

Perhaps the most notable example of this problem is the challenge that the Department faces in tracking and reporting on foreign assistance funds. As highlighted in a compliance follow-up review, even though OIG issued a recommendation on this issue some time ago, the Department's tracking and reporting processes are still inadequate.⁸¹ The lack of information on this crucial aspect of the Department's work hinders its ability to manage foreign assistance resources strategically, identify whether programs are achieving objectives, and determine how well bureaus and offices implement foreign assistance programs. The significance of this problem is illustrated by the fact that Congress limited the Department's ability to use certain appropriated funds until it submitted a plan to address OIG's recommendations on the issue.⁸²

Collecting, Analyzing, and Using Financial Information

A number of OIG reports identified flaws in the Department's collection, use, and analysis of financial information. Although OIG's work in this area tended to address specific programs or bureaus, OIG views this as an overall financial management challenge because of the common threads in these reports—namely, the use of outdated or otherwise weak methods of collecting, analyzing, and applying financial and related data. We have noted similar concerns in the past⁸³ and discuss below two particularly important examples of this issue described in FY 2017 reports.

First, OIG reported significant flaws in the Department's processes that set certain cost-of-living allowances for Department employees who are stationed in foreign areas.⁸⁴ Although OIG identified weaknesses in the calculation of all of the allowances audited, the report particularly identified flaws in setting the post allowance, which is intended to

ensure that employees are not financially penalized for working at a more expensive overseas location. OIG's report described a laborious, subjective, and error-prone process for gathering data that has not changed in decades. The flaws in this data gathering process, in turn, led to substantive errors in the allowances themselves. OIG recommended that the Department use independent economic data instead of collecting this information on its own; OIG estimated that doing so would have saved more than \$18 million between FY 2013 and FY 2015 at six of the seven posts audited.

Second, OIG identified significant flaws in the processes CA used to set fees for selected consular services.⁸⁵ The external auditor performing the audit on OIG's behalf and under OIG's direction found that CA collected consular fees of \$3.7 billion during FY 2014 and \$4.1 billion during FY 2015 but that the cost of providing the relevant services was only \$3.3 billion each year. Consequently, the report explained that CA did not comply with Office of Management and Budget Circular A-25, which governs user charges, and relevant fee-governing statutes.

The report identified two reasons that this occurred. First, the price of one fee was not adjusted even though the cost of providing the service had decreased. The report noted that, as of FY 2013, CA did not receive an appropriation to cover certain costs and that CA needed additional funds. By not reducing this fee, CA collected revenue that offset some of the lost funding. As noted in the report, however, CA does not have the legal authority to take this approach and was instead required to set fees at the cost of providing the underlying services.⁸⁶ Second, CA more generally used a flawed fee-setting methodology that did not rely on adequate data and did not fully consider the effects of large carry-forward balances—at the beginning of FY 2017, for example, CA had a total unobligated balance from consular fees of almost

⁸¹ OIG, *Compliance Follow-up Review: Department of State is Still Unable to Accurately Track and Report on Foreign Assistance Funds* (ISP-C-17-27, June 2017).

⁸² Consolidated Appropriations Act, 2017, HR 244-486, § 7006, available at <https://www.congress.gov/115/bills/hr244/BILLS-115hr244enr.pdf>.

⁸³ See, e.g., OIG, *Audit of the Financial Results of the Telephone, Wireless, and Data Cost Center* (AUD-FM-16-32, March 2016); OIG, *Audit of Selected Working Capital Fund Cost Center Financial Results* (AUD-FM-13-36, September 2013).

⁸⁴ OIG, *Audit of Select Cost-of-Living Allowances for American Employees Stationed in Foreign Areas* (AUD-FM-17-51, Aug. 2017). Between FY 2013 and FY 2015, the Department spent approximately \$673 million on the three allowances addressed in the report.

⁸⁵ OIG, *Audit of the Bureau of Consular Affairs Fee-Setting Methodology for Selected Consular Services* (AUD-FM-17-53, September 2017). CA charges fees for many of its services and is permitted to retain funds generated from some of those fees. Other fees, however, must be remitted to the Department of the Treasury.

⁸⁶ OMB Circular A-25, "User Fees," July 8, 1993.