

GAO Highlights

Highlights of [GAO-17-715](#), a report to the Committee on Oversight and Government Reform, House of Representatives

Why GAO Did This Study

State provides hardship and danger pay, among other allowances, as incentives for State personnel to work at challenging overseas locations. Hardship pay compensates employees for service at overseas posts where conditions differ substantially from those in the United States. Danger pay compensates employees for service at posts where civil insurrection, civil war, terrorism, or wartime conditions threaten the health or well-being of an employee.

This report examines hardship and danger pay, specifically, (1) State's spending at overseas posts in fiscal years 2011-2016, (2) the extent to which State has followed its process for determining rates, (3) the procedures State uses to implement its policies for starting and stopping hardship and danger pay, and (4) the extent to which State has identified improper payments. GAO analyzed State data and documents; interviewed State officials in Washington, D.C.; and conducted fieldwork at four posts that receive hardship or danger pay: Islamabad, Pakistan; Mexico City, Mexico; New Delhi, India; and Tunis, Tunisia.

What GAO Recommends

GAO recommends that State clearly document the use of Director Points for extreme conditions at posts; assess the cost-effectiveness of its policies and procedures for stopping and starting hardship pay for overseas employees; and analyze available data to identify, recover, and prevent improper payments related to hardship pay. State concurred with these recommendations.

View [GAO-17-715](#). For more information, contact Michael J. Courts at (202) 512-8980 or courtsm@gao.gov.

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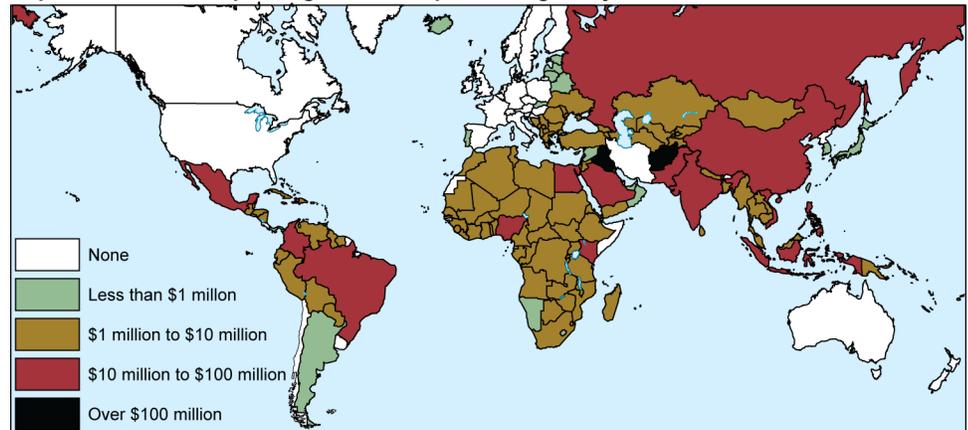
OVERSEAS ALLOWANCES

State Should Assess the Cost-Effectiveness of Its Hardship Pay Policies

What GAO Found

The Department of State (State) spent about \$732 million for hardship pay and \$266 million for danger pay at overseas posts in fiscal years 2011 through 2016.

Department of State Spending for Hardship and Danger Pay, Fiscal Years 2011-2016



Sources: GAO analysis of Department of State payroll data; Map Resources (map). | GAO-17-715

State has mostly followed its process for determining hardship and danger pay rates at overseas posts. To determine hardship rates, State calculates scores for overseas posts based on information from post surveys and data on factors such as air pollution and crime. GAO reviewed scores for 192 posts and found that State mostly followed its process. However, in 12 of 15 cases where State added points for extreme conditions not captured in its written standards—Director Points—it did not clearly document how posts met these criteria. Without adequate documentation, the department cannot ensure that it is awarding these points consistently. For danger pay, State followed a process that bases rates on threat levels for political violence and terrorism and whether family members are allowed at post.

State's procedures for stopping and starting hardship pay when employees temporarily leave posts—based on several factors—are resource intensive, but State has not assessed their cost-effectiveness. State uses diplomatic cables to adjust hardship pay, but these procedures are resource intensive—requiring 10,000 pay actions each year—and contribute to improper payments, which are costly to recover. State's procedures for adjusting danger pay through time and attendance, based on whether or not employees are present at posts, are mostly automated. State has not assessed the cost-effectiveness of its hardship pay policies and procedures in accordance with its *Foreign Affairs Manual*.

State identified \$2.9 million in improper payments related mostly to hardship pay in fiscal years 2015-2016. State conducts required improper payments audits but has not analyzed available data that could help further identify and recover overpayments related to hardship pay. Guidance from the Office of Management and Budget notes that such data analysis could be part of an internal control program to prevent, detect, and recover overpayments.