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OFFICE OF AUDITS
Financial Management Division

OIG HIGHLIGHTS

AUD-FM-17-53

Audit of the Bureau of Consular Affairs Fee-Setting Methodology for Selected Consular Services

What Was Audited

The Bureau of Consular Affairs (CA) charges user fees for many of the consular services it provides. Congress allows the Department of State (Department) to retain the revenue generated from certain consular fees, although other fees are required to be remitted to the Department of the Treasury (Treasury). Both retained and remitted fees must be set at an amount determined in accordance with Office of Management and Budget (OMB) Circular A-25, "User Charges" and with fee-governing statutes.

Acting on behalf of the Office of Inspector General (OIG), Kearney & Company, P.C. (Kearney), an independent public accounting firm, conducted this audit to determine whether CA complied with cost recovery requirements of OMB Circular A-25. Kearney evaluated the revenues and costs for the Machine Readable Visa (MRV) fee, Passport Security Surcharge, and Western Hemisphere Travel Initiative Surcharge, for FYs 2014 and 2015.

What OIG Recommends

OIG made 11 recommendations to address issues identified in the report. On the basis of the Department's responses to a draft of this report, OIG considers nine recommendations resolved, pending further action, and two recommendations unresolved. A synopsis of the Department's response and OIG's reply follow each recommendation. The Department's responses to a draft of this report are reprinted in their entirety in Appendices B and C. A summary of the Department's general comments and OIG's replies are presented in Appendix D.

What Was Found

Kearney found that CA collected revenue from consular fees in FYs 2014 and 2015 of $3.7 billion and $4.1 billion, respectively. The cost for providing consular services in FYs 2014 and 2015, however, was $3.3 billion each year. Because it recovered more than the full cost of providing services, CA did not fully comply with OMB Circular A-25 or with fee-governing statutes.

One reason that CA collected revenue in excess of costs during this time period was that CA had not adjusted one class of the MRV fee since April 2012, even though the unit price to provide this service had decreased by $20. One notable change was that the Department as of FY 2013 no longer received an appropriation to cover consular service costs related to fees that CA was not legislatively authorized to retain. Therefore, CA needed additional funds. During the audit, CA officials provided conflicting information on whether the decision not to lower the fee was related to the loss of appropriated funds. By not reducing one class of the MRV fee to align with costs, CA collected revenue that offset some, if not all, of the lost funding. CA does not have the legal authority to charge more than the estimated cost for providing each specific consular service. As a result, CA charged visitors from other countries more than necessary to cover the costs of services rendered. Moreover, to the extent that CA expended funds collected in excess of cost, CA may have violated the Antideficiency Act and appropriations law.

Another reason that CA's revenues exceeded costs for selected consular services was its flawed fee-setting methodology. Kearney concluded that the data used was insufficient, which would affect the accuracy of the calculated fee amounts. Although Kearney was unable to determine what amount of revenue collected in excess of costs was attributable to the flaws, at the beginning of FY 2017, the unobligated balance from consular fees was almost $1.4 billion. Annually, CA intends to carry 25 percent of its expenses in unobligated balances forward; however, the FY 2017 beginning balance is 31.4 percent, or $284 million more than CA anticipates needing. CA should address the flaws in its methodology and remit the $284 million to Treasury to be put to better use across the Federal Government.