



Report to the Chairman, Subcommittee  
on State, Foreign Operations, and  
Related Programs, Committee on  
Appropriations, U.S. Senate

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September 2019

# FOREIGN ASSISTANCE

## State Department Should Take Steps to Improve Timeliness of Required Budgetary Reporting

Accessible Version

# GAO Highlights

Highlights of [GAO-19-600](#), a report to the Chairman of the Subcommittee on State, Foreign Operations, and Related Programs, Committee on Appropriations, U.S. Senate

## Why GAO Did This Study

State and USAID were responsible for managing \$33.7 billion in foreign assistance funds in fiscal year 2018. Section 653(a) of the Foreign Assistance Act of 1961 mandates the President to report to Congress, on an annual basis, funding allocations by foreign country and category of assistance within 30 days of Congress appropriating certain funds. State, in coordination with USAID, makes decisions on how to allocate the funds, taking into consideration congressional instructions, the administration's priorities, and country-specific foreign assistance needs.

GAO was asked to review State and USAID's process to respond to Section 653(a). This report examines (1) the extent to which State met the mandates under Section 653(a) for fiscal years 2015 through 2018 and (2) factors that affected State's ability to address the mandates. GAO reviewed annual appropriations acts and Section 653(a) reports submitted during fiscal years 2015–2018, and met with State, USAID, and Office of Management and Budget officials in Washington, D.C.

## What GAO Recommends

GAO is making three recommendations to State: (1) conduct a systematic review of the Section 653(a) process to identify inefficiencies and determine the amount of time needed to prepare the Section 653(a) report, and if it exceeds 30 days, request that Congress extend the mandated time frame; (2) improve data collection; and (3) develop a plan to address staff vacancies, in consultation with USAID as appropriate. State concurred with these recommendations.

View [GAO-19-600](#). For more information, contact Jason Bair at (202) 512-6881 or [bairj@gao.gov](mailto:bairj@gao.gov).

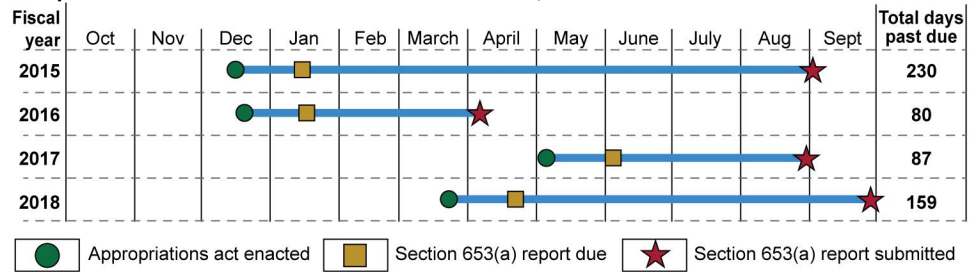
## FOREIGN ASSISTANCE

### State Department Should Take Steps to Improve Timeliness of Required Budgetary Reporting

#### What GAO Found

The Department of State (State), through its Section 653(a) report, has provided Congress with information on the allocation of U.S. foreign assistance funds to foreign countries and international organizations by category of assistance as mandated, but the reports were not submitted within the mandated time frame. Specifically, in fiscal years 2015 through 2018, State submitted Section 653(a) reports from 80 to 230 days past the 30-day mandate, as shown in the figure.

**Department of State's 30-Day Mandated Time Frame to Submit Section 653(a) Reports Compared with the Actual Submission Time Frames, Fiscal Years 2015–2018**



Source: GAO analysis of Department of State data. | GAO-19-600

Multiple factors contributed to delays in submitting the Section 653(a) report.

- First, State has developed a multistep process for responding to hundreds of congressional instructions each year, while also reflecting administration priorities, which is not designed to meet the mandated time frame. This process involves coordination with the U.S. Agency for International Development (USAID), about 200 bureaus and overseas posts, and the Office of Management and Budget. Even though State's process is complex and does not meet the mandated time frame, State has not systematically reviewed its process since it revised the process in fiscal year 2016. State officials said that the process is necessary to address congressional instructions and administration priorities and because they use the allocations in the report as a basis for spend plans required to obligate funds.
- Second, a key part of State's process, involving data collection, has weaknesses that lead to discrepancies and hinder efficiency. According to federal internal control standards, agency data systems should provide quality data that is free from errors. However, State's mechanism for collecting information is a spreadsheet-based system susceptible to human errors, and State does not have appropriate controls in place to ensure data consistency.
- Third, in fiscal year 2018, staffing gaps also affected the development of the Section 653(a) report. State's two offices primarily responsible for managing the Section 653(a) process had 15 of 54 full-time equivalent positions vacant, which contributed to delays in submitting the Section 653(a) report, according to State officials. GAO has identified the filling of staffing gaps as a high-risk area that agencies should address. Unless State and USAID take steps to address these factors, they will continue to face challenges meeting their Section 653(a) requirements within the currently mandated time frame.

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Figure 3: State and USAID's Time Frames for Submitting the  
Fiscal Year 2018 Section 653(a) Report

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**Abbreviations**

Foreign Assistance Act  
State  
USAID  
OMB

Foreign Assistance Act of 1961  
Department of State  
U.S. Agency for International Development  
Office of Management and Budget

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September 9, 2019

The Honorable Lindsey Graham  
Chairman  
Subcommittee on State, Foreign Operations, and Related Programs  
Committee on Appropriations  
United States Senate

Dear Mr. Chairman:

The Department of State (State) and U.S. Agency for International Development (USAID) are responsible for managing tens of billions of dollars in foreign assistance funds appropriated annually. Section 653(a) of the Foreign Assistance Act of 1961 (Foreign Assistance Act) mandates the President to notify Congress of each foreign country and international organization intended to receive any portion of funds appropriated to carry out any provision of the Foreign Assistance Act or the Arms Export Control Act.<sup>1</sup> These “Section 653(a) reports” are to be submitted to Congress no later than 30 days after the enactment of any law appropriating such funds. The reports provide summary financial data of the assistance types and amounts of foreign assistance funds to be allocated to countries and international organizations. Foreign assistance appropriations include a number of legally binding requirements concerning how Congress intends for the funds to be made available.

In fiscal year 2018, State and USAID reported on roughly \$33.7 billion in foreign assistance funds in the Section 653(a) report.<sup>2</sup> State’s Office of U.S. Foreign Assistance Resources, which is staffed by State and USAID-funded personnel, manages the process to develop and submit the Section 653(a) reports, in close consultation with USAID’s Office of Budget and Resource Management.

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<sup>1</sup>22 U.S.C. § 2413. This requirement does not apply to sections 2261 or 2397 of Title 22 of the U.S. Code.

<sup>2</sup>The \$33.7 billion figure does not include appropriations for State and USAID administrative costs and for the Food for Peace program since those programs are not included in the Section 653(a) report. However, these appropriations are accounted for in supplementary documents that State provides to Congress as part of the Section 653(a) submission.

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You asked us to review the Section 653(a) reporting process. This report examines (1) the extent to which State met the data notification and timeliness mandates under Section 653(a) of the Foreign Assistance Act for fiscal years 2015 through 2018, and (2) the factors that affected State's ability to address the Section 653(a) mandates for fiscal years 2015 through 2018.

To examine the extent to which State has met the mandates under Section 653(a), we analyzed guidance documents and reports that officials developed to provide Congress with the mandated data on foreign assistance allocations within the mandated time frame, during fiscal years 2015 through 2018. In addition, we interviewed officials from State, USAID, and the Office of Management and Budget (OMB) to better understand how the agencies address the mandates. To examine the factors that affected State's ability to address Section 653(a) mandates, we reviewed Department of State, Foreign Operations, and Related Programs Appropriations Acts for fiscal years 2015 through 2018 to identify the amount of the appropriations and requirements in the acts that outline how the agencies should allocate funds.<sup>3</sup> In addition, we interviewed State, USAID, and OMB officials involved in the Section 653(a) process to obtain their perspectives on factors that may have affected their compliance with mandates, such as submitting the reports within 30 days. We also interviewed officials responsible for managing foreign assistance funds about the potential effects that result from delays in fulfilling Section 653(a) mandates. A full description of our scope and methodology can be found in appendix I.

We conducted this performance audit from December 2018 to September 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate, evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>3</sup>Throughout this report, we refer to the annual Department of State, Foreign Operations, and Related Programs Appropriations Acts as "annual appropriations acts."

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## Background

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### Section 653(a) Reporting Mandates

Congress first enacted Section 653(a) in the Foreign Assistance Act of 1971. According to Section 653(a), “not later than thirty days after the enactment of any law appropriating funds to carry out any provision of this Act (other than section 451 or 637) or the Arms Export Control Act, the President shall notify the Congress of each foreign country and international organization to which the United States Government intends to provide any portion of the funds under such law and of the amount of funds under that law, by category of assistance, that the United States Government intends to provide to each.”<sup>4</sup> To provide Congress with the mandated data within the mandated time frame, State and USAID officials review the annual appropriations act and the accompanying joint explanatory statement to identify the congressional instructions contained within them.<sup>5</sup>

Although State has the delegated authority to approve the programming of foreign assistance funds and is charged with submitting the Section 653(a) report to Congress, State and USAID have shared responsibilities regarding the administration of certain foreign assistance accounts. Throughout this report we refer to the congressional instructions in the annual appropriations acts and those allocation tables within the joint explanatory statements that are incorporated by reference into the act as “requirements,” and we refer to Congress’s instructions to the agencies presented as additional language in the joint explanatory statement as “directives.”

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<sup>4</sup>22 U.S.C. § 2413.

<sup>5</sup>Congress issues the joint explanatory statement along with the annual appropriations act to give further details on the intent of the appropriations act. Beginning in fiscal year 2016, the annual appropriations act has included provisions that incorporate the joint explanatory statement’s allocation tables as legally binding. Pub. L. No. 114-113, § 7019, Dec. 18, 2015. These tables outline how State and USAID are required to allocate the funds, as well as additional language that directs how State and USAID should allocate funds.

## Foreign Assistance Appropriations Accounts

Congress funds foreign assistance by appropriating funds to 16 accounts, each of which has a distinct purpose and specific legal requirements, such as the number of years the funds are available for obligation. Table 1 provides a summary of these 16 accounts. These accounts are generally administered individually by State or USAID, or jointly by both agencies.<sup>6</sup> In addition, the period of availability for obligation for these accounts ranges from 1 to 5 years, or in some cases, until funds are expended.

**Table 1: Foreign Assistance Appropriations Accounts in the Fiscal Year 2018 Appropriations Act**

Appropriations account	Purpose	Period of availability for new obligations
Assistance for Europe, Eurasia, and Central Asia	For assistance to the independent states of the former Soviet Union in areas of urgent humanitarian needs, such as democracy and rule of law, and for assistance to eastern European countries that have taken substantive steps toward institutionalizing political democracy and economic pluralism.	2 years
Complex Crises Fund	For supporting programs and activities to prevent or respond to emerging or unforeseen foreign challenges and complex crises overseas.	Until expended
Democracy Fund	For the promotion of democracy globally.	2 years
Development Assistance	For agriculture, rural development, and nutrition programs; American schools and hospitals abroad; and the Development Fund for Africa, among others.	2 years
Economic Support Fund	For the promotion of economic or political stability.	2 years
Emergency Refugee and Migration Assistance	For meeting unexpected urgent refugee and migration needs.	Until expended
Foreign Military Financing	For grants to finance the procurement of defense articles, defense services and design and construction services by friendly foreign countries and international organizations.	1 year; 2 years for Foreign Military Financing-Overseas Contingency Operations
Global Health Programs	For USAID, generally used for assistance to build the capacity of public health institutions and organizations in developing countries; and family planning/reproductive health. For State, for the prevention, treatment, control, and research on HIV/AIDS.	2 years for funds apportioned to USAID; 5 years for funds apportioned to State
International Disaster Assistance	For international disaster relief, rehabilitation, and reconstruction assistance.	Until expended

<sup>6</sup>Two of the foreign assistance accounts covered in the fiscal year 2018 Section 653(a) report are administered jointly by State and the Department of Defense; these accounts are Foreign Military Financing and International Military Education and Training.



Appropriations account	Purpose	Period of availability for new obligations
International Narcotics Control and Law Enforcement	For assistance for the control of narcotic and psychotropic drugs and other controlled substances, or for other anticrime purposes.	2 years
International Military Education and Training	For military education and training to military and related civilian personnel of foreign countries.	1 year; 2 years for up to a specified amount
International Organizations and Programs	For voluntary contributions on a grant basis to international organizations and to programs administered by such organizations.	1 year
Migration and Refugee Assistance	For contributions to the International Organization for Migration, the United Nations High Commissioner for Refugees, the International Committee of the Red Cross, and other relevant organizations, and for activities to meet refugee and migration needs.	Until expended
Nonproliferation, Anti-Terrorism, Demining, and Related Programs	For nonproliferation, anti-terrorism, demining activities, the clearance of unexploded ordnance, the destruction of small arms, and related activities, and for a voluntary contribution to the International Atomic Energy Agency.	2 years, with exception of Nonproliferation and Disarmament Fund, which is until expended
Peacekeeping Operations	For peacekeeping operations and other programs carried out in furtherance of the national security interests of the United States.	1 year; 2 years for Peacekeeping Operations-Overseas Contingency Operations
Transition Initiatives	For international disaster rehabilitation and reconstruction assistance to support transition to democracy and long-term development of countries in crisis.	Until expended

Legend: HIV/AIDS= human immunodeficiency virus/acquired immunodeficiency syndrome; State=Department of State; USAID=U.S. Agency for International Development

Source: GAO analysis of the fiscal year 2018 appropriations act. | GAO-19-600

## Appropriations Requirements and Directives and Administration Priorities

The annual appropriations acts have hundreds of specific instructions—both requirements and directives—attached to many of the foreign assistance accounts that State and USAID address in the Section 653(a) report. According to State officials, the annual appropriations acts have become more detailed since the addition of the Section 653(a) mandates in the Foreign Assistance Act of 1971. For example, State officials said that when the Section 653(a) reporting mandate began the annual appropriations act contained fewer requirements and directives. The Foreign Assistance and Related Programs Appropriations Act, 1971, appropriated \$2.2 billion in foreign assistance and was 18 pages in length. By contrast, the relevant portion of the annual appropriations act for fiscal year 2018 appropriated \$33.7 billion in foreign assistance and was 138 pages in length. In addition, the accompanying joint explanatory statement was 9 pages in 1971 and 31 pages in 2018.

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As shown in table 2 below, during the 4 fiscal years covered by our review, the total number of requirements and directives addressed in the Section 653(a) reports has varied depending on congressional instructions within the annual appropriations acts and corresponding joint explanatory statements. For example, fiscal year 2016 had 1,056 total requirements and directives, while fiscal year 2018 had 657.

**Table 2: Total Number of Requirements and Directives in State’s Analysis of the Annual Appropriations Acts for Foreign Assistance, Fiscal Years 2015–2018**

Fiscal year	Total requirements and directives
2015	546
2016	1,056
2017	668
2018	657

Source: GAO analysis of Department of State (State) data. | GAO-19-600

The total number of requirements and directives has also varied by account. For instance, the Economic Support Fund, which was appropriated roughly \$3.9 billion in fiscal year 2018, had 107 requirements and directives that instructed agencies how to allocate about \$2.9 billion. Other accounts appropriated funds in fiscal year 2018 had fewer requirements and directives. For example, the International Disaster Assistance account, which was appropriated about \$4 billion in fiscal year 2018, had three requirements and directives.

The requirements and directives also vary in their specificity. For instance, of the \$8.6 billion appropriated for Global Health Programs in fiscal year 2018, the joint explanatory statement required that \$829.5 million be allocated toward maternal and child health. State and USAID were also required to make funds allocated for the Global Health Programs available in specific amounts, such as making \$755 million available for activities addressing malaria in fiscal year 2018. State and USAID also balance the requirements and directives with administration priorities. For example, officials from OMB said that they review the Section 653(a) report to ensure that allocations for certain countries—such as Israel and Jordan—are consistent with the administration’s financial commitments to those countries. The text box below provides examples of the types of requirements and directives found in the fiscal year 2018 appropriations act.

**Foreign Assistance Requirements and Directives**

Congress includes a variety of instructions to the agencies managing foreign assistance funds in statutes, such as the annual appropriations acts, and in legislative history, such as the joint explanatory statements. These instructions come in two broad categories.

*Requirements:* Congress’s instructions to agencies as contained in the annual appropriations act, including mandatory and non-mandatory spending, and tables within the joint explanatory statement that are required by statute.

*Directives:* Congress’s instructions to agencies presented as additional language in the joint explanatory statement that are not required by statute.

**Examples**

*Mandatory requirement detailed in law:* “Of the funds appropriated by this Act, not less than \$400,000,000 shall be made available for water supply and sanitation projects pursuant to the Senator Paul Simon Water for the Poor Act of 2005 (Public Law 109-121), of which not less than \$145,000,000 shall be for programs in sub-Saharan Africa, and of which not less than \$15,000,000 shall be made available to support initiatives by local communities in developing countries to build and maintain safe latrines.”

*Mandatory requirement referenced in law but detailed in the joint explanatory statement:*

Law: “For necessary expenses to carry out the provisions of chapter 4 of part II of the Foreign Assistance Act of 1961, \$1,816,731,000, to remain available until September 30, 2019.”

Joint explanatory statement: “Funds for certain programs under this heading are allocated according to the following table.”

Ambassador-at-Large for Global Women’s Issues	10,000,000
Conflict and Stabilization Operations	5,000,000
Disability Programs Disability Programs	7,500,000
Family Planning/Reproductive Health (U.S. Agency for International Development)	51,050,000
House Democracy Partnership	1,900,000
Organization of American States	9,000,000
Polio	7,500,000
Reconciliation Programs	12,000,000
Trade Capacity Building	10,000,000

*Nonmandatory requirement detailed in law:* “Of the funds appropriated by this Act under the heading ‘Economic Support Fund,’ up to \$112,500,000 may be made available for assistance for Egypt, of which not less than \$35,000,000 should be made available for higher education programs including not less than \$10,000,000 for scholarships for Egyptian students with high financial need to attend not-for-profit institutions of higher education.”

*Nonmandatory directive detailed in the joint explanatory statement:* “The State Department Secretary and U.S. Agency for International Development Administrator are directed to provide no assistance to the central Government of the People’s Republic of China under Global Health Programs, Development Assistance, and Economic Support Fund, except for assistance to detect, prevent, and treat infectious diseases.”

In addition, requirements and directives can be specific to a country or organization, specific to a sector, or be cross-cutting such that they may be applicable across multiple countries and accounts—as the examples above demonstrate.

Source: GAO analysis of the fiscal year 2018 appropriations act and joint explanatory statement. Pub. L. No. 115-141, Div. K, 132 Stat. 833, Mar. 23, 2018 | GAO-19-600

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## Section 653(a) Reports Provide Mandated Data but Are Not Submitted within the Mandated Time Frame

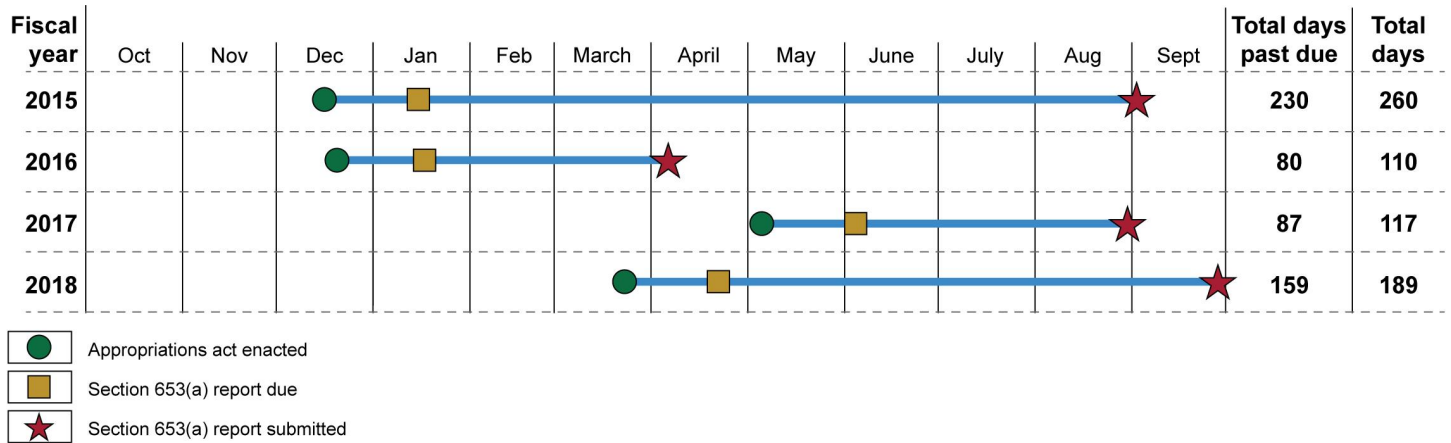
State submitted Section 653(a) reports that provided mandated data notifications on how foreign assistance funds are allocated by country and account; however, State did not submit the reports within the mandated time frame during fiscal years 2015 through 2018. During the years covered in our review, State's Section 653(a) reports provided information to Congress on the tens of billions of dollars for foreign assistance accounts specified in the annual appropriations act. In addition to detailing the category of assistance by account, the Section 653(a) reports further delineated funding by the countries and international organizations to which the foreign assistance was directed. State also included supplemental spreadsheets with the reports that outlined how the various requirements and directives in the annual appropriations act were to be addressed.

In fiscal years 2015 through 2018, State submitted Section 653(a) reports an average of 169 days after the enactment of the annual appropriations act (or 139 days late).<sup>7</sup> During those 4 fiscal years, State submitted Section 653(a) reports from 80 to 230 days past the 30-day mandated time frame for reporting, as shown in figure 1.

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<sup>7</sup>State officials indicated that they have not met the mandated time frames for submitting the Section 653(a) report since at least 2006. State and USAID were developing the fiscal year 2019 Section 653(a) report while we completed our work for this report. Congress enacted the fiscal year 2019 appropriations act on February 13, 2019, setting the 30-day mandated due date for submitting the Section 653(a) report on March 15, 2019. As of August 2019, the fiscal year 2019 Section 653(a) report had not been submitted to Congress.

**Figure 1: Mandated 30-Day Time Frame to Submit Section 653(a) Reports Compared with Actual Time Frames for Submission in Fiscal Years 2015–2018**



Source: GAO analysis of Department of State data. | GAO-19-600

During the 4 fiscal years covered by our review, State took the longest amount of time to submit the Section 653(a) report in fiscal year 2015. State officials explained that in fiscal year 2015 and prior years it generally took them longer to submit the report because they first submitted a draft Section 653(a) report to the House and Senate appropriations committees. According to State officials, the appropriations committees’ majority and minority staff then engaged in negotiations with each other and with State on the draft to reach agreement on the final allocation of funds.<sup>8</sup> In addition, the fiscal year 2015 appropriations act allowed State to propose deviations from the requirements in the joint explanatory statement. Thus, the agencies submitted the draft report to the appropriations committees with allocations that, in some cases, varied from the levels Congress included in the tables in the joint explanatory statement. State submitted the draft Section 653(a) report for the fiscal year 2015 appropriations act in April 2015 with the proposed deviations and engaged in a 5-month negotiation process to finalize the allocation of funds in September 2015.

<sup>8</sup>Section 653(a) does not mandate that State and USAID submit a draft of the report and negotiate allocations with the appropriations committees; however, according to State officials, State engaged in negotiations to ensure the committees’ agreement on the allocation of funds.

According to State, Congress changed the Section 653(a) reporting requirements in the fiscal year 2016 appropriations act to forestall the months-long negotiation process with the appropriations committees that had occurred in prior years. The fiscal year 2016 appropriations act authorized State and USAID to deviate in their allocations by up to 5 percent from the mandated amounts in the tables of the joint explanatory statement. This change allowed State to submit the report in a more timely fashion than in fiscal year 2015. By specifying how much leeway State and USAID were allowed in their allocations, the agencies were able to develop their plans without submitting a draft Section 653(a) report and seeking further agreement from the appropriations committees. As a result, officials submitted the 2016 report in 110 days, compared with 260 days in 2015.

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## State's Timeliness in Submitting Section 653(a) Reports Was Affected by Its Complex Process, Data Collection Weaknesses, and, in Fiscal Year 2018, Staff Vacancies

We found that delays in submitting the Section 653(a) report were primarily attributable to State's complex process to address appropriation requirements and directives while also reflecting administration priorities, as well as to data collection weaknesses. Nevertheless, State has not reviewed its process to identify and address such issues and other potential inefficiencies. Absent such a review, State is not in a position to improve its process to meet the 30-day mandate. In fiscal year 2018, State officials noted that reaching agreement on priorities within the new administration and staff vacancies also adversely affected the timeliness of the Section 653(a) report submission.

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## State Has a Multistep Process for Responding to the Section 653(a) That Is Not Designed to Meet the Mandated Time Frame

State has a multistep process to provide the mandated Section 653(a) report.

- **Pre-appropriation preparatory work.** According to State documentation, the process for responding to Section 653(a) mandates begins with State and USAID developing notional allocation

estimates in a spreadsheet before the upcoming fiscal year's annual appropriations act is passed.

- **Allocation analysis and development.** After the act is passed, USAID and State review their allocation estimates against the requirements and directives in the act and adjust their spreadsheet containing allocation estimates as necessary, taking into consideration policy direction from State and USAID leadership. According to State and USAID officials, detailed congressional instructions for particular accounts can limit the agencies' ability to allocate funds according to the administration's priorities and to consider country-specific foreign assistance needs. For example, Congress appropriated \$876 million in fiscal year 2018 for the Nonproliferation, Anti-Terrorism, Demining, and Related Programs account and included 40 associated requirements and directives.<sup>9</sup>

State and USAID officials added that in order to satisfy all the requirements and directives they sometimes have to allocate appropriated amounts to address more than one requirement or directive. For instance, in the fiscal year 2018 Section 653(a) report, some of the funds allocated to meet an appropriation requirement for conventional weapons destruction were also designated as an allocation to satisfy a different requirement for humanitarian demining. Further, some amount of those funds satisfied a more specific requirement for humanitarian demining in Laos. State officials noted that by allocating appropriated amounts to more than one requirement or directive, they have greater flexibility to address administration priorities, while also meeting congressional instructions.

- **Allocation negotiation, review, and agreement.** State and USAID ensure that input from all the various parties is taken into consideration when further developing allocations. About 200 State and USAID bureaus and overseas posts review the allocations and propose changes in their copies of the spreadsheet that are then returned to State's Office of U.S. Foreign Assistance Resources. According to State and USAID officials, they consider the proposed changes in light of emerging issues in selected foreign countries that may lead to the redirection of or changes to the proposed allocation of funds. State and USAID also review the proposed changes with agency leadership.

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<sup>9</sup>The \$876 million total includes both regular Nonproliferation, Anti-Terrorism, Demining, and Related Programs appropriations and appropriations designated for Overseas Contingency Operations/Global War on Terror pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.



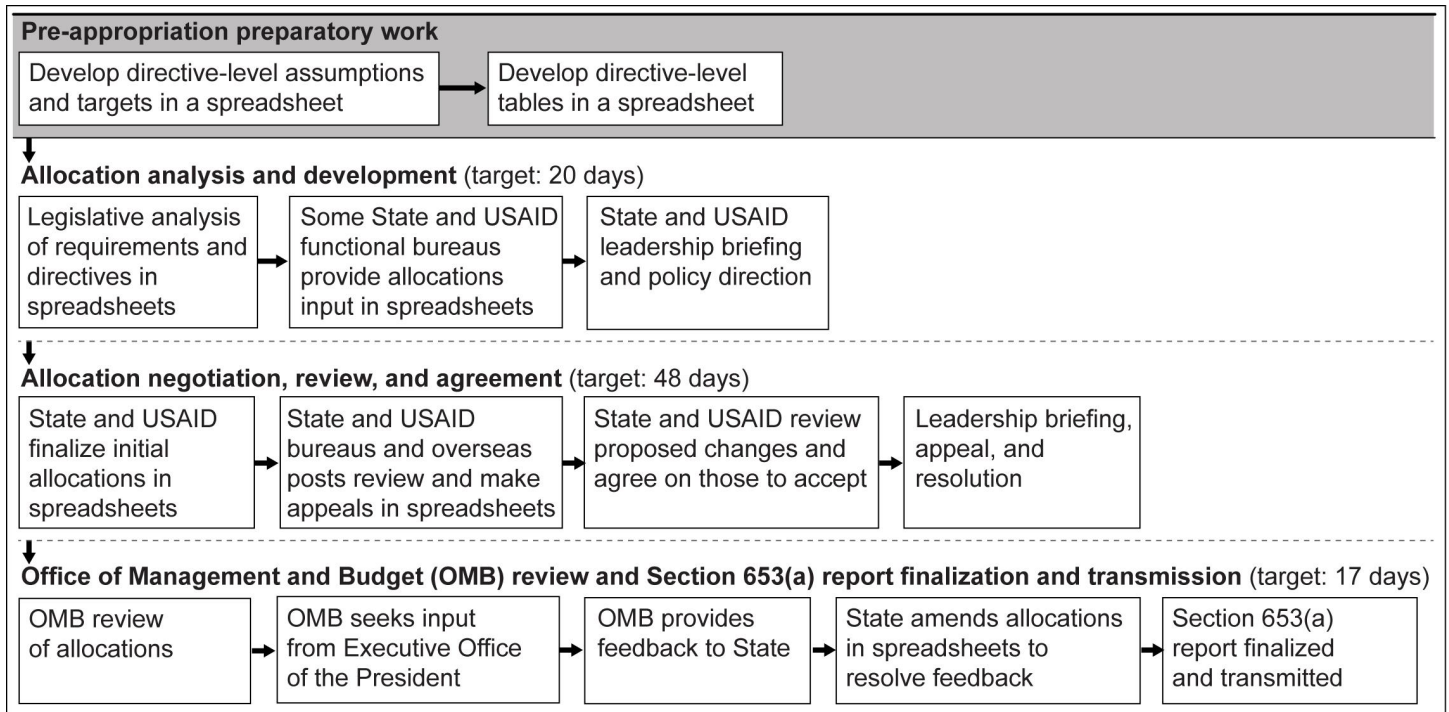
- **OMB review and Section 653(a) report finalization and transmission.** Once State and USAID agree on changes to the allocations, State submits the Section 653(a) report to OMB to be reviewed against the policy direction of the Executive Office of the President.<sup>10</sup> State officials indicated that OMB feedback must be resolved before finalizing allocations. Concurrent with OMB's review, State begins the process of finalizing allocation levels. Once State and USAID's allocations are complete, State provides final allocation levels to bureaus and overseas posts and submits the Section 653(a) report to the relevant appropriations subcommittees.

Given its complexity, State's process is not designed to meet the mandated 30-day time frame. For example, in fiscal year 2018, State planned to complete the Section 653(a) process in 85 days. Figure 2 below outlines the stages of the Section 653(a) report development process and the targeted number of days for each stage during fiscal year 2018.

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<sup>10</sup>Executive Order 12,163, Administration of Foreign Assistance and Related Functions, states that the Section 653 functions delegated to the Secretary of State shall be exercised in consultation with the Director of the Office of Management and Budget (Exec. Order 12,163, 44 Fed. Reg. 56673, Sept. 29, 1979).

**Figure 2: State’s Process for Responding to Section 653(a) Reporting Mandates**



Legend: State = Department of State, USAID = U.S. Agency for International Development.  
 Source: GAO analysis of Department of State information. | GAO-19-600

The data developed for the Section 653(a) report plays a critical role in the obligation of tens of billions of dollars in foreign assistance funds appropriated annually. According to State and USAID officials, the agencies are constrained from obligating funds until the report is completed because a number of pre-obligation requirements are based on allocations in the Section 653(a) report. While the submission of the Section 653(a) report does not legally affect State’s ability to obligate foreign assistance funds, according to State and USAID officials, consultations, spend plans, and congressional notifications cannot be completed until allocation amounts are finalized through the Section 653(a) process. As a result, State and USAID officials said the amount of time it takes to submit the Section 653(a) report affects the obligation of funds.

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## Data Collection Weaknesses Lead to Data Discrepancies and Hinder Efficiency of State's Process

State officials indicated that their process for collecting appropriations-related feedback and information from various offices, bureaus, and overseas posts necessitates significant staff time to correct data entry errors. Throughout the Section 653(a) process, State officials use a spreadsheet to consolidate information. For example, after State develops its initial allocations in the spreadsheet, it sends the spreadsheet out to about 200 bureaus and overseas posts to review and make appeals related to account and country allocations, which State and USAID then take into consideration as they continue to modify the allocations.

According to State officials, reviewing suggested changes to allocations from about 200 bureaus and overseas posts is time consuming. This process is further complicated when they sometimes find mistakes in the returned spreadsheets, such as incorrect formulas and currency formats. Occasionally, returned spreadsheets also include additional data columns that were not in the original documents. Such discrepancies make it difficult to merge and process all of the suggested changes and identify how the changes interact with the various requirements and directives.

State officials said that these discrepancies occur because they do not have controls in place to prevent modification of the spreadsheet. For example, the formulas and format of the spreadsheet can be manipulated by the various individuals reviewing the document. In addition, the spreadsheet does not automatically verify that the changes proposed by the bureaus and overseas posts comply with the requirements and directives. Instead, officials have to individually compare the changes with the requirements and directives and ensure that they are in compliance. State officials indicated that it takes them time and resources to discover and correct the errors, merge all of the spreadsheets, and ensure compliance, which contributes to delays in developing the Section 653(a) report.

According to State's Foreign Affairs Manual, State must maintain effective systems of management control that are designed to provide reasonable assurance regarding the prevention of or prompt detection of errors and

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irregularities.<sup>11</sup> State officials indicated that while they do correct errors and validate the data in the Section 653(a) report for accuracy before final submission, it takes time and resources to do so, which adds to the total amount of time it takes to produce the report. Given the individual account and country allocations, and number of stakeholders involved in providing feedback, State officials acknowledged that their spreadsheet-based system is inadequate for the complexity of the task.

State officials said that their existing data information system—the Foreign Assistance Coordination and Tracking System Info Next Generation—could potentially be modified to automate the distribution and collection of appropriations-related feedback from their offices and overseas posts, as well as to ensure that the changes comply with the annual appropriations act’s requirements and directives. Currently, State uses this system during the last phase of the Section 653(a) process to input the final allocations and share the Section 653(a) report with bureaus and overseas posts and the appropriations committees. While State officials said that they are exploring options to improve this process, they have not yet decided how to address weaknesses in their data collection system.

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### State Views Its Current Section 653(a) Process as Necessary but Has Not Reviewed It to Identify Potential Inefficiencies

State officials said that the Section 653(a) process that they developed is necessary to address congressional instructions and administration priorities and because they use the allocations in the report as a basis for spend plans required for the obligation of funds. Federal standards for internal control state that management should set objectives to meet the requirements of applicable laws and regulations.<sup>12</sup> State officials noted that it might be possible to meet the 30-day mandate but that doing so would be inefficient because the subsequent report would need major revisions before finalizing allocations. According to officials, that

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<sup>11</sup>Department of State, Foreign Affairs Manual (FAM), 2 FAM 021.1. Federal internal control standards also state that effective internal control systems have certain attributes, including reliable internal and external sources that provide data that are reasonably free from error and bias. See GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

<sup>12</sup>[GAO-14-704G](#).

alternative process, while it would meet the 30-day mandate, would be likely to further delay the development of spend plans and obligation of funds. State officials told us that they have informally suggested to the congressional appropriations committees that the mandated time frame for delivering the report should be extended, but they said they have not formally requested that Congress amend the 30-day reporting mandate. State officials said that they would also need to engage in conversations with authorizing committees responsible for making changes to the reporting mandate in the Foreign Assistance Act.

GAO's guidance on business process reengineering states that agencies should model their processes to identify problem areas and non-value-added activities that need to be changed or eliminated, such as excessive reviews.<sup>13</sup> State officials said that, while they have made adjustments to improve their Section 653(a) process, they have not conducted a systematic review of their process since it changed in fiscal year 2016. Such a review could identify changes to expedite the completion and submission of the mandated report. Given that State's process is not designed to meet the Section 653(a) 30-day reporting mandate, absent changes to its processes or Section 653(a), State is unlikely to meet the 30-day reporting mandate in the future.

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## In Fiscal Year 2018, State Officials Noted That Agreeing on Administration Priorities and Staff Vacancies Also Affected Timeliness in Submitting the Section 653(a) Report

### Agreeing on Administration Priorities

According to State officials, reaching agreement on administration priorities affected the timeliness of their Section 653(a) report in fiscal year 2018. The current Secretary of State and USAID Administrator both had their first experience with the Section 653(a) process during fiscal year 2018, which led to more detailed review within both agencies than in previous years, according to State officials. In addition, State officials said that USAID recommended unanticipated and significant changes to the proposed allocations before OMB's review. USAID officials said that significant changes were necessary since USAID disagreed with the

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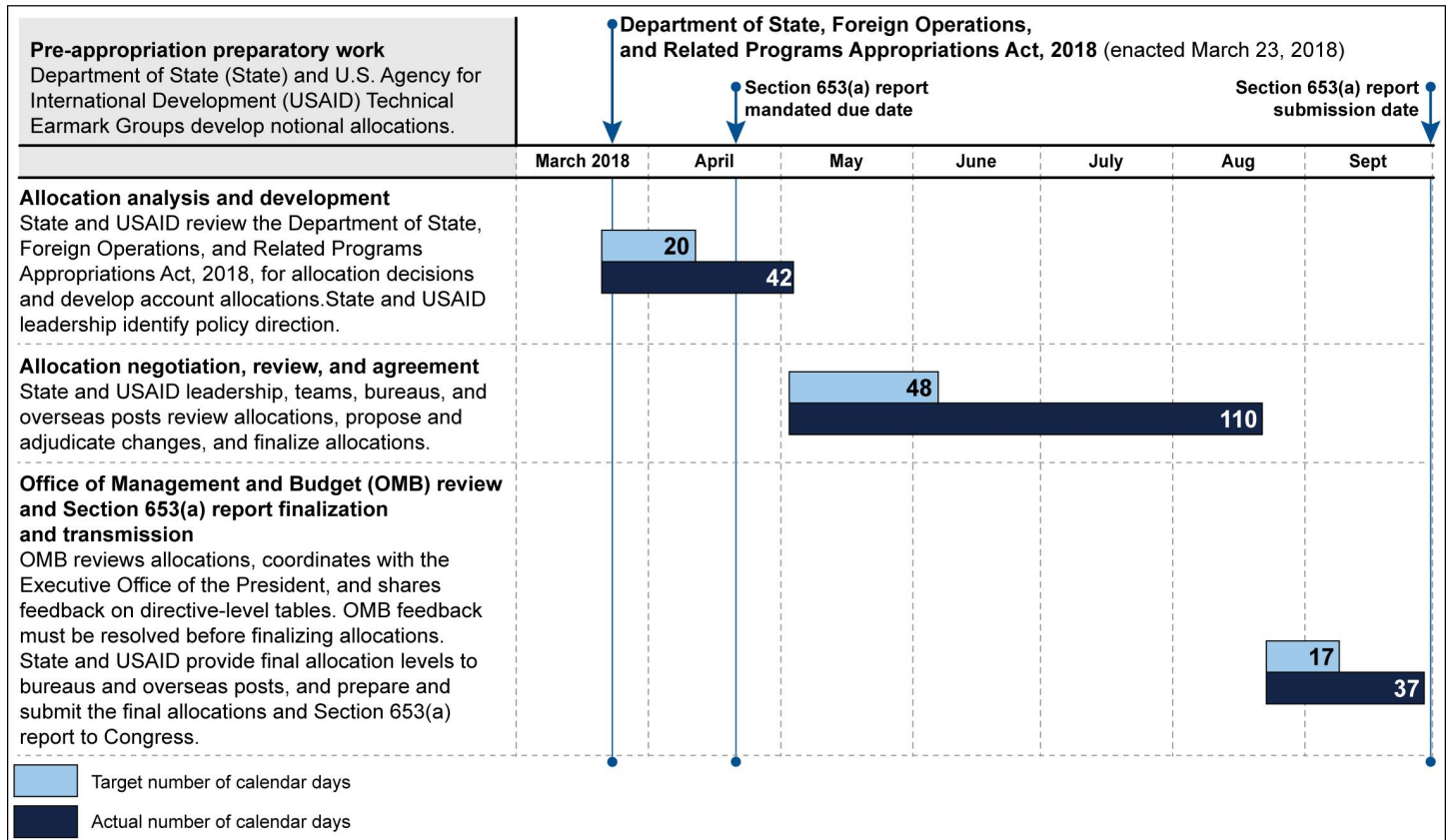
<sup>13</sup>GAO, *Business Process Reengineering Assessment Guide*, [GAO/AIMD-10.1.15](#) (Washington, D.C.: May 1997).

allocations State proposed for USAID's appropriations within the Global Health Programs, Development Assistance, and the Economic Support Fund accounts. In fiscal year 2018, it took State and USAID 110 days to complete the allocation negotiation, review, and agreement step of the Section 653(a) process. According to State and USAID officials, they used 46 of the 110 days to reach agreement on the changes that USAID proposed.

OMB officials noted that they needed to resolve policy issues concerning the administration's foreign assistance priorities, which also contributed to delays. Once State sent the report to OMB in August 2018, OMB officials said that they approved the report after 36 days. In previous years, OMB officials explained that they usually approved the report within 15 days. However, they said that they were working to resolve a policy issue with other offices in the Executive Office of the President, and were therefore delayed in approving the fiscal year 2018 report. In total, it took State and USAID 189 days to produce the Section 653(a) report in fiscal year 2018.

In fiscal year 2018, State planned to complete the Section 653(a) process in about 85 days after the enactment of the appropriations act—which exceeds the 30-day reporting, as shown in figure 3.

**Figure 3: State and USAID’s Time Frames for Submitting the Fiscal Year 2018 Section 653(a) Report**



Source: GAO analysis of State data. | GAO-19-600

### Staff Vacancies in State’s Office of U.S. Foreign Assistance Resources

In 2018, staffing gaps in State’s Office of U.S. Foreign Assistance Resources also affected the development of the Section 653(a) report.<sup>14</sup> State’s Office of U.S. Foreign Assistance Resources is staffed by State and USAID-funded personnel and provides supervision and direction of State and USAID’s foreign assistance funding and programs.<sup>15</sup> While the

<sup>14</sup>Twenty-five of 158 full-time equivalent positions, or 16 percent, were vacant in State’s Office of U.S. Foreign Assistance Resources as of December 2018.

<sup>15</sup>1 FAM 033.1. USAID’s Budget and Resource Management office provides input, coordination, and validation of USAID resource allocation needs and priorities.

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development of the Section 653(a) report is a critical task for the Office of U.S. Foreign Assistance Resources, the office and its staff are also responsible for developing a U.S. foreign assistance strategy, annual country-specific assistance operational plans, consolidated strategic and program plans, and operational budgets.<sup>16</sup>

State's Office of U.S. Foreign Assistance includes two subordinate offices involved in developing the Section 653(a) report, both of which had vacancies in 2018. Within the Office of U.S. Foreign Assistance, the Resources and Appropriations office has primary responsibility for reviewing and identifying the Section 653(a) requirements and directives, but in 2018, five of 13 full-time equivalent positions, or 38 percent, were vacant. In addition, 10 of 41 full-time equivalent positions within the Regional and Global Affairs office, or 24 percent, were vacant. This office provides geographic and functional expertise to help develop and adjudicate allocations for the report. According to State officials, these vacant positions affected the timeliness of the Section 653(a) report in 2018 because the staff in both these offices assist with developing the report throughout the Section 653(a) process. As previously shown in figure 3, most of the delays in the fiscal year 2018 process occurred during the allocation negotiation, review, and agreement phase—which relies heavily on officials from the offices experiencing staffing gaps.

According to State officials, the staff shortfall affecting the development of the fiscal year 2018 Section 653(a) report was due to the State hiring freeze that affected the entire agency, as well as vacancies among USAID personnel assigned to State's Office of U.S. Foreign Assistance Resources. State's hiring freeze took effect in January 2017 and was lifted in May 2018. In addition, State officials said that USAID has not filled USAID-funded vacancies within State's Office of U.S. Foreign Assistance Resources. In fiscal year 2018, nine of the 13 full-time equivalent positions in State's Resources and Appropriations office were funded by USAID, of which four were vacant, and 21 of the 41 full-time positions in Regional and Global Affairs office were funded by USAID, of which six were vacant.

Our 2019 High-Risk Series report calls for agencies to design and implement action plans for closing skills gaps, which can include when an

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<sup>16</sup>1 FAM 033.1.



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agency has an insufficient number of people to complete its work.<sup>17</sup> The report states that the action plan should define the root cause of all skills gaps within an agency and provide suggested corrective measures, including steps necessary to implement solutions. State officials said that they have received permission to fill the vacant State positions, and USAID has provided permission to advertise two vacant USAID positions within State's Office of U.S. Foreign Assistance Resources. Thus, that office is requesting additional State full-time equivalent positions. Despite these efforts, State and USAID officials said that they do not have an action plan to address the vacancies. Without a plan to fill these vacancies, a lack of staff resources will likely continue to impact the timeliness of the Section 653(a) reports.<sup>18</sup>

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## Conclusions

Congress appropriates tens of billions of dollars for foreign assistance annually and mandates the President to report to Congress on how the U.S. government will allocate funds for foreign countries, by category of assistance, within 30 days of the enactment of the annual appropriations act. State and USAID have developed a complex process to balance how their allocations will meet the detailed requirements and directives within the annual appropriations acts, the administration's priorities, and country-specific foreign assistance needs. However, State has been unable to meet the mandated time frame for submitting the Section 653(a) report for various reasons. Most importantly, State's process for completing the various phases of the Section 653(a) process is not designed to meet the mandated 30-day deadline. Moreover, State officials have not systematically reviewed their process since it changed in fiscal year 2016, to identify areas that can be streamlined or eliminated to expedite the completion and submission of the report. Additionally, State's system for collecting input on foreign assistance allocations from its various offices, bureaus, and overseas posts is prone to data entry errors that take extra time to correct, contributing to delays in submitting the Section 653(a) report. Further, State's two offices primarily

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<sup>17</sup>GAO, *High-Risk Series: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas*, [GAO-19-157SP](#) (Washington, D.C.; March 2019).

<sup>18</sup>According to State officials, as of May 2019, the number of vacancies within the Office of U.S. Foreign Assistance Resources had increased by an additional 13 positions. These vacancies included positions such as the Director and Legislative Adviser as well as positions within the Office of Regional and Global Affairs.

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responsible for managing the Section 653(a) process had a substantial number of positions vacant in 2018 but did not have a formal plan to address the resulting skills gaps. Absent addressing these challenges, State and USAID will likely continue to be in violation of their legal mandate for submitting Section 653(a) reports to Congress within 30 days after the annual appropriations act is enacted.

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## Recommendations for Executive Action

We are making a total of three recommendations to State.

The Secretary of State should ensure that the Director of State's Office of U.S. Foreign Assistance Resources conducts a review of the Section 653(a) process to identify process steps that can be streamlined or eliminated and determine the time frame needed to prepare the annual Section 653(a) report. If State determines that the time frame exceeds 30 days, the office should coordinate with other appropriate officials to submit a legislative proposal to Congress to extend the mandated time frame for submitting Section 653(a) reports. (Recommendation 1)

The Secretary of State should ensure that the Director of State's Office of U.S. Foreign Assistance Resources improves the data collection from the many sources contributing to the Section 653(a) reports, such as by enhancing their data information systems. (Recommendation 2)

The Secretary of State should develop a plan to address vacancies within State's Office of U.S. Foreign Assistance Resources, consulting with the USAID Administrator as appropriate. (Recommendation 3)

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## Agency Comments

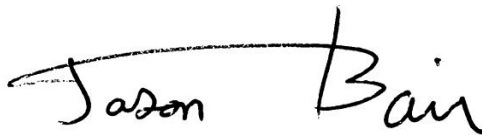
We provided a draft of this report to State, USAID, and OMB for review and comment. State and USAID provided written comments about the draft, which are reprinted in appendix II and appendix III, respectively. State also provided technical comments about the draft report, which we incorporated as appropriate. OMB did not provide comments on the draft report.

State concurred with our three recommendations. USAID concurred with our first two recommendations; however, USAID's written comments indicate that they do not believe staffing shortages at State were

responsible for the chronic delays in the submission of the Section 653(a) report. While we do not report that staffing gaps were the primary reason for State not meeting reporting deadlines, we did find them to be a contributing factor to the delays in fiscal year 2018. State officials indicated that staffing gaps in their Office of U.S. Foreign Assistance Resources affected the development of the Section 653(a) report, contributing to delays.

We are sending copies of this report to the appropriate congressional committees, the Secretary of State, the Administrator of USAID, the Acting Director of OMB, and other interested parties. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-6881 or [bairj@gao.gov](mailto:bairj@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix IV.

A handwritten signature in black ink that reads "Jason Bair". The signature is written in a cursive style with a long horizontal stroke above the name.

Jason Bair  
Acting Director, International Affairs and Trade

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# Appendix I: Objectives, Scope, and Methodology

This report examines (1) the extent to which the Department of State (State) met the data notification and timeliness mandates under Section 653(a) of the Foreign Assistance Act of 1961 (Foreign Assistance Act) for fiscal years 2015 through 2018, and (2) the factors that affected State's ability to address Section 653(a) mandates for fiscal years 2015 through 2018.

To examine the extent to which State has met the data notification and timeliness mandates under Section 653(a) of the Foreign Assistance Act, we reviewed State's Section 653(a) reports for fiscal years 2015 through 2018 to assess whether they documented the amounts of U.S. foreign assistance to be provided to each foreign country and international organization, as well as the amounts provided by category of assistance. To determine the timeliness associated with the development and submission of State's Section 653(a) reports for fiscal years 2015 through 2018, we also reviewed documentation to identify when the Department of State, Foreign Operations, and Related Programs Appropriations Acts were enacted, the mandated submission dates, and compared those dates with the dates that State submitted the reports to Congress.<sup>1</sup> We used this information to generate a figure that shows the actual submission time frames for Section 653(a) reports during those years compared with the 30-day reporting mandate. We also interviewed officials from State, the U.S. Agency for International Development (USAID), and the Office of Management and Budget (OMB) to better understand how the agencies address the Section 653(a) mandates.

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<sup>1</sup>For this report, we refer to the annual Department of State, Foreign Operations, and Related Programs Appropriations Acts as "annual appropriations acts." In addition, we define "requirements" as Congress's instructions in the annual appropriations act and tables in the joint explanatory statement that are incorporated as required by law. We define "directives" as Congress's instructions presented as additional language in the joint explanatory statement. Congress issues the joint explanatory statement along with the annual appropriations acts to give further details on the intent of the appropriations law. Beginning in fiscal year 2016, the joint explanatory statement includes some legally binding tables that outline how State and USAID are required to allocate the funds, as well as additional language that directs how State and USAID should allocate funds.

To examine the factors that affected State's ability to address Section 653(a) mandates for fiscal years 2015 through 2018, we reviewed State and USAID documents. We also interviewed State, USAID, and OMB officials to get their views on what factors, if any, affected the timeliness of the Section 653(a) reports. For those factors that we identified, we requested and analyzed additional information as described below.

In reviewing State's Section 653(a) process, we analyzed State and USAID guidance documents and reports developed to address Section 653(a) mandates. We reviewed State's analyses that identified the requirements and directives in the annual appropriations acts and joint explanatory statements for fiscal years 2015 through 2018. These requirements and directives outline how the agencies should allocate the funding for programs and for countries and international organizations. In addition, we reviewed State's and USAID's guidance documents that outlined the Section 653(a) process. Based on this information, we summarized State's process and developed a figure that shows the major steps of State's process, as well as the amount of time that each step lasted during the development of the fiscal year 2018 Section 653(a) report. We assessed State's process against federal standards for internal control, which state that management sets objectives to meet the requirements of applicable laws and regulations.<sup>2</sup> We also assessed the process against GAO's guidance on business process reengineering, which outlines best practices on how agencies should model their processes.<sup>3</sup>

To examine the quality of the data State collects during development of the Section 653(a) reports, we reviewed whether State's analyses followed State's Foreign Affairs Manual requirement that State must maintain effective systems of management control programs designed to provide reasonable assurance regarding the prevention of or prompt detection of errors and irregularities.<sup>4</sup> We analyzed State's reports on the requirements and directives in the annual appropriations acts from fiscal year 2015 through 2018. In addition, we validated a judgmental sample of the requirements and directives that State identified to ensure that they

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<sup>2</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

<sup>3</sup>GAO, *Business Process Reengineering Assessment Guide*, [GAO/AIMD-10.1.15](#) (Washington, D.C.: May 1997).

<sup>4</sup>Department of State, Foreign Affairs Manual (FAM), 2 FAM 021.1.

were in the applicable appropriations act, joint explanatory statement, and reports from the appropriations committees in the Senate and House of Representatives. Although we identified an error in the appropriated amount recorded for the fiscal year 2016 International Narcotics Control and Law Enforcement account, we did not find errors specific to the requirements and directives State identified. Therefore, we concluded that the analyses were sufficiently reliable for our purpose, and we used State's analyses to determine the total number of requirements and directives. Moreover, we reviewed the fiscal year 2015 through 2018 appropriations acts to identify the amounts appropriated for the accounts included in the corresponding Section 653(a) reports. We also identified the purpose and the time frame during which the appropriations for each account were available for obligation in the fiscal year 2018 appropriations act.

To examine the issue of staff vacancies in fiscal year 2018, we received data from State and USAID on staff vacancies in key offices involved in the development and submission of the Section 653(a) report. In addition, we interviewed State and USAID officials about vacancies and whether they had developed plans to address the vacancies. We assessed whether State had designed and implemented action plans for closing skills gaps, which could include gaps caused by having an insufficient number of people to complete its work—as described in our 2019 High-Risk Series report.<sup>5</sup>

We conducted this performance audit from December 2018 to September 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate, evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>5</sup>GAO, *High-Risk Series: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas*, [GAO-19-157SP](#) (Washington, D.C.: March 2019).

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# Appendix II: Comments from the Department of State



United States Department of State  
*Comptroller*  
Washington, DC 20520

JUL 25 2019

Thomas Melito  
Managing Director  
International Affairs and Trade  
Government Accountability Office  
441 G Street, N.W.  
Washington, D.C. 20548-0001

Dear Mr. Melito:

We appreciate the opportunity to review your draft report, "FOREIGN ASSISTANCE: State Department Should Take Steps to Improve Timeliness of Required Budgetary Reporting" GAO Job Code 103126.

The enclosed Department of State comments are provided for incorporation with this letter as an appendix to the final report.

Sincerely,

A handwritten signature in blue ink that reads "Jeffrey C. Mounts".

Jeffrey C. Mounts (Acting)

Enclosure:  
As stated

cc: GAO – Jason Bair (Acting)  
F – James Richardson  
OIG - Norman Brown



Department of State Comments on GAO Draft Report

**FOREIGN ASSISTANCE: State Department Should Take Steps to Improve Timeliness of Required Budgetary Reporting**  
(GAO-19-600, GAO Code 103126)

Thank you for the opportunity to comment on the GAO draft report entitled, *State Department Should Take Steps to Improve Timeliness of Required Budgetary Reporting*, which included the following recommendations:

**Recommendation 1: The Secretary of State should ensure that the Director of State's Office of U.S. Foreign Assistance Resources conducts a review of the Section 653(a) process to identify process steps that can be streamlined or eliminated and determine the time frame needed to prepare the annual Section 653(a) report. If State determines that the time frame exceeds 30 days the office should coordinate with other appropriate officials to submit a legislative proposal to Congress to extend the mandated time frame for submitting Section 653(a) reports.**

**Recommendation 2: The Secretary of State should ensure that the Director of State's Office of U.S. Foreign Assistance Resources improves the data collection from many sources contributing to the Section 653(a) reports, such as by enhancing their data information systems.**

**Recommendation 3: The Secretary of State should develop a plan to address vacancies within State's Office of U.S. Foreign Assistance Resources, consulting with the USAID Administrator as appropriate.**

The Department of State agrees in general with these recommendations, with clarifications outlined below. Prior to receiving the draft report, the Department was already taking steps to review its section 653(a) reporting process, improve data collection, and reduce staffing vacancies.

The Office of U.S. Foreign Assistance Resources (F) is currently reviewing all of the steps in its iterative, coordinated, and multistep section 653(a) reporting process, including how it can utilize available and new budget systems to develop initial allocations more efficiently and timely than has been done in recent years. We are committed to the goal of streamlining the process for developing the section 653(a) report and eliminating all unnecessary steps. At the same time, the annual appropriations acts have grown significantly in scope and complexity since

the 30-day requirement for submission of the report was first established nearly 50 years ago. As the draft GAO report details, analyzing and complying with complex appropriations legislation takes time. In addition, we believe certain steps, such as directly engaging bureaus and overseas posts to solicit their input, are vital to ensuring that we are able to prepare a report to Congress with allocations of funds that are not only consistent with applicable legal requirements but also based on sound programmatic and policy decisions that reflect engagement with experts in Washington and the field. These steps help ensure that taxpayer dollars are being allocated as effectively and responsibly as possible. Moreover, while State is responsible for coordinating the section 653(a) process and submitting the section 653(a) report, the draft GAO report correctly notes that the section 653(a) report must be coordinated with others - USAID and OMB - before a final product can be transmitted to Congress.

Given the foregoing considerations, it is the Department's judgment that a section 653(a) report reflecting sound allocation of resources consistent with applicable legal requirements cannot be completed within the 30-day timeframe required under section 653(a). Through the review of the process for preparing the section 653(a) report recommended by GAO, F will determine a reasonable timeframe for completion of the report and will then coordinate with appropriate officials regarding a potential legislative proposal to Congress.

With regard to the draft report's second recommendation to enhance data information systems, F is actively working to modify its existing Foreign Assistance Coordination and Tracking System (FACTS) database to serve as the sole repository for section 653(a) data and to systematize and automate the distribution and collection of allocation information from about 200 bureaus and overseas posts. These enhancements to existing data information systems will improve the collection of relevant data, allowing for less time and resources to be spent confirming data validity. The enhancements will also allow for faster analysis and a more efficient section 653(a) process.

As the report details, the Department of State agrees that the timeliness of the report in recent years has been affected by State and USAID staffing vacancies in the Office of U.S. Foreign Assistance Resources. F, in coordination with USAID, is developing a plan to fill existing vacancies as quickly as possible. Additionally, F is actively recruiting Department of State and USAID employees to serve on short- and medium-term details to fill existing staffing gaps and act as surge capacity to support numerous budget processes, including preparation of the section 653(a) report.

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# Appendix III: Comments from the U.S. Agency for International Development

Appendix III: Comments from the U.S. Agency  
for International Development



Jason Bair  
Acting Director, International Affairs and Trade  
U.S. Government Accountability Office  
441 G Street, N.W.  
Washington, D.C. 20226

Re: Foreign Assistance: State Department Should Take Steps to Improve Timeliness of Required Budgetary Reporting (GAO-19-600)

Dear Mr. Bair:

I am pleased to provide the formal response of the U.S. Agency for International Development (USAID) to the draft report produced by the U.S. Government Accountability Office (GAO) titled, *Foreign Assistance: State Department Should Take Steps to Improve Timeliness of Required Budgetary Reporting* (GAO-19-600).

USAID concurs with the GAO's recommendations that the U.S. Department of State should (1) conduct a review of the process to produce the annual report required by Section 653(a) of the Foreign Assistance Act (FAA), as amended, to identify steps to streamline or eliminate, and to determine the proper time frame needed to develop the report; and, (2) improve the collection of data for the report.

Regarding the GAO's third recommendation that the Department of State, "develop a plan to address staff vacancies, in consultation with USAID as appropriate," USAID does not believe that staffing shortages are responsible for the chronic delays in the submission of the report required by Section 653(a). Because of careful analysis, the application of political will, and the use of innovative visualizations, USAID was able to produce within 30 days a complete version of the report required by Section 653(a) for Fiscal Year 2019 for the accounts it fully and partially manages, despite having a budget staff many times smaller than F does. Finalizing the submission of the 653(a) report on a timely basis is a matter of prioritization and the proper allocation of staff resources.

I am transmitting this letter and the enclosed comments from USAID for inclusion in the GAO's final report. Thank you for the opportunity to respond to the draft report, and for the courtesies extended by your staff while conducting this engagement. USAID prioritizes the effective stewardship of taxpayer dollars, and we appreciate the opportunity to participate in this thorough review of the process to generate the report mandated by Section 653(a) of the FAA.

Sincerely,

A handwritten signature in blue ink, appearing to read "Angelique M. Crumbly".

Angelique M. Crumbly  
Senior Deputy Assistant Administrator  
Bureau for Management

Enclosure: a/s

**COMMENTS BY THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT ON  
THE DRAFT REPORT PRODUCED BY THE U.S. GOVERNMENT  
ACCOUNTABILITY OFFICE (GAO) TITLED, *FOREIGN ASSISTANCE: State  
Department Should Take Steps to Improve Timeliness of Required Budgetary Reporting*  
(GAO-19-600)**

The U.S. Agency for International Development (USAID) would like to thank the U.S. Government Accountability Office (GAO) for the opportunity to respond to this draft report. We appreciate the extensive work of the GAO engagement team. USAID concurs with two of the report's recommendations, and questions the third.

USAID strongly concurs with the GAO's first recommendation that the U.S. Department of State should conduct a review of the process to develop the annual report required by Section 653(a) of the Foreign Assistance Act (FAA), as amended, to identify steps to streamline or eliminate, and to determine the proper time frame needed to produce the report. Finalizing the submission of the 653(a) report on a timely basis is a matter of prioritization and the proper allocation of staff resources. We must reform the process, simplify tasks, and determine an appropriate division of labor between the Department of State and USAID to complete the necessary steps and analysis, especially for USAID-managed funds, such as the Development Assistance and Global Health accounts. Such a review would help the Department of State and USAID meet the requirements of applicable laws and regulations, and ensure funds are available for their intended purposes in a more expedient manner. Because of careful analysis, the application of political will, and the use of innovative visualizations, USAID was able to produce within 30 days a complete version of the report required by Section 653(a) for Fiscal Year (FY) 2019 for the accounts it fully and partially manages, despite having a small budget staff.

We also concur with the GAO's second recommendation to improve the collection of data for the report required by Section 653(a) and to enhance the data-information system at the Department of State, which would improve the overall process and streamline the timeframe for producing the report. For FY 2019 653(a), USAID implemented a new system that uses easy-to-understand graphs to demonstrate sector allocations by country, which was a very helpful tool to incorporate the priorities of the Administration and the Administrator and speed consensus among Missions and Bureaus on the numbers.

Regarding the GAO's third recommendation that the Department of State, "develop a plan to address staff vacancies, in consultation with USAID as appropriate," USAID does not believe that staffing shortages are responsible for the chronic delays in the submission of the report required by Section 653(a). As the report shows, the hiring freeze did not contribute to many of the years highlighted with long delays. We recommend that the Department of State analyze the distribution of personnel within State/F between the tasks of formulating and executing budgets to determine whether the office is fit for purpose before filling vacancies.

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# Appendix IV: GAO Contact and Staff Acknowledgments

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## GAO Contact

Jason Bair, (202) 512-6881 or [bairj@gao.gov](mailto:bairj@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, Thomas Costa (Assistant Director), Mason Thorpe Calhoun (Analyst in Charge), Katya E. Rodriguez, Ashley Alley, Faisal Amin, David Dayton, Neil Doherty, Justin Fisher, and Melissa Wolf made key contributions to this report.

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# Appendix V: Accessible Data

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## Agency Comment Letters

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Accessible Text for Appendix II Comments from the  
Department of State

Page 1

JUL 25 2019

Thomas Melito

Managing Director

International Affairs and Trade

Government Accountability Office

441 G Street, N.W.

Washington, D.C. 20548-0001

Dear Mr. Melito:

We appreciate the opportunity to review your draft report, "FOREIGN ASSISTANCE: State Department Should Take Steps to Improve Timeliness of Required Budgetary Reporting" GAO Job Code 103126.

The enclosed Department of State comments are provided for incorporation with this letter as an appendix to the final report.

Sincerely,

Jeffrey C. Mounts (Acting)

Enclosure:

As stated

cc: GAO- Jason Bair (Acting)

F— James Richardson

OIG - Norman Brown

Page 2

Thank you for the opportunity to comment on the GAO draft report entitled, *State Department Should Take Steps to Improve Timeliness of Required Budgetary Reporting*, which included the following recommendations:

Recommendation 1: The Secretary of State should ensure that the Director of State's Office of U.S. Foreign Assistance Resources conducts a review of the Section 653(a) process to identify process steps that can be streamlined or eliminated and determine the time frame needed to prepare the annual Section 653(a) report. If State determines that the time frame exceeds 30 days the office should coordinate with other appropriate officials to submit a legislative proposal to Congress to extend the mandated time frame for submitting Section 653(a) reports.

Recommendation 2: The Secretary of State should ensure that the Director of State's Office of U.S. Foreign Assistance Resources improves the data collection from many sources contributing to the Section 653(a) reports, such as by enhancing their data information systems.

Recommendation 3: The Secretary of State should develop a plan to address vacancies within State's Office of U.S. Foreign Assistance Resources, consulting with the USAID Administrator as appropriate.

The Department of State agrees in general with these recommendations, with clarifications outlined below. Prior to receiving the draft report, the Department was already taking steps to review its section 653(a) reporting process, improve data collection, and reduce staffing vacancies.

The Office of U.S. Foreign Assistance Resources (F) is currently reviewing all of the steps in its iterative, coordinated, and multistep section 653(a) reporting process, including how it can utilize available and new budget systems to develop initial allocations more efficiently and timely than has been done in recent years. We are committed to the goal of streamlining the process for developing the section 653(a) report and eliminating all unnecessary steps. At the same time, the annual



appropriations acts have grown significantly in scope and complexity since

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the 30-day requirement for submission of the report was first established nearly 50 years ago. As the draft GAO report details, analyzing and complying with complex appropriations legislation takes time. In addition, we believe certain steps, such as directly engaging bureaus and overseas posts to solicit their input, are vital to ensuring that we are able to prepare a report to Congress with allocations of funds that are not only consistent with applicable legal requirements but also based on sound programmatic and policy decisions that reflect engagement with experts in Washington and the field. These steps help ensure that taxpayer dollars are being allocated as effectively and responsibly as possible. Moreover, while State is responsible for coordinating the section 653(a) process and submitting the section 653(a) report, the draft GAO report correctly notes that the section 653(a) report must be coordinated with others - USAID and OMB - before a final product can be transmitted to Congress.

Given the foregoing considerations, it is the Department's judgment that a section 653(a) report reflecting sound allocation of resources consistent with applicable legal requirements cannot be completed within the 30-day timeframe required under section 653(a). Through the review of the process for preparing the section 653(a) report recommended by GAO, F will determine a reasonable timeframe for completion of the report and will then coordinate with appropriate officials regarding a potential legislative proposal to Congress.

With regard to the draft report's second recommendation to enhance data information systems, F is actively working to modify its existing Foreign Assistance Coordination and Tracking System (FACTS) database to serve as the sole repository for section 653(a) data and to systematize and automate the distribution and collection of allocation information from about 200 bureaus and overseas posts. These enhancements to existing data information systems will improve the collection of relevant data, allowing for less time and resources to be spent confirming data validity. The enhancements will also allow for faster analysis and a more efficient section 653(a) process.

As the report details, the Department of State agrees that the timeliness of the report in recent years has been affected by State and USAID staffing vacancies in the Office of U.S. Foreign Assistance Resources. F,

in coordination with USAID, is developing a plan to fill existing vacancies as quickly as possible. Additionally, F is actively recruiting Department of State and USAID employees to serve on short- and medium-term details to fill existing staffing gaps and act as surge capacity to support numerous budget processes, including preparation of the section 653(a) report.

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## Accessible Text for Appendix III Comments from the U.S. Agency for International Development

### Page 1

Jason Bair

Acting Director, International Affairs and Trade

U.S. Government Accountability Office

441 G Street, N.W.

Washington, D.C. 20226

Re: Foreign Assistance: State Department Should Take Steps to Improve Timeliness of Required Budgetary Reporting (GAO-19-600)

Dear Mr. Bair:

I am pleased to provide the formal response of the U.S. Agency for International Development (USAID) to the draft report produced by the U.S. Government Accountability Office (GAO) titled, Foreign Assistance: State Department Should Take Steps to Improve Timeliness of Required Budgetary Reporting (GAO-19-600).

USAID concurs with the GAO's recommendations that the U.S. Department of State should (1) conduct review of the process to produce the annual report required by Section 653(a) of the Foreign Assistance Act (FAA), as amended, to identify steps to streamline or eliminate, and to determine the proper time frame needed to develop the report; and, (2) improve the collection of data for the report.

Regarding the GAO's third recommendation that the Department of State, "develop a plan to address staff vacancies, in consultation with USAID as

appropriate," USAID does not believe that staffing shortages are responsible for the chronic delays in the submission of the report required by Section 653(a). Because of careful analysis, the application of political will, and the use of innovative visualizations, USAID was able to produce within 30 days a complete version of the report required by Section 653(a) for Fiscal Year 2019 for the accounts it fully and partially manages, despite having a budget staff many times smaller than F does. Finalizing the submission of the 653(a) report on a timely basis is a matter of prioritization and the proper allocation of staff resources.

I am transmitting this letter and the enclosed comments from USAID for inclusion in the GAO's final report. Thank you for the opportunity to respond to the draft report, and for the courtesies extended by your staff while conducting this engagement. USAID prioritizes the effective stewardship of taxpayer dollars, and we appreciate the opportunity to participate in this thorough review of the process to generate the report mandated by Section 6,5-3,(a) of the FAA.

Sincerely,

Angelique M. Crumbly

Senior Deputy Assistant Administrator

Bureau for Management

Enclosure: a/s

## Page 2

The U.S. Agency for International Development (USAID) would like to thank the U.S. Government Accountability Office (GAO) for the opportunity to respond to this draft report. We appreciate the extensive work of the GAO engagement team. USAID concurs with two of the report's recommendations, and questions the third.

USAID strongly concurs with the GAO's first recommendation that the U.S. Department of State should conduct a review of the process to develop the annual report required by Section 653(a) of the Foreign Assistance Act (FAA), as amended, to identify steps to streamline or eliminate, and to determine the proper time frame needed to produce the report. Finalizing the submission of the 653(a) report on a timely basis is a matter of prioritization and the proper allocation of staff resources. We

must reform the process, simplify tasks, and determine an appropriate division of labor between the Department of State and USAID to complete the necessary steps and analysis, especially for USAID-managed funds, such as the Development Assistance and Global Health accounts. Such a review would help the Department of State and USAID meet the requirements of applicable laws and regulations, and ensure funds are available for their intended purposes in a more expedient manner. Because of careful analysis, the application of political will, and the use of innovative visualizations, USAID was able to produce within 30 days a complete version of the report required by Section 653(a) for Fiscal Year (FY) 2019 for the accounts it fully and partially manages, despite having a small budget staff.

We also concur with the GAO's second recommendation to improve the collection of data for the report required by Section 653(a) and to enhance the data-information system at the Department of State, which would improve the overall process and streamline the timeframe for producing the report. For FY 2019 653(a), USAID implemented a new system that uses easy-to-understand graphs to demonstrate sector allocations by country, which was a very helpful tool to incorporate the priorities of the Administration and the Administrator and speed consensus among Missions and Bureaus on the numbers.

Regarding the GAO's third recommendation that the Department of State, "develop a plan to address staff vacancies, in consultation with USAID as appropriate," USAID does not believe that staffing shortages are responsible for the chronic delays in the submission of the report required by Section 653(a). As the report shows, the hiring freeze did not contribute to many of the years highlighted with long delays. We recommend that the Department of State analyze the distribution of personnel within State/F between the tasks of formulating and executing budgets to determine whether the office is fit for purpose before filling vacancies.

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