



HIGHLIGHTS

Office of Inspector General
United States Department of State

AUD-FM-20-33

What OIG Audited

Federal law authorizes Federal employees to receive cost-of-living allowances to cover certain costs incurred when stationed in foreign areas. Accordingly, the Department of State (Department) may grant a Special Needs Education Allowance (SNEA) to employees serving in foreign areas for their children who would fall under the Individuals with Disabilities Education Improvement Act or Section 504 of the Rehabilitation Act of 1973.

The Office of Inspector General (OIG) conducted this audit to determine whether the Department established and applied selected internal controls from the Government Accountability Office's *Standards for Internal Control in the Federal Government* to effectually administer SNEA in accordance with Department requirements. OIG assessed three internal control components and seven associated principles involving control activities, information and communication, and monitoring.

What OIG Recommends

OIG made 15 recommendations that are intended to improve the Department's internal controls for SNEA administration. On the basis of management's response to a draft of this report, OIG considers all 15 recommendations resolved, pending further action. A synopsis of management's response to the recommendations offered and OIG's reply follow each recommendation in the Audit Results section of this report. Management's responses to a draft of this report are reprinted in their entirety in Appendices D through G.

June 2020

OFFICE OF AUDITS

FINANCIAL MANAGEMENT DIVISION

Audit of Selected Internal Controls for the Special Needs Education Allowance

What OIG Found

Since 2015, the Department has taken steps to reform SNEA. Most recently, in November 2018, the Deputy Under Secretary for Management created the "M Family Special Needs Committee," which included representatives from several Department bureaus and the Office of the Legal Advisor. The Committee developed a plan of action for SNEA reform that included 12 specific issues with 15 associated "remedies." The remedies addressed internal controls weaknesses and, when implemented, would help the Department achieve SNEA's desired results. OIG found that, as of December 2019, 10 (67 percent) of 15 remedies had been fully implemented and 5 remedies that involve 2 distinct internal control components, namely control activities and information and communication, require additional attention. These control components have not been fully addressed because of SNEA's complex nature and the extensive coordination needed among Department bureaus to implement the associated internal controls. Specifically, the Department has not published policies and procedures in the Foreign Affairs Manual regarding medical clearances related to SNEA and the appeals process when an allowance application is denied, nor has it implemented a centralized voucher process or communicated SNEA-related accounting procedures to appropriate officials. To meet the Committee's goal of enhancing support for employees who have children with special needs, the remaining five remedies must be addressed.

In addition, OIG found that the Department has not established a process to evaluate the effectiveness of SNEA reform remedies once implemented. According to the *Standards for Internal Control in the Federal Government*, internal control is a dynamic process that must be adapted continually to the risks and changes an entity faces. The monitoring control component is essential to maintain alignment with changing objectives, environments, laws, resources, and risks. Although the Committee identified 15 SNEA reform remedies, it did not include a monitoring plan among the remedies. Without such a plan, deficiencies with the administration of SNEA could go unnoticed and uncorrected.