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Office of Inspector General
United States Department of State

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Office of Evaluations and Special Projects

June 2025

Management Assistance Report: Bureau of the Comptroller and Global Financial Services Internal Controls Associated with Reemployed Annuitant Employment

MANAGEMENT ASSISTANCE REPORT

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Summary of Review

The Office of Inspector General (OIG) recently completed investigative work on allegations it received regarding a senior employee in the Bureau of Comptroller and Global Financial Services (CGFS) who has been serving as a reemployed annuitant (REA) in travel status for more than 14 years. While investigating these complaints, OIG identified a lack of appropriate controls and a misunderstanding of rules surrounding the employment of annuitants within CGFS. Specifically, multiple officials disregarded the established rules and regulations governing REAs. Despite concerns from both the associated embassy and OIG, CGFS failed to take any action to correct these deficiencies.

BACKGROUND

CGFS provides financial services to the Department of State (Department), including payroll and travel payments for American and locally employed staff, as well as vendor payments for goods and services. CGFS is also responsible for maintaining internal controls for the Department's financial systems and notes that its "strong commitment to effective internal controls is fundamental to [its] business."¹

As part of its responsibility for managing the Department's financial systems and applications, CGFS operates two Financial Service Centers (FSC) – one at the U.S. Embassy in Bangkok Thailand (CGFS/Bangkok) and the other in Charleston, South Carolina (CGFS/Charleston). CGFS headquarters are in Washington. CGFS has systems development and maintenance operations at CGFS/Bangkok and CGFS/Charleston.

In 2024, CGFS/Bangkok employed a senior employee responsible for systems development and maintenance who is a retired Foreign Service Officer (FSO), who essentially held the same position as an FSO before retiring in 2010. Shortly after retirement, she was hired as a Financial Management Specialist with CGFS and Washington, D.C. was listed as her official duty station. Despite her official title, she returned to her former duties at CGFS/Bangkok, supervising 60 locally employed staff and contractors. Since her position was located in Washington, CGFS placed her in travel status (temporary duty, commonly known as TDY). This entitled her to receive travel expenses, specifically Meals and Incidental Expenses (M&IE).²

When an agency hires an individual receiving a federal annuity, the amount of the annuity is deducted from the individual's salary.³ However, there are special authorities that agencies can use to employ an annuitant without subjecting them to the annuity offset. To hire the REA at CGFS/Bangkok, CGFS used a legal authority allowing an agency to hire a former FSO as a

¹ Functional Bureau Strategy, Bureau of the Comptroller and Global Financial Services (April 20, 2022).

² Employees on travel status are paid a per diem, a daily payment instead of reimbursement for actual expenses for lodging, meals, and related incidental expenses. One component of the per diem is M&IE, which is meant to account for expenses for breakfast, lunch, dinner and related tips and taxes and fees and tips; transportation between places of lodging or business and places where meals are taken, and mailing costs associated with filing travel vouchers and payment of Government sponsored charge card billings. 14 FAM 511.3, "Definitions."

³ 5 U.S.C. § 8468(a).

temporary appointment. This authority restricts the employee to working no more than 1,040 hours per year.⁴ In addition to the limit on hours worked, REAs are subject to an annual salary cap dependent on their annuity. According to Department policy, “It is the responsibility of the employee to monitor their earnings to ensure they do not exceed the regulatory limitations.”⁵ An employee may request CGFS conduct an audit to avoid exceeding the salary/annuity cap, whereas the associated bureau’s REA coordinator is responsible for monitoring the hourly ceiling.

When an agency uses an REA on a temporary appointment, a Human Resource Specialist (HRS) must certify that the employment need is genuinely temporary and that the proposed appointment is for no more than a year. The certification is a key part of ensuring that the REA’s work remains within the bounds set by applicable law.⁶ The Department uses Form 5078 (DS-5078), *Certification of Temporary Need*, to document this certification and to note important details, including the position number and title. The DS-5078 requires a signed certification from the HRS. The certification confirms that the appointment is essential and strictly temporary, not exceeding one year. The Department also requires an annual form (DS-5077) to be signed that an REA “has not worked in excess of 1040 hours during his/her service year.” The form states, “An individual who has worked in excess of the time limits placed on intermittent employment as stated in 5 CFR, Part 316 may not be reappointed to the same position, nor may that position be filled at any time by other employees. Consequently, a position that has previously been filled by temporary appointment(s) for an aggregate of 2 years within the preceding 3-year period cannot be filled with a temporary appointment.”

In September 2016, OIG received a hotline complaint that raised concerns about CGFS/Bangkok’s employment of the REA, specifically that the REA was working on a full-time basis, exceeding the allotted hours that could be worked as an REA, as well as receiving M&IE, because she was inaccurately categorized as on TDY. OIG referred the complaint to CGFS, as it does with complaints that raise various management issues for which a Department bureau is better equipped to review the issue. However, OIG requested that CGFS respond to OIG with how it addressed the complaint. On November 28, 2016, the Principal Deputy Comptroller responded that the REA in question was hired on an “as needed intermittent basis” and that the employee complied with the annual limitation on hours worked. The response noted that “CGFS considers this issue closed.”

In 2023, OIG received another hotline complaint alleging that CGFS/Bangkok had a Washington-based REA who had been working at CGFS/Bangkok and receiving M&IE for 14 years. OIG again referred the complaint to CGFS with several questions surrounding the legality of the appointment. On January 11, 2024, the CGFS Executive Director (CGFS/EX) provided a response confirming that the REA encumbered a domestic position in the CGFS Global Financial Management Systems Directorate and is working “on a long-term TDY to the CGFS office in

⁴ 5 C.F.R. § § 316.401(c), 316.402(b)(3), 315.606.

⁵ CGFS Knowledge Base 34569.

⁶ 5 C.F.R. § 316.401.

Bangkok Thailand serving as a technical advisor.” CGFS/EX also stated that it was considering moving the REA to a part-time position with a third-party contractor.

After receiving this response, OIG began an independent examination of the REA’s employment, assigning both investigators and investigative counsel to review the matter. OIG interviewed over 20 individuals, including senior CGFS officials, reviewed relevant documents and emails, and briefed the leadership of Embassy Bangkok on the matter. OIG completed its investigative fieldwork in early 2025 and is preparing a report of investigation to the Department. However, OIG also identified systemic deficiencies that merit further review by CGFS.

FINDINGS

OIG found that the REA has regularly worked on a full-time basis, well in excess of the 1,040-hour cap, despite certifications by CGFS officials to the contrary. Both an HRS and the REA’s supervisor annually signed and certified that the REA did not work in excess of 1,040 hours on a DS-5077, which CGFS identified as an important control in ensuring compliance with regulatory requirements. OIG spoke to the REA’s supervisor, a CGFS Managing Director, who stated that she signed and certified the REA’s hours each year, but did not know if the hours were accurate when she signed the form.

OIG interviewed numerous employees at CGFS/Bangkok, who unanimously told OIG that the REA worked at least 7 hours per day, 5 days a week, placing her well over the 1,040-hour limit. The REA told OIG that if she reported the hours she actually worked, she would be required to stop working at 1,040 hours and she could not do her job if she only worked for six months per year in a temporary status. She admitted that she intentionally underreported the hours she worked every year from 2010 to present.

Leadership at both CGFS/Bangkok and CGFS/Charleston, as well as CGFS headquarters, knew that the REA worked more hours than permissible. Her supervisor knew that she was performing the same duties as when she was a full-time FSO, and both she and the HRS acknowledged that they signed the DS-5077 without verifying the hours worked. Other CGFS officials told OIG that they understood that the REA was working more hours than allowed and conceded it was not a part-time position but were unconcerned by the violations of the law and Department policy. For example, one senior CGFS official dismissed the violation as “an administrative oversight.” Even if some CGFS officials did not understand the exact nature of the REA’s duties, no one questioned why CGFS had placed an employee full-time on TDY receiving M&IE for over 14 years in what was required to be a part-time temporary position.

If CGFS officials had accurately reported the REA’s hours, then, as noted on DS-5077, CGFS would not have been able to reappoint her to the same position, nor would it have been allowed to fill the position with another temporary employee.

OIG also found that the REA exceeded the annual statutory salary cap for four years - 2012, 2018, 2020, and 2022. CGFS officials told OIG that there are limited controls to ensure that REAs do not exceed the salary cap, and that an audit of whether an REA has exceeded the salary cap is only conducted if an individual REA requests one.

Finally, OIG found that the REA collected over \$200,000 in M&IE expenses since 2010. The REA told OIG that she did not have a residence in the U.S. and that she lived in Bangkok, Thailand on a full-time basis. Thus, it is questionable as to whether she should have been eligible to collect these expenses. The Foreign Affairs Manual states that “New appointees who reside within 80 kilometers (50 miles) of the temporary duty location at the time of appointment, or other employees who commute daily from their permanent residence, are not entitled to any per diem or subsistence.”⁷ Furthermore, it is unclear why CGFS assigned the duty station of the REA as Washington, given that all of her duties were in Bangkok and that she was essentially performing the same duties she had as an FSO in CGFS/Bangkok.

One CGFS employee told OIG that she had raised questions about the TDY status of the REA after discovering that the individual lived full-time in Bangkok. However, the employee was instructed by management to proceed with renewing the appointment. The REA’s supervisor, who was responsible for approving the REA’s M&IE told OIG that she never reviewed or questioned it, because it had been the norm for so long. In 2023, Embassy Bangkok officials began questioning the status of the REA and raised concerns about the appointment with CGFS. However, CGFS leadership rebuffed the embassy’s concerns and renewed the REA’s appointment.⁸

Even after OIG raised repeated questions about the REA’s employment with CGFS leadership, it did not terminate the REA’s employment. Moreover, in interviews with OIG, CGFS officials largely dismissed the concerns as minor problems or administrative oversights or pleaded ignorance with the rules that govern REA employment, compensation, and travel. These conditions suggest a lack of appropriate controls over the use of REAs within CGFS.

In addition, OIG conducted a paper review of the 7 other REAs employed by CGFS. Although we did not conduct an in-depth investigation as we did with the Bangkok employee, we did identify several appointments with indicia that did not suggest a temporary or part-time employee, such as serving in an REA capacity since 2007 or serving as a certifying officer for the Department in an REA appointment.

⁷ 14 FAM 571.2, “Scope and Applicability.” Per diem is an allowance federal employees receive to cover their costs of lodging, meals, and incidental expenses during their official travel. The amount of per diem depends on the location, duration of the stay, and whether the employee is on a temporary assignment.

⁸ Embassy officials also questioned the supervisory status of the REA and stated that it was not appropriate for a temporary REA to be supervising other employees. Similar concerns were also raised in the 2023 OIG hotline complaint, and CGFS/EX inaccurately told OIG that the REA was not a supervisor, even though she was listed as a rater or reviewer for approximately 30 employees. After Embassy officials raised concerns, CGFS transferred these duties to another employee, but OIG found that the REA continued to draft performance reviews that were signed by another employee.

RECOMMENDATIONS

OIG is making two recommendations to the Bureau of the Comptroller and Global Financial Services. OIG provided a draft copy of this report to the bureau for its review and comment. OIG reprinted its official response in the appendix and incorporated technical comments as appropriate.

Recommendation 1: The Bureau of the Comptroller and Global Financial Services should take corrective action to address the deficiencies identified with regard to the Bangkok reemployed annuitant.

Management Response: In its June 9, 2025, response, the Bureau of the Comptroller and Global Financial Services reported that the reemployed annuitant is no longer employed by the Department.

OIG Reply: Based on the response, OIG considers this recommendation closed.

Recommendation 2: The Bureau of the Comptroller and Global Financial Services should implement appropriate internal controls to ensure that it is complying with hours of work ceilings, salary caps, and travel regulations surrounding the employment of reemployed annuitants.

Management Response: In its June 9, 2025, response, the Bureau of the Comptroller and Global Financial Services stated that it is currently reviewing all reemployed annuitants that are on board and has implemented a clearance memo process. This process requires all reemployment requests and renewals are vetted and approved through the appropriate chain of command and by the Bureau for Global Talent Management to ensure that all appointments follow all relevant requirements.

OIG Reply: Based on the response, OIG considers this recommendation resolved. OIG will consider this recommendation closed when the Bureau provides documentation of this new process.

APPENDIX: DEPARTMENT OF STATE RESPONSE



United States Department of State

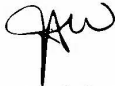
Washington, DC 20520

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June 09, 2025

MEMORANDUM

TO: OIG – Jeffrey McDermott, Assistant Inspector General,
 Evaluations and Special Projects

FROM: CGFS – James A. Walsh, Comptroller 

SUBJECT: Management Assistance Report: Bureau of the Comptroller
 and Global Financial Services Internal Controls Associated
 with Reemployed Annuitant Employment

Thank you for the opportunity to review and comment on the Draft Report – Management Assistance Report associated with Reemployed Annuitant Employment. Please find responses to the recommendations below.

- 1. Recommendation 1:** The Bureau of the Comptroller and Global Financial Services should take corrective action to address the deficiencies identified regarding the Bangkok reemployed annuitant.
 - The Bangkok reemployed annuitant is no longer employed as a REA. Official records indicate the REA's home of record is in Florida, therefore, she was authorized travel orders. Since the REA had available lodging in Bangkok, per diem was reduced accordingly as part of her travel authorization. CGFS will ensure that current CGFS EX staff is familiar with current REA related policy and guidance. The issue has been resolved and as such, CGFS requests that the OIG remove Recommendation 1 from the report.

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2. **Recommendation 2:** The Bureau of the Comptroller and Global Financial Services should implement appropriate internal controls to ensure that it is complying with hours of work ceilings, salary caps, and travel regulations surrounding the employment of reemployed annuitants.
 - We acknowledge and appreciate OIG's recommendation to implement appropriate internal controls. To prevent future occurrences, CGFS is currently reviewing all REAs that are on board and has implemented a clearance memo process. This process requires REA requests and renewals are vetted and approved through the appropriate chain of command and by the Bureau for Global Talent Management (GTM) ensuring that REA appointments follow all REA requirements.

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