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

Memorandum Inspection Report

Financial Support and
Training Office
Paris, France

Report Number ISP-I-05-07, February 2005

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KEY JUDGMENTS

- The Bureau of Resource Management (RM) successfully closed the Paris Financial Service Center (FSC Paris) and established the Financial Support and Training Office (FSTO). A reduction-in-force, with financial incentives costing over \$3.85 million, reduced the former FSC staff from 124 local employees to 14 employees who now staff FSTO.
- After temporarily transferring financial responsibility for 98 missions and 220 cashiers to the Charleston Financial Service Center, RM returned responsibility for 45 missions and 60 cashiers to FSTO because the Paris staff's skills were crucial to resolving financial management problems.
- FSTO's support functions include monitoring cashier operations, technical accounting, and payroll accounting assistance. The Office of Inspector General (OIG) believes the office fills a vital need, and its Paris location is appropriate and effective.
- RM is responsible for financial training programs. FSTO's training functions meet the Department of State's (Department) global financial services training requirements specified in the Chief Financial Officers Act of 1990.

The inspection took place in Washington, DC, between September 15 and 24, 2004, and in Paris, France at the Financial Support and Training Center between September 29 and October 6, 2004. Andrea M. Leopold (team leader) and Timothy A. Wildy conducted the inspection.

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CONTEXT

In May 2000, RM, formerly the Bureau of Financial Management and Policy, began planning to establish a global financial services function at the Department's Charleston, South Carolina complex. This process projected consolidating and rightsizing FSC Paris. It established in its stead a Financial Support and Training Office, and consolidated financial support functions in Charleston. In the future, it would consolidate Financial Service Center, Bangkok's functions, as well as certain domestic accounting and payroll functions. One consolidation goal was to ensure there would be no lapse or degradation in customer support or financial services.

RM's plan, with agreement from the Under Secretary for Management, was to reduce the Paris financial center's staff from 124 to 14 local staff and to establish FSTO. The financial functions the Paris center performed - disbursing, payroll, accounting, and systems development - were scheduled to move to Charleston by April 2002.

The actual transfer began in July 2002 and was virtually completed by September 2003. The transition plan allowed FSC Paris staff to leave their U.S. government employment without disruptions to customer support. Employees in Paris were dismissed, and functions were transferred to Charleston and Bangkok in phases. Staff remaining in Paris reconciled accounts worth nearly \$3 billion, assisted Charleston with consolidation matters, and trained new members of Charleston's staff.

The consolidation, however, has not been total. Within six months, responsibility for 45 of the 98 posts previously transferred to Charleston came back to FSTO Paris. It was, in fact, the decision to establish FSTO that allowed Charleston to return the responsibility for African posts and a few European posts to the Paris financial support office. According to RM, only a small portion of accounting and payroll functions were moved from Paris to Charleston and back to Paris. This workload was done temporarily in Charleston and Bangkok until FSTO could resume the functions completely.

According to the Deputy Assistant Secretary for Global Financial Services, there were compelling reasons to keep 15 staff members at FSTO after closing FSC Paris. These reasons included their experience, skills, language ability, familiarity with financial operations, and capability to train financial management personnel. Otherwise, RM would have included them in its original rightsizing and reduction-in-force plan for FSC Paris. Further, RM would have needed to hire an additional six cashier monitors to perform this particular financial function in Charleston.

The reduction-in-force plan included unique financial incentives equal to six months' salary and a severance bonus calculated at 1.5 percent of salary and years of service and a litigation waiver aimed at avoiding lawsuits. The 14 employees who became FSTO employees gave up the rights to these financial incentives. OIG notes, however, the 12 International Cooperative Administrative Support Services (ICASS) employees who recently left the embassy as a result of the earlier reduction-in-force also received these unique financial incentives.

FINANCIAL SUPPORT AND TRAINING OFFICE

Financial Support

The financial support functions FSTO performs are similar to functions Charleston and Bangkok perform: customer support in cashier monitoring, accounting, and payroll problem resolution. The 15 employees (14 local staff and a direct-hire officer), may be seen as Charleston staff located in Paris. The employees are highly skilled and capable. FSTO originally transferred responsibility for 98 posts and 220 cashiers, including those employed by the U.S. Agency for International Development and Peace Corps, to Charleston. After six months, in March 2004, Charleston transferred responsibility for 45 posts and 60 Department cashiers back to FSTO. At that time the Paris staff found 25 of the 60 post cashiers were out-of-balance and were having difficulty in using the new automated cashiering system. By October 2004, problems had been fully resolved in all but four cashiers' accounts. FSTO staff's expertise was vital to resolving these problems.

FSTO performs customer service, on-site visits, and training for the posts under its responsibility. FSTO staff also review financial data for Charleston and provide exception reports that show why data are rejected; serve as cashier monitors, providing oversight and support for posts' cashiers; assist Charleston with bank account reconciliations; serve as payroll technicians; and help support RM's goal of 24 hours a day, seven days a week of customer service availability.

Training

The office provides training as required by the Chief Financial Officers' Act of 1990, in addition to its financial support functions. The Chief Financial Officers Act requires RM to direct the financial training program.¹ Although staff at the Charleston center is responsible for directing this requirement for the chief financial officer, the worldwide program is conducted in Bangkok, Paris, Charleston, and elsewhere. Paris staff recently provided assistance and training for newly hired Embassy Baghdad's local staff at the Iraq Support Unit in Amman, Jordan.

¹ The Chief Financial Officers Act, (P.L. 101-576), section 902(a)(5)(C), requires the Chief Financial Officer to direct, manage, and provide policy guidance and oversight of agency financial management personnel, activities, and operations, including the recruitment, selection, and training of personnel to carry out agency financial management functions.

In FY 2005, training will include 24 courses conducted during 95 sessions. Some courses will be offered more than once in more than one location. Although these courses are directed primarily toward locally employed staff, direct-hire Department officers may also attend. The standardized training curriculum includes courses in federal appropriations law, accounting, vouchering, disbursing, payroll, travel, the Department's specific software applications, customer service, and supervisory skills.

Most of the courses are very technical and require the expertise found at the financial centers and FSTO. All of the FSTO trainers have the Department's Foreign Service Institute certification. They have taught courses at the Department's Frankfurt, Germany Regional Support Center, in Charleston, and several other training venues. After nearly a year and a half hiatus, time needed to implement the new Regional Financial Management System between January and September 2004, FSTO conducted 25 much-needed training courses in Paris for locally employed staff from African and other European posts. The Frankfurt Regional Support Center's financial management officer employees have also conducted similar training for European posts only.

CONSOLIDATION AND RIGHTSIZING

During the process of consolidating financial operations in Charleston and rightsizing the former FSC Paris staff, the Under Secretary for Management's Office of Management Policy, in a memorandum dated December 11, 2003, and its Office of Rightsizing found compelling reasons, i.e., the crucial financial support and training functions, to keep 14 local staff and one direct-hire officer in Paris. RM remains committed to keeping FSTO staff in Paris. OIG believes FSTO fills an important need, and its Paris location is effective. A move to the Frankfurt, Germany Regional Support Center might not be a cost-saving measure because there are unidentified costs associated with establishing financial systems that communicate with the Charleston Center as well as costs to train inexperienced, new local staff needed to replace the expertise currently resident in FSTO staff.

Reductions in Force

Rightsizing the FSC Paris staff required difficult decisions and judicious actions. About 110 local staff left their employment with the U.S. government over a two-year period. The cost for the reduction-in-force was about \$3.85 million in unique financial incentives. The financial center developed reduction-in-force registers that included scoring all FSC Paris staff on various elements including experience, seniority, family size, handicaps, and, most importantly, performance. The remaining staff members are arguably the most knowledgeable on the Department's overseas financial systems and processes.

According to one remaining staff member, the reduction was painful for both those who left and those who stayed. The building that housed the Financial Service Center, and currently houses FSTO, has been sold but leased-back temporarily by the U.S. government. It is nearly vacant, and the empty space echoes without staff filling the desks. The staff is scheduled to move soon to a new, smaller location, costing about \$400,000 annually.

Payments to ICASS dropped by about \$700,000 as a result of the reduction-in-force. Consequently, Embassy Paris recognized the need to offer similar financial incentives to 12 ICASS employees to encourage them to terminate their employment. Following an accelerated schedule, on September 30, 2004, 12 employees left. The severance cost for this reduction in force was about \$518,860. FSTO employees remain uneasy and anxious about possible future reductions-in-force despite assurances from senior management.

MANAGEMENT CONTROLS

Minor weaknesses in cashier oversight require attention and corrective action. These relate to procedures specified in the Disbursing Officers Handbook (4 FAH-2). FSTO cashier monitors only recently resumed oversight for posts' cashiering activities. They have dedicated their time primarily to help posts resolve discrepancies in cashiers' reconciliation statements.

Cashier Monitoring

FSTO's portion of the Overseas Cashier Accounting and Reporting System (OSCARS) database is not current, accurate, or complete. Incorrect or missing information may preclude cashier monitors from initiating corrective actions to resolve posts' problems. The OSCARS database is the primary tool which management uses to identify outstanding temporary advances, temporary designations, cashier training, debit vouchers or fiscal irregularities, and information about cashiers who have not submitted cashier reconciliation reports monthly as required. The office agreed to remedy this problem.

FSTO staff do not always send cables notifying post management when cashiers have not sent the monthly cashier reconciliation reports, known as FSC-365 reports. As part of their oversight responsibilities, cashier monitors are required to review FSC-365 reports for irregularities, update OSCARS when the information is available, and notify post management when FSC-365 packages are late. The Disbursing Officers Handbook (4 FAH-2 816.2) requires the monitors to send official notices to posts that have not submitted FSC-365 packages within 60 days of the last submission. When statistics indicate that a post regularly does not comply with the guidance, post management is responsible to resolve the problem.

Debit Vouchers

Debit vouchers (bad checks) that U.S. government employees write while they are overseas is a problem for posts and cashier monitors. Processing debit vouchers places an administrative burden on cashier monitors and post cashiers, known as class B cashiers. A significant number of U.S. government employees write bad checks at overseas posts. For example, at Embassy Yaoundé, one employee wrote eighteen bad checks totaling \$1,200. According to FSTO staff, there are 122 outstanding bad checks totaling \$215,000 for the period from December 2003 to October 2004 from the posts FSTO monitors.

The Department has implemented procedures to suspend accommodation exchange privileges for employees who write bad checks. However, additional penalties for bad check writing could be considered. In the Memorandum Inspection Report of the Financial Service Center Bangkok (ISP-I-04-29), OIG recommended that RM, in coordination with the Director General, promulgate strengthened procedures to discourage employees from writing bad checks for accommodation exchanges.

PRINCIPAL OFFICIALS

Director	Mark Young	08/01
Management Officer	Susan Lee	07/03

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ABBREVIATIONS

Department	Department of State
FSC Paris	Financial Service Center, Paris
FSTO	Financial Support and Training Office
ICASS	International Cooperative Administrative Support Services
OIG	Office of Inspector General
OSCARS	Overseas Cashier Accounting and Reporting System
RM	Bureau of Resource Management