The Management Landscape

To achieve its strategic goals and ultimately provide benefit to the American public, the Department must have an effective organizational structure, established management capabilities, and core infrastructure in place to ensure the diplomatic readiness of the entire Department. Unlike other

> *"As Secretary of State, I wear two hats -- one as CEO of the Department, the other as the President's principal foreign policy advisor. And being successful in both roles is important because we must be properly organized and equipped and manned to conduct America's foreign policy, as well as formulate good policy."*
>
> ***Secretary of State Colin L. Powell***

federal agencies, this capability is made increasingly complex by the Department's presence in more than 150 countries. Nevertheless, the Secretary and the entire leadership team always have maintained that better management is a critical element in the Department's overall effectiveness and remain committed to successful implementation of all its management initiatives.

While the Department has always been committed to success on a broad range of management priorities, the President's Management Agenda (PMA) has focused the Department's efforts across five government-wide initiatives to improve management. Management also is focusing on several other key priorities, three of which are depicted below.

Three Key Management Priorities

People: Diplomatic Readiness Initiative (DRI)

The Department of State endorses the General Accounting Office's definition of rightsizing: "Rightsizing [is] aligning the number and location of staff assigned overseas with foreign policy priorities and security and other constraints." As such, the Department is working closely with the Office of Management and Budget on the OMB-led interagency rightsizing initiative in the President's Management Agenda. With regard to its own staffing, the Department's Diplomatic Readiness Initiative is part of a strategic human capital plan to ensure through recruitment, retention, and development that the Department has the people it needs to meet its mission. This three-year initiative includes the hiring of 1,158 people over attrition from FY 2002 through FY 2004. DRI also brought about fundamental reforms in all aspects of recruitment and hiring. The DRI has filled critical staffing gaps and made possible essential training and has begun to build the capacity to respond to crises and emerging priorities. The FY 2005 challenge will be to ensure that capacity is strengthened.

Facilities: Embassy Security, Construction, and Maintenance

The Department seeks to provide U.S. Diplomatic and Consular missions with secure, safe, and functional facilities to assist them in achieving the foreign policy objectives of the United States. If facilities cannot be made secure through compound and physical security upgrades (e.g., perimeter walls, fences, ballistic-resistant doors and windows), the facility must be replaced to meet fully the Department's security standards. The Department uses the Long-Range Overseas Buildings Plan (LROBP) to schedule the design and construction of new embassy compounds (NECs) overseas on a priority basis. For FY 2005, the plan calls for the award of 14 new capital security construction projects.

Systems: SMART (State Messaging and Archive Retrieval Toolset)

SMART is a simple, secure, and user-driven system intended to support the conduct of Foreign Affairs through the use of a modern, web-based technology platform giving users a powerful tool for creating and sharing information. It will replace the outmoded cable system and will provide diplomats and managers with significantly enhanced communications and the building blocks for knowledge management. SMART will support interagency collaboration as well as the records management requirements of NARA. In FY 2002 and FY 2003, the Department determined and prioritized system functions and assessed alternatives, completed a prototype/proof of concept and developed and released a Request For Quotation (RFQ). In FY 2004, one vendor was selected to develop a solution for a design/demonstration, which will be piloted to over 3,000 users in domestic and overseas locations. In FY 2005, SMART worldwide deployment will be initiated.

The President's Management Agenda

Progress	Strategic Management of Human Capital	Status

Goal

- Build, sustain, and deploy effectively a skilled, knowledgeable, diverse, and high-performing workforce aligned with mission objectives

Progress

- Documented Comprehensive Human Capital Plan
- Implemented second year of the Diplomatic Readiness Initiative that increases personnel strength, improves recruitment, and streamlines hiring process
- Completed second year of mandatory leadership and management training initiative; expanded training in public diplomacy, consular affairs, and foreign languages
- Integrated Human Capital elements in all Bureau Performance Plans (BPPs)
- Enhanced Domestic Staffing Model (DSM) and provided data to managers. Updated Overseas Staffing Model (OSM). Developed Civil Service succession model. Refined skills/competency criteria.
- Continued to use workforce planning tools for budget preparation, financial plan implementation, and intake planning
- Developed new Foreign Service (FS) employee evaluation form, and disseminated guidance on Civil Service (CS) evaluation
- Development of an Accountability System

Upcoming Action

- Implement Central Personnel Data File reporting action plan
- Use enhanced Domestic Staffing Model (DSM) to evaluate level of staff dedicated to administrative functions throughout the Department
- Expand Accountability System to cover additional management processes
- Begin third-year of leadership and management training initiative
- Continue strategies to address CS succession needs

Progress	Improved Financial Performance	Status

Goal

- Improve accountability through audited financial statements
- Increase accuracy of benefit and assistance payments
- Strengthen management controls
- Implement financial systems that produce timely, accurate and useful financial information

Progress

- New Regional Financial Management System (RFMS) was implemented for all overseas posts, providing daily updates of worldwide spending and accounting information
- The Department's FY 2002 Financial Statements were timely and received an unqualified opinion, marking the sixth consecutive unqualified opinion
- Received the prestigious Certification of Excellence for Accountability Reporting (CEAR) for the "FY 2002 Performance and Accountability Report." The Department was also honored to receive the Platinum 2002 Vision Award for the "Performance and Accountability Highlights," placing fourth overall from among more than 900 entrants
- Submitted timely interim (i.e., quarterly) Financial Statements
- Resolved all material weaknesses and material non-conformances, as defined by the Federal Managers' Financial Integrity Act, allowing the Secretary to issue an unqualified Statement of Assurance for FY 2003 regarding the Department's systems of management control
- Prepared and submitted monthly performance metrics as established by the CFO Council
- Relocated the Department's financial operations from the Paris Financial Service Center (FSC) to the Charleston, South Carolina and Bangkok, Thailand FSCs
- Developed a methodology to evaluate and report on the extent of erroneous payments within the Department's financial assistance programs. The OMB has cited the Department's methodology as a "best practice"
- With USAID, developed a joint Enterprise Architecture and joint Business Case (i.e., Exhibit 300) for a common financial systems platform

Upcoming Action

- Resolve the independent auditor-identified weakness of IT Security
- On-going consolidation of headquarters financial operations to the Charleston FSC
- On-going collaboration with USAID to establish a joint financial platform for the beginning of FY 2006
- Streamline financial reporting policies, systems, and procedures to permit accelerated annual audited financial statement reporting by November 15th for FY 2004 and beyond

Progress	Budget & Performance Integration	Status

Goal

- Improve the performance and management of the federal government by linking performance to budget decisions and improve performance tracking and management. The ultimate goal is to have better control over resources and greater accountability over results.

Progress

- Developed first-ever joint State-USAID Strategic Plan
- Reduced Strategic Objectives by 55%, reduced strategic goals by 40%, and developed outcome-oriented performance goals that directly link to the strategic objectives and goals
- Allocated resources at both the strategic and performance goal levels for both State and non-State administered accounts
- Developed PART ratings and substantive analyses for all completed PARTs for inclusion in the President's Budget to justify funding requests
- Created efficiency measures for all completed PART programs
- Developed a Performance Indicator and Analysis catalogue
- Addressed FY 2004 PART findings/recommendations, including taking key management actions to address identified deficiencies
- Completed automation of Mission and Bureau Performance Plan Modules (MPP - Version 1 and Version 2) and (BPP Module - Version 1), and Statement of Net Cost for the Central Financial Planning System (CFPS)

Upcoming Action

- Develop efficiency measures for all programs
- Devise methodology to demonstrate the marginal cost of achieving a performance goal
- Complete Bureau Performance Plan (Version 2)
- Develop Bureau Resource Management System CFPS Module

Progress	Competitive Sourcing	Status

Goal

- Achieve efficient, effective competition between public and private sources and establish infrastructure to support competitions

Progress

- Competitive Sourcing Official designated to implement the PMA objectives and OMB Circular A-76
- Established Competition Council consisting of all bureau executive directors
- Established Office of Competitive Sourcing with 5 full-time equivalents, in addition to Program Manager
- Established Bureau-based FAIR Act Inventory Coordinators
- Completed first streamlined competition
- Established training curriculum for competitive sourcing
- Developed competition candidate selection process and tools

Upcoming Action

- Complete challenge and appeals process on 2003 Inventory
- Finalize candidate selection process
- Identify feasible competition candidates
- Initiate preliminary planning and business case analysis for feasible candidates
- Establish post competition monitoring system
- Develop web presence for Competitive Sourcing

Progress	Expanded Electronic Government	Status

Goal

- Expand the federal government's use of electronic technologies (such as e-procurements, e-grants, and e-regulation), so that Americans can receive high-quality government service

Progress

- Completed Systems Authorization (also known as Certification and Accreditation) for 56 out of 139 systems, thereby meeting FY 2003 milestones. This is a remarkable accomplishment, as State had authorized only three percent of systems as of September 2002.
- Department and USAID completed a joint As-Is Enterprise Architecture
- Submitted the first Federal Information Security Management Act (FISMA) report (previous report was GISRA)
- Completed Classified Connectivity project ahead of schedule and under budget
- Designed and began implementing a full-scale Select, Control and Evaluate process for Capital Planning and Investment Control (CPIC)

Upcoming Action

- Joint State/USAID Management Council agrees on an implementation plan for the joint "To-Be" Enterprise Architecture with milestones for lines of business
- IRM Bureau reports on percentage of systems authorized and transitions from a System Authorization project to a comprehensive Information Assurance Program
- OIG verifies that there is a Department-wide IT Security Plan of Action and Milestones
- All project managers review data required for each stage of the system development life cycle and report cost/schedule/performance results to OMB in annual business cases
- State Messaging and Archive Retrieval Toolset (SMART) Program Management Office (PMO) will coordinate with the E-government initiatives to ensure the project is not redundant or agency-unique
- IRM Bureau reviews Government Paperwork Elimination Act non-compliant issues for possible modification and E-government project collaboration
- State continues to participate in 20 of OMB's 25 "Quicksilver" initiatives that will consolidate and improve various functions government-wide.

President Bush emphasized the importance of security, efficiency, and accountability in U.S. Government staffing overseas by identifying Rightsizing as part of the President's Management Agenda (PMA). Rightsizing is ensuring that the mix of U.S. Government agencies and personnel overseas is appropriately aligned with foreign policy priorities, security concerns, and overall resource constraints. The Office of Management and Budget (OMB) is leading this PMA initiative. It is included in this report due to its importance to the Department.

Progress	**Right-Sized Overseas Presence** (OMB Lead)	Status

Goal

- Reconfigure U.S. government overseas staff allocation to the minimum necessary to meet U.S. foreign policy goals
- Have a government-wide comprehensive accounting of total overseas personnel costs and accurate mission, budget, and staffing information
- Use staffing patterns to determine embassy construction needs

Progress

- OMB and Department's Overseas Building Operations office developed a cost-sharing program to fully implement the first year of the program. All affected agencies' budget requests include funding for their share of the FY 2005 cost
- The Department completed an assessment of all staff currently in and planning to move to the Frankfurt "Creekbed" regional facility
- State Department, with OMB guidance, developed a set of staffing guidelines in preparing estimates for new embassies. These improved estimates will shape budget decisions on embassy size and configuration
- OMB published guidance requiring agencies with staff overseas to submit overseas cost and staff data with their budget request submission to OMB

Upcoming Action

- Take next step in Frankfurt regionalization pilot to ensure that the facility is fully utilized
- Convene interagency working group to discuss how to uniformly estimate cost of staff overseas and release staffing guidelines
- Complete follow-up with agencies on Sec. 58 A-11 submissions and input data from agency submissions into rightsizing database to include in printed Budget
- Department and OMB to work to expand Frankfurt pilot; engage in rightsizing exercises at larger embassies using GAO rightsizing criteria

Program Assessment Rating Tool (PART) Status

The results from the PART reviews conducted by the Office of Management and Budget are summarized below by strategic goal. Information on how bureaus have addressed and implemented findings and recommendations for each of the PARTs also is provided.

FY 2004 PART PROGRAMS

Strategic Goal 1	Regional Stability
Program Name	**Peacekeeping Operations - OSCE**
Rating	• FY 2004: Results Not Demonstrated • FY 2005: Moderately Effective
Lead Bureau	• European and Eurasian Affairs (EUR)
Major Findings/ Recommendations	• Does not contain adequate annual targets or baseline information. • Performance goals are overly broad and dependent on numerous factors. • Information in performance reports is not linked to performance plan measures or compared against baseline data. • Program managers not held accountable for program performance.
Actions Taken/Planned	• USOSCE, EUR and PM developed detailed performance indicators for PKO-funded OSCE Missions and Activities. • Performance indicators developed for OSCE-brokered political settlements in Moldova, Nargorno-Karabakh conflict between Armenia and Azerbaijan and U.S. initiatives to improve financial management of the OSCE Secretariat. • FY 2005 USOSCE Mission Performance Plan (MPP) praised by OMB as a model for clarity of performance-based foreign policy objectives.
Program Name	**Security Assistance to Sub Saharan Africa**
Rating	• FY 2004: Results Not Demonstrated • FY 2005: Moderately Effective
Lead Bureau	• African Affairs (AF)
Major Findings/ Recommendations	• Programs did not differentiate between annual and long-term goals, or include targets and baseline information. • Performance goals are overly broad and dependent on numerous factors. • Information in performance reports is not linked to performance plan measures or compared against baseline data. • Program managers not held accountable for program performance.
Actions Taken/Planned	• Provide proposed measures to OMB for review. • Provided performance data for use in Department's Performance and Accountability Report. • Incorporated responses to recommendations in FY 2005 BPP.

Strategic Goal 1	Regional Stability
Program Name	**Military Assistance to New NATO and NATO Aspirant Nations**
Rating	• FY 2004: Moderately Effective • FY 2005: Moderately Effective
Lead Bureau	• European and Eurasian Affairs (EUR)
Major Findings/ Recommendations	• There is no regularly scheduled evaluation of program effectiveness by independent parties. • DoS and DOD differ on priorities and do not produce coinciding budget schedules.
Actions Taken/Planned	• DoD goals are discussed in interagency meetings to balance DoD requirements with Department goals. This produces a single, agreed upon recommendation.

Strategic Goal 2	Counterterrorism
Program Name	**Anti-Terrorism Assistance**
Rating	• FY 2004: Moderately Effective • FY 2005: Effective
Lead Bureau	• Diplomatic Security (DS)
Major Findings/ Recommendations	• Long-term goals do not have performance indicators or other long-term targets. • Program should establish measures to gauge progress toward long-term goals.
Actions Taken/Planned	• Establish long-term goals and targets. • Establish measures to gauge progress toward long-term goals.

Strategic Goal 3	Homeland Security
Program Name	**Visa and Consular Services/ Border Security**
Rating	• FY 2004: Moderately Effective • FY 2005: Moderately Effective
Lead Bureau	• Consular Affairs (CA)
Major Findings/ Recommendations	• Annual goals and targets do not adequately link to the long-term goals or provide relevant performance data.
Actions Taken/Planned	• CA is making a concerted effort and working with OMB to ensure that annual goals and targets link to the long-term goals and provide relevant performance data. Revised goals and targets will be reflected in next year's PART.

Strategic Goal 10	Humanitarian Response
Program Name	**Refugee Admissions to the U.S.**
Rating	• FY 2004: Adequate • FY 2005: Moderately Effective
Lead Bureau	• Population, Refugees and Migration (PRM)
Major Findings/ Recommendations	• Program managers at the Department closely collaborate with grantees and state governments to ensure effective use of funds. • Management should focus on strategic planning. 2003 and prior performance plans had overly broad goals that made it difficult to measure effectiveness. • Overlap was found between functions of DoS and HHS programs.
Actions Taken/Planned	• OMB will review the relationship between the Refugee Admissions program at the Department of State and the Office of Refugee Resettlement at HHS. • The Department will continue ongoing efforts to improve strategic planning and ensure that goals are measurable and mission-related.
Program Name	**Humanitarian Migrants to Israel**
Rating	• FY 2004: Adequate • FY 2005: Moderately Effective
Lead Bureau	• Population, Refugees, and Migration (PRM)
Major Findings/ Recommendations	• Program needs continued focus on strategic planning; needs more ambitious targets. • PRM has been working with the United Israel Appeal (UIA) and the Jewish Agency for Israel to create annual performance goals that meaningfully reflect program purpose. • The program is making some progress toward achieving its long-term and short-term goals.
Actions Taken/Planned	• In FY 2003, the Department and UIA developed an agreed-upon set of long-term and short-term goals for UIA.

Strategic Goal 11	Public Diplomacy and Public Affairs
Program Name	**Educational Exchanges in Near East Asia and South Asia**
Rating	• FY 2004: Results not demonstrated • FY 2005: Effective
Lead Bureau	• Education and Cultural Affairs (ECA)
Major Findings/ Recommendations	• Interim FY 2004 Finding: Program needs to strengthen strategic planning by taking the following actions: 1) set long-term goals relative to baseline, 2) clearly define targets and timeframes for which to measure annual progress, 3) create regional long-term goals, 4) tailor its planning by regional/country to effectively reach target audiences.
Actions Taken/Planned	• Department provides proposed performance measures and goals as well as a proposed planning process to OMB for review. • Long-term and annual goals are set to established baselines, with targets and timeframes now included in performance indicators. • Regional goals established through coordination with regional bureaus • Program planning tailored by region/country and target audience. Partnerships for Learning (P4L) initiative launched. • Performance measurement system, based on PART recommendations in development. FY 2003 pilot testing includes NEA and SA exchanges. • Department hired an exchanges coordinator, started an exchange working group, and hired a Middle East Initiatives evaluation officer.

Strategic Goal 12	Management and Organizational Excellence
Program Name	**Capital Security Construction**
Rating	• FY 2004: Moderately Effective • FY 2005: Effective
Lead Bureau	• Overseas Buildings Operations (OBO)
Major Findings/ Recommendations	• At the time of the FY 2004 PART review, the effects of management changes undertaken in OBO were not yet known. However, the effects of management changes were fully documented in the FY 2005 PART and were shown to be highly successful as evidenced by outstanding results demonstrated by the Capital Security Construction program.
Actions Taken/Planned	• The Department developed annual and long-range performance goals, which are closely integrated with the budget - one of the positive results from management changes made over the past two years in OBO.

FY 2005 PART PROGRAMS

Strategic Goal 1	Regional Stability
Program Name	**Security Assistance for the Western Hemisphere**
Rating	• Moderately Effective
Lead Bureau	• Western Hemisphere Affairs (WHA)
Major Findings/ Recommendations	• The program purpose is clear: to reduce instability caused by illicit drug production and terrorism and to increase contributions by Western Hemisphere nations to peacekeeping and counterterrorism operations. • Evaluation of certain performance measures is difficult, as some programs with annual goals have recently been re-designed to better address specific problems (e.g., combining anti-terror and anti-drug efforts in Colombia) • Long-term goals need more definition, with specific targets and timeframes. • Annual resource needs and budget requests of the State and Defense Departments could be presented in a more complete and transparent manner.
Actions Taken/Planned	• Continue to cooperate with Colombia and other nations to reduce the level of drug activity and associated violence. • Press nations that are lagging in support of peacekeeping and counterterrorism efforts. • Work to coordinate annual budgets and develop more specific long-term goals with timeframes. • Performance goals will be evaluated as newer programs are implemented. • The budget proposes FMF and IMET funding levels that will allow the counterdrug program in Colombia and regional personnel exchanges to achieve their annual goals.

Strategic Goal 2	Counterterrorism
Program Name	**Terrorist Interdiction Program (TIP)**
Rating	• Results Not Demonstrated
Lead Bureau	• Counterterrorism (S/CT)
Major Findings/ Recommendations	• Program needs to improve its long-term performance measures and strengthen its program management staff. The S/CT has taken steps in both of these areas while the program assessment was underway. • Areas where TIP did not meet program assessment requirements relate in part to the fact that the program is new. For example, no independent evaluations by the Department's Inspector General have yet taken place. • The Program tracks the number of installations and number of border control officials that have been trained. Program assessments and system data reporting also track usage of the system by the host country. • Coordination with other complementary U.S. Government programs is improving and could be better described in budget justifications and long-term performance goals to ensure that a comprehensive approach is presented to meet the outcome goal of improving a host nation's border control capabilities.
Actions Taken/Planned	• Work to improve performance measures and program management. • Complete program management staff improvements. • Develop targets for long-term goal of system installations. • Seek to improve long-term outcome measure to capture qualitative improvements in host country capabilities. • Demonstrate progress on newly developed efficiency measures and incorporate refined measures into the PART for the FY 2006 budget.

Strategic Goal 4	Weapons of Mass Destruction
Program Name	**Nonproliferation and Disarmament Fund (NDF)**
Rating	• Results Not Demonstrated
Lead Bureau	• Non-Proliferation (NP)
Major Findings/ Recommendations	• NDF has documented successes in achieving its nonproliferation goals but development of long-term goals has proved difficult because the fund is subject to an annual interagency review process led by the Department of State. • The following draft long-term measure is included in the PART reflecting the overall management goal of the program: to achieve and maintain a capability to respond as often as needed to unanticipated nonproliferation and disarmament priorities. • Each NDF project, while not on an annual schedule, has specific performance measures that clearly support the purposes of the NDF. • NDF tightly monitors ongoing projects, often using on-site NDF staff to provide day-to-day supervision of contractors, and verifies that work is being performed in consistency with the approved project performance goals.
Actions Taken/Planned	• Continue to support the NDF work to establish a long-term performance measure. • Further develop long-term goals for the program for the FY 2006 budget. • Demonstrate progress on newly developed efficiency measures and incorporate into the PART for the FY 2006 budget.

Strategic Goals 7 & 8	Democracy and Human Rights / Economic Prosperity and Security
Program Name	**Support for East European Democracy (SEED) and Assistance for the Independent States of the Former Soviet Union (FSA)**
Rating	• Results Not Demonstrated
Lead Bureau	• European and Eurasian Affairs (EUR)
Major Findings/ Recommendations	• While the Office of the Coordinator (OC) has taken numerous steps to overcome management deficiencies, it is difficult to evaluate the overall performance of the program because of a lack of annual and long-term performance goals and measures at the Coordinator's level. The Coordinator's office has committed to developing such measures and, once in place, OMB expects considerable improvement in strategic planning and program results, including a corresponding improvement in the PART rating. • In recent years, the OC has implemented a more structured and consistent budgeting process for agencies that implement FSA programs. A similar process is starting for SEED programs in FY 2004. • Bureau-level or mission-level performance measures have not been specific or meaningful enough to assist in the management and allocation of funds. • There is no strong evidence that regional accounts are the most effective means of delivering bilateral assistance. Because the transition period for many of the countries appears to be similar to other developing countries, it is reasonable to ask whether and how long special accounts will continue to be necessary.
Actions Taken/Planned	• Continue to work with the OC to complete the process of developing long-term and annual goals, measures, baselines, and targets. These measures should be integrated into all planning and reporting documents, including annual reports and bureau and mission performance plans, and used universally in order to streamline and rationalize the process of performance monitoring and funding allocations. • Continue to participate in country assistance reviews in order to support a standard approach to performance measurement across all agencies that implement SEED and FSA programs, and to manage rational graduations or terminations of assistance to countries in the region.

Strategic Goal 8	Economic Prosperity and Security
Program Name	**United Nations Development Program (UNDP)**
Rating	• Results Not Demonstrated
Lead Bureau	• International Organizations (IO)
Major Findings/ Recommendations	• The Department Performance Plan does not identify measurable annual targets for the program. • Budget requests are not explicitly tied to accomplishment of annual and long-term performance goals. • Federal managers and program partners do not appear to be held accountable for achieving key program results and explicit performance standards have not been set for these managers. • The performance plan does not currently include any efficiency measures.
Actions Taken/Planned	• The Department submitted and OMB approved an efficiency measure for UNDP in the Performance Plan. • Will hold consultations with OMB to address questions regarding whether the targets should be those of the USG regarding UNDP or UNDP targets regarding its own work, which is influenced by numerous Member States (not just the United States). Results of discussions will affect follow-up actions on recommendations.

Strategic Goal 10	Humanitarian Response
Program Name	**Humanitarian Demining**
Rating	• Effective
Lead Bureau	• Political-Military Affairs (PM)
Major Findings/ Recommendations	• The humanitarian demining program addresses a continuing need to address the problem posed by an estimated 45 to 50 million buried landmines worldwide. The program's annual goals include a target for percentage reduction of landmine casualties and square meters of land returned to productive use in mine-affected countries. While these goals are measurable and demonstrate progress, annual goals could be improved to tie more closely to the long-term target that measures the number of countries achieving an indigenous mine action capacity with little external funding support. • Individual country plans are developed and updated annually that specifically outline the landmine problem and mine actions goals and objectives. The country plans are used by the program manager to measure and assess progress. • The bureau acted proactively to address allegations of mismanagement by hiring an independent contractor to review management practices and the Department's Inspector General conducted a follow-up review in 2003. The OIG report stated that, by and large, the allegations of mismanagement were misleading and inaccurate.
Actions Taken/Planned	• Revised strategic plan with measurable performance indicators has been developed. • Effectiveness of new strategic plan, component country plans and feedback mechanisms will be evaluated after one budget cycle. • Revised country-planning process implemented for FY 04 budget cycle creating direct linkages between resource inputs and expected outputs. • Initiated office process mapping, information needs assessment and user requirements to support revision of existing IT systems and software to allow direct tracking of all financial resources against country-specific objectives.

Strategic Goal 10	Humanitarian Response
Program Name	**United Nations High Commissioner for Refugees (UNHCR)**
Rating	• Moderately Effective
Lead Bureau	• Population, Refugees, and Migration (PRM)
Major Findings/ Recommendations	• The program purpose is clear and program managers work closely with UNHCR to ensure that U.S. goals are understood and included in the organization's planning. • The long-term and annual measures for this program are ambitious and mission-related. • The Department and UNHCR have agreed to goals in a signed "Framework for Cooperation," showing the degree to which UNHCR and the Department coordinate with regards to goals for the program. • UNHCR needs a more integrated financial system to ensure that program funds are being used effectively.
Actions Taken/Planned	• The budget request includes a level of funding that will allow the U.S. to continue to contribute its traditional share of approximately 25% of UNHCR's regular budget. • The State Department is working closely with UNHCR to implement a better financial management system.

Strategic Goal 12	Management and Organizational Excellence
Program Name	**Worldwide Security Upgrades**
Rating	• Moderately Effective
Lead Bureau	• Diplomatic Security (DS)
Major Findings/ Recommendations	• The managers continually strive to reach their long-term goals. However, clear annual budget and performance targets are lacking. • The WSU programs administered by Diplomatic Security (DS) are frequently evaluated and monitored. However, due to the nature of these programs and the necessity to provide immediate assistance to posts, cost effectiveness and an evaluation of costs are not always completed prior to acquisition of a good or the provision of a service.
Actions Taken/Planned	• Work closely with the Bureau of Diplomatic Security (DS) to develop effective annual goals and targets. • Work to develop performance measures for major programs to support annual performance goals and ensure long-term effectiveness.

Management Challenges

The General Accounting Office and the Department's Office of Inspector General have identified several management challenges that represent areas where the Department must improve operations. The table below lists, by strategic goal, the major challenges and corresponding actions that the Department is taking in response to them.

Strategic Goal	Homeland Security
Challenge	**Visa Processing and Border Security**
Findings	• Since 9/11, the Department has introduced changes to strengthen the visa process, but there continues to be a divergence of opinions concerning visa policies and procedures that are appropriate, given the need for heightened border security. (GAO Report 03-132NI) • The USG has no specific written policy on the use of visa revocations as an antiterrorism tool and no written procedures to guide State in notifying the relevant agencies of visa revocations on terrorism grounds. (GAO Report 03-798) • Appropriate units within INS and the FBI do not always receive notifications of all the revocations. (GAO Report 03-798) • Names were not consistently posted to the agencies' watch lists of suspected terrorists. (GAO Report 03-798) • Consular Affairs still has shortcomings that include: Lack of uniformity in visa processing, lack of a planning staff to develop options for consular input into border security initiatives and directions. (ISP-I-03-26)
Recommendations	• Develop a clear policy on the priority attached to addressing national security concerns connected with the visa process; develop more comprehensive guidance on how posts should use the visa process to screen against potential terrorists; assess staffing requirements for visa operations; expand consular training. (GAO Report 03-132NI) • Ensure that appropriate units within INS and the FBI receive notification of visa revocations. (ISP-I-03-26) • Visa process must be considered as part of a larger process of admitting and tracking visa recipients. (ISP-I-03-26) • Department must re-think its approach to issuing visas and devote the needed human and financial resources. (ISP-I-03-26)

The information on the "Visa Processing and Border Security" Management Challenge is continued on the next page..

Strategic Goal	Homeland Security
Challenge	**Visa Processing and Border Security**
Actions Being Taken	• Issued a "visa roadmap" outlining new visa priorities and policies. Issued over 40 standard operating procedures to ensure that consular officers abroad properly review visa applications, effectively fulfill their critical national security responsibilities, and have a step-by-step, unambiguous guide for all procedures. Added staff, including a Senior Advisor for Strategic Planning, and expanded consular training. (GAO Report 03-132NI and ISP-I-03-26) • Visa revocation problems were fixed. Written instructions provided in the Foreign Affairs Manual. Notice of visa revocation is provided to DHS/CBP, DHS/ICE, and FBI. Visa revocation lookout code is shared between DOS and DHS lookout systems. (GAO Report 03-798) • Added staff, including a Senior Advisor for Strategic Planning, in the Visa Office and established 39 new overseas positions funded by visa fees and 51 new consular positions under the Diplomatic Readiness Initiative in FY 2003. Additional positions are planned for FY 2004. (OIG-1-03-26) • Introduced new training on interviewing techniques, with additional emphasis on ethics and terrorism and expanded Chief of Mission, DCM, and Principal Officer training. In FY 2004, five days will be added to the 26-day basic consular course. (GAO Report 03-132NI) • New leadership in the Bureau of Consular Affairs is committed to minimizing the vulnerabilities in visa processing. (ISP-I-03-26)
Expected Result	• MOU between DHS and DOS has provided/will provide a framework for better coordination of border security; integrated entry/exit/tracking systems with DHS; series of instructions specifying standard operating procedures (SOP) contributes to implementation of Visa Roadmap. Consular Management Assistance Teams will reinforce SOPs and sound management practices. Resource needs are under constant review; missions that are most impacted by post 9/11 changes in visa processing are receiving assistance.

Strategic Goal	International Crime and Drugs
Challenge	**Strategic Planning**
Findings	• Although the U.S.-backed counternarcotics program in Colombia has begun to achieve some of the results originally envisioned, Colombia and the United States must deal with financial and management challenges. Three years into Plan Colombia, the Departments of State and Defense have yet to develop estimates of future program costs, define their future roles in Colombia, identify a proposed end state, or determine how they plan to achieve it. (GAO-03-783)
Recommendations	• Establish clear objectives, including developing specific performance measures, and estimate future U.S. funding requirements for the programs with the Colombian Army and the Colombian National Police. (GAO-03-783)
Actions Being Taken	• Beginning with the FY 2005 budget cycle, the Department intends to establish clear objectives, develop performance measures and estimate future funding requirements. This is now possible due to the maturation of "Plan Colombia" over three years.
Expected Result	**General** • Coca and poppy cultivation drops to a lower level. • Colombianization of program increases as more Colombia pilots are trained and ownership of aircraft is gradually transferred. • Demobilization of para-military and insurgent groups lowers level of violence but there will be reintegration costs to be sustained. Estimate is not clear as of yet. **Program** Colombian Army o Through increased aviation support, operations areas of three battalions expanded from Putamayo region to all regions of Colombia during 2005. o Expanded use of Mobile Brigade into a quick strike force against high-value narcotics terrorists. Colombian National Police o Aggressive spraying campaign enters a maintenance phase with success measured by the absence of mature coca and a lowered rate of replanting. Infrastructure support allows anti-narcotics brigade to operate in remote Eastern, Southern and Western zones. Alternative Development o Over 5,000 hectares of licit crop established and assistance provided to 5,000 rural families. Through mental health, income generation and urban infrastructure development, employment assistance provided to over 300,000 internally displaced persons. Rule of Law o Municipal police units inserted into newly liberated municipality areas and new Carabineros squadrons dispersed as rural police.

Strategic Goal	Democracy and Human Rights
Challenge	**Interagency Coordination**
Findings	• Although U.S. democracy assistance programs in Latin America have shown modest results, several management issues have hampered effectiveness. Poor coordination among the key U.S. agencies has been a long-standing management problem, and cooperation with foreign donors has been limited. (GAO-03-358)
Recommendations	• The Department and other agencies should develop more comprehensive strategic plans at the regional and country level to address cooperation among agencies and other major donors. • Establish a strategy for evaluating projects. Establish a mechanism to share information among U.S. agencies and project implementers. (GAO-03-358)
Actions Being Taken	• Interagency discussions are now underway that will lead to increased USG cooperation in implementing democracy assistance programs. The immediate objectives of interagency meetings will be to share information, avoid duplication and ensure optimal use of available funds from all sources.
Expected Result	• Freedom House and Department polling data demonstrate measurable rise in: o Public confidence in democratic institutions o Respect for human rights and the rule of law o Perceived transparency and accountability of government institutions

Strategic Goal	Management and Organizational Excellence
Challenge	**Financial Management**
Findings	• Improvement made with respect to travel card payments by implementing procedures aimed at decreasing the number of travel card payment delinquencies in the 90-day or 120-day past due categories. There is, however, inadequate response prior to delinquencies reaching the 90-day past due category. (OIG Report AUD/FM-03-22) • Despite recent strides, insufficient internal controls to prevent/detect travel card misuse. (OIG Report AUD/FM-03-22)
Recommendations	• Address delinquencies before they reach the 90-day past due category by putting into place a process to address delinquencies in the 60-day past due period before the cards are automatically suspended. (OIG Report AUD/FM-03-22) • Provide program coordinators with clear written guidance on an Intranet site; provide adequate formal training. • Improve oversight of travel card program by checking for multiple accounts and transferring/canceling travel cards when an employee leaves a bureau. (OIG Report AUD/FM-03-22)
Actions Being Taken	• Implementing a process to deal with travel card payment delinquencies in the 90- and 120-day past due categories. (OIG Report AUD/FM-03-22) • Launching a preliminary effort to detect and prevent misuse of travel cards. (OIG Report AUD/FM-03-22)
Expected Result	• Improved administrative oversight of travel card program. • Improved internal control and reduced vulnerability card misuse • Increased volume-based refund from credit card provider.

Strategic Goal	Management and Organizational Excellence
Challenge	**Overseas Building Security**
Findings	• GAO found that the Department has done much over the past four years to improve physical security at overseas posts; however, most office facilities do not meet security standards. (GAO Report 03-557T)
Recommendations	• Because of the high costs and importance of the Capital Security Construction program, GAO believes the program merits continued oversight (GAO Report 03-557T)
Actions Being Taken	• Constructing perimeter walls, anti-ram barriers, and access controls at many facilities. Funding the construction of new buildings and other such capital projects to improve overseas facilities (GAO Report 03-557T)
Expected Result	• The construction of new embassy/consulate compounds fully meet current security standards. • Successful implementation of the proposed capital security cost-sharing (CSCS) program will accelerate completion from over 20 years to 14 years and encourage rightsizing.

Strategic Goal	Management and Organizational Excellence
Challenge	**Knowledge Management/Leadership**
Findings	• The Department has ensured senior management oversight for implementation of its Knowledge Leadership (KL) program. (IT-A-03-08) • The Office of e-Diplomacy is working to develop an action plan to implement KM Department-wide having compiled ideas from extensive networking with public and private sector organizations. (IT-A-03-08)
Recommendations	• Identify business requirements, such as core diplomatic functions, as a basis for shaping KL approach. (IT-A-03-08) • Implement KL through community building, IT tools, commitment and support structures such as training. (IT-A-03-08) • Identify and counteract cultural barriers to KL. (IT-A-03-08) • Move ahead on broad front (people, process, technology, organization) to instill Knowledge Leadership practices and capabilities throughout the Department. (KL briefing to U/S Green 07/22/03)
Actions Being Taken	• Improving DOS intranet site to collect, integrate and share knowledge more efficiently. (IT-A-03-08) • Strengthening collaboration and information sharing with USAID through new connection between State and USAID intranets. • Creating global task force on New Diplomacy to exploit technology in new diplomatic and public diplomacy engagement strategies. • Exploiting key technologies to improve the Department's performance worldwide. (IT-A-03-08) • Making greater use of classified and unclassified government networks for information exchange and collaboration. (IT-A-03-08) • Developing State Messaging and Archive Retrieval Toolset (SMART), a system to provide diplomats and managers with significantly enhanced communications and knowledge management tools. • Selecting vendor to develop a solution for a design/demonstration. The messaging solution will be piloted to over 3,000 users in domestic and overseas locations. • In FY 2005, SMART will begin worldwide deployment.
Expected Result	• The Department's institutional knowledge is available to its own professionals and to other foreign affairs, intelligence and homeland security agencies. • Special expertise is easier to locate. • Employees are more productive, and applications more efficient.

Performance Management - A Leadership Priority

The Department uses strategic and performance planning to ensure the organization achieves its objectives and goals, and is committed to utilizing the funds it receives from the American people through the Congress to produce successful results. Under the strong leadership of the Secretary and Deputy Secretary, the Department also has implemented organizational innovations. For the first time, the State Department and USAID have developed and issued a joint Strategic Plan that governs the planning efforts for both agencies for fiscal years 2004-2009. This historic new Strategic Plan utilizes a revised strategic goal framework that better captures and articulates the Department's high priority goals and objectives, shortening the number of goals to better focus policy and management direction. Guided by the new Strategic Plan, the planning and resource allocation process receives the personal attention of the Deputy Secretary on an ongoing basis as he personally leads senior level Policy, Performance and Resource Reviews of all bureau performance and resource plans. Another significant organizational improvement has been the creation of joint State/USAID policy and management councils as recommended in the Strategic Plan. The Secretary's leadership in establishing these councils is ensuring the alignment of 'foreign policy and development assistance, and is improving the necessary management and organizational coordination and collaboration between the two agencies.

The Department's ongoing performance management process is driven by senior leadership direction and coordination. Each year, the Department's diplomatic missions and Washington-based bureaus submit Mission Performance Plans (MPPs) and Bureau Performance Plans (BPPs), respectively, that describe their policy and program goals, priorities and resource requirements, and evaluate performance. During the past year, the Department has improved the MPPs and BPPs, and fully automated the process. Missions, bureaus and senior officials now have the benefit of software applications that better support decision-making. Based on planning and performance information in the MPPs and BPPs, as well as additional budget information, the Department develops its annual Performance Budget, which focuses on the highest priority issues and is consistent with the high-level Strategic Plan. The annual Performance and Accountability Report demonstrates how well the Department performed in meeting the goals and targets described in the Performance Budget. The graphic at right shows the relationship between the key components of the performance landscape.

The Department's public planning documents can be found on the worldwide web as follows:

- FY 2003 Performance and Accountability Report: http://www.state.gov/m/rm/rls/perfrpt/2003/
- FY 2004-2009 State/USAID Strategic Plan: http://www.state.gov/m/rm/rls/dosstrat/2004/
- FY 2004 Performance Plan: http://www.state.gov/m/rm/rls/perfplan/2004/

Performance Assessment Enhancing Budgetary Decisions

The Department is committed to utilizing the funds it receives from taxpayers through the Congress to produce successful results. To assess performance, the Department employs a *performance management methodology* depicted in the pyramid below. Each of the six components of the pyramid is defined below:

Strategic Objectives	High level, broad categories of action through which the Department will achieve its strategies and performance goals.
Strategic Goals	The Department's long-term goals as detailed in the Strategic Plan.
Performance Goals	The desired outcomes the Department is planning to achieve in order to attain its strategic goals. The Department has thirty-eight performance goals.
Initiatives/Programs	Specific functional and/or policy areas, including programs as defined by the OMB Program Assessment Rating Tool (PART), to which the Department of State devotes significant attention.
Performance Indicators	Values or characteristics that the Department utilizes to measure progress achieved towards stated annual performance goals. The indicators are drawn from bureau and mission performance plans.
Performance Targets	Expressions of desired performance levels or specific desired results targeted for a given fiscal year. Achievement of targets defines success. Where possible, targets are expressed in quantifiable terms. The FY 2003 Performance and Accountability Report reports on how well the Department achieved its targets.

Performance Management Model
-Hierarchy-