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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548



FOR RELEASE ON DELIVERY
Expected at 10:00 a.m.
Monday, June 22, 1981

STATEMENT OF
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BEFORE THE
SUBCOMMITTEE ON LEGISLATION AND NATIONAL SECURITY
HOUSE COMMITTEE ON GOVERNMENT OPERATIONS
ON
[FUNDAMENTAL CHANGES NEEDED
TO ACHIEVE SHARED SUPPORT SERVICES
FOR FEDERAL AGENCIES OVERSEAS]

Mr. Chairman, Members of the Subcommittee:

I am pleased to be here today to discuss our recent report to this subcommittee on Fundamental Changes Needed to Achieve Shared Support Services for Federal Agencies Overseas.

There are three basic issues which we addressed in the report and which we will address here today. The first is the extent to which agencies located overseas maintain separate administrative capabilities rather than rely on a consolidated arrangement. The second is the accounting or financial management system used to assess charges to agencies which receive services through a consolidated arrangement. And the third is the quality of administrative services provided by the State Department to other agencies through

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consolidated arrangements. Overall, while we found that consolidated support was far along at some posts, the concept was far from a reality at most of the 15 posts we visited.

Existence of separate
administrative capabilities

About 25 separate departments and agencies have personnel assigned abroad to U.S. missions under the jurisdiction of an ambassador. All these organizations have a need for administrative services such as security, personnel management, housing, and motor pool operations. Experience has shown that the sharing of administrative services is the most practical and cost-effective method of providing administrative support. Traditionally, the State Department has provided these services to other organizations.

In some missions abroad, administrative support is provided through a Joint Administrative Office, or JAO. These were established by interagency agreement between the State Department and the Agency for International Development. Qualified individuals are selected to staff these offices without regard to parent agency and, as appropriate, may be assigned to them on a reimbursable basis.

The advantages of sharing administrative support overseas has been recognized at the highest levels of Government. In a memorandum dated September 25, 1979, to the Heads of Executive Departments and Agencies, President Carter directed that several actions be taken immediately to reduce U.S. employment abroad. He said:

"At many of our posts abroad, administrative support activities are fragmented among the various agencies represented. This results in too many people doing too little work while some basic services are not being adequately provided. To eliminate duplication and improve efficiency, I am directing that, in consultation with affected agencies, the Secretary of State establish joint administrative organizations at all U.S. diplomatic missions abroad, where efficiency and reduction of personnel will result."

/ Even though the sharing of administrative support at overseas posts has received wide endorsement, we found that it varies from post to post and that many agencies have duplicate capabilities. / At 12 overseas posts, we identified 800 administrative positions within agencies other than the State Department with associated annual salary costs of about \$8 million. This information was developed by identifying the number and annual salaries of American and foreign employees in the categories of administrative assistant, vehicle operations, vehicle maintenance, plant maintenance, accounting and finance, personnel management, security, cashier and disbursing operations, mail and messenger, and inventory control.

We did not estimate the savings which we believe could be achieved through maximum consolidation at the posts we visited because this would require decisions on which positions should be retained and which should be eliminated. We believe this is rightly a decision which should be made at post level by affected agencies based on detailed knowledge of needs and requirements. On the other hand, our work showed that extensive and costly duplicate administrative capabilities do exist at overseas posts and that the potential savings are significant.

Administrative support capabilities which were most often duplicated by agencies include motor vehicle operations, personnel management, and budget and fiscal services. For example, at all 15 posts we visited, at least one agency other than the State Department had motor vehicle operations exclusively for its own use. In Peru, the State Department and all nine other agencies had separate motor vehicle operations and eight of these agencies also obtained vehicle maintenance independently. In the Sudan, the State Department and all four other agencies had motor vehicle operations. We found similar situations with respect to budget and fiscal capabilities and personnel management systems.

Other capabilities are duplicated. In Manila, the Department of State and three other agencies were performing local procurement functions. In several instances, both the State Department and the Veterans Administration were contracting with the same firms for identical items including reproduction services and the maintenance and repair of calculators and typewriters. The Department of State was receiving the reproduction and calculator services at a price less than the Veterans Administration, while the Veterans Administration was receiving the typewriter services at a better price than the Department of State.

Many of the administrative capabilities we identified as duplicative have also been noted in numerous State Department reviews and reports as areas where additional consolidation could be achieved. Recommendations which have ranged from the consolidation of a particular service to the formation of a joint administrative office have met with resistance, a general lack of

interest, and little or no action. For example, the Inspector General reported that the integration of common administrative services was feasible in Guatemala. State Department officials at the post concurred with the inspectors, conducted a separate study in December 1979, and concluded that considerable duplication could be eliminated at an estimated annual savings of about seven positions and \$147,000. Besides the projected savings, officials contended that consolidation would result in standardization of policies and procedures and increase the efficiency of mission operations. However, the majority of agencies at the post disagreed in varying degrees with the conclusions and recommendations and, as a result, no action had been taken at the time we conducted our work.

During our review, agency officials provided a number of reasons for maintaining duplicative administrative capabilities. These included unique agency needs, program requirements, the need or desire for control over and flexibility in the delivery of services, insufficient State Department personnel and/or expertise to provide required levels of service, the geographic separation of the servicing and serviced agencies, and the belief there would be limited or no cost savings through consolidation.

Some of these reasons have merit. However, disagreements among agencies at posts concerning the feasibility of sharing and the fact that services are shared at some posts but not others raise a question about the validity of some of the reasons. We believe the basic problem with the present approach to providing administrative support overseas is that the sharing arrangement

is voluntary. There are no effective requirements, or incentives, for agencies to combine similar operations. Agencies select annually, from a list of some 20 services available through the State Department, those which they wish to receive through a consolidated arrangement. We believe that a preferable approach would be to require agencies to look first toward a consolidated arrangement as a means of obtaining support and to develop their own capabilities only in those cases where services are not otherwise available.

As a related matter, we also examined the potential for consolidation of administrative services with Department of Defense activities not under the jurisdiction of an ambassador. Based on our discussions and observations at three posts, we believe the opportunity for such consolidation exists. The State Department posts in Seoul, Bonn, and Panama City are located within close proximity to major DOD activities. Although these DOD activities are performing administrative support functions similar to those needed and performed by the State Department and other agencies, we found that consolidation has only been considered and achieved to limited degrees. Many of the officials we contacted at these posts believed the potential for increased consolidation existed. Officials who did not believe increased consolidation was feasible generally cited concerns involving differing regulations and suspicions about the quality of services which would be provided.

Cost allocation system

Prior to 1977, the State Department prorated all administrative costs among agencies, including itself, on the basis of usage. In

1977, an incremental costing system was implemented under which the Department absorbs all fixed costs of administrative support and incremental costs are prorated to other agencies on the basis of usage. This system, is known as the Foreign Affairs Administrative Support, or (FAAS) system. The State Department is using the FAAS system during fiscal year 1981 to establish charges for administrative support services provided to other agencies in 122 countries. We examined the system and identified problems which need attention. First, the State Department establishes annual billings for agencies receiving administrative support through a system which estimates and projects the costs of services provided. In view of the significant amounts involved and because reimbursements are made to the State Department on the basis of these billings, we believe that charges should be based on actual costs. In fiscal year 1980, agencies were charged about \$70 million through the FAAS system for services provided.

In addition, significant problems exist with the way costs are allocated among State Department and supported agencies. The system for allocating costs is complicated and not adequately documented. As a result, key personnel who should know, generally do not understand how the system operates; allocation principles are applied inconsistently from post to post; and the cost of administrative personnel is generally allocated inaccurately among the State Department and other agencies.

One of the FAAS system principles is that the chief agency representative at a post make certain the costs attributed to his agency are equitable. Representatives accomplish this by reviewing and agreeing to the distributions of workload and cost data

on the various FAAS documents. However, at all 15 of the posts visited we identified agency representatives who did not understand the FAAS system. The checks and balances which supposedly exist through the review and acceptance of charges are questionable. More importantly, disagreements develop between State Department and agency representatives, which could be detrimental to the sharing of services and lead to increased duplication. During our review, we identified instances where agency representatives objected to charges as exorbitant, were suspicious the State Department was manipulating costs to its advantage, and discontinued or threatened to discontinue sharing services.

Some examples of this are:

- Agency representatives at two posts were not aware of what services they were paying for or receiving through the FAAS system. At one post, an agency representative had agreed to a charge without realizing the service was not provided. The State Department subsequently found and corrected the error.
- Agency representatives at seven posts were unable to identify charges to their agencies from the schedules furnished by the State Department.
- Agency representatives at five posts expressed opinions that the accuracy of individual post data was immaterial because of negotiations and adjustments to agency charges which take place in Washington, D.C. At three of the posts, this opinion was expressed by State Department employees in the budget and fiscal section.

At 13 of the posts visited we found charges allocated through the FAAS system which were questionable. The most significant problem was that serviced agencies were charged for personnel costs that should have been charged to the State Department. We identified other charges which were clearly inaccurate. In addition, we

found that allocation principles were interpreted and applied differently from post to post.

We believe that a primary cause for these problems is that even though the FAAS system has been in existence for over 5 years, it has not been adequately documented. Existing documentation describes the system used prior to FAAS, augmented by a series of modifications and instructions relating to FAAS problem areas and annual changes. In our opinion, this documentation is confusing, cumbersome, and difficult to use.

The State Department acknowledged that the FAAS system documentation is inadequate, and a project to develop a new description has been underway for almost 2 years. Department officials estimate the project will be completed by September 30, 1981.

The State Department is aware that major deficiencies exist in its accounting and related data systems and is working to correct them. Officials have informed us that part of the effort now underway will provide for the use of actual rather than budgeted or estimated costs for services provided. The accounting system to accumulate the costs and account for the reimbursements will be included within the departmental system which must be submitted to the Comptroller General for approval under the requirement of 31 U.S.C. 66a. The Department currently estimates the overall system will be ready for submission by the end of fiscal year 1982.

Quality of administrative support services

The results of our review did not support charges that the quality of administrative support provided by the State Department is unsatisfactory. Agency representatives overseas were generally

satisfied with the quality of services they received. Quality of service did not appear to be a significant factor in agency decisions to maintain their own administrative capability, rather than obtain services from the State Department. We found, however, that the quality of some services may be enhanced if the training and--in some cases--experience of administrative personnel were improved.

Representatives of the 96 overseas offices we contacted at the posts visited were generally satisfied with the quality of administrative support provided by the State Department. We identified only four instances where an agency had discontinued participation in a consolidated service because the quality of support received was unsatisfactory. At all 15 posts we received complaints of dissatisfaction with the quality of support in specific services. These complaints, however, were presented as minor and, in many cases, attributed to environmental or other considerations beyond the control of personnel providing the services.

Even so, we found that improvements are needed in the training of personnel assigned to administrative duties at overseas posts. At 11 of the posts visited, we identified key administrative personnel who had little or no training, and in some cases, limited experience in the areas to which they were assigned. For example, the Budget and Fiscal Officers at two of the locations we visited received no training in their area of responsibility prior to assignment to an overseas post. One officer's prior experience was as a travel voucher examiner in Washington, D.C. The other officer told us that his ability to provide administrative services was

seriously limited during his first year overseas. He informed us that most of his effort was spent in on-the-job training and learning about his duties and responsibilities.

The Administrative Counselor at one large post told us that the backgrounds of his current officers illustrated a lack of training in the State Department administrative function. Two of his senior officers were formerly diplomatic couriers and two others had been communicators. Two of the junior officers on his staff had come to post with no training in their area of responsibility and neither of them had any prior experience in administrative functions. One had previously served as a consular officer, and the other was formerly a secretary. The Administrative Counselor told us he believes the State Department should make a more concerted effort to professionalize the administrative function. Officials of other agencies and the Department of State believe situations of this type exist because the Department places less priority on administrative matters than it does on other functional areas.

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To correct the problems noted during our review, we have several recommendations.

To eliminate the existence of duplicate administrative capabilities overseas, we recommend that the Congress establish a policy of mandatory consolidation of most administrative support for those agencies under the jurisdiction of an ambassador abroad. Certain services such as vehicle operations and maintenance, building operations, and local procurement should only be

available through a consolidated arrangement. Since total consolidation of some administrative activities such as American personnel management and budget and fiscal services may not be feasible, agencies should be authorized to maintain separate capabilities on an exception basis, provided the need to do so is justified.

In order to identify and fully realize the potential for increased consolidation of administrative support between posts and Department of Defense activities, we recommend that the Congress task the Secretaries of State and Defense to identify those posts which are located within reasonable proximity of Defense activities not under the jurisdiction of ambassador and to determine which administrative support activities should be shared.

In order to improve the State Department's system for sharing administrative support and the costs thereof, we recommend that the Secretary of State ensure that charges for administrative support are established on actual rather than estimated costs and establish department- and post-level training programs to achieve a consistent, accurate, and adequate understanding of the overseas administrative support program and the FAAS system by State Department and other agency personnel.

Finally, in order to enhance the capability to provide quality administrative support overseas, we recommend that the Secretary of State take certain actions to enhance administration in the State Department such as: identifying administration as an area of expertise which requires special skills, identifying appropriate selection criteria which reflects a need for the identified

skills, identifying internal and external training programs which will aid in developing and maintaining the ability to satisfactorily provide administrative services, and identifying critical experience and training requirements for placement in the various administrative positions at overseas posts.

That concludes my prepared remarks, Mr. Chairman. We will be pleased to answer any questions you may have.