



**United States Department of State
and the Broadcasting Board of Governors
Office of Inspector General**

**Inspection of the Bureau of Administration,
Office of Allowances**

The Office of Allowances (ALS) is a well-functioning office that coordinates policies, regulations, standards, and procedures for overseas allowances and differential payments applicable to U.S. government civilian employees throughout the federal government. ALS played a constructive role in the development of benefits packages for employees serving in Iraq and Afghanistan. The office moved quickly to implement statutorily authorized changes to allowance levels payable at these posts.

Neither ALS, nor any other office in the Department, measures the effectiveness of Department of State Standardized Regulations (DSSR) incentive allowances and differentials. As a result, the effectiveness of the Department's \$80.9 million in expenditures to attract and retain personnel at overseas hardship and danger pay posts cannot be demonstrated. The Office of Inspector General recommended that the Department establish a working group to establish performance measures for DSSR incentive allowances and differentials.

Internal controls to monitor embassies and consulates that are delinquent in submitting required allowances reports need improvement. Some posts had not submitted required danger pay, post hardship differential, and cost of living reports in many years. The Office of Inspector General recommended that the Bureau of Administration establish and implement written standard operating procedures to address delinquent allowance reports submitted by overseas posts.

A \$13 million initiative to modernize ALS information systems, E-Allowances, is on track for completion in 2007. The ambitious deployment schedule means that ALS will need to devote considerable time to monitoring the contractor's progress in meeting project milestones.

OIG Report ISP-I-06-51, Inspection of the Bureau of Administration, Office of Allowances

The fieldwork for this report was conducted by the Office of Inspections in Washington, DC, between May 16 and June 24, 2006. This is an unclassified summary of a full report, which receives limited official distribution. Both the report summary and the full report reflect the conditions reviewed during the fieldwork.

Background: Office of Allowances

ALS develops policies, standards, and procedures to administer allowances and differentials applicable to all U.S. civilian employees assigned overseas. The DSSR apply to approximately 80,000 U.S. government overseas civilian employees from more than 40 federal agencies, in addition to employees of the Department. ALS is the administrative agent responsible for writing the regulations, establishing methodologies for paying allowances, and collecting data from overseas missions to set allowance and differential levels. The office also establishes foreign per diem allowances for overseas locations, exercises the Secretary's authority to authorize special allowances, and determines eligibility for the consumables shipment allowance for Department employees. In the Department alone, all overseas employee allowance and differential payments exceeded \$140 million in FY 2005.

There are many misconceptions about ALS's role in the Department. It does not directly pay any allowance. It also does not set policy for employee compensation benefits other than those in the DSSR; instead, the Bureau of Human Resources establishes and manages personnel programs under the Foreign Service Act of 1980 and other Title 5 personnel authorities. ALS implements policy decisions only for DSSR allowances and a handful of non-DSSR programs. Most other federal agencies also divide their internal operations between policy and operations but often in a way different from that of the Department. Allowances policy decisions therefore require involvement from several offices in the Department and with the many federal agencies affected by these regulations.

Office of Inspector General

The Office of Inspector General conducts independent audits, inspections, and investigations to promote effective management, accountability, and positive change in the Department of State, the Broadcasting Board of Governors, and the foreign affairs community.

OIG's Office of Inspections provides systematic and independent evaluations of the operations of the Department of State, its posts abroad, and related activities. Inspections cover policy implementation, resource management, and management controls.

October 30, 2006