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**U.S. DEPARTMENT OF STATE  
OFFICE OF INSPECTOR GENERAL**

**Rightsizing the U.S. Government  
Presence Overseas: A Progress Report**

**Memorandum Report ISP-I-06-11, December 2005**

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## **Key Judgments**

- The Department of State (Department) has taken limited but positive steps to address rightsizing issues of importance to the Congress and the Administration. The most recent Office of Management and Budget scorecard gives a green light to the Department's progress towards key rightsizing milestones, a judgment with which the Office of Inspector General (OIG) concurs.
- The Department is implementing several significant rightsizing initiatives – the Capital Security Cost-Sharing Program, the State-U.S. Agency for International Development (USAID) Joint Management Council, periodic rightsizing reviews, expansion of regional service delivery, Foreign Service career development planning, and changes to resource planning processes – that should have incrementally positive effects over time. Most of these initiatives are still too new to assess.
- After years of planning, the Department is moving forward on an ambitious 14-year construction cycle that will build 150 new embassy compounds (NEC), at an estimated cost of \$17.5 billion. New office space planning procedures developed to forecast future embassy occupancy levels may be more effective than the procedures formerly in place but have not yet been validated independently.
- The decades-old mechanism for assigning U.S. government employees from other agencies to overseas missions, National Security Decision Directive 38 (NSDD-38), is viewed by senior Department managers as only marginally useful in managing staffing growth. Replacement of NSDD-38 by a more robust senior-level interagency process may still be required to ensure appropriate staffing levels at overseas missions.
- Duplication of administrative support services between the Department and other agencies remains an obstacle to reducing costs and realigning overall mission staffing levels. Many overseas missions continue to maintain multiple warehouses, motor pools, procurement operations, medical units, and cashiers.
- Regional support centers generally function as cost-effective, efficient service providers. However, consolidation of administrative support at overseas regional centers has proceeded without a clear, Department-wide master plan, standardized service expectations, and dedicated interagency funding. Informal regional service centers have emerged but with little evident long-term planning to ensure appropriate facilities, budget resources, and management structures commensurate with their responsibilities.
- OIG found numerous instances in which staffing growth and resource planning were not coordinated adequately. Too often, the results were overcrowded facilities and inadequate support infrastructures. OIG recommended tighter linkage between NSDD-38 decisions and the budget planning process at posts.

## **Rightsizing Challenges**

Rightsizing has become a critical, high profile management challenge for the Department. In large part, interest in the issue is driven by serious physical security vulnerabilities of overseas diplomatic facilities and high construction costs for replacement buildings.

the Administration initiated the first phase of a new Capital Security Cost-Sharing program in FY 2005. The plan envisions funding for the construction of 150 NECs over the next 14 years, at an estimated cost of \$17.5 billion, through interagency contributions. The Department has already completed 16 new embassy compounds since the 1998 East Africa bombings and has 41 projects in design and construction phases. Rightsizing is likely to remain at the top of the Department'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 in a disciplined, well-planned manner. The growing numbers of employees assigned to unaccompanied, danger pay posts will further challenge the Department to accelerate restructuring of business processes to make maximum use of regional service centers.

Audits undertaken by the Government Accountability Office (GAO) resulted in a definition of rightsizing agreed to by the Department, Office of Management and Budget, and GAO.<sup>1</sup> Rightsizing is a framework that emphasizes aligning the number and location of staff assigned to U.S. embassies with foreign policy priorities, security, and cost constraints. A basic objective of rightsizing is to ensure that overseas posts perform only those functions that cannot be performed at regional centers or in the United States. Subsequent to the inclusion of rightsizing as an element in the President's Management Agenda in 2001, OIG incorporated rightsizing reviews into inspections of overseas missions. The following report is based on a review of trends and patterns identified in OIG inspection reports published from 2002-2005, covering a total of approximately 90 diplomatic missions.

### **Common Rightsizing Problems at Diplomatic Missions**

OIG inspection teams identified common factors at missions affected by staffing imbalances. Although every mission faces challenges unique to its operating circumstances, problems generally fall into the following categories:

- Weak coordination between personnel assignment (NSDD-38) and resource planning processes at the post and Washington levels;
- Duplication of administrative services between agencies;

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<sup>1</sup> GAO-02-780 *Overseas Presence: Framework for Assessing Embassy Staff Levels Can Support Rightsizing Initiatives*; GAO-02-659T, *Observations on a Rightsizing Framework*.

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- Underutilization of regional services when such services could reduce costs and security vulnerabilities;
- Challenges in accurately determining long-term staffing levels in the construction of new office buildings and in maintaining discipline in staffing decisions after the construction planning process has ended; and
- Chronic difficulties in staffing positions at hardship differential posts, including emerging challenges in assigning personnel to unaccompanied danger pay posts.

The Department is implementing a range of new initiatives to bring more structure and discipline to the overseas staffing process. The Department's rightsizing initiatives in most cases are still too new to have demonstrated significant cost savings or operational efficiencies. Major rightsizing initiatives underway include the State-USAID Joint Management Council, capital security cost sharing for new embassy construction, chief of mission rightsizing reviews, continued regionalization of services, changes to the Foreign Service career development and assignments process, and changes to International Cooperative Administrative Support Services (ICASS) and Mission Performance Plan (MPP) processes. Each of the initiatives is discussed in greater detail in the Appendix of this report.

### **Rightsizing Solutions Require an Interagency Focus**

Although the Department has considerable latitude in setting direction on rightsizing issues, many aspects of rightsizing relate to interagency processes outside the Department's control. For example, the Department's American direct-hire overseas staffing level of 7,276 employees in FY 2005 represents slightly more than a third of total direct-hire staff assigned to diplomatic missions. Decisions by other agencies on issues such as the locations of their regional operations, ICASS reimbursement policies, and coordination of NSDD-38 requests directly affect posts' staffing profiles. Legislation or strengthened interagency processes may be required to promote rightsizing objectives with respect to some interagency processes.

Possible interagency solutions could include several approaches. The decades-old NSDD-38 process by which chiefs of mission make final decisions on staffing levels in their countries could be supplemented by an interagency rightsizing commission, staffed by senior representatives of U.S. government agencies with personnel stationed overseas, and set up as an independent entity. Policies that allow duplicative administrative structures at overseas missions could be revised, eliminating the "opt-out" feature that permits agencies not to pay for many ICASS services. Lastly, institution of hard staffing caps by agency, similar to those in place before NSDD-38, could be introduced. Any of these options would require interagency or legislative solutions.

### **Rightsizing Requires Better Coordination Between NSDD-38 Decisions and Resource Planning**

The current presidential directive for assigning non-Department U.S. government personnel to overseas diplomatic missions, NSDD-38, was issued on June 2, 1982. Under NSDD-38,

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responsibility for determining staffing levels at overseas diplomatic missions rests primarily with chiefs of mission. Systemic weaknesses in coordinating NSDD-38 decisions and resource planning underlie many rightsizing problems at posts. The availability of support resources – security, administrative, and financial – is too often considered as an afterthought once the decision to bring additional personnel onboard has already been made. Chiefs of mission historically have lacked comprehensive information about the availability of support resources and the business case for locating regional positions in making NSDD-38 decisions. The Overseas Presence Advisory Commission noted that in the absence of reliable information for an Ambassador to make a decision, “the result is almost automatic approval of staffing increases.” This tendency is itself a significant driver for staffing growth overseas.

The fact that the MPP and ICASS budget processes proceed independently of NSDD-38 decisions, and that these processes are not in practice formally linked, also works against decision-making that appropriately balances security, administrative, and policy requirements. OIG’s inspections found that the NSDD-38 mechanism was not effectively applied as a tool for managing growth at a significant number of missions. In some cases OIG urged thorough reviews of mission staffing profiles, or recommended that the post rescind staffing increases where warranted. In other cases, OIG recommended tighter linkage between staffing decisions and resource requests and better training for management officers on the resource implications of NSDD-38 decisions.

Better coordination between NSDD-38 decisions and resources planning decisions is needed at the post level. To its credit, the Department has delivered guidance to chiefs of mission reiterating the importance of linking staffing decisions with resource, security, and policy priorities. In a recent cables from the Under Secretary for Management, the Department instructed posts to include rightsizing issues in all FY 2008 MPPs and to review duplicative administrative services that could be streamlined. As noted earlier in this report, the Office of Rightsizing the U.S. Government Presence Overseas (M/R) has initiated analytical reviews of NSDD-38 requests to assist chiefs of mission, a potentially promising approach.

**Department-Wide Planning for Regional Centers Needed to Support Rightsizing**

OIG finds that the Department is making incremental progress in consolidating services at regional support hubs as a way to reduce costs and security vulnerabilities. However, in most cases, growth at regional hubs has not been well planned, has strained existing resources and management structures, and has required chiefs of mission to make staffing decisions without benefit of additional information about costs and alternatives.

OIG has conducted recent inspections of the Department’s four major regional centers in Germany, Thailand, South Africa, and Fort Lauderdale, Florida. The Department’s regional centers provide support across the spectrum of embassy operations. Support includes not only administrative services such as accounting, information management, and human resources, but also policy and program support from as many as 27 agencies, ranging from the Federal Bureau of Investigation to the Centers for Disease Control and Prevention. Overall, OIG found that Department operations deliver efficient, cost-effective services to their customers. On a per capita basis, for example, Embassy Bangkok and Embassy Pretoria incur the lowest and third-lowest

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administrative costs per person in their respective geographic regions. Customer service surveys conducted by OIG during post inspections indicated a high level of satisfaction with services provided from these centers in most areas.

At the same time, geographic bureaus have developed markedly different strategies for delivering regional support. A lack of comprehensive, Department-wide planning has led in some cases to substandard service and missed opportunities to maximize cost savings. For example, in the Bureau of East Asian and Pacific Affairs, four posts -- Embassy Singapore, Embassy Manila, Embassy Bangkok, and Consulate General Hong Kong -- provide regional services of varying kinds to neighboring missions, but none of these support providers is designated formally as a regional center. As a result, potential cost and security advantages of locating operations in a central hub have not been fully realized. In the Bureau of African Affairs, OIG inspections frequently found substandard regional support at smaller posts and often recommended updating memoranda of understanding to delineate regional support expectations.

Overall, the Department has not implemented a plan to formally designate regional centers, acquire office space and housing for their operations, realign staffing and budgetary resources from other missions, and develop service standards and management structures that apply to all regional centers. A Department-wide plan clarifying the responsibilities, resources, and funding structures for regional centers would add needed coherence to the Department's rightsizing strategy. A draft rightsizing and regionalization strategy paper prepared by the Bureau of Administration represents a good start but should include detailed future courses of action for each regional bureau.

**Recommendation 1:** The Under Secretary for Management should produce a Department-wide master plan for formally accrediting regional centers, to include long-term capital construction requirements for housing and office space, standardized service expectations, and management structures that ensure accountability to serviced bureaus and posts. (Action: M/R, in coordination with A)

### **Regional Centers Require New Funding Mechanisms and Investments**

Absent a commitment to fundamentally revise NSDD-38 or the ICASS system, further consolidation of services at regional centers (regionalization) offers the best opportunity to reduce costs and security vulnerabilities at overseas missions. In the short term, the Department may be required to make significant investments to realize long-term rightsizing cost-savings. The newly enlarged consulate in Frankfurt, Germany, for example, has required \$80 million in facilities acquisition and renovation costs to develop expanded capabilities as a regional service center. Long-term effectiveness requires establishing stable interagency financing for regional centers.

Operating costs at regional centers in many cases are borne by the Department alone, even though the beneficiaries of support are ICASS customers at posts. For example, salaries and expenses for operations such as the Diplomatic Courier Service, Regional Information Management Centers, certain regional human resources and financial management support, security engineering, and other interagency services are paid mostly by the Department. There is no mechanism under ICASS to charge for regional services to customer agencies. According to

the Bureau of Resource Management, ICASS's cost-sharing software is nearly sufficient to record incurred costs at regional centers. The ICASS Executive Board recently approved a proposal to initiate charging of customer agencies for regional services. When implemented, this initiative should prove helpful in meeting funding requirements for regional centers.

## **Examples of Rightsizing Issues at Overseas Missions**

### **Problematic Staffing and Resource Planning Decisions**

As noted earlier in this report, OIG inspection teams found numerous instances in which the administrative and security implications of staffing growth were not adequately addressed by chiefs of mission and the Department. The result was too often overcrowded and poorly supported diplomatic missions. Specific examples of questioned or problematic staffing decisions include the following:

- **Embassy Mexico City, Mexico (ISP-I-03-50 September 2003):** The embassy's 36 percent direct-hire American staffing growth in a six-year period had seriously strained facilities and administrative support structures at the time of OIG's visit. Seemingly relentless demands to add more staff, both Americans and local hires, comprised the most urgent managerial task before the Ambassador. At OIG's urging, Embassy Mexico City conducted a mission-wide rightsizing study to ascertain appropriate staffing levels, especially along the U.S. border, where many positions could be transferred to the United States.
- **Embassy Islamabad, Pakistan (ISP-I-05-35A, August 2005):** OIG found rightsizing at this mission on the frontlines of the war on terror to be elusive and highly complex. The Ambassador had made it a priority to put cohesion into myriad agencies and locations throughout the mission because of the critical security threat environment and the mission's limited administrative infrastructure. The mission had created a document that put the personnel issues before the Ambassador in an organized, agency-by-agency manner. However, OIG found no evidence that a similar analysis had been made regarding the impact of growth on existing infrastructure or support personnel. In addition, Embassy Islamabad hosted the Kabul Support Unit, an entity whose operating costs were paid solely by Department funds. To remedy these problems, OIG recommended consolidating personnel databases, conducting a baseline rightsizing review, and formally linking resource and security requirements to NSDD-38 decisions made by the Ambassador.
- **Embassy Tirana, Albania (ISP-I-03-22, June 2003):** OIG questioned whether growth in staffing at Embassy Tirana, Albania was justified by policy and administrative requirements. Rapid staffing growth at a small, vulnerable post with limited facilities had strained the support capabilities of this mission at the time of inspection. There was little evidence that the NSDD-38 process was effectively used by the chief of mission to prioritize staffing decisions.
- **Embassy Ankara, Turkey (ISP-I-04-20A, June 2004):** OIG recommended closing the American Presence Post in Izmir, Turkey, noting that this post had not justified its

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investment in personnel and resources. The post neither strengthened the image of the United States nor achieved any of the public diplomacy or commercial objectives set forth in establishing it. Closing the post saved the U.S. government approximately \$150,000 in ongoing annual costs.

### **Rightsizing Flexibility: The Example of Consulate General Hong Kong**

**Consulate General Hong Kong (ISP-I-05-59, June 2005):** OIG commended Consulate General Hong Kong for successfully managing the change in that post's profile from a China-watching post in the early 1990s to a smaller, more focused mission in 2005. Total American staffing levels for the mission had declined by about one-third over a 15-year period at the time of OIG's visit, consistent with changing U.S. government priorities.

### **Duplication of Administrative Services**

Agencies operating under chief of mission authority overseas are allowed to opt out of many administrative services provided under ICASS. Reasons for doing so can include a desire to retain programmatic control over service providers, resistance to assuming substantial new duties not related to agencies' core missions, or an agency's belief that costs can be reduced by providing services in-house. In principle, competition between agencies was to have led to reduced costs and expanded service options. In practice, competition has not emerged, and costs have not been significantly reduced according to a recent GAO audit.<sup>2</sup> Duplication of services between agencies remains a continuing problem.

OIG inspections found instances where the Department and other agencies maintained multiple motor pools, warehouses, cashiering operations, medical units, and procurement staffs, even when services might be more economically provided under a single shared provider. ICASS service providers at posts are not always a flexible mechanism for meeting surge capacity requirements, and agencies sometimes must develop their own infrastructure to accomplish their missions. ICASS service providers often are not familiar with the procurement regulations and authorities of other agencies. ICASS could assume these responsibilities with better information and training. Examples of duplication of administrative services identified in OIG inspections include the following:

- **Embassy Amman, Jordan (ISP-I-05-02A, February 2005):** OIG found duplication in services in Embassy Amman that included maintaining five separate warehouses for different agencies, and separate motor pools, financial management, and procurement units for the Department and USAID. The report recommended consolidating administrative support functions to the extent possible, possibly with USAID assuming a role as primary provider for some services.
- **U.S. Mission to the Organization for Economic Cooperation and Development (USOCD), Paris, France (ISP-I-05-09, February 2005):** In its inspection of Embassy

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<sup>2</sup> GAO-04-511, *Embassy Management: Actions Are Needed to Increase Efficiency and Improve Delivery of Administrative Support Services*.

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Paris, OIG recommended that the mission develop a joint management structure that provides full services to USOECD and the U.S. Mission to the United Nations Educational, Scientific, and Cultural Organization, through ICASS. As a result of OIG's recommendation, Embassy Paris, USUNESCO and USOECD created a joint administrative structure which will reduce overall administrative costs for the Department by an estimated \$600,000 annually and further right-size local staff in Paris.

- **Embassies Lusaka, Zambia; Harare, Zimbabwe; Lilongwe, Malawi; and Gaborone, Botswana (ISP-I-05-39A; ISP-I-05-37A; ISP-I-05-36A; ISP-I-05-38A, September 2005):** In four southern African inspections, OIG found that key transformational diplomacy initiatives such as the President's Emergency Plan for AIDS Relief and the Millennium Challenge Account have led to a surge in workload for these posts. Although OIG was impressed with the high level of interagency synergy in implementing these programs, ICASS has not been flexible enough to provide adequate services to agencies with surging workloads, such as the Centers for Disease Control and Prevention. One response has been that surge agencies have created or expanded duplicative operational support structures. Few Ambassadors and deputy chiefs of mission engaged their management officers or bureaus in planning for these surge programs or ensuring administrative staff could support this growth.

### **Unrealized Opportunities to Expand Regional Services Deliveries**

OIG found numerous untapped regionalization opportunities overseas that could reduce costs and security vulnerabilities or improve operations. OIG inspection reports urged missions to consolidate services at regional operations where doing so could lead to cost savings or increases in operational efficiency. OIG also recommended improvement in support levels to missions that were underserved by their regional providers. Examples of OIG's work on regionalization includes the following:

- **Embassy Quito, Ecuador (ISP-I-03-19, March 2003):** OIG recommended transferring consular services performed in Consulate General Guayaquil, Ecuador to a single, properly staffed consular section in Embassy Quito, Ecuador. Consolidation of consular services could address chronic management, staffing, and facilities problems encountered at Consulate General Guayaquil. As a result of OIG's recommendation, planning for a new consulate building with an estimated construction cost of \$79 million, originally scheduled for funding in 2005, has been postponed. A contract for a new embassy compound in Quito was awarded in September 2005.
- **Embassy Bandar Seri Begawan, Brunei (ISP-I-05-20A, June 2005):** OIG found that this very small diplomatic mission provided almost the full range of administrative and consular services, even though Brunei is less than two hours by air from excellent regional support providers in Singapore. The inspection identified a large number of consular and administrative functions that could be performed regionally, saving money and reducing administrative and consular staffing at this post. Services identified by the team that could be performed outside the embassy included the following:

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- Embassy Singapore currently provides full funds management, accounting, and certifying services. It could assume all budgeting, leaving Embassy Bandar Seri Begawan with petty cash operations only.
  - Embassy Bandar Seri Begawan could join the ICASS furniture pool of Embassy Singapore and eliminate the need to order and store items locally.
  - Embassy Singapore could perform all leasing, ordering, and contracting with Bandar Seri Begawan performing receiving and contracting officer's representative functions.
  - Embassy Singapore could maintain all personal property records with Embassy Bandar Seri Begawan reporting receipt, changes, and disposal.
  - Nonimmigrant visa processing could be performed at Embassy Singapore because Brunei is under the Visa Waiver Program, and the small number of nonimmigrant visas issued in Bandar Seri Begawan are for third-country nationals.
  - Embassy Singapore could support classified information management services at Brunei.
- **Embassy Berlin (ISP-01-04-37A, September 2004):** OIG found that Embassy Berlin and Consulate General Frankfurt each operated financial management and human resources units that performed nearly identical functions, even though the units could achieve economies of scale by consolidating at Frankfurt. OIG recommended transferring vouchering, accounting, and human resources functions along with senior American management to Consulate General Frankfurt to develop a unified, countrywide administrative platform.
  - **Regional Support Center, Frankfurt, Germany (ISP-I-04-45, September 2004):** OIG recommended that Department-wide public diplomacy printing, graphic design, and procurement operations resident in Vienna, Austria be moved to Frankfurt, Germany or reviewed for possible outsourcing to a commercial contractor. In response to the recommendation, the Bureau of Administration agreed to prepare a detailed cost-benefit study under the Office of Management and Budget Circular A-76 procedures.

### **Positive Results From Regionalization: The Experience at Embassy Santo Domingo, Dominican Republic**

The Florida Regional Center (FRC) in Fort Lauderdale provides significant regional support to Embassy Santo Domingo, primarily for management operations such as human resources, medical services, training, procurement, and information technology. Regional officers schedule visits to the embassy for one week with no more than 60 days between visits. The FRC also offers regional administrative teams to WHA posts. In March 2005 an FRC administrative team addressed property and inventory problems in Santo Domingo. The FRC is willing to expand its support to the embassy in other areas and is planning a visit by the regional contract and

procurement staff. The embassy saves money by regularly using the expanded FRC training program in Fort Lauderdale and may make expanded use of financial management support as FRC broadens the range of services it offers. (*Inspection of Embassy Santo Domingo, Dominican Republic*, ISP-I-05-32A, September 2005.)

### **Planning Challenges in Constructing New Embassy Compounds**

OIG inspects diplomatic missions during the planning, construction, and occupancy phases of the construction planning process. Because of inherent delays between the planning process for new embassies and their actual construction, embassies must forecast staffing requirements an average of five years ahead of occupancy. External factors such as coups, civil unrest, changes in the status of diplomatic relations, and newly articulated policy priorities all complicate the challenge of planning NECs that are “rightsized” for U.S. government priorities. OIG inspections of missions with newly constructed embassies found that some met requirements appropriately, and others did not. Typically, posts responsible for high-priority policies such as counterterrorism or HIV/AIDS experienced more growth and thus more difficulty in managing mission size than did missions with static funding levels. OIG has to date inspected only one new mission in the planning phases that has undergone a formal rightsizing review prior to embassy construction. OIG inspection reports made the following observations about recent NEC construction:

- **Embassy Beirut, Lebanon (ISP-I-05-16A, July 2005):** Embassy Beirut’s NEC will cost an estimated \$133 million to house 58 direct-hire staff. This planned total is 12 positions below what the embassy now projects as necessary staffing levels for the post. OIG found that the Ambassador had not used NSDD-38 authority to restrict other agencies’ staffing. OIG urged closer coordination between the Bureau of Overseas Buildings Operations, the Bureau of Near Eastern Affairs, and the embassy in assessing staffing levels and Department resources for planning the new building as funding requests are developed.
- **Embassy Lusaka, Zambia (ISP-I-05-39A, September 2005):** Embassy Lusaka is one of the first NECs planned with formal input and analysis from M/R. In early 2005, all agencies at post jointly submitted their findings and proposals to M/R in a detailed ICASS matrix. Embassy Lusaka’s stated intention is to move forward in the short term, in coordination with USAID, to consolidate both the housing pool and the warehouses. To date, however, the embassy has not taken concrete actions to transform these plans into reality, and M/R has not cleared the NEC project forward. OIG encouraged M/R to work with Embassy Lusaka to satisfy its requirements so that the NEC is not delayed any longer.
- **Embassy Abu Dhabi, United Arab Emirates (ISP-I-04-19A, May 2004):** Embassy Abu Dhabi’s new embassy opened in 2004. Despite a 46 percent increase in the mission’s staffing subsequent to September 11, 2001, the facility provides a modern, secure platform for conducting diplomatic operations. The chancery is “rightsized” for in-country operations, with no evident overcrowding or significant underutilized office space.
- **Embassy Sofia, Bulgaria (ISP-I-05-11A, February 2005):** At the time of the inspection, the embassy was within weeks of moving to a NEC, an impressive facility that is secure,

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functional, and attractive. Coordination between the Bureau of Overseas Buildings Operations and Embassy Sofia during the planning of the facility was exemplary.

### **Staffing Hard-to-Fill Posts and Unaccompanied Danger Pay Posts**

OIG found continuing problems in staffing hard-to-fill posts over the past three years. The number of positions designated as hard to fill in FY 2005, 1,282, is nearly unchanged from FY 2004 levels. The Secretary's vision of transformational diplomacy requires assigning personnel to some of the world's most dangerous places. New embassies carrying out missions vital to the national interest in Baghdad and Kabul must compete for staff at the same time that the number of unaccompanied danger pay posts worldwide is growing. Unaccompanied danger pay posts in Pakistan, Saudi Arabia, and the Sudan represent emerging staffing challenges even more difficult to address in the long term than regular hardship posts.

Examples of posts affected by staffing shortfalls include the following missions:

- **Embassy Islamabad, Pakistan (ISP-I-05-35A, August 2005):** Pakistan is a country on the cutting edge of the Global War on Terror, but does not compete effectively for talented Foreign Service officers. OIG observed that those officers willing to serve under extreme threat and in unaccompanied status found service at either Baghdad or Kabul to be more lucrative and professionally rewarding. Entry-level officers on their first tours filled many positions, and the list of key positions occupied by employees in stretch assignments was significant. Staffing gaps at one consulate of 80 employees meant that a principal officer on a one-grade stretch was responsible for management, consular, public diplomacy, and reporting duties. OIG recommended that the Department establish an enhanced package of recruitment incentives to attract larger numbers of qualified bidders for these jobs.
- **Embassy Djibouti, Djibouti (ISP-I-04-44A September 2004):** OIG praised the performance of the mission in carrying out its responsibilities but noted that the inexperience of the staff drew valuable time from the Ambassador's focus on U.S. strategic goals. A previous Ambassador observed that in a three-year period the post had been assigned seven management officers, only one or two of whom had more than one tour's experience with the Department. OIG recommended that the Bureau of African Affairs and the Bureau of Human Resources review officer grade levels and design a plan to provide staffing continuity to the post.
- **Embassy N'Djamena, Chad (ISP-I-04-49A August 2004):** Embassy N'Djamena is one of the most remote and challenging hard-to-fill posts in the world. First-tour officers and Civil Service employees on excursion tours comprised three-quarters of the mission's staff. In OIG's view, Embassy N'Djamena had suffered disproportionately as a result of staffing shortages and shortcomings. Rightsizing at posts such as N'Djamena requires the right skills, including language, knowledge of overall administrative work, and an ability to report. OIG recommended that the post review its staffing profile with a view to making reductions in some areas. OIG also recommended that the Bureau of African Affairs establish a program for ensuring that Embassy N'Djamena positions are filled without undue staffing gaps.

**Embassy Baghdad Successfully Staffed, Despite Considerable Obstacles**

OIG praised the planning process for staffing Embassy Baghdad as rigorous, transparent, and effective. Careful interagency review of proposed staffing levels at the embassy led to a 16 percent reduction in staffing levels from initial proposals. The personal involvement of senior leaders from the Department and other agencies made a tangible and perhaps irreproducible difference in determining overall staffing numbers. Despite the serious dangers and hardship involved in service in Iraq, the Department had done a good job of filling most positions at the time of OIG's review. (*Review of Staffing Process for Embassy Baghdad's New Embassy Compound*, ISP-IQO-05-61, June 2005.)

**Formal Recommendation**

**Recommendation 1:** The Under Secretary for Management, in coordination with the Bureau of Administration, should produce a Department-wide master plan for formally accrediting regional centers, to include long-term capital construction requirements for housing and office space, standardized service expectations, and management structures that ensure accountability to serviced bureaus and posts. (Action: M/R, in coordination with A)

**List of Abbreviations**

Department	Department of State
GAO	Government Accountability Office
ICASS	International Cooperative Administrative Support Services
MPP	Mission Performance Plan
M/R	Office of Rightsizing the U.S. Government Presence Overseas
NEC	New embassy compound
NSDD-38	National Security Decision Directive-38
OIG	Office of Inspector General
USAID	U.S. Agency for International Development

## **Appendix: Rightsizing Initiatives in the Department of State**

### *State-U.S. Agency for International Development Joint Management Council*

In September 2003, the Department and USAID submitted a joint Strategic Plan for a five-year period. The strategic plan included a separate management section that committed the Department and USAID to the creation of better integration of management structures and to the elimination of redundancies in services where possible. The Joint Management Council's business plan proposed pilot projects at four posts to consolidate ICASS services, among other actions. In December 2004, the Deputy Secretary approved the expansion of the ICASS pilot program to Phase II and directed at the same time the development of unified, interagency housing pools at missions worldwide and common personal property management policies between the Department and USAID. Consolidation of services at selected pilot posts is proceeding.

### *Capital Security Cost Sharing Program for New Embassy Construction*

The Consolidated Appropriations Act of 2005 (P.L. 108-447) contained a provision establishing an interagency Capital Security Cost-Sharing program to fund the construction of new embassies. In total, the program envisions construction of 150 new embassy compounds over 14 years, at an annual funding rate of \$1.4 billion. Historically, funding for new embassies was provided under the Department's appropriation, and costs for new construction and long-term leases were not distributed to other agencies. The new mechanism has two primary objectives: to generate funds for NEC construction, and to encourage the Department and other agencies to rightsize their staffs by requiring that all agencies to bear some of the costs for building construction. The program became fully operational in October 2005.

### *Bureau of Consular Affairs Initiatives*

The Bureau of Consular Affairs has established regional centers in the United States to conduct administrative functions formerly performed overseas. These include the National Visa Center in Portsmouth, New Hampshire, which handles most of the administrative processing for more than half a million immigrant visa cases a year; the Kentucky Consular Center, which manages the Diversity Visa program and provides processing and fraud prevention support for all petition-based nonimmigrant and visa programs; and the National Passport Center and the Charleston Passport Center, which process routine passport applications from all regions within the continental United States. These initiatives have centralized certain worldwide functions regionally within the United States.

### *Office of Rightsizing the U.S. Government's Overseas Presence Mission Rightsizing Reviews*

On February 14, 2003, the Department established an Office of Rightsizing the U.S. Government's Overseas Presence (M/R), reporting directly to the Under Secretary for Management. M/R's operational role in rightsizing has three main components: review and analysis of all incoming NSDD-38 decisions; periodic, five-year reviews of overall mission size and composition; and rightsizing reviews of staffing levels at missions expecting to construct an NEC. M/R also serves as the coordinating office for Department-wide rightsizing policy. To

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date, OIG has inspected only one post subject to M/R rightsizing reviews and has not yet assessed other functions of the office.

### *Continued Regionalization of Services*

The Department has formed a working group to study options for continued regionalization. The Bureau of Resource Management has already consolidated many financial services at two centers in Charleston and Bangkok. The extreme security threat situation at new embassies in Baghdad, Iraq, and Kabul, Afghanistan has prompted the Department to rethink regional support to some positions. To support highly vulnerable posts with limited support capabilities, the Department created the Model for Overseas Management Support, now lodged in the Bureau of Administration. The Model for Overseas Management Support has launched several innovative processes such as an electronic country clearance web site, remote in-processing of new employees, and off-site information security management. In addition, a pilot project to extend additional regional support services to high danger posts is under development.

### *Foreign Service Career Development Program*

The Bureau of Human Resources began implementation of the Career Development Program for Foreign Service generalists and specialists in January 2005. The program formalizes career development expectations for promotion in the Foreign Service. The program emphasizes completion of four major career requirements: service at hardship posts; foreign language proficiency; leadership effectiveness; and regional or operational expertise as developed through service at specified assignments.

### *Staffing Incentives for Hard-to-Fill Posts*

The Department convened a working group in February 2003 to examine staffing incentives for hard-to-fill posts. From a list of 80 suggested incentives, the Office of Management Policy recommended immediate implementation of 18 measures. These included new programs such as the Historically Difficult to Staff designation to allow early bidding for qualified candidates, changes to rest and recuperation travel regulations, expansion of eligible family member employment, and other changes.

### *Changes to Mission Performance Plan Process to Emphasize Rightsizing*

The Department issued guidance to chiefs of mission to include rightsizing statements in the FY 2007 MPP exercise. The new Post Administrative Services System application is to be used to provide interagency staffing totals in all future MPPs submitted to the Department and to discuss progress on rightsizing, regionalization of services, reduction or elimination of redundant programs, and technological innovations of note.