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Limited Progress Made To Improve
The Financial Administration
And Recovery Of Costs--
Consular Services Program B-118682

Department of State

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

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APRIL 25, 1974



COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

B-118682

The Honorable
The Secretary of State

Dear Mr. Secretary:

The General Accounting Office has completed a review of the Department of State's progress in implementing corrective measures it had planned in the financial administration of its consular services program. The improvements were planned in response to recommendations in our report to the Congress entitled "Improved Financial Administration and Revision of Fees Needed--Consular Services Program" (B-118682, Apr. 14, 1971). Some progress has been made, but it has been limited.

Implementing our recommendations could provide additional revenue for the U.S. Government. Such action is especially important since the demand for consular services of all types is increasing and will continue to increase in the foreseeable future. For example, in 1967 the Department received and processed 3 million applications for various consular services while, in 1973, 5 million were processed. This represents over a 60-percent increase in the consular services workload in the past 6 years.

BACKGROUND

An integral part of the Department of State's responsibilities is providing various services to both U.S. citizens and foreign nationals. There are over 50 categories of consular services, including passport and citizenship services, immigrant and nonimmigrant visa services for aliens, services relating to vessels and seamen, notarial services and authentications, services relating to taking evidence, and copying and recording services.

In 1971 some of the consular service fees were the same as when established in 1952, and we estimated that Department costs associated with processing immigrant visas alone exceeded revenues by \$9 million annually. Although

fees for immigrant visas have not changed, the Department feels that the shortfall in revenues is now closer to \$5 million annually. Since it is clear that the shortfall is large, we have not established the exact amount.

The Department estimates that the overall net difference between revenues and costs for the consular program, excluding passport operations, is about \$25 million annually. About half of this difference stems from a policy of reciprocity whereby the United States does not charge fees to foreigners coming to the United States when their countries do not charge fees to visiting Americans. The Department also mentioned other reasons; that is, encouraging travel to the United States and free entry privileges for Americans traveling abroad, for its not recovering full costs for services performed. Such reasons are the overriding factors in determining whether fees will be increased.

The general policy regarding the recovery of costs for providing services to the public is contained in title V of the Independent Offices Appropriation Act of 1952 (31 U.S.C. 483a). That act required that any service provided by any Federal agency to or for any person, except those engaged in the transaction of official business of the Government, should be self-sustaining to the extent possible.

Before October 1968, however, the Immigration and Nationality Act (8 U.S.C. 1351, 1455) prescribed fees for consular services. When that act was amended on October 21, 1968 (Public Law 90-609), the statutory prescription for fees associated with immigrant services was eliminated. The legislation in effect, authorized the Secretary of State to establish such fees in accordance with the Government's policy that services provided to, or for, any person be self-sustaining to the extent possible.

We concluded in 1971 that the Department needed to define its policy and criteria for establishing fees for consular services, except those where rates were set by legislation, on a cost recovery basis. The Department should develop an accounting system yielding the necessary data for a continuing assessment of the program to provide a sound basis for evaluating the reasonableness of the fees and to

meet the accounting principles and standards prescribed by the Comptroller General. The Department generally agreed with our findings and said it would take the following actions to meet the objectives of our recommendations.

1. Analyze the existing fee structure to determine the necessity for and extent of fee changes.
2. Develop definitive policy and criteria for establishing consular fees.
3. Devise a system for periodically determining the costs of consular services, using cost finding techniques instead of developing a cost accounting system, which it believed would be very difficult to devise, install, and maintain.

THE CURRENT SITUATION

Though some progress has been made, it has been limited and much less than the Department proposed in response to our 1971 report. In view of the possible increase in revenues to the U.S. Government, we are concerned over the Department's delay in implementing its planned corrective actions and we urge the Department to expedite the implementation of these measures.

The Department has not established definitive policy and criteria for user fees for consular services, nor has it revised immigrant visa fees, even though it has known since 1965 that the costs for some of the services have exceeded the fees charged. It has had authority since 1968 to set these fees high enough to recover the cost for this service. Some fees are still the same as they were in 1952.

The Department (1) developed improved reporting of workload and manpower data, (2) developed some measures and indicators for management purposes, and (3) employed a consultant late in 1973 to develop a methodology to account for direct and indirect consular fee costs. These efforts are intended to produce a basis for a new consular service fee

structure for periodically determining the costs of services using cost finding techniques instead of developing a cost accounting system.

Although cost finding techniques may be used in estimating and analyzing the fee structure, the proposed action for periodically determining the cost of providing consular services falls short of what is needed for effective financial management. We believe that the Department should develop and implement a general accrual accounting system in order to have effective control over resources and costs of operation. As reported to the Congress (B-115398 of Sept. 18, 1969, and Dec. 31, 1970), the Department's general accounting system was designed primarily to report in terms of obligations and disbursements. As pointed out in title 2 of the GAO Policy and Procedures Manual for Guidance of Federal Agencies, such a system is incomplete and does not meet the objectives of Federal agency accounting prescribed by law.

Although GAO approved the Department's statement of accounting principles and standards in 1968 and has provided continuing cooperative assistance since then, the Department has made only limited progress in developing and documenting an overall accounting system of the type required for approval by the Comptroller General.

CONCLUSIONS AND RECOMMENDATIONS

Although recent decisions to give renewed attention and study to this matter are encouraging, we are concerned because the Department has not completed the actions it agreed to take 3 years ago. It has been 5 years since legislation enabling such actions was enacted.

We recommend that you establish a definite period for accomplishing the following recommendations--these being the same recommendations on which the Department agreed to take action in 1971.

1. Revise the immigrant visa and other consular service fees on a basis responsive to Public Law 90-609 and in consonance with public policy that services provided to or for any person should be self-sustaining to the extent possible.

2. Promulgate definitive policy and criteria for establishing consular fees.
3. Develop an accounting system that will provide the necessary data to permit management to make a continuing assessment of the program, provide a sound basis for evaluating the reasonableness of the fees, and meet the accounting principles and standards prescribed by the Comptroller General.

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Copies of this report are being sent to the Director, Office of Management and Budget; the House and Senate Committees on the Judiciary; the House Committee on Foreign Affairs; and the Senate Committee on Foreign Relations. We are also sending copies of this report to the House and Senate Committees on Government Operations and on Appropriations.

We appreciate the consideration and cooperation given our staff during the review and will be happy to discuss with you any of the matters contained in this letter.

Sincerely yours,



Comptroller General
of the United States

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