



Report to the Committee on Oversight  
and Government Reform, House of  
Representatives

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September 2017

# OVERSEAS ALLOWANCES

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

Accessible Version

# 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](mailto:courtsm@gao.gov).

September 2017

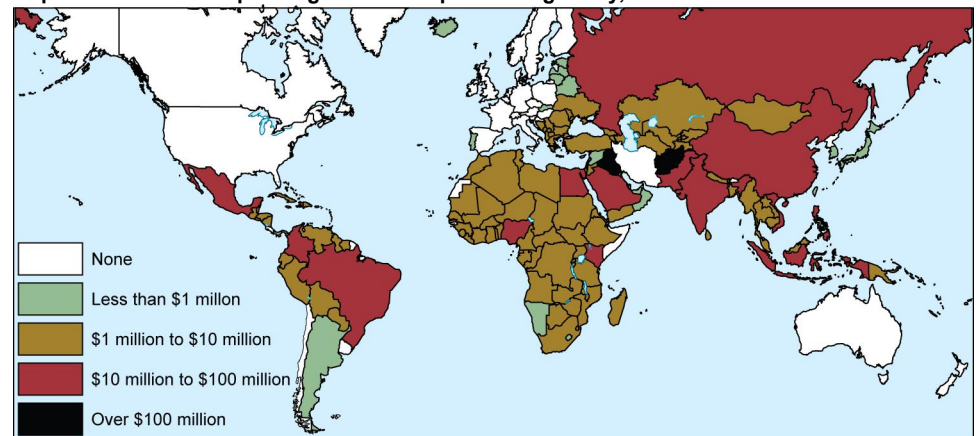
## OVERSEAS ALLOWANCES

### 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.

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### **Abbreviations**

State	Department of State
CGFS	Bureau of the Comptroller and Global Financial Services
ALS	Office of Allowances
DS	Bureaus of Diplomatic Security
HR	Human Resources
SETL	Security Environment Threat List

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September 13, 2017

The Honorable Trey Gowdy  
Chairman  
The Honorable Elijah E. Cummings  
Ranking Member  
Committee on Oversight and Government Reform  
House of Representatives

The Department of State (State) provides a range of allowances to compensate its employees for costs and hardships related to foreign assignments at overseas posts, many of which are critical to U.S. foreign policy objectives.<sup>1</sup> State personnel working abroad may be eligible for such allowances in locations where they encounter harsh or dangerous living conditions. They also may be reimbursed for costs related to working overseas, including the cost of living in locations more expensive than Washington, D.C.; dependent education costs; and the costs of relocating to a new post or maintaining family members away from a post. Two allowances, in particular—hardship and danger pay—serve as key incentives for State personnel to work at challenging overseas locations. Hardship pay can provide additional compensation, up to 35 percent above basic compensation, for service at places where conditions of environment differ substantially from those in the continental United States.<sup>2</sup> For example, such locations might include overseas posts with unhealthy levels of pollution, high crime, or limited access to medical care. Danger pay can provide additional compensation, up to 35 percent above basic compensation, for service at places where civil insurrection, civil war, terrorism, or wartime conditions threaten physical harm or imminent danger to the health or well-being of an employee.<sup>3</sup> In 2015, State announced changes to its process for determining which overseas

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<sup>1</sup>For the purposes of this report, we will use the term *overseas posts* to refer to U.S. embassies, consulates, and other types of diplomatic and consular posts, such as multilateral missions or American presence posts.

<sup>2</sup>5 U.S.C. § 5925. State formally refers to this allowance as a hardship differential. We use the term *hardship pay* throughout this report in reference to the same allowance.

<sup>3</sup>5 U.S.C. § 5928. In addition, Section 652(g) of the *Department of State Standardized Regulations* (DSSR) authorizes “imminent danger pay” in designated areas for U.S. civilian employees accompanying uniformed military for whom the Secretary of Defense has established a similar benefit. We do not include “imminent danger pay” in the scope of this review.

posts are eligible to receive hardship and danger pay and the rates for these allowances. In the same year, State also expanded its efforts to identify and recover overpayments related to hardship and danger pay.<sup>4</sup>

You asked us to review issues related to State's administration of hardship and danger pay for its employees.<sup>5</sup> This report examines (1) State's spending at overseas posts for hardship and danger pay in fiscal years 2011-2016, (2) the extent to which State has followed its process for determining hardship and danger pay rates at overseas posts, (3) the procedures State uses to implement its policies for stopping and starting hardship and danger pay when employees temporarily leave their assigned overseas posts, and (4) the extent to which State has identified improper payments related to hardship and danger pay.

To examine State's spending at overseas posts for hardship and danger pay in fiscal years 2011-2016, we analyzed payroll data from State's Bureau of the Comptroller and Global Financial Services (CGFS) after determining it sufficiently reliable for the purposes of our reporting objective. All spending data in this report are presented in nominal dollars. We also interviewed CGFS officials. To determine the extent to which State has followed its process for determining hardship and danger pay rates at overseas posts, we compared State's implementation of its process for determining hardship and danger pay rates with its guidance. For hardship pay, we analyzed scoring for 192 overseas posts to determine whether the hardship rates for these posts accurately reflected the numeric scores they received based on State's analysis of conditions at posts. For danger pay, we reviewed memos and other documents approving changes to danger pay rates and analyzed these to determine whether they followed State's methodology. We also interviewed officials

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<sup>4</sup>An improper payment is defined by statute, in part, as any payment that should not have been made or that was made in an incorrect amount (including underpayments and overpayments) under statutory, contractual, administrative, or other legally applicable requirements. Improper Payments Information Act of 2002 (IPIA), Pub. L. No. 107-300, 116 Stat. 2350 (Nov. 26, 2002), *as amended by* the Improper Payments Elimination and Recovery Act of 2010 (IPERA), Pub. L. No. 111-204, 124 Stat. 2224 (July 22, 2010), *and* the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), Pub. L. No. 112-248, 126 Stat. 2390 (Jan. 10, 2013), *and codified as amended at* 31 U.S.C. § 3321 note.

<sup>5</sup>Employees from other foreign affairs agencies, such as the U.S. Agency for International Development and the Department of Commerce's Foreign Commercial Service, may also be eligible for hardship and danger pay when assigned to overseas posts. We did not include these agencies in the scope of this review.

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from the Office of Allowances (ALS), CGFS, and the Bureau of Diplomatic Security (DS) and Human Resources (HR). To examine the procedures State uses to implement its policies for stopping and starting hardship and danger pay when employees temporarily leave their assigned posts, we analyzed State policies and procedures and interviewed ALS, CGFS, and HR officials. To determine the extent to which State has identified improper payments related to hardship and danger pay, we analyzed CGFS data on the amount of improper payments identified and recovered for hardship and danger pay in 2015 and 2016. We also analyzed CGFS cable data from overseas posts in 2015 and 2016—cables that included information needed by CGFS to make adjustments to hardship pay. To address multiple objectives, we conducted a videoconference with officials at the U.S. embassy in Port-au-Prince, Haiti, and conducted fieldwork at U.S. embassies in Islamabad, Pakistan; Mexico City, Mexico; New Delhi, India; and Tunis, Tunisia. We selected these posts for fieldwork based on several factors, including their hardship and danger pay rates, whether they were affected by changes State made in 2015 to its process for determining hardship and danger pay eligibility and rates, and to provide geographic dispersion. See appendix I for additional information about our objectives, scope, and methodology.

We conducted this performance audit from April 2016 through September 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

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### State Provides Hardship and Danger Pay at Many of Its Overseas Posts

State provides hardship and danger pay to employees who serve at many of its overseas posts as an incentive to work in harsh or dangerous locations, many of which are critical to advancing U.S. foreign policy



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objectives.<sup>6</sup> As of February 5, 2017, State offered hardship pay at 188 of its 273 overseas posts (about 69 percent), with hardship rates ranging from 5 percent to 35 percent above basic compensation in 5-percent increments (see fig. 1). For example, State employees serving at posts such as Dhaka, Bangladesh; Kabul, Afghanistan; and Abuja, Nigeria, were eligible for the maximum hardship rate of 35 percent above basic compensation. State employees serving at posts such as Windhoek, Namibia; Reykjavik, Iceland; and Vilnius, Lithuania, were eligible for the minimum 5-percent hardship rate. State did not offer hardship pay at 85 of its 273 overseas posts (about 31 percent). According to State data, about three-quarters of the department's Foreign Service overseas work force,<sup>7</sup> as of September 30, 2016, was based at a post designated for hardship pay.

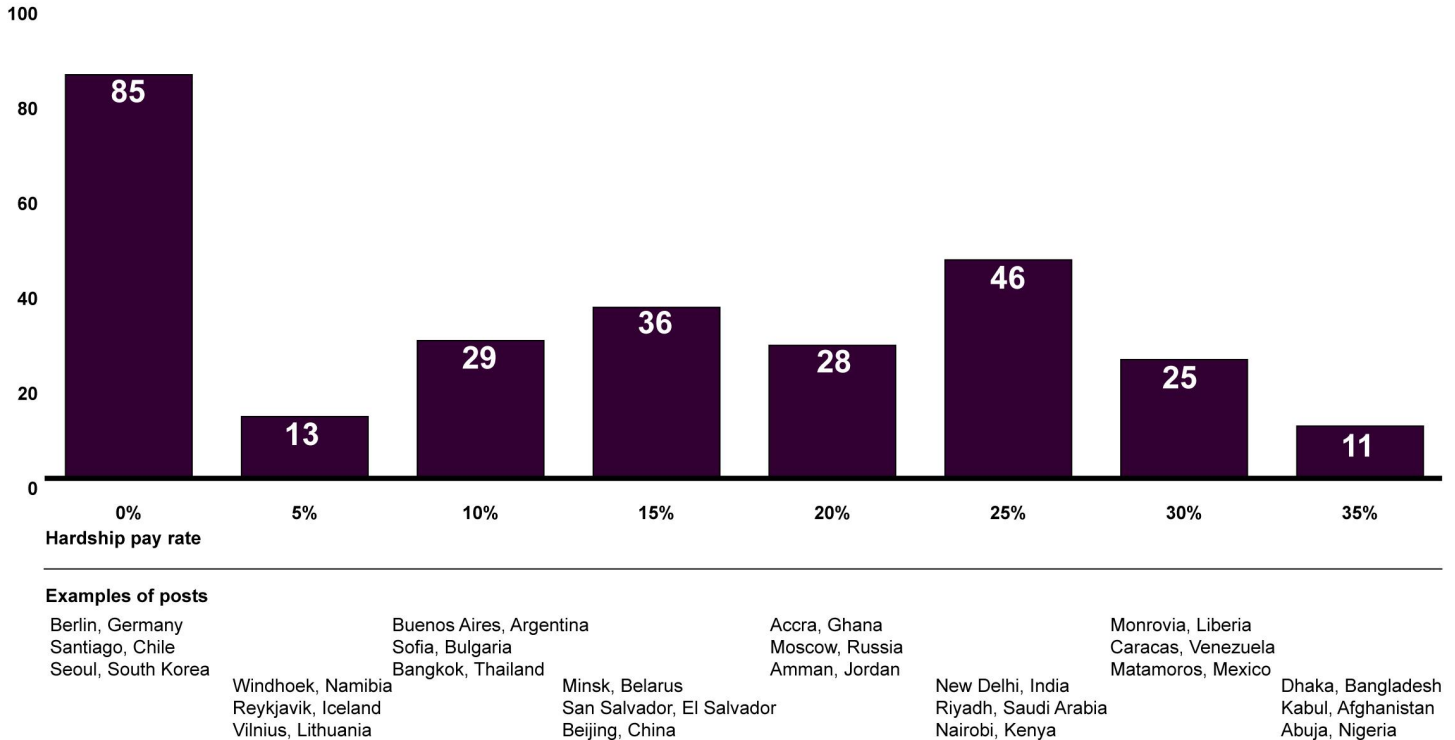
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<sup>6</sup>State employees may also be eligible for hardship or danger pay during temporary assignments to other locations where State does not maintain a permanent presence.

<sup>7</sup>This calculation is based on State's Foreign Service full-time permanent overseas work force assigned to U.S. diplomatic and consular posts. It includes career and career conditional full-time employees, noncareer full-time employees, and noncareer limited full-time employees—all U.S. citizens.

**Figure 1: Number of Department of State Overseas Posts by Hardship Pay Rate above Basic Compensation, as of February 5, 2017**

Number (of posts)

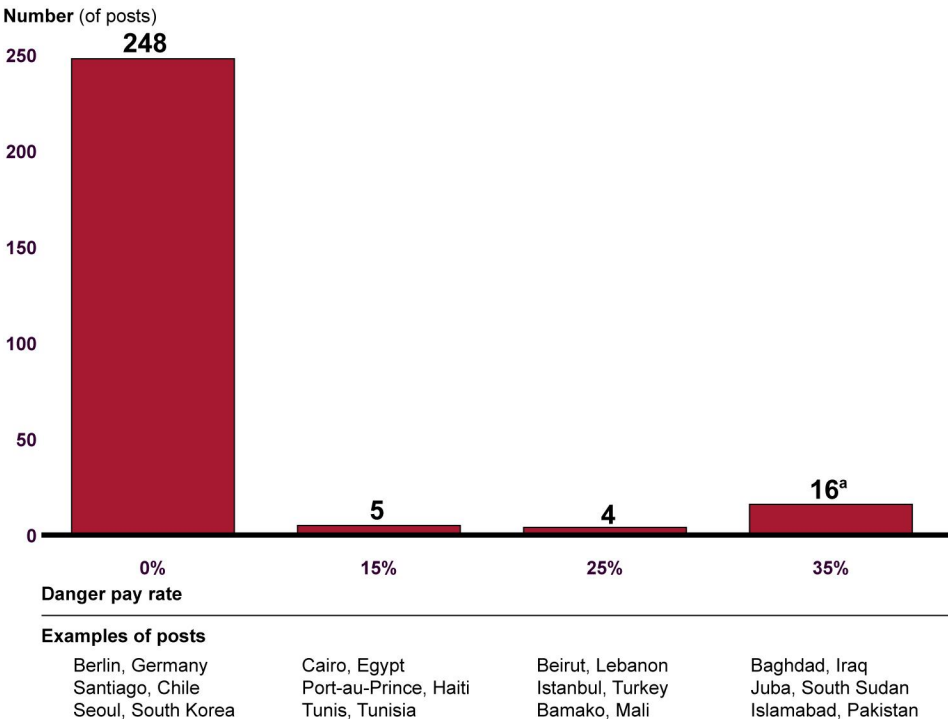


Source: GAO analysis of Department of State data. | GAO-17-715

Note: This figure reflects hardship pay for service at overseas U.S. diplomatic and consular posts. Department of State employees may also be eligible for hardship pay during temporary duty to other specified locations.

As of February 5, 2017, State had provided danger pay at 25 of its 273 overseas posts (about 9 percent), with danger pay rates ranging from 15 percent to 35 percent above basic compensation, in 10-percent increments (see fig. 2). State employees serving at posts such as Baghdad, Iraq; Juba, South Sudan; and Islamabad, Pakistan, received the maximum danger pay rate of 35 percent above basic compensation. State employees serving at posts in Cairo, Egypt; Port-au-Prince, Haiti; and Tunis, Tunisia, received the minimum danger pay rate of 15 percent above basic compensation. State did not offer danger pay at 248 of its 273 overseas posts (about 91 percent). According to State data, about 15 percent of the department's Foreign Service overseas work force, as of September 30, 2016, was based at a post designated for danger pay.

**Figure 2: Number of Department of State Overseas Posts by Danger Pay Rate above Basic Compensation, as of February 5, 2017**



Source: GAO analysis of Department of State data. | GAO-17-715

Note: This figure reflects danger pay for service at overseas U.S. diplomatic and consular posts. Department of State employees may also be eligible for danger pay during temporary duty to other specified locations.

<sup>a</sup>The 35-percent category includes four posts—Damascus, Syria; Mogadishu, Somalia; Sana’a, Yemen; and Tripoli, Libya—where operations were suspended inside the country, as of February 5, 2017.

At some posts, State employees are eligible to receive both hardship and danger pay up to a maximum combined rate of 70 percent above basic compensation. As of February 5, 2017, 21 overseas posts were eligible for both allowances, and 6 posts were receiving the maximum 70 percent combined rate for hardship and danger pay.<sup>8</sup>

<sup>8</sup>As of February 5, 2017, these posts were Bangui, Central African Republic; Basrah, Iraq; Kabul, Afghanistan; Mogadishu, Somalia; Peshawar, Pakistan; and Tripoli, Libya.

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## State Assessments in 2011 and 2015 Validated the Importance of Hardship and Danger Pay to Staffing Posts

State completed assessments in 2011 and 2015 that identified hardship and danger pay as important factors in employees' bidding decisions and staffing for overseas posts.<sup>9</sup> A 2011 evaluation found hardship and danger pay to be the most important individual incentives in staffing hardship posts.<sup>10</sup> Specifically, the 2011 evaluation stated that an increase in either incentive would have a positive impact on bidding and staffing, whereas a decrease would have a negative impact. A survey component of the evaluation concluded that hardship and danger pay were among the top three most important individual incentives, among 52 different incentives, for employees at most career stages and types of family status to take into consideration when bidding on hardship posts. Another component of the evaluation, which analyzed the relationship between spending on financial incentives and success in staffing hardship posts, determined that, among 10 financial incentives, hardship and danger pay had the strongest influence on filling positions, including hard-to-fill positions. In 2015, State reconfirmed these findings as part of a study to determine which incentives were viewed as most influential in the recruitment of Foreign Service officers to Priority Staffing Posts.<sup>11</sup> As part of this study, State employees identified hardship and danger pay as among the top 4 out of 16 incentives that would influence them to bid on Priority Staffing Posts. During our fieldwork, we held roundtable

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<sup>9</sup>State assigns Foreign Service officers to positions overseas through an assignment system that considers employees' preferences through a bidding process. Employees bid on posts from June through October preceding the year they are transferred to their post of assignment.

<sup>10</sup>This evaluation was undertaken in response to a 2009 GAO report, which examined State's incentives to address staffing gaps at hardship posts. In this report, we found that State used a range of incentives to staff hardship posts, but their effectiveness was unclear because of a lack of evaluation. We recommended that the Secretary of State develop and implement a plan to evaluate incentives for hardship post assignments to ensure that hardship posts are staffed commensurate with their stated level of strategic importance and that resources are properly targeted. GAO, *Department of State: Additional Steps Needed to Address Continuing Staffing and Experience Gaps at Hardship Posts*, [GAO-09-874](#) (Washington, D.C.: Sept. 17, 2009).

<sup>11</sup>State designates certain overseas posts as Priority Staffing Posts. These posts have an early bidding round each year that precedes the bidding round for other posts. Additionally, employees assigned to Priority Staffing Posts receive a special set of benefits, referred to as a Service Recognition Package, to incentivize bidding. These packages may offer benefits such as 1-year tours of duty, extra rest and recuperation travel, and additional compensation.

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discussions with staff across various offices from five overseas posts, and most employees confirmed that hardship and danger pay remained important incentives for making bidding decisions.<sup>12</sup>

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## Various State Entities Help Administer Hardship and Danger Pay

Several State entities play roles in the administration of hardship and danger pay.

- **ALS** develops and coordinates policies, regulations, standards, and procedures to administer hardship and danger pay, among other allowances, under the *Department of State Standardized Regulations* (DSSR). In particular, ALS is responsible for implementing processes to determine which overseas posts will be eligible to receive hardship and danger pay and the rates for these allowances. For example, ALS analyzes information on conditions at overseas posts to determine appropriate hardship pay rates. The Director of ALS also chairs the Danger Pay Review Board, which makes recommendations to the Assistant Secretary for Administration concerning overseas posts proposed for danger pay.<sup>13</sup>
- **CGFS** processes hardship and danger pay for State employees through State's payroll system and oversees the identification and recovery of overpayments for these and other allowances when they occur.
- State offices at **overseas posts** serve various functions related to hardship and danger pay. They provide information to ALS through periodic hardship questionnaires that inform hardship pay determinations and may provide information to the Danger Pay Review Board through their regional bureaus requesting changes to danger pay outside of the annual review cycle. These offices also administer systems and procedures at posts to facilitate the processing of hardship and danger pay and to ensure compliance with State's rules on employee eligibility for these allowances. For

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<sup>12</sup>The five posts were Ciudad Juarez, Mexico; Islamabad, Pakistan; Mexico City, Mexico; New Delhi, India; and Tunis, Tunisia. We held the roundtable discussion with staff from Ciudad Juarez via videoconference from Mexico City.

<sup>13</sup>Other offices that participate in the Danger Pay Review Board include DS, HR, and State's Bureau of Administration; the regional bureaus; the Undersecretary for Management; and the Office of Management Policy, Rightsizing, and Innovation.

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example, overseas posts manage the time and attendance process, which State uses to record danger pay hours for permanently assigned employees. Overseas posts are also responsible for notifying CGFS when employees temporarily depart and return to posts so that CGFS can stop and start hardship pay in accordance with State's policy.<sup>14</sup>

- **The Bureau of Diplomatic Security's Office of Intelligence and Threat Analysis** generates annual Security Environment Threat List (SETL) ratings for overseas posts—such as for political violence, terrorism, and crime—which play a role in determining danger pay eligibility and hardship pay rates.
- State's **Undersecretary for Management** determines whether eligible family members are allowed at overseas posts (i.e., "accompanied status"), which is the primary factor in determining the rates above basic compensation that employees are paid at posts that State deems eligible for danger pay. When determining "accompanied status," State considers factors that could impact a post's operations; movement; and the health, safety, and security of a post's facilities and its personnel.

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## State Spent About \$1 Billion for Hardship and Danger Pay in Fiscal Years 2011-2016

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### State Spent About \$732 Million for Hardship Pay and \$266 Million for Danger Pay during Fiscal Years 2011-2016

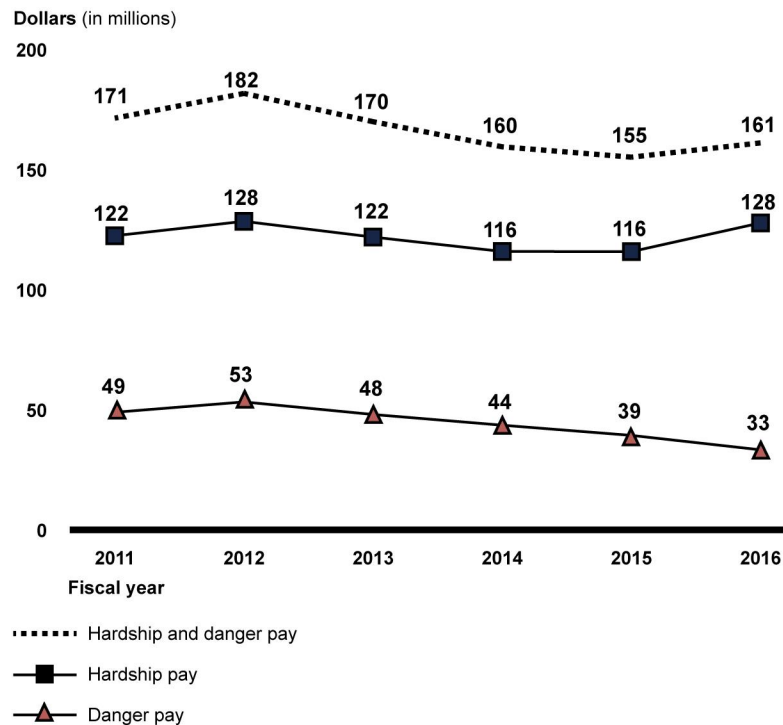
State spent about \$1 billion for hardship and danger pay in fiscal years 2011 through 2016, including \$732 million for State employees serving in locations designated for hardship pay and \$266 million for employees serving in locations designated for danger pay. As shown in figure 3, spending on danger pay declined from about \$49 million to \$33 million over this period, whereas spending on hardship pay increased from about \$122 million to \$128 million. Combined spending for the two allowances declined by about \$10 million in fiscal years 2011 through 2016, primarily

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<sup>14</sup>The specific offices responsible for these functions may vary from post to post, but at the posts we visited they were carried out by the Management Office or one of its suboffices, such as Financial Management or Human Resources.

because of reduced spending on these allowances in Iraq and Afghanistan. Specifically, spending on hardship and danger pay in Iraq and Afghanistan declined by almost \$28 million in fiscal years 2011 through 2016, whereas spending on these allowances at all other posts increased by about \$17 million over this period.

**Figure 3: Department of State Spending for Hardship Pay and Danger Pay, Fiscal Years 2011-2016**



Source: GAO analysis of Department of State payroll data. | GAO-17-715

Note: Because of rounding, spending amounts for hardship and danger pay may not sum precisely to totals. Spending data are presented in nominal dollars. We also analyzed trends in hardship and danger pay over this period, using data that had been adjusted for inflation, using the gross domestic product price index. We determined that trends in hardship and danger pay, expressed in terms of constant (inflation-adjusted) dollars, did not deviate appreciably from the trends reported in figure 3.

## State's Worldwide Spending on Hardship and Danger Pay in Fiscal Years 2011-2016 Varied by Country

State's global spending for hardship and danger pay in fiscal years 2011 through 2016 varied, depending on the allowance rates and staffing levels

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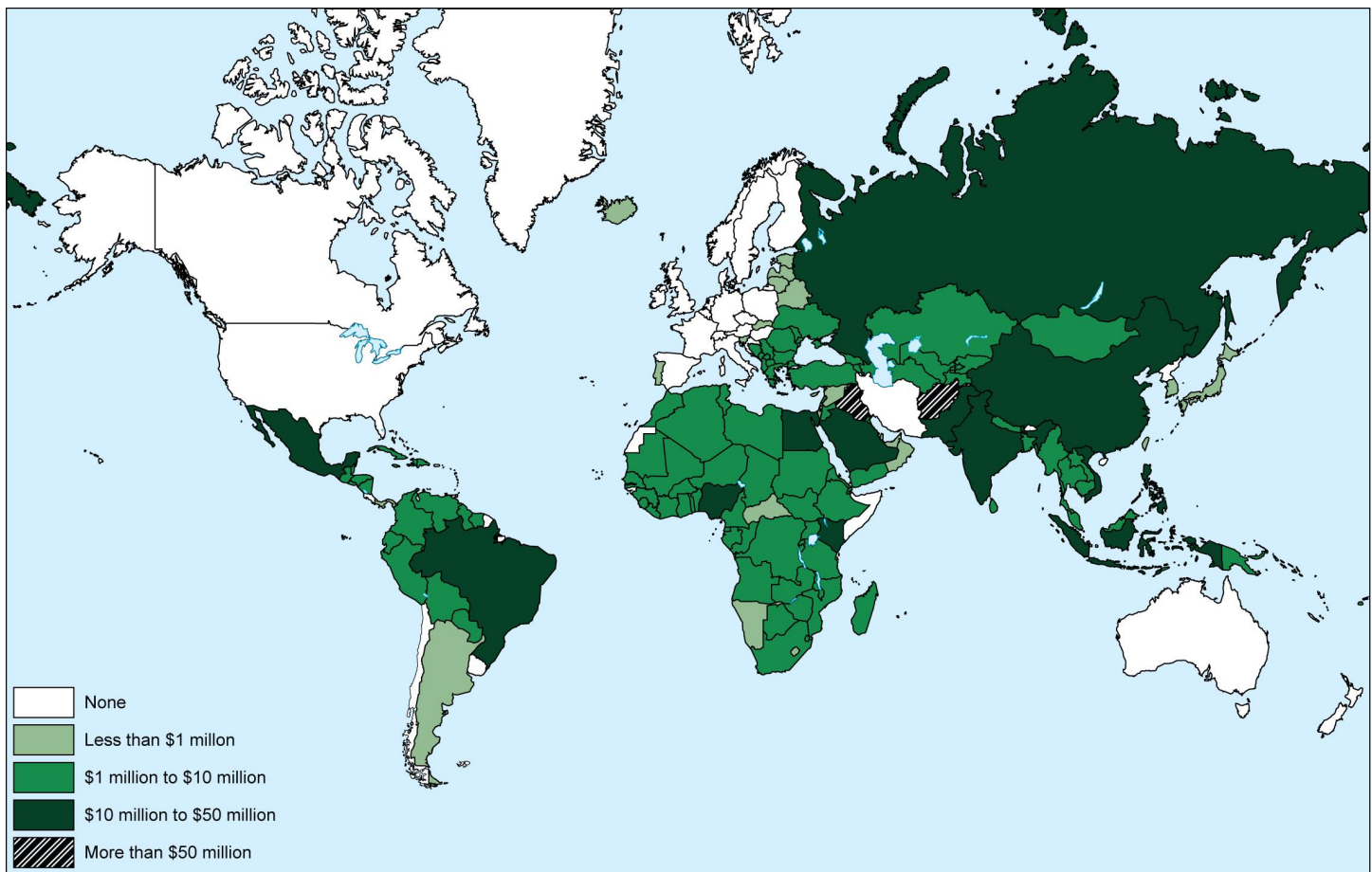
at posts in a given country.<sup>15</sup> For example, in fiscal year 2016, State spent about the same amount on hardship pay in Dhaka, Bangladesh (\$1,348,242), a post eligible for hardship pay at 35 percent above basic compensation, as it did in Bangkok, Thailand (\$1,328,286), a post eligible for hardship pay at 10 percent above basic compensation, because State has almost three times as many personnel assigned to Thailand (132 Foreign Service officers) as it has to Bangladesh (47 Foreign Service officers). Figure 4 shows State's worldwide spending for hardship pay in fiscal years 2011 through 2016.

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<sup>15</sup>Some countries have multiple posts, across which hardship and danger pay rates can vary. For example, State operates 10 posts in Mexico, including 1 embassy and 9 consulates general. The hardship pay rates for these posts varied from 15 percent to 30 percent, as of September 18, 2016.



**Figure 4: Map of State Spending on Hardship Pay by Country, Fiscal Years 2011-2016**



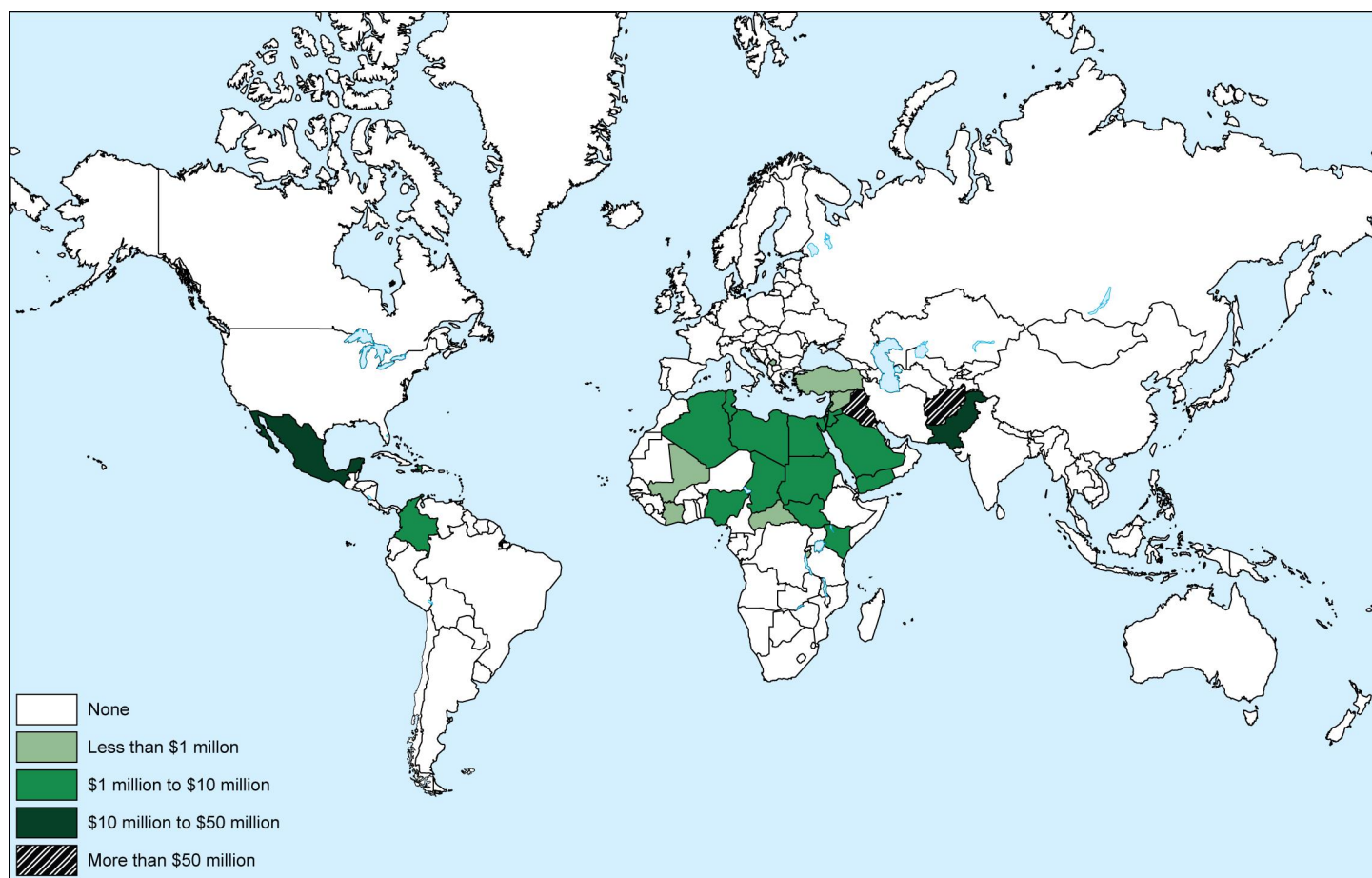
Sources: GAO analysis of Department of State payroll data; Map Resources (map). | GAO-17-715

Note: This figure does not include about \$31 million of the \$732 million in hardship pay spending in fiscal years 2011-2016 that the Department of State (State) recorded as an “adjustment” and is not linked to a specific post in State’s payroll system. According to officials from State’s Bureau of the Comptroller and Global Financial Services, adjustments generally represent payments that were paid retroactively—for example, because of temporary duty at a hardship post. For more detailed information on State’s hardship pay spending by country in fiscal years 2011-2016, see an interactive graphic that can be viewed at <http://www.gao.gov/products/GAO-17-715>.

As illustrated in figure 5, countries with danger pay spending in fiscal years 2011 through 2016 are largely concentrated in the Middle East and Africa. Several countries with danger pay spending during this period—

including Mexico, Colombia, and Saudi Arabia—were no longer eligible for danger pay, as of February 5, 2017.<sup>16</sup>

**Figure 5: Map of State Spending on Danger Pay by Country, Fiscal Years 2011-2016**



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

Note: This figure does not include about \$22 million of the \$266 million in danger pay spending in fiscal years 2011-2016 that the Department of State (State) recorded as an “adjustment” and is not linked to a specific post in State’s payroll system. According to officials from State’s Bureau of the Comptroller and Global Financial Services, adjustments generally represent payments that were paid retroactively—for example, because of temporary duty at a danger pay post. For more detailed information on State’s danger pay spending by country in fiscal years 2011-2016, see an interactive graphic that can be viewed at <http://www.gao.gov/products/GAO-17-715>.

<sup>16</sup>State implemented changes in the way it determines danger pay in 2015, which caused posts in these countries to lose danger pay. We discuss these changes in greater detail in the next section of this report.

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An interactive graphic accompanying this report illustrates hardship and danger pay spending by country and fiscal year and provides information on hardship and danger pay rates and numbers of Foreign Service officers by overseas post for fiscal year 2016.<sup>17</sup>

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### Afghanistan and Iraq Were the Top Two Countries for State Spending on Hardship and Danger Pay in Fiscal Years 2011-2016

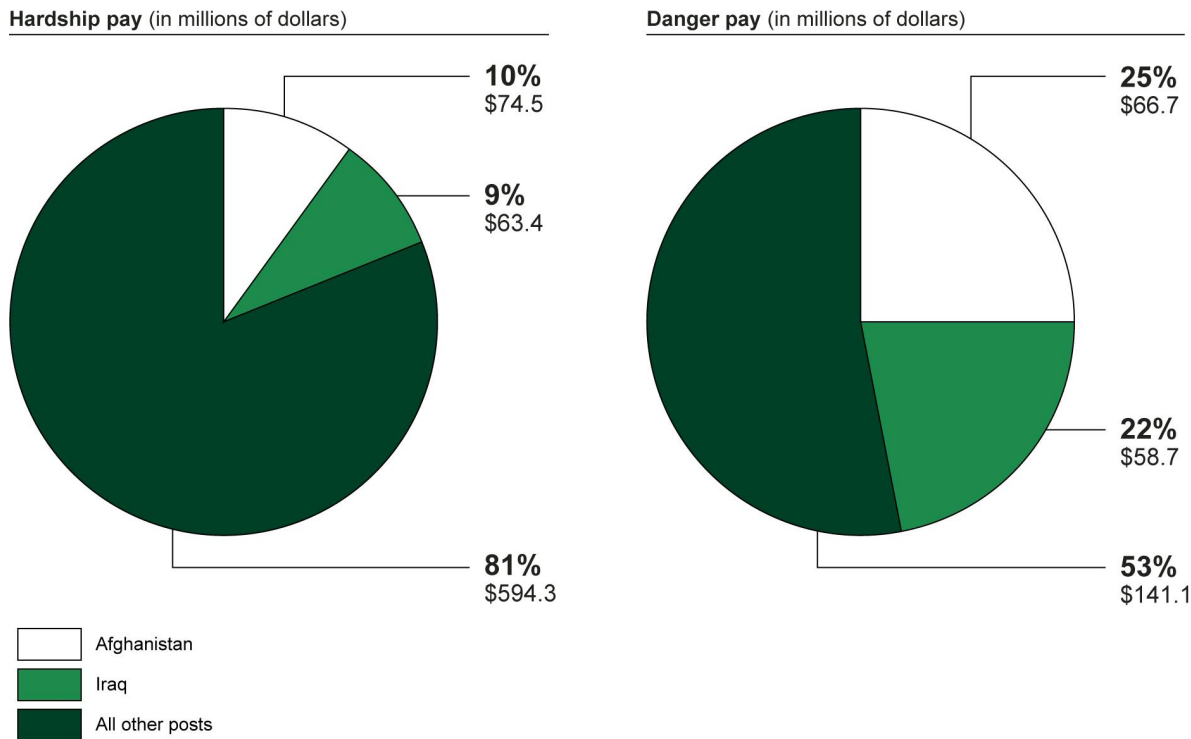
Afghanistan and Iraq were the top two countries for State's spending on both hardship and danger pay in fiscal years 2011 through 2016 and accounted for a substantial portion of State's spending on these two allowances.<sup>18</sup> As shown in figure 6, State spent about \$138 million on hardship pay in Afghanistan and Iraq in fiscal years 2011 through 2016—about 19 percent of its total spending on hardship pay. State spent about \$125 million on danger pay in these two countries over the same period, almost half of its worldwide danger pay spending. Posts in Afghanistan and Iraq are among the largest in the world, and all have hardship and danger pay rates of 30 or 35 percent.

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<sup>17</sup>The interactive graphic can be viewed at <http://www.gao.gov/products/GAO-17-715>.

<sup>18</sup>In fiscal years 2011-2016, State's spending on hardship pay was third highest in China (\$34.4 million), and its spending on danger pay was third highest in Pakistan (\$37.6 million).

**Figure 6: Percentage of State Spending on Hardship and Danger Pay in Iraq, Afghanistan, and All Other Overseas Posts, Fiscal Years 2011-2016**



Source: GAO analysis of Department of State (State) payroll data. | GAO-17-715

## State Mostly Followed Its Process for Determining Hardship Pay Rates and Followed Its Process for Determining Danger Pay Rates

In most cases, State followed its process for determining hardship pay rates by analyzing survey responses and other data on living conditions at overseas posts. However, in a few cases, State awarded “Director Points”—additional points awarded at the discretion of the Director of State’s Office of Allowances (ALS)—to increase hardship pay without clearly explaining in its documentation how posts met relevant criteria. For danger pay, State followed its process of determining rates based on political violence and terrorism threat ratings and whether family members are allowed at overseas posts.

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## State Mostly Followed Its Process for Determining Hardship Pay Rates at Overseas Posts but in a Few Cases Awarded Director Points without Adequately Explaining How Posts Met Relevant Criteria

### State Mostly Followed Its Process for Determining Hardship Pay Rates at Overseas Posts

ALS determines hardship pay rates through a process of analyzing factors affecting living conditions at overseas posts such as physical and social isolation, crime, air pollution, and medical care. ALS collects information on these factors based on periodic surveys of overseas posts and data from State offices and other sources. ALS employees evaluate this information against written standards and assign points for each factor. For example, a post with unhealthy levels of air pollution would receive more points for this factor than a post with good air quality. ALS sums the points assigned to individual factors to calculate a total numeric score for each post, and specified ranges of scores correspond to hardship pay rates ranging from 0 to 35 percent above basic compensation. For example, under State's system, posts with scores under 50 do not receive hardship pay, whereas posts with scores of 150 or higher are eligible for the maximum hardship pay rate of 35 percent above basic compensation. Table 1 shows the factors that contribute to a post's hardship score and the percent of the total score accounted for by each category of factors.<sup>19</sup>

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<sup>19</sup>In April 2015, State made several changes to the standards and scoring system it uses to determine hardship pay—the first such changes since 2002. Specifically, State updated its hardship survey and scoring system based on input from overseas posts to better reflect hardships associated with modern life overseas. For example, State eliminated or deemphasized factors such as library access and landline phone availability and increased credit for factors such as health and safety, lack of spousal employment opportunities, and poor Internet access, among other things.

**Table 1: Factors That Contribute to Hardship Scores for Overseas Posts and the Percentage of a Post's Score Accounted for by Each Category of Factors**

Hardship category	Examples of contributing factors	Percentage of total hardship score
Political violence, terrorism, and harassment	• Restrictions on travel, harassment of U.S. community, threat of political violence and terrorism	17
Medical	• General medical services; emergency room services; incidence of malaria, infectious hepatitis, tuberculosis, dengue fever, and other diseases	13
Social isolation	• Language barriers, spousal employment opportunities, restrictions on social life, Internet service limitations, living on a compound, restrictions on family at post	13
Environmental conditions and sanitation	• Air pollution, food and water sanitation, sewage and garbage disposal methods, public health conditions, pest control, diarrhea and malaria risk	12
Climate	• Excessive dust, mildew, cloudiness or darkness, high or low temperatures, humidity, rainfall	9
Crime	• Threat of violent crime, burglaries, assaults, and theft	9
Housing and infrastructure	• Privacy, location, and physical adequacy of housing; traffic and road conditions; adequacy of public transportation	8
Physical isolation	• Geography, accessibility of changes in environment, mail service, latitude, altitude	7
Community resources	• Access to and quality of meat, milk, fruits, vegetables, and consumer products; sports and outdoor life; social recreation and entertainment; religious facilities	6
Education	• Adequacy of education at all grade levels and special needs education	4
Import restrictions	• Restrictions on importation of specified goods, personally owned vehicles, and pets; shipment delays	2

Source: GAO analysis of information from the Department of State's Office of Allowances. | GAO-17-715

### Example of a Factor Affecting Hardship Pay: Air Pollution in New Delhi, India

Various factors affect the hardship pay rates for overseas posts. For example, air pollution contributes to the 25-percent hardship rate for Embassy New Delhi, one of the posts we visited as part of our field work.



Source: © 2017 Jennifer Eisele. | GAO-17-715

Source: GAO analysis of Department of State data. | GAO-17-715

Specifically, ALS develops the hardship scores as follows:

- ALS bases about half of a post's score on its analysis of the post's responses to a survey. Among other things, the survey includes questions about the physical isolation of the post, level of community resources, environmental conditions and sanitation, and the incidence of certain diseases. Multiple offices at post contribute to the survey responses, and posts may include supporting documentation such as photos or orientation materials provided to newly arriving employees.
- ALS determines the other half of a post's score based on its analysis of data collected from State offices. For example, ALS obtains information on levels of crime at overseas posts from DS, medical services capabilities from the Office of Medical Services, and education facilities from the Office of Overseas Schools.
- The Director of ALS reviews a post's score as determined by ALS and can add additional Director Points if she deems that there are extreme conditions at the post not adequately captured in State's written standards.

ALS normally scores and updates hardship rates for each post every 4 years.<sup>20</sup> According to ALS officials, overseas posts remain free to submit new surveys outside of the normal 4-year cycle if warranted by significant changes to the living conditions at a post. For example, ALS officials said that Embassy Caracas submitted an out-of-cycle hardship survey in October 2015 because of rapidly deteriorating conditions in Venezuela. Based on this new information, ALS calculated a new score for Embassy Caracas and approved a 5-percentage point increase in its hardship rate, from 20 percent to 25 percent.

### State Awarded Director Points in a Few Cases without Adequately Documenting How Posts Met Relevant Criteria

State mostly followed its process for determining hardship pay rates for overseas posts but in a few cases awarded Director Points without adequately explaining in its documentation how the conditions at posts met relevant criteria. We reviewed ALS scoring for 192 overseas posts as

<sup>20</sup>In April 2015, ALS changed the reporting schedule to require surveys from posts every 4 years instead of every 2 years, with plans for ALS to conduct an interim update every 2 years based on its analysis of available data. As of February 2017, ALS had instituted the 4-year reporting schedule for post surveys but had not yet initiated the planned 2-year updates.

of October 2016 and determined that the hardship rates for these posts accurately reflected the scores they received based on State's analysis of the conditions at these posts.<sup>21</sup> For 15 of these posts, State awarded additional Director Points ranging from 2 to 12 points, which in each case enabled the posts to reach the scoring threshold for the next-highest hardship rate. That is, State approved hardship rates for these posts that were 5 percent higher than the rate they would have received in the absence of Director Points. State policies note that Director Points may be awarded for extreme conditions not adequately captured in State's written standards. For each of the 15 posts, State documented its decision to award Director Points in a memo approved by the Director of ALS. We reviewed the 15 memos and found the following:

- **Three of the 15 memos clearly documented how the posts met State's criteria for awarding Director Points.** Specifically, these memos noted that the three posts submitted hardship surveys shortly before State's revised standards and scoring system took effect in 2015, and State awarded these three posts Director Points to compensate for extreme living conditions that would have received additional credit under the updated methodology.
- **Twelve of the 15 memos did not clearly document how the posts met State's criteria for awarding Director Points.** All 12 memos cited conditions that are already factored into State's hardship standards and scoring system, such as high crime, social isolation, or a difficult climate. Additionally, some of these memos cited conditions that did not meet State's criteria for awarding Director Points. For example, some cited concerns at posts over losing danger pay as part of the justification, and one cited, among other things, a desire to keep the post at its previous hardship pay rate—in part to preserve its eligibility for additional "rest and recuperation" leave, which was contingent upon its being designated as a hardship post.

The current ALS Director was unsure why Director Points were approved in the cases we identified as lacking clear explanations for how conditions at the specified posts met State's criteria. These cases predated her tenure as Director of ALS and, as of June 6, 2017, she had not approved Director Points for any posts since she assumed her position in the summer of 2016. She noted that Director Points may have been used

<sup>21</sup>The 192 overseas posts for which we reviewed hardship scoring did not match the 188 posts eligible for hardship pay because, among other reasons, ALS calculated hardship scores for some posts that did not score high enough to be eligible for hardship pay.



more liberally in 2015 to ease the transition for posts concerned about losing danger pay, but she underscored that the updates State made to its hardship standards and scoring system in 2015 should lessen the need to use Director Points because the new standards better reflect the type and severity of conditions at overseas posts. Accordingly, the ALS Director noted that State plans to limit the use of Director Points going forward so as not to “tip the scales” for specific posts, although there still may be extenuating circumstances that justify their use. Moreover, she added that in the instances when Director Points are justified, ALS would need to clearly show how the conditions justifying Director Points are not already captured in State’s hardship standards.

State’s *Foreign Affairs Manual* (FAM) states that employees, within their area of responsibility, must create and preserve documents that properly and adequately document the organization, functions, policies, decisions, procedures, and essential transactions of the department.<sup>22</sup> Furthermore, the FAM provision on adequacy of documentation states that records should be complete to the extent necessary to facilitate the making of decisions and policies and the taking of action by the incumbents and their successors in office. Although State has used memos to document its decisions to award Director Points, in some cases these memos do not clearly explain how the conditions at posts met State’s criteria. Without clearer documentation, State does not have information that is clear enough to facilitate the making of decisions and policies by incumbent and successors of the office of the ALS Director. Furthermore, State cannot provide assurances that it is applying Director Points fairly across posts and tenures of ALS Directors, which could lead to inconsistent hardship pay determinations.

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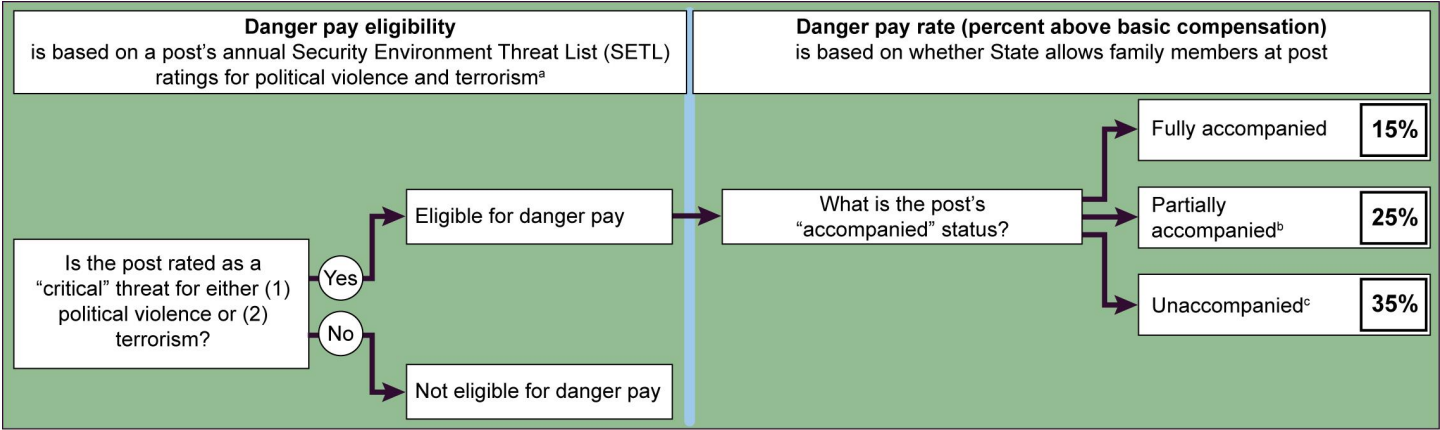
## State Followed Its Process for Determining Danger Pay Rates at Overseas Posts

We found that State followed the new process it implemented in 2015 for determining danger pay rates at overseas posts. To determine danger pay rates at overseas posts, State uses a two-part process that bases danger pay eligibility on threat ratings for political violence and terrorism at posts and danger pay rates on whether eligible family members are allowed at posts (see fig. 7).

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<sup>22</sup>Department of State, *Foreign Affairs Manual*, 5 FAM 420, “Creating Records.”

Figure 7: State Process for Determining Danger Pay Eligibility and Rates above Basic Compensation for Overseas Posts



Source: GAO analysis of Department of State (State) documents. | GAO-17-715

Note: This process for determining danger pay rates applies to U.S. diplomatic and consular posts overseas. State employees may also be eligible for danger pay during temporary duty to other specified locations. Danger pay for these locations is recommended on a case by case basis by the Danger Pay Review Board.

<sup>a</sup>Security Environment Threat List ratings are determined annually by State's Bureau of Diplomatic Security. Posts may also make "out of cycle" requests for danger pay by submitting a memo for consideration to the Danger Pay Review Board.

<sup>b</sup>According to State officials, posts in this category may include only adult eligible family members or may allow eligible adults and children younger than school age.

<sup>c</sup>This category also includes posts that allow adult working-eligible family members or posts where operations are suspended.

Following its policies, State determines eligibility for danger pay based on SETL ratings for (1) political violence and (2) terrorism at posts,<sup>23</sup> which are generated by the DS Office of Intelligence and Threat Analysis.<sup>24</sup> Overseas posts with a critical threat rating in either of these categories are eligible for danger pay.<sup>25</sup> DS generates SETL ratings annually, reflecting threat levels for all overseas posts permanently staffed by direct

<sup>23</sup>Conditions of political violence and terrorism also contribute to a post's hardship rate. When a post receives danger pay, State removes the credit for political violence and terrorism from hardship pay—which usually results in a decrease in the hardship pay rate—in order to avoid duplication of benefits for the same condition. Conversely, when a post loses danger pay, State adds the credit for political violence and terrorism back into hardship pay, usually resulting in an increase to the hardship pay rate.

<sup>24</sup>DS also generates SETL ratings for crime, which factor into hardship pay determinations.

<sup>25</sup>The possible threat ratings are low, medium, high, and critical. A critical threat rating indicates a grave impact on U.S. officials.

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hire personnel who operate under the Chief of Mission.<sup>26</sup> SETL ratings reflect the views of the leadership team at each post as well as the analysts at DS who assess threats to overseas posts worldwide. Political violence ratings incorporate the threat to U.S. officials from civil unrest, government collapse, demonstrations, coups d'état, and inter- or intrastate conflicts, to include, but not limited to, armed insurgents and drug trafficking organizations. Terrorism ratings consider the threat of violence from foreign terrorist organizations and other international terrorist groups that possess the capability and intent to recruit, plan, finance, and execute local attacks against official U.S. interests. For posts that meet eligibility criteria, State determines danger pay rates based on the "accompanied status" at overseas posts—that is, whether eligible family members are allowed to reside at posts. The three tiers of danger pay (15, 25, and 35 percent above basic compensation) correspond to different types of accompanied status. Fully accompanied posts receive the lowest danger pay rate of 15 percent above basic compensation. Partially accompanied posts receive a 25-percent danger pay rate.<sup>27</sup> Unaccompanied posts and posts that allow only adult working-eligible family members are entitled to the highest danger pay rate of 35 percent.

The Danger Pay Review Board evaluates danger pay rates as part of an annual review cycle and on an ad hoc basis for event-driven reasons. The board meets each fall to reevaluate danger pay following DS's release of new SETL ratings and recommends posts to add or delete from the danger pay list. Regional bureaus may also request danger pay for posts outside of the annual cycle for event-driven reasons—for example, if political unrest leads to the evacuation of family members from a post. These requests must specify the conditions at the location that meet the qualifying factors in the danger pay statute and regulations. Additionally, regional bureaus may request danger pay for locations other than established overseas posts where employees from State or other eligible agencies operate. Because these locations do not have SETL ratings, the Danger Pay Review Board evaluates these requests and makes its

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<sup>26</sup>The SETL may also reflect threat levels for some select overseas posts where operations have been temporarily suspended or closed but where threat levels continue to be relevant to certain DS programs.

<sup>27</sup> According to State officials, partially accompanied posts may allow only eligible adult family members or may allow eligible adults and children younger than school age. According to State officials, children younger than school age are permitted in these instances because they are typically with their parents and less exposed to additional threats in schools and other activities.

recommendations based on the specific conditions at these locations. The board generally makes recommendations regarding requests for danger pay at these other locations in conjunction with its annual review.

State implemented its current process for determining danger pay rates in April 2015—the result of its first review of its processes for determining danger pay rates at overseas posts since the 1980s. Prior to these changes, ALS scored posts and determined danger pay rates based on responses to a danger pay survey completed periodically by posts, similar to the process now used to determine hardship pay. State's review identified some inconsistencies between the conditions at posts receiving danger pay and the qualifying factors cited in the authorizing statute and regulations. For example, some posts were receiving danger pay primarily because of high crime rates even though danger pay regulations stipulate that the qualifying conditions for danger pay do not include acts characterized chiefly as economic crime.<sup>28</sup> State's review also determined that the survey-based scoring process was largely duplicative with the SETL process led by DS and, moreover, that DS possessed greater expertise than ALS for assessing the threats at overseas posts and ensuring consistency in threat ratings across posts. According to State officials, the new process for determining danger pay rates ensures greater transparency, consistency, and fairness.

In 2015, State completed its first annual review of danger pay under the new process by assessing whether overseas posts had qualifying SETL ratings and then determining rates based on the accompanied status of these posts. As a result, 34 overseas posts and other locations lost danger pay, 7 received danger pay that previously had not been eligible for it, and 15 experienced increases in their danger pay rates.

In conjunction with its implementation of the new process for determining danger pay rates, State adjusted hardship pay rates for affected posts by adding or subtracting credit for political violence and terrorism—factors that help determine rates for both allowances. Credit for these factors must be removed from hardship pay when a post receives danger pay to avoid duplication of benefits for the same condition. Removing this credit from the hardship scoring usually results in a decrease in the hardship pay rate. Conversely, credit for these factors is added back into hardship pay when a post loses danger pay, commonly resulting in an increase in

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<sup>28</sup>DSSR Section 652(a).

the hardship pay rate. As a result of these adjustments, most of the posts that lost danger pay (27 of the 34) experienced an increase in hardship pay that offset some or all of their loss in danger pay. For example, six posts in Mexico lost danger pay under the new process because they lacked qualifying SETL ratings. However, all six received increases in hardship pay, which partially or fully offset the loss of danger pay.<sup>29</sup> Correspondingly, six of the seven posts that became newly eligible for danger pay experienced partially offsetting reductions in hardship pay. In November 2016, State conducted its second annual danger pay review cycle under the new process. Four posts subsequently lost danger pay because they no longer had qualifying SETL ratings,<sup>30</sup> and three posts or other locations either received danger pay or were awarded a higher rate of danger pay.<sup>31</sup>

Consistent with its prescribed process for determining rates, as of June 6, 2017, State had also approved three requests for danger pay outside of the annual review cycle because of changes in conditions at posts. Specifically, in January 2016, State approved 35-percent danger pay for Bujumbura, Burundi, because of increasing political violence that led to a partial evacuation of the post. Danger pay for Bujumbura was later renewed in November 2016 as part of the regular review cycle based on a qualifying SETL rating. Additionally, in March 2016, State approved danger pay for several posts in Turkey because of increasing terrorist attacks and a growing threat of political violence. Lastly, in June 2016, State approved danger pay for Bamako, Mali, because of increasing terrorist threats. State also has adjusted danger pay for one post because

<sup>29</sup>These six posts were Ciudad Juarez, Matamoros, Monterrey, Nogales, Nuevo Laredo, and Tijuana. After factoring in adjustments for hardship pay, one of the six posts experienced a 5-percentage point net increase in danger and hardship pay, one experienced no change, three had a net 5-percentage point decrease, and one had a net 10-percentage point decrease.

<sup>30</sup>These were N'Djamena, Chad; Kenya, Nairobi; Abuja, Nigeria; and Khartoum, Sudan. N'Djamena and Abuja received a concurrent 5-percentage point increase in hardship pay that partially offset their loss of danger pay. Hardship pay for Nairobi and Khartoum did not change. All four posts experienced a net reduction in hardship and danger pay ranging from 10 to 25 percentage points.

<sup>31</sup>These were Adana, Turkey; Istanbul, Turkey; and specified locations in the Philippines. The danger pay rates for Adana and Istanbul increased by 10 percentage points. This increase in danger pay did not cause a reduction in hardship pay at these posts because neither was receiving hardship pay at the time of the changes. Specified locations in the Philippines were newly awarded 25-percent danger pay. Correspondingly, one location (Davao City, Philippines) lost its 15-percent hardship pay, whereas the other specified locations retained their 15-percent hardship pay.

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its accompanied status changed outside of the annual review cycle. In May 2016, State reduced the danger pay rate for Tunis, Tunisia, from 25 percent to 15 percent when the post's accompanied status changed from partially accompanied to fully accompanied.

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## State's Procedures to Implement Its Policies for Stopping and Starting Hardship Pay Are Resource Intensive, but State Has Not Assessed Their Cost-Effectiveness; State's Procedures for Danger Pay Are Mostly Automated

State's policies for stopping and starting hardship pay when employees temporarily leave their assigned overseas posts depend on a variety of factors such as the travel destination, purpose of travel, and assigned post. To implement these policies, overseas posts must send diplomatic cables instructing CGFS to manually adjust hardship pay for employees. State officials said that these procedures are resource intensive, requiring more than 10,000 manual adjustments to employee pay in both 2015 and 2016. Moreover, CGFS officials said that State's policies and procedures contribute to improper payments related to hardship pay, which are costly to recover. However, State has not assessed the cost-effectiveness of its policies and procedures for stopping and starting hardship pay in accordance with its *Foreign Affairs Manual*, which requires that all managers establish and review cost-effective policies and procedures to ensure that U.S. government activities are managed effectively, efficiently, and economically.<sup>32</sup> State's policies for stopping and starting danger pay are based on a single factor—whether or not permanently assigned employees are present at their assigned posts—and State's procedures for implementing these policies are mostly automated through its time and attendance system.

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<sup>32</sup>Department of State, *Foreign Affairs Manual*, 2 FAM 020, "Management Controls."

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## State's Policies for Stopping and Starting Hardship Pay Depend on a Range of Factors

State's policies for stopping and starting hardship pay when an employee temporarily leaves his post are based on a range of factors, including the employee's travel destination, sequencing of travel, purpose of travel, assigned post, and whether family members remain at post, among other things. State has made multiple modifications and added exceptions to the policies since introducing them in 1953; the current policies reflect these revisions.

- **Travel destination and assigned posts affect hardship pay.** According to State's policy, generally employees who are temporarily absent from a hardship post in a location other than the United States retain hardship pay for up to 42 days. However, if they take leave in the United States, they generally lose hardship pay on the day their travel starts, unless specific exceptions apply, such as when an eligible family member remains at the post and the primary purpose of the travel is for detail or medical evacuation.<sup>33</sup>
- **Sequencing of travel destinations affects hardship pay.** According to State's policy, employees at a hardship post who take leave in a foreign location en route to the United States lose hardship pay when they arrive in the United States. However, if employees travel directly from a hardship post to the United States and take leave in a foreign location en route back to their post, they lose hardship pay at close of business the day they leave the post.
- **The purpose of travel and whether employees have eligible family members that remain at a hardship post affects hardship pay during travel to the United States.** According to State's policy, employees who do not have eligible family members at their hardship post and are in the United States for a detail or medical evacuation

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<sup>33</sup>See DSSR 532 for exceptions. U.S. citizen members of the Foreign Service who are assigned to an unaccompanied post are eligible for Family Visitation Travel. This travel permits employees to visit their family members who would otherwise reside at post if the post was not unaccompanied. See Department of State, *Foreign Affairs Manual*, 3 FAM 3730, "Visitation Travel." Additionally, employees assigned to posts known as "footnote n" posts, where the Secretary of State has determined that a significant number of U.S. military personnel in country are or have been involved in hostilities, and have a danger pay designation, may retain hardship pay for up to 30 days in the United States.

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would lose hardship pay for the duration of their absence.<sup>34</sup> However, if employees do have eligible family members who remain at the post, they would continue to earn hardship pay for up to 42 consecutive days.

Figure 8 is an illustrative flowchart that summarizes State's policies for stopping and starting hardship pay when an employee is away from her permanently assigned post, based on our analysis of State documents and interviews with State officials.<sup>35</sup>

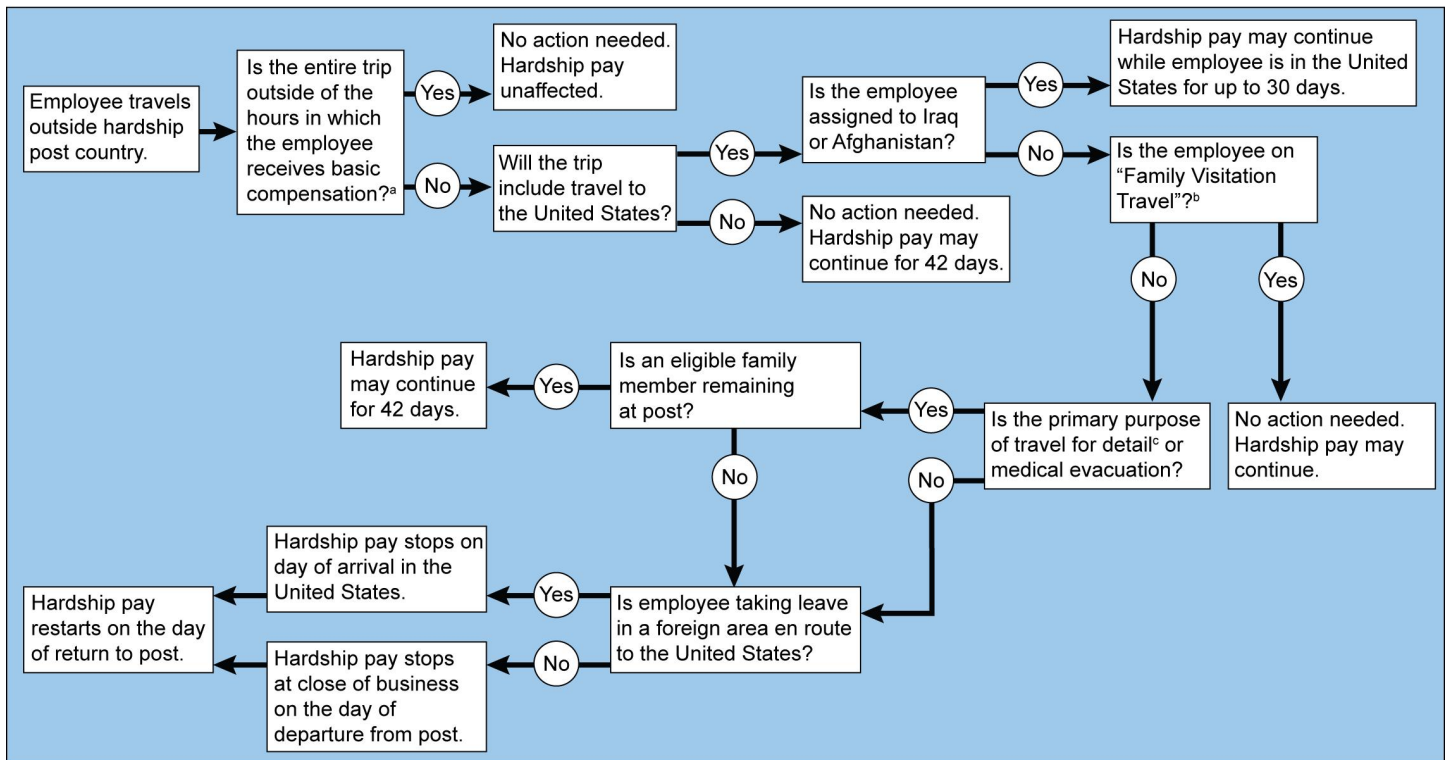
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<sup>34</sup>"Detail" means the temporary assignment or temporary duty (including temporary duty for consultation) of an employee away from his post.

<sup>35</sup>The rules for becoming eligible for hardship pay differ for employees on detail to a hardship post. According to State's FAQs, such employees must have served 42 consecutive days on detail to any one or more hardship posts to begin earning hardship pay on their 43<sup>rd</sup> cumulative day at such posts. Employees on detail to "footnote n" posts such as Iraq or Afghanistan must serve for a period of 42 consecutive days or more without returning to their nonhardship post to earn hardship pay, which will then apply beginning on the first day of their detail at the "footnote n" posts.



**Figure 8: Flowchart Illustrating State's Policies for Stopping and Starting Hardship Pay When an Employee Travels Away from a Permanently Assigned Overseas Hardship Post**



Source: GAO analysis of Department of State (State) documents and interviews with State officials. | GAO-17-715

Note: This process excludes emergency evacuations, when an employee separates from State, or when an employee is transferred from a hardship post.

<sup>a</sup>Hardship pay is paid only for hours for which basic compensation is paid.

<sup>b</sup>Foreign Service officers who are U.S. citizens and assigned to an unaccompanied post are eligible for Family Visitation Travel. This travel permits employees to visit their family members who would otherwise reside at the post if the post was not unaccompanied.

<sup>c</sup>"Detail" means the temporary assignment or temporary duty (including temporary duty for consultation) of an employee away from her post.

## State Uses Diplomatic Cables to Manually Stop and Start Hardship Pay in Accordance with Its Policies

To implement State's policies for stopping and starting hardship pay for employees who temporarily leave their assigned overseas posts, officials at posts must use diplomatic cables to instruct CGFS to manually adjust hardship pay. For State employees permanently assigned to a hardship post, CGFS must suspend and reinstate hardship pay when an employee is temporarily absent from a post—particularly during trips to the United

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States that do not meet one of the exceptions noted in State's policies. Overseas posts are responsible for tracking employee arrivals and departures and sending diplomatic cables to CGFS with this information so that CGFS can process changes to hardship pay. To adhere to State's policy, these cables should include information about employees' travel dates, the purpose of their travel, and the status of any dependents. Overseas posts we visited had developed different policies and procedures for tracking employee travel to the United States and reporting this travel to CGFS. For example, at Embassy Tunis, the Human Resources Office is responsible for sending diplomatic cables to CGFS and requires employees to fill out a form with relevant information needed for the cables whenever they travel to and return from the United States. For each diplomatic cable, CGFS determines how the travel will impact hardship pay and manually adjusts the allowance in the payroll system for the employee. When the employee returns to the post, the post must send a similar diplomatic cable to CGFS with instructions to reinstate hardship pay, and CGFS again manually adjusts the employee's pay.

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### State's Procedures to Implement Its Hardship Pay Policies Are Resource Intensive and Contribute to Improper Payments

According to State officials, the procedures it uses to stop and start hardship pay when employees temporarily leave their post, in accordance with its policies, are resource intensive and contribute to improper payments. For example, administering hardship pay policies involves a large volume of diplomatic cables, which CGFS officials noted are costly for them to process. According to CGFS data, overseas posts sent diplomatic cables requiring CGFS to make more than 10,000 manual adjustments to temporarily stop and start employees' hardship pay in both 2015 and 2016. CGFS officials also pointed to untimely diplomatic cables as a primary cause of overpayments related to hardship pay, which are costly to recover.<sup>36</sup> Various officials at the posts we visited also described the resources involved in managing, maintaining, and enforcing the policies for hardship pay. For example, at Embassy Mexico City, several steps are required to stop and start hardship pay. First, an employee must fill out an electronic leave request including information about

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<sup>36</sup>We discuss improper payments related to hardship and danger pay in more detail in the following section.

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whether he is traveling to the United States, the purpose of the U.S. travel, and whether any eligible family members will remain at the post. Second, timekeepers must notify the Financial Management Office of the employee's travel to the United States through a travel log that they update based on the electronic leave requests. Finally, the financial specialist sends the diplomatic cable to CGFS. In 2015 and 2016, according to CGFS data, posts in Mexico sent cables to CGFS that prompted almost 2,800 actions to temporarily turn on or off hardship pay for employees. The financial specialist in the Financial Management Office explained that she spent about an hour each morning checking the travel log and sending diplomatic cables to CGFS.

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### State Has Not Assessed the Cost-Effectiveness of Its Policies and Procedures for Stopping and Starting Hardship Pay

State has not assessed the cost-effectiveness of its policies and procedures for stopping and starting hardship pay, which were established decades ago. State's FAM requires that all managers establish and review cost-effective policies and procedures to ensure that U.S. government activities are managed effectively, efficiently, and economically. According to State officials, State has not assessed the cost-effectiveness of its policies and procedures for stopping and starting hardship pay because State has not directed such an assessment. CGFS officials and other State officials we interviewed during our overseas fieldwork noted that it might be more cost-effective to apply a flat hardship pay rate over an employee's entire overseas assignment rather than adjust hardship pay each time an employee temporarily leaves and returns to her post. Officials also suggested that State could improve the administration of hardship pay by adopting simpler policies that base hardship pay solely on whether employees are present at their overseas posts. Without reviewing the cost-effectiveness of its policies and procedures, State does not know the extent to which they are effective, efficient, and economical.

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### State Uses Its Time and Attendance System to Automatically Stop and Start Danger Pay

State uses its time and attendance system to automatically stop and start danger pay when a permanently assigned employee temporarily leaves his post, based on policies that depend solely on whether the employee is

present at the post. The policies to stop and start danger pay specify that employees are eligible for danger pay when present at a danger pay post and ineligible for danger pay when not present at a danger pay post. These policies have mostly remained constant since danger pay was authorized in the Foreign Service Act of 1980.<sup>37</sup> Unlike with hardship pay, the policies list no exceptions based on the assigned post, purpose of travel, destination, whether eligible family members remain at the post, or any other factors. To implement these policies, timekeepers at overseas posts record danger pay hours for employees assigned to their posts and submit these hours to CGFS through State's time and attendance system. CGFS then processes danger pay for these employees automatically according to the hours recorded in the system.

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## State Identified \$2.9 Million in Improper Payments Related to Hardship and Danger Pay but Has Not Analyzed Data That Could Identify More

CGFS identified a total of about \$2.9 million in improper payments for hardship and danger pay in fiscal years 2015 and 2016, including about \$2.8 million for hardship pay and nearly \$67 thousand for danger pay (see table 2).<sup>38</sup> These improper payments accounted for about 30 percent of the \$9.6 million in improper payments that CGFS identified related to compensation for U.S. employees in 2015 and 2016. CGFS identified almost twice the amount of improper payments for hardship pay in fiscal year 2015 as it did in 2016. According to CGFS officials, the amount of improper payments it identified declined in 2016 because the bureau made progress working through a backlog of diplomatic cables from overseas posts and instituted new work processes that helped to reduce

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<sup>37</sup>See Pub. L. No. 96-465, 94 Stat. 2071 (Oct. 17, 1980) and DSSR 650.

<sup>38</sup>According to CGFS officials, State began collecting and reporting information on improper payments for hardship and danger pay in 2015 in response to the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), which expanded the definition of payment to include compensation paid to federal employees. Pub. L. No. 112-248, § 3(a)(5). The value reported is the net amount of overpayments and underpayments. Improper payments related to hardship pay accounted for about 1.1 percent of total spending for hardship pay in 2015 and 2016. Improper payments related to danger pay accounted for about 0.09 percent of total spending for danger pay in 2015 and 2016.

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improper payments. As of March 2017, CGFS had recovered almost \$2.7 million, or about 92 percent, of the improper payments it identified in 2015 and 2016 related to hardship and danger pay. According to CGFS officials, the bureau was continuing efforts to recover the remaining 8 percent.<sup>39</sup>

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<sup>39</sup>State established a Global Compensation Overpayment Unit within CGFS in September 2013 to ensure consistent handling of overpayments and to provide due process rights for employees when collecting debts pursuant to the Debt Collection Improvement Act of 1996. Pub. L. No. 104-134, § 31001, 110 Stat.1321, 1321-358 - 1321-381. This unit is responsible for calculating overpayments, notifying current and former employees, and managing the collection of debts.

**Table 2: Improper Payments Identified and Recovered by State for Hardship and Danger Pay, Fiscal Years 2015-2016 (dollars in thousands)**

Fiscal year	Hardship pay		Danger pay		Total	
	Amount overpaid	Amount recovered	Amount overpaid	Amount recovered	Amount overpaid	Amount recovered
2015	1,858.7	1,745.2	25.5	16.3	1,884.2	1,761.5
2016	962.2	865.3	41.2	24.3	1,003.4	889.6
<b>Total</b>	<b>2,820.9</b>	<b>2,610.5</b>	<b>66.7</b>	<b>40.6</b>	<b>2,887.6</b>	<b>2,651.1</b>

Source: Department of State (State) data. | GAO-17-715

Note: The values in the table represent the net amount of State's overpayments and underpayments. "Amount overpaid" is as of the end of each fiscal year. "Amount recovered" is as of March 8, 2017.

CGFS officials cited late notification of employee arrivals and departures from overseas posts as the main cause of improper payments related to hardship and danger pay. For employees assigned to hardship posts, State's policy specifies that hardship pay must be suspended upon travel to the United States, with some exceptions. To implement these rules, overseas posts must send diplomatic cables to CGFS with instructions to suspend and reinstate hardship pay for their employees. According to CGFS officials, improper payments may occur when CGFS processes hardship pay cables for dates outside of the current pay period because a cable arrived after the end of a pay period or CGFS was unable to process the cable during the pay period when it arrived. For danger pay, which is recorded in conjunction with the time and attendance process at overseas posts, CGFS officials said that they primarily identify overpayments when they receive timesheet corrections from posts involving danger pay after danger pay has been processed for a given pay period.

While CGFS has identified about \$2.9 million in improper payments related to hardship and danger pay as part of its regular pay processing activities, according to CGFS officials, it has not identified any additional improper payments through recovery audits, which are generally required by the Improper Payments Elimination and Recovery Act of 2010 (IPERA).<sup>40</sup> IPERA requires these audits, if they are not prohibited under any other provision of law, if it is a program and activity of the agency that expends \$1 million or more annually and if conducting such audits would be cost-effective. The Office of Management and Budget and State refer to these recovery audits as "payment recapture audits." A recapture audit

<sup>40</sup>Pub. L. No. 111-204, § 2(h). The Office of Management and Budget required State to begin recapture audits for employee compensation in fiscal year 2013.

is a review and analysis of accounting and financial records, supporting documentation, and other information supporting payments that is specifically designed to identify overpayments. CGFS identified U.S. employee compensation, including hardship and danger pay, as one of the State programs that meet these criteria and expanded its recapture audit activities in fiscal year 2015 to cover this area. For example, CGFS has reviewed instances where hardship pay was paid to employees assigned to a domestic location. However, according to CGFS officials, as of March 2017, it had not found any additional overpayments related specifically to hardship and danger pay through these recapture audit efforts. They explained that recapture audit efforts for U.S. employee compensation are in their initial phases, and they plan to expand them in the future.

We found that CGFS had not analyzed available data that could help to identify hardship posts at risk of overpayments and thereby aid in recapture audit and improper payment prevention efforts. In 2015, CGFS began collecting data on types of diplomatic cables from overseas posts that include requests for hardship pay to be suspended or reinstated for employees. According to CGFS officials, CGFS initiated this data collection effort in order to reduce improper payments by better managing workloads and prioritizing cases in which hardship pay needed to be suspended before CGFS processed pay. CGFS officials emphasized that they did not originally intend for the data to be used to facilitate recapture audits. CGFS officials agreed, however, that analyzing patterns in the data could help identify posts more likely to be out of compliance with the rules for hardship pay and therefore at higher risk for improper payments. For example, the diplomatic cable data could help identify anomalies such as posts that have fewer than expected requests for suspensions and reinstatements of hardship pay relative to the size of their workforce or proximity to the United States.<sup>41</sup> Once CGFS has identified these anomalous posts, the posts would be able to use other data, such as information from travel management systems, to identify and recover any overpayments and could develop systems to prevent future improper payments. For example, one post we visited conducted an internal audit of employee travel and identified 18 instances over 8 months when the post did not send diplomatic cables to CGFS to suspend hardship pay.

<sup>41</sup> CGFS officials noted some limitations with the data that should be considered when interpreting the data. For example, some countries may have fewer than expected requests reflected in the diplomatic cable data because of unique circumstances, such as evacuations of posts.

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The post later sent cables to CGFS with this information so that CGFS could recover the associated overpayments. The post also developed a standard operating procedure to improve compliance with the policies for hardship pay and prevent similar overpayments related to hardship pay going forward.

We independently analyzed the diplomatic cable data by post and identified several anomalies. For example, we identified nine countries—accounting for a total of about \$2 million in hardship pay spending in fiscal years 2015 and 2016—that did not send either suspension or reinstatement cables to CGFS to request adjustments to hardship pay during this time period. CGFS officials confirmed that the lack of diplomatic cables was a possible indication that these posts were not following State’s rules for hardship pay. Additionally, we identified some overseas posts located in the same region of the world and with similar Foreign Service staffing levels that generated substantially different numbers of diplomatic cable requests to suspend and reinstate hardship pay. For example, the data indicate that—among two neighboring posts in Southeast Asia with similar Foreign Service officer staffing levels—one post sent a total of 235 diplomatic cable requests to suspend and reinstate hardship pay in fiscal years 2015 and 2016, whereas the other post sent 39. State spent a total of about \$3.5 million on hardship pay in each of these countries in fiscal years 2015 and 2016.

Data analytics involves a variety of techniques to analyze and interpret data to facilitate decision making and may be used to identify patterns or trends, determine whether problems are widespread and systemic in nature, and evaluate program performance outcomes. Guidance from the Office of Management and Budget notes that such techniques could be part of an internal control program to prevent, detect, and recover overpayments.<sup>42</sup> Moreover, a forum we convened in September 2016 to advance the intergovernmental dialogue on implementing data analytics to prevent and detect improper payments highlighted the importance of agencies inventorying existing data sources and considering how they could be used to identify improper payments.<sup>43</sup> By not analyzing the available diplomatic cable data, CGFS may be missing an opportunity to

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<sup>42</sup>Office of Management and Budget, *Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments*, Office of Management and Budget Memorandum M-15-02 (Washington, D.C.: Oct. 20, 2014).

<sup>43</sup>GAO, *Highlights of a Forum: Data Analytics to Address Fraud and Improper Payments*, [GAO-17-339SP](#) (Washington, D.C.: Mar. 31, 2017).



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identify, recover, and prevent additional overpayments of hardship pay as part of its recapture audits.

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## Conclusions

Advancing U.S. foreign policy objectives throughout the world requires State employees to serve at overseas locations where conditions may be harsh or dangerous. Hardship and danger pay are important incentives for State employees to work at these challenging locations. Although State mostly followed the new processes it established in 2015 for determining hardship and danger pay rates and locations, in a few cases it awarded Director Points that increased hardship pay for posts without clearly explaining in its documentation how the conditions at these posts met State's criteria. Without clearer documentation, State cannot provide assurances that it is applying Director Points consistently across posts and tenures of ALS Directors, potentially leading to increased spending on hardship pay not otherwise justified under State's current process for determining rates. Moreover, State has not assessed the cost-effectiveness of its policies and procedures for stopping and starting hardship pay when employees temporarily leave their overseas posts. State officials noted that these policies and procedures are resource intensive to implement and contribute to improper payments, which are costly to recover. Without reviewing the cost-effectiveness of these policies and procedures, State does not know whether they are effective, efficient, and economical. Finally, by not analyzing available data compiled by CGFS, State may be missing an opportunity to identify, recover, and prevent improper payments related to hardship pay with the potential to produce cost savings for the U.S. government. Our independent analysis of State data identified overseas posts accounting for millions of dollars in hardship spending in fiscal years 2015 and 2016 that may be at high risk for improper payments.

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## Recommendations for Executive Action

We are making the following three recommendations to State:

- The Director of ALS should clearly document how the conditions at relevant posts meet the criteria for Director Points to ensure that hardship pay rates for overseas posts are consistently determined across posts and tenures of ALS Directors. (Recommendation 1)

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- The Undersecretary of Management should assess the cost-effectiveness of State's policies and procedures for stopping and starting hardship pay for employees who temporarily leave their assigned overseas posts. (Recommendation 2)
  - The Department's Comptroller should analyze available diplomatic cable data from overseas posts to identify posts at risk of improper payments for hardship pay, identify any improper payments, and take steps to recover and prevent them. (Recommendation 3)

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## Agency Comments

We provided a draft of this report to State for comment. In its comments, reproduced in appendix II, State concurred with all three recommendations. State also provided a technical comment, which we incorporated.

We are sending copies of this report to the appropriate congressional committees and the Secretary of State. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff members have any questions about this report, please contact me at (202) 512-8980 or [courtsm@gao.gov](mailto:courtsm@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made contributions to this report are listed in appendix III.



Michael J. Courts  
Director, International Affairs and Trade

## Appendix I: Objectives, Scope, and Methodology

The objectives of this review were to examine (1) the Department of State's (State) spending at overseas posts for hardship and danger pay in fiscal years 2011-2016, (2) the extent to which State has followed its process for determining hardship and danger pay rates at overseas posts, (3) the procedures State uses to implement its policies for stopping and starting hardship and danger pay when employees temporarily leave their assigned overseas posts, and (4) the extent to which State has identified improper payments related to hardship and danger pay.

To examine State's spending at overseas posts for hardship and danger pay, we analyzed data in fiscal years 2011 to 2016 from State's *Consolidated American Payroll Processing System*, which is administered by the Bureau of the Comptroller and Global Financial Services (CGFS). Because hardship and danger pay are processed through payroll, CGFS provided us with spending data for the 26 pay periods that best approximated each fiscal year from 2011 to 2016, and we used these data to summarize spending by fiscal year. All spending data in this report are presented in nominal dollars. We also used the gross domestic product price index to analyze trends in hardship and danger pay, expressed in terms of constant (inflation-adjusted) dollars. To assess the reliability of the data that State provided, we performed testing to identify missing data, outliers, and errors; and interviewed CGFS officials. We determined that the data we used were sufficiently reliable for the purposes of summarizing spending for hardship and danger pay by fiscal year and country.

To determine the extent to which State has followed its process for determining hardship and danger pay rates at overseas posts, we analyzed data from State's Office of Allowances (ALS) on its hardship scoring for overseas posts and hardship and danger pay rates by post. We reviewed State's policies and standards for hardship and danger pay in the *Department of State Standardized Regulations* (DSSR), standard operating procedures, and hardship pay survey and scoring system. We also reviewed other documents that inform hardship and danger pay rates, including Security Environment Threat List ratings and reports on the operating status of overseas posts. We compared State's implementation of its process for determining hardship and danger pay rates with its guidance. For hardship pay, we analyzed ALS scoring for

192 overseas posts as of October 2016 to determine whether the hardship rates for these posts accurately reflected the scores they received based on the ALS analysis of conditions at these posts. For the 15 posts for which ALS awarded Director Points, we reviewed the memos approving Director Points to determine whether State adequately documented how these posts met State's criteria. For danger pay, we reviewed memos and other documents approving changes to danger pay rates and analyzed these to determine whether they followed State's methodology. We interviewed officials from various State offices, including ALS, CGFS, and the Bureaus of Diplomatic Security (DS) and Human Resources (HR). We also interviewed officials from the American Foreign Service Association to obtain their views on hardship and danger pay. To understand how State applies its processes for determining hardship and danger pay in specific locations, we conducted a videoconference with officials at the U.S. embassy in Port-au-Prince, Haiti, and completed fieldwork at U.S. embassies in Islamabad, Pakistan; Mexico City, Mexico; New Delhi, India; and Tunis, Tunisia. We selected these posts for site visits based on various criteria, including their hardship and danger pay rates, Foreign Service staffing levels, whether they gained or lost hardship or danger pay because of the changes State made to its process in 2015, and whether they had experienced issues with improper payments related to these allowances. We also selected posts for site visits to provide broad geographic representation and to include an overseas post designated by State as a Priority Staffing Post.<sup>1</sup>

To examine the procedures State uses to implement its policies for stopping and starting hardship and danger pay when employees temporarily leave their assigned overseas posts, we reviewed State policies and procedures for implementing hardship and danger pay, including the *Foreign Affairs Manual*, standard operating procedures developed by CGFS, and guidance from the posts we visited. We also reviewed the frequently asked questions related to hardship and danger pay published by ALS and analyzed versions of the DSSR from 1953 to the present to identify changes to the rules for stopping and starting hardship and danger pay for employees assigned to overseas posts.

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<sup>1</sup>State designates certain overseas posts as Priority Staffing Posts. These posts have an early bidding round each year that precedes the bidding round for other posts. Additionally, employees assigned to Priority Staffing Posts receive a special set of benefits, referred to as a Service Recognition Package, to incentivize bidding. These packages may offer benefits such as 1-year tours of duty, extra rest and recuperation travel, and additional compensation.

Finally, we interviewed officials from ALS, CGFS, HR, and at selected overseas posts.

Lastly, to determine the extent to which State has identified improper payments related to hardship and danger pay, we reviewed State's Annual Financial Reports for 2015 and 2016, the first 2 years that State reported information on improper payments related to compensation for U.S. employees. We analyzed CGFS data on the amount of improper payments identified and recovered for hardship and danger pay in 2015 and 2016. We also reviewed data from CGFS on the types of diplomatic cables it received from overseas posts in 2015 and 2016—cables that included information needed by CGFS to make adjustments to hardship pay. We compared these diplomatic cable data to hardship spending to identify countries at risk for overpayments of hardship pay. We also reviewed legal<sup>2</sup> and Office of Management and Budget<sup>3</sup> requirements related to improper payments, as well as federal internal control standards.<sup>4</sup> We interviewed CGFS officials to understand State's process and methodology for identifying, recovering, and preventing improper payments related to hardship and danger pay as both part of its normal business process and its recapture audits. On our site visits, we examined posts' controls to prevent and reduce overpayments and interviewed State employees to understand their experiences with State's overpayment recovery efforts.

We conducted this performance audit from April 2016 through September 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>2</sup>Improper Payments Elimination and Recovery Information Act of 2012 (IPERIA), Pub. L. No. 112-248, 126 Stat. 2390 (Jan. 10, 2013); Improper Payment Elimination and Recovery Act of 2010 (IPERA), Pub. L. No. 111-204, 124 Stat. 2224 (July 22, 2010).

<sup>3</sup>Office of Management and Budget, *Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments*, Office of Management and Budget Memorandum M-15-02 (Washington, D.C.: Oct. 20, 2014).

<sup>4</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

## Appendix II: Comments from the Department of State



United States Department of State  
Washington, D.C. 20520

AUG 25 2017

Charles M. Johnson, Jr.  
Managing Director  
International Affairs and Trade  
Government Accountability Office  
441 G Street, N.W.  
Washington, D.C. 20548-0001

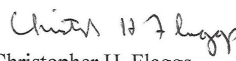
Dear Mr. Johnson:

We appreciate the opportunity to review your draft report,  
“OVERSEAS ALLOWANCE: State Should Assess the Cost-Effectiveness  
of Its Hardship Pay Policies” GAO Job Code 100719.

The enclosed Department of State comments are provided for  
incorporation with this letter as an appendix to the final report.

If you have any questions concerning this response, please contact  
William Davisson, Deputy Comptroller, Bureau of Comptroller and Global  
Financial Services at (843) 746-0559 and Cheryl Johnson, Office Director,  
Office of Operations, Bureau of Administration at (202) 647-4461.

Sincerely,

  
Christopher H. Flaggs

Enclosure:  
As stated

cc: GAO – Michael Courts  
A – Harry Mahar (Acting)  
State/OIG - Norman Brown

**Department of State Response to GAO Draft  
OVERSEAS ALLOWANCES: State Should Assess the  
Cost-Effectiveness of Its Hardship Pay Policies  
(GAO-17-715, GAO Code 100719)**

Thank you for the opportunity to comment on your draft report entitled “*Overseas Allowances: State Should Assess the Cost-Effectiveness of Its Hardship Pay Policies.*”

**Recommendations:**

1. The Director of ALS should clearly document how the conditions at relevant posts meet the criteria for Director Points to ensure that hardship pay rates for overseas posts are consistently determined across posts and tenures of ALS Directors.

**Response:** The Bureau of Administration (A) concurs. The Director of ALS will provide documentation for the record to ensure the consistent determination of Director Points connected with hardship pay rates.

2. The Undersecretary of Management should assess the cost-effectiveness of State’s policies and procedures for stopping and starting hardship pay for employees who temporarily leave their assigned overseas post.

**Response:** The Department concurs with the recommendation. CGFS, the Bureau of Administration, and the Bureau of Human Resources will review and assess the cost-effectiveness of State’s current policies, procedures, and process for stopping and starting hardship pay for employees who temporarily leave their assigned post and review any potential changes.

3. The Department’s Comptroller should analyze available cable data from overseas posts to identify posts at risk of improper payments for hardship pay, identify any improper payments, and take steps to recover and prevent them.

**Response:** CGFS concurs with the recommendation to further enhance analytical tools to ensure posts are properly identifying and reporting starts and stops for hardship pay, and to identify, recover, and prevent any improper payments.

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## Appendix III: GAO Contact and Staff Acknowledgments

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### GAO Contact

Michael J. Courts, (202) 512-8980 or [courtsm@gao.gov](mailto:courtsm@gao.gov)

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### Staff Acknowledgments

In addition to the contact named above, Hynek Kalkus (Assistant Director), Drew Lindsey (Analyst-in-Charge), Alana Miller, Timothy Carr, Debbie Chung, Gita Devaney, Neil Doherty, Jeff Isaacs, Grace Lui, Jill Lacey, and Eli Stiefel made key contributions to this report.



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## Appendix IV: Accessible Data

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### Data Tables

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Data Table for Highlights Map, see Figure 4: Map of State Spending on Hardship Pay by Country, Fiscal Years 2011-2016 below

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Data Table for Figure 1: Number of Department of State Overseas Posts by Hardship Pay Rate above Basic Compensation, as of February 5, 2017

Hardship Pay Rate	Number of posts
0%	85
5%	13
10%	29
15%	36
20%	28
25%	46
30%	25
35%	11

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Data Table Figure 2: Number of Department of State Overseas Posts by Danger Pay Rate above Basic Compensation, as of February 5, 2017

Danger Pay Rates	Number of posts
0%	248
15%	5
25%	4
35%	16

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Data Table Figure 3: Department of State Spending for Hardship Pay and Danger Pay, Fiscal Years 2011-2016

Allowance	2011	2012	2013	2014	2015	2016
Hardship Pay	\$122,444,275	\$128,436,757	\$121,888,998	\$115,895,520	\$115,827,172	\$127,773,093
Danger Pay	\$48,944,886	\$53,256,166	\$48,031,648	\$43,572,083	\$39,330,454	\$33,322,389
Total Pay	\$171,389,161	\$181,692,923	\$169,920,646	\$159,467,603	\$155,157,626	\$161,095,482

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**Data Table Figure 4: Map of State Spending on Hardship Pay by Country, Fiscal Years 2011-2016**

<b>Country</b>	<b>FY11-16 Total</b>
AFGHANISTAN	74,548,743
IRAQ	63,402,833
CHINA	34,442,386
PAKISTAN	30,770,047
INDIA	26,172,125
MEXICO	24,832,086
RUSSIA	15,294,294
INDONESIA	15,160,330
NIGERIA	13,286,038
EGYPT	12,337,153
KENYA	12,072,854
SAUDI ARABIA	11,666,272
PHILIPPINES	11,495,401
BRAZIL	10,113,144
VIETNAM	10,050,116
HAITI	9,459,639
UKRAINE	8,359,809
THAILAND	7,594,849
BANGLADESH	7,105,941
VENEZUELA	6,998,153
PERU	6,867,370
ETHIOPIA	6,813,378
DOMINICAN REPUBLIC	6,222,151
KAZAKHSTAN	5,614,449
SOUTH AFRICA	5,539,431
TURKEY	5,534,804
DEMOCRATIC REPUBLIC OF THE CONGO	5,440,089
SENEGAL	5,096,186
GHANA	4,985,307
GEORGIA	4,775,667
BURMA	4,657,348
BOLIVIA	4,637,264
COLOMBIA	4,622,510
NEPAL	4,541,838

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Country	FY11-16 Total
CUBA	4,534,348
LIBERIA	4,489,561
UZBEKISTAN	4,442,251
GUATEMALA	4,386,740
EL SALVADOR	4,379,589
KOSOVO	4,269,681
TAJIKISTAN	4,220,617
UGANDA	4,183,979
ZIMBABWE	4,158,552
CAMBODIA	4,148,346
SUDAN	4,067,685
BOSNIA- HERZEGOVINA	3,940,762
TANZANIA	3,913,208
YEMEN	3,870,740
ECUADOR	3,841,753
HON DURAS	3,759,932
LEBANON	3,736,913
KYRGYZSTAN	3,676,800
AZERBAIJAN	3,356,609
NICARAGUA	3,355,845
CAMEROON	3,295,720
JAMAICA	3,242,839
MOZAMBIQUE	3,217,570
COTE D'IVOIRE	3,205,628
LAOS	3,181,761
GUINEA	3,163,493
JORDAN	3,132,527
ARMENIA	3,130,104
ALGERIA	2,948,058
CHAD	2,942,473
DJIBOUTI	2,930,452
SRI LANKA	2,789,311
MALI	2,778,024
ALBANIA	2,754,905
SERBIA	2,749,231
MONGOLIA	2,717,269
TURKMENISTAN	2,710,218

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Country	FY11-16 Total
GUYANA	2,673,639
ANGOLA	2,653,041
SIERRA LEONE	2,573,721
MALAYSIA	2,529,664
MADAGASCAR	2,386,010
NIGER	2,378,245
PAPUA NEW GUINEA	2,342,853
TOGO	2,331,926
JERUSALEM	2,283,769
KUWAIT	2,194,377
MALAWI	2,193,111
BURUNDI	2,173,068
TUNISIA	2,165,686
MOLDOVA	2,130,337
MAURITANIA	1,997,343
BURKINA FASO	1,951,506
RWANDA	1,946,102
LIBYA	1,863,063
BAHRAIN	1,852,222
BELIZE	1,833,094
ZAMBIA	1,780,648
REPUBLIC OF THE CONGO	1,753,968
SOUTH SUDAN	1,735,622
BULGARIA	1,718,761
ROMANIA	1,685,673
BENIN	1,685,595
EQUATORIAL GUINEA	1,647,435
SURINAME	1,640,129
FIJI	1,542,634
GREECE	1,523,418
MACEDONIA	1,479,519
GABON	1,440,597
TIMOR-LESTE	1,378,441
ERITREA	1,338,301
SWAZILAND	1,236,184
CABO VERDE	1,221,147
PARAGUAY	1,152,571

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Country	FY11-16 Total
MOROCCO	1,123,515
BOTSWANA	1,066,475
THE GAMBIA	1,026,850
MONTENEGRO	1,013,002
LESOTHO	947,122
QATAR	941,770
ESTONIA	904,760
SYRIA	847,401
UNITED ARAB EMIRATES	791,348
CENTRAL AFRICAN REPUBLIC	786,722
LATVIA	735,908
ISRAEL	721,214
TRINIDAD AND TOBAGO	719,537
ARGENTI NA	706,712
BELARUS	699,223
BRUNEI	687,942
MICRONESIA	571,435
LITHUANIA	539,325
BARBADOS	537,975
MARSHALL ISLANDS	516,514
ICELAND	433,274
NAMIBIA	409,127
SLOVAK REPUBLIC	364,340
MAURITIUS	301,289
PANAMA	242,447
OMAN	210,607
MALTA	194,896
AMERICAN SAMOA	120,712
PALAU	118,334
JAPAN	78,360
GRENADA	71,109
TAIWAN	57,711
BAHAMAS	34,925
KOREA	23,609
CYPRUS	15,274
PORTUGAL	4,662

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**Data Table Figure 5: Map of State Spending on Danger Pay by Country, Fiscal Years 2011-2016**

<b>Country</b>	<b>FY11-16 Total</b>
Afghanistan	66,714,856
Iraq	58,689,649
Pakistan	37,606,339
Mexico	12,317,591
Colombia	8,562,050
Saudi Arabia	7,536,793
Israel	5,218,643
Jordan	5,117,504
Lebanon	4,513,620
Yemen	4,510,984
Sudan	4,077,949
Jerusalem	3,996,098
Nigeria	3,677,774
Kenya	2,968,095
Tunisia	2,269,449
Algeria	1,908,175
Haiti	1,753,306
South Sudan	1,344,302
Egypt	1,203,289
Libya	1,193,399
Chad	1,150,267
Ivory Coast	963,832
Burundi	824,010
Turkey	816,079
Mali	634,011
Central African Republic	509,122
Kosovo	454,566
Syria	68,140

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**Data Table Figure 6: Percentage of State Spending on Hardship and Danger Pay in Iraq, Afghanistan, and All Other Overseas Posts, Fiscal Years 2011-2016**

Hardship pay

	<b>Afghanistan</b>	<b>Iraq</b>	<b>All other posts</b>
Percent	10	9	81
Millions of dollars	\$74.5	\$63.4	\$594.3

Danger pay

	<b>Afghanistan</b>	<b>Iraq</b>	<b>All other posts</b>
Percent	25	22	53
Millions of dollars	\$66.7	\$58.7	\$141.1

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## Agency Comment Letter

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### Text of Appendix II: Comments from the Department of State

Page 1

AUG. 25, 2017

We appreciate the opportunity to review your draft report, "OVERSEAS ALLOWANCE: State Should Assess the Cost-Effectiveness of Its Hardship Pay Policies" GAO Job Code 100719.

The enclosed Department of State comments are provided for incorporation with this letter as an appendix to the final report.

If you have any questions concerning this response, please contact William Davisson, Deputy Comptroller, Bureau of Comptroller and Global Financial Services at (843) 746-0559 and Cheryl Johnson, Office Director, Office of Operations, Bureau of Administration at (202) 647-4461.

Sincerely,

Christopher H. Flaggs

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Enclosure:

Page 2

Thank you for the opportunity to comment on your draft report entitled "Overseas Allowances: State Should Assess the Cost-Effectiveness of Its Hardship Pay Policies."

**Recommendations:**

1. The Director of ALS should clearly document how the conditions at relevant posts meet the criteria for Director Points to ensure that hardship pay rates for overseas posts are consistently determined across posts and tenures of ALS Directors.

**Response:** The Bureau of Administration (A) concurs. The Director of ALS will provide documentation for the record to ensure the consistent determination of Director Points connected with hardship pay rates.

2. The Undersecretary of Management should assess the cost-effectiveness of State's policies and procedures for stopping and starting hardship pay for employees who temporarily leave their assigned overseas post.

**Response:** The Department concurs with the recommendation. CGFS, the Bureau of Administration, and the Bureau of Human Resources will review and assess the cost-effectiveness of State's current policies, procedures, and process for stopping and starting hardship pay for employees who temporarily leave their assigned post and review any potential changes.

3. The Department's Comptroller should analyze available cable data from overseas posts to identify posts at risk of improper payments for hardship pay, identify any improper payments, and take steps to recover and prevent them.

**Response:** CGFS concurs with the recommendation to further enhance analytical tools to ensure posts are properly identifying and reporting starts and stops for hardship pay, and to identify, recover, and prevent any improper payments.

cc: GAO - Michael Courts

A - Harry Mahar (Acting) State/OIG - Norman Brown



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## GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

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