



Highlights of [GAO-03-1009T](#), testimony before the House Committee on International Relations

Why GAO Did This Study

In recent years, funding for the Department of State has increased dramatically, particularly for security upgrades at overseas facilities and a major hiring program. The U.S. Agency for International Development (USAID) has also received more funds, especially for programs in Afghanistan and Iraq and HIV/AIDS relief. Both State and USAID face significant management challenges in carrying out their respective missions, particularly in areas such as human capital management, performance measurement, and information technology management. Despite increased funding, resources are not unlimited. Thus, State, USAID, and all government agencies have an obligation to ensure that taxpayer resources are managed wisely. Long-lasting improvements in performance will require continual vigilance and the identification of widespread opportunities to improve the economy, efficiency, and effectiveness of State's and USAID's existing goals and programs.

GAO was asked to summarize its findings from reports on State's and USAID's management of resources, actions taken in response to our reports, and recommendations to promote cost savings and more efficient and effective operations at the department and agency.

www.gao.gov/cgi-bin/getrpt?GAO-03-1009T.

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

FOREIGN AFFAIRS

Effective Stewardship of Resources Essential to Efficient Operations at State Department, USAID

What GAO Found

Overall, State has increased its attention to managing resources, and its efforts are starting to show results, including potential cost savings and improved operational effectiveness and efficiency. For example,

- In 1996, GAO criticized State's performance in disposing of its overseas property. Between fiscal years 1997 through 2002, State sold 129 properties for more than \$459 million with plans to sell additional properties between fiscal years 2003 through 2008 for approximately \$300 million. Additional sales would help offset costs of replacing about 160 unsecure and deteriorating embassies.
- State is now taking a more businesslike approach with its embassy construction program, which is estimated to cost an additional \$17 billion beginning in fiscal year 2004. Cost-cutting efforts allowed State to achieve \$150 million in potential cost savings during fiscal year 2002. State should continue its reforms as it determines requirements for, designs, and builds new embassies.
- The costs of maintaining staff overseas are generally very high. In response to management weaknesses GAO identified, State has begun addressing workforce planning issues to ensure that the government has the right people in the right places at the right times. State should continue this work and adopt industry best practices that could reduce costs and streamline services overseas.
- GAO and others have highlighted deficiencies in State's information technology. State invested \$236 million in fiscal year 2002 on modernization initiatives overseas and plans to spend \$262 million over fiscal years 2003 and 2004. Ongoing oversight of this investment will be necessary to minimize the risks of spending large sums of money on systems that do not produce commensurate value.
- State has improved its strategic planning to better link staffing and budgetary requirements with policy priorities. Setting clear objectives and tying resources to them will make operations more efficient.

GAO and others have also identified some management weaknesses at USAID, mainly in human capital management and workforce planning, program evaluation and performance measurement, information technology, and financial management. While USAID is taking corrective actions, better management of critical systems is essential to safeguard the agency's funds.

Given the added resources State and USAID must manage, current budget deficits, and new requirements since Sept. 11, 2001, oversight is needed to ensure continued progress toward effective management practices. This focus could result in cost savings or other efficiencies.