HIGHLIGHTS
Office of Inspector General
United States Department of State

AUD-FM-21-31

What OIG Audited

Foreign per diem is provided to U.S. Government employees and eligible dependents to cover temporary lodging and meals while on official business overseas. The Bureau of Administration's Office of Allowances (ALS) is responsible for establishing the maximum foreign per diem rates used by all Federal employees traveling overseas.

The Office of Inspector General (OIG) conducted this audit to determine whether the Department of State's (Department) methodology and process to establish foreign per diem rates adequately cover the cost of U.S. Government employees and eligible dependents traveling overseas and comply with Federal regulations and Department policies. OIG performed detailed testing for Consulate Generals Frankfurt, Germany; and Istanbul, Turkey; and Embassies Kyiv, Ukraine; Mexico City, Mexico; and San Salvador, El Salvador. OIG performed additional analyses of data from 15 other overseas locations.

What OIG Recommends

OIG made 14 recommendations to improve efforts to establish foreign per diem rates. On the basis of management's response to a draft of this report, OIG considers one recommendation closed; nine recommendations resolved, pending further action; and four 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. Responses from the Bureau of Administration, Consulate General Frankfurt, and Embassy Mexico City are reprinted in their entirety in Appendices C, D, and E, respectively.

June 2021
OFFICE OF AUDITS
FINANCIAL MANAGEMENT DIVISION

Audit of Foreign Per Diem Rates Established by the Department of State

What OIG Found

OIG found that ALS did not implement processes to establish foreign per diem rates in accordance with Department requirements and ALS standard operating procedures. For example, selected posts did not always submit hotel and restaurant data biennially, as required. OIG also identified errors in ALS's calculations of foreign per diem rates. Furthermore, exchange rates were not always applied due to issues with an ALS web-based application. The deficiencies identified occurred, at least in part, because ALS did not implement sufficient internal controls to ensure that foreign per diem rates were appropriate and complied with requirements. Specifically, OIG found that ALS and selected posts did not have sufficient policies and procedures. In addition, ALS did not sufficiently monitor the foreign per diem rate-setting process, nor did ALS and the posts involved maintain adequate documentation. Implementing a sufficient internal control environment would help the Department save resources and establish adequate and appropriate per diem rates for U.S. Government personnel and eligible dependents traveling overseas.

In addition, ALS's methodology to establish foreign per diem rates needs improvement to adequately cover the cost of U.S. Government employees and eligible dependents traveling overseas. Specifically, OIG found that the rates established by ALS were higher than what was supported by available independent economic data available for three of four posts. The primary reason the foreign per diem rates differed could be attributed, in part, to the inefficient methodology used by ALS to calculate the rates. For example, ALS established per diem rates for more than 1,000 locations worldwide and relied on hotel and restaurant data manually collected by personnel at overseas posts. In addition, ALS has not evaluated the potential benefit of using other sources to obtain data for establishing rates. For instance, using available independent economic data would reduce the need for manual data collection and calculations, leading to workload efficiencies, while also potentially resulting in rates that would better reflect current market conditions.