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Report to the Secretary of State

May 1995

STATE DEPARTMENT

Additional Actions Needed to Improve Overseas Real Property Management

GAO/NSIAD-95-128

GAO

United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-260352

May 15, 1995

The Honorable Warren M. Christopher
The Secretary of State

Dear Mr. Secretary:

In February 1995, we removed overseas real property management from our list of federal programs most vulnerable to waste, fraud, abuse, and mismanagement. We based that decision on a number of factors, including the actions taken by the State Department and its Office of Foreign Buildings Operations (FBO) to strengthen real property programs. However, because some problems still exist, State's management of overseas real property still needs to be closely monitored.

This report (1) discusses the progress made and some of the problems still facing the Department in real property management and (2) contains recommendations to you to strengthen the Department's management. The report is based on our work at FBO headquarters and the embassies in Nassau, the Bahamas; London, England; Vienna, Austria; Santo Domingo, Dominican Republic; Port Moresby, Papua New Guinea; Kuala Lumpur, Malaysia; and Singapore, Singapore.

Results in Brief

Many of the actions taken by State to improve real property management have focused on the maintenance of overseas facilities. In our past reviews, we identified inadequate maintenance as one of the most serious problems in the overseas real property program and beginning in 1990, State identified it as a high-risk area in its Federal Managers' Financial Integrity Act reports. Actions taken to address maintenance problems have included assigning skilled maintenance professionals to overseas posts, conducting global maintenance surveys, establishing maintenance assistance centers, and implementing a facilities evaluation and assistance program. FBO also implemented a financial audit program in 1990, improving its oversight of posts' real property programs and resulting in the return of nearly $4 million in unused funds. In addition, FBO has implemented an information resource management system to strengthen budgeting and planning and has continued upgrading its real estate management system.

Nevertheless, some significant problems still exist that, if allowed to continue, could impede long-term efforts to improve real property management. Specifically, we found questionable and/or inappropriate use of routine maintenance funds at every overseas post included in our review. We also found that some of the posts had failed to (1) conduct or complete annual assessments of the condition of government-owned and long-term leased facilities, (2) deobligate unneeded FBO funds, and (3) properly use the real estate management system to manage routine and preventive maintenance programs. In Nassau, we also found inadequate planning for the sale or use of undeveloped properties that have been in the Department's property inventory for years.

Background

FBO has responsibility for managing about 11,000 leased properties and 3,000 U.S.-owned properties valued about $12 billion. These properties, at over 260 locations worldwide, include embassies and consulates, office buildings, detached houses and multi-unit residential buildings, warehouses and garages, and undeveloped land. FBO's responsibilities include (1) overseeing the acquisition, design, construction, sales, operations, and maintenance of properties and (2) establishing policies and procedures for overseas posts to follow in managing real property programs.

Since the early 1960s, we have reported serious deficiencies in FBO's management of overseas real property. Beginning in 1990, as part of our special effort to review and report on federal programs considered high-risk, we identified the management of overseas real property as being at substantial risk for waste, fraud, abuse, and mismanagement. Our December 1992 report on overseas real property[1] identified the chronic and long-standing management weaknesses that had affected overseas real property programs, including insufficient maintenance, lax oversight of overseas operations, inadequate information systems, and poor planning. These weaknesses resulted in deteriorating facilities and a significant backlog of maintenance and repair requirements. Management weaknesses also directly contributed to construction delays and cost overruns, oversized and unauthorized housing, poor decisions, and questionable expenditures. In our 1992 report, we noted that the State Department had recognized the significance and urgency of the problems and had planned or initiated a number of engineering, staffing, and management process actions designed to address past problems.

[1] Management of Overseas Real Property (GAO/HR-93-15, Dec. 1992).

Progress in Maintenance Programs

Progress has been made in addressing the long-standing problem of inadequate maintenance and rehabilitation of overseas facilities. In early 1993, we sent a questionnaire to the State Department's overseas embassies addressing several management issues.[2] Almost all of the 80 embassies responding to the questionnaire said that they had received services or review visits from FBO and/or one of the regional maintenance assistance centers, and the majority of the respondents were generally or very satisfied with the services received. In September 1993, the State Department's Inspector General reported that FBO had made progress in addressing weaknesses in its repair and maintenance of overseas property.[3] Progress cited by the Inspector General included a new group of skilled maintenance professionals in the State Department responsible for overseeing post maintenance and repair operations, a systematic global facility review program to assess the condition of U.S.-owned and long-term leased facilities, a 5-year plan for major rehabilitations, a comprehensive maintenance plan for newly constructed buildings, and additional funding for maintenance programs. Other initiatives have included the facilities evaluation and assistance program. This program augments the global review program and typically consists of a maintenance audit of post facilities using a standard evaluation checklist and assistance in developing more effective maintenance programs.

In December 1993, the Office of Management and Budget (OMB) determined that FBO had made sufficient headway in improving maintenance management to warrant removing rehabilitation and maintenance of overseas property from its list of areas at highest risk to fraud, waste, and abuse. We agree with this decision since our work also indicates substantial progress by FBO in the maintenance and rehabilitation area. However, we have also identified continuing problems requiring corrective action. These problems include the questionable and/or inappropriate use of routine maintenance funds by overseas posts and the failure of some posts to either conduct or complete annual surveys documenting the condition of government-owned and long-term leased facilities.

[2]The questionnaire was sent to 104 embassies with authorized State Department staff levels of 10 or more. The 80 embassies that completed and returned the questionnaire represented a response rate of 77 percent.

[3]Maintenance and Repair of Buildings Overseas (3-PP-014, Sept. 1993).

Questionable and/or Inappropriate Uses of Funds

As part of its overall management responsibilities, FBO provides funds to each overseas post to pay for routine maintenance and repair of its real property. In fiscal year 1994, approximately $27 million was provided to the posts. Authorized uses of the funds include painting and other services/materials of a recurring or minor nature, the purchase of bulk supplies such as lumber and nails, and projects that would otherwise qualify as special maintenance or minor improvement projects.[4] The policies and procedures allowing the use of routine maintenance funds for special and minor improvement projects were identified in an April 1993 cable to all posts, giving post management the latitude to execute small special maintenance and improvement projects as required.[5] However, to ensure that posts use most of these funds for routine maintenance, no special maintenance or minor improvement project using routine maintenance funds may exceed $10,000 and no more than a total of 5 percent of a post's annual routine maintenance funds may be used for special projects in a given year.

Although FBO has issued guidance to the posts on the proper uses of routine maintenance funds, our review of posts' financial records shows that inappropriate and/or questionable uses of funds have occurred frequently. These have included the use of routine maintenance funds for (1) special and minor improvement projects costing more than $10,000 and (2) special and minor improvement projects totaling more than 5 percent of the post's annual routine maintenance budget. In some cases, posts used routine maintenance funds for nonmaintenance and repair purposes. Reasons for the misuse of funds include the failure of posts to follow FBO guidance, some ambiguities in the guidance and related State regulations, and FBO's failure to hold posts sufficiently accountable for improperly using funds.

Examples of using routine maintenance funds for special projects costing greater than $10,000 included

- the repair and resurfacing of a tennis court at the ambassador's residence in Santo Domingo;

[4]Special maintenance and repair funds are authorized by FBO for one-time projects designed to restore a building to a fully functioning condition (e.g., roof replacement). Minor improvement funds are for one-time projects designed to enhance the value of a building or change its functional nature (e.g., adding a new kitchen). FBO planned to obligate about $55 million for special maintenance and minor improvement projects in fiscal year 1994.

[5]Prior to these procedures, all special maintenance and minor improvement projects required FBO approval.

- construction of storage lockers and hard covering over a swimming pool, and new windows in London; and
- extension of a tubular mailing system, facade renovation, installation of a suspended ceiling, and grounds preparation for a volleyball court in Vienna.

Routine maintenance funds were used for nonmaintenance purposes to purchase furniture for the posts in Santo Domingo and Nassau; to purchase and install communications equipment, pay for security escort services, purchase plants for the ambassador's dining area in the chancery, and purchase flag pole stands, mirrors, and a chandelier in London; to purchase a new clock for the chancery in Vienna; and to purchase garden lighting systems and track lighting in Kuala Lumpur. According to FBO officials, such expenditures should have been charged to salaries and expenses appropriations or to other FBO accounts, such as the furniture, furnishings, and equipment program.[6]

The post in Kuala Lumpur obligated over $10,000 in routine maintenance funds for renovating offices in the chancery 1 day before the end of fiscal year 1994. That obligation (1) represented a potential misuse of routine maintenance funds and (2) appeared to represent an effort to fully obligate remaining funds (year-end buying) instead of returning them to FBO.

In some cases, expenditures were questionable because State and FBO policy guidance is unclear. For example, routine maintenance funds have been used for numerous gardening-related activities at the ambassador's residence and other properties in London, totaling over $10,000 in fiscal year 1994. Items purchased included rose bushes, shrubs, seeds, compost, and flower pots. We believe these uses are questionable because, according to State's Foreign Affairs Manual (FAM), grounds care for residences occupied by the ambassador or chief of mission should be charged to salaries and expenses appropriations. However, embassy officials in London identified what they considered to be potentially conflicting guidance in another part of the FAM, which defines routine maintenance and repair as activities done for the continuing upkeep of buildings and grounds. FBO officials said that State's guidance concerning which appropriations should be used for gardening expenses is unclear. Our analysis and discussions with post officials indicates that State's guidance is also unclear in other areas, including the appropriateness of

[6]The improper use of an appropriation to fund an item that should be funded by another appropriation raises a question under section 1301 (a) of title 31, which provides that funds may be used only for the purpose or the purposes for which they were appropriated.

using routine maintenance funds for such things as the replacement of carpets.

The misuse of routine maintenance funds is not a new problem. Beginning in 1990, FBO's financial audits determined that several overseas posts had not used routine maintenance and repair funds for intended purposes. Similarly, the September 1993 State Inspector General report on maintenance and repair programs noted that all eight of the posts included in that assessment had used routine maintenance funds for improper and/or questionable purposes. According to the FBO and Inspector General assessments, posts improperly used routine maintenance and repair funds on projects that should have been funded as special projects or minor improvements or from the salaries and expenses appropriation. The Inspector General also found that posts used funds for questionable activities in part due to inadequate State guidance.

Some Facility Condition Surveys Not Conducted or Not Complete

One of the key FBO requirements for a successful ongoing maintenance program is the annual facility condition survey. According to FBO's Facility Maintenance Handbook, the overseas posts should survey all government-owned and long-term leased facilities annually for structural, electrical, and mechanical deficiencies. According to FBO, the surveys are necessary for determining required maintenance and repair work at a post and for allowing management decisions on budget priorities. The failure of overseas posts to properly conduct annual surveys has historically been a problem in the Department's maintenance system. In our 1990 report on maintenance management,[7] we reported that none of the 14 posts included in that review had conducted annual property condition surveys. In our 1993 report on administrative issues affecting overseas embassies,[8] we found improvements, but also noted that about 30 percent of the embassies responding to our questionnaire acknowledged that they had not conducted annual condition surveys.

Recently, we found that there are still some weaknesses in the system for surveying the condition of overseas property. For example, the post in Nassau examined the condition of its property to support the fiscal year 1994 budget. However, the survey did not cover all government-owned properties or use an inspection checklist as recommended by FBO in its

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

[8]State Department: Survey of Administrative Issues Affecting Embassies (GAO/NSIAD-93-218, July 12, 1993).

Facility Maintenance Guide. Embassy officials in Vienna said that a survey was not done to support the fiscal year 1995 budget because they were unaware of the FBO requirement. However, at the time of our visit, we were told that a survey was underway to support the fiscal year 1996 budget process. We also found that the post in Port Moresby had not conducted annual facility condition surveys or prepared annual inspection summaries.

Improvements in Monitoring and Oversight

Effective oversight of overseas real property programs is critical to ensuring that the State Department's policies and procedures are followed and funds are properly used. It also provides a basis for FBO to work directly with the overseas posts to improve their maintenance capabilities and strengthen other aspects of their real property programs. FBO has made progress in strengthening its monitoring capability through its financial audit program, but coverage has been limited. Some progress has also been made in the area management program.

Financial Audits

In 1990, FBO began conducting financial audits of the administration and use of funds at overseas posts with significant FBO resources. One of the major reasons for beginning the audit program was FBO's concerns about the difficulties it encountered in (1) using the State Department's financial management systems to track post expenditures and (2) identifying excess funds that had been provided to the posts and getting the posts to return such funds to FBO rather than use them for other purposes. At the end of fiscal year 1994, audits had been conducted at 21 overseas posts. Some posts were identified as having good financial controls over FBO accounts, including Bonn, Jakarta, Tokyo, and Cairo. However, the FBO audits identified significant financial management irregularities at other posts, including the misuse of routine maintenance funds and inadequate controls over the obligation/deobligation process. Posts identified by FBO as having financial control weaknesses included Kinshasa, New Delhi, Tel Aviv, Rome, Hong Kong, and Manila.

FBO's financial audits have resulted, both directly and indirectly, in improved oversight and administration of funds. Overall, FBO estimates that its financial audit program has resulted in nearly $4 million in uncommitted post funds being returned to FBO for use in other projects and programs. For example, based on the results of a 1990 FBO audit, the post in Mexico City (1) deobligated over $100,000 in unused funds for fiscal years 1988-89 and returned them to FBO and (2) transferred charges of about $43,000 to the salaries and expenses account that had been erroneously charged to the routine maintenance account.

Although results have been noteworthy, FBO's financial audit coverage has been limited to less than 10 percent of the foreign service posts. Without greater FBO audit coverage of the overseas posts, FBO has inadequate assurances that real property activities are consistent with State's financial policies and that posts promptly return unneeded FBO provided funds. For example, in Nassau, we found over $60,000 in funds that FBO provided in fiscal years 1989-93 that the post had accumulated without finite plans for use. Records for the embassy in Santo Domingo showed over $200,000 in fiscal years 1989-92 funds that should have been deobligated. According to FBO officials, the post in Nassau subsequently deobligated all of the funds we identified and returned them to FBO for other uses. The post in Santo Domingo has deobligated only about $20,000. It has not yet taken any actions on about $185,000 of funds because post officials said the obligating documents identifying the purpose of the intended expenditures could not be located.

Area Management

FBO's area managers have primary responsibility for monitoring overseas post activities and ensuring that post actions are consistent with FBO's policies and procedures. In the past, area managers did not give their monitoring responsibilities sufficient priority. Our analysis of recent trip reports by FBO's area managers indicates that their coverage was often comprehensive, but the quality of monitoring varies significantly by individual managers. In some cases, area managers (1) either did not prepare or could not locate their trip reports documenting the status of post controls or (2) had not completed FBO's standard checklists.

FBO's checklists also have some limitations. For example, they do not require area managers to determine if posts conducted annual facilities condition surveys or if the surveys were done consistent with FBO's guidance. In addition, the checklist only requires area managers to spot-check obligation backup documents to ensure funds are properly used. Moreover, in 1993, the State Department's Inspector General found that three of the posts it visited had used routine maintenance funds improperly even though FBO's area managers had recently spot-checked the posts and had identified no problems.

FBO officials acknowledge that audits of posts' use of maintenance funds are important, but question expanding the role area managers have in helping to ensure compliance with financial procedures. FBO officials said that (1) limited resources do not permit area managers to perform anything but a check on post operations and (2) an audit function is not appropriate for area managers. We agree that area managers should not become auditors. However, our review indicates that there are opportunities to make area manager's spot-checks of financial activities more beneficial. For example, prior to their visit, area managers could ask the post to assemble purchase orders supporting its obligations of routine maintenance funds for the most recently completed fiscal year. The area managers could then quickly review the orders at the post to (1) determine if the use of funds has been consistent with FBO's procedures and (2) refer any problems to post management for corrective action. This could help underscore the importance of posts' compliance with financial requirements.

Facilities Planning

Progress has been made in strengthening FBO's planning capabilities. In our December 1992 high-risk report, we noted that poor planning was one of FBO's fundamental management weaknesses, directly contributing to project delays, cost increases, and questionable real estate decisions at overseas posts. At that time, FBO's approach to strengthening planning called for (1) matching each post's short- and long-term requirements with existing assets and (2) outlining budgeting and staffing needs on a 5-year basis. However, FBO had not established milestones for developing facilities plans at key posts or included in the 5-year plan the potential proceeds from sales of properties as potential offsets to costs in other areas.

FBO has subsequently taken several actions to improve its capability to plan for real property programs, including expanding the Planning and Program Division from 6 to 17 staff members and conducting a formal analysis of all overseas posts to determine each post's candidacy for future construction and/or major renovation projects. Facilities plans have been prepared for 12 posts, and at the time of our review, facilities studies were underway at 9 overseas posts. FBO also plans to revise its policy on facilities planning. The planned revision calls for (1) at a minimum, developing baseline planning data for each overseas post and (2) developing in-depth facilities plans for posts having greater planning requirements.

Retention of Undeveloped Land

Inadequate real estate planning at the post level continues to be a problem. For example, we found that State has kept undeveloped properties in Nassau without adequate justification or plans for their use. These properties are:

- Saffron Hill, a 1.95-acre vacant lot adjacent to the ambassador's residence, used primarily as an overflow parking lot during official receptions at the residence. The lot was acquired in 1959 at a cost of $32,000 and its current value[9] is not identified in FBO's real estate management system. According to October 1993 post documents, its intended and potential use was unknown.
- Another Saffron Hill property, a 0.6-acre vacant lot across the street from the ambassador's residence. The property was acquired in 1975 for $5,000 and has not been used for any official purposes. Its current value is not identified in the real estate management system. According to October 1993 post documents, its intended and future use was unknown.
- Office Building Chancery (OBC) site, 11.12 undeveloped acres obtained in 1975 as part of a tax settlement. Originally intended to be used for construction of a new embassy, its future use is unknown because of State's decision to purchase the existing embassy, which had been part of a long-term lease arrangement. Directly across the street from the OBC site is another government-owned property. This ocean-front property is 0.71 acres and was also acquired as part of a tax settlement. Post officials could not identify its intended or future use.

Although the need to dispose of the OBC site and the property across from it was recognized in 1993, FBO and the post have failed to properly manage the disposition process. Specifically, the post received two appraisals in 1993 for the OBC site and the ocean-front property near it, ranging between $900,000 and $2.5 million. However, according to FBO officials, the discrepancies in appraisal value and the lack of supporting documentation and data in the appraisals prompted FBO to request additional information from the post in February 1994. FBO officials said that no response was received and a follow-up cable was sent in June 1994 and again in November 1994. According to FBO, the market value of these properties needs to be accurately determined before they can be sold.

Appraisals for the other two undeveloped properties near the ambassador's residence had not been conducted at the time of our fieldwork. According to information provided by FBO in November 1994,

[9]According to FBO, current values are only reflected in the real estate management system when appraisals have been conducted for disposal or acquisition of property.

the property adjacent to the ambassador's residence was not considered excess to government needs because it is used for overflow parking. FBO also stated that the other parcel was held pending the identification of "high return" purchases the post could enter into and fund with the proceeds of sale of that property. However, in March 1995, FBO officials said that neither of these two lots had been disposed of because the post reported that both are required for overflow parking at the ambassador's residence during official functions. Parking may be an issue at the ambassador's residence when official receptions are held, but the post's stated reasons for the retention of two properties for overflow parking should be based on a comparison to the properties' potential disposal value.

On a larger scale, State previously included in its annual budget requests the potential proceeds from the sale of properties as an offset to other funds being requested. However, FBO officials have now taken the position that it is not practical because of the long time frame required for development of budget estimates, the volatile nature of overseas real estate markets, and the complexities of marketing high-value properties. We are currently reviewing FBO's policies and procedures for disposing of overseas real property that does not meet U.S. government needs and for using the proceeds from property sales.

Some Limitations in Information Systems Continue

FBO has taken actions to upgrade and expand its information systems. In our 1992 high-risk report, we pointed out that FBO's real estate management system did not fully support management functions because it did not provide historical cost information or maintenance and repair information for each building overseas. As a result, FBO could not (1) track costs for each building, (2) determine the total costs of operating properties, (3) budget for future building costs, or (4) develop performance measures for property management purposes. At the time of our 1992 report, FBO had begun installing an enhanced version of the automated real estate management system at the overseas posts. Since then, the enhanced system has been installed at 71 posts, providing automated data on approximately three-fourths of the real property inventory. Current plans call for installing the system at most remaining posts in the next few years. FBO has also developed an information resource management system, which consists of several integrated applications, including project management and budget planning and allocation.

Although these systems have helped to strengthen FBO and post capabilities to report on and manage real property, some weaknesses continue. As already noted, the real estate management system does not contain complete and current information on the value of overseas property. We found that although FBO has developed an automated work order component of the system that can track maintenance costs for individual buildings, some posts have not fully or correctly utilized it. For example, the automated work order system at the post in London was not fully operational and contained inaccurate inventories of equipment requiring preventive maintenance. In Vienna, management oversight was unnecessarily complicated because the work order process was split into two separate automated systems—the real estate management system for residential units and other properties outside the embassy compound and a system developed by the post for managing maintenance at the embassy and the consulate. In Nassau, we found that the PC-based system installed by FBO to facilitate the use of a work order program was not used. In Singapore, the post's use of the work order system was limited to monitoring landlord maintenance, and the equipment inventory had not been updated for years.

The automated real estate management system also does not track or report on compliance of overseas residences with the State Department's housing space standards. This reduces State's ability to monitor the extent individual posts are (1) effectively managing housing assignments and (2) minimizing the number of housing units that exceed space standards. About 88 percent of the embassies responding to our 1993 questionnaire reported that some housing units at their embassy exceeded the State Department's residential housing space standards, and 61 percent reported that 10 percent or more of the housing units exceeded standards. Sixty-two percent estimated it would take 2 years or more to be in compliance with the standards. We found that some problems are still being experienced in meeting those standards. In Vienna, for example, post officials estimated that nearly 25 percent of the residential units exceed space standards.

FBO officials said that it may be accurate to state that certain residences in Vienna exceed the standards for the current occupant, but noted that the housing profile system used by FBO allows such assignments if the properties are within the post's approved profile.[10] However, the automated real estate management system did not identify the eight

[10]Housing profiles identify the mix of housing units authorized to meet the post's position structure and the projected family size of occupants.

housing units that were outside the approved profile and the post had not applied for or received FBO waivers for exceeding the standards. FBO officials acknowledged that the system cannot currently identify out-of-profile properties that do not have waivers. However, they said that the system can now identify approved waivers and with further instructions to the posts, waivers in relation to profiles can be tracked. FBO officials added that the next step—the generation of compliance reports and statistics related to profiles and waivers—would then be possible.

FBO also recognizes that overall weaknesses in accountability over real property transactions continue. To upgrade its system capability, FBO is examining the potential for integrating data maintained in the Department's new information financial management system and the FBO real estate management system. FBO hopes to (1) define common data requirements that can be shared between the two systems and (2) ascertain where the existing systems meet or fail to meet requirements. Complementing this effort is a planned audit by State's Inspector General. Planned objectives of the audit include determining whether FBO's systems contain adequate data to serve as subsidiary accounting records for real property and whether FBO has sufficient internal controls.

Recommendations

We recommend that the Secretary of State strengthen real property management by taking the following actions:

- Revise and clarify State's policies and procedures governing the use of routine maintenance and repair funds, adding a checklist of appropriate and nonappropriate charges to the routine maintenance and repair allotment.
- Expand FBO's financial audit program to ensure coverage of a greater number of overseas posts and use FBO's area manager program to have a more comprehensive check of posts' use of routine maintenance funds. Area managers' checklists should also be expanded to cover other key problems, including the extent posts (1) conduct annual facility conditions surveys and (2) use the automated real estate management system for work order management.
- Use FBO's automated real estate management system to report on and monitor whether housing units at each post comply with existing space standards, approved housing profiles, and space waiver requirements. FBO should also be directed to use these reports to enforce compliance with State's space standards.

- Develop a plan of action with associated time frames for selling unneeded property in Nassau. The plan should (1) require updated appraisals of the value of the former OBC site and the ocean-front property near it and (2) include supporting analysis and justification for retaining two properties for parking near the ambassador's residence, compared to the potential sales proceeds that could be realized from the sale of one of the properties.

Scope and Methodology

Our work was conducted at FBO headquarters and at seven overseas posts. These posts were London, England; Vienna, Austria; Santo Domingo, Dominican Republic; Nassau, the Bahamas; Singapore, Singapore; Kuala Lumpur, Malaysia; and Port Moresby, Papua New Guinea. These posts were selected because none of them had been subject to an FBO financial audit and because the size of their allotments of routine maintenance funds varied significantly.

We reviewed pertinent records and documents, including the FAM and FBO's guidance on use of funds; global maintenance surveys and facilities evaluation and assistance program reports; FBO's financial audit, real estate management system, and area management trip reports; and posts' status of obligation reports, purchase orders, and work order reports. We also interviewed appropriate FBO and post personnel and visited several post properties. We did not obtain State Department's comments on this report. However, informal comments on a draft of this report were received from FBO officials and were incorporated in the report as appropriate. We conducted our review from February 1994 to February 1995 in accordance with generally accepted auditing standards.

As you know, the head of a federal agency is required under 31 U.S.C. 720 to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Reform and Oversight not later than 60 days after the date of the report and to the Senate and House Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

Please contact me at (202) 512-4128 if you or your staff have any questions concerning this report. The major contributors to this report are listed in appendix I.

Sincerely yours,

Joseph E. Kelley
Director-in-Charge
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