africa, resulted because of (1) FBO's



inability to effectively plan and coordinate building size requirements with the post and (2) changes in the post's threat level. The delays in design and subsequent modifications in project scope contributed to cost increases; the project cost increase currently totals \$17 million. The delays also encouraged the post and FBO to spend at least \$170,000 on modifications for an interim office building in Pretoria. However, the Congress did not approve the reprogramming of funds for the project and the expenditures were essentially wasted because the interim building was never occupied or used by the embassy.

-- A wide range of problems have affected plans and designs for a new office building in Bangkok, Thailand. Problems began when the State Department understated the cost of the project by \$25 million in the fiscal year 1986 supplemental budget request. Since then, State Department has made several revisions to the project's scope to hold down costs. However, decisions to renovate a portion of the existing chancery for unclassified activities were based only on "conceptual" cost estimates. FBO also failed to obtain collocation security waivers for several agencies and offices not included in the new embassy compound. The State Department's collocation policy states that all U.S. government activities under the authority of the Chief of Mission will be housed in the chancery or chancery compound, unless there are persuasive operational, program, or security reasons. If collocation

waivers are not approved within the State Department, a redesign of the project could be required. The project also was not developed as part of a master planning process that included an examination of all options for selling property, leasing, or building in Bangkok.

Other reasons for project cost increases have included changes in security requirements. For example, secure logistics and transit procedures for shipment of material and equipment used in construction were incorporated into construction contracts beginning in 1988. These procedures increased costs of the projects under construction in Amman, Jordan, and Sanaa, Yemen, by more than \$1 million. New site and perimeter security requirements also added to costs of projects--for example, over \$1 million in additional costs were incurred in the Sanaa project. In Tegucigalpa, Honduras, an embassy annex was already under construction when a collocation security waiver was approved for the AID mission, allowing it to remain in its existing facility. Reconfiguration costs for the annex were about \$750,000, and the completed annex has since been underused.

#### CONTRACTOR PERFORMANCE

Some contractors have failed to perform as expected. The State Department has identified several violations of the contract's security provisions by the contractor building the Pretoria office building. These violations, which included the contractor's

disregard for transit security requirements and refusal to abide by the contractual definition of sensitive areas, have significantly increased the complexities of on-site management. FBO and the contractor selected to design and build the new office building in La Paz, Bolivia, could not reach agreement on a price for construction, forcing FBO to delay that project again. According to FBO, reasons for delays and cost increases in constructing the new office building in Nicosia, Cyprus, have included unsatisfactory contractor performance in several areas, including poor workmanship and inadequate supervision of subcontractors. In Santiago, Chile, FBO has identified a number of contractor deficiencies contributing to project delays during the initial stages of construction, including the contractor's failure to maintain adequate work progress and provide a secure site.

In some cases, contractors have blamed FBO for problems affecting their performance, as reflected by outstanding claims of contractors totaling about \$15 million. The construction contractor responsible for the Georgetown, Guyana, project has filed a \$3.3 million claim for, among other things, (1) additional transit security requirements and (2) failure to provide government furnished equipment.

Our analysis also indicates that although contractors' performance and claims are significant issues, FBO has not adequately assessed construction contractors' performance. FBO policy states that contractors having contract performance periods of 12 months or

more will be evaluated at least annually. However, FBO does not maintain records to indicate compliance with that policy, and FBO officials believed that few evaluations of construction contractors had been done. FBO has not done annual or final performance evaluations of ETG, even though FBO plans to extend the contract.

#### INITIATIVES TO IMPROVE MANAGEMENT OF CONSTRUCTION PROGRAMS

In recognition of the need for improved management, FBO has taken or plans to undertake a number of initiatives. For example, FBO has increased its staff, developed a 5-year plan, and made improvements in engineering and technical review. In addition, new security standards by threat level are under active consideration, and the construction of pre-engineered office buildings is also planned.

#### Plans To Increase Staffing

FBO has experienced continuing shortfalls in staffing its program in critical areas, including program master planning, project design, construction monitoring, and cost estimation. Although FBO received authorization for substantial increases in staffing in 1986, it experienced difficulties in filling the positions primarily due to reorganization, the need to develop new position classifications, and the time required to obtain security clearances for new employees. FBO has requested 322 additional staff in its fiscal year 1992 budget. FBO officials believe that

past problems in filling staff positions are now behind them and that they will be able to increase their staff significantly by the end of fiscal year 1992.

### The 5-Year Plan

FBO's 5-year plan for fiscal years 1992-96 identifies capital construction requirements for over \$500 million in planned obligations. The plan represents an important step forward in FBO's efforts to improve its overall planning capacity. FBO no longer identifies the original Diplomatic Security Construction Program as a separate program. According to FBO, a separate program is no longer relevant because all current and planned capital construction projects must meet State Department security requirements. However, we note that the plan does not (1) identify the criteria used to establish priorities for project funding or (2) indicate how security threats affect priorities. Many of the capital construction projects included in FBO's 5-year plan were at posts having a medium or low threat for terrorist and technical penetration at the end of fiscal year 1990. In comparison, a significant number of the Diplomatic Security Construction Program projects that have been cancelled, deferred, or placed on hold were for posts recently classified as high threat in either terrorist or technical categories or both.

### Engineering/Technical Management Program

FBO's efforts to improve operations include a value engineering program established in 1989 to review design schemes in terms of the cost-effectiveness of labor and materials. According to FBO, such reviews resulted in estimated cost savings of about \$11 million in fiscal years 1989-90. In 1990, FBO adopted a configuration management system to reduce the number of changes in project scope, schedule, and cost during execution. Preliminary FBO information indicates that project savings have totaled \$359,000 to date. Also, FBO officials told us that they plan to add more employees to the Cost Estimating Branch and reorganize the Program Management Division to strengthen project execution capability, particularly for non-ETG supported projects. During our review, several FBO project managers expressed concern that non-ETG projects had received insufficient resources for planning and execution purposes.

### Changes in Security Standards

The State Department has made or planned changes in security standards to reduce costs. These initiatives have included reducing the requirements for building shielding and developing new physical and technical security standards based on threat levels. The new physical and technical security standards are in draft form. To illustrate the benefits of reduced shielding, FBO has estimated savings of \$3.5 million for the project in Santiago.

FBO also believes that threat-driven security standards may reduce construction costs, particularly for low and medium threat posts. However, the State Department has not yet completed an analysis of the overall impact of the planned standards on costs. We believe that because FBO's current 5-year plan and projections of future budget requirements were largely based on prior standards, the Department should identify any possible reductions in future budget requirements that may result from the new standards.

#### Pre-Engineered Office Buildings

In the late 1980s, FBO began plans to design and construct pre-engineered office buildings for low and medium threat posts that would include the use of "off-the-shelf" items that could be transported easily and assembled quickly on site and result in cost savings of 30 to 40 percent. FBO has not yet made effective use of this concept because (1) off-the-shelf components meeting security requirements were not available as expected and (2) efforts to design and build a prototype building in Papua, New Guinea, were placed on hold because of increases in projected costs.

#### CONCLUSIONS

In conclusion, FBO has taken or plans to undertake several actions to improve management and strengthen controls over real property and construction programs. Because many of these actions are in

the planning or early implementation stages, we believe continued monitoring and oversight of FBO's programs will be needed to ensure that these initiatives achieve the desired results.

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Mr. Chairman, this concludes my statement. I would be happy to respond to questions at this time.



PREVIOUS GAO REPORTS ON FBO MANAGEMENT

<u>Problem Area</u>	<u>Years GAO Reported</u>	<u>Historical Background</u>	<u>Status of Current/Ongoing FBO Initiatives</u>	<u>GAO Comments</u>
Inadequate maintenance of property	1978 1981 1990	In 1978, GAO found that overseas properties were not properly maintained due to inadequate property information, maintenance criteria, priorities, inspections, and lack of technically qualified personnel. In addition, buildings were operated uneconomically because managers lacked complete and proper cost information. In 1981 and 1990, GAO found that maintenance problems had not been addressed. GAO also reported that the backlog could be as much as \$450 million.	Post conditions surveys were begun in 1988. FBO has completed surveys of 114 posts as of March 1991.	This initiative has established baseline conditions information for posts surveyed. FBO could not provide written plans on how it will keep such data current.
			Established two Maintenance Assistance Centers, one in Washington (WASHMAC) and one in Europe (EURMAC). WASHMAC became operational in July 1989, and EURMAC was operational in January 1990.	
			Incorporated requirement for annual post maintenance assessments into the Foreign Affairs Manual to be published in the summer 1991.	
Poor management of housing program	1978 1981 1989	In 1978, GAO found that FBO lacked standard size and space criteria for leased housing. FBO established space standards in 1979. In 1981 and 1989, GAO found that posts were not complying with space standards and that many post employees resided in overstandard houses at greater cost to the U.S. government.	On-site technically qualified facilities managers currently assigned to 11 new office buildings. FBO's FY 1992 budget request includes funds for facilities managers and technicians for 33 posts.	This initiative should improve maintenance at selected posts.
			Established Facilities Maintenance Skill Group within the Foreign Service. State plans to begin implementation by the end of FY 1991. FBO has proposed a total of 115 positions.	
			Established new space standards June, 1991.	
			Beginning in 1989, all Chiefs of Mission required to certify annually that the post housing program complies with FBO policies.	Unless FBO establishes stronger oversight, the new standards may not be enough to ensure post compliance.
			Beginning in 1991, all real property managers required to certify annually to the Chief of Mission that the post housing program is in compliance with FBO policies.	

## PREVIOUS GAO REPORTS ON FBO MANAGEMENT

<u>Problem Area</u>	<u>Years GAO Reported</u>	<u>Historical Background</u>	<u>Status of Current/Ongoing FBO Initiatives</u>	<u>GAO Comments</u>
Inadequate oversight of post activities and compliance with FBO programs and standards	1969 1974 1990	Since 1969, GAO has found that FBO does not adequately monitor post compliance with FBO policies. GAO reports have consistently cited examples of improper post activities and noncompliance.	Policy and procedures for systematic monitoring including standardized monitoring checklist, promulgated May 21, 1991.	Management attention and emphasis on oversight will be needed to ensure that the new policy is fully implemented.
Inadequate property management information and accounting systems	1969 1974 1978 1981 1989 1990	Since 1969, GAO has reported that FBO does not have adequate integrated property management information and accounting systems on which to base decisions. In 1981, GAO reported that chronic problems remained, including (1) unreliable data in the basic inventory system, (2) lack of accounting systems that identify costs by building, and (3) an inability to consolidate data into meaningful management reports. In 1982, FBO established the Real Estate Management System, but in 1990 GAO reported that the system was installed at only 24 posts. GAO found REMS data to be incomplete and inaccurate. GAO also reported that posts were not properly accounting for resources and in some cases had misused maintenance funds.	Upgrading Real Estate Management Information System. FBO plans to complete the upgrade at 76 posts by 1996.  Developing an integrated information management system. Phase I, to be completed in 1991, will link staffing, capital project, and some budget systems.  FBO linked with the State Department's Central Financial Management System in October 1990.  Conducting financial audits at posts. Three completed, one more planned.	The new financial management system will provide FBO more complete information than the previous system and will strengthen financial management and accountability. However, problems in converting data and providing timely reports are not yet resolved.  FBO plans to continue audit effort at the current level. Its plans do not include a routine audit schedule.
Lack of long- and short-range plans for post real estate needs and activities	1969 1974 1978 1989	In 1969, GAO noted that State had accumulated government-owned property it was not using but had retained for a remote future need. Since 1974, GAO has recommended that FBO establish long- and short-range plans for the acquisition and disposal of government-owned property. The lack of effective planning has resulted in FBO real estate decisions that may not have been in the best interests of the U.S. government.	Conducting limited studies of the best use of current assets in selected countries. As of June 1991, three studies are complete, two others are on-going. FBO plans to conduct surveys at five more posts.  Developed 5-year plan for FY 1992-96.  Established policies on post master planning in 1990. No plans completed.	FBO has not established explicit and consistent criteria and plans for post real estate programs.

PREVIOUS GAO REPORTS ON FBO MANAGEMENT

Foreign Buildings: Funding Practices in the Acquisition and Maintenance of Overseas Property (B-146782, Sept. 30, 1963).

Foreign Buildings: Improvements Needed in Overseas Property Management (B-146782, Sept. 30, 1969).

Real Property: Some Progress Made in Improving Management (ID-24, Mar. 28, 1974).

Real Property: Continuing Problems (ID-78-16, July 12, 1978).

Much More Can Be Done by the State Department to Improve Overseas Real Estate Management (ID-81-15, Feb. 9, 1981).

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

State Department: Management of Overseas Real Property Needs Improvement (GAO/NSIAD-89-116, Apr. 13, 1989).

State Department: Proposed Housing Standards Not Justified (GAO/NSIAD-90-17, Dec. 18, 1989).

State Department: Need to Improve Maintenance Management of Overseas Property (GAO/NSIAD-90-216, Sept. 24, 1990).

State Department: Status of the Diplomatic Security Construction Program (GAO/NSIAD-91-143BR, Feb. 20, 1991).

COST DATA ON DIPLOMATIC SECURITY CONSTRUCTION PROJECTS (as of November 1990)

<u>Project Location</u>	<u>Current Phase</u>	<u>Initial Cost Estimate (millions)</u>	<u>Current</u>	<u>Increase (percent)</u>
Djibouti	Under construction	\$ 2.60	\$ 6.80	161.5
Seoul	Site acquisition	50.10	83.80	67.3
Manama	Completed	16.50	27.20	64.8
Nicosia	Under construction	18.70	30.20	61.5
La Paz	Design	39.30	63.30	61.1
Tunis	Site acquisition	33.30	50.80	52.6
Pretoria	Under construction	34.10	51.50	51.0
Abu Dhabi	Site acquisition/A&E selection	29.10	43.60	49.8
Budapest	Site acquisition/A&E selection	51.90	76.00	46.4
Khartoum	Site acquisition/design	36.40	52.20	43.4
Algiers	Design	39.30	54.50	38.7
Bogota	A&E selection	57.60	77.40	34.4
Bangkok	Design	61.20	80.60	31.7
Istanbul	Site acquisition	46.00	56.70	23.3
Sofia	Site acquisition/A&E selection	38.00	46.10	21.3
Sanaa	Completed	31.20	37.60	20.5
Doha	Design	17.60	21.20	20.5
Tegucigalpa	Completed	17.40	19.60	12.6
Caracas	Under construction contract bid	48.50	53.80	10.9
Georgetown	Completed	17.40	18.20	4.6
Amman	Under construction	47.30	48.40	2.3
Santiago	Under construction	50.70	51.30	1.2
Muscat	Completed	33.30	33.50	0.6
Dhaka	Completed	20.10	20.10	0.0
Cairo	Design	54.60	53.40	-2.2
Mogadishu	Completed	35.10	33.20	-5.4
Lima	Design	68.80	61.70	-10.3
Kampala	Site acquisition	28.90	14.00	-51.6
Panama	Site acquisition	65.20	Unknown	Unknown
Totals		\$1,090.20	\$1,266.70	16.2

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