



# HIGHLIGHTS

Office of Inspector General  
United States Department of State

AUD-FM-21-27

## What Was Audited

Appropriations are classified as no-year, multi-year, and single-year. Multi-year and single-year appropriations are available for a defined period and “expire” at the end of the fiscal year for which they were appropriated, although both types have an additional 5-year period during which the funds remain available for certain transactions. At the end of the 5-year period, the appropriation is “canceled,” and the remaining funds are returned to the Department of the Treasury (Treasury).

Kearney & Company, P.C. (Kearney), acting on behalf of the Office of Inspector General (OIG), conducted this audit to determine whether selected bureaus used appropriated funds within the deadlines of the appropriations and whether obligations using expired funds were made in accordance with Federal requirements.

## What OIG Recommends

OIG made eight recommendations to improve the Department’s fund management, including to review \$34.7 million in obligations that may be put to better use. On the basis of management’s response to a draft of this report, OIG considers one recommendation closed, five recommendations resolved, pending further action, and two recommendations unresolved. 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. Bureau-specific responses are reprinted in their entirety in Appendices C through F. OIG’s reply to general comments provided by the Bureau of Budget and Planning is presented in Appendix G.

April 2021

OFFICE OF AUDITS

FINANCIAL MANAGEMENT DIVISION

## Audit of Department of State Use of Appropriated Funds Prior to Expiration and Cancellation

### What Was Found

Overall, Kearney found that the Department used the majority of its appropriated funds that canceled in FY 2019 within the period of availability. Specifically, the Department returned approximately \$356 million (i.e., unused canceled funds), which was only 2.3 percent of its budget authority, to Treasury. Although the Department used the majority of the funds, it did not have an established process to quantify and analyze funds that were scheduled to be canceled. In addition, due to the automated process used by the Department to systematically deobligate canceling funds, individuals responsible for fund management cannot retroactively review and analyze obligations linked to canceled funds. Furthermore, inadequate oversight of obligations, which is a longstanding issue reported by OIG,<sup>1</sup> negatively impacted the Department’s fund management efforts. The Department lost the use of some funds because of the deficiencies identified. In addition, Kearney identified 29 potentially invalid obligations, totaling \$34.7 million, that have funds that might be able to be put to better use if the funds were deobligated.

In addition, Kearney found that the three selected bureaus used funds that had already expired to make adjustments to obligations in accordance with Federal requirements. Specifically, Kearney tested 68 instances of adjustments to obligations after an appropriation expired, totaling \$405 million, and found that all the items were compliant with Federal requirements relating to expired funds.

<sup>1</sup> OIG, *Audit of the U.S. Department of State FY 2020 and FY 2019 Financial Statements* (AUD-FM-21-08, November 2020).