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OVERSIGHT OF THE STATE DEPARTMENT: IS MANAGEMENT GETTING RESULTS?

HEARING

BEFORE THE

SUBCOMMITTEE ON NATIONAL SECURITY, VETERANS AFFAIRS, AND INTERNATIONAL RELATIONS

OF THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

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OVERSIGHT OF THE STATE DEPARTMENT: IS MANAGEMENT GETTING RESULTS?

WEDNESDAY, JULY 19, 2000

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON NATIONAL SECURITY, VETERANS AFFAIRS, AND INTERNATIONAL RELATIONS,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:04 a.m., in room 2247, Rayburn House Office Building, Hon. Christopher Shays (chairman of the subcommittee) presiding.

Present: Representatives Shays, Mica, and Tierney.

Staff present: Lawrence J. Halloran, staff director and counsel; J. Vincent Chase, chief investigator; R. Nicholas Palarino, senior policy advisor; Robert Newman and Thomas Costa, professional staff members; and Jason M. Chung, clerk; David Rapallo, minority counsel; Jean Gosa and Earley Green, minority assistant clerks; and Chris Traci, minority staff assistant.

Mr. SHAYS. This hearing of the Subcommittee on National Security, Veterans Affairs, and International Relations of the Government Reform Committee is now in order on a hearing entitled, "Oversight of the State Department: Is Management Getting Results?" I welcome our witnesses and our guests.

Early last year, the subcommittee heard testimony on four critical challenges confronting the Department of State [DOS]; enhancing security of American personnel and facilities overseas; rightsizing the U.S. presence abroad; upgrading information technologies, including financial systems; and complying with the planning requirements of the Government Performance and Results Act.

We revisit these issues this morning because, despite some progress, the Department still seems hobbled by hidebound processes and an excuse-prone management culture reluctant to change them.

According to the General Accounting Office and the DOS Inspector General, the Department underestimated the near-term feasibility and cost of urgently needed security enhancements at U.S. facilities. Key recommendations of the Overseas Presence Advisory Panel appear doomed to be studied to death or ignored altogether.

The disappearance of a DOS laptop computer containing sensitive information underscores how much the Department has yet to accomplish in reconciling demands for flexible, but secure, information and financial systems.

We could be more certain the Department was on a trajectory to solve these problems if all the goals and measures required by the Results Act were in place; but they are not.

The 1999 DOS performance report, the first required by the act, lacks specificity. According to the IG, the plan "does not provide decisionmakers in the executive branch or Congress with a clear assessment of the Department's progress . . ."

The lack of specifics stems, in part, from the apparent belief at Foggy Bottom that much of the Department's work is just too intangible or too important to be categorized and quantified by the same base enterprise that counts visa applications.

But Results Act requirements apply as fully to diplomacy as to passport processing; so DOS leadership needs to focus on Department-wide performance plans, goals, and measures that demonstrate tangible progress in all aspects of their work.

As a management approach to urgent issues like Embassy security, worldwide information systems, and the overall shape of our national presence abroad, the Results Act offers DOS an incremental, but inevitable, path through bureaucratic stalemates and cultural resistance once thought intractable. It is a path the Department must demonstrate a greater willingness and ability to follow.

Our goal, as an oversight subcommittee, is to be a constructive force for change at the Department of State, to focus attention on progress and problems in achieving the Nation's global mission. In that effort, we continue to rely on the cooperation, the dedication, and the expertise of many, including our witnesses this morning. We look forward to their testimony.

[The prepared statement of Hon. Christopher Shays follows:]

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Statement of Rep. Christopher Shays

July 19, 2000

Early last year, the Subcommittee heard testimony on four critical challenges confronting the Department of State (DoS): enhancing security of American personnel and facilities overseas; right-sizing the U.S. presence abroad; upgrading information technologies; including financial systems; and complying with the planning requirements of the Government Performance and Results Act.

We revisit these issues this morning because, despite some progress, the Department still seems hobbled by hidebound processes and an excuse-prone management culture reluctant to change them.

According to the General Accounting Office (GAO) and the DoS Inspector General (IG), the Department underestimated the near-term feasibility, and cost, of urgently needed security enhancements at U.S. facilities. Key recommendations of the Overseas Presence Advisory Panel appear doomed to be studied to death or ignored altogether.

The disappearance of a DoS laptop computer containing sensitive information underscores how much the Department has yet to accomplish in reconciling demands for flexible, but secure, information and financial systems.

We could be more certain the Department was on a trajectory to solve these problems if all the goals and measures required by the Results Act were in place. But they are not. The 1999 DoS performance report, the first required by the Act, lacks specificity. According to the IG, the plan "does not provide decision makers in the executive branch or Congress with a clear assessment of the Department's progress...."

The lack of specifics stems, in part, from the apparent belief at Foggy Bottom that much of the Department's work is just too intangible, or too important, to be categorized and quantified by the same base enterprise that counts visa applications. But Results Act requirements apply as fully to diplomacy as to passport processing, so DoS leadership needs to focus on Department-wide performance plans, goals and measures that demonstrate tangible progress in all aspects of their work.

As a management approach to urgent issues like embassy security, worldwide information systems, and the overall shape of our national presence abroad, the Results Act offers DoS an incremental but inevitable path through bureaucratic stalemates and cultural resistance once thought intractable. It is a path the Department must demonstrate a greater willingness, and ability, to follow.

Our goal as an oversight Subcommittee is to be a constructive force for change at the Department of State, to focus attention on progress, and problems, in achieving the nation's global mission. In that effort, we continue to rely on the cooperation, the dedication and the expertise of many, including our witnesses this morning. We look forward to their testimony.

Mr. SHAYS. Our first panel, and we have two, is the Honorable Bert T. Edwards, Chief Financial Officer, Assistant Secretary for Financial Management and Policy, U.S. Department of State; and the Honorable David G. Carpenter, Assistant Secretary for diplomatic Security and Director of the Office of Foreign Missions, U.S. Department of State.

I would just ask if you anticipate any of your colleagues will be responding to a question, we would want them to stand and swear them in, just so we do not have to do that again, if you think that is a likelihood. So I will ask you both to stand. If there is anyone else, they should be requested to stand.

[Witnesses sworn.]

Mr. SHAYS. I will note for the record that our witnesses responded in the affirmative.

Mr. Edwards, we will start with you. We have a 5-minute clock. We will rotate it, and give you another 5, if you need it. Then we will go from there.

Mr. Edwards, welcome.

STATEMENTS OF BERT T. EDWARDS, CHIEF FINANCIAL OFFICER AND ASSISTANT SECRETARY FOR FINANCE AND MANAGEMENT POLICY, U.S. DEPARTMENT OF STATE; AND DAVID G. CARPENTER, ASSISTANT SECRETARY FOR DIPLOMATIC SECURITY AND DIRECTOR OF THE OFFICE OF FOREIGN MISSIONS, U.S. DEPARTMENT OF STATE

Mr. EDWARDS. Thank you, Mr. Chairman and members of your subcommittee who may join you, for allowing me and Assistant Secretary Carpenter the opportunity to appear before you today to discuss key management challenges facing the Department of State, in particular implementation of the Government Performance and Results Act and management of security programs.

As you know, Patrick Kennedy, the Assistant Secretary of State for administration, was scheduled to join us today to help respond to your questions. But he is tied up in the Camp David talks, and has asked me to apologize for his absence.

The Department of State cannot meet the challenges in these management areas without the strong support and leadership of your committee, as well as that of our authorization and appropriations committees.

With your permission, Mr. Chairman, I would like to give a brief statement on Strategic Planning at State. Assistant Secretary Carpenter will follow with a brief statement on security management, after which we would be pleased to respond to questions on management issues that you or your colleagues may have.

The Department continues to make progress in building a unified process for policy and resource management, based on strategic planning and performance measurement.

The process begins early each calendar year with the preparation by overseas posts of Mission Performance Plans. All agencies at post are invited by the Chief of Mission to participate in the preparation of these plans, which are then reviewed in Washington by an interagency team.

The MPPs are then used by the Department's regional, functional, and management bureaus to formulate annual Bureau Per-

formance Plans that set out long-term goals and short-term objectives in their areas of responsibility for achieving the overall strategic goals of the Department.

A formal review of each bureau's plan is conducted by the Department's Corporate Board. This process has just started and will extend into September.

The internal planning documents from the bureaus and missions form a basis for the Department's Annual Performance Plan, which is submitted as part of our budget presentation.

In response to comments from GAO, OMB, and our own Inspector General, we significantly revised the Annual Performance Plan for fiscal year 2001. It is a more comprehensive plan than prior versions, and uses a template to display goals, outcomes, strategies, and resources.

The Performance Plan follows the framework of the Department's Strategic Plan, which was first published in September 1997. An updated version of that Strategic Plan is circulating in draft to all of our customers, stakeholders, and partners, including committees of the Congress. We will incorporate their comments and publish the revised Strategic Plan this September. A Senior Advisory Group at the Assistant Secretary level is leading this project.

We have recently published our first-ever Annual Performance Report, covering fiscal year 1999. State had good results in 1999, which range from the complex diplomacy leading to the trials of two terrorists for the 1988 Pan Am bombing over Lockerbie, to efforts which forged a coalition of NATO nations to successfully stop ethnic cleansing and murder in Kosovo.

Last month, we worked with the GAO on a review of our fiscal year 1999 Performance Report, and our fiscal year 2001 Performance Plan. Both the GAO and the Department's Inspector General have played a constructive role in helping us improve the Department's planning operations.

Ideally, performance measurement and evaluation for international affairs should be carried out on an interagency basis but, in practice, this is extraordinarily difficult.

One way the Department attempts to coordinate with other agencies is through the International Affairs Strategic Plan, which we created in concert with them. The plan identifies 16 long-term goals for the entire U.S. Government not just the Department of State. The role of the Department of State is defined for each of the goals, as well as the lead agency for a particular goal.

No matter how good we make our planning process, unless we have the resources to carry out our plans, much of the planning work will be wasted.

For too many years, the Department's budgets, except most recently for security, have been held below current services. As a result of these cuts, the Department is in increasing danger of becoming a hollowed-out organization. Thus, we strongly encourage the Congress to support the President's fiscal year 2001 request for the Department of State.

This effort to better coordinate our planning with that of other agencies working in the international arena dovetails with the

multi-agency effort to implement the report of the Overseas Presence Advisory Panel.

The OPAP report was triggered by the tragic bombings of our Embassies in Nairobi and Dar es Salaam on August 7, 1998. The implementation report has been submitted to the Secretary of State for her approval, and describes both the results of our OPAP implementation efforts and what remains to be done.

As Chief Financial Officer of the Department, and with a key focus of this testimony being on performance, I would like to take this opportunity to mention briefly our success in three areas of financial management.

First, the Department has reduced the number of material weaknesses reported in response to the Federal Managers' Financial Integrity Act from 19, at the start of fiscal year 1995, to only 4 at the close of fiscal year 1999, of which 3 will be closed this year.

Second, we are proud that, for the last 3 years, we have received an unqualified opinion from our Inspector General and the IG's independent contractor, who conducted the annual audits of our agency-wide financial statements.

Finally, while our financial management systems are currently reported as the Department's one remaining material weakness, substantial progress has been made in bringing the systems into compliance with the requirements of the Federal Financial Management Improvement Act. We are already in compliance with two of the act's three requirements.

Let me finish my remarks by describing one of the Department's major accomplishments of the last year; the successful integration of the Arms Control and Disarmament Agency, and the U.S. Information Agency into the Department.

This massive undertaking, the largest structural change to the U.S. Government's foreign affairs administration in decades, has proceeded more smoothly than anyone expected. Putting these functions under one Cabinet Secretary has already enhanced the consistency and integrity of our foreign policy. In the near term, we will need to invest significant resources to maximize the benefits of this integration.

This concludes my statement, Mr. Chairman.

[The prepared statement of Mr. Edwards follows:]

STATEMENT OF BERT T. EDWARDS
CHIEF FINANCIAL OFFICER
DEPARTMENT OF STATE
BEFORE THE
HOUSE COMMITTEE ON GOVERNMENT REFORM
SUBCOMMITTEE ON NATIONAL SECURITY, VETERAN'S AFFAIRS
AND INTERNATIONAL RELATIONS
July 19, 2000

Mr. Chairman, members of the Committee, thank you for allowing me and Assistant Secretary Carpenter the opportunity to appear before you today to discuss key management challenges facing the Department of State, in particular implementation of the Government Performance and Results Act (GPRA) and management of security programs. I would also like to introduce Patrick Kennedy, the Assistant Secretary of State for Administration, who will assist with the answers to your questions.

The Department of State cannot meet the challenges in these and other management areas without the strong support and leadership of your Committee, as well as that of our authorization and appropriations committees. With your permission, Mr. Chairman, I would like to give a brief statement on Strategic Planning at State, implementation of the report of the Overseas Presence Advisory Panel (OPAP), and integration of the former Arms Control and Disarmament Agency (ACDA) and the United States Information Agency (USIA) into the State Department. Assistant Secretary Carpenter will follow with a brief statement on security management, after which we would be pleased to respond to questions on management issues you or your colleagues may have.

The Department continues to make progress in building a unified process for policy and resource management based on strategic planning and performance measurement. The Department's regional, functional, and management bureaus formulate annual *Bureau Performance Plans* that set out long-term goals and short-term objectives in their areas of responsibility for achieving the overall strategic goals of the Department. These Bureaus have updated their Plans as part of our Fiscal Year 2002 budget and planning efforts, and are presenting those plans to the Department's Corporate Board in a formal review process over the summer.

Our planning also incorporates the overseas diplomatic missions of the United States. Every year, prior to the preparation of the *Bureau Performance Plans* (BPPs), each overseas mission prepares a *Mission Performance Plan* (MPP), based on guidance from the Secretary. All agencies represented at post are invited by the Chief of Mission to participate in the preparation of these Plans. MPPs are submitted at the end of March, and are then again reviewed by inter-agency teams in Washington, who provide written feedback to our overseas posts on their Plans. The *Mission Performance Plans* are then

used by the regional bureaus and the Department's central management and functional offices as vehicles for a dialogue on policy priorities and resource requirements.

These internal planning documents from the Bureaus and Missions form the basis for the *Department's Annual Performance Plan*. In response to comments from the General Accounting Office, the Office of Management and Budget, and our own Inspector General, we significantly revised the *Annual Performance Plan* for Fiscal Year 2001. It is more comprehensive than prior versions, and uses a template to display goals, outcomes, strategies, indicators and resources. If anything, you might find it, at nearly 400 pages, a little too comprehensive, and we are forming goal teams for next year's version, the 2002 Plan, to shorten it.

Our *Annual Performance Plan* is based on the Department's *Strategic Plan*, which was issued in September 1997. An updated version of that *Strategic Plan* is circulating in draft to our customers, stakeholders, and partners, including the interested Committees of the Congress. We will incorporate comments and publish the revised Plan this September. A Senior Advisory Group at the Assistant Secretary level is leading this project.

Along with other U.S. Government agencies, we have recently published our first-ever *Annual Performance Report*, covering fiscal year 1999. In a rating on the quality of reporting conducted by the Mercatus Center of George Mason University, State ranked only 17th out of the 24 CFO Act agencies surveyed. The Mercatus Center praised the definition of U.S. interests and articulation of strategic goals as sufficient to permit Americans to understand why the Department exists. We will certainly make changes to next year's *Annual Performance Report* based on the constructive suggestions by the Mercatus Center. We plan to meet with Morris McTigue, the former New Zealand Prime Minister who introduced strategic planning throughout his Government, to explore these suggestions and comments in greater depth. He is currently a Distinguished Visiting Scholar at the Mercatus Center, and an expert on performance management.

Let me just add that the Mercatus Center's report card evaluated the quality of the reporting, not the quality of results by the agencies it rated. State had good results in 1999, which range from the complex diplomacy that resulted in two terrorists going on trial for the 1988 Pan Am bombing over Lockerbie, to the diplomatic efforts which forged a coalition of NATO nations to successfully stop ethnic cleansing and murder in Kosovo.

Last month, we worked with the General Accounting Office (GAO) on a review of our FY 1999 *Performance Report* and our FY 2001 *Performance Plan*. We commented on GAO's advance draft, which we thought was well done. Both the GAO and the Department's Inspector General have played a constructive role in helping us improve planning operations in the Department of State.

Ideally, performance measurement and evaluation for international affairs should be carried out on an interagency basis, but, in practice, this is extraordinarily difficult. One way we attempt to coordinate with other agencies is through the *International Affairs Strategic Plan*, which we created in concert with them. The Plan identifies 16 long-term goals for the entire U.S. Government – not just the Department of State – to achieve in international affairs. The role of the Department of State is defined for each of the goals, as well as the lead agency of the U.S. Government for a particular goal.

We also coordinate with other agencies directly, sharing drafts of GPRA reports for comment. In addition, my own Bureau has formed a number of working groups with the defense and intelligence agencies on a broad effort to better coordinate planning and resource matters.

Let me take a minute to outline some of the planning challenges we face in the Department. While we continue to make changes and improvements each year in our process, we are not yet where we would like to be. This is due in part to a shortage of trained strategic planners and other specialists, such as budget and financial analysts. The merger of the United States Information Agency enabled us last Fall to add several experienced planners to our planning teams. We are also working with our Foreign Service Institute to expand training in this area for all levels of employees.
We have made a Foreign Service Officer's strategic planning performance a mandatory element of his or her efficiency report, and recently the Department's Senior Strategic Management Team, of which I am a member, joined with Deputy Secretary Talbott to urge the Department's most senior managers to personally play a greater role in the Department's planning efforts.

A second challenge is the nature of much of our work. While what we do in the administrative and consular area is easily lends itself to performance measurement, a large part of the Department's efforts to influence other governments and even other agencies in our own government does not. One solution we have adopted is to set out broad strategic goals which are well beyond the span of control of the Department of State, or in many cases the entire U.S. Government, and then craft performance goals for intermediate outcomes that are within our competence. Bridging this gap is not always easy and we are still refining ways of doing this.

Another shortfall is our linkage of goals to resources. Our accounting mechanisms (i.e., personnel and financial systems) do not yet permit us to do this beyond a macro level. We are working on a revised accounting system and new software program with a pilot target implementation date of the Summer 2001.

We also need to make our GPRA products more readable. In the interest of having more reader-friendly planning documents, we are consulting with sister agencies that have used contract assistance in the production of their agencies' Performance Reports. We are mindful that production of these Reports is an inherently governmental function, and will continue to have all drafting done by regular State employees.

No matter how good we make our planning process, unless we have the resources to carry out our plans, much of the planning work will be wasted. For too many years the Department's budgets – except most recently for security – have been held below current services. As a result of these cuts, the Department of State is in increasing danger of becoming a hollowed out organization. Thus, we strongly encourage the Congress to support the President's FY 2001 request for the Department of State. Full funding is essential to the effective conduct of our nation's foreign policy and protection of U.S. interests.

This effort to better coordinate our planning with that of other agencies working in the international arena dovetails with the multi-agency effort to implement the report of the Overseas Presence Advisory Panel (OPAP). The OPAP report was triggered by the tragic bombings of our Embassies in Nairobi and Dar es Salaam on August 7, 1998. Since the OPAP report's release last November, we have been conducting a collaborative, interagency effort that is looking at how best to implement OPAP's recommendations. The focus of these efforts is on three areas: (1) right-sizing US missions, (2) overseas facilities, and (3) information technology (IT). The Right-Sizing Group visited six missions (Mexico, France, Jordan, Thailand, India, and Georgia), both to develop specific right-sizing proposals for those posts and to work out generic decision-making criteria that can be applied elsewhere. The Facilities Group is examining how to improve cooperation in the way we design, build, finance, and maintain our overseas facilities, including looking at how the Bureau of Administration's Office of Foreign Buildings Operations (A/FBO) relates to the Department and other agencies with an overseas presence. The Information Technology Group is working on building a common unclassified IT platform for all U.S. Government agencies at a post and on applying Knowledge Management to their work. The interest all agencies have shown in this work has been very encouraging, including the participation in the Cabinet-level meeting which Secretary Albright chaired on April 10. The implementation report has been submitted to the Secretary of State for approval, and describes both the results of our OPAP implementation efforts and what remains to be done.

As Chief Financial Officer of the Department, and with a key focus of this testimony being on performance, I would like to take this opportunity to mention briefly our success in three areas of financial management. First, the Department has reduced the number of financial material weaknesses reported in response to the Federal Managers' Financial Integrity Act from 19 at the start of Fiscal Year 1995 to only four at the close of Fiscal Year 1999, of which three will be closed within months. Second, while the Department has not yet been able to meet the March 1 reporting deadline, as mandated by the Government Management Reform Act, we are proud that, for the last three years, we have received unqualified ("clean") opinions from our Inspector General and the IG's independent auditors who conducted the annual audits of our agency-wide financial statements. Further, the audits of our Foreign Service Retirement and Disability Fund, which handles pensions for State's and other agencies' 25,000 active and retired employees, received a "clean opinion" for the sixth consecutive year, and our

International Cooperative Administrative Support Services (ICASS) again received a "clean opinion" for the third consecutive year. Finally, while our financial management systems are currently reported as the Department's one remaining financial material weakness, substantial progress has been made in bringing the systems into compliance with the requirements of the Federal Financial Management Improvement Act (FFMIA). We are already in compliance with two of its three requirements. We have made dramatic improvements in computer security for our financial systems, and we have provided to OMB our remediation plan as required. While we need to continue improving our financial management performance, I am proud of the efforts of the Department's dedicated financial managers and staff.

Let me finish my remarks by describing one of the Department's major accomplishments of the last year – the successful integration of the Arms Control and Disarmament Agency (ACDA) and the United States Information Agency (USIA) into the Department of State. This massive undertaking – the largest structural change to the U.S. Government's foreign affairs administration in decades – has proceeded more smoothly than anyone expected. Putting these functions under one roof has already enhanced the consistency and integrity of our foreign policy. But, although we have taken the major step of formal integration, the process is not yet complete. There are steps which need be taken before the three organizations become a truly integrated Department. We are pleased to report that we are working with the appropriate Congressional Committees to use available prior-year balances for functional and physical integration. Workspaces and computer systems of the three organizations must be fully integrated before the merger yields the originally envisioned management efficiencies. In short, major savings from the integration of the foreign affairs agencies are some distance down the road. In the near term, we will need to invest significant resources to maximize the benefits of this integration.

This concludes my statement, Mr. Chairman.

Mr. SHAYS. Thank you, Mr. Edwards.

Mr. Carpenter.

Mr. CARPENTER. Good morning, Mr. Chairman.

I welcome this opportunity to testify before you on the security profile of State Department facilities, both domestic and abroad.

On August 7, 1998, our Embassies in Dar es Salaam, Tanzania, and Nairobi, Kenya, were bombed simultaneously by extremists bent on the destruction of American presence throughout the world. These tragedies unleased a massive and intensive effort to provide much needed security improvements at all our posts overseas.

Although much has been accomplished, more needs to be done. Our overseas facilities are generally more secure now than in August 1998, but the continuing threat environment worldwide requires that we not lose focus, that we continue to explore new ways of protecting ourselves, and support a program for new Embassy construction.

Our goal following the bombings was to immediately improve the security of our threatened consulates and Embassies, and we have done so. But at the outset, let me say that it is important for this subcommittee to know that we still have a very basic problem that cannot be fixed quickly.

The vast majority of our diplomatic posts fail to meet one of the most basic security standards, namely, the 100 foot setback standard. Until we can build Embassies meeting the setback and other security standards, our efforts cannot provide the degree of security all of us want for our people and facilities.

Having recognized that we still have grave security concerns overseas, it is also important for the subcommittee to know that we have done a lot and that our Embassies and consulates are more secure now than ever before. In this regard, let me review for you what we have done throughout the security upgrade program.

Some of these actions have been based solely on DOS initiatives. Others were suggested by the Accountability Review Boards chaired by Retired Admiral William J. Crowe, the report of the Overseas Presence Advisory Panel, and the Office of the Inspector General.

We are aggressively upgrading security at low and medium threat level posts to standards that previously only applied to high and critical rated posts. We no longer believe, in an era of transnational terrorism, that we have low or medium threat posts, nor do we believe that we will always receive tactical intelligence of an imminent attack. Simply put, we must be prepared to meet the most violent terrorist attacks at all of our facilities all of the time.

The physical security upgrades we have put in place at our Embassies and consulates include reinforced perimeter walls, bollards, hardened guard booths, vehicle barriers, and shatter resistant window film.

We are upgrading and deploying security equipment to provide better lighting, cameras, and video recorders; bomb detection equipment; armored vehicles, alarm, and public address systems; and x-ray equipment. Where possible, we have mitigated the lack

of sufficient setback by closing streets and providing for mandatory vehicle inspections.

We have also expanded our Anti-Terrorism Assistance Training to aid foreign police in combating terrorism through such appropriate programs as surveillance detection, border security, explosive detection, crisis management, and maritime security.

In addition, we have installed alarm systems at Embassies and consulates to alert personnel to impending emergency situations, and have instituted a program for the employees to "duck and cover" when the alarms are sounded.

We have also created a new security environment threat list with a modified methodology and criteria for determining threat levels. This process now addresses transnational terrorism as a distinct category, as well as the threats from indigenous terrorism and political violence, and the threats from intelligence services, both technical and human and, of course, crime.

DOS has also changed the focus of its training courses for Regional Security Officers and Special Agents to give them greater training on counter-terrorism methodology; explosive ordinance recognition and disposal; chemical/biological weapons threats and defenses; and surveillance detection techniques.

In response to a specific recommendation from the Accountability Review Board, we are also working with the FBI to better analyze law enforcement information, which might have a bearing on threats to our missions overseas and to more quickly disseminate that information to appropriate posts.

To that end, a DOS special agent has been detailed to the International Terrorism Section at FBI Headquarters, and the DOS special agents are participating in the FBI's Terrorism Task Force.

DOS has also established the Office of the Coordinator for Chemical Biological Countermeasures. That office, which is conducting a worldwide survey to determine vulnerabilities, has purchased and is distributing chemical biological equipment to all posts.

As part of its educational program, it has distributed instructional materials, including a pamphlet, videos, and a series of cables, to alert all posts to the nature of the threat, and to provide defensive guidance. It has also established a comprehensive training program for security professionals and first responders.

The newest addition to our programs and of major significance has been the establishment of surveillance detection programs at almost all of our overseas posts. A critical lesson learned from the bombings is that there is intense surveillance conducted against our facilities prior to an attack.

Since going operational in January 1999, surveillance detection teams, most of which work with host government's security services, have observed over 700 suspected incidents of surveillance against our personnel and facilities. It has, in a sense, expanded our security perimeter and zone of control beyond our previous limitations.

The surveillance detection program is clearly a "work in progress," but we feel that it is destined to become a major aspect of our overseas security defenses.

Finally, and I believe most importantly, DOS has hired 200 new special agents, which has allowed for the creation of 140 new security officer positions abroad.

By the end of fiscal year 2000, we will have 420 DOS special agents serving as security officers in 157 countries. DOS has also hired 20 additional diplomatic couriers, 17 security engineers, 34 maintenance technicians, and 46 civil servants in support of overseas security.

Although the African bombings necessarily caused me to focus my attention most closely on overseas security at the beginning of my tenure, three incidents in the Main State building brought home to all of us the need to strengthen domestic information security, as well.

In February 1998, an unknown male in a tweed coat carried away classified documents from the Secretary's suite of offices. That case, which was investigated by the FBI, is in an inactive status at this time.

The second incident came to light on December 8, 1999, when Russian Intelligence Officer Stanislav Gusev was arrested on the street outside the State Department, as he listened in on a meeting in the Department's Oceans and International Environmental Scientific Affairs' conference room, via a bug planted in the chair railing. Gusev, who had diplomatic immunity preventing his prosecution in the United States, was asked to leave the country.

The investigation by the FBI continues into, among other things, how the bug was planted. That inquiry is still underway.

The third incident was, of course, the disappearance of the laptop believed to have sensitive compartmented information material on its hard drive from a Bureau of Intelligence and Research conference room in January of this year.

DOS had responsibility, together with the FBI, after the fact, for investigating the security violation, but not for protecting the information beforehand. At this time, the loss of the laptop containing SCI material is under active investigation by DOS and the FBI.

Mr. Chairman, we learned some valuable lessons about our security posture domestically from these incidents. The fundamental problem making such security lapses possible was not an absence of proper policies and procedures, as those are and have been in place. The problem was simply carelessness; that is; non-compliance and/or disregard for established regulations.

These incidents prompted us to take measures which complement existing regulations and procedures, and are designed to change the lax attitude toward security at the State Department.

I believe that we have made substantial progress. We have tightened security in the Secretary's suite of offices. We have adopted a rigorous, comprehensive escort policy; worked to strengthen computer safeguards; and assigned uniformed officers to patrol specific floors inside the building.

At Main State, we have an after-hours inspection program of department offices. We also continue our program of bringing Marine Security Guards in training into the Department, 10 times a year, to conduct security sweeps.

We have provided security awareness briefings to over 5,000 Department personnel. In addition, we have closed D Street outside

the building to traffic, and installed cement barriers around the entire building, thus lessening our physical vulnerability.

Finally, and directly because of the laptop incident, the Secretary decided, after consulting with the Director of Central Intelligence, that DOS should take over from INR the responsibility for protection of SCI material in accordance with DCI requirements. We are committed to working hand-in-glove with INR and the DCI to make this transfer as smooth as possible.

In March, I convened an inter-agency review panel, comprised of senior security representatives from the FBI, DOD, the Secret Service, the CIA, and diplomatic security. The panel was asked to review the counter measures currently in place to protect against unauthorized access to Main State building and classified information.

I also requested that they make recommendations to improve security at Main State. The panel's report is complete, and has been sent to the Secretary. Once she and the administration have had an opportunity to review it, I will be glad to share it with the subcommittee.

The panel confirmed our assessment of known weaknesses in our programs, and recommended both short and long-term solutions, that it believed will enhance security at Main State. Their findings center on Main State's access, controls, its physical security, information security, security awareness, our uniform protective officer program, and the creation of a chemical biological program.

I am convinced that the development of a strategic plan to fund and implement these findings will result in a significant improvement in our programs.

The Secretary's leadership in raising security awareness has been invaluable. She has personally emphasized security at every opportunity for the purpose of strengthening the culture of security at State.

As you know, on May 3, she held a Department-wide town meeting on security issues, because of the laptop incident. In the course of that meeting, she stressed that each of our employees must be "our neighbor's keeper" when it comes to security.

The position that she has taken with respect to individual responsibility among our diplomats, that regardless how "skilled you may be as a diplomat . . . if you are not professional about security, you are a failure," has resonated throughout the Department.

Further, when she told the Department employees that the press reports were accurate, and that she was, indeed, "furious" about our security lapses, any mistaken belief anyone might have had that the Secretary wanted simply to let this blow over and be forgotten was forcefully corrected.

It is also significant that Ambassador Marc Grossman, who was sworn in as the new Director General of the Foreign Service on June 19th of this year, is committed to working with us to increase employee accountability with respect to security matters.

That is important because while the Bureau of Diplomatic Security investigates security lapses, it is the Director General who disciplines those who commit the security violations of infractions.

Ambassador Grossman's tough-minded position with regard to security is certain to resonate throughout the Department.

Ambassador Grossman and I have agreed to an action plan, which the Secretary has approved, for strengthening security and accountability, that includes the following: require each bureau in the Department and each mission overseas to include in its Bureau and Mission Program Plans specific steps for increasing security awareness; require a report on all security incidents in the field to be reported immediately to the Department, and ensure that an employee's permanent security incident record is updated and available for reference from Washington and overseas; prospectively increase the sanctions and penalties for security incidents; link security awareness to the promotion and tenuring process by including "security awareness and accountability" in promotion and tenuring precepts, and in all employees' work requirement statements; and require that full field security investigations conducted on candidates for Presidential appointments include security incidents.

Mr. Chairman, I believe that what we have done and are doing, combined with the stark, ugly reality of what security failures produce, have gone a long way in raising awareness at the Department.

I think that we have reached the point where the decided majority of State Department employees have recognized that a threat exists; that poor practices are unacceptable; that security is a high priority with the Secretary, this administration, and this Congress; and that employees will be held accountable for lapses.

I can assure you that the Secretary, the Director General, and I will continue to drive home those points as forcefully as possible.

Finally, and of great significance with regard to the future of security within the Department, the Secretary has identified a need for the creation of a new Under Secretary for Security, Law Enforcement and Counter-terrorism. This proposal is currently being reviewed within the administration.

We believe that such a position will clearly establish lines of accountability and responsibility with respect to the Department's security, law enforcement, and threat functions.

Mr. Chairman, this concludes my testimony. As I indicated, we have been diligent in our efforts to upgrade security at our overseas ports, and we have been successful in making those facilities safer now than ever before. We have also worked very hard to improve our security posture domestically.

Nevertheless, there is still much that needs to be done. We do not intend to stop until we have completed the upgrade of the facilities abroad and completed also our efforts to ensure our security domestically.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Carpenter follows:]

Statement of David G. Carpenter

Assistant Secretary of State for Diplomatic Security and Senior Adviser to the Secretary of State on Security Issues

Before the

Subcommittee On National Security, Veterans Affairs and International Relations of the House Committee on Government Reform

July 19, 2000

Good morning, Mr. Chairman and members of the Subcommittee. I welcome this opportunity to testify before you on the security profile of our United States facilities abroad and of the Department of State domestically.

SECURITY OVERSEAS

On August 7, 1998, our embassies in Dar es Salaam, Tanzania, and Nairobi, Kenya, were bombed simultaneously by extremists bent on the destruction of American presence throughout the world. These tragedies unleashed a massive and intense effort to provide much needed security improvements at all our overseas posts. Although much has been accomplished, more needs to be done. Our overseas facilities are generally more secure now than in August of 1998, but the continuing threat environment worldwide requires that we not lose focus,

that we continue to explore new ways of protecting ourselves, and support a program for new embassy construction.

Steps Taken Overseas

Our goal following the bombings was to immediately improve the security of our threatened consulates and embassies, and we have done so. But at the outset let me say that it is important for this Subcommittee to know that we still have a very basic problem that cannot be fixed quickly. The vast majority of our diplomatic posts fail to meet one of our most basic security standards, namely, the 100 foot setback standard. Until we can build embassies meeting the setback and other security standards, our efforts cannot provide the degree of security all of us want for our people and facilities.

Having recognized that we still have grave security concerns overseas, it is also important for the Subcommittee to know that we have done a lot and that our embassies and consulates are more secure now than ever before. In this regard, let me review for you what we have done through our security upgrade program. Some of these actions have been based solely on DS initiatives; others were suggested by the Accountability Review Boards chaired by Retired Admiral William J. Crowe, the report of the Overseas Presence Advisory Panel (OPAP), and the Office of the Inspector General.

We are aggressively upgrading security at low and medium threat level posts to standards that previously only applied to high and critical rated posts. We no longer believe, in an era of transnational terrorism, that we have low or medium threat posts, nor do we believe that we will always receive tactical intelligence of an imminent attack. Simply put, we must be prepared to meet the most violent terrorist attacks at all of our faciltities all of the time.

The physical security upgrades we have put in place at our embassies and consulates include reinforced perimeter walls, bollards, hardened guard booths, vehicle barriers, and shatter resistant window film. We are upgrading and deploying security equipment to provide better lighting, cameras, and video recorders; bomb detection equipment; armored vehicles, alarm and public address systems; and x-ray equipment. Where possible, we have mitigated the lack of sufficient setback by closing streets and provided for mandatory vehicle inspections.

We have also expanded our Anti-Terrorism Assistance training to aid foreign police in combating terrorism through such appropriate programs as surveillance detection, border security, explosive detection, crisis management, and maritime security.

In addition, we have installed alarm systems at embassies and consulates to alert personnel to impending emergency situations and have instituted a program for the employees to "duck and cover" when the alarms are sounded.

We have also created a new security environment threat list with a modified methodology and criteria for determining threat levels. This process now addresses transnational terrorism as a distinct category as well as the threats from indigenous terrorism and political violence, and the threats from intelligence services, both technical and human, and, of course, crime.

DS has also changed the focus in its training courses for Regional Security Officers and Special Agents to give them greater training on counter-terrorism methodology; explosive ordnance recognition and disposal; chemical/biological weapons threats and defenses; and surveillance detection techniques.

In response to a specific recommendation from the Accountability Review Boards chaired by Retired Admiral William J. Crowe, we are also working with the FBI to better analyze law enforcement information which might have a bearing on threats to our missions overseas and to more quickly disseminate that information to appropriate posts. To that end, a DS special agent has been detailed to the International Terrorism Section

at FBI Headquarters, and DS special agents are participating in the FBI's Terrorism Task Force.

DS has also established the office of The Coordinator for Chemical Biological Countermeasures. That office, which is conducting a worldwide survey to determine vulnerabilities, has purchased and is distributing Chemical Biological equipment to all posts. As part of its educational program, it has distributed instructional materials, including a pamphlet, videos, and a series of cables, to alert all posts to the nature of the threat and to provide defensive guidance. It has also established a comprehensive training program for security professionals and first responders.

The newest addition to our programs and of major significance has been the establishment of surveillance detection programs at almost all of our overseas posts. A critical lesson learned from the bombings is that there is intense surveillance conducted against our facilities prior to an attack. Since going operational in January 1999, surveillance detection teams, most of which work with host government's security services, have observed over 700 suspected incidents of surveillance against our personnel and facilities. It has, in a sense, expanded our security perimeter and zone of control beyond our previous limitations. The surveillance

detection program is clearly a "work in progress," but we feel that it is destined to become a major aspect of our overseas security defenses.

Finally, and I believe most importantly, DS has hired 200 new special agents which has allowed for the creation of 140 new Security Officer positions abroad. By the end of Fiscal Year 2000, we will have 420 DS special agents serving as security officers in 157 countries. DS has also hired 20 additional diplomatic couriers, 17 security engineers, 34 maintenance technicians, and 46 civil servants in support of overseas security.

DOMESTIC SECURITY

Although the African bombings necessarily caused me to focus my attention most closely on overseas security at the beginning of my tenure, three incidents in the Main State building brought home to all of us the need to strengthen domestic information security as well. In February 1998 an unknown male in a tweed coat carried away classified documents from the Secretary's suite of offices. That case, which was investigated by the FBI, is in an inactive status at this time.

The second incident came to light on December 8, 1999, when Russian Intelligence Officer Stanislav Gusev was arrested on the street outside the State Department as he listened in on a

meeting in the Department's Oceans and International Environmental Scientific Affairs' conference room via a bug planted in the chair railing. Gusev, who had diplomatic immunity preventing his prosecution in the US, was asked to leave the country. The investigation by the FBI continues into, among other things, how the bug was planted. That inquiry is still underway.

The third incident was, of course, the disappearance of the laptop believed to have Sensitive Compartmented Information (SCI) material on its hard drive from the Bureau of Intelligence and Research (INR) conference room in January of this year. DS had responsibility together with the FBI after the fact for investigating the security violation, but not for protecting the information beforehand. At this time, the loss of the laptop containing SCI material is under active investigation by DS and the FBI.

Steps Taken Domestically

Mr. Chairman, we learned some valuable lessons about our security posture domestically from these incidents. The fundamental problem making such security lapses possible was not an absence of proper policies and procedures, as those are and have been in place. The problem was simple carelessness. That is, non-compliance and/or disregard for established regulations.

These incidents prompted us to take measures which complement existing regulations and procedures and are designed to change the lax attitude toward security at the State Department. And I believe that we have made substantial progress. We have tightened security in the Secretary's suite of offices. We have adopted a rigorous, comprehensive escort policy; worked to strengthen computer safeguards; and assigned uniformed officers to patrol specific floors inside the building. At Main State we have an after hours inspection program of department offices. We also continue our program of bringing Marine Security Guards in training into the Department ten times a year to conduct security sweeps. We have provided security awareness briefings to over five thousand department personnel. In addition, we have closed D street outside the building to traffic and installed cement barriers around the entire building, thus lessening our physical vulnerability.

Finally, and directly because of the laptop incident, the Secretary decided after consulting with Director of Central Intelligence Tenet that DS should take over from INR the responsibility for protection of SCI material in accordance with DCI requirements. We are committed to working hand-in-glove with INR and the DCI to make this transfer as smooth as possible.

Looking Ahead

In March I convened an interagency review panel comprised of senior security representatives from the FBI, the Department of Defense, the US Secret Service, the CIA, and the Diplomatic Security Service. The panel was asked to review the countermeasures currently in place to protect against unauthorized access to the Main State Department Building and classified information. I also requested that they make recommendations to improve security at the Main State Building. The panel's report is complete and has been presented to the Secretary. Once she and the Administration have had an opportunity to review it, I will be glad to share it with the Subcommittee.

The panel confirmed our assessment of known weaknesses in our programs and recommended both short and long term solutions that it believes will enhance security at Main State. Their findings center on Main State's access controls, its physical security, information security, security awareness, our uniformed protective officer program, and the creation of a chemical/biological program. I am convinced that the development of a strategic plan to fund and implement these findings will result in significant improvement in our programs.

The Secretary's leadership in raising security awareness has been invaluable. She has personally emphasized security at every opportunity for the purpose of strengthening the culture of security at State. As you know, on May 3 she held a Department-wide town meeting on security because of the laptop incident. In the course of the meeting, she stressed that each of our employees must be "our neighbor's keeper" when it comes to security. The position that she has taken with respect to individual responsibility among our diplomats, that regardless how "skilled you may be as a diplomat … if you are not professional about security, you are a failure," has resonated throughout the Department. Further, when she told the Department employees that the press reports were accurate, and she was, indeed, "furious" about our security lapses, any mistaken belief anyone might have had that the Secretary wanted simply to let this blow over and be forgotten was forcefully corrected.

It is also significant that Ambassador Marc Grossman, who was sworn in as the new Director General of the Foreign Service on June 19, is committed to working with us to increase employee accountability with regard to security matters. This is important because while the Bureau of Diplomatic Security investigates security lapses, it is the Director General who

disciplines those who commit the security violations or infractions. Ambassador Grossman's tough-minded position with regard to security is certain to resonate throughout the Department. Ambassador Grossman and I have agreed to an action plan, which the Secretary has approved, for strengthening security and accountability, that includes the following:

- Require each bureau in the Department and each mission overseas to include in its Bureau and Mission Program Plans specific steps for increasing security awareness;
- Report all security incidents in the field immediately to the Department and ensure that an employee's permanent security incident record is updated and available for reference from Washington and overseas;
- Prospectively increase the sanctions/penalties for security incidents;
- Link security awareness to the promotion and tenuring process by including "security awareness and accountability" in promotion and tenuring precepts and in all employees' work requirement statements; and

- Require that full field security investigations conducted on candidates for Presidential appointments include security incidents.

Mr. Chairman, I believe that what we have done and are doing, combined with the stark, ugly reality of what security failures produce, have gone a long way in raising awareness at the Department. I think that we have reached the point where the decided majority of State Department employees has recognized that a threat exists; that poor practices are unacceptable; that security is a high priority with the Secretary, this Administration, and this Congress; and that employees will be held accountable for lapses. I can assure you that the Secretary, the DG, and I will continue to drive home those points as forcefully as possible.

Finally, and of great significance with regard to the future of security within the Department, the Secretary has identified a need for the creation of a new Under Secretary for Security, Law Enforcement and Counterterrorism. This proposal is currently being reviewed within the Administration. We believe that such a position will establish clear lines of accountability and responsibility with respect to the Department's security, law enforcement, and threat functions.

SUMMATION

Mr. Chairman, this concludes my testimony. As I indicated, we have been diligent in our efforts to upgrade security at our overseas posts, and we have been successful in making those facilities safer now than they have ever been before. We have also worked very hard to improve our security posture domestically. Nevertheless, there is still much that needs to be done, and we do not intend to stop until we have completed the upgrade of the facilities abroad and completed also our efforts to ensure our security domestically.

Mr. SHAYS. Thank you very much.

If you could just wait a second, please.

If it is OK with both of you, what we are going to do is, we are going to get our next panel just to come up, and we will exchange seats.

I have some questions, but then I would be asking questions twice and having statements. I think we can make the hearing shorter and more efficient.

So we are going to ask the next panel to come up. Mr. Edwards and Mr. Carpenter will both just listen to the presentation of Jacquelyn Williams-Bridgers and Ben Nelson. So we will swear them in next.

I think we can make this a fairly succinct hearing this way, and I appreciate your cooperation. I will ask you both to stand, because I will swear you in. Thank you.

Is there anyone else that you might want to respond to questions?

Mr. NELSON. There may be, from GAO.

Mr. SHAYS. Thank you. That is helpful, just in case you need to respond. You may not have to.

[Witnesses sworn.]

Mr. SHAYS. Thank you. For the record, all three have responded in the affirmative. If we call on you, we will give the transcriber your card, and we will take care of that.

Ms. Bridgers, we will start with you as Inspector General, this time, and we will go with you, Mr. Nelson, after that. Really, what I am looking to do is just to have you put your statements on the record, and I will be asking you a few questions.

I appreciate the State Department being flexible this way. They can hear what you are saying, and it gives them an opportunity to respond.

Ms. WILLIAMS-BRIDGERS. Sure.

Mr. SHAYS. And that is the way we will proceed. So you have the floor.

STATEMENTS OF JACQUELYN L. WILLIAMS-BRIDGERS, INSPECTOR GENERAL, U.S. DEPARTMENT OF STATE; AND BEN NELSON, DIRECTOR, NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION, U.S. GENERAL ACCOUNTING OFFICE

Ms. WILLIAMS-BRIDGERS. Thank you, Mr. Chairman, for the opportunity to testify on major management challenges facing the Department.

Today, I would like to focus my remarks first on the Department's implementation of the Government Performance and Results Act; and second, on the management of security programs, both at our Embassies overseas and here at home.

The Department's strategic planning process has improved from previous years, but it still does not fully comply with the Results Act. The Department has not yet developed overall priorities for its strategic goals and, consequently, has no overall basis for allocating resources to priorities.

My office's work has also identified the need for improved performance information in the Department's bureau and mission level plans.

Although more comprehensive than the fiscal year 1999 to 2000 plan, the Department's 2001 Performance Plan does not address all of the shortcomings found in last year's plan.

The revised format includes a more detailed description of the Department's activities toward achieving its goals, but there is minimal discussion of the inter-agency coordination, resource allocation, data limitations, and whether or not the data can be verified and validated.

Also, the 2000 plan does not include some of the performance goals, indicators, and management challenges that were identified previously, with no explanation as to why they were excluded this year.

Beginning in 1998, the Department required that all bureaus submit annual performance plans, organized around the Department's 16 strategic goals and three diplomatic readiness goals.

OIG has made recommendations to the Department on how it can improve its bureau plans. Recently, we have made recommendations on how strategic planning could be better used to report the results of the Department's work in reducing trade barriers in the telecommunications area, and the need for better performance data to assess the Department's initiatives on recruiting foreign service specialists.

OIG's work has also focused on the planning efforts at our Embassies. As with the bureaus, each Embassy is asked to submit annually a mission performance plan. Our post-inspections have found that despite its usefulness in improving communications at post, the process of developing the Embassy-level plans has generally not met the objectives set by the Department's planners.

Although the Department instructed posts to focus only on the most important goals and objectives, rather than produce a full mission activity inventory, lengthy mission performance plans generally catalog each post's activities, rather than prioritizing them. Lengthy MPPs are partially a reflection of the Department's lack of prioritization of its overall strategic goals.

The Department stated that it cannot prioritize its work, because U.S. interests in any one part of the world at any one time may reflect a different order from other parts of the world.

In the absence of clearly stated priorities, posts will have little incentive to prioritize their own goals and objectives. Without a clear statement of those priorities, the Department cannot meet the act's intent or its own goal to align resources with priorities.

The Department's fiscal year 1999 performance report reflects the weaknesses of its performance plan. Without annual performance goals, the performance report generally provides a narrative list of accomplishments under each of the 16 strategic goals, and an annex of information on the measures for illustrative goals or performance goals.

Consequently, the report does not provide decisionmakers with a clear assessment of the Department's progress against its goals.

Without increased management attention to setting priorities and developing overall performance goals that can be used to as-

sess its performance, the Department will be unable to make significant progress under the Results Act.

To date, we have seen limited evidence that goals and measures are used in the agency's decisionmaking process. Until that happens, bureau and post officials will continue to be frustrated with what they consider to be a paper exercise, and decisionmakers will be limited in their ability to determine the effectiveness of their programs.

The second major challenge for the Department that I will address today is the need to ensure the safety and security of U.S. personnel and facilities overseas. Security continues to be a paramount concern for the Department.

Security lapses at Main State clearly demonstrate that the Department must address vulnerabilities in protecting vital information on the domestic front, as well as overseas.

By the end of this summer, OIG will have evaluated the physical security and emergency preparedness of 68 Embassies, since the 1988 bombings of our Embassies in Nairobi and Dar es Salaam.

This past year, none of the 42 Embassies we inspected met all the security standards; standards designed to protect our personnel. The lack of a 30 meter setback, as outlined by Ambassador Carpenter, was the most prevalent deficiency.

Addressing inadequate setback, combined with the lack of antiram barrier perimeter walls and adequately protected windows, will require a major long-term construction effort.

Actions have been taken or are underway to correct these items that the Department can quickly fix, such as improving the local guard force, lighting, or alarms at a chancery.

Last year, before this subcommittee, I discussed emergency preparedness and the importance of conducting crisis management exercises and the emergency drills at posts. Despite their importance, OIG has found that most posts are not routinely conducting mission-wide exercises of all the required drills.

In response, the Department has recently issued instructions to all Chiefs of Missions to conduct these drills.

Turning my attention to Washington, following several security incidents at Main State, my office was requested by the Senate Select Committee on Intelligence, to evaluate the effectiveness of Department policies and procedures for protecting classified documents.

We found that the Department had programs in place to evaluate individuals' need to handle classified information. but that improvements to enhance security awareness and controls to prevent unauthorized access were required.

Highly classified documents relating to intelligence reporting were not safeguarded in accordance with Government regulations.

Significant numbers of uncleared visitors were permitted unescorted access to Main State. They were not always escorted to areas where classified information was handled, processed, and discussed.

Finally, unit security officers were not well informed about and did not have the authority to enforce security requirements.

The Department has taken important first steps to address these concerns. However, administrative actions taken to discipline em-

ployees have been and remain ineffective in correcting poor security practices.

Some of the most difficult security issues to correct, both domestically and overseas, deal with information security. In many ways, improving information security may be a bigger challenge than improving physical security, because many of the corrections involve personal behavior, rather than technical equipment.

Correcting identified vulnerabilities requires sustained management attention, leadership, technically qualified people, money, and the desire to do things differently.

Mr. Chairman, in your invitation to testify this morning, you asked that I address the Department's implementation of the Results Act and its management of security programs.

The Department's strategic planning process has improved over the past 2 years. But absent a global priority setting process, we see a need, at a minimum, to establish within geographic regions and areas of activity a process for using strategic planning as a basis for allocating resources to priorities.

In security, the Department has responded well to the need to move quickly in the aftermath of the bombings, and to effectively use emergency funding.

The Department's success, however, is dependent on how well and for how long it exercises disciplined attention to effective security practices, and remains committed to the funding, construction, maintenance, and continual improvement of that infrastructure.

As the Department and the Congress embark on this very expensive commitment, the requirement for the Office of Inspector General is to continue to provide the specialized oversight of the use of those funds for security enhancements.

The Department is now moving from the emergency response mode to a more strategic approach for the rebuilding of our foreign affairs infrastructure, and so must the OIG with the sustained program of expertise in the oversight of these initiatives.

Your continued support for the OIG in this regard is much appreciated. I will answer questions at the appropriate time.

[The prepared statement of Ms. Williams-Bridgers follows:]

STATEMENT OF
JACQUELYN WILLIAMS-BRIDGERS
INSPECTOR GENERAL OF THE
U.S. DEPARTMENT OF STATE AND
BROADCASTING BOARD OF GOVERNORS

FOR THE

COMMITTEE ON GOVERNMENT REFORM
SUBCOMMITTEE ON NATIONAL SECURITY, VETERANS AFFAIRS,
AND INTERNATIONAL RELATIONS
U.S. HOUSE OF REPRESENTATIVES
July 19, 2000

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to testify before your Subcommittee to discuss the major management challenges facing the Department of State (the Department), including implementation of the Government Performance and Results Act and management of security programs.

Summary

The Department's strategic planning efforts have improved over the past 2 years. However, the planning process still does not comply fully with the Government Performance and Results Act of 1993 (Results Act). Department goals are not prioritized, and consequently, there is no overall basis for allocating resources to priorities. OIG has also identified the need for improved performance information in the Department's plans within bureaus and overseas missions. Without increased management attention to setting priorities and developing overall goals that can be used to assess its performance, the Department will be limited in its ability to make significant progress under the Results Act.

The protection of our people, information, and diplomatic facilities overseas continues to be one of the greatest challenges facing the Department. Since the August 1998 bombings of the Embassies in Nairobi and Dar es Salaam, the Office of Inspector General's (OIG's) security oversight has become an even more critical mission. I have created multidisciplinary teams in OIG to evaluate the implementation of physical security initiatives overseas, including the rebuilding of Embassies Dar es Salaam and Nairobi, and to assess the Department's management of more than $2 billion appropriated for new embassy construction and security enhancements.

The Department has done many things well in administering the emergency supplemental funds. Senior level attention has been instrumental in the Department's effective use of the funds. Considerable progress has been made in hiring, assigning, and training new security personnel. Our security assessments of 42 posts overseas, however, showed that a long-term effort is needed to address major deficiencies such as lack of adequate setback and need for antiram perimeter walls. Our assessments also found that most posts are not conducting required emergency drills. Nevertheless, we concluded that overseas our people are better protected today than they were 2 years ago. Although security overseas is improving, recent security lapses at Department of State headquarters (Main State) in Washington, DC, clearly demonstrate the need to enhance security awareness, strengthen disciplinary actions, and improve controls to prevent unauthorized access to information at home.

Other areas that I discussed before the Subcommittee last year remain challenges. In the area of financial management, the Department has a number of initiatives underway, including expanding electronic banking and standardizing overseas financial management systems. However, further improvements are needed in the timeliness of financial statements and management controls. Also, the Department expends more than $1 billion for programs carried out through grants, cooperative agreements, and transfers, but it does not use Departmentwide standardized systems, policies, or procedures to manage these programs. Finally, in the area of property management, the Department needs to refine management systems that identify the backlog to rehabilitate and maintain facilities and also provide a baseline that will address the costs to reduce the backlog to an acceptable level.

Office of Inspector General Operations

OIG's mandate is to improve the efficiency and effectiveness of the Department and Broadcasting Board of Governors (BBG), and to detect and prevent waste, fraud, and mismanagement. In addition to the OIG functions of audit, inspection, and investigation, we have a multidisciplinary office that focuses exclusively on security and intelligence oversight. This office evaluates the ability of overseas posts to respond to threats from terrorism, mobs, physical intrusion, intelligence penetrations, and crime. Our security oversight inspection program supports the Secretary of State's statutory responsibility for the security of all non-military U.S. personnel, property, and information overseas.

The foreign affairs community has established seven broad national interests and strategic goals for international affairs in the following areas: national security, economic prosperity, enhanced services to American citizens overseas and controlling U.S. borders, law enforcement, democracy, humanitarian response, and global issues. The BBG also has its own plan and strategic goal which is to promote the free flow of information around the world. These national interests provide the framework within which OIG

conducts audits, inspections, and interdisciplinary reviews to evaluate the Department's and BBG's progress toward achieving these foreign policy goals.

OIG's first strategic plan, covering the period 1996-2001, established the OIG-wide goals that have guided our work. OIG has striven to be proactive in addressing the Department's efforts to effectively conduct U.S. foreign relations; clearly link resources to policy objectives; and maintain efficient, effective, and secure operations and infrastructures. We are committed to protecting the Secretary of State's ability to pursue the foreign policy objectives of the United States free from the impediments of waste, fraud, and mismanagement. We are currently in the process of developing a new strategic plan that will guide our work into the 21st century.

I would like to turn now to a more detailed discussion of the major management challenges of most interest to this Subcommittee.

Strengthening Strategic and Performance Planning

The Department has developed strategic and annual performance plans built around a framework of 16 strategic and 3 diplomatic readiness goals in response to the Results Act. The 16 strategic goals cover the universe of the United States' foreign policy goals throughout the world and are arrayed under 7 broad national interests I discussed above. The three diplomatic readiness goals define the Department's general responsibilities for managing human resources, information resources, and infrastructure and operations necessary to support the 16 strategic goals.

The Department's strategic planning process has improved, but does not fully comply with the Results Act. For instance, the Department has not developed overall priorities for its strategic goals, and consequently has no overall basis for allocating resources to priorities. OIG's work has also identified the need for improved performance information in the Department's bureau- and mission-level plans. Our ongoing review of mission-level planning also uncovered other weaknesses in the process for developing plans at our overseas posts.

The Department's Annual Performance Plan

Last year I reported that the Department's FY 1999-2000 performance plan was an improvement over the previous plan. The FY 1999-2000 plan contained a comprehensive set of performance goals, baselines, and targets for the Department's diplomatic readiness goals. However, the plan still did not comply with the Results Act. Sections that related to the 16 strategic goals were incomplete, with only one illustrative goal paper listed under each strategic goal. For example, under its regional security strategic goal, the plan listed only a performance goal for its efforts to help implement the peace agreement in Northern Ireland.

The General Accounting Office (GAO) noted the same shortcomings in the Department's FY 1999-2000 plan and also described other problems. For instance, the plan did not sufficiently describe how resources would help achieve goals or any efforts to verify and validate performance information. Consequently, GAO reported that 21 of the other 23 CFO agencies' plans were better at providing the key elements of informative performance plans.

Although more comprehensive, the Department's FY 2001 Performance Plan falls short of adequately addressing the shortcomings found in the FY 1999-2000 Performance Plan and Report. The FY 2001 plan provides more detail and uses a new format that attempts to capture more of the performance goals and measures. It also provides a clear division of responsibility among the Department's various geographic and functional bureaus. Unfortunately, the FY 2001 plan lists performance goals and measures by bureau, which does not lend itself to assessing the agency's performance as a whole. To address this issue, the Department intends to form strategic goal teams to formulate its FY 2002 Performance Plan.

The revised format includes a more detailed description of the Department's activities towards achieving of its goals, but there is minimal discussion of interagency coordination, resource allocation, data limitations, and whether the data can be verified and validated. Also, the 2001 plan does not include some of the performance goals, indicators, and management challenges that were identified previously with no explanation of why they were excluded. For example, the performance goal, "Employee Health," from the FY 1999 Performance Report was not discussed in the FY 2001 Performance Plan. Additionally, the indicators discussed under the performance goal related to maintenance and repair-"the percentage of posts receiving annual global condition surveys"--were not included in the FY 2001 Performance Plan. These problems limit the usefulness of the performance evaluation process.

Bureau Planning

Beginning in 1998, the Department required that all bureaus submit annual bureau performance plans (BPP's) organized around the Department's 16 strategic and 3 diplomatic readiness goals. OIG, in its audits and inspections of specific programs and bureaus, has made recommendations to the Department on how it could improve its plans. For example, our report on Trade Barriers provided recommendations on how strategic planning could be used to better report the results of the Department's work in reducing trade barriers in the telecommunications area. We found that many Department activities produced tangible results, but that the Bureau of Economic and Business Affairs (EB) performance indicators did not provide well-defined statements of its expected performance or accurately capture the Department's contributions to reducing trade barriers. Consequently, we recommended that EB provide a measurable, targeted level of performance for each of its telecommunications' indicators. In the same report, we also recommended that EB, in coordination with the Department's strategic planning team,

develop specific priorities for the national interest of economic prosperity and align its plans accordingly. EB has agreed to address these issues.

OIG's report on recruiting of foreign service specialists also addressed the need for better performance data to assess its initiatives in that area. We found that the Department had made substantial progress in meeting its hiring goals. However, although the Bureau of Personnel's Performance Plan contained initiatives that could improve recruiting, it did not establish specific goals for reducing the lengthy hiring process. OIG identified the need to establish benchmarks to make the hiring process more timely and to incorporate these benchmarks into the Bureau of Personnel's annual plan.

Mission Planning

OIG's work has also focused on the planning efforts at our embassies. As with the bureaus, each embassy is asked to submit, annually, a mission performance plan (MPP) organized around the Department's 16 strategic and 3 diplomatic readiness goals. Our post inspections have found that in some places, the MPP process has fostered communication among the various agencies at posts. For example, OIG's Manila inspection found the MPP to be a useful exercise pulling together all mission elements in its development of a comprehensive plan.

Despite its usefulness in improving communication at posts, the process of developing the embassy-level plans has generally not met the objectives set by the Department's planners. For example, MPPs were supposed to help the Department establish a defined process for setting priorities. Although the Department instructed posts to "focus on only the most important goals and objectives rather than produce full mission activity inventories," lengthy MPPs generally catalog each post's activities rather than prioritizing them. Furthermore, feedback cables from bureaus generally tend to add more issues and overall length to the final documents.

Lengthy MPPs are partially a reflection of the Department's lack of prioritization of its overall strategic goals, which provide the general framework for the MPPs. The Department stated that it cannot prioritize its work because U.S. interests in any one part of the world at any one time may reflect a different order from other parts of the world. In the absence of top-level priorities and with competing interests from regional and functional bureaus, posts have little incentive to prioritize their own goals and objectives. Additionally, the unwillingness to prioritize is tied to a cultural resistance to planning in the Department. In its own assessment of the MPP process, the Department's Strategic Planning Management Group reported that there was an "...ingrained resistance to planning..." in the Department. The Results Act aims for a closer link between the process of allocating resources and the expected results to be achieved with those resources. In accordance with the Results Act, the Department set a goal of allocating resources to its policy priorities. Without a clear statement of those priorities, the Department cannot meet the Act's intent or its own goal to align resources with priorities.

In addition to not using MPP's to realign Department resources, MPPs have not provided the Department with an effective means to evaluate posts' progress in achieving Department goals. Our MPP analysis found that, generally, performance indicators could not be used to gauge progress against the missions' goals. For example, MPPs at several posts set forth a goal of protecting American citizens traveling to and living in those countries. However, associated performance indicators, such as " the number of U.S. citizen arrests reported to the Department" do not allow an assessment of progress against the goal. The Department's own assessment indicated that only 10 percent of posts' indicators were done correctly in the MPPs submitted in 1999. We will report the complete results of our overall MPP effort later this year.

The Department's First Annual Performance Report

The Department's first annual Performance Report for FY 1999 reflects the weaknesses of its performance plan. Without annual performance goals, the performance report generally provides a narrative list of accomplishments under each of the 16 strategic goals and an annex of information on the measures for its illustrative goals. Consequently, the report does not provide decisionmakers in the executive branch or Congress with a clear assessment of the Department's progress against these goals. Additionally, it is unclear how much the Department contributed to some of the outcomes it discusses. For example, under the regional stability strategic goal, the performance report states that "U.S. access to Persian Gulf oil resources continued uninterrupted," but lacks a discussion of how much the Department contributed to that positive outcome.

Although the Department did establish overall annual performance goals in the diplomatic readiness area, the performance report does not provide a clear assessment of how it did against those annual goals. For example, in the human resources area, the FY 1999-2000 Performance Plan provided three annual performance goals, but there is no bottom line in the report on the Department's success in achieving those goals. One of the human resource performance goals was to develop a Departmentwide, integrated workforce plan through 2010 including the former United States Information Agency and the Arms Control and Disarmament Agency. The Report's annex describes the Department's performance under this goal as successful even though it has not yet developed a comprehensive workforce plan. The Report states that the workforce plan was not completed because of the complexities of integration and Y2K preparations. However, the Report does not explain why it considers its performance successful against that goal or when it intends to complete the workforce plan.

One major challenge for the Department is to develop good, outcome-oriented annual performance goals and associated measures for the work it is singularly responsible for. For example, for work related to the goal to support American citizens, the Department does have business processes and customers, and therefore, its efforts can more easily translate to the requirements of the Results Act. However, the performance report generally focuses on outputs--in contrast to outcomes--where it does provide data.

The Performance Report notes that the Department issued 7 million passports in 1999 as compared to 6.5 million in the prior year. Although that is a noteworthy accomplishment, the report does not provide any information on customer satisfaction or the timelines of its processing of passports.

Additional Management Attention Needed

Without increased management attention to setting priorities and developing overall performance goals that can be used to assess its performance, the Department will be unable to make significant progress with its efforts under the Results Act. To date, we have seen little evidence that goals and measures are used in the agency's decisionmaking processes at any level. Until that happens, bureau and post officials will continue to be frustrated with what they consider to be a "paper exercise" and decisionmakers will be limited in their ability to determine the effectiveness of their programs. OIG plans to continue to identify areas where the Department can improve its strategic planning efforts and looks forward to assisting the Department in its efforts to fully comply with the Results Act.

Improved Worldwide Security

Ensuring the safety and security of U.S. personnel and facilities overseas continues to be a paramount concern for the Department. Security lapses at Department of State headquarters facility (Main State) clearly demonstrate that the Department must address vulnerabilities in protecting vital information on the domestic front as well.

By the end of FY 2000, OIG will have evaluated the physical security and emergency preparedness of 68 embassies since the August 1998 bombings of the U.S. Embassies in Nairobi and Dar es Salaam. In addition, we are finishing the final report in a 6-year series of reviews of the new secure chancery facility in Moscow, and we are monitoring progress in the construction of an annex to our Embassy in China.

Throughout the past year, OIG has assessed the Department's financial management systems that account for the emergency security funds used to hire and train security and administrative personnel, and procure goods and services. Our review found the Department has done many things well. The direct involvement of the Under Secretary for Management and the Security Oversight Board has been instrumental in the Department's effective use of emergency security funds. This senior level attention has provided focus for the overseas security enhancements and fostered coordination among the different bureaus.

Improving Physical Security Overseas

In 1999, my office evaluated the Department's efforts to protect staff at 42 embassies. None of the 42 embassies met all security standards. The lack of a 30-meter setback was the most prevalent deficiency. Addressing inadequate setback, combined

with the lack of antiram perimeter walls and adequately protected windows, will require a major, long-term construction effort. Actions have been taken or are underway to correct those items that the Department can quickly fix, such as improving the local guard force, lighting, or alarms at a chancery.

Although a program of sustained capital investment is essential to ensure the security of the diplomatic infrastructure in the future, such a program will not immediately alter the circumstances of personnel overseas. Even a major construction program will leave the majority of missions vulnerable to some threats. My office has attempted to focus on measures that can be taken in the near term to reduce those vulnerabilities.

The current interim facilities for Embassies Dar es Salaam and Nairobi are more secure than at the time of the August 7, 1998, bombings, but both Embassies still faced problems at the time of our security evaluation. Embassy Dar es Salaam lacked sufficient emergency electrical power for security systems such as exterior security lights, alarms, and vehicle barriers. My office identified the need at Embassy Nairobi to reduce the risk of exposure presented by the large glass windows in the front of the interim chancery building and to provide a secondary exit point from the compound. After our inspections, the Department corrected the emergency power problem at Embassy Dar Es Salaam and replaced the windows at Embassy Nairobi. The interim facilities are a temporary solution and too small to house all official Americans at post. Money has been appropriated and contracts have been signed for the new chanceries planned for Nairobi and Dar Es Salaam.

Enhancing Emergency Preparedness

Last year, I discussed emergency preparedness and the importance of conducting crisis management exercises and emergency drills at posts. Despite their importance, OIG has found that most posts are not routinely conducting missionwide exercises of all required drills in all facilities. In response, the Department has recently issued instructions to all Chiefs of Mission to conduct all required drills. The FY 2000 Omnibus Appropriation Act mandates that a program of appropriate instruction in crisis management be provided to personnel at diplomatic facilities at least annually.

I have also raised the issue of OIG's September 1998 recommendation for a new imminent danger notification system providing warning for embassy employees to "duck and cover" in the event of a vehicle bomb attack threat. The Department has accepted the recommendation.[1] OIG's embassy inspections contributed to more effective and rapid installation of the notifications systems while also stressing the need for timely, frequent duck and cover drills, especially at missions lacking setback. The Department also implemented dozens of other OIG recommendations to correct security vulnerabilities.

[1] The OIG "duck and cover" recommendation was included in Admiral William J. Crowe's "*Report of the Accountability Review Boards on the Embassy Bombings in Nairobi and Dar es Salaam*," issued January 1999.

Increasing Staff for Overseas Security

The Department is making considerable progress in hiring, assigning, and training new security personnel. The FY 1999 emergency security appropriation authorized and funded 391 new positions to help address staffing shortages in support of overseas security, of which 337 were in DS. DS has established a new position, security technician, to maintain and repair technical security systems overseas. All DS positions have been filled, and 105 of the security personnel have been deployed overseas. Others are in training or have domestic assignments supporting the overseas positions. Training for regional security officers has been lengthened to include bomb detection, the use of the new equipment purchased with the emergency security funds, and new security programs such as surveillance detection.

Protecting Classified Information

Following several security incidents at Main State, my office was requested by the Senate Select Committee on Intelligence to evaluate the effectiveness of Department policies and procedures for protecting classified documents at Main State. Our report[2] found that the Department had programs in place to evaluate individuals' need to handle classified information, but improvements to enhance security awareness and controls to prevent unauthorized access were required. Highly classified documents relating to intelligence reporting were not safeguarded in accordance with government regulations. Significant numbers of uncleared visitors were permitted unescorted access to Main State, and were not always escorted in areas where classified information was handled, processed and discussed. Finally, unit security officers were not well informed about, and did not have the authority to enforce, security requirements. Administrative actions taken to discipline employees have been ineffective in correcting poor security practices.

In OIG's report, we recommended that the Bureau of Diplomatic Security (DS) be designated as the organization responsible for protecting sensitive compartmented information and that DS enhance physical and procedural measures required to safeguard such information. The Secretary's April 24, 2000 decision, to transfer authority for protection of sensitive intelligence-related material from the Bureau of Intelligence and Research to DS implements critical corrective actions that we recommended as essential to ensure proper safeguards for the most sensitive intelligence-related information.

In August 1998 when we began our review, Department policy allowed visitors to move about unescorted once they demonstrated to a guard at one of the perimeter entrances that they had valid business in the building. These visitors were unaccompanied even when proceeding to areas where classified information was handled, processed, and discussed. OIG concluded that such access posed an unnecessary security risk and that greater control over the movement of all visitors was needed.

[2] *Protecting Classified Documents at State Department Headquarters (SIO/A-99-46), September 1999.*

In August 1999, the Department instituted a new escort policy that requires all visitors who do not possess a valid U.S. Government identification card to be escorted at all times while in Main State. This is an excellent first step, and we will report back at a later date on the implementation of and compliance with the policy.

OIG also found that the Department's security incident program has not been effective because security awareness and administrative and disciplinary actions have not been sufficient. Repeat offenders receive letters of warning and, depending on the gravity of the situation, they can continue to retain their security clearances for access to classified information and retain their SCI access. We recommended that the Department increase the frequency of security briefings and related training, and the Department has begun to do so. We also recommended that the Department strengthen the disciplinary actions associated with security incidents. The Director General and DS are looking into options for implementing this recommendation.

Information Security

Some of the most difficult security issues to correct, both domestically and overseas, deal with information security. In many ways, improving information security may be a bigger challenge than improving physical security, because many of the corrections involve personal behavior rather than technical equipment. Correcting identified vulnerabilities requires sustained senior management leadership, technically qualified people, money, and a desire to do things differently.

My office has recently consolidated its information technology and its longstanding information security efforts and created a single Information Resources and Security Management Division in the Office of Audits. The division will address emerging issues in five areas: information management, telecommunications, information security, information technology human resources, and information warfare. Our plan is to focus on strategic objectives to ensure that:

- Potential cost efficiencies and opportunities for streamlining information management activities are identified and best practices shared;
- U.S. personnel, facilities, information, and material are more secure through the identification and correction of security weaknesses and deficiencies; and
- Systemic weaknesses in information systems and security management are reduced.

Over the past few years, OIG audits of the Department's classified and unclassified computer systems have identified numerous vulnerabilities that we have worked with the Department to correct. For example, in November 1999, OIG issued an

audit report, *Overseas Telephone Systems Security Management,*[3] that raised concerns about widespread access by Foreign Service national employees to our sensitive but unclassified networks and our telephone switches.

OIG also assessed the security controls within the automated Paris Regional Accounting and Disbursement System as part of our audit of the Department's financial statements. The four main servers at the Paris Financial Service Center were highly vulnerable to penetration by unauthorized internal system users. In addition, that passwords governing access to the Paris Accounting and Disbursement System were easily compromised because of weak password administration procedures. In response, the Department has upgraded all of its servers and clients at the Paris Financial Service Center to a more secure configuration, and has installed a filter that requires passwords to be at least eight characters long and contain a mix of letters, numerals, and special characters. Among other actions taken in the information security area, the Department has assigned the Chief Information Officer the responsibility and authority for ensuring that the Department's information security policies, procedures, and practices are adequate.

OIG is currently reviewing the Department's critical infrastructure protection plan to determine the extent to which it meets the requirements of Presidential Decision Directive Number - 63. As part of our assessment, we are evaluating information assurance and critical infrastructure protection issues affecting the Department domestically and overseas, and those affecting host countries and governments. Further, we plan to determine whether the Department is adequately balancing Departmentwide security risks--here and abroad--against the estimated cost of its critical infrastructure requirements. In related work, the OIG recently completed an inspection of the Beltsville, Maryland, Information Messaging Center. Recommendations in the report called for an upgraded information systems security program and trained information system security officers. The Department agreed with OIG's findings and is taking actions to address the security concerns.

Improving Financial Management

As was the case last year, financial management continues to be a major management challenge. The Department accounts for over $5 billion in annual appropriations and over $17 billion in assets. The Department's preparation of agencywide financial statements continues to improve. After a difficult initial period, FY 1996 marked the first year the Department prepared an agencywide financial statement. For the third consecutive year, the Department received an unqualified opinion on its FY 1999 Principal Financial Statements -- a significant achievement. In addition, the Department has a number of initiatives under way that should improve financial management. For example, it is striving to expand electronic banking by using industry standard technologies and methodologies, working to standardize overseas financial

[3] *Overseas Telephone Systems Security Management (SIO/A-00-01), November 1999.*

management systems, and placing a greater emphasis on performance measurement to define success and evaluate performance. The Department, with OIG assistance, has improved its remediation plan for financial management systems required under the Federal Financial Management Improvement Act.

Although the Department has made significant progress, much work remains to be done. Further improvement is needed in the timeliness of the Department's financial statements. For example, the FY 1999 audited financial statements were issued in June 2000, more than 3 months after the required due date of March 1. However, the FY 1999 audited statements were more timely than FY 1998 statements because of the Department's earlier preparation of the draft statements and improved responsiveness to audit requests. In addition, although the Department was not able to meet the Department of Treasury's timelines for submitting data for the FY 1999 governmentwide statements, the due date was missed by only a few days. Although we have seen much improvement, the Department still needs to place more emphasis on meeting the required deadlines so that timely and useful financial information is available.

Although recent audits of the financial statements have not identified any material misstatements related to the information in the financial statements, some deficiencies related to internal controls and instances of noncompliance with laws and regulations have been identified. One of the areas that has been highlighted in the financial statement opinions is inadequate information management security over some of the Department's financial systems. For instance, our FY 1998 audit brought to management's attention significant concerns with the security of the overseas regional accounting and disbursing system in Paris. GAO independently identified a number of similar security issues related to the Department systems. We continue to work with the Department to address these issues.

In the audit of the Department's FY 1999 financial statements, we noted significant improvements in overseas financial system security. We reviewed the security of another overseas regional accounting system in Bangkok as well as updated our findings from the previous year's work. The Department has made much progress in correcting deficiencies that we had reported in past years, which has led to improved information security. For example, the Department's Financial Service Center in Bangkok used our draft report on the Paris accounting system to make changes to secure its local area network and identify intrusions. As a result, during the most recent audit, our contractors attempted but were unable to compromise the security over Bangkok's regional accounting system and concluded that the overall physical security was excellent. However, we still have concerns with security over domestic financial systems especially in light of a recent virus attack that caused severe disruption to the preparation of the FY 1999 financial statements.

Like FY 1997 and FY 1998, the financial statement audit report for FY 1999 also discussed the inadequacy of internal controls over the management of unliquidated obligations and the inadequacy of the Department's financial and accounting systems. In

addition to internal control weaknesses, the financial and accounting systems also do not comply with several laws and regulations, including the Budget and Accounting Act of 1950, the Federal Managers' Financial Integrity Act, the Chief Financial Officers Act, and the Federal Financial Management Improvement Act. In accordance with a determination that the Department's systems do not substantially comply with Federal financial systems regulations, the Department issued a remediation plan with a targeted completion date of FY 2003. We will continue to monitor the implementation of this plan.

Security Funding

Over the past year, my office has assessed the Department's controls and systems that account for and manage the emergency security funds. Given the purpose for which these funds were provided and the large amount of funds involved (over $2 billion received in FYs 1999 and 2000, with more to come in later years), it is critical that the Department has controls in place to ensure its financial management systems can provide complete and accurate information on transactions involving security funds.

Overall, we found that the systems and processes in place were sufficient to ensure that the Department can account for and properly manage the FY 1999 emergency security funds, with the exception of some funds provided to overseas posts. However, the financial controls over funds that were allotted to posts were not sufficient to provide the information the Department needed for reporting or that program managers needed to manage the funds. A significant amount of the funds, approximately $82 million, were allotted to posts for bureau-funded expenses ($6 million) and services provided through the International Cooperative Administrative Support Services (ICASS) system ($76 million). We found that while these amounts were merely internal transfers to posts, they were captured as obligations in the Department's accounting system. Thus, amounts reported to Congress as obligated were overstated. Since our status report was issued, the Department took steps to correct reporting for expenses related to the bureau-funded expenses. However, the Department does not plan to take action on correcting reports for the majority of funds alloted to posts under ICASS until September 2000, at the earliest.

In addition to the issues raised in the status report, we have identified other areas of concern related to the Department's systems and processes for tracking and monitoring emergency security funds. Information was not captured on post emergency fund transactions in sufficient detail to meet the Department's reporting and managing needs. Specifically, local guard program component costs could not be identified in the Department's accounting system and specific costs for each component were not properly segregated to meet management needs. Also, OIG identified discrepancies in accounting records and found that the flow of emergency fund management information at posts could be improved. Inaccurate accounting records and the lack of complete, readily available information adversely affected posts' ability to properly manage these funds.

Federal Financial Assistance Management

In my previous testimony, I noted weaknesses in the Department's management of grants and other Federal financial assistance programs. The Department annually expends more than a billion dollars for a variety of programs carried out through assistance instruments such as grants, cooperative agreements, and transfers; however, it does not use standardized systems, policies, or procedures to manage these programs.

Currently, OIG is participating in a joint effort with the Grants Management Review Committee, chaired by the Department's Chief Financial Officer. One of the goals of the committee is to identify the scope and magnitude of programs carried out Department-wide. OIG recently began a review of Department bureaus with the overall objective of evaluating the Department's management of grants and other forms of Federal financial assistance to nonprofits and state and local governments. This review will also assist the Department in establishing uniform policies and procedures for issuing and managing such awards. This work is particularly critical because many of these programs fall below the Office of Management and Budget's threshold for audits, or are not covered by the OMB circulars.

Previous OIG audits identified insufficient monitoring and oversight of grantees; unauthorized, unallowable, and unsupported costs; internal control weaknesses; or noncompliance with applicable regulations associated with these awards. For example, OIG found that the sale and immediate rental of a building by a grantee did not comply with Office of Management and Budget requirements, resulting in about $4 million in questioned rental costs over the life of the lease. In other cases, we questioned about $3 million when grantees did not properly document or use Federal funds for authorized purposes.

In this era of diminishing resources and increased emphasis on performance results, the managing and monitoring of the recipients of these funds has become more critical. Furthermore, legislative requirements will affect how the Department manages grants and monitors nongovernmental organizations in the future. On November 20, 1999, for example, the President signed Public Law 106-107, the Federal Financial Assistance Management Improvement Act, which requires the Department to streamline and simplify the application, administration, and reporting procedures for Federal financial assistance programs. OIG is working with the Department to establish common systems and controls. In addition, OIG is coordinating with the U.S. Agency for International Development OIG on potential cooperative audit efforts.

Improving Real Property Management and Maintenance

The Department holds 12,000 properties with an estimated historical cost of about $4 billion. The management and maintenance of these properties remains a significant challenge facing the Department. The Under Secretary for Management testified last year

that cost-cutting over the past several years has resulted in poorly maintained properties, and described the state of disrepair of many Department-owned buildings overseas as shocking. The Department reports that its unfunded maintenance and repair requirements as about $130 million for 686 buildings overseas. Although the Department has reported that a building with significant requirements for maintenance may still be able to carry out and support its mission, it is not without costs in terms of morale and efficiency.

The Department had identified rehabilitation and maintenance of real property overseas as a material weakness in the Federal Managers' Financial Integrity Act Report since 1988. The Department's Management Control Steering Committee closed this weakness in 1999 over OIG's objection. The Department believes that all conditions had been met with the exception of the establishing an acceptable threshold of backlog for maintenance and repair needs. Although significant improvements have been made in correcting this weakness, OIG believes that the Department needs to refine management systems that identify the backlog to rehabilitate and maintain facilities and also provide a baseline against which the cost and progress in reducing the backlog to an acceptable level can be measured.

As I reported in my statement to the Subcommittee last year, my office has continued to advise the Department of excess, underutilized, or obsolete real properties identified in our inspections and audits at overseas posts. The Department evaluated 172 properties that OIG categorized as excess, underutilized, or obsolete at the time of the inspection or audit. Of these, the Department plans to dispose of 65, an additional 17 warrant further study, and the remaining 90 will be the subject of dialogue between the Bureau of Administration's Office of Foreign Buildings Operations and the regional bureaus. Since the OIG reviews began, the Department has given one property to the city of Bonn and sold 12 properties. The total sales of the properties as of March 31, 2000 amounted to $20,276,451. These reviews will be used by the Department to better manage its real property assets.

* * *

Mr. Chairman, in your invitation to testify this morning you asked that I address the Department's implementation of the Results Act and its management of security programs. I have, therefore, focused my remarks on these issues. In the area of security, the tragedies in Africa have captured the attention of the Department of State, the Congress and the American public. Meanwhile, recent security lapses at home have been a wake up call that other aspects of security, just as vital to the defense of American interests as physical security, also need attention.

The Department has responded well to the need to move quickly in the aftermath of the bombings and to use the emergency funding. The Department's success is dependent on how well and for how long it exercises disciplined attention to effective security practices and remains committed to funding the construction, maintenance and continual improvement of that infrastructure.

As the Department and the Congress embark on this expensive commitment, the requirement for the Office of the Inspector General to provide specialized oversight of the use of those funds for security enhancements also increases. The Department is now moving from an emergency response to a more strategic approach for the rebuilding of our foreign affairs infrastructure, and so must the OIG with a sustained program of expertise in the oversight of these new initiatives.

With the exception of a small one-time emergency supplemental appropriation in FY99, funding for the Office of the Inspector General has been straightlined since FY96. Increased funding for security and for those charged with overseeing security improvements for you and for the Department is only one of the ingredients necessary for rebuilding infrastructure and changing attitudes toward security, but it is a vital ingredient for all of us. Your continued support for OIG in this regard is appreciated. That concludes my summary, Mr. Chairman. I will be glad to answer any questions you or members of the Subcommittee may have.

Mr. SHAYS. Thank you very much, Ms. Williams-Bridgers.

Mr. Nelson.

Mr. NELSON. Good morning, Mr. Chairman.

I am pleased to be here today to provide an update on the Department of State's progress in addressing many of the security and other management challenges raised during a hearing before this subcommittee last year.

These challenges arise from the Department's responsibility to maintain operations at over 250 overseas locations to support its mission and that of about 40 other U.S. Government agencies, and to protect over 50,000 U.S. and foreign national employees at hundreds of overseas facilities.

The State Department spends a substantial amount of its $4.3 billion foreign affairs administration budget on business-type activities that support its global operations.

These activities provide staff overseas with access to financial and information services, security, housing, personnel services, and more.

In making decisions on the size and capacity of the support structure at any particular location, State must consider the views of other U.S. Government agencies, including Defense, Commerce, Agriculture, Treasury, and Justice.

Since last year's hearing, an independent advisory panel has examined the U.S. overseas presence, and recommended options for streamlining and right-sizing overseas operations, consistent with U.S. policy priorities and a vastly changing world, with new requirements for security, communications, technology, and service. Many of the panel's recommendations address concerns that we have raised over the years.

My testimony will focus on State's progress in addressing the challenges it faces in its efforts to achieve a more secure, efficient, and effective network of operations, including its response to the recommendations from the independent advisory panel.

Mr. Chairman, the major challenges that the Department faces are the same as those identified last year, and which you enumerated in your opening comments.

This includes better utilizing the Government Performance and Results Act process to improve strategic and performance planning in the pursuit of overall mission, policy, and operational objectives; improving the security of U.S. personnel and facilities at overseas locations in a cost effective and timely manner; determining the right-size and location of U.S. overseas presence to both improve the efficiency of operations and reduce the security burden; and finally, upgrading information and financial management systems to further improve communications, accountability, and decision-making.

State has indicated that it will need several billion dollars in capital construction and other investments over several years to achieve operations that can effectively support U.S. overseas interests.

To successfully meet any of these challenges, the Department needs to have a clearly articulated vision, a coherent strategy, and congressional commitment and oversight to make sure that intended results are achieved.

Let me provide a brief summary of State's progress, remaining challenges, and obstacles in each of the four areas that I mentioned.

The leadership team at the Department has recognized many of these challenges, and has devoted substantial resources to addressing them. As a result, State has made considerable progress in many areas, but still faces significant obstacles in achieving an efficient, effective, and secure overseas platform to support U.S. interests.

Briefly, in the area of strategic and performance planning, our evaluations have shown that State's strategic and performance plans have had their strong points. However, they have only partially met the requirements of the 1993 Government Performance and Results Act.

State's strategic plan defined U.S. interests and clarified U.S. foreign policy goals. Its annual performance plan for fiscal year 2000 showed improvement over prior years' plans, in terms of linking strategies and measures to goals.

However, the plan also fell short in a number of areas. For example, it did not present a complete picture of baselines, targets, and measures for some of the strategic goals, and did not elaborate on how State plans to work with other agencies to achieve progress on cost cutting issues such as trade policy and stopping the flow of illegal narcotics.

State recently issued its fiscal year 1999 performance report, the first one required under the Results Act, and its performance plan for fiscal year 2001. Both have some of the same weaknesses found in prior planning efforts.

In particular, the performance report does not adequately demonstrate State's level of success in achieving desired outcomes, or the way in which State's actions actually led to the achievement of desired goals.

State recognizes that it needs to continue to strengthen its strategic and performance planning as part of its overall effort to improve management and address critical issues.

The next area is security. In light of the potential for terrorism by groups opposed to U.S. interests, enhancing the security of Embassies and consulates might well be the most significant challenge facing the Department.

In the aftermath of the bombings of two United States Embassies in Africa in 1998, State, using about $1.5 billion in emergency supplemental funds, started to significantly upgrade security at all of its overseas posts and build new facilities that meet higher security standards.

However, the Department faces many challenges to its goals in this area. State has made progress in implementing certain emergency security upgrades, such as initiating a surveillance detection program, and providing armored vehicles. But because of the scope of the program, many facilities are still awaiting enhancements such as barriers, walls, and other safeguards.

In addition, due to more stringent security requirements and better documentation of what is needed at individual posts, State estimates that the emergency upgrades may cost hundreds of millions

of dollars more than originally envisioned, and will likely take several years to complete.

Moreover, State is encountering several obstacles in its efforts to construct new and more secure Embassies and consulates, including difficulties in purchasing suitable sites for buildings, and gaining agreement among agencies on future staffing levels and resulting requirements.

Another key challenge for State is to right-size its overseas presence. State is in the early stages of examining options to restructure overseas presence, in light of changing needs in the post-cold war world and advances in technology.

We have recommended that State reexamine the way it conducts overseas administrative functions, such as relocating and housing employees.

From my work, we have also suggested that State explore the potential for regionalizing certain functions, and making greater use of technology and outsourcing, to achieve efficiencies and improve performance. Actions in these areas could potentially reduce the overseas presence.

State has established several committees to consider the recommendations of the overseas presence advisory panel, regarding right-sizing and greater use of information technology, and the management of capital facilities.

The last area, Mr. Chairman, involves information and financial management. Consistent with our recommendations, State has made many improvements in its information and financial management systems. State was able to successfully meet Y2K challenges and received unqualified opinions on its financial statements for fiscal years 1997, 1998, and 1999. However, it faces continuing challenges in this area.

Currently, there is no common platform serving all agencies operating overseas. Despite the success I mentioned, State still does not have an integrated financial management system that meets the requirements of the Federal Financial Management Improvement Act of 1996.

Improvements in these areas would provide managers with more timely information that they need to operate in a more businesslike fashion, and to make cost-based decisions.

Mr. Chairman, this concludes my opening remarks. I would be happy to answer any questions that you may have.

[NOTE.—The GAO report entitled, "State Department Overseas Emergency Security Program Processing, But Costs Are Increasing," may be found in subcommittee files.]

[The prepared statement of Mr. Nelson follows:]

United States General Accounting Office

GAO

Testimony

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STATE DEPARTMENT

Progress and Challenges in Managing for Results

Statement of Benjamin F. Nelson, Director, International Relations and Trade Issues, National Security and International Affairs Division

GAO/T-NSIAD/AIMD-00-254

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to provide an update on the Department of State's progress in addressing many of the security and other management challenges raised during a hearing before this Subcommittee last year. These challenges arise from the Department's responsibility to maintain a network of operations at over 250 overseas locations to support its mission and that of about 40 other U.S. agencies that operate overseas and to protect over 50,000 U.S. and foreign national employees at hundreds of overseas facilities. State spends a substantial amount of its $4.3-billion foreign affairs administration budget on business-type activities that support its global operations. These activities provide staff overseas with access to financial and information services, security, housing, personnel services, and more. In making decisions on the size and capacity of the support structure at any particular location, State must consider the views of other U.S. government agencies including Defense, Commerce, Agriculture, Treasury and Justice. Since last year's hearing, an independent advisory panel has examined the U.S. overseas presence and recommended options for streamlining and rightsizing overseas operations consistent with U.S. foreign policy priorities and a vastly changing world with new requirements for security, communications, technology, and service.[1] Many of the panel's recommendations address concerns that we have raised over the years.

My testimony today will focus on State's progress in addressing the challenges it faces in its efforts to achieve a more secure, efficient, and effective network of operations, including its response to the recommendations from the independent advisory panel. The major challenges include

[1] *America's Overseas Presence in the 21st Century*, the report of the Overseas Presence Advisory Panel, November 1999.

- better utilizing the Government Performance and Results Act process to improve strategic and performance planning to better achieve overall mission, policy, and operational objectives;
- improving the security of U.S. personnel and facilities at overseas locations in a cost-effective and timely manner;
- determining the right size and location of the U.S. overseas presence to both improve the efficiency of operations and reduce the security burden; and
- upgrading information and financial management systems to further improve communications, accountability, and decision-making.

State has indicated that it will need several billions of dollars in capital construction and other investments over several years to achieve operations that can effectively support U.S. overseas interests. To successfully meet many of these challenges, the Department needs to have a clearly articulated vision, strategy, and congressional commitment to make sure that intended results are achieved. Let me provide a summary of progress, remaining challenges, and obstacles in each of the areas I mentioned.

SUMMARY

The leadership team at the Department of State has recognized many of its critical management challenges and devoted substantial resources to addressing them. As a result, State has made considerable progress in many difficult areas but still faces significant obstacles in achieving an efficient and effective overseas platform to support U.S. interests.

- Our evaluations showed that although State's strategic and performance plans had their strong points, they only partially met the requirements of the 1993 Government Performance and Results Act. State's strategic plan defined U.S. interests and

clarified U.S. foreign policy goals, and its annual performance plan for fiscal year 2000 showed improvement over the prior year's plan in linking strategies and measures to its goals. However, its fiscal year 2000 performance plan also fell short in a number of areas. For example, it did not present a complete picture of baselines, targets, and measures for some of its strategic goals and did not elaborate on how State plans to work with other agencies to achieve progress on cross-cutting issues, such as trade policy and stopping the flow of illegal narcotics. State recently issued its fiscal year 1999 performance report, the first required under the Results Act, and its performance plan for fiscal year 2001. Both have some of the same weaknesses found in its prior planning efforts. The performance report does not adequately demonstrate State's level of success in achieving desired outcomes or the way in which State's actions actually led to the achievement of desired goals. State's performance plan for fiscal year 2001 provides more detail on its intended performance compared to prior years' plans but it will be difficult to determine the extent tangible results will be achieved because of the Department's numerous, scattered targets. State recognizes that it needs to continue to strengthen its strategic and performance planning as part of its overall effort to improve management and address critical challenges.

- In light of the potential for terrorism by groups opposed to U.S. interests, enhancing the security of embassies and consulates might well be the most significant challenge facing the Department of State. In the aftermath of the bombings of two U.S. embassies in Africa in 1998, State, using about $1.5 billion in emergency supplemental funds, started to significantly upgrade security at all of its overseas posts and build new facilities that meet higher security standards. However, State faces many challenges to its goals in this area. State has made progress in implementing certain security upgrades, such as surveillance detection programs and providing armored vehicles, but because of the scope of the program, many facilities are awaiting enhancements, including barriers, walls, and other safeguards. In addition, due to an increase in project scope resulting from more stringent security requirements and better documentation of what was needed at individual posts, State

estimates that the emergency upgrades may cost hundreds of millions of dollars more than originally envisioned and will likely take several years to complete. Moreover, State is encountering several obstacles in its effort to construct new and more secure embassies and consulates. Some of these hurdles include difficulties in purchasing suitable sites for new buildings and gaining agreements among agencies on future staffing levels and resulting requirements.

- Another key challenge for State is to rightsize its overseas presence. State is in the early stages of examining various options to restructuring overseas presence in light of changing needs in the post cold war world and advances in technology. We have recommended that State reexamine the way it conducts overseas administrative functions, such as relocating and housing employees. From our work, we also have suggested that State explore the potential for regionalizing certain functions and making greater use of technology and outsourcing to achieve efficiencies and improve performance. Actions in these areas could potentially reduce the U.S. overseas presence. In November 1999, the Overseas Presence Advisory Panel convened by State, issued a report calling for changes in the size, composition, and management of the U.S. overseas presence. Many of the panel's findings are consistent with our observations from our work in recent years. State has established several committees to consider the panel's recommendations. In addition to rightsizing, they are considering options identified by the panel to improve information technology and management of capital facilities.

- Consistent with our recommendations, State has made many improvements in its information and financial management systems but faces continuing challenges in working with U.S. agencies operating overseas to standardize information technology capabilities and to correct weaknesses in its information security and financial management systems. State was able to successfully meet Y2K challenges and has received unqualified opinions on its financial management statements for fiscal years 1997, 1998, and 1999. However, devising a common technology solution that would

permit electronic communication between agencies overseas and improve the productivity and effectiveness of overseas staff remains a formidable task. Our evaluations of State's computer networks and assessments by State's Inspector General also point to the continued need for State to assess its controls over sensitive information. Regarding financial management, the Department's Office of Inspector General has reported that State's financial systems do not comply with certain federal laws and requirements largely due to the overall lack of organization and integration of the Department's financial management systems. Improvements in its financial management systems, including those required to be in compliance with the Federal Financial Management Improvement Act of 1996, would provide managers with the more timely information they need to operate in a more business-like fashion and make better cost-based decisions.

STRENGTHENING STRATEGIC AND PERFORMANCE PLANNING

The Government Performance and Results Act provides a framework for addressing management challenges and increasing accountability for results in programs and operations. Under the Results Act, agencies are to prepare a five-year strategic plan that defines their mission, long-term goals, and strategies to achieve the goals; and an annual performance plan that communicates performance goals, targets, and measures. The Act also requires that, beginning this year; agencies prepare an annual performance report describing actual performance in comparison to stated goals and targets.

As required by the Results Act, State has prepared a strategic plan and annual performance plans. Our review of State's performance plan for fiscal year 2000[2] found that improvements had been made over the prior year's plan, including the addition of results-oriented goals, quantifiable measures, and baselines for many of its performance goals. However, while State's foreign policy goals cover a wide spectrum of U.S.

national interests, its plan did not provide a full range of objectives, strategies, and performance indicators for all of its 16 strategic goals. To illustrate, one of State's strategic goals is to open foreign markets to U.S. firms. Within this goal, State identified two major objectives but elaborated on only one in detail. In addition, the plan did not describe how State would coordinate with other agencies contributing to the same or similar results. For example, State says it works closely with the U.S. Trade Representative and the Department of Commerce on specific U.S. government export promotion efforts without explaining precisely what each agency will do.

We have analyzed State's performance report for fiscal year 1999 and its performance plan for fiscal year 2001. We found that it is difficult to judge how the agency performed or can be expected to perform in some areas. For example, one of State's outcome goals is to enhance the ability of American citizens to travel and live abroad securely. Due to data limitations, State's progress in meeting this outcome is inconclusive. For example, neither the performance report nor the plan provides performance information on passport issuance. The report does, however, discuss State's progress in providing U.S. citizens with information and other services. Another of State's goals is to reduce international crime and availability and/or use of illegal drugs. State's performance plan highlights why these key outcomes are important; however, it does not clearly identify State's progress towards meeting its goals. State reports on only one of four measures identified in the plan--international training programs--which accounts for less than 2 percent of State's international narcotics and law enforcement budget.

State's performance report addressed most of the agency's major management challenges in some manner. However, its fiscal year 2001 plan has not adequately addressed challenges in key areas, including managing information technology modernization and security, the hiring and training of staff, and improving financial management systems. Also, as in prior years' plans, there is no discussion of whether State coordinated with the

[2] *Observations on the Department of State's Fiscal Year 2000 Performance Plan* (NSIAD-99-183R, July 20, 1999.)

numerous partner agencies listed in the plan, how resources will be used to achieve goals, what data limitations there were, or whether the data used was validated and verified.

State's fiscal year 2000 plan acknowledged that the process of managing for results as envisioned by the Results Act is not well entrenched in the Department. Although improvements are evident in the Department's first performance report and its latest performance plan, State shares our view that much more needs to be done to strengthen strategic and performance planning in the agency. State officials have indicated that the Department plans to form strategic goal teams to produce a more focused fiscal year 2002 performance plan. State officials also acknowledge that performance plans need to better address State's major management challenges. Accordingly, State officials said they plan to amend the fiscal year 2002 plan to make it more comprehensive, particularly in the areas of managing information technology modernization and security, hiring and training staff, and improving financial systems.

ENHANCING OVERSEAS SECURITY

The August 1998 bombings of the U.S. embassies in Nairobi, Kenya, and Dar es Salaam, Tanzania, highlighted the security management challenge of upgrading and/or replacing most embassies and consulates in a timely and cost effective manner. Immediately after the bombings in Africa, State deployed teams to Kenya and Tanzania to assess the damage firsthand and estimate costs for replacements and temporary facilities. It also sent teams to over 30 other high-risk countries to assess the threats and possible options to reduce them. Those teams, in coordination with State's overseas security officers, chiefs of missions, and other officials, helped State further define its security enhancement requirements and estimate the costs for upgrading existing facilities worldwide. In fiscal year 1999, State received about $1.5 billion in emergency supplemental appropriations from the Congress to improve security quickly at all posts,

build new facilities in Kenya and Tanzania, and to begin replacing some of its most vulnerable embassies and consulates.

Using funds from emergency supplemental appropriations, State has reestablished embassy operations in interim office buildings in Nairobi, and Dar es Salaam, and has signed a contract for construction of new embassy compounds at those posts. These two embassy compounds are on schedule for completion in 2003 at a cost of about $119 million. Projects to relocate several other embassies and consulates are also under way, including those in Kampala, Uganda; Doha, Qatar; and Zagreb, Croatia. The Kampala and Doha projects are scheduled for completion in 2001 and the Zagreb project in 2003. In addition, State has made progress in implementing many of its planned security upgrades, including enhancing vehicle inspection and security guard programs, hiring additional special agents and other security staff, and instituting a new surveillance detection program designed to identify hostile surveillance activities and potential attackers.

Projects involving major construction upgrades to improve the security of existing facilities at more than 100 posts are likely to cost significantly more than was originally envisioned by the Department shortly after the bombings in Africa and are behind schedule. State estimates that the upgrades and electronic equipment installations, originally funded at $181 million, could potentially cost about $800 million more to complete. According to State, these potential increases in costs have occurred because State has conducted more detailed assessments of posts' security enhancement requirements since the bombings in Africa, and has upgraded its security standards. State requested $200 million in its fiscal year 2001 budget request to address these additional requirements. It also may make future budget requests; realign funds from other projects; stretch the program over several years; and/or, use less costly methods to achieve project objectives.

Looking ahead. State has identified over 190 diplomatic or consular facilities deemed vulnerable to terrorist attack that need to be replaced or substantially altered. State has prioritized these facilities for replacement into groups of 20. In 1999, the Crowe accountability report on the bombings in Africa recommended that State spend about $1 billion annually for 10 years to replace its most vulnerable facilities. State's fiscal year 2000 appropriations included $300 million to continue its embassy replacement program. As of April, State had received additional congressional approval to construct a new embassy in Tunis, Tunisia, and acquire or identify sites, and/or further define projects at 12 other posts.

In its fiscal year 2001 budget, the Department of State requested an advance appropriation of $3.35 billion over 4 years (fiscal years 2002 through 2005) to continue replacing its highest risk and most vulnerable embassies and consulates. State has not identified in its budget request which embassies and consulates will be replaced. Due to the cost increases and schedule delays in State's prior capital construction programs, we have been asked by the Senate Foreign Relations Committee to evaluate whether the Department's plans and strategies adequately identify which projects are highest priority for replacement, what their estimated costs will be, and when construction can be completed. We have just begun this effort and will focus on the project identification and implementation process, potential best practices that can reduce the amount of time required to construct new facilities overseas, and the overall program costs.

OVERSEAS PRESENCE

Another key issue that the Department faces in its everyday operations is managing the sheer number of U.S. employees overseas—which directly affects security requirements, operating costs, and efficiency. There are approximately 19,000 Americans and about 37,000 foreign service nationals[3] and contract employees working at U.S. diplomatic facilities overseas. In recent years, we have raised concerns about the need to reexamine

[3] Foreign service nationals are non-U.S. citizens directly hired by the U.S. missions.

the U.S. overseas presence in light of the costs, changing political landscape, and advances in technology. In 1996, we reported that State needed to reexamine its overseas presence and the scope of its activities or to substantially change its business practices.[4] We encouraged State to expand its use of regional centers for certain administrative services and explore greater use of foreign service national personnel to reduce American staffing costs. In our 1998 report on overseas housing programs, we noted that some administrative functions could be performed by the private sector or through other means that could possibly reduce posts' staffing needs.[5] The security burden is directly affected by the size of the overseas work force.

We are pleased to note that the Department has moved forward in examining its overseas presence. Following the bombings in Africa, State appointed a panel to review overseas operations of the U.S. government. The panel made a number of recommendations in November 1999 about how best to organize and manage overseas posts, addressing areas such as security, interagency coordination, information technology, capital needs, and human resources. The panel concluded that the U.S. overseas presence has not adequately adjusted to the new economic, political, and technological landscape. Many of these points are consistent with our observations from prior work on budget, staffing, and related management issues. The panel recommended that the President establish an interagency committee to determine the right size and composition of overseas posts.

The panel also recommended that State reform its administrative services. Our prior work identified several actions State could take to streamline those services and reduce costs, including outsourcing of key housing functions and one-stop shopping for relocation services. State has reengineered parts of its logistics system, focusing on direct ordering from the supplier and other actions that eliminated unnecessary costs and procedures in providing needed goods and services. It has also implemented the International Cooperative Administrative Support Services system to better allocate costs

[4] State Department: Options for Addressing Possible Budget Reductions (GAO/NSIAD-96-124, Aug. 29, 1996).

among agencies and provide greater transparency to the costs of operations. However, it has not broadly embraced the concept of cost-based decision-making for many of its operations, such as overseas housing and relocation. Changes in the way State carries out its administrative functions could reduce the number of overseas staff.

In March 2000, State announced that an interagency committee had been formed to look at how to determine the right size and composition of posts universally and to conduct pilot programs at selected posts. Progress in addressing right sizing issues faces several challenges, including State's limited authority and influence over the staffing decisions of other agencies operating overseas.

IMPROVING INFORMATION
AND FINANCIAL MANAGEMENT SYSTEMS

Recognizing that it relied on inadequate information and financial management systems and infrastructures that were generally inadequate to support State's core foreign policy and administrative functions, State developed a 5-year information technology plan in 1997 which outlined its overall modernization effort. Our 1998 report on information resource management[6] questioned State's methodology for making its 1997 estimate that it would cost $2.7 billion over 5 years to modernize its global information technology infrastructure. Consistent with our recommendations, State has improved its information technology planning and investment process and is revising its modernization cost estimates. Moreover, State reports that it has fully achieved some of its modernization goals. For example, overseas posts now have modern computers, the obsolete Wang computer network has been fully replaced, and its e-mail systems have been consolidated and upgraded.

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[5] State Department: Options for Reducing Overseas Housing and Furniture Costs (GAO/NSIAD-98-128, July 31, 1998).
[6] Department of State IRM: Modernization Program at Risk Absent Full Implementation of Key Best Practices (GAO/NSIAD-98-242, Sept. 29, 1998).

Although State has improved its information resource capabilities, there is not a common platform serving all agencies operating overseas. The Overseas Presence Advisory Panel recommended that the Department develop and implement a strategy for standardizing information and communications networks at all posts while providing all agencies with the connectivity they require. The panel suggested that a single, unclassified global communications network to serve all U.S. agencies with an overseas presence could be built at an estimated cost of $200 million. The Department's recently completed modernization program overseas, according to State officials, could provide a common platform at posts for e-mail and other business functions if it is accepted by all agencies at each post. State has included $17 million in its fiscal year 2001 budget request to develop and deploy interagency information platforms at two pilot posts. If the common platform is proven workable and funded, State believes that it could be operational worldwide in about 2-1/2 years.

At this point, State is at the early stages of planning for the common platform initiative--establishing preliminary project milestones, developing rough cost estimates, and formulating a project plan for upgrading information technology systems abroad. The plan, which State expects to complete by August 2000, will define project goals, requirements, benefits/cost, schedule and approval procedures. Nevertheless, devising a common technology solution that will meet the collective needs of the foreign affairs community will be a formidable task. Several thousand American and foreign nationals employed by about 40 federal agencies located in 160 countries comprise the foreign affairs community. Moreover, each agency has a unique mission and its own information systems and obtaining consensus will be difficult. If the common platform is to move from concept to reality, State will have to overcome cultural obstacles and get agreement from platform users on requirements so it can make sound procurement decisions. Further, it will need to carryout this delicate balancing act while defining its own technical architecture and continuing to address pervasive computer security weaknesses.

State relies heavily on its critical information systems and the data contained within them to support its domestic and overseas operations. Two years ago, we reported that State's sensitive but unclassified systems were highly vulnerable to exploitation and unauthorized access. The Department has worked hard to upgrade and secure its information technology, including clarifying roles and responsibilities and requiring the use of risk management by all project managers. However, subsequent computer security evaluations and assessments of controls over sensitive information continue to highlight problems with State's information and physical security. According to State, these vulnerabilities are being addressed. Clearly, continued oversight is needed to ensure that controls are in place and operating as intended to reduce risks to sensitive information assets.

Regarding financial management, the Department of State received an unqualified audit opinion on its Department-wide financial statements for fiscal years 1997, 1998, and 1999--a significant accomplishment. State has also closed some of its previously identified material weaknesses, including worldwide disbursing and cashering. The audit report for the fiscal years 1998 and 1999 statements, however, disclosed that State faces several longstanding challenges in developing financial management systems that fully comply with federal requirements. According to State's fiscal year 1999 performance report, it deferred upgrading its financial management system because of Y2K activities and the consolidation of the foreign affairs agencies. State is continuing its efforts to improve its financial management systems. State submitted its proposed remediation plan to the Office of Management and Budget in March 2000. The plan, required by the 1996 Federal Financial Management Improvement Act, identifies actions the agency believes are necessary to address its internal control weaknesses and be in substantial compliance with the Act.

Mr. Chairman and Members of the Subcommittee, this concludes my prepared statement. I would be happy to answer any questions you may have.

Contacts and Acknowledgements

For questions regarding this testimony, please contact Ben Nelson at (202) 512-4128. Individuals making key contributions to this testimony included Jess Ford, Diana Glod, and Lynn Moore.

RELATED GAO PRODUCTS

STRATEGIC AND PERFORMANCE PLANNING

Observations on the Department of State's Fiscal Year 2000 Performance Plan (NSIAD-99-183R, July 20, 1999).

The Results Act: Observations on the Department of State's Fiscal Year 1999 Annual Performance Plan (GAO/NSIAD-98-210R, June 17, 1998).

Managing for Results: Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges (GAO/GGD-98-44, Jan. 30, 1998).

OVERSEAS SECURITY AND PRESENCE

State Department: Overseas Emergency Security Program Progressing, but Costs Are Increasing (GAO/NSIAD-00-83, Mar. 8, 2000).

INFORMATION MANAGEMENT

Foreign Affairs: Effort to Upgrade Information Technology Overseas Faces Formidable Challenges (GAO/T-AIMD/NSIAD-00-214, June 22, 2000).

Department of State IRM: Modernization Program at Risk Absent Full Implementation of Key Best Practices (GAO/NSIAD-98-242, Sept. 29, 1998).

Year 2000 Computing Crisis: State Department Needs to Make Fundamental Improvements to Its Year 2000 Program (GAO/AIMD-98-162, Aug. 28, 1998).

Computer Security: Pervasive, Serious Weaknesses Jeopardize State Department Operations (GAO/AIMD-98-145, May 18, 1998).

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State Department: Progress and Challenges in Addressing Management Issues (GAO/T-NSIAD-00-124, Mar. 8, 2000).

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(711528)

Mr. SHAYS. Thank you, Mr. Nelson.

What I am thinking of doing, and I do not think this will be awkward, is to invite the State Department to come on back, and just have a dialog. I have listened to your presentations. There is nothing that we all cannot deal with, collectively.

So I would invite both of our former witnesses to come. We will kind of squeeze you all in, and we will just bring one more chair in, too.

Let me just get one housekeeping thing out of the way. I ask unanimous consent that all members of the subcommittee be permitted to place an opening statement in the record. The record will remain open for 3 days for that purpose. Without objection, that is so ordered.

I ask further unanimous consent that all witnesses be permitted to include their written statement in the record. Without objection, that is so ordered.

I let your testimony, in some cases, go beyond 10 minutes, because I just wanted your comments on the record. I am not sure we are going to have a lot of questions. I have a more general one.

Some of my enthusiasm has been taken away, because I felt it almost arrogant that State somehow feels that they do not come totally and completely under the Results Act. In other words, somehow their mission is so different that they would not.

I asked my staff, does the GAO and IG come under it? The IG comes under the Results Act, I believe. Is that correct?

Ms. WILLIAMS-BRIDGERS. Actually, Mr. Shays, the Results Act does not specifically require the IGs to do it. But the IG community, as a whole, has endorsed GPRA, and we think it is good for Government, and it is good for us.

Mr. SHAYS. Right.

Ms. WILLIAMS-BRIDGERS. So almost all of the IGs do comply with the letter and the spirit of GPRA.

Mr. SHAYS. And the GAO's office?

Mr. NELSON. I think, technically, we are not covered by it, but we do fully comply with it.

Mr. SHAYS. Right.

Mr. NELSON. GAO is a major supporter of it, and believes that it is an excellent tool to focus the agency's activities to make sure that we are achieving our critical mission objectives.

Mr. SHAYS. Mr. Mica and I have been strong supporters of congressional accountability, getting Congress under all the laws. We are not technically under it either. Although I think probably, in our various offices, we try to comply with a lot of it.

So I guess I just need to put that on the record. I said, how dare the State Department feel somehow that they are unique? This may be an assumption that is wrong.

I get the sense, from your testimony, Mr. Edwards, that there is an attempt to deal with the Results Act, but that somehow people that you work with feel that your mission is so unique that you really cannot come under it. I would like you to address that issue.

Mr. EDWARDS. I think that is an excellent question, Mr. Chairman. Obviously, when part of your goals are to have things not happen, such as the outbreak of war or pestilence and things like that, it is difficult to measure your success. But we have developed

a multi-disciplinary team of Assistant Secretaries, and we are working to find a way.

Just as, I might say, having spent most of my career in the private sector, corporations find a way to measure their effectiveness, we are going to attempt to do this.

It is relatively easy to measure output, such as number of treaties signed, and negotiations, and so forth. The outcomes, which is really what GPRA is all about, are daunting for us.

We are working with the Mercatus Center, George Mason University, and as I indicated in my testimony, our IG and the GAO, to develop methodologies so that we can do a much better job of seeing how many arrows hit the center of the target, and how many are in the periphery or flying into space and not hitting the target.

I might comment in response to the IG's issue on prioritizing strategies, we are, of course, at the mercy of what happens out of our control.

For example, I am sure you are aware of the very severe problems in Fiji and the South Pacific Islands places where no one ever dreamed there would be a problem. But we went and ordered departure in both of those posts, and worked with the Australian and New Zealand military to get people in harm's way out.

So we are working very diligently on what many people would regard as a "back water area" to try to restore democracy and functioning governments in those two areas.

In many cases, issues occur. Of course, as we speak, hopefully, many of us have our fingers crossed that there will be some agreement toward ending the Mideast crisis at Camp David, within the next 24 or 48 hours, before those leaders leave the country.

So prioritizing a year or 2 years ahead of time certainly would be ideal. But geographically prioritizing some of those to specific areas or specific countries does pose a big challenge for us.

Mr. SHAYS. Let me just say, I was just trying to get a sense of attitude. Is the State Department contending that they somehow do not come under parts of the Results Act, or in some way cannot come under it?

Mr. EDWARDS. Well, not at all; I think there are some who would like not to be under it.

But I can assure you that the management bureaus, headed by Under Secretary Cohen, of which Assistant Secretary Carpenter and I are a part, are struggling and determined to find a way that we can measure each of our approximately 30 bureaus in terms of what they are accomplishing.

Mr. SHAYS. I cannot imagine the fact that outcomes cannot be predictable as being an excuse for not being under the act. I would think that FEMA can make the same argument. I mean, you know, we do not know what disasters will come our way.

But they would, I would think, set goals that would be able to respond to simply not dealing with the predictable. That would be one of the areas, on how effectively do you respond to what is not predictable, and how quickly can you respond. I would think there would be ways that you could measure, dealing with that.

Let me just ask you, Mr. Nelson or Ms. Williams-Bridgers, what is your sense of the attitude of the State, the DOS, in terms of trying to comply to the Results Act?

Ms. WILLIAMS-BRIDGERS. I share Mr. Edwards' expressions that the State Department does consider itself to be held accountable to the Results Act. They are struggling, as many other agencies are struggling, with clear definition of outcomes and the measures of progress toward achieving those outcomes.

This is why, in our full statement, we have said that, given that the Department acknowledges the need for some outcome-oriented goals, and given they acknowledge the need for some flexibility in any type of priority setting process that they establish in the Department to allow them to respond to crisis and unanticipated events, it is imperative that they have in place some credible process for establishing those priorities; and then have a resource allocation system that allows the funds to flow, according to those changing priorities.

I do think it is a cultural attitude that will change with some education about the importance of priority setting; the importance of having a coordinated approach, an integrated approach of the mission planning process with Washington.

Mr. SHAYS. I will come right back to you in a second. Mr. Nelson, do you want to respond?

Mr. NELSON. Yes, I believe that the senior leadership in the Department has a major challenge in convincing the rank and file of the importance of strategic and performance planning.

We have seen improvements in the Department's plans. But the plans, themselves, really are not that important.

It is the process that you go through in putting together the plans, where you try to align activities with your missions, to make sure that they are contributing to the outcomes that are desired; and that you have a clear sense of what outcomes you want to achieve. So the process itself is a very critical and important management tool.

I believe the Department's own fiscal year 2000 plan points out the challenge in convincing a large number of people in the Department that performance planning is a useful exercise. I believe there is a reference to that problem in the year 2000 performance plan.

Mr. SHAYS. OK, let me just have either of you, from our second panel, just describe to me the area where you think the State Department finds it the most difficult to deal with strategic and performance planning.

Give me an example of something that your employees might have told you about a dialog, or saying, my God, how do we come under it, under this area? Can you think of any?

Ms. WILLIAMS-BRIDGERS. I can think of it at two levels.

First, at the mission level, the Embassies, what we found at the Embassies are some best practices, where the Embassies will engage all other U.S. Government agencies at post, the Chief of Mission, or the DCM, and have a good dialog about what is your understanding of our goals here in this region, in this country; what is your sense of priorities; and then developing that collective understanding and shared vision of what they are to accomplish in countries. That is very good.

What falls down for the missions is, once they send those plans back here to Washington to the bureaus, they are not getting the kind of clear guidance and feedback from the bureaus that the Embassies believe is necessary in order for them to proceed with some assurance that they are walking in concert with what Washington believes to be the greatest sense of priorities, and the greatest area in need of attention by the mission.

So it is the communication that occurs at post that is very good, but not back here to Washington. It has improved somewhat. We have seen some improvement within the past year, but there is much more need for clarity; there is much more need for a dialog and very specific feedback from bureaus in Washington.

Mr. SHAYS. I can think of one criticism, in my contact with Embassy officials. They do not have the ability, or at least did not have the ability to communicate from Embassy to Embassy. They did not have the ability to share. They did not have technology that would give them the latest abilities to communicate.

It strikes me as important, and any where it is important, within an Embassy and between Embassies and among Embassies, and so on.

Mr. MICA. Will the gentleman yield?

Mr. SHAYS. Yes.

Mr. MICA. I just got through reading part of the update, here. On the point you are talking about, I cannot believe that this is correct.

They said they are doing a little demo in the next fiscal year, and it would be 2 to 2½ years before they can actually install a global communication system. Is that still correct, according to someone's testimony here?

Mr. EDWARDS. I am not sure which testimony, Congressman, that you are referring to.

Mr. MICA. Well, does anybody know? I mean, I think the chairman makes an incredible point. I am absolutely appalled, and I have been in the Embassies around the world. It is almost laughable. I would fire people's asses, excuse me, if this was any kind of operation.

It is absolutely unbelievable that they cannot communicate. They do not even have basic e-mail communication in some of these places.

In one Embassy that we went into, they take turns using a computer. In the report, and I just read it in here in one of these, it says it is going to be 2½ years before they have any kind of a communication system.

Here it is. They had a suggestion from the panel for a single unclassified global communications network to serve all U.S. agencies with oversized presence.

It could be billed to the cost of $200 million. That is peanuts. It goes into the State, in its fiscal year, and this would be 2001, for two pilot posts. It says if it is proven workable and funded, State believes it could get operational in about 2½ years, according to page 12 of this report.

Mr. NELSON. Is this the GAO testimony?

Mr. MICA. Yes.

Mr. SHAYS. Let me just comment, just as an illustration on something.

Mr. MICA. To me, it is just mind boggling.

Mr. SHAYS. This is just as an illustration of something. I would like you all to comment, and then I am going to give up the floor.

We know that in some Embassies, they can communicate back to DC, but they cannot communicate to another Embassy. They cannot even communicate sometimes within the Embassy, from one employee to another. You have State Department employees. You have Commerce Department employees.

I guess what I am trying to say to you, Mr. Edwards, is that it would strike me that the Department would gain tremendously by deciding what its strategic plans are, or what its performance goals are, because it would highlight where we have scarce resources.

So my objective today is to hopefully learn if there is still a cultural bias against dealing with strategic planning and so on, point one. So that is one concern. I am going to let you respond in a second.

Mr. Carpenter, I just want to get on the table a concern I have. I can understand that we cannot re-do buildings.

I understand that probably the administration has asked for less money than it needs. Then you all are in the position to defend it. Then we have this wonderful ability to claim ignorance, because we were not asked for what you truly need.

So one is, I would love to know more. That is not for this hearing, but we need to know more what you really truly need.

Given that we are not going to rebuild buildings and move them, the thing that I find of most concern is that there is not, evidently, based on what we have heard today, the kind of practice runs on what you do if there is an emergency; what happens if there is a crisis with this; what happens if a bomb goes off; what happens if a terrorist is in the building, and what do we do?

Those are the kinds of things that I would think we would want to be doing to compensate for what we are not doing. So that is kind of where I am coming from. Those are my two areas.

I would love you, first, Mr. Edwards, just to respond to the issue that I just previously raised. Then I will come to you, Mr. Carpenter, and we will ask Mr. Nelson and Ms. Williams-Bridgers to respond. Then we will go to you, John.

Mr. EDWARDS. OK, I would like to start off first of all, with the Information Resource Management Bureau, which is, again, one of the bureaus that Assistant Secretary Carpenter works with. They would support accelerating that.

Our problem is that our information technology request for 2000, for example, was reduced substantially from the prior year. A lot of that 2½ years is simply buying the hardware.

We have, within the OPAP review, one of the three committees deal with an IT platform. We have, quite frankly, a problem getting the tenants at our posts to agree to use a common platform.

We have tenants that are funded by various committees. Sometimes they come with gold plated Cadillacs, while our ALMA program, which we have been putting into the Embassies, would be functionally late model Chevrolets. So for all of our tenants to work with the same equipment is not the easiest thing in the world.

Mr. SHAYS. I think it is important to point this out, and it is somewhat extraordinary, but it also is of tremendous concern. I am just trying to illustrate another way where the State Department could benefit tremendously by dealing with the Results Act. You could highlight these points in a way that could give you a tremendous amount of weight in dealing with your tenants.

Mr. EDWARDS. Well, I would agree completely with that observation, Mr. Chairman.

Mr. SHAYS. OK.

Mr. EDWARDS. We are attempting to do that through the OPAP working groups, one of which is the IT group I mentioned; the second is facilities; and the third is right-sizing.

We have just had an initial meeting, for example, with Embassy in Paris. Not surprisingly, every one of the agencies who were there objected to any suggestion that they were overstaffed. So this is going to be very difficult. But I think from an inter-agency point of view, a collective answer cannot be, we cannot reduce a single person.

Mr. SHAYS. You see, what you may conclude is that you need the benefits of the Results Act more than any department, rather than less.

Mr. EDWARDS. Well, I think in this case, you are absolutely correct.

Mr. SHAYS. Well, in this case, even when you mention that you are bringing in some technology, if it does not fit in with an overall plan, it just may be a waste and an expensive effort.

Anyway, I want to let Mr. Mica respond. My goal is quite simple today. I just want you to be enthusiasts for coming in to the Results Act. Then I would like you to feel pain and suffering, if you do not. [Laughter.]

Mr. Carpenter, do you want to just respond to that?

Mr. CARPENTER. Yes, sir, Mr. Chairman, I totally agree that security drills are critical to any security program overseas.

We have requirements that security drills be run; whether they be for fires, bombs, terrorist attacks. Chemical biological seems to be the newest threat that has befallen us, for which you have to have a plan to evacuate, or take the appropriate action.

Our requirement currently has been to do these annually in most posts, and semi-annually in those higher threat posts.

We just recently, in May, sent out a cable, once we were advised by the IG that their experience was that this was not being done, admonishing them, requiring them to do that immediately.

Clearly, that is one of our defensive measures out there. That is as important as having delta barriers up and all the other equipment in place, if you are not dwelling on this.

Mr. SHAYS. I do not know if annually is going to be enough for you. If it is annually, I do not think there is a sense of urgency.

Mr. CARPENTER. You are right. Certainly, annually, to have a fire drill may not be adequate, when we have, at certain times of the year, changes in the number of personnel at posts, and turnover in our foreign service cadre. It has to be a focus. We are attempting to make it a focus, along with a lot of other programs at post.

We have been, in the course of the last 2 years, been focusing clearly on having a plan, should something occur at one of these

Embassies, because we believe very seriously that we will have another incident at a post overseas. At the posts that are prepared, the casualties will be the lesser. That is our goal.

Mr. SHAYS. Thank you. I have gone well over my time. I invite Mr. Mica to continue. Just let me recognize the presence of Mr. Tierney. We will get to you when Mr. Mica is done. Thank you. You have the floor, Mr. Mica.

Mr. MICA. Thank you.

Well, again, I am just totally frustrated that after years of looking at State, and finding out the very basic operational need, which is communications, if you cannot communicate, either within the Embassy or between Embassies, or adequately internationally, there is a problem. So I am totally frustrated by what I have read here, if you could not tell.

It also appears like the "inmates are running asylum." On the right-sizing overseas, what is the status of that? You are telling me now, for example, Paris says that they cannot give up one position. They are all essential.

Mr. EDWARDS. Well, the Ambassador has, as you know, testified that he believes it could be reduced. We had our inter-agency meeting, where the tenants disagreed; not the State Department position.

Mr. MICA. OK, well, my question is not that. My question is, what is the mechanism for bringing about the change? Do we have in place, within State, or do we need congressional action? How do you right-size these overseas operations?

Mr. EDWARDS. Well, we have a number of inter-agency teams. Secretary Albright actually chaired a meeting of the Cabinet.

Mr. MICA. Well, has somebody made a decision, and we will use Paris, as to what the right-size should be?

Mr. EDWARDS. That is being worked on. Some decisions have been made. For example, in my bureau, we have filed a report with the Congress of how we intend to reduce our financial service center in Paris from about 120 people to 14 or maybe 10 or so, and moving them to Charleston, SC.

Mr. MICA. The right-sizing of overseas operations has been going on for how long now?

Mr. EDWARDS. Well, actually, many of the right-sizing has been going on for years.

Again, in my bureau, at one point, we had 23 financial centers. We are now down to three. Two to 3 years from now, we will be down to two, with two-thirds of that in the United States and one-third still in Bangkok, which is a very efficient, very low cost operation, housed in our former Embassy.

Mr. MICA. Again, you know, we are trying to talk about accountability, responsibility, and certain acts that we have put in to try to make this all work.

Within the agency, you are telling me the Secretary has the authority to do this. I understand the Ambassador, even, has the authority to do this.

Mr. EDWARDS. Right.

Mr. MICA. Well, why is it not done?

Mr. EDWARDS. Well, most of the growth, Mr. Congressman, has actually been in our tenant agencies, who have applied for permission to increase their staffing, because of their program mandates.

Mr. MICA. OK, well, what if we just take State personnel? I was in one of the hearings, and I have seen testimony from the Ambassador about this. What about handling just your balliwick; not downsizing?

I sat with our former colleague, Tom Lantos, son-in-law, Ambassador Dick Swett. I sat with him, and he brought in the Ambassadors from the Baltic and some of the emerging nations up there. They are totally inadequately staffed for some of these new emerging posts. We have got them coming out of the walls in Paris.

I know it is hard to get them out of Gay Paree, but how do we make this thing work? What is wrong?

Mr. EDWARDS. Well, what has to work is, there are agencies that have people at a particular post. In some posts, there may be 25 or 30 agencies, and in other posts, there may be State and USAID and maybe one other.

Mr. MICA. How many USAID are in Paris?

Mr. EDWARDS. USAID has very few in Paris, if any.

Mr. MICA. I would hope so. That was just one of those quick questions. [Laughter.]

Mr. EDWARDS. Paris and London have probably the largest list of tenants.

Mr. MICA. Well, part of the problem is here in the Congress, because it is multi-jurisdictional. All these agencies have their own budgets, their own turf, their own jurisdiction. But somebody needs to get a handle on this.

Again, my question is, just to restate it, how do we get right-sizing to work?

Mr. EDWARDS. Well, let me just cover a couple of the points, and then Assistant Secretary Carpenter can chip in, and our Inspector General, as well.

We have regionalized, for example, in Ft. Lauderdale, service areas for Western Hemisphere Bureau, because you can fly from south Florida to practically every one of the countries. So we have regional specialists there, as opposed to spreading them through 15 or 20 countries.

We have regionalized a lot of our medical personnel, so that they can get to nearby posts relatively quickly, by available air service.

I mentioned, in my bureau, we have gone from 23 to 3 financial service centers, and have filed a plan to get that down to 2.

Mr. MICA. OK, so you are telling me, from a technical standpoint and an authority standpoint, State already has the authority to do what they need to do, at least within your bailiwick, which is State?

Mr. EDWARDS. We do have that.

Mr. MICA. So it is a management decision, and either the Secretary or one of the Assistant Secretaries or the Ambassador is not carrying that through, for example, in Paris.

Mr. EDWARDS. Well, our Ambassador probably is the lead Ambassador, in terms of right-sizing, in that particular case. He would like to significantly reduce.

Mr. MICA. But why is that not done?

Mr. EDWARDS. Well, in inter-agency, we had our first meeting.

Mr. MICA. I do not even want to fire anybody. [Laughter.]

I am just trying to move them where we need them.

Mr. EDWARDS. Help? [Laughter.]

Ms. WILLIAMS-BRIDGERS. Yes, Mr. Mica, I have comments on a couple of different issues that you have raised.

One is, what the State Department has done. I think they have undertaken a number of initiatives, over the years. One is the overseas staffing model, where they try to get a concept model in place that would help them to identify is the right number of people to do certain work in the mission, given the work requirements in a mission.

But that concept has lapsed, basically. It was no longer considered to be very useful in actually assigning people or staffing positions overseas.

The Department has also attempted efforts at regionalization, as Mr. Edwards has mentioned, at the financial service centers in Paris, and in Charleston, to provide administrative services.

I think that to the extent the Department can continue to explore how to regionalize administrative services, that will help to address some of the growth in staffing that we have, and then the imminent security-related concerns.

The Department has also been exploring the use of the American presence post concept; minimal presence of American officers. In Lyon, we just reestablished such a post, in France, under the very wise counsel and guidance, I believe, of Ambassador Rohatyn, there.

But then to the larger issue of what can we do to right-size the total U.S. Government presence overseas, I think there are tools in place. National Security Directive NSDD–38 provides the Ambassadors, the Chiefs of Missions, with the requisite authorities to make calls on whether or not staffing has outgrown the ability of the Department to provide security for U.S. personnel overseas.

Unfortunately, there is not oftentimes the will by the Chief of the Mission to exercise that authority, or the support back here in Washington, for a Chief of Mission, who wants to make that call, that we have reached our tolerable limits, and we can no longer provide for safety and security of our U.S. Government employees overseas.

ICASS is another tool that this Congress passed with several objectives. One is not only to share the costs across all Federal agencies for their presence overseas, but to make them make the tough calls about whether or not the U.S. Government can afford the cost of their presence overseas, which has grown over time.

Unfortunately, OIG believes that ICASS has not met the full intent of congressional legislation. That needs to be revisited, because cost serves as a very equalizing factor, when people are making decisions on whether or not they need the additional 10 or 15 people.

It is not State, as Mr. Edwards has mentioned, that has been the growth agent overseas. It is other agencies.

So we do need congressional attention from committees such as yours, which have the broad based jurisdiction to ask the questions of whether or not other agencies have deliberated truthfully the cost of their presence, and whether or not they are picking up the

cost of their presence overseas, and whether or not we can provide the security and the dollars that are necessary to provide security for all the people that find themselves working overseas now.

Mr. MICA. Thank you, Mr. Chairman. I want to give everybody a change to ask questions.

Mr. SHAYS. Thank you.

Mr. Tierney.

Mr. TIERNEY. Thank you very much, Mr. Chairman and Mr. Mica.

Mr. Carpenter, let me ask you, about your written testimony, and I assume that you repeated it when you were speaking. I apologize for being at another committee hearing when you were talking.

You made the statement, I believe, or at least in writing you made the statement that the fundamental problem in security at Headquarters was with carelessness, rather than with the Department's security policies. What exactly were you getting at, with that?

Mr. CARPENTER. That would be individual responsibility. The Department has a lot of rules, a lot of regulations, a lot of policies that are in place that speak to a good, positive security program. However, people may choose to violate those, or exceptions have been made to those.

One of the realities of what I inherited 2 years ago, we had a security program that was a program of exceptions that were made. They probably were good at the time. There may have been some sound reasoning to them at the time. But over time, I think that reasons and logic sort of dissipated, and we had sort of swiss cheese.

What we have been in the process in the last 2 years is trying to patch all those holes. There are no exceptions. You will abide by these.

But what is critical to any good security program is an ability to enforce it. We also felt that we were lacking there. We had the program. The program was in place. We just did not have the people to monitor and enforce it, which is critical.

Mr. TIERNEY. So it was a manpower thing?

Mr. CARPENTER. Manpower, yes, sir.

Mr. TIERNEY. I mean, in May, the FBI said that foreign spies have been unescorted and had access, by working undercover as news correspondents. Has that been addressed?

Mr. CARPENTER. Yes, it has, with the FBI.

Mr. TIERNEY. What have you done?

Mr. CARPENTER. I would be glad, in another forum, to tell you exactly what we have done. I would suggest that that should not have been the subject of an open forum discussion, last time.

But we have taken measures, and we are working very closely with the FBI and the CIA, as a matter of fact, and have a working agreement with them. This whole issue is well understood, and is being well coordinated between all three agencies.

Mr. TIERNEY. Well, there were reports also that there was no screening procedure to ensure that the swipe access identification cards that were issued to employees and visitors were actually in

the possession of their actual owners. Have there been steps taken to remedy that?

Mr. CARPENTER. Not completely; no sir, we are working on a system that it is unacceptable to not have a redundant system; whereby, you simply swipe a card, where no one is looking at the picture on the card for positive identification.

We are looking at a system that will probably have a pin number. It may have, in other parts of the department, biometrics involved. So there are redundant systems, and that is what we are hoping to have in place, shortly.

Mr. TIERNEY. Biometrics being a thumb print type of thing?

Mr. CARPENTER. A thumbprint or a retina recognition.

Mr. TIERNEY. OK, there was also a report that none of the 140 offices handling classified material at Headquarters had been inspected for listening devices or cameras, and there was no policy to record the receipt or return of classified materials. Has that been addressed?

Mr. CARPENTER. One of those statements is incorrect.

Mr. TIERNEY. OK.

Mr. CARPENTER. Following the bugging, we did a top to bottom sweep, TSCM, on all of the conference rooms and offices of the building. That was reported erroneously.

The second part of your questions was what?

Mr. TIERNEY. That people were not being inspected for listening devices or cameras.

Mr. CARPENTER. That is people coming into the building?

Mr. TIERNEY. Right.

Mr. CARPENTER. People are run through metal detectors at our entrances; visitors that is. That continues to be our policy.

Mr. TIERNEY. But with respect to listening devices or cameras, there are no additional steps taken in that regard?

Mr. CARPENTER. Listening devices are tough. We run people through metal detectors. We check their bags, their belongings, when they come in. It is not, currently, against Department regulations to bring a camera into the Department of State.

Mr. TIERNEY. Regarding the Marine Corps. Guards, and you know where I am going on this one, are said to have had practice for their overseas postings by having surprise inspections at State Department Headquarters.

Mr. CARPENTER. Yes.

Mr. TIERNEY. On an average, supposedly they turned up 63 problems per visit. Then those inspections were canceled, because there was too much paperwork. Is there any accuracy to that, or what has been done with regard to that situation?

Mr. CARPENTER. There is accuracy in the numbers of documents founds left out, from time to time. That has not been canceled.

The program was decelerated, as the Marines did not have training classes going on where we could bring them in. That is a very robust program, and something that we found extremely valuable to our building security program, to have them come in and do a very, very thorough sweep of offices.

Mr. TIERNEY. I just have one last question.

We were told that a lot of contract employees, security guards, are only subject to cursory police checks. Supposedly, only 15 out of 100 candidates actually had security clearances.

The press, and believe me, I understand that they are not always accurate, by any stretch of the imagination, indicate that the CIA has been so troubled by this record that they routinely withhold information that is classified.

That might be a potential impairment of the ability of the State Department employees and officials to carry out their work. Is there any truth to that?

Mr. CARPENTER. I have no knowledge of the CIA withholding any information from the Department of State, based on those particular issues.

We have a very good working relationship with the CIA. No one has suggested that. However, I would suggest that if we do not get our security act together at State, that would be something that I would expect them to broach with the Department.

That is why we are working aggressively to get the programs back on a level that they should have been; that they never have been on before, I might add, so that we do not have to face that potential inevitability.

Mr. TIERNEY. What is your assessment of just how far along you are in that process?

Mr. CARPENTER. It is clearly a work in progress. I would suggest that we have made some tremendous strides in some very major areas.

As was referred to earlier with our escort policy, the Department of State had never had an escort policy. That was a huge undertaking. It has paid, I think, tremendous dividends.

But there is a lot of work left to be done. As I mentioned in my statement, only recently were we given the responsibility for the security of SCI information. That is an incredible undertaking. There is a lot of work to be done there, and we are only scratching the surface. We are probably 5 percent there, with 95 percent to go.

In other areas, we have made some tremendous strides in our physical security, increasing the number of guards. Overseas, our programs have raised dramatically. I think we have a real positive story there. Domestically, we still have a lot of work to do.

Mr. TIERNEY. Now is everything internal, or do you need this Congress to do anything to facilitate?

Mr. CARPENTER. We continue to be, as a lot of agencies would tell you, resource poor.

I think in the security element, in the security realm, all of the things that we got from the emergency supplement are nice and much appreciated.

However, you need to have professional law enforcement people to oversee these programs. That is the area that we are pushing very hard for more professionals. We need more people to enforce this.

Without an ability to enforce the good programs and policies and procedures that we have, we will be back in front of you, explaining another security incident state. That is why we are in the process

of trying to prepare that for the Congress, as to what our needs will be.

Mr. TIERNEY. Ms. Bridgers, what are your thoughts on all of this?

Ms. WILLIAMS-BRIDGERS. I think that the Department has made remarkable strides in addressing security, both overseas and in response to the recent incidents here.

In response to your question of what more is needed, I think it would be continued vigilance at top management levels in the Department. I think we should be setting a tenure for no tolerance or zero tolerance, for misconduct in the Department.

In fact, that is the only area of outstanding response from the Department to the recommendations that we have made about the handling of classified information. That is the need for the Department to improve its disciplinary process to ensure that for those people who repeatedly violate security regulations that proper administrative action is taken.

Mr. TIERNEY. Thank you.

Mr. Nelson, I do not want to leave you out of this. I would like you to have an opportunity to tell us your thoughts on it. You were getting pretty comfortable sitting back there. [Laughter.]

Mr. NELSON. Well, it is hard to have a discussion about financial management versus one about security and spies and notebooks being taken from the Department. I understand that.

We have been following the news reports and the hearings that have been held regarding these issues at the Department.

It is fairly clear that there are some challenges. It seems clear from all that I can hear that the Department is aware of it, and is taking some steps to deal with these security issues.

Our work at GAO, let me digress and say, has been mainly in looking at the vulnerability of states' information systems to unauthorized access. We have worked closely with the Department to bring about some improvements in that particular area of information security versus security related to access to State Department facilities.

Mr. TIERNEY. Thank you.

Thank you all.

Mr. SHAYS. I do not have many more questions. But the more I hear the responses to the questions, and also hear the questions themselves, I am more convinced that the State Department would benefit from being out in the forefront of wanting strategic goals and performance goals. I would just think it would be invaluable to the agency.

As it relates to just thinking about it, in terms of security, is it not possible, and maybe it has happened, that in thinking about security, you realize that you may have to downsize a vulnerable facility, even in a not high risk area, but clearly in a high risk area?

I guess I would want to ask Mr. Carpenter if that is happening. I mean, if we have a facility that is truly vulnerable, I would like to think that it is not filled with people.

Mr. CARPENTER. I would like to think that, also, Mr. Chairman. We have been, I think, very aggressive, but I think we need to be more aggressive in the future.

We have a set of posts, right now, where we have put them in bands that we consider to be our most vulnerable posts, even with the security augmentations that have taken place over the last 2 years.

We are going back to post and suggesting either they engage more fully with the host country to try to get the setback they need, either through street closures or some other means, property acquisitions, or something.

If they are unable to do that, their options then become, you have to either dramatically downsize, or you have to consider closing your posts and operating offshore, until those security requirements are met.

For those posts right now, we started out with about 15 on that list. We are down to about eight. They are aggressively trying that. I say we are down to eight, because seven of those were able to get host country positive responses. We had streets closed, and so forth.

We have also looked, as the rotational period comes up this summer, at downsizing the number of replacements going in there. The goal being to try to mitigate the threat against the post.

We have also, in some instances, moved our personnel from certain locations, more vulnerable locations on a compound, to less vulnerable. Although the setback is not there, we have given ourselves more setback within the compound that we reside in.

Mr. SHAYS. Is it not true that with the Results Act, if your resources are limited, and you know that you are not going to be about to make construction changes, that it gives you a little bit more emphasis and need to realize that you have got to do some of these low cost types of actions that can help save lives?

Mr. CARPENTER. Yes, sir.

Mr. SHAYS. We may have a few questions that we are going to give you in writing. The questions that I was just asked to ask you would make sense, but they are pretty standard numbers of when you will finish construction, and so on. So we are going to followup on that.

I am pretty much concluded with my questions. I have come to think that, Mr. Tierney, if you end up becoming the chairman of this committee, or I am fortunate enough to become the chairman again, that we would have a wealth of opportunity in just dealing with two areas, and one in particular with Mr. Mica, on the whole issue of communication within and inter-communication; and also, as well, the whole issue of tenants.

I mean, there is just this built-up bias, I think, for having another agency be there in one way, because it is not your budget, State, and I make that assumption, at least for the personnel. But then there is a negative in the terms of the lack of control.

If I was an ambassador, and I had all these free wheeling people from all these different departments in the Embassy, I would demand that I would be able to coordinate their activity in a very strong way.

I do not have a sense that that is happening. But I will tell you, if I was using my Results Act effectively, I could document the need to do that.

Mr. MICA. Mr. Chairman.

Mr. SHAYS. Yes, I am done, so you have the floor.

Mr. MICA. I do not know if you have done this. I chair the Drug Policy Subcommittee. You know, the drug issue runs over probably 12 to 15 different agencies and a number of the committees.

This might be a good project to approach, as we have done, and I do not know if you have done it before, to "haul them all in," sit them down at a table, and then call the appropriator staff and the authorizing staff into the mix, too.

It is very hard for them to do anything by themselves. I find with agents, they all sort of dig their heels in. If we get them in a closed room, we sit them down at a conference table, and we have to try to move forward. That is what I have tried to do on some of these.

Mr. SHAYS. This is as it relates to the drug effort?

Mr. MICA. Well, no, the communications would be a good one; but the right-sizing is another one.

Mr. SHAYS. I see, you did this?

Mr. MICA. Oh, I have done that. In DOD, we hauled in State, we hauled in Treasury.

Mr. SHAYS. He means that figuratively, "hauled in." [Laughter.]

Mr. MICA. You know, I am a partisan Republican, but we close the door, and we try to work out a solution. The ranking members work with us and others.

Sometimes, we can get them to do things, and you do not need a lot more legislation. But you can also say you want some, and this takes repetitive meanings, sometimes.

Mr. SHAYS. That is why I felt it was next year's efforts.

Mr. MICA. Well, I think you have got an opportunity, even to initiate that now. I know there are a lot of things on your platter, but it might be most helpful. The communications and then the right-sizing are particular issues that are tough for them to solve, I think, by themselves.

Mr. SHAYS. I agree with that.

Mr. MICA. Thank you.

Mr. SHAYS. Thank you. Do you have any other questions you want to ask?

Mr. MICA. No.

Mr. SHAYS. Are there any points that any of the four of you would like to make; a question that we should have asked, that you were prepared to answer?

Mr. CARPENTER. Perhaps before Congressman Mica leaves, I would like to say one thing. I cannot pass up this opportunity, because I know he was either a signatory to or a member of the Inman Commission, back in 1985, that looked at the State Department.

Mr. MICA. That was my brother, Dan. Now you are in really big trouble. [Laughter.]

Mr. SHAYS. His brother was a Democrat.

Mr. MICA. And on behalf of the family, we appreciate the recognition. [Laughter.]

Mr. SHAYS. Tell me about his brother. I will listen. [Laughter.]

Mr. CARPENTER. The issue being, in 1985, the staffing size of diplomatic security was the same as it was in 1998, for the bombings.

It ramped up after the Inman Commission, and it came back down, shortly thereafter. I would say that is at least a factor in what we are experiencing, right now.

My plea or my point here is that we cannot allow what happened after Inman to happen. I think we all have that responsibility to ensure that that does not happen again.

I hear a lot of grumblings within my own bureau, and within the State Department, that we are destined for that. If we are, we are destined to fail, again. I would just ask your assistance and help in ensuring that that does not happen, again.

Mr. SHAYS. I am sorry, "destined to fail" in what way? I just missed the first part.

Mr. CARPENTER. I think if the commitment that appears to be made by the Hill, to finances, more people, security things rise up, or we take our eye off the ball, then we will be destined to have another incident.

Mr. SHAYS. That is fair enough, and important to put on the record. Thank you.

Mr. Nelson, do you have anything that you would like to say in conclusion?

Mr. NELSON. I would just like to conclude by saying that the problems and challenges that the Department faces, I think, are well recognized.

I think that it will be incumbent upon this committee and the Congress to make sure that the Department has a clear vision and strategy for what it would like to achieve, and a commitment that is supported by the Congress in order to avoid what Mr. Carpenter referred to.

I think the issues of the U.S. presence, as well as the protection of a U.S. staff and information, are a critical national security issue for the country; not for any particular group. Diligence will be required, as well as continued oversight by this committee.

Mr. SHAYS. Thank you.

I am struck by a recollection of the time I had a briefing. As a state representative, we were invited down, the so-called young leaders, and there were about 300 of us in a 2-day conference. It was my total education on realizing that the State Department thrives on ambiguity. So the Results Act must be that cultural challenge. [Laughter.]

But I am absolutely convinced, hearing the testimony today, how important it would be to have a clear vision, and in so many different areas, how beneficial it would be.

Mr. Carpenter, are you all set?

Mr. CARPENTER. Yes.

Mr. SHAYS. Yes, Ms. Williams-Bridgers.

Ms. WILLIAMS-BRIDGERS. Mr. Chairman, I would like to provide some support and encouragement to this committee, to undertake the type of initiative that Mr. Mica suggested. I think that it is a critical issue that has to be addressed in the short term.

Mr. SHAYS. Which one?

Ms. WILLIAMS-BRIDGERS. The information sharing and the need for inter-agency communications at post.

Mr. SHAYS. OK.

Ms. WILLIAMS-BRIDGERS. It is not only an issue of importance to strategic planning, and being able to have open lines of communications about what our goals and priorities are, overseas.

But it also is important, because in this age where information moves so very quickly, and where our knowledge is not keeping up with the need to attend to security of information that flows very quickly, I think it is important to have some kind of collegial discussions with all the agencies and the appropriators and the authorizers, who all have vested interests in making sure that that type of communication occurs.

Also, it is important, because in some of our critical and national interests, border security being one which I know this committee is concerned about, the lack of information sharing by agencies particularly in the Justice Department and INS, with State Department, and consulate offices, about aliens that might bring harm to the United States, that information is not being routinely shared with the State Department now.

It is a long standing issue, and it is one that we have brought to the attention of many committees in the Congress in the past.

It needs immediate attention to ensure that the type of information is made available to State, so that as they adjudicate visas and issue new laser visas, that carry with them biometric data, that that will ensure better protection of identifying people who are not intended recipients of our visas.

But I think that type of information sharing is critical. I would hope that that issue would be embraced in any future discussions that this committee might lead.

Mr. SHAYS. Thank you very much.

Mr. Edwards, are you all set?

Mr. EDWARDS. Yes, and I am in general agreement with all of my colleagues here.

I think Mr. Mica was absolutely correct. He had mentioned with narcotics, for example, there must be 10 to 12 agencies.

One of the issues would be, if each of those 10 agencies, let us say, have three people in an Embassy, does it make sense, perhaps, to boil that down to two agencies? So instead of having 20 people, maybe you can reduce that to 10 to 12, and have a lead agency in a particular country for these multi-agency issues.

That was discussed at the Cabinet meeting. Attorney General Reno suggested that, for example, law enforcement might do that. I might say that her suggestion was met with not a great deal of concurrence with her fellow law enforcement agencies.

But that is one of the issues that we have, working together. Mr. Tierney, you had mentioned 100 janitors, and 10 of them were cleared, or some statistic like that. As you know, we are subject to the FAIR Act, where we have to contract out essentially non-Government services, domestically.

When you look at a janitor force, one of the things that baffles me, having come in from the private sector, we have those people during working hours, because if they are not cleared, we have to watch what they are doing.

My three colleagues at this table all have routines, when they come into their front office, somebody has to trail these people around. If the telephone repairman comes in, he puts all these

parts out on the floor. You do not know what in the world they are putting into them.

We have a few Xerox repairmen and a few telephone repairmen that are cleared. But, you know, when the back-up forces come, that has introduced a challenge to diplomatic security, as well as the agency.

You know, those people may be there for nefarious purposes. Of course, in many cases, these people are in the lower income areas. Getting people that can pass clearance, from people coming from either immigrants to the country or lower income, is not the easiest thing in the world.

Mr. TIERNEY. I guess, at least with regard to that, it might do everybody well to examine whether it makes sense in continuing to contract out, and run into those repetitive problems, or to have the staff on hand, and whether that would, in fact, save money. You would have staff on hand that was just cleared, once and for all.

Mr. EDWARDS. I think that is a good observation. Of course, if they were cleared, perhaps they could come in where they were not underfoot, with everybody else, during the 8 busy hours. However, my own experience is that we are 24 times 7. So the building is never empty.

But it is discouraging, when you are there with a conference in your conference room, and the vacuum cleaner is going on in your front office.

Mr. TIERNEY. For that reason, for security, for a number of reasons, it would seem to make sense that sometimes these policies, while well intended, sort of wash over.

Thank you.

Mr. SHAYS. I wish I could think of a metaphor for ending up with cleaners. [Laughter.]

Thank you all. It has been a very interesting hearing, actually. I appreciate your flexibility in doing it this way. I think it worked better.

Thank you. This hearing is closed.

[Whereupon, at 11:50 a.m., the subcommittee was adjourned.]

[Additional information submitted for the hearing record follows:]

Questions for the Record Submitted to
Chief Financial Officer Bert T. Edwards
and
Assistant Secretary David G. Carpenter
by
Rep. Christopher Shays, Chairman
The House Committee on Government Reform
July 19, 2000

Question 1:

What are the major challenges to implementing the Results Act effectively at the Department?

Answer:

We need to continue to institutionalize our planning processes. We have made good progress in this area, but still need to:

- Increase the expertise of our employees in understanding planning concepts, such as measuring performance.
- Establish formats for our planning documents that endure from year-to-year and are useful to the many people who read and use them.
- Demonstrate how compliance with the Results Act benefits the Department's dialogue with Congress in terms of budget.

Questions for the Record Submitted to
Chief Financial Officer Bert T. Edwards
and
Assistant Secretary David G. Carpenter
by
Rep. Christopher Shays, Chairman
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July 19, 2000

Question 2:

Why is there a "cultural resistance" (Statement of Jacquelyn Williams-Bridgers, Inspector General of the U.S. Department of State and Broadcasting Board of Governors, July 19, 2000, p. 5) to planning and prioritizing at the Department?

Answer:

It is inaccurate to state that managers resist planning and prioritizing at State. With the severe budget cuts of the last decade, managers are constantly challenged to plan the achievement of critical national security and other interests with fewer and fewer resources. As we gain experience, planning and prioritizing is gaining greater acceptance. But, given that we have so much work to do, our people are resistant to anything that looks like a "make work" exercise. We have done a good job convincing our colleagues that planning materials are indeed read and used - in the Department, within the Executive Branch and on Capitol Hill. We also see where Department leaders -

like Ambassador Richard Celeste in India - use planning as a tool for setting priorities and organizing a mission and its workload. But managers will not be fully convinced until they see that good planning not only halts the decline in resources but also gets the increased resources needed to support our foreign policy goals.

Questions for the Record Submitted to
Chief Financial Officer Bert T. Edwards
and
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Question 3:

What is being done to encourage State personnel to embrace the Results Act as a management tool?

Answer:

We have made a Foreign Service Officer's strategic planning performance a mandatory element of his or her annual efficiency report. Our senior managers lend support to good planning, most notably in their annual review of Bureau Performance Plans. All Ambassadors and Deputy Chiefs of Mission receive training in the Results Act and we are expanding our training at the Foreign Service Institute so that all of the Department's employees will have the opportunity to attend the two-day training course offered on performance planning.

Questions for the Record Submitted to
Chief Financial Officer Bert T. Edwards
and
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Rep. Christopher Shays, Chairman
The House Committee on Government Reform
July 19, 2000

Question 4:

Why has the Department established goals for itself which are beyond its "span of control" (Statement of Bert T. Edwards, Chief Financial Officer, Department of State, July 19, 2000, p.3)?

Answer:

The 16 goals outlined in International Affairs Strategic Plan are intended to cover the universe of what the U.S. wants to accomplish in the world over the next three to five years (without regard to which agency or agencies are responsible for accomplishing these goals). The Department of State Strategic Plan, organized around the same 16 goals, provides specific information on the Department's own unique role in addressing these goals. The goals in the Department's Performance Plan are supported by performance goals with annual targets that are within the span of control of the Department.

Questions for the Record Submitted to
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Question 5:

Please give an example of such a goal and explain why such a goal cannot be expressed in terms within the span of the Department's control.

Answer:

One of our national security goals is:

Reduce the threat to the United States and it allies from weapons of mass destruction (WMD).

Arms control remains a complex responsibility of the Department and other agencies of the U.S. Government. Pages 70 - 120 of the Department's FY 2001 Performance Plan contain performance goals related to this Strategic Goal. These performance goals are outcomes the U.S. Government can reasonably influence.

For example, with regard to Russia, four performance goals on page 119 of the Plan are:

- Russian ratification of Start II

- Begin negotiations of Start III
- Secure adoption of export control enforcement programs and stronger border controls in all countries
- Agreement with Russia on revisions to ABM Treaty.

Clearly the activities of the Russian parliament are beyond the span of control of the Department of State, or of the U.S. Government. Yet activities by U.S. diplomats and political figures do have important impacts on the actions of the Russians.

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Question 6:

How does the Department expect to know it has attained such goals?

Answer:

Only a few of the Strategic goals - such as, "expanding U.S. exports to $1.2 trillion by early in the 21st century" are directly quantifiable. State's mission, however, is fundamentally related to foreign policy-making and implementation, the conduct of foreign relations, and coordination of U.S. activities overseas. The impact of much of our work is in influencing foreign governments and publics, in which case the intended outcomes are their actions and can be very difficult to quantify.

Thus, for many of our performance goals, we are making use of the flexibility contained in section 1115 (b) of the

Results Act, which permits an agency, in consultation with OMB, to use alternative indicators when it is not feasible to express the performance goals for a particular program activity in an objective, quantifiable, and measurable form.

Our Performance Plan for FY 2001 shows a marked improvement in using these alternative indicators to measure outcomes.

Questions for the Record Submitted to
Chief Financial Officer Bert T. Edwards
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July 19, 2000

Question 7:

What is the Department doing to create more measurable results in performance plans and reports?

Answer:

We have taken two concrete steps towards this end. First, our FY 2001 Performance Plan covered a much broader range of performance goals in order to present a more comprehensive view of the work of the Department. This change received praise from both GAO and OMB. Second, that same plan makes greater use of alternate indicators, in order to measure qualitative progress where quantitative measures are lacking. These improvements, which we intend to refine in our FY 2002 Performance Plan, will be reflected in better Performance Reports which are based on strengthened Plans.

Questions for the Record Submitted to
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Question 8:

How does the Department plan on creating priorities among strategic goals?

Answer:

We continue to believe that prioritizing among the 16 Strategic Goals would serve no useful purpose and would in any case be impossible to accomplish. While national security is a prerequisite goal, protection of Americans abroad, economic, humanitarian, or other concerns may prevail depending on time, location, and other circumstances. Goals are nearly always interrelated, and can at times be in conflict. State's Inspector General is of the opinion that Strategic Goals need to be prioritized in order to be effectively linked to resource decisions.

But resource decisions are not based on the Strategic Plan, which serves as a framework covering the universe of what the U.S. wants to accomplish in the world over three to five years. We consider all the elements of the Strategic Plan to be important and worthy of our attention.

We believe that the place to link resources to plans is the annual performance planning process. Missions and Bureaus prioritize among the strategic goals in their annual Mission Performance Plans and Bureau Performance Plans as the situation demands. While we can say that emphasizing human rights is the top priority in a given country or region over the next fiscal year, it would be inaccurate to declare that human rights should be the top priority globally over the next five years.

Questions for the Record Submitted to
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Question 9:

What is the Department doing to improve accounting mechanisms to better link goals and resources on all levels?

Answer:

As more fully discussed in answers to several questions in Section B, a number of system changes are in progress to facilitate linking goals to resources.

- Installation of the Regional Financial Management System (RFMS) will reduce State's overseas accounting systems from two to one, and, more importantly, accomplish an integrated interface with State's overall consolidated Financial Management System (CFMS).

- State is developing a Centralized Financial Planning System (CFPS) which will link CFMS and budget systems to

track resource allocation and utilization on a real time basis. CFPS will permit analysis of alternative resource allocation during the planning process as well as during the budget execution year.

- In order to improve the International Administrative Support System (ICAAS), which became operational with FY 1997, the ICAAS software is undergoing a significant upgrade. ICAAS allocates costs of 32 individual cost centers to USG agencies at post subscribing to services provided by the cost center.

The forgoing actions will better position State to achieve a better linkage between strategic goals and resources utilized.

Questions for the Record Submitted to
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July 19, 2000

Question 10:

How can the Department properly allocate resources if it is unable to prioritize strategic goals?

Answer:

The Department can properly allocate resources through the priorities established in the Annual Performance Plan, which uses strategic goals as a framework. What is important is that the strategic goals cover the universe of what the U.S. needs to accomplish in the world. But to try and determine, for example, whether stemming the spread of weapons of mass destruction is more or less important than protecting U.S. citizens working and living abroad, or more or less important than maintaining our country's economic prosperity, would result only in counter-productive arguments among interest groups.

Each strategic goal is a responsibility of the USG to pursue, and deserves our attention. Administration leadership must recommend to the Congress the amount of resources which should be devoted to each in the annual budget and Performance Plan.

Questions for the Record Submitted to
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The House Committee on Government Reform
July 19, 2000

Question 11:

How is the Department working to create functional bureau and mission performance plans that are not simply lists of actions undertaken?

Answer:

The Department has placed much greater emphasis on providing feedback to missions and bureaus during the current planning cycle. A significant part of that feedback has been concentrated on improving measures of performance. The Department has also instituted a change in the format of the bureau plans to focus more on performance. A similar change in format is being contemplated for the next mission performance plan cycle which will begin in early 2001.

Questions for the Record Submitted to
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Question 12:

If the Department will not set priorities, how is each mission expected to do so?

Answer:

The Department's experience suggests that posts are very capable of setting priorities. Posts develop their plans in the context of regional priorities which have been set by Assistant Secretaries. While all posts support all 16 of the Department's substantive strategic and the three diplomatic readiness goals, the importance of those goals varies greatly among posts. Country teams have consistently been able to prioritize among strategic goals, and in fact, have pared down their list of priorities over the past year.

Questions for the Record Submitted to
Chief Financial Officer Bert T. Edwards
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The House Committee on Government Reform
July 19, 2000

Question 13:

The Mercatus Center criticized the Department's inability to explain failures. How does the Department plan on explaining failures to achieve performance targets?

Answer:

This is a valid criticism that will be remedied in the FY 2000 Performance Report.

Questions for the Record Submitted to
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The House Committee on Government Reform
July 19, 2000

Question 14:

The Mercatus Center criticized the Department's lack of future plans or improvements. How does the Department plan on moving performance planning from a static document to a dynamic document, which takes into account future plans and improvements?

Answer:

The Department's Strategic Management Planning Team recently met with representatives of the Mercatus Center, The Honorable Maurice P. McTigue, Q.S.O., Distinguished Visiting Scholar, and Steven Richardson, Director, Public Sector Programs, to discuss this and other issues. We provided them copies of the FY 2001 Performance Plan and the draft Strategic Plan. We discussed at some length the difficulties of making qualitative measurements of outcomes when quantitative measurements are inappropriate.

Messrs. McTigue and Richardson said they will get back to us with their suggestions on improvements, once they have studied the materials we gave them. We will incorporate, as appropriate, their suggestions into our planning, in order to continue the steady improvement in our GPRA products.

B.

Questions for the Record Submitted to
Chief Financial Officer Bert T. Edwards
and
Assistant Secretary David G. Carpenter
by
Rep. Christopher Shays, Chairman
The House Committee on Government Reform
July 19, 2000

Question 1:

Why can't the Department meet the March 1 deadline for financial reports mandated by the Government Management Reform Act?

Answer:

State's received an unqualified audit opinion on its Department-wide Financial Statements (Statements) for fiscal years (FY) 1997, 1998, and 1999 - a significant accomplishment. While we have been unable to meet the March 1 deadline, we are improving. The FY 1997 audited Statements were complete in November 1998 (9 months), the FY 1998 Statements in September 1999 (7 months), and the FY 1999 in June 2000 (4 months).

Several items hindered our preparation of the FY 1999 Statements, all of which were communicated at the time to OMB, GAO, and Treasury.

- The successful integration of the former United States Information Agency (USIA) and cross-servicing of the Broadcasting Board of Governors (BBG) for the beginning of FY 2000 required a significant commitment of resources during June through October 1999.
- The need to make our 10 mission critical financial management systems Year 2000 compliant required a significant commitment of resources through December 1999. Both the Y2K crisis and the USIA integration were enormous tasks.
- In December 1999, a computer virus invaded the server that contained financial statement information, and portions of the data were lost. Unfortunately, this caused a loss of several weeks of effort.
- The late completion of our FY 1998 audited Statements (which received an unqualified opinion) in September 1999 resulted in a late start for FY 1999 audit.

We anticipate that we will receive another unqualified opinion on our FY 2000 Statements, and will meet the March 1, 2001, deadline.

Questions for the Record Submitted to
Chief Financial Officer Bert T. Edwards
and
Assistant Secretary David G. Carpenter
by
Rep. Christopher Shays, Chairman
The House Committee on Government Reform
July 19, 2000

Question 2:

What is the Department doing to improve internal controls over financial management?

Answer:

State has made significant progress closing material weaknesses related to financial management during the past five years. With the concurrence of the Inspector General, the number of financial management material weaknesses has been reduced from ten at the beginning of FY 1995 to four at the end of FY 1999, of which three will be closed during FY 2000, and no new FMFIA material weaknesses were identified. We performed Corrective Action Reviews during the year following closure of each material weakness to validate that the results intended were achieved and adequate management controls were established and are working. While our financial and accounting systems are currently reported as the one remaining financial material

weakness (full compliance with the Federal Financial Management Improvement Act - FFMIA), substantial progress has been made in bringing the systems into compliance with the requirements of the FFMIA. We have achieved compliance with two of the Act's three requirements - use of the Standard General Ledger and adherence to standards promulgated by FASAB. This final material weakness is scheduled for closure in FY 2003, based on the remediation plan submitted to OMB in March 2000.

Questions for the Record Submitted to
Chief Financial Officer Bert T. Edwards
and
Assistant Secretary David G. Carpenter
by
Rep. Christopher Shays, Chairman
The House Committee on Government Reform
July 19, 2000

Question 3:

Why aren't the Department's systems in compliance with all financial management laws and regulations?

Answer:

While the Department achieved an unqualified ("clean") auditor's opinion on its FY 1997 through 1999 financial statements, the audit report discloses that State's financial management systems do not comply with several laws and regulations, including the FFMIA. While we have obtained substantial compliance with two of the FFMIA's three requirements - Federal accounting standards and the Standard General Ledger (SGL) at the transaction level - our systems do not substantially comply with Federal financial management system requirements. The inadequacy and noncompliance of our financial management systems is caused primarily by the fact that we operate three primary

financial systems (versus one) and their lack of integration.

We acknowledge this as a serious weakness and have reported the inadequacy of the financial management systems as a material weakness. Significant progress has been made over the years to improve our compliance. For example, in addition to reducing the number of financial systems, we recently installed a new version of the off-the-shelf software State uses for its domestic primary financial system (that also serves as the central financial system for Department-wide financial reporting), established a standard Department-wide financial information classification structure, installed a project cost accounting system to account for real property construction, and will soon install a fixed assets system to account for the remainder of our real and personal property.

Unfortunately, because of the worldwide nature and complexity of our financial operations, State faces a serious challenge in developing and deploying financial management systems that fully comply with Federal requirements. Meeting this challenge has been complicated

by the number of new accounting standards that have been issued by the Federal Accounting Standards Advisory Board in the past few years. As required by FFMIA, State has prepared a remediation plan, and submitted it to OMB in March 2000 (for which we are awaiting approval). The plan reflects those actions necessary to achieve an integrated worldwide financial management system and substantial compliance with Federal financial system requirements. As reported in the remediation plan, we expect to complete all actions by the end of FY 2003.

Questions for the Record Submitted to
Chief Financial Officer Bert T. Edwards
and
Assistant Secretary David G. Carpenter
by
Rep. Christopher Shays, Chairman
The House Committee on Government Reform
July 19, 2000

Question 4:

How many financial management systems is State currently operating domestically and abroad?

Answer:

State has significantly reduced the number of its financial management systems. Several years ago, we were burdened with managing six primary financial management systems and 39 subsidiary financial applications throughout the world in support of its domestic bureaus, overseas posts and other serviced USG agencies. We have reduced this number to three primary financial systems and 20 subsidiary financial applications, and centralized from 18 disbursing offices to three Financial Service Centers (Paris, Bangkok and Charleston, S.C.).

Our goal, as reflected in our FFMIA Remediation Plan, is to achieve one integrated financial management system and a corresponding minimal number of subsidiary financial applications in FY 2003.

Questions for the Record Submitted to
Chief Financial Officer Bert T. Edwards
and
Assistant Secretary David G. Carpenter
by
Rep. Christopher Shays, Chairman
The House Committee on Government Reform
July 19, 2000

Question 5:

When does State anticipate having an integrated financial management system in place?

Answer:

We expect to complete all actions by the end of FY 2003.

Questions for the Record Submitted to
Chief Financial Officer Bert T. Edwards
and
Assistant Secretary David G. Carpenter
by
Rep. Christopher Shays, Chairman
The House Committee on Government Reform
July 19, 2000

Question 6:

Why is the Department's remediation plan for compliance not targeted for completion until FY 2003?

Answer:

Two significant financial systems accomplishments were achieved over the last two years at State. First, we successfully remediated all of our financial management systems for Year 2000 compliance. Of equal significance was the integration of the former Arms Control and Disarmament Agency (ACDA) and United States Information Agency (USIA) into the Department effective April 1, 1999, and October 1, 1999, respectively. Since the operative dates for these events were fixed, these efforts were our top priority and required our best people and management's undivided attention. As a result, other financial system priorities were put on hold. The FY 2003 completion date

in our remediation plan reflects our planned implementation date for the Regional Financial Management System (RFMS). RFMS will replace the two existing primary financial management systems servicing our overseas posts and will operate in conjunction with our domestic primary financial management system as one worldwide integrated financial management system. As previously mentioned, State faces a serious challenge in developing and deploying financial management systems because of the worldwide nature and complexity of our financial operations, for example, operating in all 24 time zones and in 130 different currencies. The projected implementation of RFMS in FY 2003 takes these factors into account in establishing a realistic and achievable implementation timetable.

C.

Questions for the Record Submitted to Chief Financial Officer Bert T. Edwards
And
David G. Carpenter
By
Rep. Christopher Shays, Chairman
The House Committee on Government Reform
July 19, 2000

Question 1:

When does the Department expect the proposed action plan to tighten security take effect throughout the Department?

Answer:

An interagency review panel was convened earlier this year to perform a "bottom to top" review of security at the Department of State building. Its report, issued in May, made wide-ranging recommendations to enhance access controls, physical and information security, security awareness, the guard program, and the security organizational structure. Many of the recommendations, particularly those related to procedural changes, are already in effect. Principal among these are the escort of all visitors within the Department, tighter access controls

for all visitors and members of the Press, and the deployment of new x-ray screening equipment.

The implementation of other key recommendations is ongoing. Chief among these are physical security enhancements aimed at improving perimeter security at Main State; e.g., additional uniformed patrols inside and outside the building; installing additional physical security barriers; increasing the security awareness of employees; and a more robust Unit Security Officer training program. A pilot program is underway to test the utility of biometric access control systems to include Iriscan and Hand-Geometry - all of which are attached to Smart Card Technologies. A state-of-the-art digital CCTV recording system has been purchased. Discussions are underway with other U.S. Government agencies to share an off-site vehicle and delivery inspection facility.

Some recommendations, such as the proposed redesign of the lobbies at Main State, creation of a direct-hire guard force, and increasing the number of security officers are under review and will require additional funding resources.

Questions for the Record Submitted to Chief Financial Officer Bert T. Edwards
And
David G. Carpenter
By
Rep. Christopher Shays, Chairman
The House Committee on Government Reform
July 19, 2000

Question 2:

How is the Department increasing awareness of existing and new security procedures and punitive measures for breaking those procedures?

Answer:

As a result of the Secretary requiring that all employees receive a security refresher briefing, the Bureau of Diplomatic Security (DS) has briefed over 7,000 State employees domestically concerning the current security policies and procedures designed to ensure that classified information is properly protected while being handled, discussed, stored, transmitted and/or destroyed. DS will send via e-mail a copy of this presentation to all Regional Security Officers and Post Security Officers abroad for their use. This presentation is currently posted on the new DS Information Security Program website. DS has also developed an electronic DS security help desk, available on

both the unclassified and classified systems. Employees worldwide can submit questions, and DS security experts will reply.

Questions for the Record Submitted to
Chief Financial Officer Bert T. Edwards
and
Assistant Secretary David G. Carpenter
by
Rep. Christopher Shays, Chairman
The House Committee on Government Reform
July 19, 2000

Question 3:

How does the Department reconcile the conflict between strengthened security procedures and the nomination for ambassadorships of those having multiple security violations (one nominee in particular had been suspended twice for violations)?

Answer:

All ambassadorial nominees go through a lengthy and rigorous clearance process carried out by State and the White House. These investigations consider security incidents (infractions and violations), the time range in which they occurred, and the possibility that information would be compromised.

Our review of the nominee files indicates that a large number of the security incidents were received at least ten years ago and involved no possibility of security compromise. When all job-related factors were weighed, these nominees were judged appropriate for referral to the Foreign Relations Committee.

With our increased attention to security, we have instituted strengthened internal procedures to ensure that comprehensive security incident information is provided to the Deputy Secretary's (D) Committee for its use in making ambassadorial decisions.

The Bureau of Diplomatic Security will include each selectee's security incident record as an attachment to the full field security investigation summary prepared for the Department and the White House. The Bureau of Human Resources will provide information on any discipline resulting from the security incidents, which will be incorporated into the summary.

Also, the Bureau of Diplomatic Security will be available, at the request of the Director General, to provide in-depth information to the D Committee.

Lastly, we are working with the Senate Foreign Relations Committee to amend the Committee questionnaire to cover security incident information. We have submitted suggested questions to the Committee for consideration and await its response.

D.

Questions for the Record Submitted to
Chief Financial Officer Bert T. Edwards
and
Assistant Secretary David G. Carpenter
by
Rep. Christopher Shays, Chairman
The House Committee on Government Reform
July 19, 2000

Question 1:

How long will it take State to finish construction of secure facilities for personnel at the most vulnerable posts?

Answer:

The January 1999 report of the Accountability Review Boards on the Embassy bombings in Nairobi and Dar es Salaam chaired by Retired Admiral William J. Crowe stated that 85% of the Department's overseas facilities do not meet current security standards. Over 200 chanceries, consulates, and other buildings will have to be replaced or undergo substantial rehabilitation and security upgrades. The report estimated that the Department would need a capital building program of $1 billion per year for ten years to

replace these facilities. An additional $400 million per year for ten years would be required for security upgrades and security officers. Nearly identical findings and recommendations were made in the November 1999 report of the Overseas Presence Advisory Panel. Funding resources less than these amounts will extend the time required to replace and enhance security at these vulnerable buildings.

Currently we have 18 new embassies or consulates in various stages of development: Dar es Salaam, Nairobi, Abu Dhabi, Abuja, Beijing, Berlin, Damascus, Doha, Istanbul, Kampala, Luanda, Rio de Janeiro, Sao Paulo, Seoul, Sofia, Tunis, Yerevan, and Zagreb. We are also in the process of acquiring several additional new office building sites.

Given the amount of time required to build new embassies and the length of the recommended embassy replacement program, the U.S. Government cannot sit idly by while its overseas employees live and work in harm's way. We have taken many steps to reduce the vulnerability of our employees.

Since the bombings we have relocated many overseas Department and other agency personnel to more secure

facilities. For example, AID personnel have been/are being relocated to more secure facilities in Almaty, Antananarivo, Asuncion, Ashgabat, Cairo, Kampala, Luanda, Manila, New Delhi, Rabat, Tel Aviv and other locations around the world.

Increasing setback from streets and other buildings is another way of reducing the threat to loss of life and injury. During the past year and a half, the Department has been extremely active in acquiring 87 setback properties at 25 posts around the world to provide greater security to our personnel. Negotiations and investigations are continuing on another 31 properties at 14 posts.

Worldwide Security Upgrade funding appropriated by the Congress has enabled A/FBO to approve 1,051 security upgrade projects at overseas posts with 34% of these projects having been completed. Every project will further protect our employees overseas. The Worldwide Security Upgrade Program, which includes security projects such as the installation of berms, bollards, and access controls, is being executed at each post by the Department, the post itself, and/or by an implementation contractor or basic ordering agreement contractor. Other components of this

program include the installation of shatter resistant window film on all office and residential windows and the installation of forced entry/ballistic resistant (FE/BR) doors and windows. The bombings in Africa demonstrated all too tragically that the greatest threat to life and injury from a bomb blast is from flying shards of glass. Since the bombings, we have purchased 5.5 million square feet of window film. Nearly half has been installed, with the remainder to be installed by the end of this summer. We have also installed or replaced over 500 forced entry/ballistic resistant doors and windows. Our FY 2001 budget requested $134 million to continue these efforts.

Questions for the Record Submitted to
Chief Financial Officer Bert T. Edwards
and
Assistant Secretary David G. Carpenter
by
Rep. Christopher Shays, Chairman
The House Committee on Government Reform
July 19, 2000

Question 2:

What are the major obstacles to implementation of these programs?

Answer:

Many factors must fall into place to successfully implement such a large capital construction program. Two major obstacles are the lack of sustained and sufficient funding, and the difficulty of acquiring suitable sites.

Sustained and sufficient funding is necessary to implement a successful diplomatic construction program. Construction of new embassy office buildings and compounds are by nature multi-year projects, requiring funding over a number of years. In response to question 1, above, we stated that Admiral Crowe recommended a 10-year, $1.4

billion dollar a year program. In fiscal year 2000, we received $300 million for new embassy construction. For fiscal year 2001, we requested $500 million. The Department also requested advance appropriations of $3.35 billion for Fiscal Years 2002 through 2005. While Congress appears likely to approve capital funding for FY 2001, the amount is uncertain at this time. On the other hand, Congress has rejected our request for advance appropriations. Obtaining the sustained commitment of appropriations from the Congress is critical to our long-term planning process.

One only has to look at lessons learned from the limited success of the Inman Diplomatic Security Construction Program of the 1980s. The Congress authorized a $2 billion program but subsequent administrations failed to request and the Congress failed to provide the necessary appropriations to carry out the program. As a result, only a fraction of the planned projects were built. We cannot afford to repeat this mistake.

Legislation now requires that sites for new embassy construction provide 100-foot setback for all buildings to be located on the site and that all USG personnel be

collocated on the site, unless waivers are granted. Sites must be large enough to accommodate office buildings that will allow the collocation of all USG personnel, and should accommodate an ambassador's residence, Marine Security Guard Quarters, and other support buildings. Ten-acre sites are the preferred size, although smaller sites can work at smaller posts, depending on specific circumstances such as topography of the site and local zoning restrictions. Finding 10-acre sites in an urban or suburban international capital setting at a reasonable cost is a tremendous challenge and sometimes is not possible. In such cases, we must consider locating our new facilities at some distance from the city centers. In many countries, when sites have been found, the inability to acquire clear title prevents the Department from making the purchase. Obtaining zoning approval from local authorities also a challenge that takes time. Acquisition of a suitable site is a prerequisite for a diplomatic construction project.

Despite the challenges involved, the Department has successfully acquired sites in Nairobi, Dar es Salaam, Doha, Kampala, Yaounde, and Zagreb, with sites under contract or option in Istanbul, Sao Paulo, and Yerevan.

Questions for the Record Submitted to
Chief Financial Officer Bert T. Edwards
and
Assistant Secretary David G. Carpenter
by
Rep. Christopher Shays, Chairman
The House Committee on Government Reform
July 19, 2000

Question 3:

What initiatives is State pursuing to reduce costs and shorten the time required to implement security upgrades and construct new facilities?

Answer:

State is undertaking a number of measures to control costs and to accelerate the construction of new buildings and security upgrades.

We have developed an improved strategy for effectively executing a difficult, expanded construction program and have augmented our staff to handle the workload. The strategy is derived from our Inman experience with the simultaneous execution of large, multi-year projects, and from implementing construction industry best practices.

Included in our strategy are a number of initiatives described below.

- Design/build contracting. State's Office of Foreign Buildings Operations (A/FBO) is placing greater reliance on design/build (D/B) contracting. This method has been demonstrated in both the public and private sectors to reduce cost and save time in project delivery as compared with the more traditional two-contract, design-bid-build procurement method. In addition, we are looking at other multiple projects that could be packaged into groups for award to a single, large D/B contractor, as we did with the Dar es Salaam and Nairobi projects. Additional D/B contracts could be awarded for groups of projects in the out years.

  Design/build contracts are being managed by integrated project management teams to provide effective controls and added expertise. From the start of a project, these cross-discipline teams are accelerating project execution, controlling costs, clarifying lines of authority, and carefully defining roles, responsibilities, procedures, project priorities, and

milestones. Potential risks to project success are identified and mitigated early.

- Staffing. The Department is much better positioned than in the mid-1980s when the Inman program began and its in-house workforce numbered less than 200. The professionalism and depth of the workforce has increased as its size has grown to over 760 today. Eighty-four new staff members have been, or are being, brought on for worldwide security upgrades alone. Additional real estate professionals have been hired to find and acquire new sites and buildings. More design, engineering, project management, and other professionals and specialists have been brought on to execute construction projects. Overall, since the bombings, the Office of Foreign Buildings Operations has increased on board staffing by 17%.

Contract support has been increased, with Perini Corporation and Brown and Root assisting with security upgrade work, and with indefinite quantity contractors increasing A/FBO capabilities, especially in design-review services.

- Priority setting. The Accountability Review Board recommended spending $14 billion on embassy construction, security upgrades, and security officers in the next ten years to replace and upgrade facilities that do not meet standards. Interagency Embassy Security Assessment Teams (ESATs) determined that most of our posts have compelling facility needs, such as the need for adequate setback, structural hardening, relocations, and other security requirements.

All chanceries, consulates, and multi-tenant annex buildings have been evaluated for security vulnerability. The analysis assessed the soundness of each building's structure and façade, the adequacy of the building compound's perimeter security, the building's setback from adjacent property, the post's political violence and terrorist security threat, and additional security considerations that included the capability and willingness of the host country to control its internal and border security relative to external terrorists; as well as other factors. The resulting ranking was reviewed by stakeholders, i.e., regional bureaus, other agencies, the Bureau of Diplomatic Security, Embassy Security Assessment Teams, A/FBO managers, and senior

Department managers. Projects were then planned for different fiscal years based on vulnerability, stakeholder input, and consideration of factors that will either inhibit or facilitate a project's execution.

- Other measures developed or enhanced since the 1998 bombings. Time and space preclude a full explanation of all the other industry best practices adopted by A/FBO to reduce costs and shorten construction time, however, a representative listing of these best practices follows.
    - Industry Outreach
    - Enhanced Partnering
    - Security and Blast Research
    - Site Search Program
    - Pre-qualified Architectural/Engineering (A/E) Pool
    - Generic Statement of Work
    - A/E Design Guidelines
    - Integrated Building Systems
    - Information Technology
    - Standard Delivery Process
    - Site Adapted Office Building Program
    - Project Execution Support Contractors
    - Reliability Centered Maintenance

- Serviceability Tools and Methods
- Post Occupancy Evaluation

These "best practices" or initiatives, plus the intense efforts by the Department, have resulted in the outstanding record of achievement over the past 18 months, and clearly demonstrate that the Department has the ability to manage a large and complex building program.

Questions for the Record Submitted to
Chief Financial Officer Bert T. Edwards
and
Assistant Secretary David G. Carpenter
by
Rep. Christopher Shays, Chairman
The House Committee on Government Reform
July 19, 2000

Question 4:

What is State's latest estimate of the potential costs to replace vulnerable facilities?

Answer:

As stated in our responses to questions the questions above, the Accountability Review Board chaired by Admiral Crowe recommended spending $14 billion on embassy construction, security upgrades, and security officers in the next ten years to replace and enhance security at facilities that do not meet standards. This 1999 estimate was a reasonable one, given the assumptions in place at that time.

Many factors, such as delays in securing sufficient and sustained funding, additional collocation requirements, more rigorous application of security standards, site

availability, industry capacity to provide goods and services, availability of skilled personnel, as well as current Department efforts to right size and regionalize overseas presence, can all affect this estimate.

E.

Questions for the Record Submitted to Chief Financial Officer Bert T. Edwards
And
David G. Carpenter
By
Rep. Christopher Shays, Chairman
The House Committee on Government Reform
July 19, 2000

Question 1:

Please provide a copy of the interagency panel's review of countermeasures currently in place to protect against unauthorized access to the Main State Department building and classified information.

Answer:

A copy of the interagency panel's review of countermeasures currently in place to protect against unauthorized access to the Main State Department building and classified information is attached, as requested.

Questions for the Record Submitted to Chief Financial Officer Bert T. Edwards
And
David G. Carpenter
By
Rep. Christopher Shays, Chairman
The House Committee on Government Reform
July 19, 2000

Question 2:

What are the responsibilities of the new Coordinator for Chemical Biological Countermeasures?

Answer:

The Coordinator is responsible for implementation of State's countermeasures initiative for all posts, and educating all employees under the authority of the chief of mission (COM) and their families to the nature of this threat. The Coordinator is also responsible for training first responders to deal with an incident or attack, equipping first responders and employees to cope with the threat, and incorporating defensive measures and contingency planning into our security programs.

Questions for the Record Submitted to Chief Financial Officer Bert T. Edwards
And
David G. Carpenter
By
Rep. Christopher Shays, Chairman
The House Committee on Government Reform
July 19, 2000

Question 3

How does the Coordinator work with other departments and agencies, particularly various offices within the Department of Defense and the Central Intelligence Agency?

Answer:

The Coordinator has established liaison with and received assistance from a number of elements within the Department of Defense, including: the Defense Threat Reduction Agency (DTRA), the Defense Advanced Research Projects Agency (DARPA), the Chemical Biological Incident Response Force (CBIRF), Policy and Plans (J-34), the Soldier Biological Chemical Command (SBCCOM), the U.S. Army Medical Institute of Infectious Diseases (USAMRIID), the Assistant Secretary of Defense for Special Operations/Low Intensity Conflict (SO/LIC), and others. Additionally, the

Coordinator has established working relationships with the CIA's Counter Terrorism Center and has coordinated with other appropriate offices within the CIA. We have coordinated or sought information from other governmental agencies (for example, the FBI) and non-governmental organizations to assist with our program.

Questions for the Record Submitted to Chief Financial Officer Bert T. Edwards
And
David G. Carpenter
By
Rep. Christopher Shays, Chairman
The House Committee on Government Reform
July 19, 2000

Question 4:

What will be the responsibilities of the proposed Under Secretary for Security, Law Enforcement and Counter Terrorism?

Answer:

The responsibilities of the new Under Secretary for Security, Law Enforcement and Counter Terrorism will incorporate the following existing components under the umbrella of one position: 1) Bureau of Diplomatic Security (DS), 2) Bureau of International Narcotics and Law Enforcement (INL), and 3) Office of the Coordinator for Counter Terrorism (S/CT).

The proposal is designed to make the focus of Diplomatic Security clear to all State employees, provide a single access point for all federal and foreign agencies as

they work to coordinate security, law enforcement and counter terrorism overseas, and assure the American people that the Secretary of State, through the new Under Secretary, is being proactive in areas that are of growing concern to them.

Questions for the Record Submitted to Chief Financial Officer Bert T. Edwards
And
David G. Carpenter
By
Rep. Christopher Shays, Chairman
The House Committee on Government Reform
July 19, 2000

Question 5:

What existing bureaus will be shifted to this Under Secretary's authority?

Answer:

The Bureau of Diplomatic Security, the Bureau of International Narcotics and Law Enforcement, and the Office of the Coordinator for Counter Terrorism will report to the proposed Under Secretary for Security, Law Enforcement and Counter Terrorism.

F.

Questions for the Record Submitted to
Chief Financial Officer Bert T. Edwards
and
Assistant Secretary David G. Carpenter
by
Rep. Christopher Shays, Chairman
The House Committee on Government Reform
July 19, 2000

Question 1:

What is the status of State's various committee reports on the Overseas Presence Advisory Panel's recommendations that were due at the end of June?

Answer:

The response to the Overseas Presence Advisory Panel (OPAP) report is not State's alone. It is an interagency effort, enlisting all USG agencies with a direct stake in the USG's overseas presence. Based on the work of the various interagency OPAP implementation committees to date, State prepared a draft implementation status report. Secretary Albright reviewed it and forwarded it to her Cabinet colleagues for their review. Once we have their comments, we will forward the final report to the White House and then to the Congress.

Although State did not meet our self-imposed June deadline, the extra time has permitted us to put together a more complete and informative status report, including input from each Cabinet member.

Questions for the Record Submitted to
Chief Financial Officer Bert T. Edwards
and
Assistant Secretary David G. Carpenter
by
Rep. Christopher Shays, Chairman
The House Committee on Government Reform
July 19, 2000

Question 2:

What is being done to overcome "cultural resistance" to the changes proposed by the OPAP?

Answer:

It is not necessarily true that there is "cultural resistance" to OPAP's proposed changes. Virtually all agencies and State employees embrace the OPAP theme that we need to make fundamental changes in the way we conduct the USG's overseas presence. Since early January 2000 we have worked closely with our colleagues in other agencies on OPAP's recommendations, particularly in the important areas of right-sizing, capital funding for facilities, and information technology. These positive actions have helped reduce the so-called "cultural resistance."

Any perceived reluctance to embrace the OPAP report likely reflects either (a) skepticism about its potential lack of impact (based on previous experience), or (b) the legitimate concern that it may be used as a vehicle to reduce even further the resources committed to foreign affairs in general and to State in particular.

Questions for the Record Submitted to
Chief Financial Officer Bert T. Edwards
and
Assistant Secretary David G. Carpenter
by
Rep. Christopher Shays, Chairman
The House Committee on Government Reform
July 19, 2000

Question 3:

Does State see major change in the U.S. overseas presence in terms of the number of personnel overseas and/or their geographic distribution?

Answer:

We cannot forecast what results may emerge over the next several years as the interagency right-sizing effort proceeds. It is possible that right-sizing may lead to an overall reduction in staffing at diplomatic posts. However, it is far more likely to establish the documented need for new kinds of staffing and resources and adjustments in staffing locations. OPAP emphasized the need to have the right people with the right skills in the right places and with the right tools. The right-sizing study is a means for determining what those are.

One thing that became clear from the interagency visits to six pilot posts earlier this year is that all USG agencies have engaged in a very serious look at their overseas staffing over the past decade, whether in response to budget pressures or emerging priorities. The right-sizing that individual agencies are already pursuing will continue, albeit on a more coordinated interagency level.

Questions for the Record Submitted to
Chief Financial Officer Bert T. Edwards
and
Assistant Secretary David G. Carpenter
by
Rep. Christopher Shays, Chairman
The House Committee on Government Reform
July 19, 2000

Question 4:

What is being done to strengthen the role of the ambassador in staffing decisions at posts abroad?

Answer:

Under Presidential directives and the law, chiefs of mission (COMs) already have broad authority to determine the staffing in their missions. COMs, however, often express the view that they feel hampered in the exercise of their authority because they do not have complete control of their mission's resources. One way to strengthen their role would be legislation that would grant a COM complete control over the resources of all USG agencies that are part of the mission, regardless of agency or appropriation.

Questions for the Record Submitted to
Chief Financial Officer Bert T. Edwards
and
Assistant Secretary David G. Carpenter
by
Rep. Christopher Shays, Chairman
The House Committee on Government Reform
July 19, 2000

Question 5:

Does State anticipate implementation of the Overseas Presence Advisory Panel's recommendations will reduce the costs for constructing new embassies and consulates by reducing and controlling overseas staffing levels?

Answer:

We cannot forecast what results may emerge over the next several years as the interagency right-sizing effort proceeds. Right-sizing may in fact require additional staffing in some locations. In planning for new facilities, we believe the more coordinated, interagency approach that we and other agencies are now pursuing will impose a disciplined methodology to enact changes to projected staffing levels. This should help avoid the additional costs incurred when we must, at a later stage, incorporate changes to accommodate unanticipated staffing needs.

○