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Report to the Chairman, Legislation
and National Security Subcommittee,
Committee on Government Operations,
House of Representatives

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STATE DEPARTMENT

Efforts Under Way to Enhance Management of Overseas Real Property



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National Security and
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The Honorable John Conyers, Jr.
Chairman, Legislation and
National Security Subcommittee
Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

In response to your request, we reviewed the State Department's actions to address long-standing management and accountability problems with overseas real property. Specifically, we identified and assessed the State Department's management and internal control systems and evaluated recent initiatives to address long-standing problems. The State Department's lack of progress in addressing management weaknesses led the Comptroller General to designate the Department's overseas real estate management as 1 of 16 areas within the federal government at highest risk for waste, fraud, and abuse.

We provided a preliminary summary of our findings in testimony before your Subcommittee on June 20, 1991. We issued a separate report on the State Department's Diplomatic Security Construction program in February 1991 and will be issuing another report on the same program in the near future.

Results in Brief

Lax oversight and inadequate planning have continued for decades to be weaknesses in the State Department's management of overseas real property. Examples of overseas posts' continued noncompliance with established policies emphasize the need for thorough oversight of post real estate activities through official monitoring visits and strengthened management information systems. Lack of effective real estate planning for posts' needs has led to decisions on acquisitions and disposal of property that were not in the best interest of the U.S. government in the long run.

The State Department has recently initiated several actions to improve program management and oversight of overseas property. Initiatives include determining post maintenance conditions worldwide, enhancing maintenance assistance to posts, requiring yearly maintenance inspections, establishing new housing standards, establishing oversight and planning policies, enhancing key automated information systems, and

developing a 5-year program plan. However, many of these initiatives are in the planning stage or early stages of implementation and may take several years to implement fully. Until they are fully operational, State will remain vulnerable to waste and misuse of funds.

Background

Under the Foreign Service Buildings Act of 1926, as amended, the State Department is responsible for managing overseas properties. The State Department estimates it is responsible for managing 8,300 leased properties and 1,750 government-owned properties with an estimated value of \$8 billion to \$10 billion. The Department has delegated responsibility for overseas real estate operations to its Office of Foreign Buildings Operations (FBO). These operations include acquiring, constructing, selling, operating, and maintaining U.S. government-owned and leased property at over 250 posts abroad. FBO establishes policies, standards, and procedures and provides technical guidance to posts on real estate matters. It also plans, designs, and funds capital construction projects. Posts are responsible for implementing overseas housing programs for U.S. government employees and for conducting routine maintenance, repairs, and minor improvements in accordance with FBO's policies, standards, and procedures.

Audits since the 1960s have revealed persistent problems in the management of overseas maintenance, housing, and construction programs.

State Has Had Long-Standing Problems in the Management of Real Estate Abroad

Since 1963, we have reported chronic problems in the State Department's management of real property overseas. (A list of related products is at the end of this report.) Past reports have cited

- lax monitoring and oversight of programs and inadequate information systems to account for funds and resources, which created opportunities for waste and abuse;
- lack of planning associated with the acquisition and disposal of overseas properties, which led to real estate decisions not in the best interest of the U.S. government;
- lack of adequate facilities maintenance, which resulted in maintenance, repair, renovation, and system replacement requirements that will cost an estimated \$350 million; and
- excessive housing costs because overstandard housing was provided to U.S. government employees posted overseas.

FBO Oversight Has Been Limited

FBO's primary mechanisms for oversight of overseas post activities are (1) monitoring by FBO area managers and other officials and (2) automated information systems that provide post data on property inventory and expenditures of resources. Neither mechanism has supplied the complete and accurate management information FBO needs to ensure posts are complying with established policies and procedures.

FBO Has Not Routinely Monitored Post Activities

FBO officials told us that until May 1991 area managers were expected to visit all posts at least once a year. (As of May 1991, area managers are expected to visit some smaller posts less frequently.) FBO has not kept systematic records on post visits; however, available information indicated that 15 percent of all posts had not been visited in the last 3 years, and 37 percent had been visited only once. Further, FBO area managers had not conducted routine monitoring activities, such as reviewing financial information, confirming the appropriateness of housing assignments, or verifying property inventory data.

Although area managers seemed to be aware of their responsibilities, they had not made monitoring a high priority. They had been reluctant to monitor posts' activities because (1) they did not want to give the impression they did not trust post management or (2) they had not been trained to perform monitoring activities, notably reviewing post financial records. In the absence of sufficient oversight, posts have taken real estate actions, including the following, without FBO's knowledge or approval:

- State's Inspector General reported in 1990 that the post in Panama City had executed an \$8.5 million extension of an approved lease for office space without FBO knowledge or approval. The lease did not contain required provisions making payments subject to the availability of funds from Congress and allowing the post to terminate the lease. Because a termination clause was not in the lease, the post incurred over \$1.3 million in lease costs for office space left vacant between 1987 and 1989. The post also agreed to lease and occupy approximately 125 apartments in a proposed housing project in Panama, which could have resulted in a significant financial loss to the State Department.
- The State Department's Inspector General noted in 1990 that the post in Manila had improperly expended \$95,000 in prior years to construct two buildings (to house racquetball and squash courts) without FBO approval. In addition, \$20,000 from an FBO allotment was improperly used to build a shower and locker facility.

FBO officials told us they were aware of the need for systematic post oversight. On May 24, 1991, FBO established a policy requiring systematic visits to posts to undertake specified monitoring activities, including inspecting housing and maintenance, reviewing financial documentation on FBO-funded expenditures, and verifying property inventory data.

Information Systems Have Not Provided Needed Management Information

FBO relies on two information systems, the Real Estate Management System and the Central Financial Management System, to monitor real estate programs at overseas posts. Enhancement of the Real Estate Management System is a key element in FBO's effort to improve monitoring of post housing programs. The enhanced system is designed to collect information, such as the rank and family size of occupants and the cost and square footage of housing units, that will enable FBO to monitor housing assignments. FBO expects to install the new system at 76 posts by 1996. Because the system will continue to rely on data reported by the posts, which in the past has often been inaccurate and unreliable, FBO must increase efforts to validate the data for the system to be effective.

In October 1990, the State Department began using its new Central Financial Management System to account for FBO's financial transactions. FBO officials believe that this system will improve their ability to track expenditures and obligations on FBO projects. However, vigorous follow-up will be needed to ensure that posts accurately report project codes.

Neither the Real Estate Management System nor the Central Financial Management System will enable FBO to track costs at the building level. Thus, FBO will still be unable to determine the total costs associated with its properties and the feasibility of retaining them. FBO officials stated that the value of such information would be insignificant in helping them make decisions on the acquisition and disposal of property. They said that security requirements, operational needs, and political considerations are the primary factors in such decisions.

State Has Not Adequately Planned Its Real Estate Program

FBO has not adequately linked current programs with the State Department's long-range foreign policy plans through comprehensive master planning. In April 1990, FBO established a policy requiring a master facilities plan for each post that matches short- and long-term requirements with current assets to develop cost-effective alternatives for management of real estate programs. FBO has completed facilities plans for

four posts and is developing plans for eight more. However, FBO has not developed master plans for other posts where multimillion-dollar construction programs are planned. For example, FBO is undertaking an \$80 million construction and renovation project in Bangkok without a master plan.

FBO is conducting studies at selected posts to develop appraisals of the fair market value of identified properties, collect market data, and determine the best use of selected properties. According to FBO officials, the value of the properties initially assessed—in Tokyo, Bangkok, and Manila, among others—is potentially several billion dollars. However, FBO officials did not provide documentation to show how the current assessments were linked to post assets and a requirements analysis, as called for in the 1990 master planning policy. Furthermore, FBO's current 5-year plan does not include any estimates on potential sales of property, which could significantly affect FBO's request for funding of its construction program over the next 5 years. FBO officials said that future 5-year plans will include potential earnings from sales.

State Has Begun Initiatives to Improve Program Management

The State Department has reported the lack of adequate maintenance and rehabilitation of overseas property and overseas housing as material internal control weaknesses in its reports to Congress and the President under the Federal Managers' Financial Integrity Act of 1982¹ and has proposed an action plan and milestones to address these weaknesses.

FBO has begun to take some steps to improve its maintenance and housing programs. Many of the initiatives to improve the maintenance program are being managed by FBO in support of the posts and are already under way. However, one initiative, creating a facilities maintenance specialty within the Foreign Service, places facilities managers under the direct control of post management. It is critical that post facilities managers be able to make maintenance decisions without undue influence from post management.

¹The Federal Managers' Financial Integrity Act of 1982 requires every executive department to undertake a comprehensive annual review of its management and financial systems to identify weaknesses carrying a heightened risk for waste, fraud, or mismanagement of government resources and assets.

Scope and Methodology

To assess the adequacy of FBO's oversight and management control systems and identify actions to address management weaknesses, we interviewed FBO officials and reviewed reports and documents on real estate programs at 69 posts in 24 countries selected as a representative sample of different regions. We also examined documents and records on FBO's management initiatives and discussed them with FBO officials. We did not visit posts to verify the data reported by them. We discussed the management of overseas housing and post maintenance with representatives of State's regional bureaus to obtain information about the bureaus' and posts' satisfaction with FBO's real estate program.

Our work was conducted at the Department of State from September 1990 to June 1991 in accordance with generally accepted government auditing standards. As you requested, we did not ask the State Department to provide written comments on a draft of this report. However, we discussed our draft report with agency officials and have included their comments where appropriate.

Appendix I includes more information on management and internal control systems, and appendix II includes more information on FBO's initiatives to improve management of its maintenance and housing programs. Appendix III summarizes management problem areas and FBO initiatives to address them.

As we arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its issue date. At that time we will send copies of this report to the Secretary of State and other interested parties.

This report was prepared under the direction of Joseph E. Kelley, Director, Security and International Relations Issues, who may be

contacted on (202) 275-4128 if you or your staff have any questions.
Other major contributors to this report are listed in appendix IV.

Sincerely yours,



Frank C. Conahan
Assistant Comptroller General

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Abbreviations

EURMAC European Maintenance Assistance Center
FBO Office of Foreign Buildings Operations
GAO General Accounting Office
REMS Real Estate Management System
WASHMAC Washington Maintenance Assistance Center

Long-Standing Management and Internal Control Problems Continue

Since the early 1960s, we have reported management and internal control problems in the State Department's Office of Foreign Buildings Operations (FBO). These problems included (1) the lack of systematic monitoring of real estate activities at overseas posts, (2) inadequate information systems, and (3) the lack of planning for future real estate requirements. FBO has begun to address these problems, but because these initiatives are in the early stages of implementation, management and internal control problems are likely to continue.

FBO's Oversight of Posts Has Not Been Systematic or Thorough

FBO's two oversight mechanisms, monitoring and information systems, have not been effective in ensuring that overseas posts comply with established policies and properly account for FBO's resources. As a result, posts continue to take unauthorized real estate actions.

Area Managers Have Not Conducted Systematic Monitoring Activities

FBO relies on its area managers—Foreign Service officers stationed in Washington, D.C., for rotational assignments—to visit each overseas post to ensure the effective and efficient use of FBO's resources. According to FBO officials, area managers were expected to visit each post annually¹ to

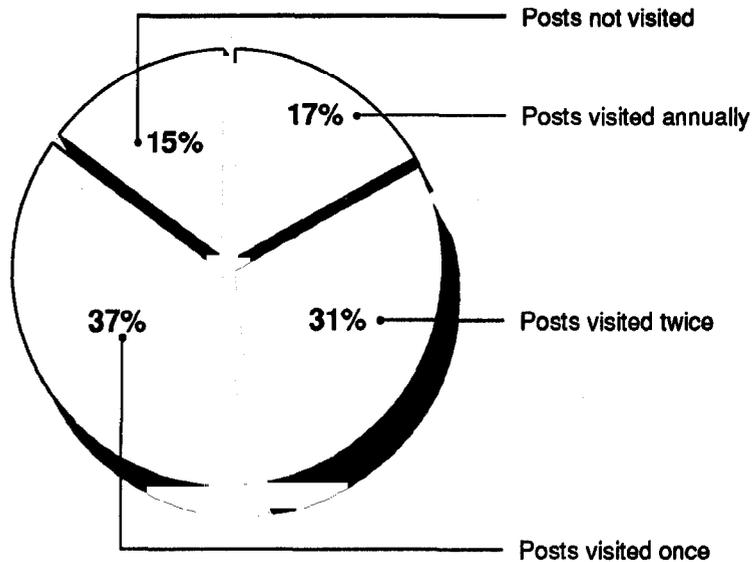
- review budget and financial records,
- check posts' compliance with residential space standards, and
- inspect the physical condition of all government-owned and leased properties.

However, area managers were not provided training or written guidance on their job responsibilities. Some area managers said they learned on the job or by talking with more experienced area managers. One said that it takes about a year to become effective in the position.

Available information indicated that area managers have not regularly visited posts or systematically monitored posts' real estate activities. Records of trips taken by area managers between 1988 and 1990 indicated that area managers had not visited most posts on an annual basis, and some posts had not been visited at all. Figure I.1 shows the frequency of area managers' visits between 1988 and 1990.

¹FBO established a new policy on May 24, 1991, that specifies less frequent visits to some small posts.

Figure I.1: Frequency of Area Managers' Visits to Posts (1988-90)



Note: During late 1990, area managers' travel was restricted for security reasons.

When area managers have visited posts, they have found that in some cases posts have not complied with real estate policies and programs. For example, in 1988, an area manager reported that the post in Bangkok had leased a 30-unit apartment building for \$610,000 per year without prior approval, as required. Also, the post signed 14 separate leases in a 14-unit townhouse development so that, according to the area manager, the leases would not exceed \$25,000 and require FBO's prior review and approval.

FBO does not have complete and accurate records of oversight activities undertaken during post visits. Such records would enable new area managers or FBO management to review how posts' real estate programs are being managed. Area managers are required to document their activities during post visits in trip reports, which are forwarded to appropriate FBO officials for follow-up. FBO travel documents for 69 posts indicated that area managers had taken 120 trips to 53 posts between January 1988 and December 1990. Area managers could not provide trip reports for 74 trips (over 60 percent) identified on FBO's list of post visits. Further, reports for 11 trips were not identified on the list. Although area managers are required to file trip reports within 7 days, these reports were filed an average of about 30 days after the trip. One report was dated 81 days after the trip.

According to trip reports for a sample of routine visits, area managers had reviewed financial records in 10 percent of the visits, inspected housing in 58 percent, and discussed maintenance issues in 74 percent. However, information provided in many trip reports was very general and concerned only the overall condition of housing and maintenance. Trip reports generally did not include information on detailed monitoring or oversight activities, such as verification of property inventory data, measurement of leased properties to monitor compliance with space standards, and inspection of lease payment records and routine maintenance expenditures to ensure the proper use of funds.

In conversations with 17 of FBO's 25 area managers, some indicated that monitoring activities have not been a high priority in FBO. Area managers perceived their primary role as providing support to the posts by coordinating technical assistance with other areas of FBO and handling administrative requirements relating to allotting funds for post housing, maintenance, and special projects. Some area managers were reluctant to monitor post activities closely for fear of giving the impression that FBO did not trust post management. Others believed that conducting monitoring activities would adversely affect their working relationships with the posts. In addition, several told us they were not technically qualified to perform certain monitoring activities, notably reviewing post financial records.

Some area managers told us that they did not regularly monitor all program areas, such as posts' financial records of FBO-funded activities and compliance with established space standards. They also did not usually document routine monitoring activities unless they identified a problem. Thus, the absence of documentation could mean either that monitoring activities were not conducted or that they were conducted and posts were found in compliance.

In some cases, posts have taken real estate actions without FBO's knowledge or approval. Although we did not determine the full extent of posts' unauthorized activities worldwide, the following are examples of such problems:

- From 1986 to 1990 the post in Manila leased space for a nongovernmental organization, the American Historical Library, at an annual cost of \$16,500.
- In 1985, the post in Dakar, Senegal, initiated an addition to a government-owned residence that was vacated in 1988 due to structural

damage. According to the State Department's Inspector General, the post rented other accommodations for \$20,000 per year.

In our opinion, systematic and thorough monitoring could have identified unauthorized actions earlier and avoided unnecessary costs.

Recent Actions to Improve Monitoring

FBO has recently taken steps to improve its oversight. On May 24, 1991, FBO established a policy requiring area managers to visit and monitor posts on a regular basis, using a formal checklist. Required activities include inspecting housing assignments and maintenance projects and reviewing financial documentation. The policy includes a standardized trip report format for area managers to use to document their monitoring activities and findings. In 1992, FBO plans to add 5 area managers to the current number of 25 to enable it to implement this policy and has already assigned 5 facilities managers to assist area managers with post maintenance issues. In addition, FBO has conducted audits of the administration and use of FBO funds at four posts since 1990, with one additional audit planned.

Information Systems Enhanced, but Data Accuracy Is Not Ensured

FBO has begun efforts to upgrade its information systems to obtain more useful data. These initiatives include enhancing the current Real Estate Management System, converting financial and accounting information to the State Department's Central Financial Management System, and developing a more integrated information management system. However, these systems will not be not fully operational for several years. Further, FBO will continue to rely on post data, which has not been reliable in the past.

Real Estate Management System

FBO's Real Estate Management System relies on overseas posts to provide data on the numbers and types of government-owned and leased properties, square footage, and property value. Although the system was intended to be automated, most posts prepare reports manually because FBO has installed it at only 25 posts.² Posts without the automated system review quarterly printouts of their inventories, make changes, and send FBO updated information to be entered into the system. According to FBO officials, delays caused by the manual quarterly review system created problems in keeping data current. FBO is now expediting the reporting process for 41 posts that use a manual system by accepting changes in the inventory by telegraph.

²In addition, two posts use a version of the system that was created for personal computers.

Since the system was initiated, GAO and State's Inspector General have reported that data contained in the system was inaccurate, incomplete, and unreliable. In our 1989 review, we noted that lease costs and square footage were inaccurately reported, and/or properties were not added to or deleted from the inventory list in each of the seven countries visited. Our recent work indicates that inaccuracies in the data continue. For example, in January 1991, we found that the Real Estate Management System did not contain a listing on a leased building in Bangkok. Internal FBO documentation indicated that other errors are in the data. For example, an area manager noted that housing units at one post appeared larger than reported, and another noted that values reported in the system for some properties were not accurate.

State Department officials reported that neither headquarters nor post management has found the system to be useful for its decision-making. For example, the current system does not contain complete information on post housing assignments, such as demographic information on individuals provided housing units, and cannot provide reports on waivers for overstandard housing. The system programming also makes it difficult for headquarters management to produce unique reports or statistics for special purposes. Posts that operate the automated system have found it complex and difficult to use, and posts that submit data manually find the process labor-intensive and cumbersome.

To address these problems, FBO is redesigning the system to enable FBO to collect information on housing assignments, including the rank and family size of occupants, and the cost and square footage of housing units. This information will enable FBO to monitor posts' compliance with leasing standards and track property values. The enhanced system is designed to be easier for posts to use and to provide them the capability to produce specialized reports. FBO officials hope that making the system easier to use and more useful will give posts more incentive to keep their data accurate and up-to-date. In addition, FBO's new oversight policy requires area managers to verify a sample of system data when they visit posts.

FBO has begun installing the enhanced system at selected posts, anticipates installing it at 18 posts by December 1991, and expects about 76 posts to be automated by 1996.

**Central Financial Management
System**

The State Department is in the process of implementing a new general ledger system—the Central Financial Management System—to account

for and control its domestic appropriations.³ In October 1990, State moved accountability for FBO's appropriation to the new system. In its response to our 1990 report, which cited FBO's lack of cost information on properties, the State Department stated that when fully implemented the new accounting system will enable it to track commitments, obligations, and expenditures by functional program and project for all real estate activities worldwide. FBO officials said that the new financial system will help them manage their operation by

- providing accounting data for use in decision-making;
- consolidating information on all transactions related to a project; and
- producing automated management reports on obligations and expenditures by project, based on official accounting records, so that real estate officials will not have to maintain a duplicate accounting system by project activity.

According to the State Department's 1990 report under the Federal Managers' Financial Integrity Act, the system has already improved management controls over obligations and expenditures. Internal planning documents indicate that when fully implemented the new system should meet FBO's needs to account for funds over several fiscal years and to collect and report financial data by functional program and project.

The implementation of the new system will not ensure that FBO managers receive accurate and reliable information by project, however. Although FBO has instructed posts to code all FBO-related transactions by project, project codes are not required for all transactions overseas. According to FBO officials, if the posts do not provide project codes or provide inaccurate data, FBO may have to go back to the posts to reconcile these transactions. FBO officials said that vigorous follow-up will be needed to ensure that posts properly report project codes. One official told us that it may be 2 or 3 years before posts are accustomed to the new reporting requirements and the system is operating smoothly.

FBO Still Lacks Important Management Information

Although FBO officials believe that the current computer enhancements being implemented will strengthen program management, all information necessary for effective real estate management will not be available. For example, FBO will not be able to track costs to specific

³We are currently conducting a survey of the State Department's financial management operations and systems.

properties through either the Real Estate Management System or the Central Financial Management System. Thus, FBO will still be unable to determine the total costs associated with its properties and the feasibility of retaining them. FBO officials stated that information on maintenance costs per building would be a marginal factor in making acquisition and disposal decisions, since such decisions are primarily driven by security requirements, operational needs, and political considerations.

Other Information Management Initiatives

According to FBO officials, one of FBO's initiatives is to develop an integrated, on-line corporate data base. Ideally, this system would enable FBO to consolidate such functions as planning, property inventory, maintenance, capital projects, and funds control. FBO recently developed the first phase of an integrated computer system. The currently implemented or planned subsystems provide automated support for foreign building contracts, project authorization documents, project scheduling and assignments, budget allocation and planning, and personnel and security information.

FBO Lacks Systematic Long- and Short-Range Planning

Since 1969, we have recommended that FBO undertake long-range planning and establish criteria for determining whether overseas real estate requirements will be best satisfied by ownership or long- or short-term leases. Sound planning for overseas real estate could help FBO manage priorities and allocate resources to projects of the most importance to the U.S. government, establish multiyear goals consistent with broader U.S. foreign policy goals, and better support budget requests for acquisitions. Further, FBO could project results from the planned courses of action and provide a basis for measuring progress and ensuring accountability.

In 1989, however, we found that FBO still had not undertaken short- or long-range planning but instead relied on ad hoc techniques to acquire and dispose of property. Over the years, FBO's lack of planning has resulted in several decisions that may not have been in the best interests of the U.S. government. For example, because of poor planning, FBO owned three residences for the ambassador in Cairo in 1986 when only one was needed. Also, the State Department paid about \$3 million to buy its way out of a lease-purchase agreement for a 79-unit apartment building built to FBO specifications in Hong Kong. According to FBO the number of U.S. officials in Hong Kong is expected to decrease to 50 after 1997 when Hong Kong reverts to China, obviating the need for a 79-unit

apartment building. Knowledge that Hong Kong would revert was available before FBO entered into arrangements for the 79-unit building.

FBO Has Not Developed Post Master Plans

We have recommended since 1969 that FBO examine property holdings overseas to dispose of uneconomical properties and develop long- and short-range post master plans to meet the operational needs of missions and ensure efficient and effective use of FBO resources. However, FBO has not undertaken comprehensive and systematic planning for overseas real estate. In April 1990, FBO adopted policies and procedures for a post facilities master planning process. FBO's real estate planning policy requires that post facilities master plans link post requirements with facility assets to develop cost-effective alternatives for management of posts' real estate programs. The plan should contain, at a minimum, standard baseline information on current assets and facilities requirements and should identify issues, problems, and opportunities. For posts requiring more in-depth planning, the plan should also reflect the goals, existing conditions, needs and requirements, constraints and opportunities, alternatives, and proposed long-range plans for future development.

As of June 1991, FBO had not developed a master plan for any post to meet its objectives to identify the facilities required for post operations, ensure the optimum use and maintenance of existing assets, and plan for the buying and selling of properties as necessary. According to FBO officials, some planning is being undertaken in Bombay, India; Dhahran and Jeddah, Saudi Arabia; Abuja, Nigeria; and Islamabad, Pakistan, among others. Limited planning has also been completed in Moscow, Seoul, Rome, and Berlin/Bonn. While these plans do not fully meet the criteria of FBO's master planning policy, according to FBO officials, the plans meet the posts' requirements.

FBO has identified some posts as having priority for master planning efforts; however, FBO has not established milestones for the development of post master plans at all posts. FBO does not expect to do any master planning at posts with new facilities or where, for historical, political, or other reasons, the United States is not going to leave current facilities. FBO is currently undertaking major construction and renovation projects at several posts without the benefit of master plans that include an evaluation of all the posts' property needs. For example, FBO is planning a number of projects in Bangkok at costs exceeding \$80 million without an overall master plan. According to FBO officials, FBO has not had

resources to devote to post master planning, but its planning staff will be tripled to 18 by the end of 1992.

As part of its planning process, FBO has begun conducting a limited number of asset management studies to identify ways to optimize post resources. FBO has contracted with professional real estate firms to develop appraisals of selected post properties, collect market data, provide complete information on applicable laws and regulations, and determine the best use of selected properties. According to FBO officials, FBO has completed asset management studies in Tokyo, Bangkok, and Manila and has studies under way in Athens and New Delhi and constituent posts in India. FBO also plans to conduct asset management studies in several Latin American countries in 1992. FBO officials told us that the posts to be assessed first were selected because of their value, which was potentially billions of dollars.

FBO did not provide documentation to show how the asset management studies were linked to a complete review of post assets and a requirements analysis, as called for in the 1990 policy on master planning. The studies for Tokyo and Bangkok were limited in scope, however, and do not constitute master plans for these posts. For example, the study for Tokyo included an evaluation of three selected properties, not the post's total property holdings. The study of Bangkok also evaluated only three properties and excluded both the new and existing chancery compounds that FBO is planning to construct and renovate.

5-Year Real Estate Requirements Plan

In 1989, FBO developed a 5-year plan for its real estate program for fiscal years 1992-96. This plan, which outlined FBO's budgetary and staffing needs for the 5-year period, represented a major step in planning a defined program, including the resources needed to carry it out. FBO undertook the effort, according to one FBO official, with the intent of obtaining an administration policy commitment for 5-year funding targets so that FBO could plan its work load.

In its fiscal year 1992 budget request, FBO estimates its total obligations at about \$2.8 billion. FBO's 5-year plan reflects planned obligations of \$552 million in capital requirements over the 5 years. The 5-year plan does not include the potential proceeds from sales of properties currently being reviewed under the asset management program. The proceeds from the sale of such high-valued properties could substantially offset the costs of requirements in FBO's capital program. However, FBO has not linked its asset management studies, including recommendations

Appendix I
Long-Standing Management and Internal
Control Problems Continue

for the disposal of high-valued properties, with long-range plans and has not provided documentation outlining the intended use of potential proceeds of sales. FBO officials said the proceeds of sales would be included in future 5-year plans.

FBO Has Begun Initiatives to Improve Management of Maintenance and Housing Programs

Since the 1970s, we have reported long-standing problems in FBO's management of its maintenance and housing programs. Past reports have documented that inadequate maintenance of overseas facilities resulted in maintenance, repair, renovation, and system replacement requirements which FBO currently estimates will cost \$350 million. We also reported increased costs to the U.S. government because overseas employees were provided housing that exceeded space standards.

In response to our reviews and recommendations, FBO has taken action to improve its management of overseas housing and maintenance programs. Some initiatives are in place and continuing; others are in the early planning or implementation stages.

Post Maintenance Problems Have Received Increased Attention

We have consistently cited FBO's lax oversight and control of the physical maintenance of government-owned or long-term leased facilities as a weakness in its maintenance program. FBO has lacked (1) sufficient information on post maintenance needs and costs and (2) technically qualified personnel at posts to conduct maintenance activities. In addition, posts' maintenance programs have been managed on an ad hoc basis.

FBO recognized that its decentralized approach to facilities maintenance at posts has contributed to its problems. FBO has undertaken several initiatives to address problems in its maintenance program.

Maintenance Condition Surveys of Posts

In 1988, FBO began conducting engineering surveys of physical conditions at overseas posts to develop an accurate assessment of worldwide maintenance and repair needs. As of July 1991, FBO had completed surveys at 117 of over 250 posts and identified approximately 2,400 separate repair and rehabilitation projects. Survey teams found both routine and major problems at a number of posts. For example, at the embassy in New Delhi, FBO identified over 230 repair projects that would cost \$14.5 million. FBO plans to survey all posts by 1994, but the schedule will depend on funding availability.

From information collected during the surveys, FBO has created a maintenance projects data base to use for planning and scheduling. FBO has used the data to develop budget projections, identify critical projects, and provide maintenance assistance to posts. The data provided by the

survey represents the current condition of facilities at posts. FBO is planning to update the data base using information from the posts and from FBO inspections.

Maintenance Assistance Centers Established

In 1989 FBO established two maintenance assistance centers—EURMAC, which is based in Paal, Belgium, and serves the maintenance and repair requirements at posts in Europe, and WASHMAC, which is based in Washington, D.C., and supports posts in other regions. FBO contracted with two engineering firms to provide personnel and equipment to assist FBO with worldwide maintenance and repair. Both contracts are for 1 year with 4 additional option years. FBO's 1992 budget request indicates projected costs at about \$5.8 million to fund EURMAC and \$7.6 million to fund WASHMAC. The centers are staffed by security-cleared American technicians to provide (1) maintenance and repair in secure areas of post buildings, (2) services to posts where no local maintenance and repair expertise exists, and (3) maintenance and repair to buildings of special sensitivity or critical to U.S. interests.

Between July and December 1990, WASHMAC and EURMAC provided assistance for 77 projects, including major rehabilitation projects in Belize City, Belize, and Guangzhou, China. WASHMAC recently made repairs to the embassy in Kuwait after the Persian Gulf conflict. Representatives of the State Department's regional bureaus told us that posts have been pleased with the assistance provided through the centers, although an FBO internal management review of WASHMAC in 1990 noted that FBO did not perform formal quality control inspections.

According to one FBO official, services provided by WASHMAC are less costly than contracting for services overseas. An FBO internal study completed in June 1991 compared actual costs of four WASHMAC projects with estimates prepared by contractors and government estimators. On the basis of these comparisons, the study concluded that WASHMAC is cost-effective.

Facilities Manager Program

In 1989, FBO began placing facilities managers with experience in building maintenance at new or substantially renovated office buildings. These managers are personal service contractors responsible for the operations, maintenance, and repair of the buildings and their systems. As of June 1991, FBO had placed facilities managers in buildings at 12 posts. In August 1991, the State Department authorized an additional 45 facility manager positions for fiscal year 1992. FBO would like to

place qualified managers at other new and rehabilitated office buildings in the future.

**Establishment of Foreign
Service Maintenance
Specialty**

On May 23, 1991, the State Department approved the establishment of a facilities maintenance specialty position within the Foreign Service. According to a 1990 study by the State Department's Bureau of Personnel and FBO, the development of a cadre of maintenance specialists within the Foreign Service is the best way to bring the necessary maintenance expertise to overseas posts. Toward this end, the program, as proposed, will offer a career ladder from entry-level maintenance technician through mid-level facility supervisor to upper-level positions as facilities managers. As currently envisioned, the Foreign Service facilities managers will report to the chief of mission through the posts' administrative counselors. FBO anticipates that 57 maintenance specialists will be assigned to posts by the end of fiscal year 1992, and 137 will be assigned by the end of fiscal year 1996.

Posts will benefit from the facilities managers' technical expertise. However, it is uncertain how much influence FBO will have over the activities of facilities managers who report to post management. In the past, we have found that maintenance was deferred or neglected by post management. In one case post management obstructed necessary maintenance work. The ambassador's residence in Tokyo required renovations and repairs partly because post maintenance personnel were provided only limited access to perform needed maintenance. It is critical that facilities managers who will be responsible for maintaining buildings worth millions of dollars be free to perform their professional activities without undue influence from post management, which may not have the technical expertise to make building maintenance decisions.

**Maintenance Guidance and
Requirements for Posts**

In response to our recommendation in 1990, FBO is revising the Foreign Affairs Manual to require post officials to conduct routine maintenance management activities, such as annual post condition surveys and the development of work plans. However, at some posts, officials do not have the expertise to conduct maintenance activities, and, according to one official, it would be almost impossible to enforce any maintenance requirement.

Efforts to improve maintenance capabilities at posts include

- updating the Building Maintenance Handbook and developing detailed maintenance manuals that can be used by technicians at posts;
- upgrading training resources available to posts, including providing commercially available maintenance training materials and developing a library of maintenance reference materials;
- providing on-site training under the WASHMAC contracts; and
- publishing a newsletter about maintenance.

FBO Has Begun to Address Some Problems in Post Housing Programs

The U.S. government provides housing free of charge to U.S. employees and their dependents stationed overseas. In 1979 the State Department set standards on the maximum space to which an employee was entitled based on family size and composition and the employee's need to conduct official, or representational, functions at home. Past reports have highlighted several problems in the management of FBO's housing program, including insufficient and inconsistent compliance with existing standards by overseas posts and inadequate oversight capability by FBO. Further, these studies showed that representational housing for officials below the rank of deputy chief of mission was not justified because most officials held few, if any, official functions in their homes. These findings prompted FBO to develop new standards and initiate other actions to improve oversight of its housing program.

New Housing Standards Established

In June 1991, FBO established new housing standards that it believes will be easier for posts to implement and FBO to monitor. The new housing policy specifies maximum space standards to which employees are entitled for three housing categories, based on rank and family size. Space standards are also adjusted based on the local social, economic, and political environment. The policy eliminates representational housing for all personnel below the rank of deputy chief of mission and simplifies measurement criteria. Under the new policy, posts are encouraged to develop a demographic profile of the staff and use it to determine whether it is more economical to own or lease housing units. Posts will have to request FBO approval for housing that does not fit the profile. FBO officials anticipate that because the new measuring criteria are simpler, the application of the standards will be more consistent and the provision of overstandard housing will decrease. FBO plans to phase in the new standards over time.

FBO has not conducted a cost analysis of the new standards. FBO did compare the space requirements of the old and new standards and estimated

**Appendix II
FBO Has Begun Initiatives to Improve
Management of Maintenance and
Housing Programs**

that the new standards would decrease the Department's space requirements by 3 percent. However, no accurate data were available on the housing program, such as the amount of overstandard housing currently in its inventory, the numbers of representational units, and consolidated data on the ranks of employees and family sizes and compositions. Therefore, FBO based its estimate on several assumptions, among them that all employees were housed in full compliance with the space standards, under both the old and new policies, although past reviews show that many employees overseas lived in overstandard housing. We did not verify FBO's calculations based on this hypothetical data.

FBO plans to rely on oversight by area managers, its upgraded Real Estate Management System to monitor post housing assignments, and requests for waivers from post profiles. As of May 1991, under FBO's new oversight policy, FBO area managers are required to spot-check both housing measurements and the accuracy of housing inventory data in the Real Estate Management System to ensure that size, costs, and other information are reported accurately by the posts. The enhanced system, scheduled for implementation at 76 posts by 1996, is designed to provide to FBO data on individual leases and occupants of housing units to enable FBO managers to monitor posts' compliance with housing standards.

**Chief of Mission Required
to Certify Compliance
With Housing Policies**

To improve posts' accountability, in 1989 the State Department began requiring all chiefs of mission to certify annually that their housing programs comply with FBO's policies and procedures. To prepare for the certification, FBO asks that the posts review their housing policies, their record of compliance with standards and cost controls, and the accuracy of their information on real estate programs. The chiefs of mission must note on the certification any deviations from established policies and procedures for their housing programs and indicate planned corrective action.

According to FBO records, chiefs of mission from approximately 30 posts noted deficiencies in their housing programs in the fiscal year 1990 certifications. FBO officials said that they monitor posts that report problems to try to improve compliance. However, in one case, a post certification did not note deficiencies that FBO had pointed out and instructed the post to report.¹

¹Posts are required to receive prior approval for leases that exceed \$25,000 per year. The post in Kinshasa had signed several leases that exceeded the \$25,000 limit before getting FBO approval.

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In a 1989 report, State's Inspector General reported that the certification was vague because the chiefs of mission were asked to certify that required procedures were in place, not that individual leases were appropriate or inappropriate. In response to the Inspector General's recommendation, beginning in October 1991, FBO will require the single real property manager at every post—usually the administrative officer—to certify to the chief of mission in writing that leases executed during the fiscal year complied with departmental policies and procedures.

Overseas Real Estate Problem Areas and Initiatives

Problem area	Years GAO reported	Historical background	Status of current FBO initiatives	GAO comments
Inadequate maintenance of property	1978 1981 1990	In 1978, we found that overseas properties were not properly maintained due to inadequate property information, maintenance criteria, priorities, and inspections and a lack of technically qualified personnel. In addition, buildings were operated uneconomically because managers lacked complete and proper cost information. In 1981 and 1990, we found that maintenance problems had not been addressed. We also reported that the backlog could cost as much as \$450 million to repair.	<p>FBO began post condition surveys in 1988 and had completed surveys of 117 posts as of July 1991.</p> <p>Established two Maintenance Assistance Centers, one in Washington (WASHMAC) and one in Europe (EURMAC). WASHMAC became operational in July 1989, and EURMAC was operational in January 1990.</p> <p>Incorporated requirement for annual post maintenance assessments into the Foreign Affairs Manual, to be published in the summer 1991.</p> <p>On-site facilities managers currently assigned to 12 new office buildings. The State Department has advanced 45 facilities managers to FBO for FY 1992.</p> <p>Established Facilities Maintenance Skill Group within the Foreign Service. State plans to begin implementation by the end of FY 1991 with assignment of 57 specialists by the end of FY 1992.</p>	This initiative has established baseline information on conditions at posts surveyed. FBO could not provide written plans on how it will keep such data current.
				This initiative should improve maintenance at selected posts.

(continued)

**Appendix III
Overseas Real Estate Problem Areas and
Initiatives**

Problem area	Years GAO reported	Historical background	Status of current FBO initiatives	GAO comments
Poor management of housing program	1978 1981 1989	In 1978, we found that FBO lacked standard size and space criteria for leased housing. FBO established space standards in 1979. In 1981 and 1989, we found that posts were not complying with space standards and that many post employees resided in overstandard houses at greater cost to the U.S. government.	Established new space standards in June 1991. Beginning in 1989, all chiefs of mission required to certify annually that the post housing programs comply with FBO policies. Beginning in 1991, all real property managers required to certify annually to the chiefs of mission that new leases comply with FBO policies.	Unless FBO establishes strict oversight, the new standards may not ensure posts' compliance. FBO does not verify certifications by the chiefs of mission.
Inadequate oversight of post activities and compliance with FBO programs and standards	1969 1974 1990	Since 1969, we have found that FBO does not adequately monitor posts' compliance with FBO policies. Our reports have consistently cited examples of posts' improper activities and noncompliance with policies.	Policy and procedures for systematic monitoring, including standardized monitoring checklist, were effected May 24, 1991.	Management attention and emphasis on oversight will be needed to ensure that the new policy is fully implemented.

(continued)

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Problem area	Years GAO reported	Historical background	Status of current FBO initiatives	GAO comments
Inadequate property management information and accounting systems and practices	1963	In 1963, we identified a number of basically unsound practices in the funding of acquisition and maintenance of overseas real property. Since 1969, we have reported that FBO does not have adequate integrated property management information and accounting systems on which to base decisions. In 1981, we reported that chronic problems remained, including (1) unreliable data in the basic inventory system, (2) lack of accounting systems that identify costs by building, and (3) an inability to consolidate data into meaningful management reports. In 1982, FBO established the Real Estate Management System (REMS), but in 1990 we reported that the system was installed at only 24 posts. We found REMS data to be incomplete and inaccurate. We also reported that posts were not properly accounting for resources and in some cases had misused maintenance funds.	FBO plans to upgrade REMS at 76 posts by 1996.	Given historical problems in implementing REMS, this may be an optimistic estimate.
	1969 1974 1978 1981 1989 1990		Phase I of an integrated information management system, to be completed in 1991, will link staffing, capital project, and some budget systems. FBO linked with the State Department's Central Financial Management System in October 1990. FBO has completed three financial audits at posts and has one more planned.	
Lack of long- and short-range plans for post real estate needs and activities	1969 1974 1978 1989	In 1969, we noted that State was retaining unused government-owned property for a remote future need. Since 1974, we have recommended that FBO establish long- and short-range plans for the acquisition and disposal of government-owned property. The lack of effective planning has resulted in FBO real estate decisions that may not have been in the best interests of the U.S. government.	As of June 1991, FBO had completed three studies of the best use of current assets in selected countries. FBO has two other studies on-going and plans to conduct surveys at five more posts. Developed 5-year plan for FY 1992-96. Established policies on post master planning in 1990.	FBO has not established explicit and consistent criteria and plans for post real estate programs.

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Related GAO Products

Foreign Buildings: Funding Practices in the Acquisition and Maintenance of Overseas Property (B-146782, Sept. 30, 1963).

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