January 2003

Major Management Challenges and Program Risks

Department of State

GAO

Accountability ★ Integrity ★ Reliability

A Glance at the Agency Covered in This Report

To carry out U.S. foreign policy, the Department of State

- formulates U.S. policy on numerous international issues and influences other countries to adopt policies and practices consistent with U.S. interests;

- conducts negotiations and concludes international agreements and treaties;

- leads interagency coordination and supports the international activities of other U.S. agencies;

- issues passports and visas and provides services to U.S. citizens living and traveling abroad;

- operates and provides security for embassy and consular facilities; and

- provides funding for international organizations and peacekeeping activities, the Andean counterdrug initiative, international narcotics control and law enforcement, and migration and refugee assistance.

The Department of State's Budgetary and Staff Resources

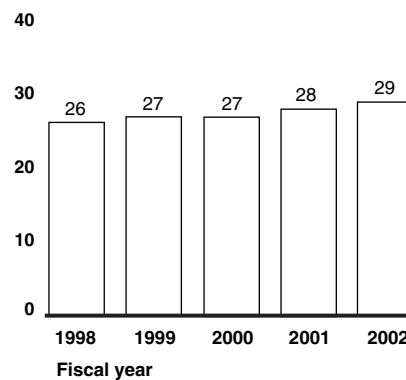**Budgetary Resources** [a, b]
Dollars in billions
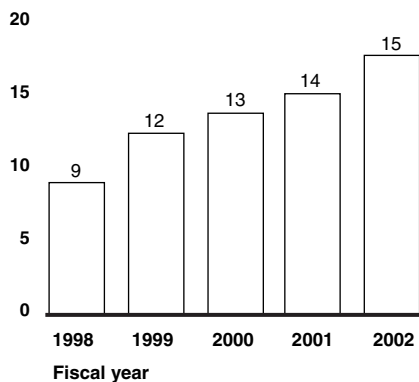
Staff Resources [b, c]
FTEs in thousands

Source: Budget of the United States Government.

[a] Budgetary resources include new budget authority (BA) and unobligated balances of previous BA.

[b] Budget and staff resources are actuals for FY 1998-2001. FY 2002 are estimates from the FY 2003 budget, which are the latest publicly available figures on a consistent basis as of January 2003. Actuals for FY 2002 will be contained in the President's FY 2004 budget to be released in February 2003.

[c] U.S. foreign service national employees are included.

This Series

This report is part of a special GAO series, first issued in 1999 and updated in 2001, entitled the *Performance and Accountability Series: Major Management Challenges and Program Risks.* The 2003 Performance and Accountability Series contains separate reports covering each cabinet department, most major independent agencies, and the U.S. Postal Service. The series also includes a governmentwide perspective on transforming the way the government does business in order to meet 21st century challenges and address long-term fiscal needs. The companion 2003 *High-Risk Series: An Update* identifies areas at high risk due to either their greater vulnerabilities to waste, fraud, abuse, and mismanagement or major challenges associated with their economy, efficiency, or effectiveness. A list of all of the reports in this series is included at the end of this report.

PERFORMANCE AND ACCOUNTABILITY SERIES

Department of State

Why GAO Did This Report

In its 2001 performance and
accountability report on the
Department of State, GAO
identified important issues
concerning the security of U.S.
facilities and personnel overseas,
visa issuance, illicit drugs entering
the United States, information
security, and other issues facing
the department. The information
GAO presents in this report is
intended to sustain congressional
attention and a departmental focus
on continuing to make progress in
addressing these challenges and
ultimately overcoming them. This
report is part of a special series of
reports on governmentwide and
agency-specific issues.

What Remains to Be Done

GAO believes that State should

- continue to improve security
  at overseas posts, primarily by
  replacing about 180 facilities
  where security is inadequate;

- strengthen the visa process by,
  among other things, developing
  clear guidance and policy;

- address staffing shortages at
  hardship posts; and

- continue to work on other
  challenges involving rightsizing
  the U.S. presence overseas, U.S.
  drug eradication assistance,
  financial management,
  information technology and
  performance planning.

www.gao.gov/cgi-bin/getrpt?GAO-03-107.

To view the full report, click on the link above.
For more information, contact Jess T. Ford at
(202) 512-4268 or fordj@gao.gov.

What GAO Found

In carrying out its missions of forming, representing, and implementing U.S.
foreign policy, the State Department faces complex challenges, some of
which have intensified since the terrorist attacks on September 11, 2001.
State has made progress in addressing its management challenges over the
last 2 years, but further improvements are needed in the following areas:

- **Improving the security and maintenance of U.S. facilities
  overseas.** State has enhanced security at existing facilities but needs to
  continue to replace many embassies and consulates that are not set back
  far enough from busy city streets and/or are not sufficiently blast
  resistant.

- **Strengthening the visa process as an antiterrorism tool.** Visa
  policy and procedures are inconsistent among overseas consular posts,
  and staff at many posts are inadequately trained. Eliminating the Visa
  Waiver Program could require increased overseas staffing and facilities.

- **Continuing to rightsize embassy staffing levels.** Assessing staffing
  needs is essential for State to ensure the security and effectiveness of
  overseas missions and determine the appropriate size and cost of new
  facilities. To help achieve a rightsized overseas presence, State and the
  Office of Management and Budget are using a framework proposed by
  GAO that addresses the mission, security, and costs of overseas posts as
  well as staffing alternatives.

- **Better managing human capital.** Although State has made progress in
  recruiting new hires, providing leadership and management skills
  training, planning its workforce needs, correcting foreign language
  shortfalls, and staffing hardship posts, further improvements are needed.

- **Help to reduce illegal drugs
  entering the United States.**
  Despite arrests of drug traffickers
  and seizures of large amounts of
  drugs, the availability of illicit drugs
  in the United States has not been
  materially reduced.

- **Addressing additional
  challenges to building a high-
  performing organization.** State
  has worked to enhance information
  technology and security, strengthen
  financial management, and improve
  performance planning. However,
  challenges remain.

Source: Department of State.

The U.S. embassy in Nairobi,
Kenya, after the 1998 bombing

United States General Accounting Office

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January 2003

The President of the Senate
The Speaker of the House of Representatives

This report addresses the major management challenges and program risks facing the Department of State as it works to carry out its multiple and highly diverse missions. The report discusses the actions State has taken and that are under way to address the challenges GAO identified in its Performance and Accountability Series 2 years ago, and major events that have occurred that significantly influence the environment in which the department carries out its mission. Also, GAO summarizes the challenges that remain and further actions that GAO believes are needed.

This analysis should help the new Congress and the administration carry out their responsibilities and improve government for the benefit of the American people. For additional information about this report, please contact Jess T. Ford, Director, International Affairs and Trade, at (202) 512-4268 or fordj@gao.gov.

David M. Walker
Comptroller General
of the United States

Major Performance and Accountability Challenges

In our January 2001 report,[1] we reported that the Department of State faced three major performance and accountability challenges: (1) enhancing embassy security, (2) providing expeditious visa processing while preventing the entry of those who threaten U.S. security or who are likely to remain in the United States illegally, and (3) helping reduce the flow of illegal drugs into the United States. We also reported that State was facing a number of additional challenges that hamper its ability to become a high-performing organization. Specifically, State needed to better use the Government Performance and Results Act (Results Act) process to help fulfill the agency's overall mission, policy, and operational objectives; enhance its communications and information technology and computer systems security; improve financial management capabilities; address human capital issues such as workforce planning; and determine the optimal size and composition of overseas posts (a process known as rightsizing).
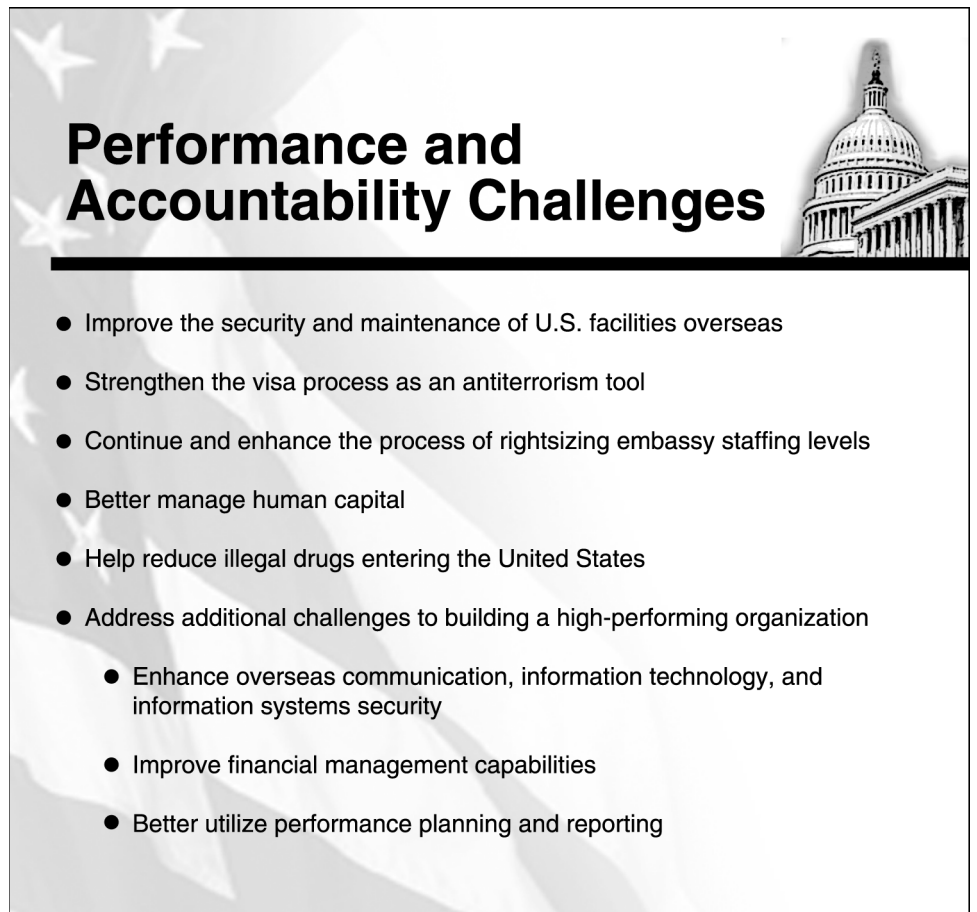
Since our January 2001 report, one major event occurred—the September 11, 2001, terrorist attacks—that affected the conduct of State's multiple functions and activities. The September 11 attacks and the subsequent attacks and threats against U.S. facilities overseas have had an impact on such areas as the visa issuance process, the security provided to U.S. facilities and personnel overseas, and the language training offered State Department officials. Because all 19 of the September 11 terrorist hijackers had been issued visas, State and other agencies have introduced changes to strengthen the visa process, including adding to its name-check system more names and information on persons who should not receive a visa. State also has increased its worldwide efforts to keep its facilities and personnel safe from terrorist attack and has increased efforts to improve staff skills in languages such as Arabic.

Furthermore, since our January 2001 report, State has taken other steps to address some of the specific performance and management challenges that we previously reported. For example, State has developed a long-range overseas building plan to guide its effort to replace about 180 facilities overseas that have inadequate security. State also has begun, in conjunction with the Office of Management and Budget (OMB), a process to rightsize the U.S. presence overseas, particularly at its new facilities. While this report does not include new management challenges, it does

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[1]U.S. General Accounting Office, *Major Management Challenges and Program Risks: Department of State*, GAO-01-252 (Washington, D.C.: January 2001).

address important major issues with the challenges we previously identified. Specifically, the performance and accountability challenges that State continues to face are as follows:

Performance and Accountability Challenges

- Improve the security and maintenance of U.S. facilities overseas

- Strengthen the visa process as an antiterrorism tool

- Continue and enhance the process of rightsizing embassy staffing levels

- Better manage human capital

- Help reduce illegal drugs entering the United States

- Address additional challenges to building a high-performing organization

  - Enhance overseas communication, information technology, and information systems security

  - Improve financial management capabilities

  - Better utilize performance planning and reporting

Improve the Security and Maintenance of U.S. Facilities Overseas

Protecting U.S. embassies and consulates, especially the employees and their families, from terrorist attacks continues to be a critical management issue; as we reported in 2001, it may be the most important management issue that State faces. The August 1998 bombings of the U.S. embassies in Nairobi, Kenya, and Dar es Salaam, Tanzania, followed by the September 11 attacks and subsequent threats to U.S. interests overseas, have brought into focus the seriousness of this continuing security challenge. Shortly after the 1998 embassy bombings, State determined that it needed not only

to enhance security at all existing facilities but, in the long term, that it needed to replace more than 180 embassies and consulates to improve security, a program it has begun. State also has better identified its facility maintenance requirements and has begun to address these needs.

Security Enhancements

State has continued its efforts, begun immediately after the 1998 embassy bombings, to upgrade security at U.S. embassies and consulates around the world. Actions to improve security have included additional guards, hostile surveillance detection programs, the use of bomb detection equipment and metal detectors, enhanced camera surveillance, fully armored vehicles, improved computer technology, and in-country security training. In addition, a number of perimeter security enhancements have been installed, including antiram exterior walls that are designed to prevent vehicle penetration, compound access and public access control facilities at the perimeter wall and building entrance, bollards, shatter-resistant window film, forced-entry doors and windows, and exterior lighting. Figure 1 shows perimeter security enhancements built since the 1998 bombings at the U.S. Embassy in the Republic of Djibouti. The entrance building, where visitors are admitted; the vehicle gate; and the concrete barriers were all added as part of this program.

Figure 1: Security Enhancements at the Front Entrance to the U.S. Embassy in the Republic of Djibouti

Source: State Department.

Although State has made these improvements and is continually seeking new ways to enhance security, fundamental challenges remain. The major challenge is that many diplomatic facilities do not provide sufficient setback from busy city streets and/or are not sufficiently blast-resistant. Therefore, they do not meet U.S. government security standards. State's Inspector General has determined that at most of the overseas embassies it has inspected since September 11, security could easily become a problem. In many cases, the only option for providing adequate security is to replace the facilities. This will require significant additional resources and successful implementation of key management initiatives.

Embassy and Consulate Construction

Since the 1998 embassy bombings, State has embarked on the largest overseas embassy construction program in its history. State estimated that $16 billion or more might eventually be needed for facility replacement projects.

To guide decision-making and implementation of this building program, State prepared a long-range overseas building plan in mid-2001 and issued an updated plan in 2002 that covers the first part of this replacement program.[2] State is using the plan, which covers fiscal years 2002–07, as a tool to inform those involved in the budget decision-making process. According to State, the plan provides the department's most comprehensive listing of the U.S. government's most urgent overseas diplomatic and consular facility needs. The plan encompasses more than 70 security capital projects, valued at more than $6.2 billion, and other regular capital, rehabilitation, and maintenance and repair needs totaling more than $2.5 billion. Each year the plan will be rolled forward to reflect changes in requirements.

State further noted that it has instituted fundamental reforms and operational changes in its construction program, including cutting costs of planned construction projects, using standard designs, and reducing construction duration through a "fast track" process. For example, State's cost-cutting efforts in 4 of its initial projects allowed it to avoid about $90 million in costs. In addition, State has established an industry advisory panel to assist in planning and designing new diplomatic facilities. Industries represented on the panel include construction, architecture and engineering, facilities operations and maintenance, and environmental management.

As of December 2002, State had completed 3 embassy security construction projects. Two more, in Nairobi, Kenya, and Dar es Salaam, Tanzania, which were the targets of the 1998 bombings, are scheduled to be opened in January 2003 with one additional embassy and one consulate scheduled to open in April 2003. State's Bureau of Overseas Buildings Operations (OBO) has awarded design/build contracts for 14 additional projects. Figure 2 shows the new embassy in Doha, Qatar. Figure 3 shows the embassy, in Tunis, Tunisia, which was opened in November 2002, and figure 4 shows the consulate building in Istanbul, Turkey, which is under construction.

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[2]State expects to release the next updated plan in February 2003.

Figure 2: New U.S. Embassy Building in Doha, Qatar

Source: State Department.

Figure 3: Recently Completed Embassy Building in Tunis, Tunisia

Source: State Department.

Figure 4: Consulate Building under Construction in Istanbul, Turkey

Source: State Department.

State will face three continuing challenges throughout the life of this
construction program. These challenges are determining the appropriate
size of each new facility, meeting construction schedules within estimated
costs, and ensuring that State has the internal capacity to manage a large
number of projects.

Facility Maintenance

Our work, as well as that of State's Inspector General, has shown that
facility maintenance has presented a long-standing infrastructure challenge
for the department. In the early 1990s, we put State's management of
overseas real property on the high-risk list, partly because facilities had not
been sufficiently maintained. The principal causes of these problems were
lack of funding, lack of professional attention to maintenance needs at the
post level, and lack of programs for maintenance and repair. We removed
this function from the high-risk list in 1995 because State had surveyed
maintenance conditions overseas and made some improvements. The
Inspector General had stated in 1999 that funding was part of the problem,
but it also reported that the department needed to do more to address its
maintenance and repair problems as a management concern.

OBO has made a concerted effort over the last 2 years to identify and
reduce the maintenance backlog. To identify its maintenance
requirements, State is performing global condition surveys (conducted
about every 5 years); annual facility inspections conducted by each post;
and fire safety, roof, environmental health and safety, and other specialized

inspections as well as considering recommendations made by the posts. In addition, State is using a computerized database that tracks maintenance requirements by post, the type of work needed, and projected funding.

As of May 2002, OBO had identified a backlog of more than $735 million in maintenance and repair requirements. OBO has begun funding more than $184 million in projects to reduce this backlog (the projects included electrical upgrades, roof replacements, and fire safety improvements such as sprinkler installation and fire alarm system installation), leaving more than $550 million in unfunded requirements. About 55 percent of the backlog is for general maintenance and repair requirements, and 35 percent is for fire prevention and safety requirements; the remainder is for energy retrofitting, installing generators and providing uninterrupted power sources, and other projects. Given the deteriorated condition of many of its facilities, reducing the maintenance backlog will be a continuing challenge. OBO hopes to receive sufficient funding over the next several years to eliminate the backlog.

Strengthen the Visa Process as an Antiterrorism Tool

Because all 19 of the September 11, 2001, terrorist hijackers were issued visas, strengthening the visa function as an antiterrorism tool has taken on great significance. In deciding who should and should not receive a visa,[3] State must balance the need to facilitate legitimate travel with the need to protect the United States against potential terrorists and to deter others whose entry is considered likely to threaten U.S. national interests.[4] Prior to the terrorist attacks of September 11, State's visa operations focused primarily on screening applicants to determine whether they intended to work or reside illegally in the United States. Consular officers were encouraged to facilitate legitimate travel and, at some posts, faced pressures to issue visas. State acknowledges the need to strengthen the visa process.

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[3]State issued 7.6 million nonimmigrant visas in fiscal year 2001; another 1.1 million people were granted immigrant status. In addition, during each of the last 3 fiscal years, there were more than 16 million admissions (this figure does not include Canada) into the United States of citizens from visa waiver countries for which a visa was not required.

[4]A primary role of the Immigration and Naturalization Service is to determine at the port of entry whether the visa holder is to be admitted to the United States and, if so, how long he or she may remain in the country.

Since the September 11 attacks, the U.S. government has introduced some changes to strengthen the visa process. For example, State has, with the help of other agencies, almost doubled the names and information on persons in the lookout system.[5] In addition, State began seeking new or additional interagency clearances on selected applicants to screen out terrorists, although checks were not always being completed in a thorough or timely manner. Although these actions have strengthened the visa process, opinions and practices among and within overseas posts continue to diverge regarding the authority of consular officers to deny questionable applicants a visa and the role of the visa process in ensuring national security. Similarly, opinions and practices differ regarding the appropriate changes to individual posts' visa policies and procedures that need to be made given the need for heightened border security. Figure 5 shows an example of a U.S. visa.

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[5]In deciding who should receive a visa, State relies on its consular "lookout" system, a name-check system that incorporates information from many agencies, as the primary basis for identifying potential terrorists.

Figure 5: Example of a U.S. Visa

Source: State Department.

Although we recognize in our October 2002 report[6] that the establishment of the proposed Department of Homeland Security could affect the roles and responsibilities of various entities involved in visa processing, we recommended that State take actions to strengthen this process because it is currently responsible for visa operations. These recommendations focus on urgent and fundamental operational issues. We recommended that the Secretary (1) develop a clear policy on the priority attached to addressing national security concerns connected with the visa process, (2) develop more comprehensive guidance on how posts should use the visa process to screen against potential terrorists, (3) assess staffing requirements for visa operations, and (4) expand consular training. To address visa issues requiring coordination and actions across several agencies, we also recommended that the Assistant to the President for Homeland Security coordinate with State and other appropriate agencies to (1) establish a

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[6]U.S. General Accounting Office, *Border Security: Visa Process Should Be Strengthened as an Antiterrorism Tool,* GAO-03-132NI (Washington, D.C.: Oct. 21, 2002).

governmentwide policy on the level of evidence needed to deny a visa on terrorism grounds, (2) reassess the various agency security checks on visa applicants performed at their headquarters to verify that all are necessary and are carried out promptly, (3) reexamine visa operations on a regular basis to ensure that the operations are effectively contributing to the overall national strategy for homeland security, (4) ensure that intelligence and law enforcement agencies share information with State on persons who should not receive visas, and (5) consider reassessing previously issued visas for selected categories of applicants who may pose security risks. State indicated that it would use our recommendations as a roadmap for improvement within the Bureau of Consular Affairs as well as in consular sections around the world. It stated it has taken steps to implement a number of these recommendations, including the first two addressed to the Secretary of State, and plans to work closely with the Department of Homeland Security, once established, and other security agencies to implement other recommendations. For example, State is preparing new guidance for visa processing that the department believes will provide greater worldwide uniformity in the visa process. In addition, State said it added new consular positions in fiscal year 2002 and has improved its consular officer training by adding components on counter-terrorism trends and visa fraud and malfeasance.

As part of its efforts to strengthen the visa process, the administration is reviewing the use of the Visa Waiver Program[7] because some have expressed concern that terrorists or other criminals may exploit it to enter the United States. If countries are removed from this program or if it is terminated, State would face a number of management challenges concerning how to handle the increased visa processing workload. State estimated that if the program were eliminated, it could take 2 to 4 years to put the necessary people in place to handle the increased workload. We estimated that the initial costs of this effort would likely range between $739 million and $1.28 billion, depending on the percentage of the visa applicants interviewed.[8] Furthermore, the decision to eliminate the program could negatively effect U.S. relations with participating countries and U.S. tourism and business.

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[7]Under the Visa Waiver Program, citizens of 28 countries are not required to obtain a visa to enter the United States for visits of less than 90 days.

[8]U.S. General Accounting Office, *Border Security: Implications of Eliminating the Visa Waiver Program*, GAO-03-38 (Washington, D.C.: Nov. 22, 2002).

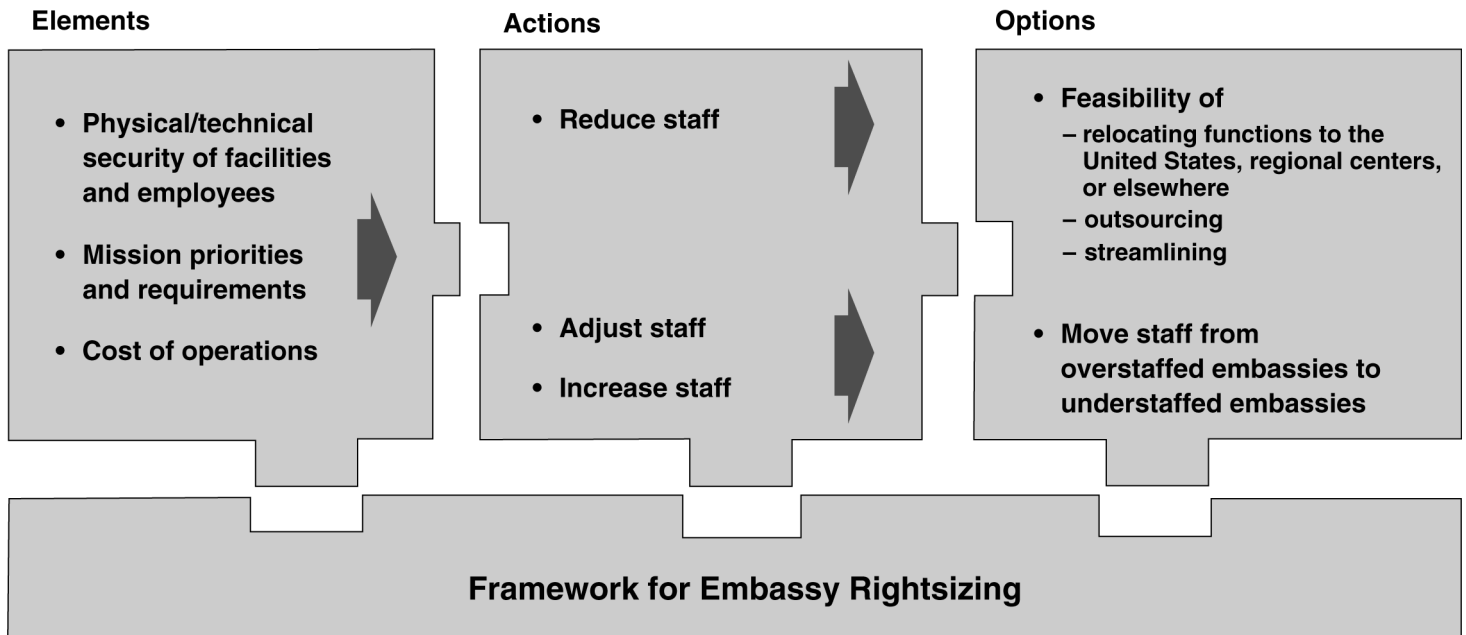# Continue and Enhance the Process of Rightsizing Embassy Staffing Levels

Since the 1998 terrorist bombings of two U.S. embassies in Africa, which resulted in more than 220 deaths and 4,000 injuries, there have been recurring calls to rightsize the number and location of staff at U.S. diplomatic facilities. The administration showed its support for such efforts in the August 2001 *President's Management Agenda* by directing all agencies overseas to rightsize their presence. OMB and State, in coordination with other U.S. agencies operating overseas, are working to develop a process for the rightsizing of U.S. embassies. Given the high costs of maintaining more than 60,000 Americans and foreign nationals overseas and the continuing security vulnerabilities of Americans worldwide, the administration's rightsizing initiatives aim to reconfigure U.S. overseas staff to the minimum number necessary to meet U.S. foreign policy goals.

In July 2002, we issued a report[9] recommending the adoption of a general framework for rightsizing that addresses security, agency mission, and cost considerations, and we have recommended that this framework be used in formulating the government's approach to rightsizing (see fig. 6). Our framework provides a systematic approach for assessing overseas workforce size and identifying rightsizing options at the embassy level and for making related decisions worldwide. By systematically developing information on security, agency mission, and cost factors at embassies and consulates, decision-makers could then better determine if rightsizing actions are needed either to add or reduce staff or to change the staff mix at an embassy or consulate.

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[9]U.S. General Accounting Office, *Overseas Presence: Framework for Assessing Embassy Staff Levels Can Support Rightsizing Initiatives,* GAO-02-780 (Washington, D.C.: July 26, 2002).

Figure 6: Framework for Embassy Rightsizing

Elements	Actions	Options

• Physical/technical security of facilities and employees
 	
• Mission priorities and requirements
 	
• Cost of operations
	• Reduce staff
	
	• Adjust staff
	
	• Increase staff
		• Feasibility of
		  – relocating functions to the United States, regional centers, or elsewhere
		  – outsourcing
		  – streamlining
		
		• Move staff from overstaffed embassies to understaffed embassies

Framework for Embassy Rightsizing

Source: GAO.

Options for reducing staff overseas could include relocating functions to the United States or to regional centers and outsourcing functions. Our analysis of the U.S. embassy in Paris demonstrated the framework's viability by highlighting security concerns that may warrant staff reductions and by identifying options for relocating some staff to the United States and other locations in Europe.

Rightsizing is directly related to embassy security and construction. If there are opportunities to reduce the number of people stationed overseas in vulnerable facilities, the number of people at risk can be reduced. Rightsizing also affects the size and cost of new, secure diplomatic facilities to be constructed. Therefore, it is critical that State and other agencies comprehensively consider rightsizing elements and options in determining overseas staffing requirements.

State and OMB testified in May 2002 that they support the development of a rightsizing framework, and they outlined their plans to proceed with the rightsizing initiative. Both agencies are working together to establish a

rightsized, regional presence in Frankfurt. In addition, the agencies are undertaking an examination of overseas posts in Europe and Eurasia. To aid both efforts, OMB, in coordination with State, recently sent questionnaires to all chiefs of mission and agency heads at posts within this bureau to obtain information on each post's mission priorities and requirements, operational costs, mission security, and real estate. OMB's questionnaire reflects the use of our framework.

Better Manage Human Capital

In January 2001, we designated strategic human capital management as a governmentwide high-risk area. We stated that this area needs urgent attention to ensure that our national government functions in the most economical, efficient, and effective manner possible to ensure maximum performance and accountability for the benefit of the American public. Since January 2001, State has directed significant attention to managing its human capital in an effort to address the workforce and staffing issues that have been noted in numerous reports and studies. State's human capital efforts have focused on three main areas: recruitment, training in leadership and management skills, and workforce planning. In addition, in response to management challenges that we and State's Inspector General identified, State has begun to address the staffing shortages at hardship posts and correct foreign language shortfalls. However, State's objective to effectively manage its human capital remains a significant challenge.

In June 2002, we reported[10] that because State is understaffed relative to its permanent positions, it is difficult for the department to ensure that it has the right people in the right place at the right time. Moreover, State's assignment system is not effectively meeting the staffing needs of hardship posts, including some of strategic importance to the United States. Because few employees bid on positions at some hardship posts, State has difficulty filling these positions. As a result, diplomatic programs and management controls at hardship posts could be vulnerable and posts' ability to carry out U.S. foreign policy objectives effectively could be weakened. We recommended that the Secretary of State improve State's human resources data, determine staffing priorities, consider a targeted hiring strategy, and develop incentives and implement actions to steer Foreign Service employees toward serving in hardship posts. Figure 7

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[10]U.S. General Accounting Office, *State Department: Staffing Shortfalls and Ineffective Assignment System Compromise Diplomatic Readiness at Hardship Posts*, GAO-02-626 (Washington, D.C.: June 18, 2002).

identifies the countries for which the most and fewest employees bid on
assignments.

Figure 7: Countries with the Most and Fewest Bids on Assignments

Countries with the most (20 or more) number of bids per position
(Australia, Austria, Bahamas, Canada, Cyprus, Czech Republic, Denmark, France, Grenada, Ireland, Italy,
Luxemburg, Mauritius, New Zealand, Spain, Switzerland, The Netherlands, United Kingdom)

Countries with the fewest (fewer than 3) number of bids per position
(Albania, Algeria, Angola, Armenia, Bangladesh, Belarus, Benin, Bosnia-Herzegovina, Burkina Faso,
Cameroon, Cape Verde, Central African Republic, Chad, China, Congo-Democratic Republic of the,
Congo-Republic of, Coté d'Ivoire, Eritrea, Gabon, Georgia, Guinea, Haiti, Jamaica, Kazakhstan,
Krygyzstan, Liberia, Macedonia, Malawi, Mali, Moldova, Mongolia, Niger, Nigeria, Papua New Guinea,
Russia, Rwanda, Serbia-Montenegro, South Korea, Togo, Turkmenistan, Ukraine, Yemen)

Source: GAO.

Note: GAO analysis of State Department data.

State believes that the Diplomatic Readiness Initiative—a plan to hire 1,158 people above attrition over 3 years, which is a major thrust of State's human capital efforts—will address the department's staffing shortfalls. Underpinning the 3-year initiative is a workforce planning system that estimates State's staffing requirements.[11] In the first year of the initiative, the department met its hiring goals, doubling the number of junior officers that it had hired the previous year. Handling the influx of newly hired Foreign Service officers could pose assignment, training, and mentoring challenges as State seeks to offer these employees challenging, rewarding careers while meeting critical service needs. State also has placed increased emphasis on developing the leadership and management skills of its workforce, producing a comprehensive curriculum to develop these skills throughout a typical career.

In addition, State has begun to take actions—along the lines that we recommended in our June 2002 report—that focus on meeting the staffing needs of hardship posts. These actions include revising its assignment system in an effort to ensure adequate staffing at hardship posts. The revised system will assign employees to hardship posts first, effectively prioritizing those posts by ensuring that most nonhardship posts and domestic offices will not be able to compete with hardship posts for employees. Moreover, the department continues to see positive results from its Service Need Differential Program, which provides a financial incentive for longer tours of service at hardship posts. More than half of the eligible positions are filled with employees who signed up for a 3-year tour, rather than the minimum 2-year tour. The department also is exploring other incentives to entice more employees to bid on assignments at hardship posts.

In a January 2002 report,[12] we described State's need to better address current and projected shortages in foreign language skills. To address its foreign language shortfalls, State plans to provide more opportunities for language training as it hires more people. According to State, language training hours rose about 12 percent, reflecting efforts since the terrorist attacks on September 11, 2001, to develop staff language skills, particularly

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[11]This workforce planning system, developed by State, includes an overseas staffing model (already in use) to predict post staffing requirements and a domestic staffing model that is nearing completion.

[12]U.S. General Accounting Office, *Foreign Languages: Human Capital Approach Needed to Correct Staffing and Proficiency Shortfalls*, GAO-02-375 (Washington, D.C.: Jan. 31, 2002).

in Arabic, Pashtu, Farsi, and Urdu. Currently, more than 400 employees
receive language incentive pay through a program designed to encourage
employees to acquire, maintain, and use language skills that are in short
supply. In previous reports, we noted that State had difficulty generating a
consistent global aggregate measure of its actual language shortfalls
because of inadequate departmentwide data on the number of positions
filled with qualified staff. State is in the process of correcting this
deficiency.

Help to Reduce Illegal Drugs Entering the United States

Illicit drugs, primarily cocaine and heroin, continue to threaten the health
and well-being of American citizens. The principal source of cocaine and
heroin entering the United States is South America—especially Colombia.
In 1993, the United States developed a policy designed to reduce the
production of illicit drugs in South America and stem the flow of drugs
through Central America and the Caribbean before they reach the United
States. Our work has shown that the billions of dollars invested by the
United States and foreign countries to carry out this policy have resulted in
the arrest of major drug traffickers and the seizure of large amounts of
drugs. However, the availability of drugs in the United States has not been
materially reduced.

To continue to attack this problem, in July 2000, the United States agreed to
provide about $860 million to Colombia for fiscal years 2000-01. This
amount includes more than $640 million, largely administered by the State
Department, for helicopters and other equipment and for training
Colombia's military and national police. Figure 8 shows one of the
helicopters operating in Colombia that was provided by the U.S.
government.

Figure 8: Helicopter provided to Colombia by the U.S. Government

Source: GAO.

State's Office of Aviation oversees the department's contract to provide support services for State's counternarcotics program in the Andean region. Although the Office of Aviation ensured that its contractor-run aviation program operates safely and is physically secure, we reported that it can do more.[13] We noted several matters of concern that had not been resolved, including forward operating locations in Colombia do not have emergency vehicles; manuals for certain eradication aircraft do not reflect

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[13]U.S. General Accounting Office, *Drug Control: State Department Provides Required Aviation Program Oversight, but Safety and Security Should Be Enhanced,* GAO-01-1021 (Washington, D.C.: Sept. 14, 2001).

modifications to the aircraft; and the airfield at one forward operating location and the Office of Aviation's headquarters office in Colombia were not secure. To improve the safety and security of its aviation program, we recommended that the Secretary of State ensure that the Bureau for International Narcotics and Law Enforcement Affairs follows up on the concerns identified in recent reviews and either complete action to address them or document why it should not.

In a closely allied effort, the U.S. Agency for International Development (USAID) has provided assistance to help growers of illicit crops find legal means of earning a living. In recent years, these activities—termed alternative development—together with U.S.-supported interdiction and eradication programs greatly reduced the amount of coca grown in Bolivia and Peru. Meanwhile, coca cultivation and cocaine production increased substantially in Colombia, making it the world's leader in both areas. USAID began targeting Colombia's poppy-growing areas in 2000 and expanded its program to include coca-growing areas in 2001. However, we reported that USAID faced serious obstacles to achieving progress in Colombia, and the experiences in Bolivia and Peru strongly suggested that alternative development in Colombia would not succeed unless the obstacles are overcome.[14] Among them, the Colombian government does not control many coca-growing areas, it has limited capacity to carry out sustained interdiction operations, and its ability to effectively coordinate eradication and alternative development activities remains uncertain. Because of these serious obstacles, we recommended that the Administrator, USAID, update USAID's alternative development project plans and spending proposals for Colombia to take into the account the extreme difficulty of gaining access to the coca-growing regions. Since then, USAID has revamped its alternative development in coordination with State, the Bogotá Embassy, and the Colombian government to focus its efforts on smaller communities and areas of the country that are more accessible.

Although most of this assistance has been delivered, illicit narcotics production and trafficking continue largely unabated. In addition, insurgents and paramilitary groups continue to control large parts of Colombia. In fiscal year 2002, it received more than $380 million in U.S.

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[14]U.S. General Accounting Office, *Drug Control: Efforts to Develop Alternatives to Cultivating Illicit Crops in Colombia Have Made Little Progress and Face Serious Challenges*, GAO-02-291 (Washington, D.C.: Feb. 8, 2002).

assistance for counternarcotics. For fiscal year 2003, the administration has requested from Congress more than $530 million in additional assistance—which State will continue to oversee—to address many of these same purposes. In recent years, we have reported that State has had difficulty effectively managing this assistance and demonstrating measurable progress in reducing illicit drug activities in Colombia. We also have continued to note that a sustained long-term commitment will be necessary to notably reduce the level of illicit drugs entering the United States.

Address Additional Challenges to Building a High-Performing Organization

Because State's management functions provide the foundation of support for U.S. government operations around the world, it is incumbent on the department to strive to become a high-performing organization. To do so, it needs to choose the best strategies for integrating its organizational components, activities, core processes, and resources to support mission priorities. In response to concerns that we and the Inspector General have raised over the years, State has taken steps to (1) enhance its communications and information technology and security, including developing a common communications and knowledge-sharing system; (2) improve its financial management systems; and (3) better utilize its performance planning and reporting in accordance with the Results Act.

Enhance Overseas Communication, Information Technology, and Information Systems Security

While State continues to upgrade its information technology infrastructure and improve its system capabilities, it lacks the ability to share information among agencies at overseas locations. Adding to this challenge are computer security concerns identified by us and by the independent auditor who reviewed State's financial statements.

To improve communications and knowledge management[15] and sharing among agencies overseas, State has developed a long-term plan to acquire and deploy a common knowledge management system that is intended to get the right information to the right people at the right time. As part of the early phase of this program, State deployed a pilot interagency collaboration system to all U.S. diplomatic posts in Mexico. It has completed pilot testing this system and will now evaluate the results to

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[15]Knowledge management involves the use of business processes and intellectual and technological assets to promote and provide for collaboration and information exchange.

determine how well the system supports day-to-day operations and to identify needed modifications. State expects to begin acquiring, deploying, and implementing an operational system worldwide when additional funding is available.

In November 2001, we reported[16] that State's informal management controls would not be sufficient for acquiring and deploying the operational system that will perform mission-critical functions. We therefore recommended that State establish more rigorous management controls, such as a multiagency process for acquiring and deploying the operational system. State has not yet implemented our recommendations, but it indicated that it plans to do so after completing the pilot and before acquiring and deploying the system worldwide. Such controls are necessary to ensure that the operational system will deliver needed capabilities on time and within budget.

We reported departmentwide computer security as a management challenge in 2001[17] because information systems security problems that we identified in 1998, including access control and security program management weaknesses, persisted and posed significant challenges for the department. State's fiscal year 2001 independent auditor's report,[18] completed in early 2002, stated that information systems security was a material weakness that could be exploited, possibly compromising the information State uses to prepare its financial statements. The auditor's report identified significant information system security weaknesses that made the department's systems networks for domestic operations vulnerable to unauthorized access. It added that although State had implemented the recommendations we made in 1998 in fiscal year 2000, this did not demonstrate that the material weakness in this area had necessarily been corrected.

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[16]U.S. General Accounting Office, *Information Technology: State Department Led Overseas Modernization Program Faces Management Challenges*, GAO-02-41 (Washington, D.C.: Nov. 16, 2001).

[17]GAO-01-252.

[18]U.S. Department of State, *Accountability Report Fiscal Year 2001* (Washington, D.C.: February 2002). The independent auditor's report is included in State's *Accountability Report*.

State subsequently performed additional access control tests that also identified significant weaknesses. State also has initiated a program to assess its information systems security on a comprehensive basis. However, the independent auditor noted in its fiscal year 2001 report that State had not tested the systems access control sufficiently before completing its work to ensure that this weakness no longer existed. Given the auditor's opinion and the weaknesses that State identified, we continue to regard information systems security as a management challenge that State must continue to address.

Improve Financial Management Capabilities

State continued to make progress toward resolving its long-standing problems caused by the absence of an effective financial management system that can assist managers in making "cost-based" decisions. Since fiscal year 1997, State has received unqualified opinions on its financial statements. State has steadily improved the timeliness of its reporting and, starting with the fiscal year 2000 statements, has met the mandated deadlines for submitting its annual financial statements. Having also resolved a number of its internal control weaknesses, State is proceeding with planned efforts to improve the systems and processes it needs to protect its assets and routinely produce timely and reliable financial information.

State needs to continue to bring its systems into full compliance with federal financial systems requirements. To enhance the ability of its officials to make sound decisions that promote effective and efficient use of federal funds, State also needs to resolve internal control weaknesses to ensure the availability of timely and reliable financial information. According to the independent auditor's report attached to State's *Accountability Report* for fiscal year 2001, State's financial management systems do not comply with certain laws and regulations, including the Chief Financial Officers Act of 1990. The act requires the development and maintenance of an integrated accounting and financial management system. According to the act, the system should provide complete, reliable, and timely information that meets the financial information needs of an agency's management, and it should provide a systematic measurement of performance.

Better Utilize Performance Planning and Reporting

The Results Act provides a framework for resolving management challenges and for providing greater accountability of State's programs and operations. As required by the Results Act, State has clearly articulated its

strategic and diplomatic readiness goals of regional security, economic growth, and more. Our review of State's performance plan for 2002 showed a significant improvement over its plan for the previous fiscal year. However, State's annual performance report for fiscal year 2000 showed many of the weaknesses that we noted in our review of State's 1999 performance report, particularly a failure to show clear progress toward accomplishing performance goals.

State's fiscal year 2002 performance plan was a significant improvement over previous Results Act products. For the 2002 plan, State developed a unified, agencywide approach to replace the regional focus it had used in the previous year's plan. This approach resulted in more clarity and the elimination of redundant material, and the report more clearly linked the various desired outcomes, performance goals, strategies, and performance indicators. However, some weaknesses remain, such as the output (rather than outcome) orientation of many indicators, vague performance targets, and a lack of clear descriptions of how State's efforts relate to the efforts of other agencies and of where interagency activity is taking place. State Department officials commented that they are making further improvements to the performance planning process, including making the performance indicators more outcome-oriented and the targets more explicit and outlining the resources the department anticipates spending on each strategic goal. Some of these improvements are reflected in a recently issued performance plan for fiscal year 2003. State said it would be making additional improvements in a performance plan and report to be issued in early 2003.

From our analysis of State's fiscal year 2000 performance report, it was difficult to determine the level of progress toward accomplishing performance goals. Because of a lack of linkages between activity-based performance indicators and desired outcomes, the 2000 performance report did not always clearly describe what State sought to accomplish. Also, as in past years, it failed to report on many indicators prescribed by the performance plan for 2000. However, the department stated that in the 2002 performance report it would report on every indicator. Furthermore, the report did not adequately explain why it did not address certain indicators, why expectations were not met on others, and what strategies would be used to achieve the unmet and unreported targets. As a result, we recommended[19] that in future years, State report on all performance goals and indicators outlined in corresponding performance plans, explain clearly and specifically why it did not achieve goals and targets, and discuss actions that it will take to achieve the unmet goals.

State agreed with our assessment and has since made strides in addressing our recommendation. For its 2001 performance report, State made a greater effort to report on all indicators for the performance goals outlined in its 2001 performance plan. In addition, State made a greater effort to discuss the reasons why it did not meet some performance targets and the strategies it would use to reach these goals. Probably because of the vague performance goals and targets set in the performance plan for 2001, the information that State reported for some targets is still insufficient to assess its progress toward achieving its goals.

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[19]U.S. General Accounting Office, *Department of State: Status of Achieving Key Outcomes and Addressing Major Management Challenges*, GAO-02-42 (Washington, D.C.: Dec. 7, 2001).

GAO Contacts

Subject(s) covered in this report	Contact person
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