

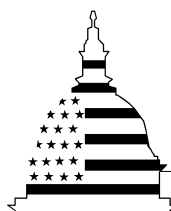
GAO

Report to the Chairman, Subcommittee  
on National Security, Emerging Threats,  
and International Relations, Committee  
on Government Reform, House of  
Representatives

June 2006

# OVERSEAS STAFFING

Rightsizing  
Approaches Slowly  
Taking Hold but More  
Action Needed to  
Coordinate and Carry  
Out Efforts



G A O

Accountability \* Integrity \* Reliability



Highlights of [GAO-06-737](#), a report to the Chairman, Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform, House of Representatives

## Why GAO Did This Study

In 2001, the administration identified the rightsizing of embassies and consulates as one of the President's management priorities. Rightsizing initiatives include: aligning staff overseas with foreign policy priorities and security and other constraints; demonstrating results by moving administrative functions from posts to regional or central locations; and eliminating duplicative functions at posts. This report (1) discusses the size and recent trends in the U.S. government overseas presence, (2) assesses the congressionally mandated Office of Rightsizing's progress in managing the U.S. government's overseas rightsizing efforts, and (3) assesses the process and outcomes of the legislatively mandated rightsizing reviews of overseas posts.

## What GAO Recommends

We recommend that the Secretary of State provide management oversight to complete and maintain a unified database to accurately capture and validate U.S. overseas staffing numbers, increase outreach activities with non-State agencies, and require that posts develop rightsizing action plans. State indicated that it has either recently implemented or is taking steps to implement all of our recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-06-737](http://www.gao.gov/cgi-bin/getrpt?GAO-06-737).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Jess Ford at (202) 512-4128 or [fordj@gao.gov](mailto:fordj@gao.gov).

## OVERSEAS STAFFING

# Rightsizing Approaches Slowly Taking Hold but More Action Needed to Coordinate and Carry Out Efforts

## What GAO Found

Almost five years into the President's Management Initiative on rightsizing, the U.S. government does not yet have accurate data on the size of the U.S. overseas presence. At various times, we received estimates ranging from 66,000 to 69,000 American and non-American personnel. In addition, State estimated that there are approximately 78,000 U.S. government positions overseas, as of December 2005. State Department (State) officials said that they are working on a unified database which, if periodically updated by posts, will provide an accurate depiction of the overseas presence. State officials indicated that the database will be completed later this year. Because of the importance of having accurate data on overseas staffing and the length of time it has taken to develop this data, management oversight may be needed to ensure completion of this task. Several agencies reported that they have added staff overseas as a result of new mission requirements, and other agencies reported that they have repositioned their personnel to better meet mission needs and in response to rightsizing efforts.

State established the congressionally mandated Office of Rightsizing the United States Government Overseas Presence (Office of Rightsizing) in 2004, which, after a slow start, has begun to provide overall direction to the government-wide rightsizing process. Some of the office's activities have included coordinating staffing requests of U.S. government agencies, developing guidance for and analyzing post rightsizing reviews, and formulating a rightsizing review plan. We found that coordination on rightsizing issues between State and other agencies with an overseas presence was initially slow, but has since improved. Nevertheless, non-State agencies have voiced a number of concerns regarding their interaction with the Office of Rightsizing, including their desire to be more included in the rightsizing process.

Congress requires Chiefs of Mission to conduct rightsizing reviews at every overseas post at least once every 5 years. Between late 2004 and summer 2005, about 35 posts participated in the first cycle of reviews. However, the Office of Rightsizing provided limited guidance to posts on how the reviews should be conducted and did not have a systematic process for reporting the outcomes of the reviews. In fall 2005, officials in the Office of Rightsizing developed more comprehensive guidance, which posts we interviewed found useful. We found that cost was not considered a key element in the post reviews. Nevertheless, the Office of Rightsizing reported over \$150 million in cost savings or avoidance to the U.S. government based on its analysis of these reviews. Although we have not been able to independently assess the Office of Rightsizing's estimates, it has presented evidence to show that some major cost avoidance and cost savings have occurred. Management officers identified various challenges to the review process, such as resistance from non-State agencies and a lack of time to conduct the review. It is unclear how posts will implement the rightsizing review decisions, such as elimination of duplicative functions, according to post officials and officials in State's regional bureaus.

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**Abbreviations**

ICASS	International Cooperative Administrative Support Services
NEC	New Embassy Compound
NSDD-38	National Security Decision Directive-38
State	Department of State
USAID	U.S. Agency for International Development

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United States Government Accountability Office  
Washington, D.C. 20548

June 30, 2006

The Honorable Christopher Shays  
Chairman, Subcommittee on National Security,  
Emerging Threats, and International Relations  
Committee on Government Reform  
House of Representatives

Dear Mr. Chairman:

After the 1998 terrorist attacks on two U.S. embassies in Africa, two key studies recommended that the U.S. government evaluate and realign the number and location of U.S. personnel working at embassies and consulates overseas, and consider staff reductions where practical to reduce security vulnerabilities.<sup>1</sup> In 2001, the administration showed its support for the realignment of personnel and stressed the importance of security, efficiency, and accountability in U.S. government staffing overseas by identifying the rightsizing of embassies and consulates as one of the President's management priorities.<sup>2</sup> Rightsizing initiatives include establishing mechanisms and processes to align the number and location of staff assigned overseas with foreign policy priorities, and security and cost constraints; moving administrative functions away from posts to remote<sup>3</sup> locations; and eliminating duplicative functions at posts. In 2002 we developed a framework for assessing embassy staff levels to help support rightsizing initiatives for existing facilities overseas.<sup>4</sup> Our framework identified critical elements of embassy operations—physical security, mission priorities and requirements, and cost—and also included rightsizing options for consideration. According to the State Department's

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<sup>1</sup>Department of State, *America's Overseas Presence in the 21<sup>st</sup> Century, the Report of the Overseas Presence Advisory Panel* (Washington, D.C.: Nov. 1999); and Department of State, *Report of the Accountability Review Boards: Bombings of the U.S. Embassies in Nairobi, Kenya, and Dar es Salaam, Tanzania* (Washington, D.C.: Jan. 1999).

<sup>2</sup>See the Office of Management and Budget, *The President's Management Agenda, Fiscal Year 2002* (Washington, D.C.: Aug. 2001) for a description of the President's management priorities.

<sup>3</sup>Remote locations include overseas and domestic regional centers and headquarters offices.

<sup>4</sup>We defined "rightsizing" as aligning the number and location of staff assigned overseas with foreign policy priorities, and security and other constraints. Rightsizing may result in the addition or reduction of staff, or a change in the mix of staff. Appendix III provides further information about our framework.

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(State) Office of Inspector General, rightsizing is likely to remain at the top of State's management agenda in the coming years because of high construction and operating costs overseas, security vulnerabilities, and continuing problems in assigning U.S. government personnel overseas.

Over the past five years, we have provided the subcommittee with numerous reports and testimonies on staffing and operations at U.S. embassies and consulates overseas (see app. II for a list of these reports). In this report, we (1) discuss the size and recent trends in the U.S. government's overseas presence, (2) assess the progress that the congressionally mandated Office of Rightsizing the United States Government Overseas Presence (Office of Rightsizing) within State has made in managing and coordinating the U.S. government's overseas rightsizing efforts, and (3) assess the process and outcomes of the legislatively mandated rightsizing reviews of overseas posts.

To address these objectives, we analyzed the activities of State's Office of Rightsizing, as well as rightsizing activities of some of State's regional and functional bureaus. In addition, we met with seven agencies—the Departments of Commerce, Agriculture, the Treasury, Defense, Homeland Security, and Justice; and the U.S. Agency for International Development (USAID)—which, including State, account for over 90 percent of personnel at embassies and consulates. To determine if there was a systematic process for reporting information in the first cycle of reviews, we reviewed and analyzed 20 out of about 35 rightsizing reviews that were conducted by posts from late 2004 through summer 2005, and which were provided to us by the Office of Rightsizing. We also sought to complete structured telephone interviews with all 22 posts that were conducting reviews in the fall of 2005. Between February 2006 and March 2006, we conducted structured telephone interviews with management officers from 20 of these 22 posts overseas on issues related to their review experience. In addition to the telephone interviews, we visited three posts—Mexico City, Mexico; Valetta, Malta; and Frankfurt, Germany—that had previously conducted a rightsizing review or analysis. We conducted our overall work from May 2005 through May 2006, in accordance with generally accepted government auditing standards (see app. I for more information on our scope and methodology).

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## Results in Brief

Almost five years into the President's Management Initiative on rightsizing, the U.S. government does not yet have accurate data on the size and composition of the U.S. overseas presence at embassies and consulates. At

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various times, we received estimates ranging from 66,000 to 69,000 American and non-American personnel. In addition, State estimated that there are approximately 78,000 U.S. government positions overseas, as of December 2005. Difficulties faced in developing accurate data include varying practices among agencies and posts in accounting for positions. In the absence of accurate data, it is difficult to track how rightsizing actions are affecting overseas staffing levels. Moreover, lack of accurate staffing data makes it more difficult to determine requirements for new embassy construction and to assess each agency a fair share of the cost of the embassy construction program. State is working on a unified database which, if periodically updated by posts, should provide an accurate depiction of the overseas presence. State officials indicated that the database will be completed later this year. Because of the importance of having accurate data on overseas staffing and the length of time it has taken to develop this data, management oversight may be needed to ensure completion of this task. Several agencies reported that they have added staff overseas as a result of new mission requirements, and other agencies reported that they have shifted their personnel to better meet mission needs and respond to rightsizing efforts. For example, the U.S. Department of Agriculture recently determined that it had overstaffed some locations and understaffed others and, as a result, is repositioning its personnel. Some agencies reported that they have reduced overseas staff largely because they are now required to pay a share of the costs of building new, secure embassy buildings.

State established the congressionally mandated Office of Rightsizing in 2004, which, after a slow start, has begun to provide overall direction to the government-wide rightsizing process. Some of the office's activities have included coordinating rightsizing staffing requests from U.S. government agencies, developing guidance for and analyzing post rightsizing reviews, and formulating a rightsizing review plan. We found that coordination on rightsizing issues between State and other agencies with an overseas presence was initially slow, but has since improved—though several non-State agencies have voiced a number of concerns regarding their interaction with the Office of Rightsizing, including their desire to be more included in the rightsizing process. In addition, some post management officers indicated that the lack of interagency coordination in Washington, D.C., makes it difficult for the posts to make decisions and implement rightsizing actions.

To move the rightsizing process forward, Congress required that rightsizing reviews be conducted at every overseas post at least once every 5 years in

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order to eliminate or justify any duplicative or parallel functions at the post, and consider the possibility for reducing U.S. government personnel. Between late 2004 and summer 2005, about 35 posts participated in the first cycle of reviews. However, the Office of Rightsizing provided limited guidance to posts on how the reviews should be conducted and did not have a systematic process for reporting the outcomes of the reviews. In fall 2005, officials in the Office of Rightsizing developed more comprehensive guidance, which post officials we interviewed said were useful. The Office of Rightsizing reported over \$150 million of savings or costs avoided based on their analysis of the first and second cycles of the rightsizing reviews. Although we have not been able to independently assess the Office of Rightsizing's estimates, it has presented evidence to show that some major cost avoidance and cost savings have occurred. Seventeen out of the twenty management officers we interviewed said that the review helped them better understand how post personnel meet mission objectives. However, management officers identified various challenges in conducting their fall 2005 reviews and ensuring that their post is rightsized. For example, management officers said that rightsizing challenges included resistance from non-State agencies on rightsizing measures, lack of direction and opportunities for regionalization and outsourcing measures, and a lack of time to conduct the review due to a number of competing data requests from headquarters. In addition, while a number of management officers told us that they had conducted some type of cost analysis as part of their review, some said that they could have benefited from additional guidance on conducting cost analysis. It is unclear how the rightsizing review decisions, such as elimination of duplicative functions, will be implemented, according to post officials and officials in State's regional bureaus. Moreover, the Office of Rightsizing has not tasked posts to develop a rightsizing action plan to implement decisions made in the rightsizing study.

We are making recommendations to strengthen the U.S. government's rightsizing process. To ensure that the U.S. government overseas presence under chief of mission authority is accurately accounted for and to ensure that the U.S. government's rightsizing goals are being coordinated and that posts can maximize savings and gain efficiencies through rightsizing, we recommend that the Secretary of State take the following three actions:

- Provide oversight to ensure the timely development and use of a single database that accurately accounts for U.S. overseas personnel staffing numbers and has accountability measures to encourage posts and agencies to keep the database accurate and up to date;



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- Increase outreach activities with non-State agencies so that all relevant agencies with an overseas presence can discuss and share information on rightsizing initiatives on a regular and continuous basis; and
  - Require that posts develop action plans to transition to and meet the agreed-upon outcomes of their rightsizing reviews. This could include developing milestones for posts reaching agreement on streamlining and eliminating duplicative functions.

We provided a draft of this report to State for comment. State indicated that it has either recently implemented or is taking steps to implement all of our recommendations. We received technical comments from State and the Departments of Homeland Security, the Treasury, Defense, Justice, and USAID, which we have incorporated throughout the report, where appropriate.

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## Background

The U.S. government maintains more than 260 diplomatic posts—including embassies, consulates, and other diplomatic offices—in about 180 countries worldwide. In addition, according to various estimates, there are over 66,000 personnel overseas, including both U.S. direct hires and locally employed staff under chief of mission authority,<sup>5</sup> representing more than 30 agencies and government entities. Agencies represented overseas include, among others, the Departments of Agriculture, Commerce, the Treasury, Defense, Homeland Security, Justice, and State and USAID. According to the Office of Management and Budget, the average cost across all agencies of having one U.S. direct hire overseas for 2007 is \$491,000, including direct and indirect personnel costs as well as support costs such as security, office leases and furnishings, and field travel.<sup>6</sup> According to State's Bureau of Resource Management, State's average cost of having one U.S. direct hire overseas for 2007 is approximately \$400,000.

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<sup>5</sup>A Chief of Mission is the principal officer, usually the Ambassador, in charge of a U.S. diplomatic mission abroad, and has full responsibility for the direction, coordination, and supervision of all U.S. government executive branch employees in that country. See 22 U.S.C. 3927.

<sup>6</sup>The Office of Management and Budget's cost is based on an average of cost submissions from more than 30 agencies with an overseas presence. However, we have not verified the cost figures. The cost of having a U.S. direct hire overseas for an agency can vary significantly, depending on where agency officials are located.

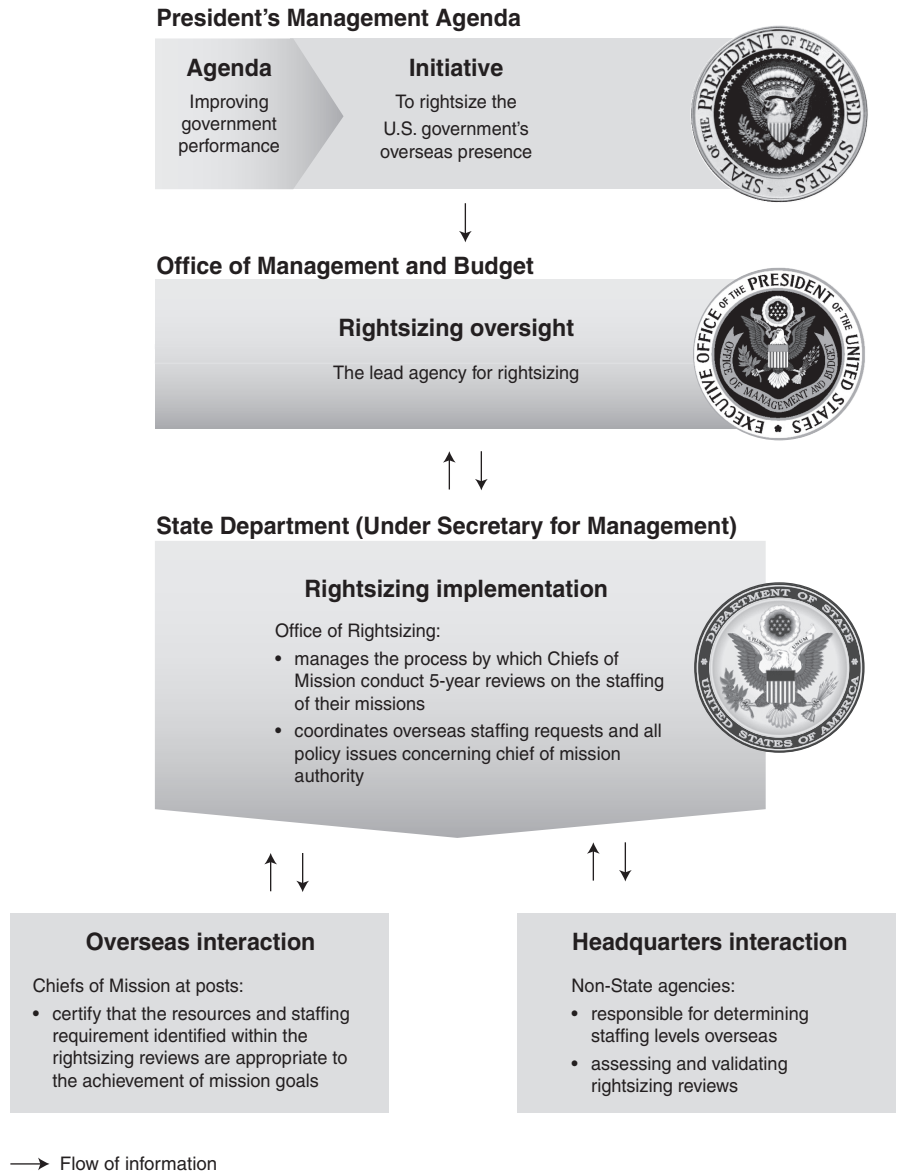
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The White House, Congress, the Office of Management and Budget, and our own agency have emphasized rightsizing as a key initiative to ensuring that the overseas presence is at an optimal and efficient level to carry out foreign policy priorities. The *President's Management Agenda* has identified rightsizing as one of the administration's priorities.<sup>7</sup> The agenda stipulates that all agencies with an overseas presence should integrate rightsizing into their workforce plans and reconfigure overseas staff allocations to the minimum amount necessary to meet U.S. foreign policy goals. Figure 1 illustrates the various levels of involvement in U.S. government overseas rightsizing.

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<sup>7</sup>The *President's Management Agenda* is a set of management initiatives designed to improve management throughout the government by emphasizing performance and results.

**Figure 1: Levels of Involvement in Overseas Rightsizing**



Sources: GAO (data); Map Resources (logos).

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In fiscal year 2004, Congress mandated the establishment of the Office of Rightsizing within State.<sup>8</sup> The office was directed to lead State's effort to develop internal and interagency mechanisms to better coordinate, rationalize, and manage the deployment of U.S. government personnel overseas, under chief of mission authority. The Office of Rightsizing reviews and approves rightsizing reports for all capital construction projects for new embassy compounds or facilities, as well as the staffing composition of 20 percent of all U.S. missions annually, so that each mission is reviewed once every 5 years. According to the Office of Rightsizing, without an approved rightsizing report based on these reviews, the Office of Management and Budget will not forward to Congress a programming notification for construction.

In addition to the Office of Rightsizing, a number of entities within State at the Washington, D.C. and post levels are involved in initiatives and efforts related to rightsizing. State's regional bureaus are involved with posts' rightsizing reviews as well as the administration of regional service centers.<sup>9</sup> In addition, State's Bureau of Overseas Buildings Operations is responsible for the worldwide overseas buildings program for State and the U.S. government community serving abroad under chief of mission authority. The Bureau of Overseas Buildings Operations is directing an expanded new embassy construction program to provide safe, secure, and functional work places for the diplomatic and consular missions overseas. At the post level, the Chief of Mission is responsible for the security and safety of every U.S. government and foreign national employee at the mission.<sup>10</sup> The precise structure of a mission is determined by the Chief of Mission through the National Security Decision Directive 38 (NSDD-38) process, which provides authority for the Chief of Mission to determine the

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<sup>8</sup>P.L. 108-199, Div. B, Title IV. Congress made \$3 million in funding available for the establishment and operations of the Office of Rightsizing.

<sup>9</sup>State has six regional bureaus, each of which is responsible for working with posts in a specific geographic region of the world. State's regional bureaus include the Bureaus of African Affairs, East Asian and Pacific Affairs, European and Eurasian Affairs, Near Eastern Affairs, South and Central Asian Affairs, and Western Hemisphere Affairs. State has two regional centers—one is in Ft. Lauderdale, Florida, and the other in Frankfurt, Germany—as well as a number of other regional operations.

<sup>10</sup>In accordance with 22 USC 3927, the President's Letter of Instruction to Chiefs of Mission gives the Chief of Mission full responsibility for the direction, coordination, and supervision of generally all U.S. government executive branch employees within the host country, and also allows him or her to make decisions on the levels of staffing at the mission. See 2FAH-2 H-112.1.

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size, composition, or mandate of personnel operating at the mission.<sup>11</sup> See figure 1 for a depiction of the Chief of Mission's involvement in the rightsizing process.

The operation of embassies and consulates overseas requires basic administrative support services for overseas personnel. The management section, which is normally headed by a management counselor or officer, is the section responsible for overseeing the administrative functions at a post and generally serves as the recipient of requests from Washington, D.C., pertaining to staffing and rightsizing. Administrative support services at posts are generally provided through the State-managed International Cooperative Administrative Support Services (ICASS) system, which provides more than 30 services—including financial management vouchering, human resources, travel services, housing, vehicle maintenance, and motor pool—with costs of the services divided among the agencies and sub-agencies with staff at the post, based on the level of ICASS services used.<sup>12</sup>

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## Cost Sharing and New Embassy Compounds

To address the security and other deficiencies of overseas embassies, consulates, and other buildings, Congress established an interagency Capital Security Cost Sharing Program to generate almost \$18 billion over a 14-year period to accelerate the construction of approximately 150 new, secure, and functional embassy and consular compounds.<sup>13</sup> The main objectives of the program are to generate funds for new embassy compound construction and to encourage State and other agencies to rightsize their staff by requiring that all agencies with an overseas presence bear some of the costs for building construction.<sup>14</sup> Capital security cost sharing is based on the total number of existing or authorized positions that

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<sup>11</sup>NSDD-38 states that agencies with staff under chief of mission authority will ensure that approval from the Chief of Mission is sought, in coordination with State, before making any proposed changes to the size, composition, or mandate of the agencies' staffing elements at the post.

<sup>12</sup>The ICASS basic package, which includes securing diplomatic credentials from the host country and services provided by the post's Community Liaison Office, is mandatory for all agencies at the post. Other cost centers are optional.

<sup>13</sup>P.L. 108-447, Div. B, Title VI, §629.

<sup>14</sup>Historically, funding for new embassies was provided under State's appropriations, and costs for new construction were not distributed to other agencies.

an agency has overseas in U.S.-government-owned or leased facilities, as well as any projected staff growth positions. Cost sharing is also based on the type of space occupied by post personnel.<sup>15</sup> Charges are being phased-in over 5 years with the fiscal year 2005 per capita charges being 20 percent of the fully phased-in amount and fiscal year 2009 per capita charges representing the full amount.<sup>16</sup> Table 1 illustrates the fully phased-in per person charges for Capital Security Cost Sharing.

**Table 1: Full Capital Security Cost Sharing Charges Based on Type of Space in Embassy or Consulate**

Type of space	Cost per person
Principal officer	\$186,886
Controlled access area	\$50,724
Non-controlled access area	\$20,488
Non-office space	\$3,546

Source: Bureau of Overseas Buildings Operations.

## Accurate Data on Personnel Overseas Not Yet Available; U.S. Government Rightsizing Efforts Under Way

Almost 5 years into the President's Management Initiative on rightsizing, the U.S. government does not yet have accurate data on the size and composition of the U.S. overseas presence at embassies and consulates; however, State is working on a unified database which, if periodically updated by posts, should provide an accurate depiction of the overseas presence. Several agencies have undertaken efforts to examine and adjust their staffing configurations, which have been driven by various factors, such as congressional mandates; the rising costs of building new, secure embassy buildings; and other shared costs.

<sup>15</sup>The types of spaces in new embassy compounds that are charged under Capital Security Cost Sharing include controlled access areas, non-controlled access areas, and non-office space.

<sup>16</sup>The per capita charge for fiscal years 2006 and 2007 are 40 and 60 percent of the full charge, while the charge for fiscal year 2008 will be 80 percent of the full position charge.

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**Accurate Data on Size and  
Composition of the U.S.  
Overseas Presence  
Currently Unavailable**

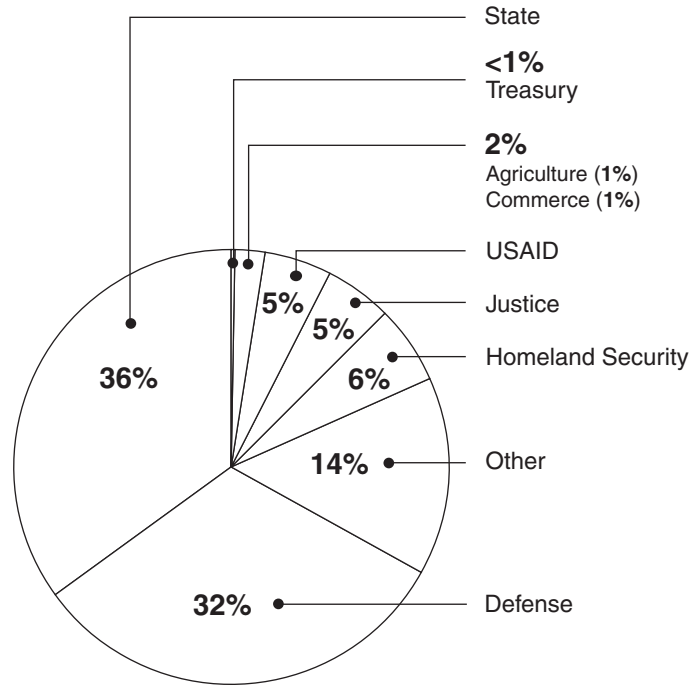
According to State officials, there is not yet an accurate picture of the size and composition of the U.S. overseas presence at embassies and consulates. In order to be able to make informed staffing and rightsizing decisions, and conduct accurate analysis of overseas staffing changes, it is important that the U.S. government have an accurate account of all overseas positions under chief of mission authority. Moreover, accurate staffing data is needed to assess each agency a fair share of the cost of the embassy construction program. Depending on the data's source and time, estimates of the total overseas presence under chief of mission authority run from 66,000 to about 69,000 American and non-American personnel, such as locally employed staff, from more than 30 agencies.<sup>17</sup> In addition, State estimated that there are approximately 78,000 U.S. government positions overseas, as of December 2005.<sup>18</sup> Some of these positions have been eliminated or are in the process of being eliminated or reconciled, according to an Office of Rightsizing document. Further, according to State's estimates, there are almost 22,000 direct-hire American positions overseas. Figure 2 provides the estimated percentage breakdown of the total American positions overseas under chief of mission authority by the key agencies, according to the Office of Rightsizing.

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<sup>17</sup>Based on agencies' 2007 budget submissions, the Office of Management and Budget estimates the total personnel overseas under chief of mission authority for 2006 as 66,854.

<sup>18</sup>The estimate is based on information in State's Post Personnel database.

**Figure 2: Estimated Percentage of American Positions Overseas under Chief of Mission Authority by Agency, December 2005**



Source: Department of State.

Note: Percentages do not add up to 100 due to rounding.

According to State officials, State has faced various difficulties in developing accurate data. For example, overseas staffing information is recorded in a number of different databases at a post, depending on the purpose of the information.<sup>19</sup> In addition to the databases from Washington, D.C., posts have created their own databases, resulting in information not being uniform from post to post. Moreover, a State official reported that some agencies have failed to provide human resources data to individual posts. State officials added that changes made in one database do not automatically populate others. Therefore, posts need to make changes in a number of databases in order to ensure a full updating and, in particular, to ensure the new information will show up accurately at State headquarters.

<sup>19</sup>Database applications utilized by posts include Post Profiles, ICASS, Mission Performance Plan, Capital Security Cost Sharing, and Post Personnel.



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As a result, State's numbers might include positions that have been eliminated or are vacant; or some positions might be entered more than once.

Officials in the Office of Rightsizing also said that there are large numbers of employment categories overseas and that each agency might categorize its personnel overseas in a different manner or use different methodologies. They pointed out that, in some cases, agencies hire and count employed family members as U.S. direct hires while, in other instances, employed family members are counted as locally employed staff. They further explained that State's current databases have not kept pace with changes in nomenclature. For example, although new agencies and components were established as part of the formation of the Department of Homeland Security, overseas positions might still appear in databases, for example, as part of the old Immigration and Naturalization Services. The incorrect reporting of staff positions could create problems for agencies, such as being incorrectly charged for positions under Capital Security Cost Sharing, according to non-State officials.

Since 2004, State has required posts to utilize the Post Personnel database to account for overseas staffing positions for both American personnel and locally employed staff, according to the Office of Rightsizing. The Executive Director of the Bureau of Human Resources told us that, if used properly, this database has the potential to provide the staffing data that could lead to accurate overseas staffing numbers. However, officials in the Office of Rightsizing stated that the database is only as complete as the information that the posts enter into it, and that some posts might not fully understand how to use the software properly. The Executive Director of the Bureau of Human Resources indicated that his bureau has been developing training modules to educate post officials on using the Post Personnel database correctly.

### State Developing Unified Staffing Accounting System

State's Office of Rightsizing has been working with the Bureau of Human Resources to develop an improved database that will enable State to present a more accurate picture of all personnel and agencies assigned overseas under chief of mission authority. According to the Office of Rightsizing, the improved database will result in one complete and accurate database of all U.S. government agencies overseas and will eliminate the need for multiple requests to posts to update staffing data. State has been working toward making the Post Personnel database application the exclusive database for the entry of all staffing information at posts. In addition, State has been devising standardized organizational

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codes for post personnel for all agencies overseas. According to State officials, the Post Personnel database will be linked to other existing applications and will populate a number of other databases, including Post Profiles, ICASS, and the Bureau of Overseas Buildings Operations database for Capital Security Cost Sharing, thus eliminating potential errors associated with duplicative and incorrect entries.

The Office of Rightsizing reported that the data in Post Personnel will soon be made available to agencies with an overseas presence so that they can verify it regularly to ensure consistency. Non-State agency officials expressed the need for transparency in overseas staffing data since they contended that often the data inputted at posts was not verified by them. The Executive Director of the Bureau of Human Resources expressed concern that there needs to be some type of accountability mechanism in place that ensures posts are inputting information regularly and accurately into Post Personnel. He added that without a mechanism in place, the quality and validity of the data will be in question. State officials said that the integrated staffing database is scheduled to be completed and operational by fall 2006. However, State has not provided guidance to posts that ensures staffing information in the Post Personnel database will be continuously updated or that outlines the accountability mechanisms for ensuring that staffing information is complete, according to a State official.

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### Agencies Rightsizing Efforts Lead to Increases or Decreases in Staff

Over the past several years agencies with an overseas presence have undertaken initiatives to assess their overseas staffing configurations. Several agencies reported that they have added staff overseas as a result of new mission requirements, and others reported that they have relocated or reduced their personnel to better meet mission needs and respond to the rightsizing efforts. Many agency officials with whom we spoke indicated that they have conducted comprehensive internal reviews or hired consultants to assess their overseas programs and workload. For example, the Department of Agriculture recently completed a global rightsizing review and found that the department is overstaffed in some countries and understaffed in others. As a result, the Foreign Agricultural Service is repositioning its personnel to better accomplish organizational goals. In addition, Department of Homeland Security officials indicated that they have been working to fully assess their overseas presence and to identify redundancies within the various Department of Homeland Security components overseas. State also recently announced plans for the global repositioning of its overseas presence, which entails moving hundreds of positions across the world—primarily from Washington and Europe to

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critical missions in regions such as Africa, South and East Asia, and the Middle East.

## Rightsizing Efforts Driven by Security and Administrative Costs

Some agency officials said that their decisions on the numbers of overseas staff needed are guided by a number of factors, including congressional mandates, mission requirements, and budget constraints, including Capital Security Cost Sharing and ICASS costs. Officials with whom we spoke with at several agencies said that they have increased staff overseas as a result of the global war on terror, border security activities, and efforts to combat drug trafficking and weapons of mass destruction. For example, officials in the Department of Justice said that the department's various components have increased their overseas presence due to these factors, and, in fact, U.S. Drug Enforcement Administration officials reported that they increased their presence by almost 10 percent between 2000 and 2005. In addition, Customs and Border Protection officials told us that they have been increasing their personnel overseas since 2002 due to requirements for the Container Security Initiative program. While a number of agencies have been increasing their presence overseas, a few agencies have decreased or are projected to maintain the current level of their overseas presence due to cuts in program budgets. For example, the Foreign Commercial Service reported that it reduced its overseas staffing levels by approximately 13 percent since the beginning of fiscal year 2001. In addition, Foreign Agricultural Services officials said that their overseas presence is likely to remain static.

A number of agencies we spoke with cited that costs of overseas operations, which include increasing Capital Security Cost Sharing program and ICASS costs, have caused them to examine their overseas presence.<sup>20</sup> Department of Commerce officials reported that, while Capital Security Cost Sharing costs represented 7 percent of their overseas costs in fiscal year 2006, by fiscal year 2009 the cost is expected to be 21 percent of the agency's overseas costs. In addition, agency officials said that, because the Capital Security Cost Sharing costs are based on every existing or planned authorized overseas position, regardless of whether the position is filled or not, agencies have effectively been encouraged to eliminate vacant

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<sup>20</sup>We have reported on agency concerns about Capital Security Cost Sharing and ICASS costs in the past. See GAO, *Embassy Construction: Proposed Cost-Sharing Program Could Speed Construction and Reduce Staff Levels, but Some Agencies Have Concerns*, [GAO-05-32](#) (Washington, D.C.: Nov. 15, 2004); and GAO, *Embassy Management: Actions Are Needed to Increase Efficiency and Improve Delivery of Administrative Support Services*, [GAO-04-511](#) (Washington, D.C.: Sept. 7, 2004).

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positions or keep their projected numbers low. For example, Department of Commerce officials said that costs associated with Capital Security Cost Sharing has forced the agency to keep its projected overseas numbers low rather than develop more realistic projections since program costs are based in part on projected as well as existing staffing numbers, and they do not want to estimate and pay for positions that might not be needed in the future. Some agency officials also indicated that rising ICASS costs have affected their budgets and caused them to reevaluate their overseas presence. For example, Department of Homeland Security officials said that because of the high costs of using ICASS, they are currently reevaluating their use of the services and stressed the importance of having flexibility to opt out of ICASS services.

Some agency officials with whom we spoke raised several concerns about the impacts of Capital Security Cost Sharing and ICASS costs on staffing configurations. For Capital Security Cost Sharing, officials expressed concern that it is difficult for them to accurately project their overseas staffing numbers, since potential unforeseen events overseas, such as natural disasters, could necessitate a reduction or increase in personnel. Some agency officials expressed concern that, as the Capital Security Cost Sharing costs increase, they might be priced out of an overseas presence or have to tap into their program funds to sustain such a presence. Table 2 depicts the Capital Security Cost Sharing charges for fiscal year 2007 that appear in the President's budget for the agencies that we spoke with.

**Table 2: Fiscal Year 2007 Capital Security Cost Sharing Charges by Select Agency**

<b>Agency</b>	<b>Total charge<sup>a</sup></b>
Agriculture Department	\$8,968,013
Commerce Department	20,678,269
Defense Department	134,893,425
Homeland Security Department	24,052,046
Justice Department	45,635,505
State Department	674,155,851
Treasury Department	2,796,268
USAID	100,349,057
Other	26,594,272
<b>Total</b>	<b>\$1,038,122,706</b>

Source: Bureau of Overseas Buildings Operations.

<sup>a</sup>The total charge includes building costs for each agency's personnel and ICASS employees that provide services to an agency, as well as rent offsets. For example, USAID's Capital Security Cost Sharing position total is \$105,653,422, of which \$10,737,155 is for ICASS contributions. However, a rent offset of \$16,041,520 reduces USAID's total cost figure to \$100,349,057.

Moreover, in order to mitigate the effects of ICASS fees coupled with agency budget cuts, some agency officials indicated that officials overseas are doing more administrative activities themselves, which takes time away from accomplishing their mission. In addition, agencies have sought other cost-effective ways of operating overseas, including hiring family members of staff, hiring local Americans, or utilizing locally employed staff (this final option has limitations, however). For example, according to the U.S. Marshals Service, utilizing locally employed staff over U.S. direct hires has resulted in considerable savings to the agency, and it estimates that the savings in relocation expenses, foreign housing, and other foreign entitlements, which direct hires receive but locally employed staff do not, would exceed \$1 million every 3–4 years. However, agency officials indicated that there are limitations to using locally employed staff at posts to carry out some duties due to national security concerns. For example, Department of the Treasury officials said that they are not able to utilize locally hired foreign nationals to carry out the work of U.S. direct hires due to the sensitive investigative nature of their work and privacy laws. In addition, officials in the Departments of Homeland Security and Justice indicated that, due to the sensitive nature of their work, they can only allow American citizens with a security clearance to perform most of their overseas duties. As an alternative to sending additional U.S. direct hires to posts, some agencies employ eligible family members of agency staff or

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hire U.S. citizens already living in the host country to carry out some of the agency functions. Department of Homeland Security officials explained that utilizing U.S. citizens living in the host country is much cheaper than sending a U.S. direct hire to a post because the department does not have to pay benefits such as housing, school costs, and other allowances to locally hired U.S. citizens.

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## State Has Established an Office of Rightsizing, but More Interaction Needed between Office of Rightsizing and Agencies

In early 2004, State established the congressionally mandated Office of Rightsizing to primarily coordinate all agency staffing requests, administer rightsizing and staffing reviews, and work with State entities and other agencies on rightsizing. The basic mission of the office is to better coordinate, rationalize, and manage the deployment of U.S. government personnel overseas, under chief of mission authority. Since its formation, some of the activities of the office have included coordinating staffing requests of U.S. government agencies, developing guidance for and analyzing post rightsizing reviews, and formulating a rightsizing review plan. Non-State agencies have voiced a number of concerns related to interactions with the Office of Rightsizing, including their desire to be more involved in the rightsizing process. To better involve all agencies in rightsizing efforts and better understand their priorities, the Office of Rightsizing co-hosted an interagency summit in March 2006.

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## Office of Rightsizing Established within State

In February 2004, the Office of Rightsizing was established within State. The roles and responsibilities of the office include coordinating all agency NSDD-38 requests; administering rightsizing and staffing reviews; and working with State entities and other agencies on rightsizing, regionalization, and shared service initiatives. The office started as a small operation with only a few staff; however, over the past 2 years it has grown in size. As of early May 2006, the office includes a director, three NSDD-38 analysts, and three rightsizing analysts. According to State officials, additional staffing is needed to handle the growing number of initiatives that the office is involved with. The Director of the Office of Rightsizing told us that he has requested two additional staff to work on analyzing rightsizing reviews and compiling rightsizing data, and hopes that the positions will be filled by summer 2006.

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## Office of Rightsizing Is Involved in a Number of Initiatives

Since the Office of Rightsizing was established, it has initiated a number of processes and has been involved in a number of efforts. These efforts have included administering and analyzing post reviews, formulating a review plan, developing instructions for post Mission Performance Plans, automating the NSDD-38 application process, and issuing a number of quarterly reports summarizing State's rightsizing actions and accomplishments. In addition, the office has been involved with two State initiatives on rightsizing, which include demonstrating results achieved by moving administrative functions away from posts to remote locations; and eliminating duplicative functions at posts, also known as sharing support services.

## Rightsizing Reviews

One of the principal activities of the Office of Rightsizing has been administering and analyzing post rightsizing reviews. In 2005, the office established a formal review process and guidance for all posts overseas, including new embassy construction projects. The process focuses on linking staffing to mission goals, eliminating duplication, and promoting shared services. In fiscal year 2005, about 35 reports were submitted by posts and analyzed by the Office of Rightsizing. Figure 3 shows the missions that conducted a rightsizing review in fiscal year 2005, according to the office. All of these reports pertained to posts scheduled to have construction projects for a new embassy compound or office building in the near future.<sup>21</sup> According to the Office of Rightsizing, the final reports that have been analyzed by the office have been or will be submitted to Congress as State seeks budget appropriations for these projects. In fiscal year 2006, the office has tasked over 40 posts to conduct reviews—more than 20 posts for both the fall and spring cycles.

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<sup>21</sup>Many of the missions that were tasked to do a review are scheduled for planned capital projects for fiscal years 2006 and 2007.

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**Figure 3: Missions Completing a Rightsizing Review in Fiscal Year 2005**

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Source: Office of Rightsizing.

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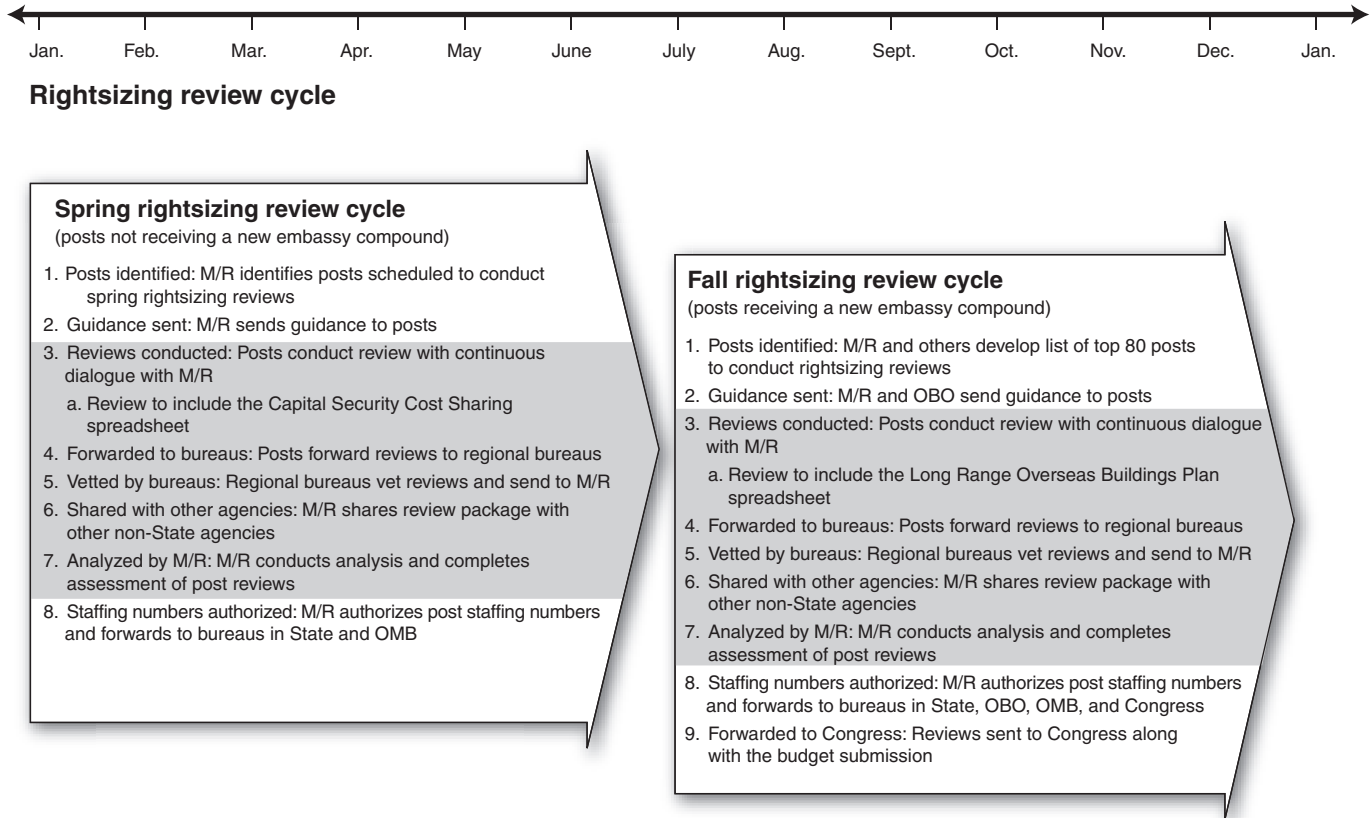
  

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Post Rightsizing Review Plan

The Office of Rightsizing has developed a 5-year plan, which includes the schedule of when missions will be asked to conduct reviews by fiscal year (see appendix IV). The plan is largely driven by State's Bureau of Overseas Buildings Operations' building schedule, but also includes consideration of posts participating in State initiatives, missions of highest priority, and countries with multiple missions, according to an official in the Office of Rightsizing. For fiscal year 2005, all of the reviews were conducted in anticipation of the post receiving a new embassy compound or building in the future. For reviews scheduled to be conducted in fiscal years 2006 through 2009, the yearly schedule dictates that posts with planned capital projects will generally perform their rightsizing reviews in the fall of the fiscal year, while those without planned projects will perform their reviews in the spring. Figure 4 provides additional information on the review cycle and steps.

**Figure 4: Rightsizing Review Cycle and Steps**



Process is identical and repetitive  
 M/R    Department of State, Office of Rightsizing  
 OBO    Department of State, Bureau of Overseas Buildings Operations  
 OMB    Office of Management and Budget

Source: GAO.

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## Rightsizing in Post Mission Performance Plans

The Office of Rightsizing has issued guidance to posts to include rightsizing statements in their Mission Performance Plans, starting with the fiscal year 2007 submission.<sup>22</sup> The guidance states that the plans must include a brief discussion of the rightsizing reviews or other rightsizing initiatives undertaken by the mission and should summarize the results, resource implications, and actions taken to implement review recommendations. However, we reviewed nine Mission Performance Plans for fiscal year 2007 and found that only one post had included discussion of any rightsizing elements that the post had undertaken. Officials in the Office of Rightsizing indicated that initially there had not been a serious effort to push for posts to provide analysis on rightsizing in their fiscal year 2007 Mission Performance Plans and, as a result, not all posts have done so. However, they said that there has been more emphasis by the office to have posts include rightsizing discussions in their 2008 plans. In May 2006, the Director of the Office of Rightsizing reported that his office is participating in the reviews of the recent Mission Performance Plans submitted by posts.

## NSDD-38 Application Process

The Office of Rightsizing has been working with agencies and coordinating with Chiefs of Mission at posts on NSDD-38 requests, particularly those related to new programs. These requests are submitted to the Chief of Mission for approval of any proposed changes in agencies' staffing elements at the post. Officials in the office said that they act in an advisory capacity between the agencies that are looking to establish or increase personnel at a post and the Chief of Mission to determine if the function needs to be performed overseas. However, they told us that it is ultimately the Chief of Mission's decision to accept or deny an agency's request to send personnel to post. In fall 2005, the Office of Rightsizing implemented a NSDD-38 Web-enabled application so that agencies can now submit their overseas staffing requests via the Internet. According to an Office of Rightsizing document, since the application process is now standardized online—which ensures that agency NSDD-38 submissions are correct and complete—Chiefs of Mission at posts can now immediately consider the submissions.

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<sup>22</sup>A Mission Performance Plan is an annual performance plan that outlines the goals and priority initiatives of all agencies in a mission. Guidance on including rightsizing considerations in the post Mission Performance Plan was sent out for the fiscal year 2007 and 2008 plans.

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## Quarterly Rightsizing Reports

Since spring 2005, the Office of Rightsizing has published three quarterly reports that highlight State's overall rightsizing efforts and performance, as well as summarize the accomplishments and publications of the office.<sup>23</sup> The quarterly reports have also included copies of State cables sent to posts pertaining to rightsizing related issues, the Office of Management and Budget's *President's Management Agenda* rightsizing score card and summary, as well as the guidance and sample report that the Office of Rightsizing has sent to posts.<sup>24</sup> The Director of the Office of Rightsizing stated that the quarterly reports are intended to provide both State bureaus and non-State agencies with an understanding of rightsizing measures and processes.

## State Regionalization Efforts

The Office of Rightsizing is also involved with State's efforts to ensure that those administrative functions that do not need to be conducted at posts are carried out from remote locations. According to State officials, potential advantages to providing support to posts from remote locations include potential cost savings, enhanced security for American personnel, and improved quality of administrative support. State currently provides remote support to many agencies at posts, primarily in the areas of financial management and human resources, from two dedicated regional service centers—the Florida Regional Center in Fort Lauderdale, Florida, and the Regional Support Center in Frankfurt, Germany. In addition, State also provides remote support of some administrative functions through partnering arrangements whereby one post with the personnel and expertise in certain administrative function assists a smaller post. In order to further expand remote support, State's fiscal year 2006 operational plan, *Organizing for Transformational Diplomacy: Rightsizing and Regionalization*, identifies additional post functions that can be performed

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<sup>23</sup>Department of State, *Overseas Rightsizing: A Quarterly Report by the Office of Rightsizing the U.S. Government Overseas Presence – Volume I* (Washington, D.C.: Apr. 1, 2005); Department of State *Overseas Rightsizing: A Quarterly Report by the Office of Rightsizing the U.S. Government Overseas Presence – Volume II* (Washington, D.C.: Oct. 24, 2005); and Department of State *Overseas Rightsizing: A Quarterly Report by the Office of Rightsizing the U.S. Government Overseas Presence – Volume III* (Washington, D.C.: Jan. 10, 2006).

<sup>24</sup>The most recent Office of Management and Budget scorecard gave a "green light" to State's progress toward key rightsizing milestones.

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remotely to minimize the U.S. overseas footprint and reduce costs.<sup>25</sup> The plan focuses on first removing non-location-specific functions—or functions that could potentially be removed from posts and carried out either from the United States or a regional center—from critical danger missions,<sup>26</sup> where State officials said it is crucial to have as few personnel at posts as possible due to security concerns. The plan envisions eventually removing those functions from all overseas posts. We provide a more detailed discussion on State’s efforts and challenges to provide support remotely in a separate report.<sup>27</sup>

## State/USAID Shared Support Services

The Office of Rightsizing is also involved with State’s efforts to increase efficiencies in overseas administrative functions by identifying and eliminating duplicative management support functions among agencies, as well as overlapping or redundant program functions. Although increasing efficiencies by streamlining functions applies to all overseas agencies, State has been working primarily with USAID to reduce the duplication of overseas support services. In 2004, State, along with USAID, launched pilot programs aimed at consolidating support functions such as motor pool, warehousing, residential maintenance, and leasing services at posts in Jakarta, Indonesia; Phnom Penh, Cambodia; Cairo, Egypt; and Dar es Salaam, Tanzania. The focus of the pilot programs was to determine how State and USAID could best collaborate to realize significant savings and improved service quality. However, only one of the pilot posts succeeded in consolidating all four support functions. According to State, the pilots have established that significant operational efficiencies and some cost savings can be realized through the consolidation of duplicative services. Since the pilots at the four posts, State and USAID have identified additional consolidation opportunities. We will provide a more detailed discussion and evaluation of State and USAID’s consolidation efforts in a report that will be coming out later this year.

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<sup>25</sup>Department of State, *Organizing for Transformation Diplomacy: Rightsizing and Regionalization FY 2006 Operational Plan* (Washington, D.C.: Oct. 2005).

<sup>26</sup>State has identified Afghanistan, Burundi, Haiti, Liberia, Pakistan, Saudi Arabia, and Sudan as the most critical danger posts that will be initially affected by State’s operational plan focusing on non-location specific functions. However, plans for operations in Iraq, also considered a critical danger post, are proceeding separately.

<sup>27</sup>GAO, *Overseas Presence: Cost Analyses and Performance Measures Are Needed to Demonstrate the Full Potential of Providing Embassy Support Remotely*, [GAO-06-479](#) (Washington, D.C.: May 2, 2006).

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## Agencies Cite Limited Interaction with Office of Rightsizing; More Coordination Under Way

One of the responsibilities of the Office of Rightsizing is to coordinate and manage interagency rightsizing initiatives. However, during our discussions with non-State agencies in late 2005 and early 2006, a number of agencies with an overseas presence told us that they had limited interaction with State's Office of Rightsizing on matters aside from NSDD-38 requests. Furthermore, some non-State agency officials told us that they were not aware of the rightsizing mandate or guidance provided to posts by the Office of Rightsizing. According to the Director of the Office of Rightsizing, his office has made an effort over the last couple of months to visit or talk with many of the agencies with an overseas presence. However, we found that, in some cases, the pertinent offices were not reached. For example, officials in Department of Homeland Security's U.S. Citizenship and Immigration Services told us that State entities tend to coordinate through one office and do not reach the various entities within the department. Both U.S. Citizenship and Immigration Services and Customs and Border Protection officials indicated that they would like to be included in any discussions that State, in particular the Office of Rightsizing, has with the Department of Homeland Security, and suggested that State designate a focal point within each Department of Homeland Security office with an overseas presence. The Office of Rightsizing indicated that the Department of Homeland Security requested that it coordinate through the department's Office of International Affairs. It is important that agency components are receiving the necessary information to ensure that rightsizing efforts are understood. The Department of Homeland Security and the Office of Rightsizing share responsibility for developing a mechanism to get this done.

Furthermore, during our discussions with agency officials in late 2005 and early 2006, non-State agencies indicated that they would like more transparency in the rightsizing review process. For example, some agencies told us that they would like to know the outcomes of the reviews at each post and know ahead of time when posts will be conducting reviews. Moreover, some agency officials stated that they are looking for an overall U.S. government strategy or vision from the Office of Rightsizing so that, as they move ahead on their own rightsizing planning and efforts, they will be in line with what the Office of Rightsizing is planning. Finally, some non-State agency officials indicated that, in order to be able to contribute to the process, they would like to see more clearly stated standards and unified processes that relate to rightsizing at posts. For example, officials said that they would like to understand how posts determine the number of staffing positions available at any given time and would like to ensure that the

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requests for information coming from Washington, D.C., to posts are more consistent.

## State Holds Rightsizing Interagency Summit

In order to address rightsizing in context with non-State agencies' agendas and priorities, the Office of Rightsizing and the Office of Management and Budget co-hosted an interagency summit in early March 2006. According to the Office of Rightsizing, participants included representatives from a number of foreign affairs and non-foreign-affairs agencies; discussions focused on key initiatives coordinated and managed by State, such as consolidation of duplicative functions, rightsizing reviews, the NSDD-38 process, and State regionalization efforts.

While some officials from State's regional bureaus feel that having an interagency conference is a good start at getting all agencies involved with rightsizing, they believe that additional interagency dialogue is needed. In addition, some non-State agency officials told us that the interagency summit did not provide them with a sense of a strategy for how they should move forward with their own rightsizing plan to make sure that it does not conflict with State's rightsizing efforts. Moreover, in the course of our structured interviews, 7 out of 20 management officers identified the need for interagency involvement and agency "buy-in" at the Washington, D.C., and post level to ensure that rightsizing can move ahead at each post. For example, one management officer with whom we spoke said that he would like to see a firm, written commitment from other agency headquarters, other than State, that consolidation of services is in the best interest of every agency and is expected of posts overseas. One post noted in its rightsizing report that the success of posts' rightsizing studies is closely linked to interagency efforts to agree on initiatives to maximize efficiency at posts. In addition, another management officer with whom we spoke said that it would be helpful to have interagency guidance on what to do when eliminating duplicative services results in overall savings to the U.S. government, but increased costs to an agency, at the post level.

Some non-State agency officials said that it would be beneficial to have more frequent interagency meetings or summits, rather than just once a year. For example, a USAID official said that having an interagency summit before each rightsizing review cycle starts—one in the fall and another in the spring—could help inform non-State agencies of rightsizing changes and activities at posts that effect their agency overseas. The Director of the Office of Rightsizing told us that, while there are no immediate plans to hold more frequent interagency summits involving all agencies with an overseas presence, he plans to continue holding a rightsizing summit



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annually. The Office of Rightsizing also reported that it plans to implement a Washington, D.C.-based forum whereby officials from foreign affairs agencies, such as the Department of Commerce, USAID, and the Department of Agriculture, can meet regularly to share information on programs and ensure that there is a greater consistency in the information coming from headquarters. The Director of the Office of Rightsizing told us that the office could be doing more with other non-State agencies to address rightsizing issues at posts, particularly on the issue of consolidation of functions, but would first like to address issues raised as part of the joint State–USAID shared services efforts.

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## Office of Rightsizing Initiates Rightsizing Reviews, but Reviews Have Not Realized Full Potential

Post rightsizing reviews are a key element of State’s rightsizing efforts. These reviews are designed to link post staffing to the mission’s goals, eliminate unnecessary duplication, and encourage shared services between agencies at posts. Our analysis of the first round of the reviews showed that there was limited guidance to posts and that there was not a systematic process for how the posts structured their reviews, though State improved its guidance for the second round of reviews. In reviewing the first and second rightsizing cycles, the Office of Rightsizing reported over \$150 million dollars of cost savings or avoidance based on the result of their analysis of the reviews. Posts used a variety of methods to conduct their rightsizing reviews. Some management officers with whom we spoke identified various challenges in conducting their fall 2005 reviews and ensuring that their post is rightsized. Additionally, the Office of Rightsizing did not consider the need for posts to conduct a cost analysis as part of their reviews. It is unclear how the rightsizing review decisions, such as elimination of duplicative functions, will be implemented at each post, according to officials at post and in State’s regional bureaus.

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## Rightsizing Review Structure and Guidance Have Evolved

In October 2004, the Office of Rightsizing began instructing overseas missions scheduled to receive a new embassy compound to perform rightsizing reviews. The reviews are intended to eliminate or justify any duplicative or parallel functions at posts and consider the possibility for reducing U.S. government employees at posts through such means as remote services, more utilization of locally employed staff, and outsourcing. Between late 2004 and summer 2005, about 35 posts participated in the first cycle of reviews, and the office conducted formal analyses of the posts’ reviews in late 2004 and early 2005. The Office of Rightsizing reported over \$50 million in costs saved or avoided to the U.S.

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government based on its analysis of the first cycle of reviews. Based on the analysis that the Office of Rightsizing conducted of post reviews representing eight new embassy compounds, the average reduction in desk positions for each project was 18, which resulted in 145 desk reductions overall.<sup>28</sup> The office identified many of the removed desk positions in cooperation with posts and regional bureaus. According to the Office of Rightsizing, these desks represent significant partially or fully avoided costs. Of the 145 reduced positions, 50 were U.S. direct hires. Assuming an average saving of \$400,000 per year for each position, the office estimated that these 50 positions represent as much as \$20 million in potential costs avoided.<sup>29</sup> Furthermore, the office stated that the desk positions removed represented approximately an additional \$20 million in savings to the Bureau of Overseas Buildings Operations in capital security construction costs, as well as approximately \$18 million in savings due to not needing to build separate annexes in three cases. The actual cost avoidance achieved will depend upon whether offsetting costs can be avoided and whether recommended staff reductions are implemented.

However, based on our analysis of 20 out of about 35 rightsizing reviews that were part of the spring 2005 review cycle, we observed that there was not a systematic approach for how the posts structured their reports or how the Office of Rightsizing evaluated them. For example, the information presented within the reports varied from post to post, and the rightsizing elements that the posts evaluated and reported were not consistent. Some posts provided narratives discussing various rightsizing elements, such as outsourcing and post security, while other posts did not. Furthermore, we found that none of the posts showed that they had conducted a cost analysis as part of the post's rightsizing efforts. In addition, we found that the Office of Rightsizing did not have a systematic process to quantify costs saved or avoided as a result of post staffing reductions stemming from reviews in the spring 2005 cycle. The Director of the Office of Rightsizing agreed that the office needs to implement a systematic process of collecting data and determining cost savings and cost avoidance for future

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<sup>28</sup>Desk positions were for U.S. direct hires and locally employed staff. A desk position refers to any position in a post where a desk or office space is needed. For example, an economic officer at a post would need a desk to work at, while a gardener or a driver would not.

<sup>29</sup>However, the Office of Rightsizing indicated that it is very difficult to make a judgment about the eventual disposition of an individual projected position that has been eliminated. In some cases, it might be possible and necessary to substitute a locally employed individual for a U.S. direct-hire position, or have a U.S. direct hire do the work in the United States, so the cost avoided could be less than the average cost of \$400,000 per year for each position.

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rightsizing cycles, and has asked the rightsizing analysts in the office to document the positions that are eliminated or costs saved due to posts taking rightsizing measures into consideration. Finally, we also found that, although the goal of the *President's Management Agenda* and the Office of Rightsizing is to limit the overseas presence to the minimum level necessary to accomplish the U.S. government's mission, overseas staffing is increasing. Our analysis of the 20 reviews from the spring 2005 cycle revealed that net staffing numbers will increase for 15 posts. Increased levels in staffing abroad can be attributed to high-priority national security interests, such as the global war on terror, anti-narcotics efforts, and HIV/AIDS projects, which have implications on U.S. staffing and space at posts abroad, according to the Office of Rightsizing as well as post management officers.

The Director of the Office of Rightsizing agreed that the first round of reviews was not conducted systematically, and said that the process and format has evolved since the initial guidance was provided to posts for the spring 2005 cycle. In particular, based on feedback from posts that participated in the spring 2005 review cycle, the Office of Rightsizing changed the guidance to be more systematic for the fall 2005 cycle. All management officers that we interviewed at 20 posts which had conducted a review as part of the second cycle in fall 2005 stated that the guidance was either very useful or moderately useful, and several commented that the guidance was clear, succinct, and easy to discern. Table 3 below specifies the elements that the fall 2005 cycle posts were asked to address when completing their reviews.

**Table 3: Summary of Required Sections of Post Rightsizing Reviews, September 2005**

<b>Section</b>	<b>Description</b>
Mission goals and objectives	For each mission goal, identify the resources currently supporting that goal, and analyze the post's specific achievements in meeting the objectives.
Duplicative activities	Assess areas of duplication, activities which are no longer required or may require adjustment of resource levels, and identify activities which require increased resources to achieve their objectives.
Alternate sourcing <sup>a</sup>	Identify all services which are currently outsourced including services that are contracted by the embassy, such as local guard services, vehicle maintenance, janitor services, gardening services, etc.
Regionalized services	Identify all activities that are performed by regional or U.S. based government personnel such as financial management and human resources services.
Substitution of locally employed staff for U.S. direct-hire positions	Identify U.S. direct-hire positions for which locally employed staff may be substituted.
Current and projected staffing	Complete the summary staffing table, including all sections and/or agencies, showing current staffing levels, projected staffing levels, and the net change.
Long range overseas buildings plan staffing projections <sup>b</sup>	For posts receiving a new embassy compound, complete the Long Range Overseas Buildings Plan spreadsheet, which should include a count of all projected staff, American and locally employed staff, desk and non-desk, controlled access areas and non-controlled access areas. For posts not receiving a new embassy compound, use the Capital Security Cost Sharing spreadsheet and add or reduce positions accordingly.
ICASS service matrix	Complete the ICASS service matrix which should clearly show which services are provided to which agencies, and which are not.

Source: Office of Rightsizing.

<sup>a</sup>In subsequent rightsizing cycles, "alternative sourcing" has been replaced by "competitive sourcing," which is a methodical way of evaluating whether commercial services should be performed using government employees or contractors.

<sup>b</sup>The Bureau of Overseas Buildings Operations has reorganized and developed a planning tool, called the Long Range Overseas Buildings Plan, to annually publish a 6-year plan that lays out projects, priorities, and costs for the upcoming year.

Seventeen of the twenty management officials with whom we spoke who conducted a rightsizing review in fall 2005 said that the review helped them better understand how post personnel meet mission objectives. When asked whether they had additional comments, several management officers stated that they found the review at their post to be a useful exercise. For example, a management officer posted in Eurasia stated that the review was an interesting and useful process, which helped the post focus on parts of the Mission Performance Plan that they would otherwise not have concentrated their efforts on. The Office of Rightsizing reported over \$100 million in costs saved or avoided to the U.S. government based on their analysis of the fall 2005 cycle of reviews. The estimate was based on an analysis that the Office of Rightsizing conducted of post reviews representing 21 missions. According to the office, its rightsizing efforts for

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the fall 2005 cycle will result in a potential reduction of 683 total desk spaces in new embassy compounds, of which 170 are U.S. direct hires. The Office of Rightsizing estimated that each eliminated U.S. direct-hire position would result in a cost avoidance of about \$400,000. The actual cost avoidance achieved will depend upon whether offsetting costs can be avoided and whether recommended staff reductions are implemented. In addition, the Office of Rightsizing reported that the rightsizing actions for the fall 2005 cycle have resulted in approximately \$90 million in savings to the Bureau of Overseas Buildings Operations in capital security construction costs, which includes cost saved by not needing to build four annexes. Although we have not been able to independently assess the Office of Rightsizing's estimates, it has presented evidence that some major cost avoidance and cost savings have occurred. Figure 5 illustrates the posts from the fall 2005 review cycle where we interviewed officials as part of our analysis.

**Figure 5: Fall 2005 Cycle Posts GAO Interviewed**



Source: GAO.

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## Approach to Conducting Rightsizing Reviews Varies by Post

Posts used a variety of means to conduct their reviews. The approach used by 19 of the 20 posts (all of which were included in the fall 2005 review cycle where we interviewed officials) incorporated the participation of the post management officer, Deputy Chief of Mission, or both. The Office of Rightsizing suggested that posts, in conducting rightsizing reviews, use the ICASS Council, working groups, or any ad hoc arrangement as a vehicle for discussion and formulation of the report and corresponding data. In addition, the Office of Rightsizing instructed posts to include all State and non-State agencies, constituent posts, and embassy offices in the posts' rightsizing analyses. However, posts took diverse approaches to carrying out their reviews. Some posts conducted their reviews using rightsizing committees, and others directed their review to existing goal oriented discussion groups such as those that created the post's Mission Performance Plan.

The Office of Rightsizing also offered posts the opportunity to participate in digital video conferences to answer any questions that they had about the review. However, officials at 13 of the 20 posts mentioned above stated that they did not participate in a video conference with the office. Management officers said that their posts did not participate because, among other reasons, they did not find it necessary; other posts did not have the technological capabilities to participate. Moreover, several posts did not participate in a digital video conference because officials did not think that the Office of Rightsizing required it. Nonetheless, the Director of the Office of Rightsizing stated that he found that those posts that took advantage of this option had more success with their rightsizing reviews; thus, starting with the spring 2006 cycle, the office will require that every post participate in a conference. He also stated that he hopes other non-State agencies will participate in video conferences as posts conduct their rightsizing reviews. Moreover, State, as well as the Office of Management and Budget, expects all agencies at each post to understand that rightsizing is government-wide and not just a State-oriented process. In the course of our structured interviews, 7 out of 20 management officers identified the need for interagency involvement, including agency "buy-in" to ensure that rightsizing can move ahead at each post. For example, a management officer in Europe stated that it would be very helpful if there was a one-page summary that non-State agency officials at each post received from their headquarters in Washington, D.C., that describes what they need to do as part of the rightsizing review. However, we found that the Office of Rightsizing provided posts with very little guidance on interagency participation.

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The Director of the Office of Rightsizing stated that he also encourages posts to utilize the resources and knowledge within the office and recommends that posts, as they conduct the review, share sections of it with the office for feedback. The posts participating in the fall 2005 cycle generally took this approach, as 13 of 20 posts reported that they shared sections of their report with the office during the review process. The Office of Rightsizing also indicated that this approach may lead to more expeditious approval of reviews and that they will therefore strongly recommend that posts participating in the spring 2006 rightsizing cycle share sections of their report prior to final submission. Additionally, 15 management officers we interviewed stated that sharing best practices with other posts through online forums or receiving a visit from an expert to help guide the post through the rightsizing review process would be very useful for enhancing the rightsizing review process.

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## Posts Identified Challenges in Conducting Rightsizing Reviews

A number of management officers identified various challenges in conducting the reviews at their post, including resistance by non-State agencies at posts to address rightsizing measures. Another challenge mentioned was a lack of direction and opportunities for regionalization and outsourcing of services. In addition, overlapping data requests from agencies' headquarters, as well as redundant personnel databases, complicated the review process.

### Resistance by Non-State Agencies at Posts

Several posts that conducted a fall 2005 rightsizing review stated that they encountered resistance from non-State agencies when trying to obtain interagency involvement during the process. Specifically, four post management officers stated that other agencies were not receptive to the request to conduct a rightsizing review. According to a management officer posted in Europe, non-State agencies at the post did not want to share information on future staffing numbers for the review. The management officer added that there was a lack of recognition by agencies that rightsizing was not just a State initiative, but a government-wide initiative. Moreover, some management officers explained that they had difficulties in getting agencies to buy into the rightsizing review process and faced interagency resistance regarding the consolidation of post services. Consolidation of services proved to be a common challenge at posts, as 14 of the 20 management officers we interviewed identified duplication of post services or programs, such as motor pool and cashiering, as a result of the rightsizing review. Although these posts have identified duplicative services or programs, 10 of 20 management officers stated that the post has not taken action on consolidating the services and programs. According to



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management officers, common reasons why some posts have not yet consolidated these duplicative functions is because they are waiting to merge their functions once they move into their new embassy compound or because the agencies at the post could not come to an agreement about consolidation. For example, a management officer posted in Africa stated that USAID headquarters provided its staff at the post with conflicting instructions about retaining duplicative administrative support services, which countered the ongoing efforts to eliminate duplicative services at the post.

### Posts Lack Direction and Opportunities for the Regionalization and Outsourcing of Services

Several posts that participated in the spring and fall 2005 cycle of reviews stated that they lacked direction and opportunities for the regionalization and outsourcing of services. The guidance for the rightsizing review requested posts to consider regionalization options. However, while 18 of 20 posts we interviewed stated that they rely on regional support services to meet posts' needs, a few management officers indicated that they found it difficult to consider all regionalization options without having a base understanding of what regional services are available. For example, management officers posted in Asia and Africa stated that they lack information on what types of regional support could be provided remotely and how to access that support. Another management officer in Eurasia stated that posts should be provided a baseline listing of services so that post officials have a good sense of which services are available regionally.

Though posts were instructed to assess outsourcing possibilities within their reviews, several posts that participated in the spring 2005 cycle of rightsizing reviews reported that outsourcing of services is not a good alternative due to the lack of choice, quality, and sophistication in the marketplace. Another management officer posted in Asia, whose post participated in the fall 2005 cycle of reviews, stated that outsourcing is a concept that the post is not accustomed to using and that the rightsizing review led them to examine which post functions can be outsourced. To ascertain current outsourced functions at posts, State's Office of Global Support Services and Innovation administered an outsourcing survey to which 119 posts responded. According to the survey results, the services most likely to be outsourced were copier maintenance as well as packing and shipping, while those services least likely to be outsourced were procurement, property management, and phone billing. Officials at the Office of Global Support Services and Innovation stated that the results of the survey will serve as the Office of Rightsizing's baseline for outsourcing.

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## Rightsizing Reviews Overlap with Additional State Data Requests

All of the management officers we interviewed stated that, within the last 2 years, they have received other requests or reviews from agency headquarters seeking information similar to that requested for the rightsizing review. Ten of twenty management officers we interviewed identified the Mission Performance Plan as another headquarters request for information similar to that of the rightsizing review, and several of these posts indicated that there was a high degree of overlap between these two data requests. Moreover, more than half of the management officers indicated that there was a high or moderate degree of overlap between the rightsizing review and other requests from the Bureau of Overseas Buildings Operations, such as the Capital Security Cost Sharing Program and the Long Range Overseas Buildings Plan data requests.

As explained by several posts, it was difficult to complete and keep track of all of these overlapping data requests given the limited resources at each post. For example, a management officer at a post in Africa stated that it took approximately 3 months to complete the Capital Security Cost Sharing request and approximately 2 months to complete the Mission Performance Plan, with both requests requiring interagency staff collaboration. The officer added that the post did not have time to focus on all of the requests tasked to the post. Another management officer in Africa stated that the post would have liked to have one database that was responsive to the needs of all the requests from headquarters. In addition, 5 of the 20 posts that we interviewed stated that it would be beneficial to streamline the rightsizing review by including it with other data and information requests, and, moreover, several management officers stated that the rightsizing review should draw from information that currently exists in databases that are centrally located in Washington, D.C.

The Office of Rightsizing has recognized the need for a single database and told us that State has been working on developing an integrated Post Personnel database. According to State officials, this database is expected to populate all other databases currently maintained by overseas posts to ensure all databases contain the same information. Furthermore, Office of Rightsizing officials stated that—once there is one authoritative database for all staffing data—they will no longer rely on multiple databases and, therefore, will not have to spend as much time verifying overseas staffing numbers projected in rightsizing reviews.

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## Cost Analysis Was Not a Primary Factor in Rightsizing Reviews

The Office of Rightsizing did not consider the need for posts to conduct cost analyses as an essential supplement to the spring 2005 and fall 2005 reviews. The Director of the Office of Rightsizing stated that he did not want the post reviews to become a cost cutting exercise, but rather to focus more on identifying the needed resources to meet the posts' mission and goals and justify current and projected staffing compositions. Moreover, he stated that actual cost savings at the post level would be hard to determine and that sometimes rightsizing requires an increase in staff.

The guidance for the spring 2005 and fall 2005 rightsizing reviews did not require posts to evaluate costs or perform cost analyses for the review process. While none of the 20 post reports we reviewed for the spring 2005 cycle illustrated within their rightsizing report the results of a cost analysis in association with rightsizing efforts at posts, 11 of 20 posts for the fall 2005 cycle told us that they conducted some or limited cost analyses for various post staffing scenarios, such as the outsourcing of services and substitution of locally engaged staff for U.S. direct-hire positions. In addition, one management officer stated that the post conducted an analysis to determine which service provider at the post would be more cost effective. However, a management officer stated that it was difficult to perform a comprehensive analysis of the cost effectiveness of service providers because the post did not have comparable data for each provider. Moreover, another management officer in Asia stated that the post's cost analysis was not comprehensive because post staff did not have the necessary expertise to conduct such an analysis. Moreover, a management officer added that the post would need more guidance if it were to conduct a formal cost analysis with accurate cost data.

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With the upcoming cycles of reviews, the Office of Rightsizing is increasingly emphasizing the need to consider costs associated with rightsizing. For example, the Director of the Office of Rightsizing directed that additional analyses should be undertaken by posts to determine the overall cost impact to the U.S. government and all customer agencies before actual consolidation of shared administrative support services can occur. This analysis should also assess whether the formation of the single service provider will, over time, be a more viable and effective option for the U.S. government. The Office of Rightsizing has not yet provided formal guidance to posts on how to conduct an analysis to determine the most cost effective service provider, but it is continually developing its guidance for posts, and in particular, has developed guidance for a rightsizing competitive sourcing business case analysis, which is being incorporated into the spring 2006 cycle of reviews.<sup>30</sup> Subsequently, all posts will be required to complete this cost module as part of their rightsizing reviews, according to the Office of Rightsizing.

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## Implementation of Rightsizing Review Results Unclear

Some management officials we interviewed, as well as officials in State's regional bureaus, were unclear about the outcomes of the reviews. Although the reviews are intended to eliminate or justify any duplicative or parallel functions at posts and consider the possibility for reducing U.S. government employees at each post, some executive directors in State's regional bureaus pointed out that there is no implementation plan with timelines to track rightsizing-related changes that have been identified. Most executive directors in regional bureaus believe that it should be the Office of Rightsizing's responsibility to follow-up with posts to ensure resources have been consolidated in line with rightsized staffing levels, while one executive director in a regional bureau believes that it should be both the Office of Rightsizing as well as the bureau's own responsibility.

The Office of Rightsizing stated that it has informed posts what their staffing configurations should be as a result of their reviews and that it is the post's responsibility to carry out corresponding staffing changes. Furthermore, the office has asked posts to include the distribution of services and schedules of when consolidation will occur within their

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<sup>30</sup>The competitive sourcing module was developed to address State's Program Assessment Rating Tool obligation. A Program Assessment Rating Tool review helps identify a program's strengths and weaknesses to inform funding and management decisions aimed at making the program more effective.

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Mission Performance Plans. The office also expects posts to establish reduction in force plans, which, according to the Office of Rightsizing, should consider attrition, retirement, and vacant positions. Moreover, Office of Rightsizing officials stated that they are planning to send a yearly cable to posts that have already completed rightsizing reviews to remind them of the need to meet agreed-upon staffing levels and to ensure that rightsizing action has been taken before the post moves into a new embassy compound. In early May 2006, the Director of the Office of Rightsizing told us that, in lieu of sending a cable, his office will be tasking posts that conducted reviews in the spring and fall 2005 cycles to develop a rightsizing action plan leading up to the completion of their new embassy compound. However, as of May 9, 2006, the office has not sent an action plan tasking to posts.

As the Office of Rightsizing expects posts to develop their own rightsizing implementation plan, some posts may not adhere to the staffing figures agreed upon within their reviews. Specifically, some management officers we interviewed stated that their posts are waiting to move into a new embassy compound before taking any action to configure their post staffing numbers. For example, a management officer posted in Asia stated that the post's plan to configure the staffing numbers as reflected in the rightsizing review is not connected to any immediate time frame, but rather will happen when the post moves into the new embassy compound. Another management officer stated that, because the construction of the post's new embassy compound has been postponed, and because agencies at the post have not agreed to the staffing changes made by the Office of Rightsizing, no immediate post staffing changes are being contemplated. In addition to a lack of an implementation plan for those posts receiving a new embassy compound, it is also unclear what approach or incentives the Office of Rightsizing will use to enforce implementation of rightsizing measures for those posts not scheduled to receive a new embassy compound. According to an official in the Bureau of Overseas Buildings Operations, it is important for posts to have an implementation plan of how they will reconfigure their staffing, particularly for those posts that will be moving into a new embassy compound, because the new embassy or consulate will be built based on the staffing numbers approved by the Office of Rightsizing for that post.

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## Conclusion

Progress has been made in implementing the *President's Management Agenda* initiative to rightsize the U.S. government's overseas presence at embassies and consulates. Agencies are generally adjusting their presence

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based on mission, security, and cost factors. State is seeking ways to reduce support staff overseas and overseas posts are conducting rightsizing reviews required by legislation. Moreover, after a slow start, State's Office of Rightsizing is beginning to achieve momentum in coordinating government-wide rightsizing efforts. However, more needs to be done. Of foremost importance is the need to develop accurate staffing data with which to measure staffing trends and the effects of rightsizing activities. We recognize that efforts are currently under way to develop accurate data; however because of the importance of having accurate data on overseas staffing and the length of time it has taken to develop this data, management oversight may be needed to ensure completion of this task. State's Office of Rightsizing also needs to aggressively reach out to agencies at the headquarters level, and to overseas posts, to ensure that the positive initiatives under way are implemented effectively.

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## Recommendations for Executive Action

To ensure that the U.S. government's overseas presence under chief of mission authority is accurately accounted for and to ensure that the U.S. government's rightsizing goals are being coordinated and that posts can maximize savings and gain efficiencies through rightsizing, we recommend that the Secretary of State take the following three actions:

- Provide oversight to ensure the timely development and use of a single database that accurately accounts for U.S. overseas personnel staffing numbers and has accountability measures to encourage posts and agencies to keep the database accurate and up to date;
- Increase outreach activities with non-State agencies so that all relevant agencies with an overseas presence can discuss and share information on rightsizing initiatives on a regular and continuous basis; and
- Require that posts develop action plans to transition to and meet the agreed upon outcomes of their rightsizing reviews. This could include developing milestones for posts reaching agreement on streamlining and eliminating duplicative functions.

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## Agency Comments and Our Evaluation

We provided a draft of this report to State for comment. State's comments, along with our responses to them, can be found in appendix V. State indicated that it has either recently implemented or is taking steps to implement all of our recommendations.

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We received technical comments from State, the Departments of Homeland Security, the Treasury, Defense, and Justice and USAID, which we have incorporated throughout the report, where appropriate. In addition, the Department of Justice stated that it endorses our recommendation that State continue to expand its outreach to agencies and departments with an overseas presence to enhance discussion and information sharing on rightsizing initiatives. Furthermore, the Department of the Treasury stated that it would be helpful if agencies with personnel at posts developing rightsizing action plans have the opportunity for their personnel to participate in the rightsizing reviews and the development of the action plans.

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As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the date of this letter. At that time, we will send copies of this report to other interested members of Congress, the Library of Congress, and the Secretary of State. We will also make copies available to others upon request. In addition, this report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-4128 or [fordj@gao.gov](mailto:fordj@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Other GAO contacts and staff acknowledgments are listed in appendix VI.

Sincerely yours,

A handwritten signature in black ink that reads "Jess T. Ford". The signature is written in a cursive, flowing style with a large initial "J" and "F".

Jess T. Ford  
Director, International Affairs and Trade

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# Scope and Methodology

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To ascertain the size of the U.S. government's overseas presence we spoke with officials in State Department's (State) Office of Rightsizing the U.S. Government Overseas Presence (Office of Rightsizing) and the Executive Director of State's Bureau of Human Resources; we also discussed the limitations that State faces in portraying an accurate number for the overseas presence. In addition, we spoke with an official in the Office of Management and Budget to determine the methodology used to report the size and cost of the overseas presence. To determine the U.S. government's efforts to rightsize its overseas presence we spoke with officials at a number of agencies in Washington, D.C., that have a presence at overseas posts. We spoke with officials from the the Departments of Agriculture, Commerce, the Treasury, Defense, Homeland Security, and Justice; as well as officials from the General Services Administration and the U.S. Agency for International Development. In addition, we reviewed staffing documents from numerous agencies, reports by State's Office of Inspector General, and rightsizing documents from State's Office of Rightsizing. We did not conduct a comprehensive review of each agencies' rightsizing efforts.

We spoke with officials in the Office of Rightsizing about the rightsizing process and reviewed rightsizing guidance and related documentation. We reviewed and analyzed nine Mission Performance Plans for fiscal year 2007, which we were able to obtain from State, to determine whether rightsizing considerations were reported in the plans. We also spoke with officials in each State regional bureau—Western Hemisphere Affairs, European and Eurasian Affairs, African Affairs, East Asian and Pacific Affairs, Near Eastern Affairs, and South and Central Asian Affairs—to gauge their involvement with post rightsizing reviews and their interaction with the Office of Rightsizing. In addition, we spoke with officials in State's Office of Global Support Services and Innovation about State's initiatives on regionalization and shared services. To determine costs saved or avoided as a result of rightsizing exercises, we reviewed cost data from State's Office of Rightsizing and the Bureau of Overseas Buildings Operations. To assess the reliability of State's data, we interviewed officials in the Office of Rightsizing and the Bureau of Overseas Buildings Operations to ascertain how the data were captured and analyzed and whether there were any limitations to the data. We determined the data to be sufficiently reliable for the purposes of our review.

To determine if there was a systematic process for reporting information in the first cycle of reviews, we reviewed and analyzed 20 out of about 35 rightsizing reviews that were conducted by posts from late 2004 through



summer 2005. The Office of Rightsizing provided us with over 20 reviews for our analysis. However, we analyzed only those reviews for which we had received both the post rightsizing review as well as the corresponding analysis of the review conducted by the Office of Rightsizing. Between February 2006 and March 2006 we administered 20 structured interviews regarding post rightsizing review experiences. The interviews were conducted by telephone primarily with management counselors or officers at embassies. In one case we spoke with the Deputy Chief of Mission at the post. The interviews involved 20 of the 22 posts that were part of the fall 2005 cycle and which had completed their rightsizing reviews by the time we talked to the post. The posts were located in: Asuncion, Baku, Bandar Seri Begawan, Bucharest, Bujumbura, Colombo, Harare, Jakarta, Islamabad, Kiev, Warsaw, Maputo, N'djamena, Pretoria, Reykjavik, Rome, Santo Domingo, Moscow, Taipei, and Tunis. We did not conduct interviews with two posts—Monrovia and Ankara—because these posts did not follow through with our request for interviews.

The structured interview contained open- and closed-ended questions about guidance, timing, the review process, rightsizing considerations, headquarters' involvement and feedback, and the impact of the review on the post. We developed the interview questions based on our review of rightsizing documentation and discussions with post officials during our fieldwork in Mexico City and Valletta. We provided an early version of the questions to the Office of Rightsizing and the Office of Global Support Services and Innovation for their review and comment, and we also pretested the interview with three current management officers to ensure that the questions were clear and could be answered. We modified the interview questions on the basis of the pretest results and an internal expert's technical review. We provided the management officers and Deputy Chief of Mission with the interview questions in advance to allow them time to gather any data or information necessary for the interview. We initiated follow-up discussions with 13 posts by telephone. We subsequently sent posts follow-up questions by E-mail if we were not able to reach them by telephone. The responses of the structured interviews are not intended to be representative of all posts. We did not talk with management officers or look at rightsizing reviews for those posts that were part of the spring 2006 review cycle.

We conducted fieldwork at the embassies in Mexico City, Mexico, and Valletta, Malta; and the consulate in Frankfurt, Germany, to gain a better understanding of the rightsizing process. We chose these posts because both Mexico City and Valletta had been asked by the Office of Rightsizing

to conduct a rightsizing review as part of the spring 2005 cycle. We chose to visit Frankfurt because the consulate had conducted an informal rightsizing exercise in response to a report from State's Office of Inspector General and because it is a regional hub in Europe. At each post we met with State officials as well as other agency officials involved in the rightsizing process to discuss their approach and outcomes of the review. In addition, we met with the Ambassadors in Mexico City and Valletta, as well as the Consul General in Frankfurt to understand their views and involvement in the rightsizing process.

We conducted our work from May 2005 through May 2006, in accordance with generally accepted government auditing standards.

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# GAO Reports on Staffing and Operations at U.S. Embassies and Consulates

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GAO, *Overseas Presence: Observations on a Rightsizing Framework*, [GAO-02-659T](#) (Washington, D.C.: May 1, 2002).

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

GAO, *Overseas Presence: Rightsizing Framework Can Be Applied at U.S. Diplomatic Posts in Developing Countries*, [GAO-03-396](#) (Washington, D.C.: Apr. 7, 2003).

GAO, *Embassy Construction: Process for Determining Staffing Requirements Needs Improvement*, [GAO-03-411](#) (Washington, D.C.: Apr. 7, 2003).

GAO, *Overseas Presence: Systematic Processes Needed to Rightsize Posts and Guide Embassy Construction*, [GAO-03-582T](#) (Washington, D.C.: Apr. 7, 2003).

GAO, *Overseas Presence: Rightsizing Is Key to Considering Relocation of Regional Staff to New Frankfurt Center*, [GAO-03-1061](#) (Washington, D.C.: Sept. 2, 2003).

GAO, *Embassy Management: Actions Are Needed to Increase Efficiency and Improve Delivery of Administrative Support Services*, [GAO-04-511](#) (Washington, D.C.: Sept. 7, 2004).

GAO, *Embassy Construction: Proposed Cost-Sharing Program Could Speed Construction and Reduce Staff Levels, but Some Agencies Have Concerns*, [GAO-05-32](#) (Washington, D.C.: Nov. 15, 2004).

GAO, *Overseas Presence: Cost Analyses and Performance Measures Are Needed to Demonstrate the Full Potential of Providing Embassy Support Remotely*, [GAO-06-479](#) (Washington, D.C.: May 2, 2006).

# GAO Rightsizing Framework and Corresponding Questions

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This appendix lists the questions pertaining to mission, security, and cost that we developed in 2002 to help support rightsizing initiatives for existing facilities overseas.

## **Physical/Technical Security of Facilities and Employees**

What is the threat and security profile of the embassy?

Has the ability to protect personnel been a factor in determining staffing levels at the embassy?

To what extent are existing office buildings secure?

Is existing space being optimally utilized?

Have all practical options for improving the security of facilities been considered?

Do issues involving facility security put the staff at an unacceptable level of risk or limit mission accomplishment?

What is the capacity level of the host country police, military, and intelligence services?

Do security vulnerabilities suggest the need to reduce or relocate staff?

Do health conditions in the host country pose personal security concerns that limit the number of employees that should be assigned to the post?

## **Mission Priorities and Requirements**

What are the staffing levels and mission of each agency?

How do agencies determine embassy staffing levels?

Is there an adequate justification for the number of employees at each agency compared with the agency's mission?

Is there adequate justification for the number of direct-hire personnel devoted to support and administrative operations?

What are the priorities of the embassy?<sup>1</sup>

Does each agency's mission reinforce embassy priorities?

To what extent are mission priorities not being sufficiently addressed due to staffing limitations or other impediments?

To what extent are workload requirements validated and prioritized, and is the embassy able to balance them with core functions?

Do the activities of any agencies overlap?

Given embassy priorities and the staffing profile, are increases in the number of existing staff or additional agency representation needed?

To what extent is it necessary for each agency to maintain its current presence in-country, given the scope of its responsibilities and its mission?

Could an agency's mission be pursued in other ways?

Does an agency have regional responsibilities or is its mission entirely focused on the host country?

### **Cost of Operations**

What is the embassy's total annual operating cost?

What are the operating costs for each agency at the embassy?

To what extent are agencies considering the full cost of operations in making staffing decisions?

To what extent are costs commensurate with overall embassy strategic importance, with agency programs, and with specific products and services?

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<sup>1</sup>Embassy priorities are the U.S. government's priorities in that country.

### **Consideration of Rightsizing Options**

What are the security, mission, and cost implications of relocating certain functions to the United States, regional centers, or to other locations, such as commercial space or host-country counterpart agencies?

To what extent could agency program and/or routine administrative functions (procurement, logistics, and financial management functions) be handled from a regional center or other locations?

Do new technologies and transportation links offer greater opportunities for operational support from other locations?

Do the host country and regional environments suggest there are options for doing business differently, that is, are there adequate transportation and communications links and a vibrant private sector?

To what extent is it practical to purchase embassy services from the private sector?

Does the ratio of support staff to program staff at the embassy suggest opportunities for streamlining?

Can functions be reengineered to provide greater efficiencies and reduce requirements for personnel?

Are there best practices of other bilateral embassies or private corporations that could be adapted by the U.S. embassy?

To what extent are there U.S. or host country legal, policy, or procedural obstacles that may impact the feasibility of rightsizing options?

# The Office of Rightsizing's Five-Year Rightsizing Schedule

Table 4 illustrates the 5-year rightsizing schedule, by fiscal year, that the Office of Rightsizing has developed. The schedule also depicts those posts that are proposed to receive a new embassy compound (NEC) and the fiscal year that the facilities are scheduled to be built.

**Table 4: Five-Year Rightsizing Schedule**

<b>Mission</b>	<b>Planned capital projects</b>
<b>Fiscal year 2005</b>	
Bosnia and Herzegovina	Sarajevo NEC FY06
Burkina Faso	Ouagadougou NEC FY07
Congo, Democratic Republic of	Kinshasa NEC FY07
Congo, Republic of	Brazzaville NEC FY06
Djibouti	Djibouti NEC FY06
Ethiopia	Addis Ababa NEC FY07
Fiji	Suva NEC FY05
Gabon	Libreville NEC FY06
Georgia	Tbilisi Annex FY06
Indonesia	Surabaya NEC FY06
Latvia	Riga NEC FY07
Lebanon	Beirut NEC FY06
Macedonia	Skopje Annex, Warehouse, and Marine Security Guard Quarters FY06
Madagascar	Antanarivo NEC FY07
Malta	Valletta NEC FY08
Mexico	Mexico City NEC FY06
	Tijuana NEC FY10
Micronesia	Interim Office Building FY05
Nigeria	Abuja Annex FY06
Norway	Oslo NEC FY07
Palau	Interim Office Building FY05
Philippines	Manila NEC FY07
South Africa	Johannesburg NEC FY06
Sudan	Khartoum Annex and Marine Security Guard Quarters FY06
	Juba NEC FY07
Yugoslavia	Belgrade NEC FY07
Zambia	Lusaka NEC FY07

**Appendix IV**  
**The Office of Rightsizing's Five-Year**  
**Rightsizing Schedule**

*(Continued From Previous Page)*

<b>Mission</b>	<b>Planned capital projects</b>
<b>Fiscal year 2006</b>	
Algeria	
Azerbaijan	Baku NEC FY08
Bermuda	
Brazil	
Brunei	Bandar Seri Begawan NEC FY08
Burundi	Bujumbura NEC FY09
Chad	N'djamena NEC FY09
Chile	
Colombia	
Costa Rica	
Denmark	
Dominican Republic	Santo Domingo NEC and Annex FY09
Eritrea	Asmara NEC FY09
Finland	
Germany	
Holy See	
Iceland	
Indonesia	Jakarta NEC FY09
Ireland	
Italy	Milan MEC FY09
Jordan	
Korea	Seoul NEC FY09
Liberia	Monrovia NEC FY08
Libya	Tripoli NEC FY08
Luxembourg	
Malaysia	
Morocco	
Mozambique	Maputo NEC and Annex FY08
New Zealand	
Pakistan	Karachi NEC FY08
	Peshawar NEC FY08
Paraguay	Asuncion NEC FY08
Poland	Krakow NEC FY08
Romania	Bucharest NEC FY09
Russia	St. Petersburg NEC FY09
Saudi Arabia	Jeddah NEC FY08



**Appendix IV**  
**The Office of Rightsizing's Five-Year**  
**Rightsizing Schedule**

*(Continued From Previous Page)*

<b>Mission</b>	<b>Planned capital projects</b>
	Riyadh NEC FY <sup>a</sup>
	Dhahran NEC FY <sup>a</sup>
Singapore	
South Africa	Pretoria Annex FY08
Sri Lanka	Colombo NEC FY09
Switzerland	
Taiwan	Taipei NEC FY07
Tunisia	Tunis Language School FY09
Turkey	Ankara NEC FY09
Ukraine	Kiev NEC and Annex FY09
United Kingdom	
U.S. Mission to the United Nations Agencies for Food and Agriculture, Rome	
U.S. Permanent Mission to the United Nations Office and Other International Organizations in Geneva	
Zimbabwe	Harare NEC and Annex FY08
<b>Fiscal year 2007</b>	
Bahamas	
Bahrain	
Bangladesh	
Barbados	
Belarus	
Belize	
Benin	Cotonou NEC and Annex FY10
Botswana	
Burma	
Canada	Toronto NEC FY10
Cape Verde	
China	Guangzhou NEC FY08 Shanghai NEC FY <sup>a</sup>
East Timor	Dili NEC FY10
Equatorial Guinea	
Estonia	
Grenada	
Guinea	
Guinea Bissau	
Guyana	

**Appendix IV**  
**The Office of Rightsizing's Five-Year**  
**Rightsizing Schedule**

*(Continued From Previous Page)*

<b>Mission</b>	<b>Planned capital projects</b>
Hong Kong	
India	Calcutta NEC FY11
	Chennai NEC FY10
	Hyderabad NEC FY <sup>a</sup>
Israel	Tel Aviv NEC and Annex FY10
Jerusalem	Jerusalem NEC FY10
Kenya	
U.S. Permanent Mission to United Nations Environment Program and United Nations Center for Human Settlements, Nairobi	
Kosovo	Pristina NEC FY10
Kyrgyzstan	
Lithuania	
Malawi	
Mali	
Mauritania	Nouakchott NEC FY10
Mauritius	
Mongolia	
Nepal	
Sierra Leone	
Slovak Republic	Bratislava NEC FY10
Slovenia	
Surinam	Paramaribo NEC FY10
Syria	Damascus NEC FY10
Tajikistan	
Thailand	Chiang Mai NEC FY10
Turkmenistan	
Uruguay	
U.S. Mission to the International Civil Aviation Organization, Montreal	
Vietnam	Hanoi NEC FY
<b>Fiscal year 2008</b>	
Angola	
Argentina	Buenos Aires NEC FY11
Armenia	
Australia	
Belgium	

**Appendix IV**  
**The Office of Rightsizing's Five-Year**  
**Rightsizing Schedule**

*(Continued From Previous Page)*

<b>Mission</b>	<b>Planned capital projects</b>
Bolivia	
Brazil	Rio de Janeiro LFO FY11
Cambodia	
Cameroon	
Central African Republic	Bangui NEC FY11
Cote d'Ivoire	
Croatia	
Cuba	
Czech Republic	
Ecuador	Guayaquil LFO FY11
France	
Gambia	
Ghana	
Greece	Thessaloniki NEC FY <sup>a</sup>
Guatemala	
Laos	Vientiane NEC FY11
Lesotho	
Moldova	Chisinau NEC FY11
Namibia	Windhoek NEC FY11
Netherlands	The Hague NEC FY11
Netherlands Antilles	
Niger	
Oman	
Panama	
Senegal	Dakar NEC & Annex FY11
Seychelles	
Spain	Madrid NEC FY11
Swaziland	Mbabane NEC FY11
Tanzania	
Togo	
Trinidad and Tobago	
United Arab Emirates	Dubai NEC FY11
U.S. Mission to the European Union	
U.S. Mission to the North Atlantic Treaty Organization	
U.S. Mission to the Organization for Economic Cooperation and Development, Paris	

**Appendix IV**  
**The Office of Rightsizing's Five-Year**  
**Rightsizing Schedule**

*(Continued From Previous Page)*

<b>Mission</b>	<b>Planned capital projects</b>
U.S. Mission to the United Nations Educational, Scientific, and Cultural Organization, Paris	
<b>Fiscal year 2009</b>	
Afghanistan	
Albania	
Austria	
Bulgaria	
Cyprus	
Egypt	
El Salvador	
Haiti	
Honduras	
Hungary	
Iraq	
Jamaica	
Japan	
Kazakhstan	
Kuwait	
Marshall Islands	
Micronesia	
Nicaragua	
Niger	
Papua New Guinea	
Peru	
Portugal	
Qatar	
Rwanda	

Source: Office of Rightsizing.

<sup>a</sup>The Office of Rightsizing does not yet know the scheduled date of the capital project.

# Comments from the Department of State

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



**United States Department of State**

*Assistant Secretary for Resource Management  
and Chief Financial Officer*

Washington, D.C. 20520

9 2006

Ms. Jacquelyn Williams-Bridgers  
Managing Director  
International Affairs and Trade  
Government Accountability Office  
441 G Street, N.W.  
Washington, D.C. 20548-0001

Dear Ms. Williams-Bridgers:

We appreciate the opportunity to review your draft report, "OVERSEAS STAFFING: Rightsizing Approaches Slowly Taking Hold but More Action Needed to Coordinate and Carry Out Efforts," GAO Job Code 320338.

The enclosed Department of State comments are provided for incorporation with this letter as an appendix to the final report.

If you have any questions concerning this response, please contact Patrick Truhn, Director, Office of Management and Rightsizing, at (202) 647-6518.

Sincerely,

A handwritten signature in black ink, appearing to read "Brad R. Higgins".

Bradford R. Higgins

cc: GAO – John Brummet  
M – Henrietta Fore  
State/OIG – Mark Duda

**Department of State Comments on GAO Draft Report:**

**OVERSEAS STAFFING: Rightsizing Approaches Slowly Taking Hold  
but More Action Needed to Coordinate and Carry Out Efforts**  
(GAO-06-737, GAO Code 320338)

Thank you for allowing the Department of State the opportunity to comment on the draft report *Overseas Staffing: Rightsizing Approaches Slowly Taking Hold but More Action Needed to Coordinate and Carry Out Efforts*, which discusses the Department's rightsizing efforts.

We appreciate the contribution this study makes, coming as it does in connection with a series of reports on efforts the Department is undertaking to modernize its overseas staffing and staffing support. The report recognizes the efforts the Department has made to date and confirms that the Department is on the right track.

With respect to the individual areas the GAO addressed, the report says (p.4), "The Office of Rightsizing reported over \$150 million dollars of potential savings or costs avoided based on their analysis of the first and second cycles of the rightsizing reviews. However, we have not been able to independently verify the actual amount of potential savings." Many of these savings are real, not potential. As staffing numbers were reduced, the size of overseas buildings was reduced as were funding requests to Congress.

To illustrate a specific example, let us take Embassy Addis Ababa. At the time post submitted its Rightsizing Study, post projected out-year staffing of 1,032 positions of which 83% are Locally Employed Staff. Working with post and the Bureau of African Affairs and making independent judgments, the Office of Rightsizing the USG Overseas Presence (M/R) arrived at a final rightsized staffing projection, to which the Bureau of Overseas Buildings Operations (OBO) will build the New Embassy Compound (NEC), of 953 positions, a difference of 79.

In addition, the Embassy had projected a role for itself, that of Regional Support Center, which would likely have required additional growth over the next several years. Working with the Embassy and AF to refine its regionalized services strategy, we were able to agree that Mission Ethiopia is not a suitable platform in which to place significant additional

See comment 1.

regional support for other missions in Africa. The Embassy now has a more modest and realistic view of its future in the region.

The net result of these changes represents the following savings:

**Avoided Construction Costs (calculated by OBO)**

\$3,790,405 -- 40 desk positions and 39 non-desk positions were eliminated from Addis' staffing projection resulting in avoided construction costs.

\$10,400,000 -- mooted USAID annex. As a result of requiring that the management services of the entire embassy be consolidated and/or co-located, and that duplicative services be eliminated, a separate annex is not needed. Building separate dedicated annexes for agencies is an expensive option for the space the U.S. Government requires. Naturally they vary in cost depending on the amount of total space required, whether the contract is let concurrently with the same firm doing the New Embassy Complex project, etc. Since M/R began rightsizing, no embassy has required a separate dedicated annex for any agency.

**Avoided salary costs**

\$14,400,000 annual savings in reduced U.S. Direct Hire staffing assigned to the Embassy, using an average cost per position overseas of \$400,000 derived from the Office of Management and Budget's cost data provided by individual agencies. Of the Embassy's projected new positions, 36 were U.S. Direct Hire positions.

\$1,011,188 annual savings -- of the 79 projected positions, which were eliminated, 43 are Locally Employed Staff positions (using an average global LES salary cost of \$23,516 per LES provided by the Bureau of Human Resources.)

In another example, at the time Embassy Sarajevo submitted its rightsizing report, staffing in the embassy was 605 positions with 278 desk positions. The mission identified 64 positions (39 desk positions of which 12 were U.S. Direct Hire positions) for elimination. The greatest number of these eliminated positions were administrative positions made redundant by the consolidation of services and the elimination of duplicative positions.

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In this case, the avoided costs were;

Construction costs	\$3,695,645
USDH costs	\$4,800,000
LES	\$1,222,832

See comment 2.

GAO's draft report also states "management officers said they could have benefited from additional guidance on conducting cost analysis" (page 4, bottom.) The Department has a standard methodology by which it does cost analyses using the ICASS software. All posts have been so advised. Unfortunately, other agencies have not always provided full and complete cost information for comparison purposes, resulting in incomplete or misleading data. M/R continues to work with other agencies to improve cost information reporting.

See comment 3.

The report notes further that "It is unclear how the rightsizing review decisions, such as elimination of duplicative functions, will be implemented according to officials at post and officials in State's regional bureaus." On June 1 (State 88491), M/R tasked all posts which had completed rightsizing studies in the spring and fall 2005 cycles (approximately 50 posts) to develop and communicate to M/R (and USAID headquarters, when USAID is present) implementation action plans, with timelines and deliverables, no later than July 18, 2006. M/R will monitor posts' progress in fulfilling these implementation plans until they are complete. In the future, posts will be tasked with developing and applying such implementation plans at the end of each rightsizing cycle.

Regarding various comments concerning the Capital Security Cost Sharing program, while we agree that different agencies use varying practices to count overseas staff, OBO believes that the data collected for the Capital Security Cost-Sharing (CSCS) program is accurate (p. 3, p. 10, p. 12). We do not pull this data from a database; rather it is supplied by individuals at post responsible for responding to the CSCS data call. For State positions, this data is verified by management at post and by State's Regional Bureaus; Post, the bureaus, and OBO reconcile any discrepancies. For non-State agencies, the data is verified by agency representatives at post and must be signed off on by the agency headquarters office. We believe that this process ensures the accuracy of the CSCS data. Because OBO requires different data for the construction of facilities, there will always be a difference between the counts arrived at from the CSCS process, and from the Department's Post Personnel application. We agree that it will be



helpful to have a unified database for all staffing data, which will enable representatives of other agencies to monitor their agencies' data at any time.

See comment 4.

Contrary to statements in the report, for CSCS, if a position has actually been eliminated at post, it will not be counted in CSCS. If a position is vacant, but still exists, it is properly counted for CSCS (p. 12, bottom of 1<sup>st</sup> paragraph.)

See comment 5.

Because of the process for collecting and verifying CSCS data, OBO does not believe that agencies are incorrectly charged for positions under CSCS (on page 12, bottom of 2<sup>nd</sup> paragraph.) Agencies audit their reported staffing at post and in Washington and pay accordingly.

See comment 6.

The report states that the Department estimates that the number of U.S. Government personnel overseas ranges from 66,000 to 78,000, indicating as much as a 15% disparity. That is not correct. Counting personnel vs. positions is a constant source of confusion and complication when trying to get an accurate census of the U.S. Government's overseas presence. The Department's Post Personnel application indicates that there are, at any given time, approximately 66,000 *employees* overseas, including U.S. Direct Hires, Locally Employed Staff (LES), and other categories of personnel (each agency has a slightly different way of counting and identifying its employees overseas). This number of employees overseas fluctuates significantly as: employment attrition occurs, personnel rotate out of and into assignments abroad, LES leave post's employ, and posts change their staffing continuously to meet their changing requirements. As a result, there may be at any given time as many as 78,000 *positions* established overseas, of which thousands are always in the process of being filled or eliminated annually. The 66,000 to 78,000 is not a range but counts of two different quantities.

See comment 7.

The report states that State has not instructed posts to keep Post Personnel continuously updated (bottom page 13). In fact, several messages, beginning in 2004, have gone to all posts instructing them that Post Personnel is the official database for documenting all U.S. Government staffing overseas under the authority of the Chief of Mission and must be kept complete and current. Further, Regional Bureaus have been persistent in reminding posts of this need. The Department has informed all posts that the Post Personnel database will become the "gold standard" for overseas staffing information, effective October 1, 2006. State's regional bureaus

have been charged with reconciling Post Personnel staffing data against similar data in the Capital Security Cost Sharing database by June 15, as a check on the accuracy of both databases, in order to ensure that both repositories are aligned before their data is merged later this summer, and to ensure that this year's CSCS invoices are accurate.

With respect to the GAO suggestion that M/R should interact directly with the Department of Homeland Security's (DHS) Citizenship and Immigration Services (CIS) and other DHS bureaus, this is contrary to instructions to M/R from the Department of Homeland Security. The State Department asked all Executive Branch Agencies to designate points of contact for rightsizing communications and activities; DHS designated a position within its Office of International Affairs, indicating that it preferred a centralized approach rather than having M/R communicate directly with individual DHS entities. M/R therefore provides all of its rightsizing information, general reports, specific country reports, rightsizing schedules, etc. to this single point of contact as instructed by DHS. DHS faces considerable challenges in uniting a number of formerly autonomous agencies in one department, and M/R does not wish to increase these challenges through communications that further complicate this task. M/R has provided group briefings to multiple DHS entities as a matter of information, but coordination discipline should be maintained.

See comment 8.

Comments from other agencies wanting to know outcomes of reviews, know ahead of time when reviews are being conducted, have more clearly stated standards, etc. (page 24) in our view stem from a number of agencies' lack of familiarity with both the President's Management Agenda (PMA), which is a mandate from the President to all Executive Branch Agencies, not just State or M/R, and Congress's action to establish the Office of Rightsizing. M/R has undertaken to fill this information gap with the Interagency Rightsizing Summit, which will be held on a semi-annual basis as an important vehicle for information-sharing. M/R has been continually engaged in outreach since its inception via a number of venues, e.g., the ICASS Working Group, the ICASS Executive Board and the CSCS Contact Group. The present Director of the Office of Rightsizing has personally traveled to the Washington headquarters of six agencies since the beginning of FY-06, and has given briefings in his office to representatives of three others, which agencies comprise the vast majority of U.S. Government positions overseas.

See comment 9.

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All agencies' rightsizing points of contact are notified of the posts tasked with rightsizing studies the very same day that the cable goes to the field. The full five-year rightsizing schedule was included in M/R's Rightsizing Quarterly Reports of November 2005 and May 2006, which were provided to all agencies electronically and in hardcopy at multiple levels. The schedule was provided at the Rightsizing Summit, and has been available upon request at any time. The schedule was a completed deliverable for Getting to Green on the President's Management Agenda last year.

Rightsizing Reports are provided to Bureaus and posts and are available to all agencies when they are complete; however, there has been little interest and less demand from agencies for these reports.

In response to the specific Recommendations of the report:

Provide oversight to ensure the timely development and use of a single database that accurately accounts for U.S. overseas personnel staffing numbers and has accountability measures to encourage posts and agencies to keep the data base accurate and up to date.

As discussed above, the Post Personnel database will become the "gold standard" for accounting for overseas staffing under Chief of Mission authority effective October 1, 2006. The regional bureaus are currently reconciling the Post Personnel data with Capital Security Cost Sharing data to ensure that the consolidated information is correct and complete. The Bureau of Human Resources, which owns the application, is verifying the data on a periodic basis with other agencies.

Increase outreach activities with non-State agencies so that all relevant agencies with an overseas presence can discuss and share information on rightsizing initiatives on a regular and continuous basis.

As noted above, the Director of M/R has been meeting with agencies on a regular basis and will continue to do so. M/R plans to conduct semi-annual rightsizing summits with all agencies prior to the Fall and Spring rightsizing taskings, beginning in December 2006. In addition, M/R will continue to provide all agencies at many different levels with the Rightsizing Quarterly

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Reports, reports to Congress, major messages to the field, and other relevant information.

Require that posts develop action plans to transition to and meet the agreed upon outcomes of their rightsizing reviews. This could include developing milestones for posts reaching agreement on streamlining and eliminating duplicative functions.

As previously noted, M/R tasked these plans to posts on June 1, 2006 with a due date of July 18. We believe this recommendation has already been addressed.

See comment 3.

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The following are our comments on State's letter dated June 9, 2006.

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## GAO Comments

1. We modified our text to show that, although we have not been able to independently assess the Office of Rightsizing's estimates, it has presented evidence to show that some major cost avoidance and cost savings have occurred.
2. We recognize that State has a standard methodology by which it performs cost analyses using the International Cooperative Administrative Support Services software. However, when we talked with management officers at posts that had conducted a rightsizing review, we were informed that these posts did not have comparable cost data for each service provider. In addition, we were informed that the posts did not have the necessary tools to make informed decisions about how to conduct analysis to determine the most cost effective service provider.
3. We provided the draft report to State on May 18, 2006. About two weeks later, State instructed posts to develop implementation action plans. We believe that the action that the Office of Rightsizing has taken largely addresses our recommendation. However, until the Office of Rightsizing has received all implementation action plans with the posts' milestones, due on July 18, 2006, the office will not know what additional action might still be needed to ensure that posts meet the agreed-upon outcomes of their rightsizing reviews.
4. We understand that if a position is eliminated at a post it is not counted as part of Capital Security Cost Sharing. Our statement was simply meant to illustrate that eliminated or vacant positions could be reflected in databases used to count overseas staffing numbers.
5. Our statement reflects non-State agency views. We have amended the draft by attributing the statement to non-State agency officials. In addition our statement reflects information we obtained from a February 2006 State cable to all posts about staffing data and position charges under Capital Security Cost Sharing.
6. We have modified our text to illustrate the varying estimates of the size of the U.S. overseas presence. We have received numerous conflicting estimates on the number of U.S. government officials overseas. One source estimated that there are approximately 66,000 U.S. government

personnel under chief of mission authority, while another indicated that there are approximately 69,000. We understand that some of the numbers may come from different estimates and data sources. State's discussion on staffing data illustrates the difficulty of obtaining an accurate count of overseas personnel. We recognize that there are vacant positions and that the total number of positions is higher than the number of filled positions. We also note in our report that State is in the process of eliminating vacant positions. It is important that State continue to update its staffing database to ensure that a more accurate accounting of U.S. government personnel overseas is available.

7. We acknowledge that State has sent several messages since 2004 to posts instructing them that Post Personnel is the official database for documenting all U.S. government staffing overseas. However, in February 2006, State reported that not all posts are using Post Personnel as their main human resources system. In addition, we were told that the guidance provided to posts did not include accountability mechanisms for ensuring that the staffing information is updated and complete.
8. It is important that all components of each agency receive information from the Office of Rightsizing that pertains to rightsizing review efforts and initiatives. During the course of our work at the Department of Homeland Security it became clear that certain components within the department had not received information on rightsizing. We understand that the Department of Homeland Security has a central focal point that the Office of Rightsizing works with. The Department of Homeland Security and the Office of Rightsizing share responsibility in ensuring that agency components are receiving the necessary information to ensure that rightsizing efforts are understood. We have modified the text to indicate that the Office of Rightsizing was asked by the Department of Homeland Security to coordinate through one focal point.
9. We believe that the actions and measures that the Office of Rightsizing is taking, particularly the Interagency Rightsizing Summit, are useful steps to implementing our recommendation. However, based on our discussions with non-State agencies, we maintain that more outreach is needed pertaining to areas involving rightsizing review efforts, strategy, and vision.

# GAO Contact and Staff Acknowledgments

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**GAO Contact**

Jess Ford (202) 512-4128

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**Staff  
Acknowledgments**

In addition to the individual named above, John Brummet, Assistant Director, Ann Baker, Joseph Carney, Virginia Chanley, Lyric Clark, Martin De Alteriis, Etana Finkler, Beth Hoffman León, Ernie Jackson, Andrea Miller, and Deborah Owolabi made key contributions to this report.

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