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BY THE COMPTROLLER GENERAL

Report To The Chairman, Subcommittee On International Operations, Committee On Foreign Affairs, House Of Representatives

OF THE UNITED STATES

RELEASED

Much More Can Be Done By The State Department To Improve Overseas Real Estate Management

The Department of State is responsible for managing properties in 222 cities located in 138 countries. While State has made some progress in centralizing its real estate management, many of the problems GAO and the Congress have pointed out for almost two decades remain.

State's Office of Foreign Buildings still needs to better control operating and maintenance costs; construction projects are still unnecessarily delayed or deferred with consequent large cost increases; management of employee housing is still inconsistent. Solution of these problems would be facilitated if the Office were given increased control over its primary resources -- people and funds -- and a better management information system.

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-198810

The Honorable Dante B. Fascell
Chairman, Subcommittee on
International Operations
House Committee on Foreign Affairs

Dear Mr. Chairman:

As requested in your letter dated October 22, 1979, we are reporting on the conditions found in the State Department's management of overseas real estate as well as the implementation status of GAO recommendations contained in our July 1978 report entitled "The Department of State Has Continuing Problems in Managing Real Estate Overseas" (ID-78-16) and the House Committee on Government Operations report entitled "Overseas Real Estate Management."

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 5 days from the date of the report. At that time, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,

Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE SUBCOMMITTEE ON
INTERNATIONAL OPERATIONS
HOUSE COMMITTEE ON FOREIGN AFFAIRS

MUCH MORE CAN BE DONE BY THE STATE DEPARTMENT TO IMPROVE OVERSEAS REAL ESTATE MANAGEMENT

D I G E S T

The Department of State's Office of Foreign Buildings is responsible for acquiring, constructing, selling, maintaining and operating properties in 222 cities located in 138 countries, including 345 office and utility buildings or warehouses, and 8,088 houses or apartments. For almost two decades, the General Accounting Office has been reporting about the progress and problems State has in managing its overseas real estate.

There have been improvements in several areas since GAO's last review. But in this latest reexamination, GAO found that many of the problems GAO and the Congress have pointed out for years still require further attention.

WHERE PROGRESS HAS BEEN MADE

There have been improvements since GAO's last report: general criteria and guidelines have been issued concerning employee housing; a preventive maintenance and repair handbook has been prepared and issued to the posts; a pilot preventive maintenance program has been started; and staffing levels at Office of Foreign Buildings Operations headquarters have increased. (See p. 4.)

AREAS WHICH NEED MORE ATTENTION

GAO found that post level property managers lack the experience and technical know-how to fulfill their responsibilities effectively. One thing that State is doing to compensate for this inexperience is to test a computerized preventive maintenance system at 10 posts. However, plans to expand this system to 20 additional posts are premature. (See p. 7.)

The full costs of operating and maintaining individual buildings are still not known. GAO found that no one at any level--department or post--could give it the actual cost of operating and maintaining any particular building. As a result, it is almost impossible to determine whether and when a building should be replaced. (See p. 9.)

GAO also found that real property inventory records continue to be inaccurate and incomplete and that construction projects continue to experience unnecessary delays and consequent cost overruns. (See pp. 10 and 11.)

Further, excess overseas property is not promptly identified and consequently is unnecessarily retained. Previous GAO reports had also identified unnecessary retention of excess properties. Property identification and disposal could be improved if a centrally managed system existed for identifying and then disposing of excess properties. (See p. 14.)

Finally, State's current housing policies and standards have been agreed to at the Washington level by all agencies; yet, there are still many inconsistencies in the application of the policies and standards overseas. (See p. 16.)

WHAT SHOULD BE DONE

The potential for improving State's overseas property management would be enhanced if the Office of Foreign Buildings were given authorities commensurate with its responsibilities. It needs more control over its primary resources--people and funds--and an improved property management information system.

The Office should have more control over officials critical to property management. Specifically, at present it has no control over the careers--assignment, training, etc.--of either the General Services Officers, who are the post level property managers, or the area officers, who are responsible for Office of Foreign Buildings programs in their geographical areas. (See p. 17.)

The Office of Foreign Buildings needs to be given more budgetary authority and control over funds it uses to acquire, operate, and maintain overseas property. GAO identified at least $82 million in additional property costs not reflected in the Office's budget. Also, congressional control is weakened because the Office's budget continually underestimates income from sales of excess property and overestimates its ability to obligate funds according to plans. (See p. 19.)

Furthermore, GAO has been recommending that the Office of Foreign Buildings improve its management information system since 1963; yet many of the system's problems remain. These chronic problems are (1) unreliable data in the basic inventory system, (2) the lack of accounting systems that can identify costs by building, and (3) an inability to consolidate data into meaningful management reports. (See p. 23.)

Finally, many recommendations from the prior GAO reports are still valid, addressing problems that still exist. For example, the State Department has yet to implement the "full funding concept" as the basis for requesting funds for capital projects. GAO still believes full funding improves disclosure of total funding requirements and increases the Congress' control over appropriations. The status of this recommendation and others identified in GAO's July 1978 report on the State Department's management of overseas property are reported in appendix I. (See pp. 29 to 37.)

While this current review shows that some progress has been made, there is a substantial opportunity for additional improvements. GAO is therefore addressing recommendations to the Secretary of State to assist in strengthening the capabilities of the centralized property manager.

RECOMMENDATIONS

The Secretary of State should:

--Direct all organizations to maintain specific cost records that will identify all costs related to the operation and maintenance of individual properties abroad.

--Limit the expansion of the computerized preventive maintenance test program until it can be proven effective.

--Require that the Office of Foreign Buildings and the posts develop an accurate, complete, and timely inventory records system.

--Direct that the Office of Foreign Buildings identify the current and projected budgetary impact of project delays and cost increases when requesting funding authority from the Congress.

--Direct the Office of Foreign Buildings to establish consistent, world-wide criteria for timely identification and disposal of excess or uneconomical properties. Current inventory listings of such properties should be made available to the Congress during budget hearings.

--Reaffirm State's commitment to the housing standards and instruct the Inspector General to periodically review post compliance with housing policy.

More far-reaching action is also necessary within State to improve the Office of Foreign Buildings' performance as the single real property manager; i.e., authorities must be more commensurate with responsibilities. Therefore, GAO recommends that the Secretary of State:

--Increase the effectiveness of real property managers through more formalized training, rotation in and out of area officer positions and increased input from the Director, Office of Foreign Buildings, on reassignments and performance ratings.

--Change State's budget so that all real estate costs will be consolidated within the single property managers' appropriation. The Office of Foreign Buildings should be given complete budgeting and control authority for these funds.

--Accelerate the Office of Foreign Buildings' program to develop an integrated property management information system that will provide accurate data on costs as well as compare and contrast various data. Such comparisons would enable the property manager to determine cost trends and identify uneconomical buildings.

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GAO submitted a draft of this report to the Secretary of State for official comment on November 6, 1980. The Department did not provide official comments.

MATTERS FOR CONGRESSIONAL CONSIDERATION

The Congress may want to increase the single property managers program accountability and congressional control over operations by

--requesting detailed explanations of the financial impact of project deferrals during budget justifications and

--limiting the availability of sales income and the expenditure of carryover funds in any fiscal year to the amounts budgeted and approved by the committees during annual budget reviews.

Contents

ABBREVIATIONS

FBO	Office of Foreign Buildings Operations
GAO	General Accounting Office
GSO	General Services Officer

CHAPTER 1

INTRODUCTION

The General Accounting Office has been reporting problems in the Department of States' management of overseas real estate for almost two decades. Although the Department has generally agreed with the thrust of our individual recommendations, and has outlined plans to overcome some of their management weaknesses, our periodic reexaminations have generally found that similar problems remain.

This report was prepared at the request of the Chairman, Subcommittee on International Operations, House Committee on Foreign Affairs. Specifically, the Chairman asked that we review the current real estate management program and determine what progress, if any, has been made toward implementation of recommendations in our last report entitled "The Department of State Has Continuing Problems in Managing Real Estate Overseas" (ID-78-16, July 12, 1978).

In order to simplify the reader's use of our report it is organized as follows:

--Chapter 2 discusses the results of FBO's current attempts to improve the economy and efficiency of its operations,

--Chapter 3 explores the single real property manager's need for better control over its primary resources--people, funds and information, and

--Chapter 4 draws conclusions and makes recommendations as a result of our current review.

Appendix I gives a status report on each of our 1978 report's recommendations.

BACKGROUND

The Foreign Service Building Act of 1926 as amended (22 U.S.C. 291-301), authorizes the Secretary of State to buy, construct, sell, operate and maintain buildings abroad for U.S. diplomatic and consular establishments and representatives of U.S. Government agencies. The Secretary of State has delegaudd the responsibility for this program to the Director of the Office of Foreign Buildings Operations (FBO).

FBO is responsible for managing Government-owned and leased properties in 222 cities located in 138 countries, including 345 office and utility buildings or warehouses, and 8,088 houses or apartment units. Other U.S. Government agencies own or lease properties overseas which are not included in these figures.

FBO's fiscal year 1981 budget of $196 million was almost equally divided between the acquisition, design or construction of new overseas properties and the lease, operation, maintenance and repair of existing properties. FBO planned to finance its budget with about $23 million in proceeds from sales of excess properties, a similar amount of funds transferred from other agencies, and about $150 million in new FBO appropriations, including $37.4 million in excess foreign currency. FBO's budget only identifies about two-thirds of the total State Department cost for operating overseas real property (see chapter 3).

Management responsibility for the economical and efficient operation of overseas real property is shared within the State Department. The Director, FBO, has overall responsibility for plans, policies and procedures, as well as the budgeting, allocation and control over most funds used to manage overseas property. However, the principal officer at each overseas post is responsible for real property operational activities within their geographical areas. Day to day operating responsibility has generally been delegated to each post's General Services Officers. These officers are responsible for the economical and efficient application of FBOs policies and procedures. They allocate space, operate and maintain properties, and recommend needed property improvements to FBO. Post officials are also responsible for promptly identifying properties which are excess to their needs and requesting disposal instructions from FBO. As will be discussed in chapter 3, this division of responsibilities between the General Services Officers at the posts and FBO has weakened the central real property managers authority over the program.

GAO REPORTS HAVE IDENTIFIED A NEED FOR BETTER PROPERTY MANAGEMENT FOR ALMOST TWO DECADES

In 1963, we reported a number of basically unsound practices in the funding of acquisition and management costs of property owned or leased by the Department of State. 1/

1/Review of Funding Practices in the Acquisition and Management of Real and Related Personal Property Overseas by the Department of State, B-146782, September 30, 1963.

The effects were identified as (1) administrative inefficiencies because of separate budgeting, diffused control, and unnecessary administrative efforts, (2) short-term leasing for long-term needs, (3) improper and inconsistent financing of building alterations and improvements, maintenance and repairs, and furnishings, and (4) inconsistencies and inequities in cost sharing by occupant agencies. The basic cause was the overlapping in funding between the Foreign Service Building Fund (FBO budget) and the Department's Salaries and Expenses appropriation. In an effort to resolve this problem, we suggested that FBO appropriations be used exclusively for capital expenditures.

In 1969, we issued a comprehensive report identifying a need for better management controls over the overseas real estate program; more accurate and informative records and reports; better controls over the use of Salaries and Expense funds on short-term leased properties; and better coordination of designs with construction. We included 14 specific recommendations to the Department. 1/

In a detailed response to our 1969 draft report, the State Department outlined a five-part plan toward long-term improvement of the management of real estate including

1. improving guidelines and criteria,

2. modification of the accounting system,

3. developing more comprehensive and reliable management information,

4. assessing individual country real estate needs considering comparative costs and priorities, and

5. buying, building, using or selling properties only in accordance with FBO approved plans.

The Department's long-term plan focused on a better property management information system rather than more centralization of property management.

1/Improvements Needed In The Management of Government Owned and Leased Real Property Overseas, B-146782, September 30, 1969.

In 1974, we again reviewed FBO's operations. 1/ We reported some progress in improving the management of overseas property, however, overall progress was disappointing. Specific areas of weakness were noted in the guidelines and criteria area, the failure to implement an accrual accounting system or an accurate property inventory system, and the slow implementation of long range real estate plans.

The Department cited several reasons for their lack of overall progress and outlined their new plans to increase management effectiveness by further centralizing the control of real property within FBO.

Four years later, we issued our most recent report on FBO citing the Department's continuing problems in establishing effective centralized real property management. The House Government Operations Committee issued a report in 1978 which endorsed many of our recommendations. Both reports cited continuing problems with establishing a strong, centralized management system; lack of effective long-range building plans, poor maintenance and repair, bad cost estimating, and the Department's continued failure to develop an accurate, comprehensive management information system.

STATE DEPARTMENT EFFORTS TO FURTHER CENTRALIZE PROPERTY MANAGEMENT

In early 1978, a new Deputy Assistant Secretary of State was appointed as Director of the Office of Foreign Buildings. Since that time, FBO has made some progress in addressing the more persistent causes identified by us and the House Government Operations Committee as major impediments to better real property management. For example, new country planning efforts have brought to focus the needs at larger posts; property inventory records are somewhat more accurate; general criteria and guidelines have been issued concerning employee housing; authorities for making changes in construction plans have been clarified; a preventive maintenance and repair handbook has been prepared and issued to the posts; a pilot preventive maintenance program has been started, and staffing levels at FBO headquarters have increased. In short, some response was made on each of our 1978 report's recommendations. However, as will be discussed in the following chapter of this report, much more c'n be done to improve real estate management overseas. Indeed, the Department and the Congress may want to consider other, more fundamental changes in the way overseas real estate is managed.

1/Some Progress in Improving Management of Government Owned and Leased Real Property Overseas, B-146782, March 28, 1974.

OBJECTIVES, SCOPE AND METHODOLOGY

The Chairman, Subcommittee on International Operations, House Committee on Foreign Affairs, asked us to review the overall management of overseas real estate and FBOs progress toward implementation of recommendations made in our July 12, 1978, report.

Our review consisted of an examination of the areas directed by the requestor. To do so, we reviewed past congressional oversight hearings and our prior reports, and held discussions with State Department and FBO officials to identify areas in which progress had been made or where problems still existed.

We performed detailed review work at 14 foreign posts located in Belgium, France, Nigeria, Egypt, Thailand, Indonesia, the Philippines, Hong Kong, Mexico, Panama, Brazil and Argentina. This work consisted of interviews with real property managers to obtain their insights on FBOs progress and problems and their overall perception of real property management effectiveness. More specifically, we obtained comments from these officials on their daily responsibilities, FBOs direction and guidance to them, and FBOs current organizational structure. We also reviewed pertinent budgetary and property inventory data as well as correspondence files to verify the information obtained. Site visits were made to various properties to form an opinion as to their overall condition or to assess the posts' unfunded maintenance and repair needs.

We conducted detailed review work at FBO headquarters in Washington, D.C. We interviewed upper and middle level officials, within each of FBO's major organizational components to obtain their views on the progress of FBO in further centralizing its control over real estate funds and programs, and to identify their views on FBOs overall effectiveness. In addition, we examined FBOs correspondence files, and other budgetary, planning and control documents relating to operating processes or resource management.

We expanded the scope of our review to include discussions with real property officials of several multinational corporations. We also discussed alternative organizational approaches to overseas real estate management with officials of several foreign countries and the Department of Defense. Moreover, we discussed FBOs operations and organization with two former Deputy Under Secretaries of State for Management, to obtain their views and perspectives.

We submitted our draft report to the State Department for official comment on November 6, 1980. The Department did not provide official comments.

CHAPTER 2

IS THE STATE DEPARTMENT EFFICIENTLY

MANAGING REAL ESTATE ABROAD?

Over the past 17 years, four GAO reviews have looked at how well State was managing its overseas real estate. Each of the reviews concluded that property was not being managed efficiently.

To see if progress had been made, we reviewed the property management practices of the Office of Foreign Buildings Operations and 14 posts. Specifically, we examined the management of

--building maintenance and operations;

--construction or rehabilitation of buildings;

--disposal of uneconomical or underutilized property; and

--provision of employee housing overseas.

What we found was that, despite efforts to centralize property planning and property management support in FBO, State still lacks six key ingredients of a professional overseas property management system

--qualified property managers;

--identification and control of operating and maintenance costs;

--accurate inventory of property;

--control of construction project costs and time;

--disposal of excess property; and

--an equitable and consistent housing program.

PERSONNEL RESPONSIBLE FOR BUILDING OPERATION AND MAINTENANCE LACK TECHNICAL KNOWLEDGE

At present, on the post level the responsibility for managing the operation and maintenance of buildings rests with the General Services Officer (GSO). We found that the majority of GSOs lack the experience and technical know-how to fulfill their property manager responsibilities effectively.

For example, in Rio de Janeiro and São Paulo, we found that very little was being done to establish either a preventive maintenance program or priorities for maintenance and repair. This can primarily be attributed to inexperienced GSOs and the fact that buildings were not being inspected by technically qualified people. As a consequence, the maintenance of the buildings at these posts is unsatisfactory. By contrast the buildings are well maintained in Brasilia. We attribute this to the fact that the officer in charge is a maintenance and repair specialist.

In the long run, of course, neglect of building maintenance can prove to be very costly. An FBO study of building conditions in Germany, for instance, notes that FBO will now have to expend about $23 million on U.S. owned or leased buildings there to implement a comprehensive deferred and preventive maintenance program.

FBO has issued each post a "Preventive Maintenance Handbook." We found, however, that the GSOs at many of the posts we visited neither had the staff nor the experience necessary to do the basic work recommended. Hence, the handbook was not being followed at most of the posts we visited.

Overall, we found a definite need at most posts for well-trained professional building maintenance personnel--a need which is not being met by current State Department personnel training and assignment policies. One thing that State is doing in an attempt to compensate for the inexperience of its managers is to utilize a computerized preventive maintenance system. While this system may be a good idea, we believe that State is planning to expand this system before its cost effectiveness has been proven.

FBO's pilot preventive maintenance system issues weekly work orders which detail the eight test posts' preventive maintenance tasks. The first year contract cost for installation and operation of the test system was about $591,000, making it very expensive. FBO's fiscal year 1982 budget request includes about $600,000 to expand the system to an additional 20 posts.

Although our review work at four of the eight test posts confirmed that officials are generally pleased with the test program thus far, this may be more due to the fact that most of the costs for the pilot program were paid with FBO funds rather than by the posts. Also, we found that one of the four posts we visited pointed out the need for additional staff and funds to do the scheduled work tasks.

The pilot preventive maintenance system is an expensive program which schedules work to be done and does not fund any of the costs of actually doing preventive maintenance.

As will be discussed in the next section of this chapter, FBO does not know the full costs of operation and maintenance for individual properties at each post. Without such data as a base against which to measure the pilot program's effectiveness, FBO's plans to expand the program may be premature.

THE FULL COSTS OF OPERATING AND MAINTAINING INDIVIDUAL BUILDINGS ARE NOT KNOWN

Accurate cost accounting is an essential prerequisite for management. Without it, property managers, in this case the GSOs at the posts and FBO officials in Washington, must base their decisions on incomplete facts or intuition rather than all the pertinent data. Nevertheless, we found that neither FBO nor the posts could identify the actual cost of operating and maintaining any particular building. Such data is essential to making sound management decisions on whether and when a building should be replaced.

In Hong Kong, for example, the GSO keeps no record of repair or improvement costs (minor or major) on leased or owned properties, but some costs on owned properties are available from the Budget and Fiscal Office. The GSO claims he can manage the post's properties without knowing the year-to-date summary of maintenance and repair expenditures on individual properties. In Cairo, overall financial records are kept on operation and maintenance costs, but the total costs of specific properties are not identified.

In Paris, the budget office keeps records on operation and maintenance costs but only on material costs and work contracted out. No records of the labor cost of the Embassy's maintenance staff are kept. Additionally, the post's maintenance office keeps a manual ledger of all contracted-out work, such as painting, roofing, and gardening. These ledgers reveal that projects are funded by a number of allotments, including a non-FBO fund (Salaries and Expenses) but no labor costs are recorded. Also, the property maintenance costs compiled by the two offices often do not agree, even though they both attempt to keep track of similar outlays.

Three of our previous reports recommended that FBO keep detailed records of the full costs of operating and maintaining buildings overseas. The absence of these records at both FBO and the posts contributes to the wide variance in the cost of operating and maintaining similar properties within a country or throughout the world.

Furthermore, given FBO's rapidly increasing operation and maintenance budget--up 57 percent from fiscal 1978 to fiscal 1981--and its inability to identify cost by property, FBO may very well be using scarce funds to operate and maintain uneconomical buildings.

Until it has an adequate cost accounting system, FBO cannot hope to fulfill its basic function as a long-range planner for the maintenance and operation of overseas properties. The State Department always acknowledges the need for an effective cost accounting system, but it has yet to develop an adequate system.

In the meantime, in an effort to control their escalating costs and better manage their properties, some post officials are improvising their own internal, ad hoc systems to record operation and maintenance costs. These systems neither take into account all costs nor do they feed back cost information to FBO.

For example, in Manila the GSO has an elaborate cost accounting system to record labor hours spent and materials used on individual repair orders. These costs are posted on cards for individual buildings. However, this useful information is not reconciled with the records in the Budget and Fiscal Office nor is it made available to FBO. We also found that GSOs in several other posts, including Paris and Bangkok, were using improvised, internal cost accounting systems. The very existence of these ad hoc efforts argues strongly that the Department's management information system is not adequately supporting either the post officials or FBO.

REAL PROPERTY INVENTORY RECORDS ARE INACCURATE AND INCOMPLETE

The majority of the posts we visited had inaccurate or incomplete inventory records, even though some posts, such as Manila and Brussels, had relatively good inventory records.

In Bangkok, we found numerous errors in the inventory records, including

--the mission reported 12 buildings had been constructed in October 1979 when in fact the buildings were much older and had been unaccounted for in the past;

--inventory records for seven short-term leases were considered active even though they had been cancelled by the mission and FBO had been notified; and

--most inventory records did not have square footage identified because mission personnel have never measured the buildings.

In Jakarta, we found the following problems

--square footage figures in the inventory records were not consistent with other mission reports and actual measurements of the properties;

--Foreign Affairs Administrative Support was identified as a funding agency when no such agency existed; and

--title information and appraisal values were not identified on many of the inventory records for U.S. Government owned property.

The information in the post inventory records is fed into FBO's computerized real property data base by means of the property inventory control forms. Inaccurate and incomplete data thwart FBO's efforts to provide support to property managers and plan for future operation and maintenance needs.

In addition, the inventory information received by FBO from the posts is both continuous and voluminous because of the constantly changing status of real property overseas--new leases are being added, old ones are renewed or cancelled, and the investment in Government-owned property is constantly changing. Due to the large amount of information, backlogs develop in the entry process and the data base is often out of date.

CONSTRUCTION PROJECTS CONTINUE TO EXPERIENCE DELAYS AND COST OVERRUNS

Our review disclosed that FBO is still unable to complete projects on time or within original cost estimates, although almost all projects are now initiated and controlled through FBO's centralized planning system.

Since fiscal 1977, FBO has deferred almost half of its planned projects.

PROJECT DEFERRALS - FISCAL YEARS 1977 TO 1980

Fiscal year	Number of new or ongoing projects	Number of projects deferred	Percent deferred
1977	39	20	51
1978	104	50	48
1979	143	63	44
1980	70	35	50

FBO officials provided us with explanations for 89 project deferrals. More than two-thirds of these projects were deferred for reasons best described as "management difficulties," such as untimely or incomplete project planning or host country legal restrictions. Stalled negotiations, natural disasters and unanticipated political problems--beyond FBO's control--were cited for less than one-third of the deferred or cancelled projects. Thus, we believe that the primary reason for most of the deferrals was inadequate planning.

According to our 1978 report, on projects initiated and constructed during 1970-77, the State Department experienced cost overruns totaling $25.3 million--more than double the original estimates. Since that review, only two major construction projects have been completed:

Project	Budget	Completion cost	Cost increase	Percent increase
Tunis staff duplex	$800,000	$1,063,978	$263,978	33
Alexandria office rehabilitation	500,000	843,571	343,571	69
Total	$1,300,000	$1,907,549	$607,549	47

Also, the State Department has experienced cost overruns in its six major rehabilitation projects completed since 1977. Due to its deficient management information system, FBO was unable to provide us with the original budget estimates for the following projects. So our figures are based only on cost increases since the original contracts were signed, considerably later than when the original budget estimates were prepared.

Project	Original contract	Completion cost	Cost increase	Percent increase
Cairo Embassy Residence Rehabilitation	$313,200	$920,770	$607,570	193
Cairo Ambassador Residence Renovation	244,800	427,045	182,245	75
Cairo Marine Guard Quarters Renovation and Addition	107,161	138,583	31,422	29
Cairo Building Repairs	430,000	558,186	128,186	30
Manila Rewiring	108,000	166,030	58,030	54
Bangkok Utility Building	192,806	236,307	43,501	23
Total	$1,395,967	$2,446,921	$1,050,954	75

We think that better planning in the design and construction phase would minimize some of the many variables that can alter a contract or increase costs.

Another source of project delays, especially when it comes to embassy residences, are the Ambassadors themselves. For example, in Manila, FBO has been trying unsuccessfully to build a new embassy residence to replace one purchased in 1970 because it is extremely costly to operate and maintain. The Ambassador does not concur with FBO's plans, even though FBO has already spent $55,000 on the design of a new residence. As a result, the new residence plans are at present indefinitely deferred. In Cairo, FBO purchased a property for $1.8 million in September 1975 and began to rehabilitate it for an Embassy residence. The building has never been occupied. In one official's opinion, it is not suitable for an Ambassador's residence because it is in a poor location for entertaining. After spending at least $3 million on this property, FBO is currently trying to sell it and is constructing a new residence for the Ambassador. This one is scheduled for completion in July 1981 and will cost about $2 million.

The case of the Talleyrand office building in Paris further illustrates how expensive projects can become when cost effectiveness no longer guides management decisions. In early 1972, FBO contracted for the design of a new office building which would provide more efficient office space for those working in the Talleyrand building. Preliminary design work was completed at a cost of $80,953, but in October 1973 the Ambassador in Paris recommended that the project be stopped, primarily for aesthetic reasons. The design contract was terminated and final payment made in October 1974. FBO then undertook a series of space-utilization studies which mostly ended recommending how to replace the Talleyrand building so as to provide more efficient work space. In March 1978 the Director of FBO visited Paris and made some quick calculations on the probable cost of renovation versus selling the building and purchasing a suitable replacement. He estimated it would cost about $8.7 million to renovate the Talleyrand versus a net cost of $3.7 million to sell it and purchase another building. Notwithstanding the $5 million cost advantage of selling the building, FBO still plans to renovate it.

We discussed the Talleyrand office building renovation with FBO, Embassy, and State Department officials and determined that:

(1) according to current estimates, the project will cost at least $11.4 million or plans will have to be modified to stay within the original estimate;

(2) the renovated Talleyrand will still be relatively space-inefficient.

It is clear from the above examples that, if the management of overseas U.S. properties is going to be most cost-effective, the State Department should assure itself that design and construction decisions are based on efficiency and longer-term factors.

PROPERTY DISPOSAL CONTINUES TO BE UNSYSTEMATIC

Although our prior reports have identified excess properties in FBO's inventory, property disposal remains quite unsystematic. We found that FBO lacks an effective, centrally managed system for identifying excess buildings and then disposing of them. As a result, FBO may not generate the sale revenues it should and therefore it must ask the Congress for additional appropriations to fund operations.

Our 1969 and 1974 reports contained listings of properties that FBO had declared excess, some as long as 20 years prior to the reviews, but had not sold for one reason or another. In our current review, we found that properties which were being proposed for sale during the initial budget submissions generally were not those eventually sold, as the following table shows:

	FY 78	FY 79	FY 80
Number of properties proposed for sale	6	2	4
Number of properties sold:			
Identified in proposal	0	0	0
Different properties	3	5	5

Efforts made to reduce the inventory of excess or underutilized property have been sporadic. FBO has yet to develop consistent, world-wide criteria for determining which properties are excess or underutilized.

We reviewed the status of several property sales planned by FBO for fiscal 1980 and determined that some will probably not be sold. The reasons cited ranged from "Ambassador doesn't want to sell," to "explore possible future use," to "need long range plan," etc.

Another problem facing FBO is that posts are reluctant to declare property excess or inefficient unless they can reasonably expect FBO to apply proceeds of sale to an ongoing project within that country. Thus a number of proposed sales are justified based on concurrent construction or acquisition projects. To the extent that these projects do not materialize or are delayed or deferred, sales are sometimes not consummated. For example, as noted before, FBO has been proposing to sell the Ambassador's residence in Manila because of high maintenance costs. Yet the property is still on the books and still drains scarce operation and maintenance funds each year because FBO has not been able to implement its construction plans.

We have urged since 1969 that FBO adopt a reliable and comprehensive inventory of excess properties. We think that, only by identifying periodicially such properties and then being ready to justify why prompt disposal actions were not taken, can FBO be held accountable for the timely discharge of its responsibility to manage its overseas properties efficiently.

OVERSEAS HOUSING CONDITIONS REMAIN INCONSISTENT

Despite FBO's efforts to become the single real property manager and to provide the posts with housing policies and standards, the level of housing or housing support overseas remains inconsistent.

Based on our past recommendations, FBO published housing space standards; however, it has failed to enforce them. Specifically, two elements of the standards are the (1) creation of a housing board at each post to ensure representation of all employees and (2) documentation of reasons for any deviation from the standards. Unfortunately, at most of the posts we visited, there were problems with either the board or the documentation. For example,

- --housing boards either have not been established yet or are inactive;
- --the total number of housing units available for assignment are limited by some agencies continuing to hold properties for their exclusive use;
- --measurements have not been taken on existing government or private leased units despite the fact that FBO standards specify square footage entitlement based on family size; and
- --very little documentation exists to justify deviations from the standards.

We believe that these types of inconsistencies will continue to exist unless the Department follows up more aggressively on individual posts' compliance with the existing housing standards.

CHAPTER 3

POTENTIAL IMPROVEMENTS IN PROPERTY MANAGEMENT

ARE LINKED TO MORE CONTROL

OVER VITAL RESOURCES

Although FBO is responsible for managing the Department of State's real estate program, it lacks control over its real estate managers in the field, controls only about two-thirds of the funding for overseas real estate, and does not have the data it needs to make sound decisions because it doesn't have an adequate management information system.

FBO SHOULD HAVE MORE CONTROL OVER OFFICIALS CRITICAL TO PROPERTY MANAGEMENT

On the post level, the day-to-day property management decisions are being made by officials whom FBO has no direct control over. Since they are critical to the operations of the real estate program, we believe FBO must be given more control over the assignment, rotation, rating, and training of the post property managers.

There are actually two problems here. One is that as presently organized, general services officers are in an administrative career path and therefore are rated by post officials, not FBO. The other is that, as general services officers, their long-term careers are enhanced by getting practical experience in all phases of an embassy's administration rather than becoming experts on property management.

The performance of the general services officers, even when they are managing real estate, is rated by the administrative officers. Thus their operating decisions are going to be influenced more by the rating officer than the needs of FBO, which has no control over property managers. We found, as had one of our previous reviews, that FBO's policies and programs were sometimes not followed because of "external influence."

At present, most GSOs are responsible for various embassy functions such as contracting, procurement, housing, motor pool, supplies, etc., and are very much generalists. We believe that the duties of property managers are complex enough to warrant more formal and focused training on property management and that without such training it will make it difficult to solve the problems that this and previous reviews have found.

The State Department has developed a 4-week course to cover various aspects of a GSO's duties. In an attempt to better prepare the general services officers for their real estate tasks, one day is devoted to property management. At the time of our reviews, only 33 GSOs had received this training. We believe that a 1-day training session is inadequate to prepare general services officers for their property manager duties. For example, the U.S. Army and the Navy are in the process of developing 2- to 3-week courses just for their family housing managers.

Because of FBO's lack of control over real property managers at the posts and the real property manager's lack of expertise, we found many inconsistencies in the extent to which FBO's policies and procedures are followed at the posts.

For instance, we found

--despite the 1978 housing standards and criteria, many posts still had not measured floor space or adopted the single manager concept;

--at one post considerable expenses were incurred on several housing units for structural modifications without obtaining FBO's required approval; and

--inadequate attention to maintenance and repair on a current basis resulted in an estimated $23 million "get well" program for real property in one country.

Even at the Washington level, key FBO people--the area officers--are not skilled real estate managers. We believe FBO could improve its operations if its area officer positions were filled with people who had more experience or training in property management.

FBO area officers perform most of the functions of a professional real estate manager. They are responsible for the overall planning for and operation of FBO projects and programs within each post in their geographic area; reviewing, approving and alloting funds for post operations and maintenance; and recommending property for disposal. Yet, most area officers at FBO have only had general services or administrative backgrounds prior to being assigned to FBO and rarely attend formal real estate training programs.

FBO relies almost exclusively on on-the-job training for its area officers. FBO's Assistant Director of Operations said that he would sometimes pass along information on various real estate management training courses as he became aware of them, but that generally his people were too busy with their daily tasks to attend formal training courses. Although FBO officials advised us of a planned training program for area officers, our review of the course outline indicated it was primarily addressed at operating policies and procedures and as such is a further elaboration of on-the-job training.

We know FBO management is pleased with the current organizational set-up, but we believe that FBO's total effectiveness is also being short changed. For example, three area officers are assigned to each of the Department's geographical areas. 1/ With an average tour of duty of three years at FBO and a general consensus that it takes about nine months to comprehend or fully understand all that needs to be done, each area is only effectively staffed by two fully knowledgeable people. To compound this problem, some area officers have rotated their assignments within FBO from one area to another or from an area officer position to a more general FBO management or administrative position.

The creation of a more formalized real estate management training program and more rotation between the posts and FBO could contribute significantly to FBO's effectiveness as the controlling, single real property manager.

FBO's BUDGET SHOULD REFLECT TOTAL PROPERTY MANAGEMENT COSTS

FBO's fiscal year 1981 budget did not reflect property cost exceeding $82 million. This is because the Department of State funds its overseas real estate costs through two separate appropriations--the Department's overall Salaries and Expenses, and FBO's Acquisition, Operation and Maintenance of Buildings Abroad. These two appropriations generally reflect the management responsibilities previously divided between the various bureaus and FBO. That is, costs for certain short-term operational expenses--such as rents, utilities, and some building operations costs--and personnel benefit costs--such as allowances for living quarters and temporary lodging--were budgeted and controlled by the five separate bureaus and contained in the Department's Salaries and Expenses appropriation. FBO, on the other hand, budgeted, and controlled expenditures for owned and long-term leased buildings' acquisition, operation and maintenance.

1/Africa, Europe, Near East, Far East and Asia, and American Republics.

In response to prior GAO and congressional recommendations, in fiscal year 1979 the State Department gave FBO the responsibility of allocating and controlling the expenditure of some of these Salaries and Expenses funds. However, encouraging as this centralization of real estate authority was, it did not go far enough. We were told by a State Department official that there is a continuing controversy in the Department that Bureaus might be given back the allocation control over all Salaries and Expenses funds. For two reasons, we believe this would be a mistake. First, we believe FBO should have control over all real estate costs because it alone is responsible for property management. Secondly, we believe that FBO's budget should reflect all costs associated with real property operations overseas--including some costs--such as official residence expenses, which are not currently allocated by FBO.

FBO versus salaries and expenses funds

FBO's fiscal year 1981 budget estimated regular and special foreign currency expenditures of $99.5 million for acquisition and construction projects and $73.6 million for operations, maintenance, and repair of Government-owned and long-term leased properties. As the following table shows, the Salaries and Expenses Appropriation included an additional $82 million for operational costs associated with real property overseas. Thus, FBO's budget only reflects about two-thirds of the Department's planned expenditures.

Fiscal Year 1981 Real Property Operational Costs Projected in the Salaries And Expenses Appropriation

Rents	$28,168,302
Utilities	17,949,946
Realty repair & maintenance	4,615,625
Supplies & materials for maintenance operations & custodial	5,756,200
Household furniture	8,536,549
Official residence expenses	8,803,900
Temporary lodging allowance	1,328,578
Living quarters allowances	6,929,996
Total	$82,089,096

Moreover, the above costs do not include an estimated $43 million in expenses reimburseable to the State Department for other agencies' short term property needs.

Underestimated sales income and continuing program changes limit congressional control

FBO has continued to (1) underestimate proceeds from sales of excess properties and (2) make changes in its planned capital projects. These deviations from original budget plans affect FBO's ability to accurately project financial needs and limit congressional control over FBO's operations.

FBO's yearly operations are funded by one of three sources--new appropriations, unobligated prior year funds carried over, and income from the sale of excess properties. These last two sources represent a somewhat unique and interesting challenge to both FBO and the Congress. Because funds allotted to FBO for the acquisition and construction of buildings are no-year funds--i.e., they are available until expended--the Congress has also given FBO authority to fund its capital projects from the sale of excess property. Each FBO budget estimates yearly total program costs and then asks for new appropriations to cover costs FBO is not able to fund from unspent prior appropriations or sales income.

If FBO can accurately predict sales income, then congressional decisions on FBO's total budget can accurately reflect actual conditions. For example, if the Congress cut 5 percent from FBO's budget, then it could expect a corresponding program impact. However, FBO's accountability to the Congress is lessened because FBO continually underestimates sales proceeds.

As discussed in chapter 2, FBO's property disposal operations are in disarray. The importance such sales can play in FBOs budget can be seen by the fact that actual sales income has ranged from $14.7 million to about a half million dollars in fiscal years 1978 and 1979 respectively. Congressional control is limited, however, by FBO's inability to accurately forecast sales income. For example, original budget estimates and actual sales income for the last 3 years were as follows:

Income from Sales of Excess Property

	FY 1978	FY 1979 (in thousands)	FY 1980
Actual sales income	$14,699	$457	$5,231
Original budget estimates	4,875	115	2,599
Unbudgeted income	$9,824	$342	$2,632

For its part, FBO has used the unbudgeted sales income to help fund new projects not in its original plans or cost increases on ongoing projects--thus somewhat mitigating the need to ask the Congress for new appropriations.

The importance FBO places on the generation of sales "income" was highlighted in an internal memo to its staff on February 5, 1980, which said, in part, that in order to fund the 1980 program they must generate $16.4 million from sales of property. As identified above, when FBO first went to the Congress for its fiscal year 1980 appropriation, FBO estimated income from sales at $2.6 million. The difference in property sales of about $12.8 million was judged necessary to cover projected shortfalls in FBO's programs.

Also, as discussed in chapter 2, we found that capital projects actually started or completed during the past 4 years were far fewer than originally planned. This continual deferral of capital projects results in more costly or scaled down projects. Moreover the delays and deferrals play havoc with FBO's financial planning--resulting in large increases in carryover funds as shown:

Unobligated Funds Carryover

Fiscal years	1977	1978	1979	1980
	(millions)			
Original estimates	$14.0	$ 0	$ 0	$ 0
Actual amounts	38.4	102.7	74.1	21.9
Unplanned carryovers	$24.4	$102.7	$74.1	$21.9

The unplanned carryovers result in FBO's continued need for reprogramming letters to the Congress and can increase FBO's facilities acquisition and rehabilitation activities in any particular year.

Unbudgeted sales income ($12.8 million in the past 3 fiscal years) and the continued shift in funds acts to reduce direct congressional control over FBO's activities.

FBO NEEDS A BETTER MANAGEMENT INFORMATION SYSTEM

FBO's dependence on the State Department's automated system for real property information impedes its ability to make sound decisions. Because real estate decisions are made in a dynamic environment, FBO needs a system that can provide a wealth of timely and accurate data. State's automated system is not capable of doing this.

Currently the State Department's automated system only accommodates FBO's real property inventory data base while other important data bases, such as post data base, preventive maintenance data base, etc., which are needed for a broad perspective on the program, have not been integrated into a comprehensive information system. Moreover, due to the large inventory data flow, FBO experiences frequent data entry backlogs and the data base is often out of date.

These limitations of the State Department's system contribute to FBO's inability to develop data critical to lease versus buy decisions, such as calculating the average square footage cost of a particular class of buildings or determining the operation and maintenance cost for a particular building. FBO is also frustrated by its inability to produce needed ad hoc management reports to the post. In addition, our review found management information problems still exist at the post level. These problems include incomplete inventory control documents, inaccuracies resulting primarily from the posts and FBO's inattention to corrective measures, and incomplete records resulting from unmeasured square footage, unclear title problems, and out-dated or missing property values.

Improving the information collected is necessary to ensure an accurate data base for making management decisions. However, for FBO to exercise adequate management control over its properties, all information bases related to the operation of the real estate program must be consolidated in one system. In addition, as primary user of such data FBO must control how and to whom the data is sent. This need was also recognized in a consultant's report entitled "FBO Space Programming - Data Needs and Analysis Procedures." The study strongly recommended that FBO summarize the data in its Post File on an annual basis to portray the cost and characteristics of FBO's real estate interests. In addition several reports which would be helpful to the professional management of real estate housing were suggested. For example:

(1) A summary of housing units by area and tenure type.

(2) Leased housing summary--all types--by area.

(3) Change in total annual costs for leased housing by area and tenure type.

(4) Summary of short-term leased housing by posts.

(5) Change in average cost per unit for leased housing by area and tenure type.

Since such information is necessary for effective management, we believe FBO decisionmaking data needs should be given high priority.

Inadequate cost accounting system limits FBO's control over operations

FBO attempts to manage a real estate program totaling about $284 million annually without having any information about how much it costs to operate a given building. Such data is essential to making sound management decisions on whether to buy, lease, or sell, as well as when to undertake major alterations and repairs. We stress that FBO needs to have a cost accounting and reporting system that can report all operational and maintenance costs by building and funding sources.

FBO does not have ready access to operation and maintenance costs on a property-by-property basis. Neither the posts nor FBO could provide (1) reports comparing lease costs by post, country, and area, or (2) reports comparing operation and maintenance costs by property and in-house labor costs versus contracted labor.

Further, our review indicated that

--some posts do not maintain complete cost records on the operation and maintenance cost of real property;

--records maintained by some posts are incomplete and seldom shared within the posts or with FBO; and

--there is no consistency in the type of cost records maintained by the posts.

For example, in Paris the budget office maintains records on operation and maintenance costs but these records are limited to material costs and work contracted out. No records are maintained on the labor costs of the maintenance staff. The post's maintenance office maintains a manual ledger on all contracted-out work and projects funded by a number of allotments, including a non-FBO fund (Salaries and Expenses), yet no labor costs are recorded here either. Also property maintenance costs compiled by these two offices often do not agree even though they both both attempt to accumulate costs by property.

We are aware that the State Department is in the conceptual design stages of a new Financial Management System. As part of this effort two contractors are working to develop an accounting system that will agree with the Department's approved principles and standards. Such a system would allow the Department and FBO to maintain better cost and property controls. However, the Department's past plans to increase the effectiveness of its overall management information and accounting systems have proven optimistic and have not met the specialized needs of its single property manager.

Recent actions by FBO indicate a desire to acquire separate ADP capabilities. Such a system would be used to automate budget operations, cost estimating, and the preventive maintenance program as well as other management data systems such as those discussed previously.

A consultant's study, issued in June 1980, supported the idea of a separate ADP system to be shared by FBO, and two State Department divisions. Further, the study reported that

--significant needs of these users were not being met by the State Department's current system and

--expanding the current State Department computer is less desirable than using minicomputers to meet FBO's ADP needs.

According to the consultant's report, one of the major benefits to be realized by FBO from such a system is the development of an integrated information system encompassing all of its currently "stand alone" data bases--real property, document locator, fire safety, heating/maintenance, capital projects and furnishings. A modified version of this system is currently being funded by the Department. But, we believe, the property manager's overall effectiveness will probably not be improved until more comprehensive information can be provided.

CHAPTER 4

CONCLUSIONS AND RECOMMENDATIONS

While the Department of State has attempted to address the real estate management problems identified by us in our July 1978 report, it has not solved its chronic problems. Among the problems are that operation and maintenance costs are increasing rapidly and are not controlled; inventory data is still incomplete and inaccurate; acquisition and construction projects still experience long delays and large cost increases, and new housing standards are not being followed.

We also found that FBO may be prematurely expanding the pilot preventive maintenance program. Further, congressional control of FBO's operations is weakened because FBO continually underestimates income from sales of excess property and overestimates its ability to obligate funds according to plans.

An underlying cause for these management weaknesses is that FBO lacks authority commensurate with its responsibilities. The Department of State needs to give its single property manager more control over his vital resources--people, funds and information.

The people most critical to FBO's success--the General Services Officer property managers at each post and the area officers in Washington--generally do not have the training and experience necessary to be effective real estate managers.

The Department also needs to give FBO more control over the funds necessary to own and maintain real property overseas. The failure to centralize all of these costs also weakens congressional control.

The Department of State also needs to give its single real property manager a more effective management information system. Moreover, FBO's current efforts to improve its data management system will still not provide the type of summary reports we believe are necessary.

RECOMMENDATIONS

The Secretary of State should:

--Direct FBO and the posts to maintain specific cost records that will identify all costs related to the operation and maintenance of individual properties abroad.

--Limit the expansion of the computerized preventive maintenance test program until it is proven effective.

--Require that FBO and the posts develop an accurate, complete, and timely inventory records system.

--Direct that FBO identify the current and projected budget impact of project delays and cost increases when requesting funding authority from the Congress.

--Direct FBO to establish consistent, world-wide criteria for timely identification and disposal of excess or uneconomical properties. Current inventory listings of such properties should be made available to the Congress during budget hearings.

--Reaffirm the Department's commitment to the housing standards and instruct the Inspector General to periodically review post compliance with the housing policy.

While we believe the above recommendations can improve some of the weaknesses in FBO's detailed operations, more far-reaching action is necessary within the Department to improve FBO's performance as the single real property manager. FBO's authorities must be more commensurate with this responsibility. Therefore, we recommend that the Secretary of State:

--Increase the effectiveness of real property managers through more formalized training, rotation in and out of area officer positions and increased input from the Director, Office of Foreign Buildings, on reassignments and performance ratings.

--Change the Department's budget so that all real estate costs will be consolidated within FBO's appropriation. FBO, as the single property manager, should be given complete budgeting and control authority for these funds.

--Accelerate the development of an intergrated property management information system that will provide accurate data on costs as well as compare and contrast various data. Such comparisons would enable FBO to determine cost trends and identify uneconomical buildings.

MATTERS FOR CONGRESSIONAL CONSIDERATION

The Congress may want to increase FBO's accountability by requesting detailed explanations of the financial impact of project deferrals during budget justifications.

Finally, the Congress ~~could~~ exercise greater control over FBO's operations by limiting the availability of sales income and the expenditure of carryover funds in any fiscal year to the amounts budgeted and approved by the Committees during annual budget reviews.

CURRENT STATUS OF PRIOR GAO RECOMMENDATIONS

The Chairman, Subcommittee on International Operations, House Committee on Foreign Affairs requested that we determine the current status of the Office of Foreign Building's (FBO's) implementation of the recommendations contained in our July 1978 report entitled "The Department of State Has Continuing Problems in Managing Real Estate Overseas" (ID-78-16, July 12, 1978).

Listed below are our prior recommendations, FBO's reported status of implementation and our current findings.

PROJECT PLANNING, FUNDING, AND SELECTION OF ARCHITECTS

Assign to the Office of Foreign Buildings the responsibility for developing country-by-country real estate plans.

FBO stated that they have embarked upon an ambitious program to develop country-by-country real estate plans. Administrative management assistance teams have completed real property reports on Brazil, Mexico, West Germany, Dominican Republic, Tehran, New Delhi, Bangkok, the Philippines, Israel and Korea. Surveys have been scheduled for Belgium and Equador.

GAO Findings

FBO has increased its long range planning substantially, especially at the larger posts where real estate reviews have been conducted or are planned. Our review of these country studies found that they generally present a comprehensive "picture" of real estate conditions at the post. However, study recommendations are often not supported by cost-benefit analysis and, therefore, should not be viewed as detailed FBO real estate plans. This is because individual projects proposed in the studies, although they may be very important at the post, may not have the necessary priority to be funded when considered against other posts' needs. It is still too early to judge if this planning tool will prove effective in reducing individual project delays and cost increases discussed in chapter 2.

Establish criteria for determining whether overseas real estate requirements will be best satisfied by ownership or long-term, short-term, or private leases.

FBO reported that they now have an OMB-approved formula to equate the cost of leasing with either the cost of buying or constructing under varying rates of differential real estate inflation. This present value analysis formula is used in budget preparation and to determine future real estate requirements.

GAO Findings

FBO's use of its present value analysis formula and its application in the priority point system has been explained to the Congress. However, FBO does not report either the results of the formula or the priority points when asking the Congress for funds to acquire buildings abroad.

Ask the Congress for full funding to cover the project site, design, and construction. Full funding would compress the time frames needed to complete the project and allow for a more realistic estimate.

FBO agrees with the full funding concept but believes it is currently not possible given the funding limits provided by OMB.

GAO Findings

As discussed in chapter 2, FBO projects continue to experience lengthy delays and cost increases. Therefore, we believe FBO should request full funding for all capital projects to compress the time frames needed to complete the project, and allow for more realistic estimates.

Full funding would also improve disclosure of each project's total funding requirements and increase Congress' control over appropriations of FBO budget authority, by allowing them to act on full costs at a time when considerable discretion can be exercised. For example, FBO's fiscal year 1981 budget asked for $5.7 million to start 10 new projects--yet out-year costs exceed $45 million or roughly eight times the initial "downpayment" Congress approved. This incremental funding acts to limit Congress' future options because budget authority is almost always provided for commitments made in prior years.

Of course, we realize adoption of the full funding concept may indeed limit the number of new starts initially if OMB funding limits cannot be raised. However, we believe the benefits to be derived from implementing the full funding concept to be greater than the initial impact of such possible funding limitations.

2

The Secretary of State should instruct the Office of Foreign Buildings management officials to document, as part of the project file, how and why any particular architect is selected to design State Department Buildings.

FBO reported that management does maintain information on how and why a particular architect is selected.

GAO Findings

FBO's documentation of their architect selection process continues to be inadequate. Carefully documenting the why's and how's of each selection for commission will clarify the record with regard to FBO's selection of architects, particularly those that have served on the Architectural Review Panel. Such documentation could include more formalized policies and procedures concerning the architect selection process. Furthermore, the possibility exists that a competitive negotiation process could lead to better, cost effective designs. Such a process would go a long way toward systematizing the selection process.

OPERATION, MAINTENANCE AND REPAIRS

We recommended that the Secretary of State establish (1) sound maintenance criteria and priorities that have been developed by technical personnel and are clearly understood by all property managers, (2) periodic property inspections, (3) a scheduled cycle of preventive maintenance, (4) followup procedures needed to maintain the properties in good condition, and (5) proper cost information available to post property managers and to the Office of Foreign Buildings.

FBO reported that a pilot program is now underway to establish an automated preventive maintenance system. FBO also stated that travel of FBO area officers, technical personnel, and management assistance teams to the posts has increased markedly over the past few years. This has allowed FBO officials to more closely review real property matters and to offer advice and assistance first hand.

GAO Findings

Generally the deficiencies in FBO's maintenance programs at the posts, as cited in our previous report, still exist today. Although FBO has taken some steps to improve its management and maintenance of overseas properties, it still can not adequately evaluate the efficiency and effectiveness of its pilot preventive maintenance program.

The majority of posts still do not have technically qualified individuals to properly operate and manage their maintenance programs.

FBO does not have the capability to identify and record all costs relating to the maintenance and operations of its buildings overseas. Also, neither FBO nor the post have the capability to analyze the economies of maintaining individual properties. Because of this lack of information and analysis capability, FBO cannot identify the cost per building, much less, the true costs of maintaining and operating its entire property inventory. (See chapters 2 and 3 also.)

OVERSEAS HOUSING

The Secretary of State should centralize in the Office of Foreign Buildings the funding and control of the Department's overseas housing.

FBO has been given the allocation responsibility for 1) most Salaries and Expenses funds dealing with short-term government leases and (2) the allowance monies paid State Department employees who obtain their own housing overseas. The Department transferred 10 employees to FBO to help manage the allocation and control of these funds.

GAO Findings

Short-term lease functions were transferred to FBO on October 1, 1978. However, as discussed in chapter 3, FBO does not have complete control over these Salaries and Expenses funds because the Bureaus still budget independently for all funds. Moreover, the bureaus still control official residence expenses which are used to house U.S. Ambassadors overseas. Our report recommends that FBO have complete budgetary and allocation control over all funds used to operate and maintain real estate overseas.

Develop, disseminate, and use uniform criteria for reviewing and approving all leases.

FBO reported that Department of State Airgram A-1093 was issued April 13, 1979, establishing a uniform housing policy and space standards for all personnel of all agencies at its posts abroad.

GAO Findings

Inconsistencies in the implementation of FBO's housing standards and policies have resulted in continued dissimilarities in the assignment of housing at the posts. FBO has done little to correct this situation and assist the posts with special problems. (See chapter 2 also.)

Review all present and future leases to ensure compliance with applicable space criteria and standards.

FBO stated that each post's Housing Board has principal responsibility for administering housing policies and standards as set forth in A-1093, and to ensure that local conditions are properly taken into account in the housing selection process. Under existing regulations post Housing Boards may authorize the retention of leases for over-standard properties which are significantly favorable to the U.S. Government and, where a significant inventory of Government-controlled housing exists, or approve the assignment of employees to quarters with more or fewer bedrooms than their dependency status would warrant. All other exceptions to the space standards are referred to the Washington Interagency Housing Board for approval.

GAO Findings

Our review of 14 posts showed that the majority had not reviewed present and future leases to ensure compliance with applicable space criteria and standards. Several posts either had not established Housing Boards to administer the implementation of FBOs Housing Policies and standards or had not properly documented the reasons why the standards were not being followed. We also found that the degree of implementation of these policies and standards varied greatly from post to post. (See chapter 2 also.)

PROJECT CONTROL AND
TECHNICAL ASSISTANCE

Issue a directive to all missions and posts that once building plans and projects have been approved they not be changed unless conditions change significantly.

FBO stated that Department of State Airgram A-2093 was issued June 29, 1979, implementing this recommendation.

GAO Findings

Our review found no instances of changes to building plans or projects after final approval.

Have all posts report real estate information directly to FBO in order to provide control over all properties.

FBO said that with the assumption of short-term leasing responsibilities, all real property information and requests are now directed to FBO.

GAO Findings

Our review indicated that FBO's area officers do now generally receive data directly from each post, with the exception of Salaries and Expenses budgets which are still sent to the Bureaus. As discussed in chapter 3, we believe FBO should have complete budgeting control over all Salaries and Expenses funds used to operate and maintain real estate overseas.

Reduce fragmentation by having all real estate matters at the posts assigned to the General Services Officer.

FBO stated that the single real property manager concept has been instituted at all posts with certain temporary exceptions. The responsibility for all real estate matters have been consolidated under the Administrative Counselor/ Officer.

GAO Findings

Our review found that in the majority of posts we visited, the single real property manager concept either did not exist, or if it did, the degree of implementation varied greatly between posts. Although the Embassy Administrative Officer was the designated State Department real property officer at each post we visited, in many instances duplicate leasing, operating and/or maintenance functions were being performed by other agencies.

Develop a program to provide real estate managers at the overseas posts with formal training and expertise for their positions.

FBO reported that the Foreign Service Institute has established a general services course similar to a Budget and Fiscal course in which general services officers are placed in simulated office situations and given actual problems. Real estate management is part of the curriculum and the training materials for this section of the course were developed by the Foreign Service Institute in coordination with FBO. As of March 1, 1980, 33 GSOs had taken the new course.

GAO Findings

Our review found that the majority of GSOs lacked experience and expertise in real estate management and that they had not received any formal real estate training. The continuing problems created by inexperienced personnel overseas are discussed more fully in chapters 2 and 3.

Encourage the Office of Foreign Buildings to establish overseas regional offices corresponding with the State Department's geographic bureaus and staffed with architects, engineers, and real estate specialists who answer directly to the Director.

FBO stated that after careful consideration, it determined that overseas regional offices were not an effective vehicle for its technical resources and that the consolidation of area-oriented technical staff within FBO offers greater flexibility given the ever changing worldwide workload distribution.

GAO Findings

FBO received an increased staff level allocation from the Department of State and fiscal year 1980's budget included funds for 10 additional positions. However, FBO has been slow in hiring qualified buildings maintenance engineers. As a result, only 4 of the 10 new positions were filled as of November 21, 1980. As indicated in chapter 2 of this report, conditions at the posts were still pretty much the same as they were at the time of our last report. We encourage FBO to fill these positions quickly and increase technical assistance to the posts.

MANAGEMENT INFORMATION

We recommended that the Secretary of State direct overseas posts to properly submit real property inventory information to the Office of Foreign Buildings.

FBO reported that the Automated Real Property System is operating effectively, but there is still room for improvement. In an effort to streamline existing procedures, facilitate data entry, and eliminate duplicate record keeping by other agencies, FBO is now in the process of revising operating procedures and redefining informational requirements. The objective is to have a system more responsive to both FBO and post needs.

GAO Findings

Our review showed that FBOs current management information system is essentially the same system that existed when our prior report was issued. FBO still has problems with data it receives from the posts being inaccurate, incomplete and untimely. (See chapter 3 also.)

Assure a proper level of staffing within the Office to carry out its property management functions.

FBO reported that its headquarters staffing had been increased by 10 additional positions with the assumption of short-term leasing control responsibilities in October 1978.

GAO Findings

One of the 10 positions transferred to FBO with the short-term leasing program has been alloted for a coordinator of FBO's Automated Data Management Staff.

FBO has made good progress in automating some of its manual records but it is still too early to tell if the combination of more automation and this extra staff position will assure better management of property data. As discussed in chapter 3, we believe much more needs to be done to provide FBO managers with increased capabilities to compare and contrast existing data.

Have the missions establish and maintain a simple ledger-card cost accounting system on a property-by-property basis until the automated property inventory system is completed and operating acceptably.

FBO stated that the establishment of a "quick fix" property cost accounting system would create more problems than it would solve and it would be severely limited in terms of the ability to manipulate data. The Department is now in the process of completely revising its financial management system and FBO will have an input into the design of that system. FBO expects a superior product with linkages to a number of data bases for cost-benefit analyses.

GAO Findings

The Department of State has been in the process of trying to establish a department-wide financial management system since the late 1960s. The FBO automated data system just recently established only prints out reports that used to be prepared manually. This system can neither link to a number of data bases nor perform any cost analysis.

Our review showed that while FBO has taken some steps to improve its management of overseas real estate, the majority of problems cited in our previous report still exist today. (See chapter 2 also.)

STATUS OF THE HOUSING ACQUISITION PROGRAM

The Chairman, Subcommittee on International Operations, House Committee on Foreign Affairs, asked that our review include an evaluation of FBO's program to acquire housing in countries with high leasing costs, and to identify any savings that have resulted from this program. The information follows.

In March 1977, FBO prepared a $20 million fiscal year 1978 supplemental appropriation request which was to fund, in part, an ambitious $100 million capital program to acquire or construct housing in countries with high lease costs and extreme shortages in housing. The Congress approved $10 million in fiscal year 1978 and an additional $10 million in fiscal year 1979; while FBO reprogrammed $6 million in fiscal year 1979 from other capital projects to increase the funding of this program to a total of $26 million.

During the fiscal year 1980 House Hearings on Appropriations, FBO reported that it had acquired 63 living units, purchased two sites for future construction, had two projects under design and expected by the end of the fiscal year to have purchased 83 additional living units. All these projects were funded from the special $26 million acquisition program approved by the Congress. FBO anticipates total savings of $9.8 million from this program to be realized by the end of fiscal year 1985.

We found that even though FBO appears to have achieved relative success with the initial purchases for this program, little emphasis has been given to its continuation in FBO's fiscal year 1981 and 1982 capital program budgets.

We also found that FBO's projected savings from the housing acquisition program are not accurate. These savings reflect only yearly rentals from terminated leases. They neither take into account the total gross savings that should be realized over the life of the payback period, nor offset savings with life-cycle-costs, such as operation, maintenance and repair costs. (These life-cycle-costs would be incurred if FBO owned rather than rented the property.) Also, reported savings should be offset by cost estimates for increased maintenance and repair and administrative staffs resulting from an increased inventory of Government-owned property.

Until FBO can more completely calculate savings from its housing acquisition program, the Congress should consider FBO's reported savings as only very rough estimates.

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