



United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

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TO: CGFS – James L. Millette, Comptroller

FROM: OIG/ISP – Robert B. Peterson, Assistant *RBP* eral

SUBJECT: Management Assistance Report – Direct Payment of Official Residence Expenses Staff Salaries, ISP-I-14-08

Background: The Office of the Inspector General (OIG) has identified a practice, prohibited by Department of State (Department) regulations, that subjects the U.S. Government to liability for nongovernment employees—individuals working in chief of mission, deputy chief of mission, and principal officer residences. Through this Management Assistance Report, OIG is recommending that the Department discontinue this practice.

Finding: During four inspections in fall 2013, OIG found that Official Residence Expenses (ORE) staff salaries were paid directly by the Department rather than by the principal representative¹ at the missions inspected. Payments were made either by the mission’s Class B Cashier or Global Financial Services in Charleston using electronic funds transfer (EFT). The practice of direct payment of ORE staff salaries from U.S. Government funds likely evolved for the convenience of some principal representatives, who preferred not to advance the funds for these expenses and then wait for reimbursement. In addition, some missions may have erroneously applied the Department’s mandate to use EFT to pay vendors to the payment of ORE staff salaries. Although the regulations concerning the issue are clear, the Department has not issued specific guidance or reminders on avoiding direct payment of ORE staff salaries, nor specifically outlined acceptable practices in this regard.

In accordance with 3 FAM 3257, “Permanent and part-time staff employed under ORE are employees of the principal representative, not of the U.S. Government. Thus, the principal representative (or household manager) will disburse the pay to these employees.” Guidance in 4 FAH-3 H-394.2-4(b) states, “Reimbursement payments for ORE expenses may be paid only to the ‘Principal Representative’ (as defined in Chapter 400 of the Standardized Regulations) or to vendors, not to ORE staff.” In addition, 3 FAH-1 H-3252.2 states that, “the lack of an employee and/or employer relationship with the Federal Government should be clearly understood by both administrative staff as well as the ORE household staff when they are hired and pointed out periodically during their employment.”

¹ For the purposes of this report, principal representatives include chiefs of mission, deputy chiefs of mission, and principal officers.

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Maintaining the employer/employee relationship between the principal representative and the ORE staff member is important for several reasons. Principal representatives need to have the flexibility to hire and fire their personal staff members according to their needs. Although principal representatives normally seek the embassy's help in determining pay for their staff, the principal representatives set the pay. If the ORE staff were U.S. Government employees, they would fall under the mission's Local Compensation Plan and it would be difficult to terminate their employment at the will of the principal representative. Drawing wages directly from the mission cashier or Global Financial Services creates the appearance of an employer/employee relationship between the U.S. Government and the ORE staff member, which could create a liability for the Department.

This practice must be discontinued. In accordance with 5 U.S.C. § 5913(c) and Department of State Standardized Regulations 456, an agency "...may provide an advance of funds for ORE expenses to principal representatives eligible to receive reimbursements for such expenses." Provision of these advances would be less inconvenient to principal representatives than advancing the funds personally and waiting for reimbursement but would allow management officials to adhere to the law and regulations.

Recommendation 1: The Bureau of the Comptroller and Global Financial Services should publish a directive prohibiting the direct payment by cashiers or by electronic funds transfer to Official Residence Expenses staff and clarifying acceptable procedures. (Action: CGFS)

Recommendation 2: The Bureau of the Comptroller and Global Financial Services should clarify in Department of State regulations and periodically send reminders to emphasize that Official Residence Expenses staff are employees of the principal representatives, who are responsible for salary and benefit payments in accordance with local law and practices. (Action: CGFS)

You should advise us on actions taken or planned on the recommendations within 30 days of the date of this memorandum. Actions taken or planned are subject to OIG followup and reporting.

I would be happy to meet with you to discuss this matter further, or your staff may contact Robert Peterson, Assistant Inspector General for Inspections, on 202-663-(b) (5) - ACP

Enclosures:

Compliance Sheet
OIG Resolution Procedures