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AND THE BROADCASTING BOARD OF GOVERNORS
OFFICE OF INSPECTOR GENERAL

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Office of Inspections

July 2014

Review of Remote Voucher Processing

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PURPOSE, SCOPE, AND METHODOLOGY OF THE INSPECTION

This inspection was conducted in accordance with the Quality Standards for Inspection and Evaluation, as issued in 2012 by the Council of the Inspectors General on Integrity and Efficiency, and the Inspector's Handbook, as issued by the Office of Inspector General for the U.S. Department of State (Department) and the Broadcasting Board of Governors (BBG).

PURPOSE AND SCOPE

The Office of Inspections provides the Secretary of State, the Chairman of the BBG, and Congress with systematic and independent evaluations of the operations of the Department and the BBG. Inspections cover three broad areas, consistent with Section 209 of the Foreign Service Act of 1980:

- **Policy Implementation:** whether policy goals and objectives are being effectively achieved; whether U.S. interests are being accurately and effectively represented; and whether all elements of an office or mission are being adequately coordinated.
- **Resource Management:** whether resources are being used and managed with maximum efficiency, effectiveness, and economy and whether financial transactions and accounts are properly conducted, maintained, and reported.
- **Management Controls:** whether the administration of activities and operations meets the requirements of applicable laws and regulations; whether internal management controls have been instituted to ensure quality of performance and reduce the likelihood of mismanagement; whether instances of fraud, waste, or abuse exist; and whether adequate steps for detection, correction, and prevention have been taken.

METHODOLOGY

In conducting this inspection, the inspectors: reviewed pertinent records; as appropriate, circulated, reviewed, and compiled the results of survey instruments; conducted on-site interviews; and reviewed the substance of the report and its findings and recommendations with offices, individuals, organizations, and activities affected by this review.



United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

PREFACE

This report was prepared by the Office of Inspector General (OIG) pursuant to the Inspector General Act of 1978, as amended, and Section 209 of the Foreign Service Act of 1980, as amended. It is one of a series of audit, inspection, investigative, and special reports prepared by OIG periodically as part of its responsibility to promote effective management, accountability, and positive change in the Department of State and the Broadcasting Board of Governors.

This report is the result of an assessment of the strengths and weaknesses of the office, post, or function under review. It is based on interviews with employees and officials of relevant agencies and institutions, direct observation, and a review of applicable documents.

The recommendations therein have been developed on the basis of the best knowledge available to the OIG and, as appropriate, have been discussed in draft with those responsible for implementation. It is my hope that these recommendations will result in more effective, efficient, and/or economical operations.

I express my appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in cursive script that reads "Robert B. Peterson".

Robert B. Peterson
Assistant Inspector General for Inspections

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Key Findings

- The Department of State could save millions in funding dollars annually if it performed voucher processing functions remotely from low-cost locations, rather than from embassies in higher cost locations. Vouchering costs at large and medium-sized embassies totaled \$32 million in FY 2013.
- If embassies with the highest voucher processing costs processed 50 percent of their vouchers remotely, those embassies could save an estimated \$4.3 million annually.
- The Department of State processes vouchers for itself as well as other agencies, meaning that forgone cost savings are borne both by the Department of State and other agencies. The Department of State pays 68 percent of worldwide voucher processing costs; other agencies pay 32 percent.
- Resistance to processing vouchers remotely stems from bureaus' and embassies' reluctance to reduce embassy-based voucher examiner positions and associated funding. Only 13 percent of embassy-funded vouchers were processed remotely in 2013.
- Remote voucher processing can also improve internal controls through consistency.
- The Under Secretary for Management left voucher processing decisions related to embassy-funded vouchers up to the Office of Management Policy, Rightsizing, and Innovation; the regional bureaus; and the embassies.
- The OIG team recommends that the Under Secretary for Management mandate remote voucher processing at high-cost embassies and develop a transition plan for doing so. The team also recommends that the Under Secretary for Management reduce funding and staffing for embassy-based voucher processing units after they transition to put Department of State and other agency funds to better use. Finally, the OIG team recommends that the Department of State continue to track embassies' remote voucher processing costs to identify additional cost-saving opportunities.

All findings and recommendations in this report are based on conditions observed during previous inspections and conditions during the on-site review and the standards and policies then in effect.

The review took place in Washington, DC, between January 24 and March 14, 2014. Kristene McMinn (team leader), Alison Barkley (deputy team leader), and Rick Jones conducted the review.

Context

Before 2006, embassy-based voucher examiners and certifying officers reviewed, certified, and processed all overseas vouchers. Vouchers contain supporting documentation needed to make embassy payments, such as reimbursing employees for travel expenses, paying landlords for embassy staff housing, purchasing office supplies, and paying embassy contractors or grantees.

The Department of State (Department) established remote voucher processing units in 2006 in South Carolina and Thailand to review, certify, and process vouchers from an off-site location.¹ Some vouchers are easier to process remotely than others. Travel vouchers, for example, are easy because the Department already mandates electronic storage of all supporting documentation in E2 Solutions (E2), a Web-based system. Other vouchers, such as those to support credit card payments, are more time consuming, because electronic storage of the supporting documentation is not required and financial management staff must scan those documents.

The remote voucher processing unit proved cost effective. In 2007, it reported that it could process vouchers for about half the cost of embassy-processed vouchers. The unit, now called the Bureau of the Comptroller and Global Financial Services' Post Support Unit (PSU), currently charges embassies \$12 per voucher,² although the average cost per embassy-processed voucher is \$26.02. The PSU reports that it is able to keep voucher processing costs low by operating in locations with low labor costs, including Thailand, Bulgaria, South Carolina, and soon the Philippines. Repetitive processing enhances efficiency and internal controls.

Remote voucher processing is a recognized means of cutting costs. In response to pressure from other agencies to reduce the administrative costs associated with overseas positions, the Department identified remote voucher processing as one of its top eight cost-cutting initiatives.³ (Embassy-funded voucher processing costs are borne by the Department and other agencies.) In 2011, in response to budgetary pressures, the Secretary of State tasked embassies with assessing ways to reduce costs, including "making more effective use of the financial management PSU."⁴ Embassies that use the PSU can reduce the time voucher examiners and American certifying officers devote to that function. Embassies may also be able to eliminate voucher examiner and certifying officer positions. Both changes reduce embassies' voucher processing costs.

The Office of Inspector General (OIG) has identified many opportunities to cut costs through PSU use, as shown in Appendix A. OIG previously recommended that 16 embassies use or consider using the PSU. In 2012, OIG conducted a survey of remote voucher processing and

¹ The unit was originally established so Embassy Baghdad's vouchers could be processed from a safe location and the number of employees at Embassy Baghdad could be kept to a minimum. In 2007, the unit expanded and offered its services to embassies worldwide.

² For the purposes of this report, when OIG refers to "vouchers," it actually refers to "strip codes" of funding. PSU charges by strip code, and embassy cost figures are by strip code. More than one strip code can reside on a voucher. The PSU informed OIG that it may have to increase its charge to \$12.50 per voucher, given cost of living increases.

³ The top eight management initiatives were established by a working group chaired by the Office of Management Policy, Rightsizing, and Innovation. Its members include all regional bureau executive directors.

⁴ Department cable State 038907.

found PSU use was voluntary for embassies, despite the potential for cost savings and improved internal controls. OIG recommended that the Under Secretary for Management require embassies to consider PSU use as a part of their annual workforce planning efforts, given the potential to reduce embassy-based positions in high-cost locations through PSU use.

Progress to Cut Costs Through Remote Voucher Processing Has Been Slow

Despite other agency pressure and OIG recommendations to cut costs through PSU use, progress has been slow. Only 13 percent of embassy-funded vouchers at large and medium-sized missions⁵ were processed remotely in 2013.⁶

Even at embassies with the highest voucher processing unit costs, PSU use is low. As shown in the table below, at the 10 embassies with the highest voucher processing unit costs, only 8 percent of vouchers were processed by the PSU. At Embassy Bern, for example, the cost per voucher was \$67.37, and the embassy did not process any vouchers remotely in 2013.

PSU Use at Embassies with the Highest Unit Costs			
Embassy	Embassy Cost per Voucher⁷	PSU Charge per Voucher⁸	Percentage of Vouchers Processed Remotely⁹
Paris	\$71.40	\$12	23%
Bern	\$67.37	\$12	0%
Kuwait	\$57.59	\$12	12%
Tokyo	\$54.41	\$12	5%
Abuja	\$49.40	\$12	0%
Brussels	\$46.46	\$12	11%
Rome	\$45.78	\$12	0%
Brasilia	\$44.50	\$12	8%
Nassau	\$44.43	\$12	0%
Conakry	\$41.77	\$12	0%
Weighted Average			8%

⁵ For the purposes of this report, when OIG refers to “large and medium-sized” embassies, it refers to embassies that track costs using International Cooperative Administrative Support Services (ICASS) “Standard” software, which tracks administrative workload in greater detail than the “Lite” software used at small posts. Embassies using the “Lite” software are not addressed because voucher processing costs are not separated from other financial-related costs. Embassies Baghdad and Kabul also use the “Lite” software.

⁶ Projected PSU use for 2014 shows a marginal increase from 13.06 percent to 13.61 percent. The 13.06 figure could be understated by an estimated 1.48 percent because the OIG team did not attempt to remove cashiering vouchers from its analysis. Cashiering vouchers cannot be processed remotely.

⁷ Embassy costs per voucher are taken from the Department’s ICASS Global Database Report #5 – Unit Cost by Post 2013 Final. This database is used to charge other agencies for vouchering services. Appendix D lists all large and medium-sized missions’ cost per voucher.

⁸ PSU-generated documents state that the \$12 charge covers PSU’s voucher processing operating costs. The costs for standing up operations in the Philippines were still being determined at the time of this review.

⁹ The OIG team calculated the percentage of PSU use by dividing the number of vouchers processed by PSU in 2013 by the total number of vouchers processed in 2013, according to the ICASS Service Center. Although the total vouchers processed does include cash vouchers that cannot be processed by PSU, cash payments and vouchers are discouraged at high-cost embassies and should represent less than 1 percent of vouchers.

Similar statistics apply to embassies with the highest total number of vouchers processed. At the 20 embassies with the highest voucher processing costs overall,¹⁰ only 13 percent of vouchers were processed remotely in 2013.

The OIG team estimates that if these 20 embassies processed 50 percent of their vouchers remotely, they could save \$4.3 million annually. Potential savings for a few embassies are shown below. Appendix C has a more complete list.

- Embassy Tokyo \$412,182
- Embassy Brasilia \$343,736
- Embassy Paris \$321,146
- Embassy Brussels \$297,958
- Embassy Berlin \$293,632
- Embassy Rome \$285,103

¹⁰ The OIG team excluded Embassy Mexico City from the top 20 because that embassy's cost is lower than PSU's charge.

Centralized Governance Is Lacking

The Department's central and regional efforts to cut embassy costs through PSU use have been ineffective. The Under Secretary for Management, responsible for allocating resources and establishing management policies, left PSU use for embassy-funded vouchers up to the Office of Management Policy, Rightsizing, and Innovation (M/PRI); the regional bureaus; and the embassies.¹¹

Office of Management Policy, Rightsizing, and Innovation Encouraged, but Did Not Mandate, Post Support Unit Use for Cost Cutting

M/PRI, responsible for leading the Department's "regionalization/standardization activities" and "identifying potential efficiencies through...regionalization," encouraged PSU use but did not mandate it. Although M/PRI started tracking PSU use by embassy in 2012 and set a goal of 33-percent PSU use for nontravel vouchers,¹² it discontinued these tracking efforts in 2013. The office could not tell the OIG team whether any savings had resulted or whether the Department was on track to meet its 33-percent goal. M/PRI chairs the working group responsible for the Department's top eight cost-cutting initiatives. Other agency representatives complained about the lack of progress in cutting costs and said no meaningful metrics were related to PSU adoption rates, costs per voucher, or the number of voucher examiners at embassies.

The Department's rightsizing reviews, another centralized means of encouraging cost cutting through PSU use, do not consistently address PSU use. M/PRI conducts rightsizing reviews of all embassies to determine the minimum staff needed to meet foreign policy goals. In response to OIG's 2012 remote voucher processing survey, OIG was informed that M/PRI's rightsizing reports addressed the number of voucher examiner positions related to potential PSU use. However, the rightsizing reports do not consistently do so.¹³ For example, the 2012 and 2013 rightsizing reports for Embassy Rome did not recommend reducing the number of voucher examiners, though the OIG team estimates 50-percent PSU use and an accompanying reduction of embassy Rome positions could result in \$285,103 in savings annually. Embassy Berlin's 2013 rightsizing review also did not address remote voucher processing. On the other hand, the 2013 Embassy Paris rightsizing report recommended eliminating two voucher examiner positions.

Regional Bureaus Encourage, but Do Not Mandate, Post Support Unit Use or Cost Cutting

Regional bureau efforts to cut costs through PSU use varied, but no regional bureau enforced cost-cutting measures. Appendix B shows PSU use by bureau and the average unit costs by bureau.

¹¹ The Under Secretary for Management did mandate PSU use for Permanent Change of Station vouchers that are funded domestically by the Bureau of Human Resources and apply only to Department employees. The OIG team limited its review to embassy-funded vouchers, the costs of which are borne both by the Department and other agencies through ICASS funding.

¹² By the end of 2014.

¹³ The Under Secretary for Management also told the OIG team that M/PRI would address PSU use in its rightsizing review instructions; however, the instructions do not address PSU use.

The Bureau of European and Eurasian Affairs (EUR), which has the highest voucher processing costs worldwide, publicized a number of mandates but did not strictly enforce those mandates. For example, EUR mandated PSU use for all E2 travel vouchers, prohibited embassies from creating new or replacing vacant voucher examiner positions without approval, and mandated that embassies outsource all vouchers to the PSU to the fullest extent possible.¹⁴ However, not all embassies use the PSU for E2 vouchers, EUR staff could not tell the OIG team whether any new voucher examiners had been hired over the past 3 years, and EUR did not force the costliest embassies to use the PSU. Additionally, EUR could not demonstrate that PSU use had generated any savings.¹⁵

The Bureaus of Near Eastern Affairs and South and Central Asian Affairs led all bureaus in PSU use with 22 percent and 20 percent, respectively, but did not enforce PSU use mandates. Embassies in those bureaus used the PSU primarily to reduce the number of personnel located at dangerous embassies. Those bureaus also mandated PSU use for all E2 travel vouchers, encouraged embassies to use the PSU, set embassy targets of 30-percent PSU use, required embassies to justify reductions in PSU use, and prohibited embassies from creating voucher examiner positions or filling vacant positions without approval.¹⁶ However, the bureaus did not enforce those instructions and informed the OIG team that the level of PSU use was an embassy decision. (Those bureaus share an executive office.)

The other regional bureaus issued informal guidance that embassies consider PSU use, but those bureaus did not mandate PSU use or require embassies to seek approval for voucher examiner hiring.

Sources of Resistance

The primary source of resistance to PSU use is embassies' fear of losing positions and voucher examiners' fear of losing their jobs.

Other sources of resistance come from embassy staff members who claim PSU use would not reduce their workload because they would still have to gather, review, and scan supporting documentation. The OIG team notes, however, that embassies that maintain documentation electronically in the Department's approved Web-based procurement system (Integrated Logistics Management System) do not have to handle supporting documentation for procurements because the PSU can access supporting documentation in that system. Some voucher types do not have mandated electronic storage systems and still require a certain amount of manual scanning.

Some embassy staff members were concerned that PSU use would increase voucher processing times. In interviews, the OIG team was told that delays most often occur when information sent to the PSU is incomplete. Some missions have had to change their processes and standards in order to use the PSU. One of the benefits of PSU use is consistent application of

¹⁴ Department cables 11 State 6843, 11 State 123236, and 12 State 117995.

¹⁵ EUR did show the OIG team a document suggesting that PSU use could save EUR an estimated \$6.9 million and that it had already saved \$1.5 million and 26 positions. However, EUR could not demonstrate how the \$1.5 million in savings was achieved, such as providing a list of abolished voucher examiner positions. By policy, EUR allows missions to use saved ICASS funds for other administrative functions.

¹⁶ Department cable 13 State 7698.

the regulations. PSU's operations are ISO-9000¹⁷ certified, and PSU monitors and publicizes its adherence to established quality standards. The PSU usually meets its timeliness and customer satisfaction standards.

Several interviewed staff members told the OIG team that the Department is reluctant to reduce embassy staffing, even those employees who are performing administrative functions. The team was told that, "reducing embassy-based positions is not the culture of the Department."

¹⁷ The International Standards Organization, based in Geneva, writes standards on various subjects. Its ISO-9000 series of standards constitute guidelines for a quality management system.

Recommendations

Enforce PSU Use at the Highest Cost Embassies

The Department has not mandated or prioritized PSU use on the basis of potential cost savings. PSU's growth related to embassy-funded vouchers has been embassy driven and dependent on the amount of work requested. The Under Secretary for Management is responsible for the Department's management policies,¹⁸ putting that office in the best position to mandate PSU use at the 20 embassies with the highest potential cost savings. The PSU will have to expand its capacity¹⁹ and reprioritize planned voucher processing requests²⁰ to accommodate the additional workload. The PSU may also consider contracting some of the workload to an outside firm, though not the certifying function that is inherently governmental. Travel and leasing vouchers are the easiest to process remotely and could serve as a starting point.

Recommendation 1: The Under Secretary for Management should mandate that the 20 embassies with the highest potential cost savings through Post Support Unit use increase the percentage of vouchers they process remotely to 50 percent by the end of 2016 to allow for \$4.3 million in savings annually. (Action: M/PRI)

Enforce Voucher Examiner Cuts

Cost savings through PSU use can only be realized if embassy-based voucher examiners and American certifying officers in high-cost locations devote less time to that function. In many embassies, especially large ones, PSU use could allow voucher examiner positions in high-cost locations to be eliminated. PSU staff at lower cost locations would replace those examiners.

Neither M/PRI nor the regional bureaus have tracked the number of voucher examiners and American certifying officers devoted to voucher processing or voucher examiner hiring.²¹ Embassies with the highest voucher examination costs also often have the highest severance costs, arguing for position reductions through attrition. Three regional bureaus did prohibit creating new voucher examiner positions without special authorization; however, none has strictly enforced the prohibition and none could tell the OIG team definitively whether it had ever disapproved an embassy's request to hire a voucher examiner. Neither the regional bureaus nor M/PRI nor the Bureau of Human Resources could tell the OIG team whether any voucher examiners had been hired over the past 3 years. No office in the Department has required embassies to submit workforce plans associated with potential position reductions possible through PSU use.

¹⁸ The Under Secretary also oversees the National Security Decision Directive 38 process and the Bureau of Budget and Planning, which compiles the Department's budget request and distributes appropriated funding to each regional bureau.

¹⁹ The OIG team estimates the PSU will have to expand its workforce by about one-third.

²⁰ The OIG team recognizes that workload from high-threat locations should remain a priority.

²¹ The OIG team did find data from the ICASS Service Center that suggested progress in reducing the amount of time voucher examiners in EUR devoted to voucher processing. However, over that same timeframe, the amount of time American certifying officers in EUR devoted to voucher processing increased.

Regional bureaus did not expect embassies to eliminate positions or reduce their budgets on the basis of savings generated from PSU use. Embassies could keep the voucher examiners or move them into other administrative²² functions. Personnel reduction at high-cost missions is the key to substantial cost savings from PSU use. The Under Secretary for Management also has not considered moving funding from bureaus where the greatest savings could or should have been generated.

Recommendation 2: The Under Secretary for Management, in coordination with the Bureau of African Affairs, the Bureau of East Asian and Pacific Affairs, the Bureau of European and Eurasian Affairs, the Bureau of Near Eastern Affairs, the Bureau of South and Central Asian Affairs, and the Bureau of Western Hemisphere Affairs, should track and enforce a prohibition on voucher examiner hiring at the 20 embassies with the highest potential cost savings until Post Support Unit use reaches at least 50 percent. (Action: M/PRI, in coordination with AF, EAP, EUR, NEA, SCA and WHA)

Recommendation 3: The Under Secretary for Management, in coordination with the Bureau of African Affairs, the Bureau of East Asian and Pacific Affairs, the Bureau of European and Eurasian Affairs, the Bureau of Near Eastern Affairs, the Bureau of South and Central Asian Affairs, the Bureau of Western Hemisphere Affairs, and the Bureau of the Comptroller and Global Financial Services, should develop a transition plan for transferring voucher processing at embassies with the highest potential cost savings to the Post Support Unit by 2015 and eliminating voucher examiner positions at the high-cost embassies. (Action: M/PRI, in coordination with AF, EAP, EUR, NEA, SCA, WHA, and CGFS)

Workforce planning at all embassies will enable a longer term strategic approach to voucher processing, even at those embassies not included among the 20 with the highest potential cost savings.

Recommendation 4: The Under Secretary for Management, in coordination with the Bureau of African Affairs, the Bureau of East Asian and Pacific Affairs, the Bureau of European and Eurasian Affairs, the Bureau of Near Eastern Affairs, the Bureau of South and Central Asian Affairs, and the Bureau of Western Hemisphere Affairs, should require every embassy to submit a financial management section workforce planning document by December 2014, detailing the person hours currently spent on voucher examining and how remote voucher processing would affect the number of voucher examiner positions. (Action: M/PRI, in coordination with AF, EAP, EUR, NEA, SCA and WHA)

Examine Voucher Documentation Regulations

A few outdated regulations apply to remote voucher processing. For example, 4 *Foreign Affairs Handbook* (FAH)-3 H-422.6-8 and 4 FAH-3 H-423.4-1 and 2 imply that original hard-copy purchase orders and invoices must support all voucher payments. These regulations were last updated in 1995. The PSU is certifying vouchers based on electronic copies and received a waiver to the above regulations to process vouchers using electronic supporting documentation.

²² Other functions funded through ICASS.

Recommendation 5: The Bureau of the Comptroller and Global Financial Services should determine whether the hard-copy purchase order and invoice requirement is still valid and update relevant sections of the *Foreign Affairs Manual* and *Foreign Affairs Handbook*. (Action: CGFS)

Continue Tracking Embassies' Voucher Processing Costs

Department officials recently decided to stop tracking embassies' voucher processing costs. In a planned software upgrade, those costs will be rolled into general financial management costs, making it difficult, if not impossible, to assess the cost and efficiency of embassies' voucher processing operations.

Recommendation 6: The Under Secretary for Management should continue tracking embassies' voucher processing costs to identify cost-saving opportunities. (Action: M/PRI)

List of Recommendations

Recommendation 1: The Under Secretary for Management should mandate that the 20 embassies with the highest potential cost savings through Post Support Unit use increase the percentage of vouchers they process remotely to 50 percent by the end of 2016 to allow for \$4.3 million in savings annually. (Action: M/PRI)

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Principal Officials

	Name	Arrival Date
Under Secretary for Management	Patrick Kennedy	11/2007
Chief, Office of Management Policy, Rightsizing, and Innovation	Alaina Teplitz	10/2012
Comptroller	James Millette ²³	08/2002
Director, Post Support Unit	Darcy Mercadante	08/2011
Director, ICASS Service Center	Richard Boohaker	09/2012
Regional Bureau Executive Directors		
Bureau of African Affairs	Paul Folmsbee	08/2012
Bureau of East Asian and Pacific Affairs	Jennifer Bonner	08/2013
Bureau of European and Eurasian Affairs	Margaret Uyehara	08/2012
Bureau of Near Eastern Affairs/ Bureau of South and Central Asian Affairs	Lee Lohman	08/2011
Bureau of Western Hemisphere Affairs	Christopher Lambert	06/2012

²³ Jim Millette left this position after fieldwork for this review was completed.

Abbreviations

Department	U.S. Department of State
E2	E2 Solutions
EUR	Bureau of European and Eurasian Affairs
FAH	<i>Foreign Affairs Handbook</i>
ICASS	International Cooperative Administrative Support Services
M/PRI	Office of Management Policy, Rightsizing, and Innovation
OIG	Office of the Inspector General
PSU	Bureau of the Comptroller and Global Financial Services' Post Support Unit

Appendix A: OIG Reports Covering Remote Voucher Processing

Inspection of Embassy Budapest, Hungary *(ISP-I-14-03A, March 2014)*

The embassy sends travel vouchers to the Post Support Unit, but not other types of vouchers. Doing so would allow the embassy to reprogram a voucher examiner position to a different understaffed section. OIG recommended the embassy reprogram the position, determine what other types of vouchers were best suited to outsourcing, and restructure staff and work processes accordingly.

Inspection of Embassy Panama City, Panama *(ISP-I-14-04A, March 2014)*

The embassy cost to process a voucher was \$30.01, which is higher than the PSU's charge of \$12. Outsourcing could reduce costs and the expected departure of two embassy voucher examiners offers an opportunity to make this transition. OIG recommended that the embassy determine whether outsourcing voucher processing would result in cost savings. OIG also noted that the average number of vouchers processed by each voucher examiner at the embassy was only 1,900 per year compared to the worldwide average of 2,224. The most efficient embassy in the region processed nearly twice as many vouchers per examiner as the embassy.

Inspection of Embassy San Salvador, El Salvador *(ISP-I-14-05A, March 2014)*

The embassy outsources all travel vouchers to the PSU, but not other types of payments. The embassy's cost to process a voucher is \$20.60 compared to the PSU charge of \$12. OIG recommended the embassy determine whether outsourcing voucher processing would result in cost savings. OIG also noted the average number of vouchers processed by each voucher examiner was 1,908 per year compared to the worldwide average of 2,224 per year. The most efficient embassy in the region processed nearly twice as many vouchers per examiner as the embassy.

Inspection of Embassy Moscow and Constituent Posts, Russia *(ISP-I-13-48A, September 2013)*

The embassy recently implemented a plan to outsource travel voucher processing to the regional voucher processing center. Processing costs in Moscow are almost three times higher than the regional center; because of this the embassy was looking into transferring additional voucher processing to the regional center. No recommendation was issued.

Inspection of Embassy Brasilia and Constituent Posts, Brazil *(ISP-I-13-40A, September 2013)*

The embassy outsources travel vouchers to the PSU, but not other types of vouchers, which cost \$37.61 to process locally. The regional support units cost \$12 per voucher. OIG recommended that the embassy determine whether it would save more by outsourcing payment vouchers to the PSU as well.

Inspection of the Regional Support Center Frankfurt, Germany *(ISP-I-13-32, June 2013)*

Regional Support Center Frankfurt encourages its embassies to reduce voucher processing costs by utilizing the post support units but does not mandate it. They have had success at some smaller embassies, but several continue to process vouchers locally at increased costs. No recommendation was issued.

Inspection of Embassy Abuja and Consulate General Lagos, Nigeria (ISP-I-13-16A, February 2013)

OIG estimated the embassy's average cost to process vouchers was \$38.65 per strip code, compared to \$12 per code when outsourced. OIG recommended that the embassy determine whether outsourcing voucher processing would result in cost savings.

Inspection of Buenos Aires, Argentina (ISP-I-13-15A, February 2013)

The embassy had not included the analysis in its workforce planning as required by the Global Management Priorities initiative. The embassy could save almost \$29,000 annually per voucher examiner that was outsourced to PSU. OIG also found that the embassy's financial management unit was incurring large amounts of overtime and double-time hours, despite having a voucher workload well below the worldwide average. OIG recommended that the embassy conduct a cost-benefit analysis of outsourcing voucher processing to PSU and use the appropriate low cost option.

Inspection of Embassy Santiago, Chile (ISP-I-13-12A, February 2013)

The embassy had not done a cost-benefit analysis to determine whether outsourcing vouchers would be more cost effective than hiring additional personnel, as required in the Global Management Priorities. OIG estimated the embassy would save over \$50,000 annually with PSU's remote voucher processing. OIG recommended that the embassy perform a cost-benefit analysis of outsourcing voucher processing and use the less expensive option.

Compliance Follow-up Review of Embassy Luxembourg, Luxembourg (ISP-C-13-05, January 2013)

During the compliance follow-up review, OIG confirmed the embassy implemented the recommendation. OIG recommended the embassy conduct an analysis of costs and feasibility for utilizing remote voucher processing.

Review of Voucher Processing (ISP-I-13-01, October 2012)

OIG found that it is more economical to outsource voucher processing than to hire and replace local staff. PSU's \$12 charge per voucher strip code fell well below the ICASS average of \$34. OIG recommended that the Under Secretary for Management institute a policy requiring all overseas posts to include a cost-benefit analysis of voucher outsourcing to PSU as part of their annual workforce planning.

Inspection of Ljubljana, Slovenia (ISP-I-12-46A, August 2012)

OIG found no significant problems or areas for further improvement. The embassy already utilizes the PSU for travel voucher processing; local invoices require translation before they can be processed, preventing them from being outsourced as well. No recommendation was issued.

Inspection of Embassy Bucharest, Romania (ISP-I-12-45A, August 2012)

The embassy outsourced travel vouchers to PSU; this has resulted in a decrease of ICASS scores for voucher services in recent years. No recommendation was issued.

Inspection of Embassy Singapore, Singapore (ISP-I-12-36A, June 2012)

The embassy processes approximately 600 fewer vouchers per examiner than the regional average. The cost of outsourcing the processing of 300–500 travel vouchers was between \$3,600

and \$6,000 annually, instead of \$31,000 to hire another examiner. OIG recommended that the embassy outsource its travel voucher processing.

Compliance Follow-up Review of Embassy Islamabad and Constituent Posts, Pakistan
(ISP-C-12-28A, May 2012)

In 2010, OIG inspected Embassy Islamabad and recommended that the Bureau of Resource Management,²⁴ in coordination with the embassy and the Bureau of South and Central Asian Affairs, determine the feasibility of outsourcing voucher processing to the PSU. After review, the bureaus and embassy determined that sending all travel vouchers to Charleston for processing was appropriate. Additional vouchers will be sent offshore for processing when the E2 system implementation is complete. OIG considered the issue closed.

Inspection of Embassy Port-au-Prince, Haiti (ISP-I-12-24A, May 2012)

The embassy is utilizing the remote post support system to process most of its vouchers at favorable costs. OIG endorsed the use of the PSU; no recommendation was issued.

Inspection of Embassy San Jose, Costa Rica (ISP-I-12-23A, May 2012)

A rightsizing review of the embassy was completed in February 2012; OIG agreed with the results that the embassy seek additional staff reductions by outsourcing voucher processing to the PSU. OIG estimated utilizing the PSU to process vouchers would cost half of what was currently being spent to process vouchers at the embassy. OIG recommended that the embassy process all vouchers through the PSU.

Inspection of Embassy Beirut, Lebanon (ISP-I-12-10A, February 2012)

The embassy began outsourcing voucher processing in 2011 but is not currently sending all its vouchers to the PSU. OIG recommended the embassy implement a policy to utilize the PSU for all voucher processing.

Inspection of Embassy Warsaw, Poland (ISP-I-11-64A, September 2011)

OIG noted the embassy was overstaffed and could afford to lose one or two voucher clerks. Some of the voucher processing had already been transferred to the PSU. OIG recommended that the embassy eliminate at least one locally employed staff position in the voucher section.

Inspection of Embassy Seoul, Republic of Korea (ISP-I-11-55A, August 2011)

The embassy's financial unit processes about 10,200 vouchers annually; this number was lower than the worldwide average, yet costs were nearly three times higher than at regional processing centers. It was estimated that outsourcing 50 percent of the embassy's vouchers would save approximately \$110,000 annually. There was some question to the feasibility of this, since many of the vouchers were submitted in Korean. OIG recommended that the embassy, in coordination with the Bureau of Resource Management, develop a plan to outsource some of the embassy's voucher processing to the PSU.

Inspection of the Bureau of South and Central Asian Affairs (ISP-I-11-47, June 2011)

Bureau management has pushed all its embassies to use the PSU in Charleston for travel voucher processing and is strongly recommending they outsource the rest of their voucher processing as

²⁴ In 2012, the Bureau of Resource Management was restructured into the Bureau of Budget and Planning and the Bureau of the Comptroller and Global Financial Services.

well. The regionalization saves money, but it is extremely useful for reducing the number of employees in danger-pay embassies. No recommendation was issued.

Inspection of Pretoria, South Africa and Constituent Posts *(ISP-I-11-42A, June 2011)*

The embassy outsourced its travel voucher processing to Bangkok. Travel vouchers were completed and advances repaid in a timely manner. No recommendation regarding voucher outsourcing was issued.

Inspection of Embassy New Delhi, India and Constituent Posts *(ISP-I-11-39A, June 2011)*

The Bureau of South and Central Asian Affairs directed all of its posts to transfer travel voucher processing to the PSU to reduce the need for voucher examiner positions at the embassy. The report fails to mention whether program was successful. No recommendations were issued regarding this issue.

Inspection of the Bureau of Near Eastern Affairs *(ISP-I-11-49A, May 2011)*

OIG found that the bureau pushed all its embassies to use Charleston's PSU to process travel vouchers and was urging posts to outsource the rest of their voucher processing as well. Although the economies of scale it produces can save money, regionalization can be especially useful in danger-pay embassies, as it can reduce the number of employees in the country. No recommendation was issued.

Inspection of Embassy Santo Domingo, Dominican Republic *(ISP-I-11-40A, May 2011)*

Voucher processors at the post processed an average of 27,032 vouchers in FY 2010, which far exceeded large posts such as Beijing, Brasilia, London, Rome, and Mexico City. For the PSU to process 1,200 to 1,500 vouchers annually costs approximately \$14,000 to \$18,000, as opposed to \$21,000 to hire another voucher processor at the embassy. OIG recommended that the embassy outsource its travel voucher processing to the post support units.

Inspection of Embassy Luxembourg, Luxembourg *(ISP-I-11-17A, January 2011)*

Remote voucher processing had been previously recommended by the Regional Support Center, but no one from the embassy had contacted Charleston to inquire about that function. There was some question how effective remote processing would be without a fully functioning general services unit at the embassy. OIG recommended that the embassy determine the cost and feasibility of using remote voucher processing and potentially initiate it.

Inspection of Embassy Bangkok, Thailand *(ISP-I-11-03A, November 2010)*

The PSU presently handles some or all of the vouchers for 55 posts, including Baghdad, Pretoria, Ottawa, and New Delhi. Given that other embassies may realize cost savings by utilizing the PSU, the PSU has not sufficiently considered long-term goals for further potential development to provide cost reductions worldwide. OIG recommended that Global Financial Service Bangkok, along with the Bureau of Resource Management, develop a strategic plan for expansion of its services.

Inspection of Embassy Beijing, China *(ISP-I-10-79A, September 2010)*

OIG found that the financial management unit had outsourced all permanent change-of-station travel voucher processing to the PSU in Bangkok; the outsourcing was adequately meeting the needs of the embassy. OIG had no recommendations.

Inspection of Embassy Islamabad, Pakistan (ISP-I-10-64, June 2010)

OIG found that the embassy's permanent change-of-station vouchers were processed by the PSU in Bangkok and that the embassy was considering other services to outsource. OIG recommended that the embassy, along with the Bureau of Resource Management, review the feasibility of outsourcing voucher processing and other invoice tracking.

Inspection of Embassy Rome, Italy, Its Constituent Posts, and the Republic of San Marino (ISP-I-10-59A, June 2010)

OIG found that the financial unit often exceeded performance standards. The unit was outsourcing some of its travel vouchers to Charleston and Bangkok. OIG reported the arrangement was adequate for the embassy's needs. No recommendation was issued.

Inspection of Tri-Embassy Coordination Brussels, Belgium (ISP-I-10-15, December 2009)

During a period where financial management had five vacancies, they outsourced some of their travel voucher processing to Charleston and Bangkok with varying degrees of success. Initially unsatisfactory, the service is now adequate and vouchers are processed in 10 days.

Inspection of Embassy Baghdad, Iraq (ISP-I-09-39A, July 2009)

The embassy will continue to rely on the PSUs in Charleston and Bangkok for voucher processing, budgeting, accounting, and obligating. OIG recommended that the embassy conduct a review to determine whether additional functions could be outsourced to reduce the number of personnel residents in Baghdad.

Inspection of Embassy Paramaribo, Suriname (ISP-I-09-38A, May 2009)

OIG found the embassy outsourced its guard voucher processing to Charleston PSU. The arrangement worked well for the embassy and only costs \$880 annually to process 80 strip codes. The embassy was in the process of conducting a cost-benefits analysis on outsourcing all voucher processing.

Inspection of Embassy Mexico City, Mexico (ISP-I-09-21A, April 2009)

The financial unit experienced a high turnover in locally employed staff, causing some disruptions and delays in processing vouchers. The unit was in the process of bringing on additional staff. Embassy Mexico City had previously tried outsourcing some of its backlog of vouchers to Charleston with mixed results. OIG recommended that the embassy, in coordination with the Bureau of Resource Management, utilize the PSU for routine voucher processing for the embassy and all consulates.

Inspection of Embassy Tripoli, Libya (ISP-I-09-01A, December 2008)

The embassy pays \$68,000 annually for PSU services from both Charleston and Bangkok: Bangkok handles obligations and voucher processing; Charleston maintains responsibility for overall operations.

Inspection of Embassy Tokyo, Japan and Constituent Posts (ISP-I-08-39A, June 2008)

The average salary for nine full-time staff employed in the voucher processing unit was \$80,000, compared with \$16,700 annually for voucher examiners in Bangkok. Outsourcing voucher processing would result in considerable savings for the Department. OIG recommended that the embassy, in coordination with the Bureau of Resource Management Global Financial Services, initiate a phased transfer of voucher processing to the PSU in Bangkok.

Appendix B: Voucher Processing Costs and Post Support Unit Use

Remote Voucher Processing by Bureau		
Regional Bureau	Average Embassy Cost per Voucher ²⁵	Percentage of Vouchers Processed Remotely ²⁶
African Affairs	\$25.34	11%
East Asian and Pacific	\$22.53	11%
European and Eurasian Affairs	\$33.88	15%
Near Eastern Affairs	\$31.48	22%
South and Central Asian Affairs	\$12.68	20%
Western Hemisphere Affairs	\$23.43	9%
Average	\$26.02	13%

²⁵ Bureau costs per voucher are taken from the Department's ICASS Global Database Report #5 – Unit Cost by Post 2013 Final. This database is used to charge other agencies for vouchering services.

²⁶ The OIG team calculated the percentage of PSU use by dividing the number of vouchers processed by PSU in 2013 by the total number of vouchers processed in 2013, according to the ICASS Service Center. Although the total vouchers processed does include cash vouchers that cannot be processed by PSU, cash payments and vouchers are discouraged at high-cost embassies and should represent less than 1 percent of vouchers.

Appendix C: Estimated Savings Through 50-Percent Post Support Unit Use at the Highest Cost Embassies

Estimated Savings Through 50-Percent PSU Use ²⁷						
	Embassy	2013 Percentage of PSU use	Proposed PSU use Percentage	Increase in PSU-Processed Vouchers	Savings per Voucher	Annual Savings
1	Tokyo	5%	50%	9,719	\$42.41	\$412,182
2	Brasilia	8%	50%	10,577	\$32.51	\$343,736
3	Paris	14%	50%	5,407	\$59.40	\$321,146
4	Brussels	11%	50%	8,647	\$34.46	\$297,958
5	Berlin	23%	50%	15,191	\$19.33	\$293,632
6	Rome	0%	50%	8,440	\$33.78	\$285,103
7	London	5%	50%	9,899	\$25.64	\$253,797
8	Beijing	11%	50%	19,994	\$12.42	\$248,322
9	Abuja	0%	50%	6,580	\$37.40	\$246,073
10	Moscow	4%	50%	10,448	\$20.81	\$217,422
11	Pretoria	14%	50%	11,649	\$18.23	\$212,352
12	Athens	5%	50%	6,297	\$28.83	\$181,528
13	Canberra	15%	50%	7,964	\$22.82	\$177,756
14	Ottawa	7%	50%	8,578	\$17.75	\$152,253
15	Tel Aviv	10%	50%	10,584	\$12.89	\$136,421
16	Santiago	3%	50%	4,999	\$23.81	\$119,026
17	Nairobi	0%	50%	14,503	\$8.19	\$118,779
18	La Paz	0%	50%	7,253	\$15.81	\$114,662
19	Caracas	0%	50%	5,051	\$19.96	\$100,817
20	Buenos Aires	4%	50%	5,928	\$15.38	\$91,164
	Total	13%				\$4,324,137

²⁷ Savings are calculated by subtracting the ICASS cost per voucher from the PSU charge of \$12, then multiplying that by the change in workload that would result in 50-percent PSU use. When embassies use the PSU, a minimal amount of vouchering work is still required at the embassy. Specifically, someone needs to make sure supporting documentation is available electronically. For embassies that have good internal controls and save voucher documents electronically, this task requires very little effort and can be performed by a very low graded employee. The OIG team selected 50 percent as a PSU-use target to allow the PSU time to increase its capacity and also to ensure that missions would not have to send vouchers that are more difficult to process remotely to the PSU.

Appendix D: Voucher Processing Costs and Post Support Unit Adoption Rates for All Large and Medium-Sized Embassies

Embassy	Percentage Processed Remotely	Cost per Voucher (in dollars)	Total Voucher Processing Costs in 2013 (in dollars)
Berlin	23%	31.33	1,753,634
Paris	23%	71.40	1,432,213
Beijing	11%	24.42	1,243,503
Tokyo	5%	54.41	1,178,956
Brasilia	8%	44.50	1,121,979
Brussels	11%	46.46	1,021,051
Pretoria	14%	30.23	984,379
London	5%	37.64	823,000
Canberra	15%	34.32	780,986
Rome	0%	45.78	772,766
Moscow	4%	32.81	746,362
Mexico City	8%	10.53	718,020
Tel Aviv	10%	24.89	655,130
Abuja	0%	49.40	650,055
Bogota	16%	19.35	607,040
Ottawa	7%	29.75	593,075
Nairobi	0%	20.19	585,631
Athens	5%	40.83	572,069
Vienna	67%	34.08	566,307
Cairo	35%	41.24	552,245
New Delhi	13%	13.04	526,141
Bangkok	0%	11.63	458,990
Riyadh	33%	33.93	427,111
La Paz	0%	27.81	403,384
Ankara	12%	20.10	397,578
Warsaw	20%	24.04	387,837
Hong Kong	31%	41.65	382,430
Dakar	42%	19.11	378,053
Santiago	3%	35.81	377,151
Lima	15%	19.19	372,653
Bucharest	23%	34.89	363,693
Madrid	32%	37.62	360,738

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Quito	5%	24.21	358,526
Rabat	68%	32.57	357,912
Buenos Aires	4%	27.38	354,379
Jakarta	5%	12.25	333,874
Caracas	0%	31.96	322,860
Abu Dhabi	16%	29.41	310,393
Seoul	26%	27.87	309,039
Manila	0%	8.97	290,224
Port-Au-Prince	51%	38.14	284,143
Amman	8%	33.49	283,031
Guatemala City	20%	29.29	277,376
Islamabad	36%	10.92	271,875
Panama	6%	25.39	267,814
Singapore	59%	32.97	267,683
Santo Domingo	10%	11.98	263,967
Kuala Lumpur	8%	33.77	255,200
Kuwait	12%	57.59	247,119
San Salvador	6%	23.00	243,616
San Jose	21%	38.11	239,685
Budapest	2%	15.36	238,464
Accra	0%	17.30	232,062
Nassau	0%	44.43	228,192
Kinshasa	6%	30.79	226,645
Abidjan	0%	31.75	204,438
Hanoi	14%	12.21	199,939
Dar Es Salaam	13%	21.96	196,278
Tegucigalpa	1%	23.32	196,051
Bern	0%	67.37	195,912
Sarajevo	0%	15.26	184,677
Kyiv	0%	18.01	183,781
Tunis	3%	20.30	181,259
Astana	13%	14.58	177,584
Helsinki	6%	23.10	174,890
Managua	18%	22.19	163,318
Kampala	25%	17.27	161,405
Addis Ababa	0%	14.93	156,601
Belgrade	0%	14.12	145,070
Yaounde	15%	26.39	139,128
Bamako	6%	24.79	136,295
Phnom Penh	8%	10.79	135,285
Muscat	8%	29.83	135,160

Vientiane	44%	23.72	135,133
Conakry	0%	41.77	89,973
Havana	0%	16.51	70,861
Colombo	16%	14.32	55,877
Voucher Processing Costs		\$26.02²⁸	\$32,084,156
Average PSU Use	13%		

²⁸ The average cost per voucher includes costs associated with those vouchers processed by PSU. The OIG team did not attempt to separate out PSU costs from embassy-based costs because the percentage of PSU use was low—13 percent—and because it is unclear whether embassies using the PSU eliminated positions or reduced the amount of time devoted to that function.



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