



2006 Report to Employees Advancing Transformational Diplomacy



Mission Statement of the Department of State: *Create a more secure, democratic, and prosperous world for the benefit of the American people and the international community.*

I. Transformational Diplomacy

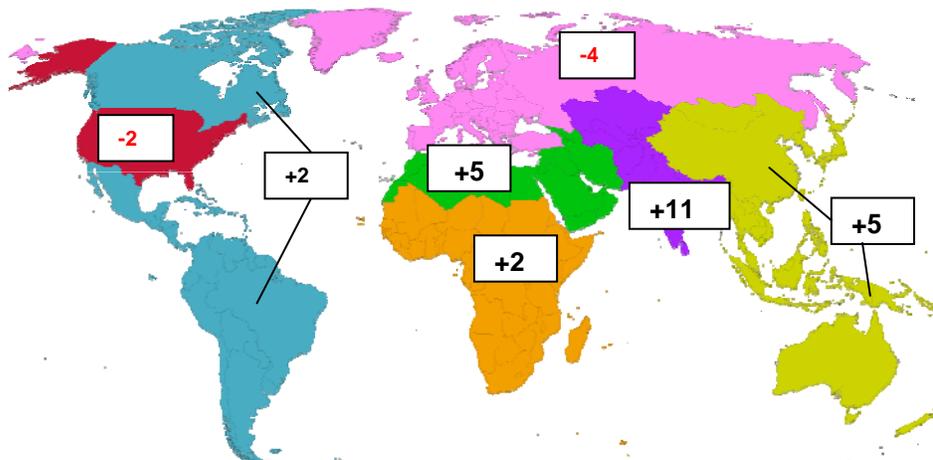
Key to implementing this mission is Secretary of State Condoleezza Rice's vision for transformational diplomacy. In her January 18, 2006 speech at Georgetown University, Secretary Rice defined the objective of transformational diplomacy; "to work with our many partners around the world, to build and sustain democratic, well-governed states that will respond to the needs of their people and conduct themselves responsibly in the international system...We seek to use America's diplomatic power to help foreign citizens better their own lives and to build their own nations and to transform their own futures."

America must be represented in more places, and more creatively, to send the message that we genuinely desire partnership. There are nearly 200 cities worldwide with over one million people in which America has no formal diplomatic presence. We will be using new approaches like American Presence Posts, Virtual Presence Posts, American Corners, and improved information technology to build bridges to citizens in the world's large and important cities.



Secretary Rice meets students at the Makmuriah Islamic School in Indonesia

Global Changes in Staffing in 2006 (in %) after Phase I of Global Repositioning



Repositioning is key to transformational diplomacy. We will shift Department resources, especially personnel, away from outdated and lower priority issues and areas, toward the transformational challenges we face globally.

II. Open Doors, Secure Borders – Bureau of Consular Affairs (CA)

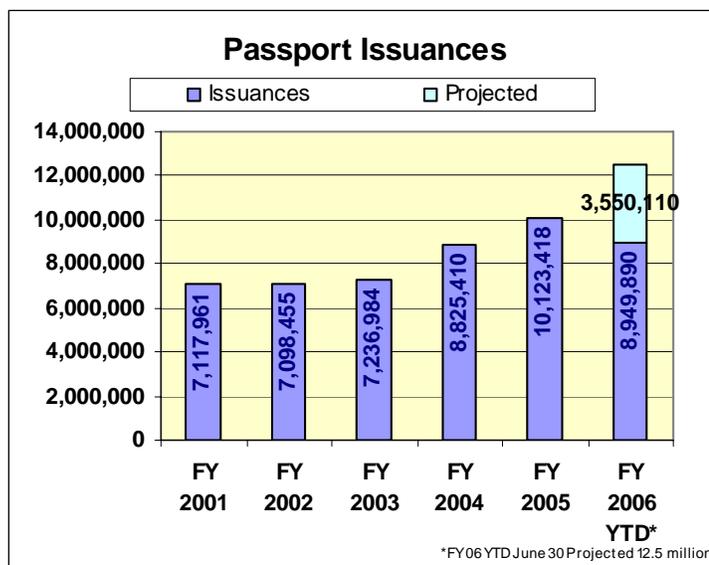
American Citizen Services

State deployed new software to enable our diplomatic posts to coordinate and deliver services more efficiently to Americans living and traveling abroad. We now track incidents of violent crime against Americans abroad. This facilitates the Department's efforts to identify victims' assistance resources for individual victims, as well as monitor and report on crime trends involving Americans traveling and residing abroad.

Record Passport Issuances



In FY 2005, the Department issued more than 10 million passports, an increase of 22% from 2004, despite the loss of 17% of our production capacity due to the interruption of operations at the New Orleans Passport Agency caused by Hurricane Katrina. To meet demand, our Bureau of Consular Affairs has hired additional adjudicators, expanded existing passport agencies, and opened a new gateway office in Denver. Recognizing that cost structures had changed due to efficiencies of scale, State undertook a review of key fee elements and soon expects to propose a decrease in passport fees, the execution fee, and a modest fee for the new passport card.



Issuance of First U.S. Electronic Passports

In December 2005, State began issuing the first U.S. diplomatic E-passports. In April 2006, we began issuing official E-passports. We plan to issue the first tourist E-passport in August. The introduction of the E-passport will not increase an applicant's wait for a passport, and passport fees will not rise.

Visa Issuance



We have had substantial increases in Non-Immigrant Visas issued in recent years. In 2005, 5,388,937 were issued, up 6.7% from 2004 and 9.4% from 2003. This year – ten months into the Fiscal Year – we are on a pace for a further 10%



increase over 2005. In handling this workload, we made important improvements both in security and facilitation since September 11, 2001:

- Requiring personal interviews
- Checking biometric indicators against lookout databases
- Collecting and storing applicant information
- Expanding lookout systems to include more information from other agencies
- Using cutting-edge technology, such as facial recognition, to screen nearly 70% of applicants for identity fraud
- Expediting visa-processing appointments to students.
- Facilitating Rice-Chertoff Joint Vision: students may now apply for a visa 120 days in advance of the start of their studies.
- Ensuring access to visa appointments for legitimate business travelers assisted by the Business Visa Center (BVC).

Enhanced Border Security and Datasharing

Visa information in the Consular Consolidated Database (CCD) is now available at more than 50 ports of entry into the U.S. The Department and Immigration and Customs Enforcement in the Department of Homeland Security (DHS) collaborated to make the visa portion of the CCD and its facial recognition tool available at ports of entry to screen aliens as part of the Secure Border Initiative. In late May, we signed a Memorandum of Understanding with the U.S. Citizenship and Immigration Services on datasharing. The Consular Lookout and Support System is now predominantly interagency data, with 68% of lookouts coming from other federal sources and only 32% originating with State.

Strategy for Implementing the Western Hemisphere Travel Initiative

Since the Intelligence Reform and Terrorism Prevention Act was signed into law in December 2004, the Department has taken the lead in developing the plan for implementing new document requirements called the Western Hemisphere Travel

Initiative (WHTI). During the past year, CA officers from Washington, regional passport offices, and overseas posts have participated in more than 100 outreach events to provide information and to obtain suggestions and feedback from the public and key stakeholders.

American Citizen Travel Registration

As of July 7, 2006, 530,000 Americans had registered their foreign travel on our Internet-Based Registration System. We designed this system to allow citizens to create a record of their travel plans. Rapid growth in on-line registrations (from 350,000 at the end of 2005 to over half a million today) proves that our citizens find this method both easy and useful. On-line registrants receive e-mailed "warden messages" which alert them to changing conditions in a country.

Hague Adoption Convention Implementation

The Department of State is on track to ratify the Hague Adoption Convention in 2007. This year, it reached two critical milestones: expanded outreach to adoption community stakeholders on Convention implementation, and filled three new permanent positions dedicated to supporting Convention implementation. CA published the final regulations for the accreditation/approval of adoption service providers (22 CFR Part 96) in the *Federal Register* on February 15, 2006.



St. Petersburg, Russia, November 2005

III. Making our People, Facilities, Information, and Borders More Secure – Diplomatic Security (DS)

The Department of State's Bureau of Diplomatic Security continues to be a leader in Government-wide personnel security reform. Since 2002, it has cut the average time for personnel security investigations by more than one-half -- from 184 days in 2002 to just 77 days today. This was despite the fact that the volume of cases, currently at 25,000 a year, has grown 28%. This performance far exceeds the National Intelligence Reform and Terrorism Prevention Act of 2004 mandate. The office's focused, results-oriented approach and use of solid performance measurement goals have helped it to maintain its recognized leadership position in the field of personnel security investigations.

Regional Security Officers/Investigators (RSO-I) contributed significantly to the battle against fraud of visa and passport documents. Since the induction of the Investigator program, the number of visa fraud cases that DS has opened increased 58%. The number of passport fraud cases has increased 23%. Furthermore, the arrests made as the result of passport and visa fraud cases has increased 24%. Working with other Federal and U.S. local law enforcement agencies, DS's Criminal Investigations Division located 112 criminal fugitives living overseas and returned them to the U.S. for prosecution.

The Anti-Terrorism Assistance (ATA) program sponsored 217 courses and technical consultations and trained approximately 4,300 students from 78 countries. In the aftermath of the failed May 2005 assassination attempt on President Bush during his state visit to Tbilisi, Georgia, ATA-trained Georgian bomb, forensic, and explosive disposal experts played a key role in assisting U.S. officials in the subsequent investigation.



DS Training Exercise

The Overseas Security Advisory Council (OSAC) is an active partner of American businesses and universities, helping them to remain competitive and secure in a global environment through the dissemination of vital security-related information. OSAC expanded the number of country councils by over 30% to more than 107. In addition to the traditional industry representation, OSAC continues expanding its constituency to encompass educational institutions and the non-profit and NGO communities.

Due to the high threat environment and the ongoing insurgency in Iraq, the Bureau of Diplomatic Security worked closely with the U.S. Army Corps of Engineers to conduct an engineering survey for overhead protection of the facilities under Chief of Mission authority in Iraq. This will enhance security and address the threat posed by indirect fire from mortar and rocket attacks.

IV. Putting People First – Strategic Management of Human Capital

Recent surveys have shown the Department of State as the employer of choice.

- In the **2005 Best Places to Work rankings** (based on the Federal Human Capital Survey), the Department ranked 10th overall -- up from 19th

in 2003 -- out of 30 Federal agencies. Moreover, the Department was the second highest ranked Cabinet Department.

- Out of 100 potential employers, the Department jumped to third place in 2006 from 36th in the 2005 ranking, as an **ideal employer in an annual poll of undergraduates** and 14th for undergraduate business majors. Among minority undergraduates, State ranked 4th and 12th respectively.

We achieved green for status on Human Capital in June 2004 – one of the first agencies to do so – and we have maintained our green rating since then. In addition, State won two of only four **President's Quality Awards** presented in 2005 – out of 47 nominations from Federal agencies. This is the highest award given to Executive Branch agencies for management excellence in best achieving the objectives of the President's Management Agenda (PMA). One was for our overall human capital program, the other for our Employee Profile Plus locator system designed to inventory the capabilities and skills of our entire workforce.



Under Secretary Fore accepts 2 President's Quality Awards for Management Excellence

Department-wide Human Capital Survey

This year the Department's Bureau of Human Resources (HR) administered two human capital surveys to obtain feedback on the level of employee satisfaction within the Department and HR. The aggregate survey results will be used to guide improvement efforts within the Bureau of HR and the Department. We are committed to implementing an annual survey that includes required OPM items and specific customer measures of HR performance so that we can identify areas of improvement in our delivery of HR services, programs, and initiatives.

45-Day Hiring Model

We continue to reengineer our internal staffing processes as we implement the 45-day hiring model and the *Civil Service Gateway to State* (QuickHire) automated hiring system deployed in January 2006. Since we began this initiative, the Department's average has been below the 45-day hiring goal, averaging between 32 and 37 days.

Staffing in Iraq and Other Unaccompanied Posts

As of mid-June 2006, State filled 96% of all positions in Iraq and 97% of the positions in Afghanistan through summer 2007. Ninety percent of the positions in our other unaccompanied posts have been filled: 100% in Algiers, 99% in Saudi Arabia (Jeddah and Riyadh), 97% in Beirut and 95% in Islamabad. Our efforts to restructure FS allowances and training to meet the challenges of these assignments have created strong incentives to encourage FS employees to continue bidding on these dangerous assignments.

Employee Profile Plus



Tsunami victims

The Department created a new "EP+" Internet Site for Appointment Eligible [US Citizen] Family Members (AEFMs). AEFMs, both overseas and in the U.S., will now be able to create Family Member Profiles. State needs to be able to draw on all its resources when faced with an extraordinary situation, including foreign and domestic crises. EP+ helped identify candidates to respond to the devastation wrought by the December 2004 Tsunami and Hurricane Katrina and to support the assisted departure from Lebanon.

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IRM Staff respond to Hurricane Katrina

Foreign Service (FS) Career Development Plans

In January 2005, State implemented the Career Development Programs (CDP) for Generalists; and in January 2006, we implemented the CDP for 17 Specialist groups. The Department's CDPs are partnerships between members of the Foreign Service and the Department to develop, at the top of each skill code group, broad gauged employees with a big picture vision of America's diplomatic challenges. A self-help planning guide, called the Playbook, will be available online for each of the 18 (Generalist and 17 Specialist) career paths this fall.

Mentoring Programs

The Department of State Civil Service Mentoring Program matches Civil Service and Foreign Service mentors with Civil Service mentees. The number of participants has increased from 24 pairs in the initial pilot program in 2001 to over 150 pairs this year. Participants are from all bureaus, domestic regional offices,

and USAID. In surveys over the past two years, 93% of the mentees said they would recommend participating in this program to a friend or colleague.

The Foreign Service Mentoring Program for Career Candidates is an ongoing initiative to familiarize Foreign Service new hires with the culture of the Foreign Service through direct contact with experienced Foreign Service personnel. Since FY 2002, approximately 2,900 of newly appointed Foreign Service hires participated in the Foreign Service Mentor Program. We have now also invited specialists and generalists to request mentors beyond matches made at entry into the Foreign Service.

Actions of a Proactive Mentee:

- Communicate your needs
- Be clear about you goals
- Listen
- Be open to Feedback
- Take action toward your goals
- Manage your own motivation

Actions of a Mentor:

- Believe in your Mentee
- Hearing, listening to their experience first
- Don't be afraid to raise weaknesses/strengths
- Earn trust – figure out strengths before weaknesses

This year we implemented a Situational Mentoring Program, which enables Mentees to consult a list of volunteers willing to talk with them about particular issues. Also, several forms of mentoring, including Foreign Service National (FSN) to FSN, American to FSN, and FSN to American, are now being considered for overseas posts.

Family Member Employment

Inside our missions we have implemented the family member hiring preference and established the Family Member Appointment through which family members accrue federal retirement credit and other benefits. In addition, Strategic Networking Assistance Program (**SNAP**) is designed to help family members at post identify employment opportunities on the local economy. Currently 26% of Family members work within the Mission while 11% work outside.

Bureau	Family Members at Post Working
African Affairs	42.5%
Near Eastern and South Asian Affairs	52.7%
East Asian Pacific Affairs	35.5%
Western Hemisphere Affairs	34.7%
European Affairs	33.9%
Total	37.4%

In 2005, our Family Liaison Office (FLO) worked with StaffCentrix to hold three successful e-Entrepreneur training workshops for Foreign Service spouses with two scheduled for 2006. These workshops train spouses to start a web-based business. Last year, FLO also piloted the Professional Development Fellowship Program with funds from the Cox Foundation. Over 110 FS spouses applied, and 19 fellowships were granted under the 2005 program. In 2006, FLO received \$50,000 in Cox Foundation funds to offer this opportunity again.

Health Promotion Activities

The health promotion activities of the Office of Medical Services (MED) throughout the last year have been focused on providing a healthy workplace through coordination of efforts with other Department offices in addressing concerns related to hazards in the workplace. MED has focused on conducting health fairs at multiple locations in the DC area, training employees in CPR, stress reduction training, smoking cessation, and health lifestyles. Future plans include efforts promoting exercise programs and weight control techniques.

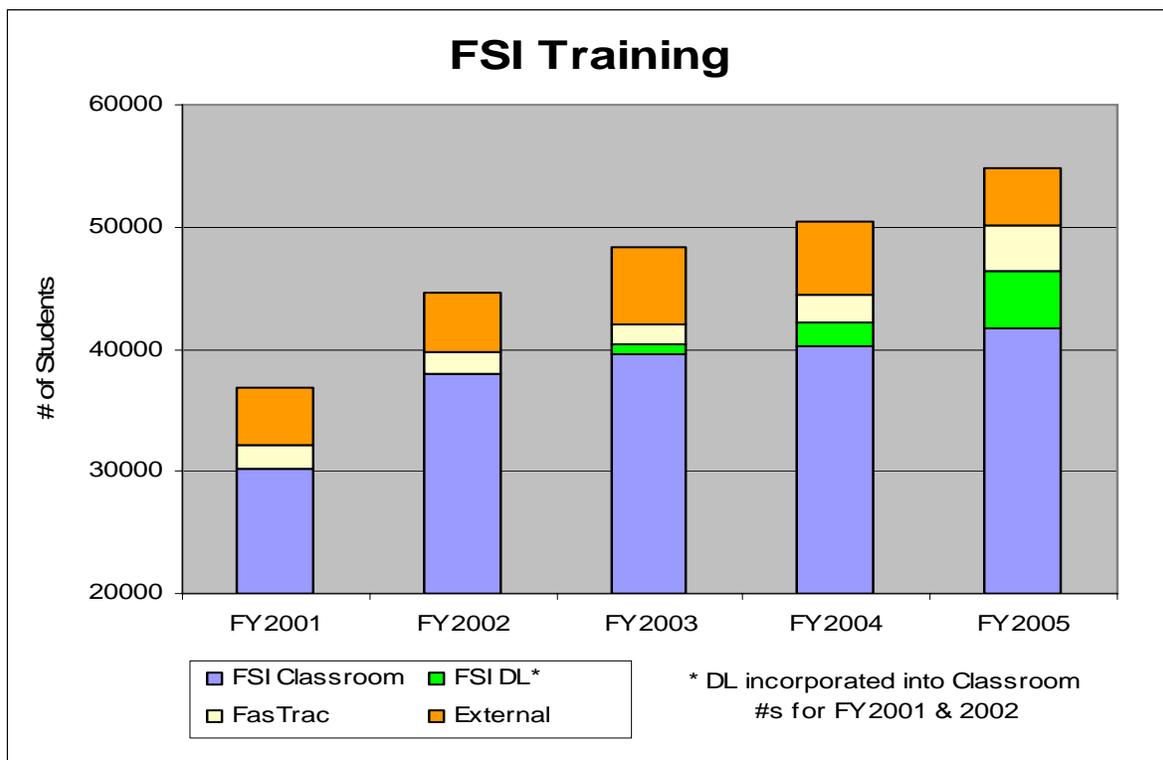
Avian Influenza Outreach

Both MED and the Bureau of Consular Affairs (CA) worked extensively to disseminate information on pandemic and avian influenza and have committed substantial resources and expertise in assisting the Department and other foreign affairs agencies in the development, staffing, and coordination of a policy regarding Avian Flu prevention and outbreak. MED coordinated the preparation and acquisition of supplies necessary to preposition medication and personal protective equipment at each post, coordinated transportation issues with Logistics Management, and ensured that medical staff received appropriate instructions and training regarding avian flu treatment, and prevention of disease transmission. CA maintains an Avian Influenza Fact Sheet on its website and recently added a set of "Frequently Asked Questions" to its travel.state.gov Internet site.



Training

In FY 2005, the overall number of enrollments by State Department employees at our world-class training institution, the Foreign Service Institute (FSI), was up 49% compared to FY 2001 and 5.1% compared to FY 2004. Language training, key to our transformational diplomacy initiative, has more than doubled since FY 2001 and was 19% above FY 2004.



- Transformational Diplomacy (TD) Training:** In FY 2006 the FSI launched a series of Transformational Diplomacy Seminars: Democracy Building, Disease Control, Promoting Human Rights, Fighting Corruption, Counter-terrorism, and Rule of Law. FSI is currently developing a distance learning course on TD concepts and a TD Facilitator's Guide for use at the Country Team Level to be launched later this year.
- Leadership and Management Training (LMT):** The Department has exceeded its goal of providing mandatory LMT to our target population of approximately 7,735 Foreign Service and Civil Service employees by December 31, 2006. This initiative was launched in 2002 to provide leadership training for all mid-level Foreign Service and Civil Service employees in the Department.
- Distance Learning (DL) Programs:** FSI offers an extensive array of distance learning courses over the Internet that are available to Department

employees worldwide (24/7) tuition-free. Increased use of technology-delivered training can eliminate travel and per diem costs to FSI Washington, but also creates training opportunities for thousands of State employees (including 37,000-plus Foreign Service Nationals) who, for budget reasons, would not have ready access to FSI's programs in Washington. Currently, we have 86 custom-developed distance learning products related to foreign affairs, up 25% from FY2005. In addition, the FasTrac Distance Learning program offers access to over 3,000 courses in a wide variety of topics, including management skills, communications, desktop computing skills, and technical courses such as computer networking. We will exceed our goal of increasing FasTrac Distance Learning course completions in FY 2006 by our American Officers, family members, and Foreign Service Nationals by 50 percent.

- **Arabic Language Training:** The number of State officers enrolled in Arabic language training has increased from 109 in FY 2001 to 406 in FY 2005. New initiatives include: media appearance training in Arabic for both students and officers serving at Middle East posts; a pilot program of internships with Arabic satellite media (our first student interned with a pan-Arab television station in Dubai in June 2005); and developing partnerships for advanced (“beyond 3”) language learning in critical needs languages with select higher education institutions abroad.

Telework



In the last year, the number of teleworkers increased from 1,019 in FY 2005 to 2,013 currently, indicating that the Department is making steady progress toward providing opportunities for employees to work from home despite the challenges of handling, processing and storing classified information. Remote access through the OpenNetEverywhere (ONE) system has

provided improved functionality for teleworkers.

Student Loan Repayment Program (SLRP)

The Department's SLRP has surpassed those of other federal agency programs for three of the last four years and has significantly contributed to our recruitment and retention efforts. In FY 2002 -- the first year of a two-year pilot -- 408

employees benefited from a lump sum lender payment of \$4,700. In FY 2005 that number nearly doubled to 809 and is anticipated to increase again in 2006.

V. Competitive Sourcing

The State Department has had two major sets of accomplishments on the Competitive Sourcing goal of the President's Management Agenda. The first is the steady progress on previously announced competitions. The second is putting additional systems into place to ensure that more competition candidates can be identified in the near future.

On existing competitions, the showcase has been the standard competition of Multi-Media Services (MMS) within the Bureau of Administration, involving nearly 200 Full Time Employees (FTE) at three locations. Two other smaller competitions are also nearing the end. The competition in the Human Resources Bureau of their assignment technicians (17 FTE) remains on track. On the fleet management competition within the Bureau of Administration (21 FTE), the solicitation was published June 23, with bids due August 18.

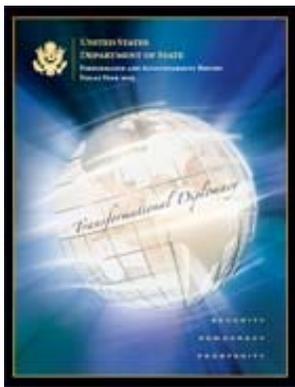
Steps have been taken to ensure that more competition candidates are identified in the near future, beginning with this year's Federal Activities Inventory Reform (FAIR) Act Inventory, which includes a greater percentage of positions that are coded commercial and available for competition.

The Competitive Sourcing Executive Steering Group, consisting of the Chief Information Officer, Chief Financial Officer, Chief Acquisitions Officer, and Chief Human Capital Officer, has been given shared responsibility for competitive sourcing progress. The members of the group all report directly to the Under Secretary for Management, who has made competitive sourcing progress one of her priorities.

On June 21, HR partnered with other bureaus to create "centers of excellence" whereby three of these large bureaus (Bureaus of Administration, Consular Affairs, and Diplomatic Security) will "compete" internally for the human resources business of the other bureaus. They will develop standards and metrics to eventually reduce the number of internal providers of HR services. Once fully rationalized internally and clear "best" providers emerge, the function will be reexamined to determine whether or not it can benefit from future competition.

VI. Improved Financial Performance (IFP)

The Department received “double green” in Financial Performance for the quarter ending March 31, 2006. Improving financial management allowed the Department to achieve excellence in the quality and timeliness of the Department’s Financial Statements and Performance and Accountability Reports, to meet the increasingly short deadlines for issuing these items as required by OMB. Our accomplishments include:



- On-time financial statements that receive unqualified or “clean” opinions from independent auditors for nine consecutive years;
- Award winning Performance and Accountability Reports (five consecutive years of receiving the Association of Government Accountant’s Certificate of Excellence in Accountability Reporting, one of only five major agencies to receive the award, and rated as one of the top 100 annual reports across all sectors);
- Financial systems and processes that substantially meet Federal requirements and allow for effective resource management and strategic decision making.

Within a year, RM will complete our multi-year effort to implement the Global Financial Management System (GFMS). GFMS places State’s overseas and domestic financial operations onto a common financial management software and technical platform in Charleston providing a single integrated view of financial data through data standardization, common business processes, and the seamless exchange of information through the Department’s financial sectors.

The Joint Financial Management System (JFMS) investment is a collaborative effort by the Department of State and U.S. Agency for International Development to improve service and save money through collaboration on financial systems and functions. In November 2005, a common technical platform was established to combine operations staff, software and hardware costs, saving the government over \$20 million over the 10 year life of the project. These savings include sharing a vendor database (\$50,000), using joint software licenses (\$554,570 annual savings to USAID beginning in FY 2004, and approximately \$1.1 million annually beginning in FY 2007), and reducing annual contractor maintenance fees (\$450,000).

Our Financial Performance Green Plan documents how State currently uses financial data on a routine basis for management decision making and to achieve better results for the American taxpayer. For example, the Bureau of Resource Management (RM) uses financial data to analyze the value and percentage of Unliquidated Obligations with no activity for the past 12 months and then pursues deobligation. This generates a recovery, and once apportioned, provides additional budget authority that can be applied to unfunded priorities. Based on using this information, several million dollars of no-year funding has been deobligated since the start of FY 2006.

International Cooperative Administrative Support Services (ICASS) provides administrative support to all agencies at our posts overseas. Satisfaction is at 4.0 on a 1-5 scale, based on a January-February 2005 customer satisfaction survey with more than 25,000 responses from 217 embassies and consulates.

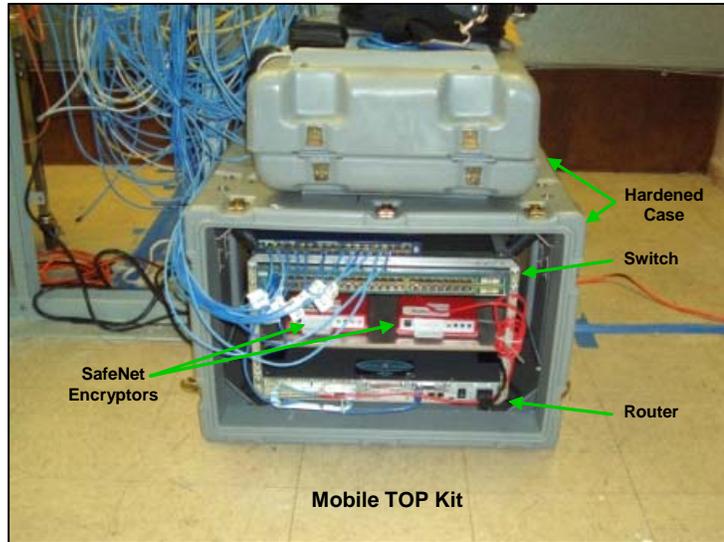
The Department has begun implementation of an electronic Travel (E-Travel) program, beginning with our overseas locations. Our E-travel program will install a global paperless electronic capability for authorizing, vouchering and reporting on temporary duty travel for use by all Department employees.

VII. Empowering Diplomacy with Tools and Information Available Anytime, Anywhere: E-Government

The State Department has made great progress in the past five years in modernizing its IT infrastructure and systems and must now continuously improve its ability to provide modern anywhere/anytime access to vital information needed for successful diplomacy. Specifically, results include:

- Department personnel worldwide now have desktop Internet access for all unclassified network users. Worldwide network availability rose to 99.6% in 2006 by introducing Internet Virtual Private Networks.
- The centrally managed network features a standardized desktop environment, centrally managed technology refresh, enterprise-wide software licensing and defense-in-depth network security covering server, e-mail, and workstation anti-virus, network intrusion detection, and operational Computer Emergency Response Teams (CERT) and Computer Incident Response Team (CIRT) processes.
- 1,100 servers are now consolidated in the Enterprise Server Operations Center (ESOC).

- The Department's mobile computing program and remote access to our unclassified network boasts 4,589 total users: 671 secure dial-in users, 639 Blackberry customers, and 3,279 users who access the network securely over the internet to telecommute.
- Interagency exchange of information occurs routinely via the Secret Internet Protocol Router Network (SIPRNet) with 191 active sites and Non-classified Internet Protocol Router Network (NIPRNet).
- 15 secure Digital Video Conferencing (DVC) installations, 14 SIPRNET posts, and 11 Virtual Presence Posts in FY 2006, have been added thereby meeting or exceeding our goal for each of these.



Transportable OpenNet Package (TOP) provides OpenNet connectivity through an Internet Service Provider (ISP)

State Department and USAID IT Integration Efforts

- **Joint IT Strategic Plan:** A comprehensive IT Strategic Plan (ITSP) documenting vision and goals will be published for 2006-2010.
- **Joint Enterprise Agreement for Microsoft Software and Support:** USAID established an Enterprise Agreement for Microsoft software products and support, utilizing our existing Blanket Purchase Agreement (BPA) with Microsoft.
- **Joint Enterprise Architecture (JEA):** The JEA effort with partner USAID received a "Green" once again this year.

The Tools to Transform Diplomacy

The focus on new business practices includes the use of Communities of Practice, classified web pages for interagency collaboration, improved document search and retrieval and Virtual Presence Posts.

- **Communities of Practice:** The Office of eDiplomacy has facilitated 13 crosscutting communities to link State's knowledge assets across traditional bureaucratic lines.

- **Document Search & Retrieval:** IRM's eDiplomacy office is moving forward with plans to deploy wiki (software that allows users to freely create and edit Web page content) and blog (software that allows users to post and frequently update on-line journals or discussion pages) tools on the Department's OpenNet system.

- **Virtual Presence Posts (VPPs):** As of July 2006, there are now 33 VPPs worldwide which permit Ambassadors and Embassies to engage areas of the world that are underserved by the traditional diplomacy of “bricks and mortar” facilities. A successful effort involves substantial collaboration from multiple agencies on travel, programs, and media outreach, and solid Embassy front office leadership.

Expanded Electronic Government (e-Gov) Summary

- **IT Budget Business Cases:** The Department's Major Business Cases (Exhibit 300), which represent more than 80% of the Department's IT investment, all received “acceptable” status making the Department the only agency to the 100% acceptable status.
- **Earned Value Management:** The Earned Value Management Program meets the requirement that the entire portfolio be within 10% of published cost, schedule and performance measures.
- **IT Security:** More than 95% of the Department's IT systems as summarized in the Federal Information Systems Management Act report are Certified & Accredited. However, contractor systems will now be added to the asset baseline, thereby affecting our percentages.

- **State Messaging and Archive Retrieval Toolset (SMART):** SMART is designed to consolidate cables, e-mails, and memos on a single platform integrated with a centralized searchable archive.
- **E-Gov Initiatives and Lines of Business Implementation Plan quarterly milestones:** The Department developed and delivered more than 200 quarterly milestones to track implementation of the e-Gov initiatives and Lines of Business. These implementations varied from using the services of the initiatives to migration to a service provider and decommissioning of related Department systems.
- **FY2006 e-Gov MOUs:** The CIO signed 14 Memoranda of Understanding with managing partner agencies responsible for leading cross-agency e-Government initiatives (e.g., GovBenefits.gov, grants.gov, etc.) for FY 2006. Nine of those MOUs transfer nearly \$2 Million to the managing partners.

VIII. Budget and Performance Integration

The Department was awarded a “double green” score for budget and performance integration for the seventh consecutive quarter. According to the Mercatus Center of George Mason University, it is one of the two best major federal agencies for the transparency, readability and overall quality of its annual Performance and Accountability Report.

Integrating Performance into Budget Submissions

The State-USAID Joint Performance Plan is submitted to Congress annually as Volume I of the Department’s Congressional Budget Justification. This year, the performance plan was developed using an innovative, web-based data entry tool that enabled bureau planners at State and USAID to enter information directly into a database, saving hundreds of hours of time and effort. By linking performance data to the budget, policy makers and analysts were able to identify the expected cost of specific outcomes, facilitating the trade-off analysis inherent in the budget formulation process.

Demonstrating Results with OMB’s Program Assessment Rating Tool (PART)

The PART program evaluates all government programs using a consistent, evidence based format that links program goals, performance measurements, and budget data. Ninety-seven percent of State Department PART programs are rated adequate or above in this rigorous review of program efficacy and efficiency. The tool is an analytical methodology for identifying a program’s strengths and

weaknesses to assist with resource allocation and program management decisions. This year, Department bureaus prepared drafts and submitted evidence for 10 new PARTs and two re-assessments. We also conducted an annual review of the PART efficiency indicators, and as a result, we have revised outdated indicators and created new measures and targets.

Rolling out the Global Affairs Dashboard

The Global Affairs Dashboard is a performance measurement and management tool that provides pre-defined and user-defined views of planning, performance and resource information pulled from the Department's bureau and mission performance plans. This year, the Department expanded use of the Global Affairs Dashboard to bureaus and select overseas missions. The Dashboard displays four quadrants on one screen, enabling a high-level view of performance and budget data spanning the entire portfolio of State operations world-wide. This is the only one-stop system for data on performance and budget allocations that spans multiple years, strategic goals, and locations.

Project Horizon



Project Horizon brings together U.S. Government global affairs agencies and the National Security Council to conduct long-term, interagency strategic planning. Teams have identified strategic interagency capabilities in which the U.S. Government should invest in order to prepare for unforeseen threats and opportunities that will face the nation over the next 20 years. This year, the Department hosted three interagency strategy workshops in Washington attended by 200 participants from the private sector, non-governmental organizations, and the following agencies: Agriculture, Defense, Energy, Health and Human Services, Homeland Security, Justice, Labor, Office of the Director of National Intelligence, Environmental Protection Agency, and USAID.

IX. Real Property Asset Management

The Department of State recently achieved “Green” for both status and progress on the PMA Federal Real Property Initiative. State Department is one of only two U.S. Government agencies -- out of 15 participating in the initiative – that has reached Green. The Department achieved Green status by demonstrating its ability to dispose of surplus assets, maintain assets in the right condition, and operate at the right cost. This meant preparing a comprehensive Asset

Management Plan (AMP), a strong partnership of the Bureau of Overseas Buildings Operations (OBO) and the Bureau of Administration (A), a three-year rolling timeline of initiatives, numerous performance measures, and a shared State/USAID real property inventory consisting of domestic and overseas properties.

Building on the unified AMP, the Department developed detailed three-year planning documentation with quantifiable deliverables that improve how real property assets are managed. This action plan is described in the State/USAID Three-Year Timeline of Initiatives that seeks to demonstrate quantifiable results in three key categories: (1) eliminate surplus assets; (2) operate at the right cost; and (3) ensure that critical assets are maintained in the right condition.

- 1) Disposal – In the last five years, State has:
 - Removed over 380 properties from its portfolio
 - Achieved an average sales price of 123% of Fair Market Value
 - Generated over \$300 million in sales proceeds
- 2) Cost:
 - Benchmarked operations and maintenance costs for portfolio of properties.
 - Developing global benchmarks for all leases under \$25,000.
 - Saved \$16.1 million in years 2002-2006 through the lease waiver process.
 - Value Engineering has produced savings of \$472.6 million since FY 2001
- 3) Condition:
 - The Capital Security Construction program (40 projects underway)
 - The Major Rehabilitation program (24 programs underway)
 - Compound security (197 projects underway)
 - Plans for 76 NECs and 14 annexes are included in the Long-Range Overseas Building Plan.

Major Rehab Program



Paris Boulogne Facade

During the past year, the OBO Project Planning Division conducted its first worldwide Major Facilities Rehabilitation Data Call to identify all facility rehabilitation requirements at overseas posts. OBO's Area Management Division conducted a global prioritization of these requirements and completely revamped the outdated schedule of projects that was previously being used. OBO's Project Planning, Area Management, and Financial Management Divisions completed the re-structuring of the

entire process so that all projects are funded up-front rather than having them spread out over several years. This new methodology will ensure a disciplined process similar to that of the capital construction program.

Value Engineering (VE)

VE is a recognized technique to lower costs while maintaining appropriate quality on our construction projects. OBO requires at least one VE study, or an approved waiver of the VE requirement, on all projects with an estimated cost of construction greater than \$1 million. Since FY 2001, OBO has realized cost savings of \$472.6 million from value engineering.

Capital Construction Program

As of late June 2006, OBO has completed 30 capital construction projects with another 36 currently under design or construction. Another 14 New Embassy Compounds (NECs) are scheduled for construction award by the end of FY 2006, leaving 115 to be constructed. OBO now has approximately \$5.1 billion in construction work under management.



Freetown, Sierra Leone NEC

Smart, Energy-Efficient Buildings



In the past year, OBO has completed a number of “Green” energy projects overseas. One such project, which received special recognition in Engineering News Record (ENR), was in our embassy in Geneva. The project uses a photovoltaic pane network with a fully integrated solar electric system to generate power during the day, sell excess power back to the local utility, and then buy it back at night when rates are lower. This was a first for a U.S. diplomatic building. Instantaneous hot water systems, lighting controls and sensors, chillers, and heat exchangers also serve to save energy.

X. A “Right-Sized” Overseas Presence

The Office of Rightsizing the U.S. Government Overseas Presence (M/R) is OMB’s principal implementer for the President’s Management Agenda initiative **A “Right-Sized” Overseas Presence**. The PMA initiative, which reached Green for Progress and Status in the Fourth Quarter of FY 2005, has maintained its Green standing, as a result of the following completed actions:

- Established a quinquennial Rightsizing Review process for all posts overseas, including New Embassy Compound (NEC) construction projects, focused on linking staffing to mission goals, eliminating duplication, and promoting shared services and competitive sourcing;
- Co-hosted, with OMB, the first Interagency Rightsizing Summit, which enabled representatives of all agencies present overseas to understand more fully the PMA imperatives on rightsizing and M/R’s implementation methodology;
- Worked with the Bureau of Human Resources (HR) to address the PMA goal of a single “gold standard” database for overseas staffing data; to abolish over 2300 vacant overseas positions; and beta-tested a monthly report documenting positions established or abolished overseas for all agencies;
- Launched four regionalization pilots for human resources, financial management, remote servicing of information management, and mandating corporate administrative applications; and
- Implemented the Capital Security Cost Sharing (CSCS) program where agencies pay a pro-rata share of embassy construction costs for safe and secure facilities for their employees overseas. This program will accelerate the replacement of diplomatic facilities and create an incentive for agencies to rightsize.

This past year, M/R completed analysis on over 50 posts. The format used the Mission Performance Plan (MPP) as the basis for the analysis and organized the analysis by cross-cutting MPP goal rather than by individual agency. This format allows missions and M/R to identify areas where individual sections or agencies are duplicating one another’s functions, as well as foreign policy priorities where additional resources are required to achieve the required results.

Rightsizing Results In FY 2006 M/R rightsized twenty-one U.S. missions in connection with space planning for new facilities. While the general trend of an increasing U.S. presence overseas continues, posts, agencies, and M/R's rightsizing efforts resulted in total projected staffing reductions of 1,218 positions. Posts continue to moderate their staffing projections when considering the rightsizing framework; however, the demands of the Global War on Terror, HIV/AIDS programs, expanded law enforcement presence abroad, and the expansion of the Department of Homeland Security abroad are driving the continued expansion of the overseas U.S. Government presence.

Avoided or saved costs from rightsizing:

- **\$8,196,000:** Savings from unused office space
- **\$80,000,000:** Approximate savings in not building four annexes
- **\$13,660,000:** Ten year savings in ICASS non-Residential Building Operating Expenses
- **\$68,000,000 per annum:** Saved in avoided costs for approximately 170 U.S. Direct Hire positions
- **\$25,152,000 per annum:** Eliminated LES remuneration costs

\$86,830,000

Totaled projected *one-time only* avoided/saved costs as a result of rightsizing.

\$115,558,164

Totaled projected *annual* avoided/saved costs as a result of rightsizing

*For more information, please see the Office of Rightsizing's 2006 I Quarterly Report, available on the M/R website at <http://www.state.gov/m/r/?CFID=3267882&CFTOKEN=51591807>

Current Major Initiatives

Conversion of U.S. Direct-Hire (USDH) to Locally-Employed Staff (LES): One rightsizing effort is to empower LES to perform functions currently performed by USDH staff. This process will reduce costs, provide greater continuity, and facilitate the consolidation of our management platforms with USAID.

Collaboration with USAID: All NECs at which State and USAID are present will have a consolidated management platform with most management functions provided jointly. Under the new strategic vision the Joint Management Council (JMC) working groups are reengineering business lines to harmonize regulations and procedures to facilitate overseas consolidation, reduce cost, and enhance quality and efficiency of service.

Implementation Action Plans (IAP): Embassies and/or constituent posts which have completed rightsizing studies in the last year have been tasked to prepare rightsizing implementation action plans to carry out the actions identified as needed for rightsizing in the studies. IAPs cover all aspects of staffing and activities of the mission, and cover the whole range of rightsizing actions to include staffing/service consolidations, off-shoring/regionalizing services, outsourcing, and USDH to LES conversions. Posts may add additional elements of rightsizing that were not originally included in the rightsizing exercise.

XI. President’s Management Agenda Scorecard

In the Third Quarter of FY 2006, the Department was rated green (the top score) for status on three of the five Government-wide PMA initiatives: human capital, financial management, and budget and performance integration. We are also green for progress on all five initiatives. This puts us in the top tier of the 26 PMA agencies. This represents major progress from the initial scorecard in 2001, when we had ten reds for status and progress on the Government-wide initiatives.

PMA Initiative	September 30, 2001		June 30, 2006	
	Status	Progress	Status	Progress
Human Capital	Red	Red	Green	Green
Competitive Sourcing	Red	Red	Yellow	Green
Financial Performance	Red	Red	Green	Green
E-Government	Red	Red	Yellow	Green
Budget & Performance Integration	Red	Red	Green	Green

This report has outlined many of the improvements we have made over the past year in the way the State Department is managed. These improvements are essential to strengthening the worldwide diplomatic platform to advance Transformational Diplomacy. We will continue the global repositioning of Department of State personnel to emerging countries to meet the new challenges of the 21st Century world.