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Audit of Selected Internal Controls for the Special Needs Education Allowance

FINANCIAL MANAGEMENT DIVISION

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HIGHLIGHTS

Office of Inspector General
United States Department of State

AUD-FM-20-33

What OIG Audited

Federal law authorizes Federal employees to receive cost-of-living allowances to cover certain costs incurred when stationed in foreign areas. Accordingly, the Department of State (Department) may grant a Special Needs Education Allowance (SNEA) to employees serving in foreign areas for their children who would fall under the Individuals with Disabilities Education Improvement Act or Section 504 of the Rehabilitation Act of 1973.

The Office of Inspector General (OIG) conducted this audit to determine whether the Department established and applied selected internal controls from the Government Accountability Office's *Standards for Internal Control in the Federal Government* to effectually administer SNEA in accordance with Department requirements. OIG assessed three internal control components and seven associated principles involving control activities, information and communication, and monitoring.

What OIG Recommends

OIG made 15 recommendations that are intended to improve the Department's internal controls for SNEA administration. On the basis of management's response to a draft of this report, OIG considers all 15 recommendations resolved, pending further action. A synopsis of management's response to the recommendations offered and OIG's reply follow each recommendation in the Audit Results section of this report. Management's responses to a draft of this report are reprinted in their entirety in Appendices D through G.

June 2020

OFFICE OF AUDITS

FINANCIAL MANAGEMENT DIVISION

Audit of Selected Internal Controls for the Special Needs Education Allowance

What OIG Found

Since 2015, the Department has taken steps to reform SNEA. Most recently, in November 2018, the Deputy Under Secretary for Management created the "M Family Special Needs Committee," which included representatives from several Department bureaus and the Office of the Legal Advisor. The Committee developed a plan of action for SNEA reform that included 12 specific issues with 15 associated "remedies." The remedies addressed internal controls weaknesses and, when implemented, would help the Department achieve SNEA's desired results. OIG found that, as of December 2019, 10 (67 percent) of 15 remedies had been fully implemented and 5 remedies that involve 2 distinct internal control components, namely control activities and information and communication, require additional attention. These control components have not been fully addressed because of SNEA's complex nature and the extensive coordination needed among Department bureaus to implement the associated internal controls. Specifically, the Department has not published policies and procedures in the Foreign Affairs Manual regarding medical clearances related to SNEA and the appeals process when an allowance application is denied, nor has it implemented a centralized voucher process or communicated SNEA-related accounting procedures to appropriate officials. To meet the Committee's goal of enhancing support for employees who have children with special needs, the remaining five remedies must be addressed.

In addition, OIG found that the Department has not established a process to evaluate the effectiveness of SNEA reform remedies once implemented. According to the *Standards for Internal Control in the Federal Government*, internal control is a dynamic process that must be adapted continually to the risks and changes an entity faces. The monitoring control component is essential to maintain alignment with changing objectives, environments, laws, resources, and risks. Although the Committee identified 15 SNEA reform remedies, it did not include a monitoring plan among the remedies. Without such a plan, deficiencies with the administration of SNEA could go unnoticed and uncorrected.

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OBJECTIVE

The Office of Inspector General (OIG) initiated this performance audit in response to concerns raised by multiple sources, including Department of State (Department) officials, other OIG offices, and media outlets, related to the administration of the Special Needs Education Allowance (SNEA). Although some sources cited circumstances related to specific requests for the allowance, OIG performed its audit to assess internal controls related to the allowance. Assessing internal controls, rather than assessing the merit of individual cases, allows OIG to identify the underlying causes of SNEA deficiencies and to make meaningful recommendations to improve the administration of the allowance.

Specifically, OIG conducted this audit to determine whether the Department established and applied selected internal controls from the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*¹ to effectually administer SNEA in accordance with Department requirements.²

BACKGROUND

Federal law authorizes Federal employees to receive cost-of-living allowances to cover certain costs incurred when stationed in foreign areas.³ These allowances are provided to civilian American employees of the Department and other Federal agencies. The Department is responsible for determining the cost-of-living allowance rates for all Federal civilian employees. One of the cost-of-living allowances is an education allowance to provide for adequate elementary and secondary education of the employee's dependents.

Education Allowance for Employees Serving Overseas

The education allowance assists employees in meeting the extraordinary and necessary expenses incurred when providing adequate elementary and secondary education for dependent children at assigned overseas posts. According to the Department of State Standardized Regulations (DSSR), the education allowance is designed to defray the cost

¹ GAO, *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014), also known as the Green Book. The Federal Managers Financial Improvement Act of 1982, 31 United States Code (U.S.C.) § 3512, requires GAO to prescribe internal control standards for the Federal Government that provide the framework and criteria Federal managers must use in designing, implementing, and operating an effective system of internal control. In keeping with these requirements, the Foreign Affairs Manual (FAM) at 2 FAM 021.1, "Policy and Scope," and 2 FAM 021.2, "Authorities and Requirements," requires all levels of Department management to maintain effective systems of internal controls to ensure that U.S. Government activities are managed effectively, efficiently, economically, and with integrity by using the internal control components and principles set forth in GAO's *Standards for Internal Control in the Federal Government*.

² The Department is not required to follow Federal laws related to special needs education because they were designed as funding mechanisms for U.S. public schools—not Federal agencies. However, the Department uses the laws to guide its implementation of SNEA in the Department of State Standardized Regulations (DSSR) (i.e., "Department requirements" as stated in the objective).

³ 5 U.S.C. § 5924(4).

necessary to obtain educational services that are ordinarily provided without charge by public schools in the United States.⁴ Department employees may enroll their dependents in the school of their choice and are eligible to receive the education allowance up to the amount authorized in the DSSR. The DSSR establishes education allowance rates for “school at post,”⁵ “school away from post,”⁶ “home study/private instruction,” and “special needs education.”⁷

According to the DSSR, the allowance for special needs education applies to children who, if residing in the United States, would fall under the Individuals with Disabilities Education Improvement Act of 2004 (IDEIA)⁸ or receive services or support pursuant to Section 504 of the Rehabilitation Act of 1973 (Section 504).⁹ IDEIA ensures that all children with disabilities¹⁰ have available to them a free and appropriate public education that emphasizes special education and related services designed to meet their unique needs and prepare them for further education.¹¹ IDEIA defines a “free appropriate public education” as special education and related services that are provided at public expense and without charge, are under public supervision and direction, and meet the standards of the state educational agency.¹² Section 504 prohibits discrimination against people with disabilities under any program or activity receiving Federal financial assistance, which includes programs and activities operated by a local educational agency or other school system in the United States.¹³

Pursuant to the DSSR, an employee with a special needs child may be authorized reimbursement of allowable expenses each school year up to \$71,500 for school at post plus \$4,100 for supplementary instruction;¹⁴ \$71,500 for home study/private instruction, including tutoring; or \$87,900 for school away from post, including educational consultant fees, when

⁴ DSSR § 272.1, “Purpose.”

⁵ The DSSR defines a “school at post” as an elementary or secondary school within daily commuting distance of the employee’s post of assignment.

⁶ The DSSR defines a “school away from post” as an elementary or secondary school so far beyond daily commuting distance of the employee’s post as to necessitate board and room in connection with attendance.

⁷ DSSR § 272.2, “Rates of Education Allowance.”

⁸ 20 U.S.C. § 1400 *et seq.*

⁹ Rehabilitation Act of 1973, § 504, 29 U.S.C. § 794; *see also* DSSR § 271.m, “Definitions.”

¹⁰ 20 U.S.C. § 1401(3)(A), “Definitions,” states “[t]he term ‘child with a disability’ means a child –(i) with intellectual disabilities, hearing impairments (including deafness), speech or language impairments, visual impairments (including blindness), serious emotional disturbance (referred to in this chapter as “emotional disturbance”), orthopedic impairments, autism, traumatic brain injury, other health impairments, or specific learning disabilities; and (ii) who, by reason thereof, needs special education and related services.” For the purposes of this report, OIG considers a “child with a disability” to be synonymous with a “special needs child.”

¹¹ 20 U.S.C. § 1400(d), “Purposes.”

¹² 20 U.S.C. § 1401(9), “Definitions.”

¹³ 29 U.S.C. § 794.

¹⁴ Supplementary instruction may be reimbursed for instruction in academic subjects generally offered by U.S. public schools; additional instruction to enable the child to enter, remain, or complete a grade in school or to complete a course to progress to the next level; and a gifted and talented or equivalent program not offered at the child’s school at post.

necessary.¹⁵ According to the DSSR, when costs of services exceed the maximum rate, an additional 50 percent may be authorized for allowable items by the “head of agency”¹⁶ and requests for reimbursement above the additional 50 percent must be submitted to the Director of the Office of Allowances, within the Bureau of Administration, Deputy Assistant Secretary for Operations (ALS).¹⁷

To be eligible for SNEA funds, an employee must provide written evidence that the child would fall under IDEIA or Section 504 as well as an Individual Learning Plan (ILP) or equivalent document¹⁸ prepared by a qualified medical or educational professional that delineates the educational services required for the child’s special needs.¹⁹ Reimbursement of expenditures may only be for those services provided for in the ILP or an Individual Family Service Plan,²⁰ which are normally provided free of charge in U.S. public schools.²¹ According to the DSSR, the costs of medical treatment for the child’s condition, including psychiatric and psychological treatment, are not, on their own, reimbursable SNEA expenses. However, psychological and counseling services performed by properly trained and qualified personnel may be authorized when the services are related to the child’s disability and included in the ILP.²² That is, certain expenses related to the child’s disability may be reimbursed when they relate to educational matters, even if they would not be reimbursable otherwise. Other reimbursable SNEA-related expenditures are listed in Table 1.

Table 1: Reimbursable SNEA-related Expenses

Description of Service^a
Evaluation for the possibility of a disability. ^b
Educational consultant fees expended after assignment and prior to arrival at the foreign post of assignment as well as after arrival at the foreign post of assignment.
Travel of a family member to accompany the child for the diagnostic testing.
Travel for interview prior to enrollment at school at future foreign post of assignment when such interview is required for the child’s admittance to the school. Restricted to one round trip during the parent’s assignment to a foreign post.

¹⁵ According to DSSR § 276.8(a), “Child with Special Needs,” educational consultant fees may be authorized for reimbursement if the fees were expended by the employee after assignment and prior to arrival at the foreign post of assignment as well as after arrival at the foreign post of assignment.

¹⁶ DSSR § 040(e) defines “head of agency” as either the head of a Government agency, such as the Secretary of State, or anyone designated by that person to make determinations on his or her behalf, such as the chief of mission at an overseas post.

¹⁷ DSSR § 276.81, “Costs of Services Exceed Maximum.”

¹⁸ For the purpose of this report, OIG considers “ILP” to mean “ILP or equivalent document.”

¹⁹ DSSR § 276.8(a)(1)-(2).

²⁰ According to DSSR § 276.8(a)(2), Individual Family Service Plans are applicable to children younger than age 3.

²¹ According to 3 FAM 3285(e), “Department of State Policy,” school districts in the District of Columbia, Virginia, and Maryland will be the point of reference when determining what special educational services are “ordinarily provided without charge by public schools in the United States.”

²² DSSR § 276.8(b).

Description of Service^a

Rental of equipment for services required by the ILP when not reasonably available at the school.

Purchase of software when necessary for required coursework that has no application beyond that course.

Extended school year expenses (only when required by the ILP).

Private individual tutoring in conjunction with attendance at post school (only when required by the ILP and not available at the school attended).

Services and support both outside of school hours or in non-educational setting when included in the ILP and normally free of charge in U.S. public schools.

^a For services provided when the child is attending school at a foreign post.

^b Parents must provide supporting documentation from a school, medical, or other professional who is trained and experienced in working with disabled children to justify the need for the evaluation.

Source: OIG generated from DSSR § 276.8.

Roles and Responsibilities

The current Department framework to improve SNEA follows several years of such efforts as well as definition of roles and responsibilities for oversight of SNEA. These reform efforts were made in response to both internal and external concerns.

Past SNEA Improvement Efforts

The Department has been studying SNEA administration and seeking to improve processes since 2015, as described in more detail in Appendix B of this report. In 2015, to address



2015 – MED, ALS, CGFS, HR establish SNEA working group. Objective was to examine how SNEA was implemented, authorized, and certified.

Figure 1: 2015 SNEA Working Group (OIG created).

challenges related to privacy concerns and SNEA expense approvals at overseas posts, officials from ALS and the Bureau of Medical Services (MED), the Comptroller and Global Financial Services (CGFS), and Human Resources (HR) formed a working group to examine how SNEA was implemented, authorized, and certified. The working group established goals to address identified SNEA administration issues. Specifically, the working group intended to propose SNEA vouchering improvements to enhance consistency, oversight, and efficiency; identify potential modifications to the DSSR to improve clarity and compliance; draft updated SNEA guidance for all Department personnel; and develop a communications strategy and implementation plan.

In September 2017, MED concluded that the SNEA working group had not resolved concerns regarding SNEA administration during the past 2 years’ efforts and that a new approach was required. Accordingly, the Acting Director General approved the creation of an inter-bureau SNEA Working Task Force. This task force, which was led by MED, was directed to assess and address current issues related to administering SNEA for qualifying Department employees, such as the lack of comprehensive understanding within the Department of SNEA, and the authorities for SNEA policies and procedures, program eligibility, and allowable expenses. The

task force planned to provide a report to the Under Secretary for Management within 6 months that identified how SNEA should best be formulated to meet the requirements of the Department and its employees, and determine whether the current medical and educational clearance processes should be changed, if different assignment actions should result from those changes, and if the DSSR should be amended. Again, however, the task force did not achieve its reporting objective.

External SNEA Concerns

At the same time that the Department was studying and attempting to improve SNEA administration processes, the media reported concerns and frustrations encountered by foreign service officers with special needs children.²³ For example, in 2017, an article recounted allegations that the Department had “withdrawn” support and barred some special needs children from going overseas even when they had been permitted to do so in the past.²⁴ In August 2018, it was reported that a group of foreign service officers sent a letter to the Secretary contending that the Department had “slashed benefits options and funding for children with special needs” and that the decisions had been made “arbitrarily” and “forc[ed] some diplomats out of their jobs because of their children’s special needs.”²⁵ The article further reported claims that, in some cases, MED had withdrawn medical clearances for family members with special needs “even when the countries have appropriate schooling and support services.”²⁶

In November 2017, two senators wrote to the Department expressing “concern about reports of decreasing support to Foreign Service parents who have children with disabilities” and requested the Department provide information on current SNEA policies and procedures,



2017 – SNEA Working Task Force led by MED to assess and address current issues related to administering SNEA.

Figure 2: 2017 SNEA Task Force (OIG created).

²³ OIG did not assess or verify the validity of information reported by the media but considers inclusion of this information in the Background section of this report to be appropriate to demonstrate the stated external concerns about SNEA. See Appendix A for details regarding the purpose, scope, and methodology of this audit.

²⁴ Jackie Spinner, “State Department support for diplomats with children with disabilities is contracting,” *washingtonpost.com*, October 29, 2017, https://www.washingtonpost.com/world/national-security/state-department-support-for-diplomats-with-children-with-disabilities-is-contracting/2017/10/29/86e2fff6-b4d4-11e7-be94-fabb0f1e9ffb_story.html.

²⁵ Robbie Gramer, “Pompeo Ignores Plea From Diplomats With Children With Special Needs,” *foreignpolicy.com*, August 14, 2018, <https://foreignpolicy.com/2018/08/14/exclusive-pompeo-ignores-plea-from-diplomats-with-children-with-special-needs-disabilities-mental-health-issues-diplomacy-state-department-medical-bureau/>.

²⁶ In response to a draft of this report (see Appendix D), the Under Secretary for Management stated that the Department considers the cited media articles’ claims regarding “slashed benefits” and “decreasing support” to be inaccurate. In addition, the Under Secretary for Management stated that, because of confidentiality and privacy concerns, MED was unable to publicly refute the allegations. OIG acknowledges the Department’s position and, as noted previously, included the media reporting in the Background section of this report merely to provide context. OIG did not undertake work to confirm or deny the specific allegations reported in the articles. OIG made no changes to the body of the report based on the Under Secretary’s comment.

funding and support provided to employees abroad with special needs children, and policies regarding children with disabilities accompanying their parents abroad. In January 2018, the Department responded, stating that “emphasis has been placed on correctly and consistently enforcing the existing [SNEA] policies in place” and that “no new policy or programmatic changes have been implemented.” The Department further stated, “As a result of the current proper administration of the policies and regulations, some families that previously received the allowance are no longer receiving it because they are not eligible for it in accordance with the [SNEA] policies and regulations” The Department also stated that “no funds have been shifted away from SNEA” and that “attempts over the past several years to improve integrity and accountability of the program have resulted in disallowing services and expenses which are not covered expenses.” The Department represented that it was “not aware of any children with educational disabilities who, as a result of the educational disability alone, have been denied or prevented from accompanying a Foreign Service employee from serving abroad, where there has been a school to meet their needs” and that “medical clearances are granted where there has been an accepting school and adequate local resources.”

Current Roles and Responsibilities

In November 2018, to begin implementation of corrective actions derived from the issues identified by the previous task force, the Deputy Under Secretary for Management created the “M Family Special Needs Committee.”

This committee was composed of Department representatives from the Office of the Legal Advisor, the Bureau of Administration, CGFS, MED, and HR.²⁷ In addition, the Deputy Under Secretary for Management appointed a Deputy Assistant Secretary from HR to serve as the Special Needs Implementation Coordinator (SNIC), who served in this position from November 2018 to September 2019, leading efforts to address SNEA issues in the areas of process flow and coordination, institutional support, financial management, and communication. In December 2019, the Under Secretary for Management was delegated overall responsibility for SNEA.²⁸



Figure 3: 2018 M Family Special Needs Committee (OIG created).

²⁷ The Bureau of Human Resources was renamed the Bureau of Global Talent Management on February 20, 2020.

²⁸ 3 FAM 3286.1, “Under Secretary for Management.”

Bureau Responsibilities

Since 2013, the Mental Health Programs, Office of Overseas Mental Health Services, Office of Child and Family Programs (CFP), which is within MED, has been responsible for administering educational clearance consultations and SNEA. Therefore, CFP officials work with parents and overseas MED staff to ensure children's psychological and behavioral health and special educational needs are identified, are appropriately assessed, and have an effective treatment and educational plan established before and during overseas assignments. CFP officials review documentation submitted by parents to verify that a child is eligible for SNEA and to assist parents with the determination of reimbursable specialized instruction and related services. Additionally, as part of the medical clearance determination process, CFP performs educational and mental health consultations for school-age, eligible family members, as needed, and provides clearance recommendations to MED's Office of Medical Clearances for use in the medical clearance adjudication process.²⁹

Within the Bureau of Administration, ALS, through the DSSR, develops and coordinates regulations, standards, policies, and procedures to administer cost-of-living allowances, including SNEA, for employees assigned to foreign areas. The Deputy Assistant Secretary for Operations, Office of Overseas Schools, assesses the quality of educational opportunities available at overseas posts and may advise and assist students and parents regarding special education needs. The Office of Overseas Schools compiles a listing of overseas schools offering special education programs, which is offered to parents of children with special needs as a starting point in the parents' search for special education programs.

CGFS is responsible for the payment of cost-of-living allowances to Department employees through payroll and employee claims (reimbursements). Financial Management Officers (FMO) at overseas posts are responsible for reviewing and approving employee claims, including SNEA reimbursements.³⁰

SNEA Administration Process

SNEA is only available to employees who are assigned to an overseas post. The post itself funds the reimbursements for SNEA expenses. All employees and eligible family members who are

²⁹ The Office of Medical Clearances ensures that U.S. Government personnel receive adequate medical evaluation and clearance prior to their assignments abroad in order to reduce the need for medical travel. The office adjudicates and issues medical clearance determinations to Department employees and eligible family members so that they may serve at overseas posts and receive benefits under the Department's medical program.

³⁰ In December 2019, the FAM was revised to include 3 FAM 3286.5, which states that either the CGFS Post Support Unit or post FMOs may certify SNEA claims. The Post Support Unit, based in Charleston, SC, with processing locations in Bangkok, Thailand; Sofia, Bulgaria; and Manila, the Philippines, provides remote financial transactional services to support financial operations of overseas posts.

assigned abroad require a medical clearance³¹ or waiver³² to receive benefits under the Department’s medical program, including post health unit access, medical evacuation travel, and secondary payer coverage for hospitalizations.

In addition to the medical clearance, an employee with a special needs child must complete and submit an application form to CFP. Table 2 describes the primary ways SNEA applications are initiated.

Table 2: SNEA Application Methods

Type	Timing	Description
New	Prior to overseas assignment.	When eligible family members apply for, or update, their medical clearance, they must indicate whether a child has been referred for any current or anticipated special needs education services, accommodations, or modifications. Parents must also obtain a letter of provisional acceptance from the school at the prospective post of assignment that their dependent child will attend.
New	During overseas assignment (i.e., when the parent is serving overseas, a child is identified as potentially having a disability).	The employee consults with the post health unit and Regional Medical Officer to have the child undergo a clinical review by a qualified evaluator. The post health unit and Regional Medical Officer review educational and clinical documentation regarding the disability, complete a SNEA application form, and submit documentation.*
Renewal	Annually and as needed to add, remove, or change authorized services or post location.	Employees are required to submit clinical and educational documentation to update the child’s medical record and submit a “new” SNEA application.*

* The completed SNEA application form is submitted to CFP; all other documentation is submitted to MED’s Office of Medical Clearances for inclusion in the child’s medical records.

Source: OIG generated from interviews with MED officials and process documentation provided by MED.

The CFP staff performs individualized reviews of each SNEA application for eligibility on the basis of required services documented in the child’s ILP. When determining SNEA eligibility, CFP reviews the SNEA application and supporting documentation and documents its decisions, including the child’s diagnosis, needs and requirements, and the services available at the post of assignment, in the Department’s electronic medical record system, eMED. If CFP determines

³¹ The Department issues seven types of medical classifications: worldwide available (Class 1), post-specific (Class 2), domestic only (Class 5), temporary travel (Class 6), pending (Class 7), incomplete/cancellation (Class 8), and separation (Class 9).

³² A Department Foreign Service candidate denied a worldwide available (Class 1) medical clearance may request an administrative waiver of medical standards from the Director General of the Foreign Service. If the administrative waiver is granted, the candidate is issued a post-specific (Class 2) medical clearance.

that a child is eligible for SNEA, CFP prepares and issues a SNEA authorization cable documenting the child’s SNEA eligibility, which is provided to the employee and the overseas post of assignment. The cable lists the required services from the child’s ILP that qualify for reimbursement using SNEA funds for the school year.

As employees incur and pay for authorized SNEA expenses, they must submit claims, via a voucher, for reimbursement to their post FMO. Employees are encouraged to file claims with their insurance company, and any reimbursements received for covered services that were initially paid for by the Government must be submitted to the post’s Financial Management Section.

Using the CFP-issued SNEA authorization cable as reference, post FMOs review vouchers submitted by employees and approve SNEA reimbursements, which are paid by CGFS. If an FMO is unable to determine whether a voucher includes only authorized expenses, they may contact MED for assistance because FMOs at post are generally unable to review employee medical information and do not have access to eMED. A simplified SNEA process is depicted in Figure 4.

Figure 4: Simplified SNEA Process



Source: OIG generated from interviews with Department officials and 3 FAM 3280.

Standards for Internal Control in the Federal Government

The Federal Managers Financial Integrity Act required GAO to issue standards for internal control in the Federal Government.³³ These standards are set forth in GAO’s Green Book, which provides the overall framework for establishing and maintaining an effective internal control system. The Green Book states that the five components of internal control are: 1) control environment, 2) risk assessment, 3) control activities, 4) information and communication, and 5) monitoring.³⁴ A direct relationship exists between internal controls and the ability of an entity to achieve its objectives. Auditing internal controls may identify underlying causes for unsatisfactory program performance.

For this audit, OIG selected and assessed three components of internal control: control activities, information and communication, and monitoring. In addition, as presented in Table 3, OIG assessed seven associated principles with these three components.

Table 3: Description of Internal Control Components and Principles Assessed

Internal Control Component and Description	Principles
<p>Control Activities The actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system.</p>	<ul style="list-style-type: none"> • Management should design control activities to achieve objectives and respond to risks. • Management should implement control activities through policies.
<p>Information and Communication Management uses quality information to support the internal control system. Effective information and communication are vital for an entity to achieve its objectives. Entity management needs access to relevant and reliable communication related to internal as well as external events.</p>	<ul style="list-style-type: none"> • Management should use quality information to achieve the entity’s objectives. • Management should internally communicate the necessary quality information to achieve the entity’s objectives. • Management should externally communicate the necessary quality information to achieve the entity’s objective.
<p>Monitoring Monitoring of the internal control system is essential in helping internal control remain aligned with changing objectives, environments, laws, resources, and risks. Monitoring activities assess the quality of performance over time and promptly resolve the findings of audits and other reviews. Source: GAO-14-704G at 44, 58, 64.</p>	<ul style="list-style-type: none"> • Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results. • Management should remediate identified internal control deficiencies on a timely basis.

³³ 31 U.S.C. § 3512.

³⁴ GAO-14-704G, § OV2.04, at 7.

AUDIT RESULTS

Finding A: SNEA Reform Efforts Have Begun, but Implementation of Control Activities and Information and Communication Components Require Additional Attention

As part of the Department’s ongoing efforts to improve SNEA administration, the “M Family Special Needs Committee” developed a plan of action for SNEA reform that included 12 specific issues with 15 associated “remedies.” The remedies addressed specific internal control weaknesses and, when implemented, these remedies would help the Department achieve the desired results of SNEA. OIG found that, as of December 2019, 10 (67 percent) of 15 remedies had been fully implemented and 5 remedies that involve 2 distinct internal control components, namely control activities and information and communication, require additional attention. These control components have not been fully addressed because of the complex nature of SNEA and the extensive coordination needed among Department bureaus to implement the associated internal controls. Specifically, the Department has not published policies and procedures in the Foreign Affairs Manual (FAM) regarding medical clearances related to SNEA or the appeals process when an allowance application is denied, nor has it implemented a centralized voucher process and communicated SNEA-related accounting procedures to appropriate officials. To meet the Committee’s goal of enhancing support for employees who have children with special needs, the remaining five remedies must be fully addressed. The recommendations that OIG offers are designed to effect positive change for families of children with special needs, those charged with ensuring that SNEA is effectually administered, and the American taxpayers who entrust the Department to appropriately manage Federal resources.

Control Activities and Information and Communication Components of Internal Control

According to the Green Book, control activities help management fulfill responsibilities and address identified risk responses in the internal control system.³⁵ GAO states that management should implement control activities through policies,³⁶ which include management’s “responsibility for . . . control activity design, implementation, and operating effectiveness” for each office.³⁷ The Green Book further explains that each office, “with guidance from management, determines the policies necessary to operate the process based on the objectives and related risks . . . in the appropriate level of detail to allow management to effectively monitor the control activity.” In addition, “Management communicates . . . the policies and procedures so that personnel can implement the control activities for their assigned responsibilities.”³⁸

³⁵ GAO-14-704G, at 44.

³⁶ GAO-14-704G, § 12.01, at 56.

³⁷ GAO-14-704G, § 12.03, at 56.

³⁸ GAO-14-704G, §§ 12.03–12.04, at 56.

The information and communication component of internal control states, “Management should use quality information to achieve the entity’s objectives.”³⁹ GAO explains that management should identify information requirements at the relevant level and requisite specificity for appropriate personnel⁴⁰ to obtain relevant data from reliable internal and external sources in a timely manner on the basis of identified information requirements.⁴¹ The Green Book states that “reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent” and that “Management obtains data in a timely manner so they can be used for effective monitoring.”⁴² Furthermore, GAO explains, “Management processes relevant data from reliable sources into quality information within the entity’s information system” and that “Management uses the quality information to make informed decisions and evaluate the entity’s performance in achieving key objectives and addressing risks.”⁴³

SNEA Reform Action Plan Remedies

As discussed in the Background section and Appendix B of this report, in November 2018, the “M Family Special Needs Committee” was created to address the most pressing SNEA issues that were identified by a prior SNEA working group. The Committee, led by the SNIC,⁴⁴ developed a plan of action⁴⁵ for SNEA reform. The plan of action included 12 specific issues with 15 associated “remedies” or actions that were intended to correct the SNEA process issues and difficulties experienced by employees with special needs children.⁴⁶ The remedies that the Committee identified were internal controls that, when implemented, would help the Department achieve the desired SNEA reforms. Twelve of 15 remedies involve 2 distinct internal control components, namely control activities and information and communication. The remaining three remedies addressed internal controls involving the control environment component.⁴⁷ As of December 31, 2019, OIG found that five remedies had not been completed. Table 4 shows the SNEA reform remedies, the associated internal control component, and the status of each by remedy number.

³⁹ GAO-14-704G, § 13.01, at 59.

⁴⁰ GAO-14-704G, § 13.02, at 59.

⁴¹ GAO-14-704G, § 13.04, at 59.

⁴² Ibid.

⁴³ GAO-14-704G, §§ 13.05–13.06, at 60.

⁴⁴ See Appendix B for additional details related to the Department’s efforts to assess and reform SNEA.

⁴⁵ Department of State November 20, 2018, memorandum, “Supporting Our Families With Special Needs Children: Next Steps,” attachment, “Supporting Our Families with Children with Special Needs Action Plan.” As described in Appendix B of this report, the Committee consisted of members of the prior SNEA working group; however, the committee was formally established with the Deputy Under Secretary for Management’s approval of the Action Plan.

⁴⁶ Appendix C of this report provides a brief description of the SNEA Action Plan issues, the associated remedies, target completion dates, and the implementation status as of December 31, 2019.

⁴⁷ The control environment component was outside the scope of OIG’s audit; see Appendix A for additional details. However, as seen in Appendix C of this report, OIG found that control environment-associated remedy numbers 1–3 had been implemented as of December 31, 2019.

Table 4: SNEA Reform Remedies, Associated Internal Control Component, and Completion Status as of December 31, 2019

Remedy Number	Description	Internal Control Component	Complete
1	Designate SNIC to be the Under Secretary for Management's representative and coordinate and oversee SNEA reform efforts.	Control Environment	✓
2	Disband prior SNEA working group.	Control Environment	✓
3	Establish Special Needs Committee.	Control Environment	✓
4	Approve exception to hiring freeze to enable CFP to fill five positions.	Control Activities	✓
5	CFP and HR to devise a streamlined bidding process for employees with special needs children. Develop proposal for HR approval.	Control Activities	✓
6	CFP, in coordination with the Office of the Legal Advisor, will create a FAM chapter on SNEA that includes medical clearance and eligibility processes.	Control Activities	
7	CFP will create an appeals process, cleared by the Office of the Legal Advisor, that includes practitioners not involved in an original determination.	Control Activities	
8	Office of the Legal Advisor and CFP will draft revision to FAM to clarify certain interpretations of clearances to allow children with special needs to reside at post when school is not in session, thereby making the child eligible for "away from post" allowances.	Control Activities	
9	MED and CGFS will create a centralized voucher process and authorization for new position to review SNEA claims.	Information and Communication	
10	CGFS will create a new project code for use on all SNEA payments and notify appropriate officials.	Information and Communication	
11	Develop talking points to respond to inaccurate media claims.	Information and Communication	✓
12	CFP and HR will draft SNEA engagement strategy.	Information and Communication	✓
13	CFP and HR will develop plan to better publicize and explain how noneducational SNEA expenditures are treated.	Information and Communication	✓
14	ALS and other relevant bureaus will explore the feasibility of a "small-amount" SNEA-related allowance for which employees with special needs children serving overseas would be eligible to cover expenses not necessarily related to an ILP.	Control Activities	✓

Remedy Number	Description	Internal Control Component	Complete
15	CFP and HR will develop a plan to increase engagement with groups and stakeholders.	Information and Communication	✓

Source: OIG generated from analyses of Department of State November 20, 2018, memorandum, "Supporting Our Families With Special Needs Children: Next Steps," and its attachment, "Supporting Our Families with Children with Special Needs Action Plan," SNEA Action Plan Implementation status reports, Department notices, and FAM and DSSR guidance pertaining to SNEA.

Remedies Not Completed

In September 2019, the SNIC reported to the Deputy Under Secretary for Management that all SNEA-related reforms were "essentially complete" and that his service as the SNIC had come to an end. However, OIG found that 5 (33 percent) of 15 SNEA reform remedies had not been completed as of December 31, 2019. Three of the five remedies involve the internal control component control activities, and two involve the internal control component information and communication. These control components have not been fully addressed because of the complex nature of SNEA and the extensive coordination needed among Department bureaus to implement the associated internal controls. Changes to any Department policy, process, or procedure requires significant communication and coordination. The FAM outlines extensive requirements for this process, known as "clearance." The nature of SNEA, which involves many bureaus, requires even greater coordination than the standard clearance process, which was demonstrated by the establishment of the "M Family Special Needs Committee."

Nonetheless, the FAM has not been updated to include provision for the Committee as a permanent coordinating body with responsibilities for SNEA reform. Therefore, although the Committee identified remedies to reform SNEA, it has not been responsible for ensuring their implementation. That is, even once a remedy was identified, the Committee has no ongoing obligation to ensure its completion. Indeed, it is unclear whether the "M Family Special Needs Committee" was preserved following the departure of the SNIC. In his final SNEA-related reform memorandum, the SNIC announced that 14 of 15 remedies had been completed.⁴⁸ The SNIC stated that the SNEA-related reform process was "now essentially complete" and his services as the SNIC had "come to an end," but the SNIC did not state whether the Committee itself would disband or continue. Furthermore, OIG found no mention of the Committee in the revised 3 FAM 3280, even though the Department must complete implementation of all remedies to meet the "M Family Special Needs Committee's" goal of enhancing support for employees with children with special needs. The FAM's lack of information on the Committee's role creates a lack of clarity as to how, if at all, these remedies will ultimately be finalized.

In addition, without appropriate internal controls, particularly those relating to control activities and information and communication, such as thoroughly developed policies and procedures, the Department cannot provide reasonable assurance that SNEA is being

⁴⁸ According to the Department memorandum, "SNEA-Related Reforms: Completed," September 3, 2019, the single exception was the creation of an appeals mechanism for SNEA determinations that MED planned to complete by December 31, 2019.

effectively administered or that SNEA is operating efficiently. The Department may not achieve its goal of assisting employees in fulfilling the educational needs of their children and may not meet the Department's interest of maximizing employees' ability to serve in foreign assignments.

Control Activities

OIG found that, as of December 31, 2019, the Department had not established policies and procedures in the FAM implementing remedies 6, 7, and 8 concerning medical clearances related to SNEA, SNEA appeals processes, or the allowability of children with special needs to reside at post when school is not in session.⁴⁹ The FAM states that CFP "establishes the policies and procedures for obtaining medical clearances for children with special needs and determining and certifying SNEA-eligibility," and refers to 16 FAM 426, "which is in development."⁵⁰ However, the existing FAM guidance is vague and does not address the remedies, which require specific SNEA policies. In December 2019, the Under Secretary for Management announced that 16 FAM 426, "Special Needs Education Allowance," would be published by "the end of the year" and would clarify MED policies on SNEA determinations and include guidance related to the SNEA appeals process.⁵¹ However, as of January 31, 2020, 16 FAM 426 was not published and provisions from the DSSR regarding allowability of special needs children to reside at post when school is not in session have not been incorporated into the FAM.⁵²

SNEA Application Processes and Documentation Lack Clarity

In addition to the fact that SNEA guidance has yet to be published in the FAM, OIG found that existing FAM guidance on the SNEA application processes lacked clarity.⁵³ Although the Department has various documents and information sources for employees with special needs children, the SNEA application process has not been clearly documented in the FAM or in a comprehensive guide. For example, the FAM states an employee must provide written evidence that the child falls under IDEIA, Section 504, or both, and that the ILP delineates the education services required for the child's special educational needs.⁵⁴ However, the FAM does not clearly specify how employees may formally apply for SNEA for their children, whether it be at post or

⁴⁹ DSSR § 276.22, "Special Eligibility Criteria," was revised in September 2019 to state that "When a child is attending a school away from post, the employee must show that, except during the period of attendance at a school away from post, the child normally resides with the employee at post. Such a showing is not required if (1) the post has the status of partially or fully unaccompanied or (2) the reason the child is not present at post is the medical clearance does not permit the child to be present at post during periods when the child is not attending a school away from post."

⁵⁰ 3 FAM 3287.1, "SNEA and the Medical Clearance Process."

⁵¹ Cable 19 STATE 132164, December 18, 2019, "Special Needs Education Allowance Updates: New Regulatory and FAM Guidance to Expand and Clarify Services."

⁵² DSSR § 276.22.

⁵³ OIG also identified bureau-specific policies and procedures that were not clear. See the "Other Matters" section of this report for additional details.

⁵⁴ 3 FAM 3284, "Required Documentation."

directly through MED. Furthermore, the FAM does not provide detailed information on the contents of an ILP. This is despite the fact that IDEIA itself, which as noted, the Department uses to develop SNEA policies, requires specific content of the written documentation that guides the services provided to a special needs child. For example, IDEIA⁵⁵ requires the use of an “individualized education program,” which is defined as a written statement for each child with a disability that includes the following:

- A statement of the child’s present level of academic achievement and functional performance.
- A statement of measurable annual goals.
- A description of how the child’s progress toward meeting the annual goals will be measured and when periodic reports on the child’s progress will be provided.
- A statement of the special education and related services, supplementary aids, and program modifications for school personnel to be provided to the child.
- Projected start date, frequency, location, and duration of the services and modifications.

Department guidance in both the DSSR and the FAM states that an applicant must provide an ILP, not an “individualized education program” required by IDEIA, to be eligible for SNEA.⁵⁶ The DSSR and the FAM state that a child must have a formal ILP or equivalent document prepared by a qualified medical or educational professional which delineates the education services required for the child’s special educational needs and that reimbursement may only be for those services provided for in the ILP that are normally provided free of charge in U.S. public schools. However, neither the DSSR nor the FAM describes the content of the ILP in detail or refers to IDEIA’s documentation requirements for an “individualized education program.” Instead, the FAM states that CFP can provide guidance to the employee regarding the required documentation and what might substitute as an ILP equivalent; it also states that the ILP will be used to support authorization for payment for allowable reimbursable expenses.⁵⁷ This is concerning because without clear ILP content requirements, employees may waste time obtaining documentation that will not be accepted by CFP or obtain documents that may not adequately address the child’s special educational needs. Additionally, CFP is at risk of being overwhelmed with requests for assistance regarding the required documentation, causing delays in SNEA eligibility reviews.

Authorizing SNEA Requests “Flexibly” Creates Ambiguity

OIG also found that existing SNEA authorization policies in the FAM create ambiguity. The FAM states that “the Department authorizes SNEA as flexibly as possible in order to accommodate the unique and often challenging circumstances of overseas operating environments and

⁵⁵ 20 U.S.C. § 1414(d), “Evaluations, eligibility determinations, individualized education programs, and educational placements.”

⁵⁶ DSSR 276.8(a)(2) and 3 FAM 3284(b).

⁵⁷ 3 FAM 3286.3(a), “Bureau of Medical Services (MED).”

foreign-area assignments within the parameters established by the DSSR 270.”⁵⁸ However, OIG found that the FAM does not provide additional details regarding what authorizing SNEA “as flexibly as possible” means.

The DSSR clearly states that an employee must provide evidence that the child falls under IDEIA or Section 504 and that reimbursement may only be for those services provided for in the child’s ILP, prepared by a qualified medical or educational professional, that delineates the educational services required for the child’s special needs and are normally provided free of charge in U.S. public schools. However, without sufficient controls, including detailed guidance and parameters to help appropriate decision makers review SNEA requests, the additional FAM language regarding flexibility in reviewing SNEA requests could lead Department officials to authorize SNEA services or payments outside the scope of the authorities of the DSSR.

The Under Secretary for Management must ensure the Department’s policies for SNEA are complete, clear, and explicit to ensure equitable administration of the allowance. The lack of guidance about application processes and required contents of an ILP can lead to confusion and frustration among employees when applying for SNEA and cause delays in obtaining SNEA authorization in support of a special needs child. In addition, obscure language in policies may result in actual or perceived unequal treatment or application of the allowance. Furthermore, changes to Department policy, process, or procedure require significant coordination, particularly for a complex subject such as SNEA that involves multiple Department bureaus and offices. To address these issues, OIG is offering the following recommendations that are designed to effect positive change for families of children with special needs and those charged with ensuring that SNEA is effectually administered.

Recommendation 1: OIG recommends that the Under Secretary for Management designate the “M Family Special Needs Committee” as a permanent coordinating body to complete implementation of the Special Needs Education Allowance reform remedies and to identify and execute additional internal controls that are necessary to effectually administer the Special Needs Education Allowance. The Foreign Affairs Manual should be updated to reflect the formal establishment of the committee, its membership, and responsibility for Special Needs Education Allowance administration.

Management Response: The Under Secretary for Management concurred with the recommendation, stating that the committee will “convene regularly (i.e. annually) for high-level administration such as identifying and executing additional internal controls that are necessary to effectually administer the [SNEA].” The Under Secretary further stated that the Department will incorporate language into the FAM with a target completion date of December 2020.

OIG Reply: On the basis of the Under Secretary’s concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action.

⁵⁸ 3 FAM 3285(c).

This recommendation will be closed when OIG receives and accepts documentation demonstrating that the Under Secretary for Management has (a) designated the committee as a permanent coordinating body to complete implementation of the SNEA reform remedies and to identify and execute additional internal controls that are necessary to effectually administer SNEA and (b) updated the FAM to reflect the formal establishment of the committee, its membership, and responsibility for SNEA administration.

Recommendation 2: OIG recommends that the Under Secretary for Management develop and publish specific guidance in the Foreign Affairs Manual to clarify guidance on obtaining a medical clearance based on educational needs, as it relates to the Special Needs Education Allowance. At a minimum, the guidance should describe the process to obtain medical clearances for children with special needs.⁵⁹

Management Response: The Under Secretary for Management concurred with the recommendation as revised, stating the Department will incorporate language into the FAM with a target completion date of December 2020.

OIG Reply: On the basis of the Under Secretary's concurrence with the revised recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the Under Secretary for Management has published specific guidance in the FAM to clarify guidance on obtaining a medical clearance based on educational needs, as it relates to SNEA.

Recommendation 3: OIG recommends that the Under Secretary for Management develop and incorporate specific guidance in the Foreign Affairs Manual for the Special Needs Education Allowance eligibility determination process. At a minimum, the guidance should describe the process to determine eligibility for the allowance and a process to appeal an ineligible determination.

Management Response: The Under Secretary for Management concurred with the recommendation, stating that the Department will incorporate language into the FAM with a target completion date of December 2020.

OIG Reply: On the basis of the Under Secretary's concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the Under Secretary for Management has incorporated specific

⁵⁹ In the draft of this report, Recommendation 2 recommended that "the Under Secretary for Management develop and publish specific guidance in the Foreign Affairs Manual for the medical clearance process as it relates to the Special Needs Education Allowance. At a minimum, the guidance should describe the process to obtain medical clearances for children with special needs." As set forth in the attached comments, the Under Secretary for Management's response requested that OIG consider revising the recommendation to state that existing guidance should be clarified. After considering this proposal, OIG determined that it would be appropriate to revise the recommendation accordingly.

guidance in the FAM for the SNEA eligibility determination process, which includes a description of the process to determine eligibility and the process to appeal an ineligible determination.

Recommendation 4: OIG recommends that the Under Secretary for Management incorporate in the Foreign Affairs Manual the guidance outlined in the Department of State Standardized Regulations concerning the allowability of special needs children to reside at post when not in school.

Management Response: The Under Secretary for Management concurred with the recommendation, stating that the Department “proposes that DSSR remain the policy in place on this issue, and that the [FAM] be updated to refer to the DSSR on this topic.” The Under Secretary further stated that he would work with the appropriate offices to incorporate language into the FAM with a target completion date of December 2020.

OIG Reply: On the basis of the Under Secretary’s concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the guidance outlined in the DSSR concerning the allowability of special needs children to reside at post when not in school has been incorporated or referenced directly in the FAM.

Recommendation 5: OIG recommends that the Under Secretary for Management update guidance in the Foreign Affairs Manual, 3 FAM 3284, “Required Documentation,” to include specific, detailed, required contents of an Individual Learning Plan for children with special needs that mirror the requirements prescribed by the Individuals with Disabilities Education Improvement Act for an individualized education program.

Management Response: The Under Secretary for Management concurred with the recommendation, stating that, although “the requirements are very individualized and may not lend themselves to specific and detailed content,” the Department will incorporate language into the FAM that provides further details to the extent possible with a target date of December 2020.

OIG Reply: On the basis of the Under Secretary’s concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the Under Secretary for Management has updated guidance in 3 FAM 3284 to include specific, detailed, required contents of an ILP for children with special needs that mirror the requirements prescribed by the IDEIA for an individualized education program.

Recommendation 6: OIG recommends that the Under Secretary for Management update guidance in the Foreign Affairs Manual, 3 FAM 3285, “Department of State Policy,” to establish parameters and guidance for decision makers regarding the term “as flexibly as

possible” used in reference to authorizing the Special Needs Education Allowance so that it complies with the requirements of the Department of State Standardized Regulations.

Management Response: The Under Secretary for Management concurred with the recommendation, stating that the Department will incorporate language into the FAM with a target completion date of December 2020.

OIG Reply: On the basis of the Under Secretary’s concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the Under Secretary for Management has updated guidance in 3 FAM 3285 to establish parameters and guidance for decision makers regarding the term “as flexibly as possible” used in reference to authorizing SNEA so that it complies with the requirements of the DSSR.

Information and Communication

OIG found that, as of December 31, 2019, the Department had not created a centralized SNEA voucher approval process flow, nor had it provided SNEA-related accounting procedures to appropriate officials. These steps are necessary to implement remedies 9 and 10 outlined in the “M Family Special Needs Committee” Action Plan.

Remedy 9 was developed to directly address inconsistencies in SNEA reimbursements. The centralized voucher approval process is an important control to ensure SNEA reimbursements are processed consistently and in accordance with Department policy. In August 2019, the SNIC reported to the Deputy Under Secretary for Management that remedy 9 was complete with the establishment of an implementation plan.⁶⁰ However, not one of the activities in the plan was finished when the plan was provided in August 2019. Furthermore, the SNIC did not explain how the activities would be monitored to ensure completion. Table 5 shows the centralized voucher approval process flow implementation plan activities, status, and target completion dates, as reported by the SNIC in August 2019.

Table 5: Centralized Voucher Approval Process Flow Implementation Plan and Reported Status as of August 16, 2019

Implementation Plan Activity Description	Status and Responsible Bureau(s)	Target Completion Date
Establish a new position to support centralized MED approval of SNEA claims.	MED, with CGFS input, is drafting a position description that will be sent to HR for classification.	August 30, 2019
Identify a temporary resource to support centralized MED approval of SNEA claims until new position is filled.	MED will identify and appoint an existing staff member or arrange for the detail of another	September 13, 2019

⁶⁰ Department of State August 16, 2019, memorandum “SNEA Action Plan Implementation: Status Report #6.”

Implementation Plan Activity Description	Status and Responsible Bureau(s)	Target Completion Date
	employee to review and approve claims.	
Determine/implement an automated tool to route SNEA vouchers for approval and certification/payment.	MED and CGFS will seek to make a final determination on system used for routing claims.	August 30, 2019
Design the routing process and draft written implementation instructions for posts.	No status provided. CGFS and MED listed as responsible bureaus.	September 30, 2019

Source: OIG generated from Department of State August 16, 2019, memorandum, "SNEA Action Plan Implementation: Status Report #6."

Subsequently, in December 2019, the Under Secretary for Management announced that CGFS and MED would "establish a centralized SNEA voucher approval process flow that will provide for more consistent and efficient processing of SNEA reimbursements" and that "phased implementation of centralized vouchering will begin in March 2020."⁶¹ However, as of December 31, 2019, OIG has not been provided with any updates regarding the implementation of a centralized voucher approval process.

Remedy 10 provides that "CGFS will create a SNEA project code for use on all education allowance payments for a SNEA approved child so that global SNEA expenditures can be easily identified and tracked." Once CGFS created the project code, the remedy directed CGFS to disseminate and communicate the information to appropriate Department officials. This remedy was established to address the lack of available information regarding the amount of money the Department spends on SNEA. OIG found, however, that as of December 31, 2019, CGFS was still unable to identify the Department's total SNEA expenditures for any given year in the Department's accounting system because CGFS had not created a SNEA-specific budget object code for recording SNEA-related expenditures.

Instead, the Department continued to rely on an earlier "pilot" program. In 2016, before the current "remedies" were drafted, the SNEA working group recognized the Department's inability to identify total SNEA costs and CGFS, at the request of ALS, established a "SNEA" project code for posts to use to track SNEA voucher payments from 2015 to 2019 as a pilot study. OIG review of FY 2018 fiscal data found that the results of this pilot study were limited and that posts did not consistently use the SNEA project code to record SNEA transactions.

⁶¹ Cable 19 STATE 132164, December 18, 2019, "Special Needs Education Allowance Updates: New Regulatory and FAM Guidance to Expand and Clarify Services."

A CGFS official told OIG that no additional guidance or reminders regarding the use of the project code were issued to posts after ALS issued initial guidance. Additionally, CGFS did not monitor or enforce posts' use of the code because no formal requirement to use the SNEA project code was in place.⁶² CGFS officials also told OIG that the Department's accounting system contains no checks to ensure posts were using the SNEA project code correctly and that CGFS does not monitor and review SNEA-related expenditures. In July 2019, the Acting Comptroller approved a SNEA project code to be made permanently available for use in tracking SNEA costs in the Department's accounting system and required communication of guidelines for the mandatory use of that project code to track SNEA costs. However, this notification regarding the permanent project code had not been disseminated to appropriate officials as of December 31, 2019.

“SNEA” Project Code Use

OIG found one post incorrectly used the SNEA project code for a charge of approximately \$10,700 for direct-hire local employee benefit plans. Post personnel explained the SNEA project code was inadvertently copied into the obligating documentation for the local employee benefit plan contributions and provided OIG with evidence showing that steps were taken to correct the erroneous entry in the Department's accounting system. OIG found that another post charged 20 SNEA-related transactions totaling approximately \$4,200 for contract local employee benefit plans but also recorded the transactions using the SNEA project code. Post did not explain why the SNEA-related expenditures were recorded under contract local employee benefit plans. However, post provided OIG with evidence showing that it took steps to reclassify the SNEA-related expenses to the budget object code for educational expenses within the Department's accounting system.

The FAM requires all transactions entered into accounting records to be coded in a standardized manner and for financial management supervisors to ensure the use of appropriate codes.⁶³ Despite the FAM requirement, CGFS did not establish a budget object code for SNEA; rather, SNEA was recorded as part of the “Dependent Education Allowance” budget object code.⁶⁴

Without the timely communication of policies and procedures regarding proper and consistent tracking and recording of SNEA obligations and expenditures, posts will continue to haphazardly track SNEA. As a result, the Department will remain unable to determine how much SNEA costs and will not have reasonable assurance that financial information related to SNEA is accurate.

⁶² The Foreign Affairs Handbook (FAH) at 4 FAH-1 Exhibit H-113, “Account Classification Structure,” states that project codes are “a ten-position number and/or field and is used to identify projects of agencies serviced by State, Real Property or Building numbers, Budget Resource classifications, Conference numbers, etc.” However, the Department does not maintain an official listing in the FAM or the FAH of project codes.

⁶³ 4 FAM 218, “Funds Symbols and Accounting Classifications.”

⁶⁴ 4 FAH 1 H-613, “Object and Subobject Class Codes and Standard Title Abbreviations,” lists code “1206” as “Dependent Educ Allow.” However, 4 FAH-1 H-614, “Object Classifications and Definitions,” defines code 1206 as “Dependents’ Allowances” that “covers the extra entitlements for providing schooling of dependents through the twelfth grade (see [DSSR] 270). Does not include travel of dependents to and from schools or colleges (see subobject code 2162) nor travel of students on a delayed transfer-to-post basis (round trip [United States] to post) which is classified and chargeable as international assignment travel.”

Furthermore, the Department will continue to be unable to use SNEA-specific financial data to inform policy making, such as budgeting for authorized SNEA expenses. Moreover, this condition increases the risk that the Department could reimburse amounts that exceed the published SNEA rates without proper authorizations. OIG is therefore offering the following recommendations that, like the earlier recommendations, are designed to effect positive change for those charged with ensuring that SNEA is effectually administered and for the American taxpayers who entrust the Department to appropriately manage Federal resources.

Recommendation 7: OIG recommends that the Bureau of the Comptroller and Global Financial Services, in coordination with the Bureau of Medical Services, develop and implement a centralized review and payment process for Special Needs Education Allowance reimbursement claims. At a minimum, the process should require review of appropriate documentation to validate that a Special Needs Education Allowance expenditure claim was appropriate and in compliance with Department policy.

Management Response: Although CGFS did not explicitly concur with the recommendation, it stated that “in consultation with MED, a centralized approval and voucher process has been created . . . to electronically route claims to [CFP] for approval and onto [CGFS] for certification and payment.” According to CGFS, CFP will review appropriate documentation to validate each SNEA claim as “appropriate and in compliance with Department policy.”

OIG Reply: On the basis of CGFS’ apparent concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the CGFS, in coordination with MED, has implemented a centralized review and payment process for SNEA reimbursement claims.

Recommendation 8: OIG recommends that the Bureau of the Comptroller and Global Financial Services incorporate in the Foreign Affairs Manual or the Foreign Affairs Handbook required use of a Special Needs Education Allowance project code or a budget object code to record expenditures in the Department’s financial management system.

Management Response: CGFS concurred with the recommendation, stating that it will incorporate into the FAM or FAH language requiring use of the SNEA project code.

OIG Reply: On the basis of CGFS’ concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that CGFS has incorporated required use of the SNEA project code to record expenditures in the Department’s financial management system into the FAM or the FAH.

Recommendation 9: OIG recommends that the Bureau of the Comptroller and Global Financial Services establish and disseminate instructions to posts on the proper use of the Special Needs Education Allowance project code or budget object code (referenced in

Recommendation 8) to accurately track expenditures in the Department's financial management system.

Management Response: CGFS concurred with the recommendation, stating that it has developed guidance, which is currently in the clearance process, on the proper use of the SNEA project code to accurately track expenditures in the Department's financial management system. It further stated that it will issue this guidance once it is cleared.

OIG Reply: On the basis of CGFS' concurrence and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that CGFS has disseminated instructions to posts on the proper use of the SNEA project code to accurately track expenditures in the Department's financial management system.

Finding B: Monitoring Controls Are Needed To Effectually Administer SNEA

OIG found that the Department has not established a process to evaluate the effectiveness of SNEA reform remedies once implemented. According to the *Standards for Internal Control in the Federal Government*, internal control is a dynamic process that must be adapted continually to the risks and changes an entity faces. The internal control component known as monitoring is essential to maintain alignment with changing objectives, environments, laws, resources, and risks. Although the Committee identified 15 SNEA reform remedies, it did not include a monitoring plan among the remedies. Without a monitoring plan, the risk increases that deficiencies with the administration of SNEA could go unnoticed and uncorrected.

GAO's *Standards for Internal Control in the Federal Government* states that "monitoring of the internal control system is essential in helping internal control remain aligned with changing objectives, environment, laws, resources, and risks." GAO also states that monitoring of internal controls assesses the quality of performance over time and corrective actions are a necessary complement to control activities in order to achieve objectives. The two principles of monitoring are for management to 1) establish and operate monitoring activities to monitor the internal control system and evaluate the results and 2) remediate identified internal control deficiencies on a timely basis.⁶⁵

Plan for Monitoring SNEA Reform Is Needed

The intent of the "M Family Special Needs Committee" Action Plan was to "identify and address the 15 most pressing issues and then iteratively move to address additional issues." To that end, the "M Family Special Needs Committee" was established (remedy 3) to consult with the SNIC, "take action within their own bureaus, and advocate with other stakeholders to promote and move forward reforms." However, OIG found that none of the remedies identified included a plan to monitor SNEA reform efforts or remediate any issues that are identified over time. In

⁶⁵ GAO-14-704G, at 64.

addition, OIG found no evidence that the Department evaluated the effectiveness of SNEA reform remedies that have been implemented.

For example, remedy 1 designated the SNIC to “coordinate M Family reform efforts and oversee implementation of the reform recommendations” However, on September 3, 2019, the SNIC informed the Deputy Under Secretary for Management that the reform efforts were “essentially complete” and that his service “has come to an end.” Following the SNIC’s departure, the FAM was updated to identify the Under Secretary for Management as having the overall responsibility for SNEA and the responsibility to provide broad oversight of SNEA administration, ensuring M Family bureaus effectively coordinate on SNEA policy and administration.⁶⁶ More generally, the FAM states that it is the policy of the Department to maintain effective internal and financial controls, to ensure operational efficiency through ongoing systems reviews, and to ensure the Department complies with relevant regulations and laws in managing SNEA.⁶⁷ Notwithstanding these requirements, the FAM does not state which M Family bureau or bureaus are responsible for implementing any of the policies. Therefore, OIG was unable to determine whether the SNIC’s departure affected the implementation of the remaining reform remedies.

Without a plan to monitor SNEA internal controls, shortcomings or deficiencies with the SNEA reform effort and the administration of SNEA could go unnoticed. In addition, without a formal plan to monitor SNEA, the Department is not positioned to systematically review SNEA and ensure it is working as intended and that the approval and allocation of SNEA funds is reasonable and equitable. OIG is therefore offering the following recommendations.

Recommendation 10: OIG recommends that the Under Secretary for Management (a) direct the “M Family Special Needs Committee” (as designated in Recommendation 1) to develop and implement monitoring activities for administering the Special Needs Education Allowance that, at a minimum and in accordance with the *Standards for Internal Control in the Federal Government*, include establishing a baseline, monitoring internal controls, and evaluating the results and (b) incorporate the responsibilities for monitoring the Special Needs Education Allowance in the Foreign Affairs Manual.

Management Response: The Under Secretary for Management concurred with the recommendation and referred as well to the concurrence with Recommendation 1, stating that once the SNEA reform remedies are complete, the “M Family Special Needs Committee” will convene regularly “for high-level administration such as identifying and executing additional internal controls that are necessary to effectually administer the [SNEA].” The Under Secretary also stated that the Department will incorporate language into the FAM with a target completion date of December 2020.

⁶⁶ 3 FAM 3286 was updated on December 18, 2019. Prior to the update, the FAM did not specify a position or office that was responsible for overall SNEA administration.

⁶⁷ 3 FAM 3285(g).

OIG Reply: On the basis of the Under Secretary for Management’s concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the Under Secretary has (a) directed the “M Family Special Needs Committee” to develop and implement monitoring activities for administering SNEA that, at a minimum and in accordance with the *Standards for Internal Control in the Federal Government*, include establishing a baseline, monitoring internal controls, and evaluating the results and (b) incorporated the responsibilities for monitoring SNEA in the FAM.

Recommendation 11: OIG recommends that the Under Secretary for Management (a) direct the “M Family Special Needs Committee” (as designated in Recommendation 1) to develop and implement a process to identify, evaluate, and remediate deficiencies identified with the Special Needs Education Allowance, that at a minimum and in accordance with the *Standards for Internal Control in the Federal Government*, include the reporting of issues, evaluations of issues, and corrective action documentation and (b) incorporate the responsibilities for the processes in the Foreign Affairs Manual.

Management Response: The Under Secretary for Management concurred with the recommendation and referred as well to the concurrence with Recommendations 1 and 10, stating that once the SNEA reform remedies are complete, the “M Family Special Needs Committee” will convene regularly “for high-level administration such as identifying and executing additional internal controls that are necessary to effectually administer the [SNEA].” The Under Secretary for Management also stated that the Department will establish a process to determine the eligibility for the SNEA allowance and “a process to appeal an ineligible determination.”

OIG Reply: On the basis of the Under Secretary for Management’s concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating the Under Secretary has (a) directed the “M Family Special Needs Committee” to develop and implement a process to identify, evaluate, and remediate deficiencies identified with SNEA, that at a minimum and in accordance with the *Standards for Internal Control in the Federal Government*, include the reporting of issues, evaluations of issues, and corrective action documentation and (b) incorporated the responsibilities for the processes in the FAM.

OTHER MATTERS

Bureau-Specific Policies and Procedures for Special Needs Education Allowance Need Improvement

OIG found that greater attention to the design and implementation of bureau-specific policies and procedures in the administration of SNEA is needed. Specifically, OIG found that MED had

not established formal policies and procedures to guide CFP in administering SNEA. In addition, MED should establish policies and procedures to guide the effective use of eMED to document and analyze trends in SNEA applications. Furthermore, OIG found that the methodology used by ALS analysts for setting the SNEA rates was inexact and that ALS analysts did not consistently review the SNEA rates annually, in accordance with ALS policy. Without effective bureau-specific policies and procedures to guide the administration of SNEA and the establishment of accurate SNEA rates, SNEA rates may be inflated, which may lead to incorrect budgeting of SNEA-related expenditures by posts and regional bureaus.

MED-Specific Policies and Procedures for SNEA Administration Are Lacking

According to GAO, management should periodically review policies, procedures, and related control activities for continued relevance and effectiveness in achieving objectives or addressing risks. Any process change must be reviewed to determine that control activities are designed and implemented appropriately.⁶⁸ OIG found that MED, which is responsible for administering SNEA through the medical clearance process, had not established formal policies and procedures to guide CFP in administering SNEA. Instead, CFP used informal guidelines prepared by MED to process SNEA requests through the medical clearance process. OIG found the informal guidelines had not been updated since December 2015 and referred to staff members no longer employed by CFP. Furthermore, the guidance did not reference the DSSR authorities pertaining to either SNEA or IDEIA.

MED officials stated that the bureau was taking action to address the lack of official MED policies and procedures regarding SNEA administration. Specifically, MED officials told OIG that a CFP-specific handbook was being developed that would formalize all CFP processes, including SNEA administration and documentation requirements for processing applications. Completing these actions is important because outdated and incomplete guidance can lead to inconsistencies in administering SNEA. OIG is offering the following recommendation to track the implementation of the actions stated by MED through the audit compliance process.

Recommendation 12: OIG recommends that the Bureau of Medical Services develop and implement internal policies and procedures to guide and document the processes followed to review and authorize Special Needs Education Allowance applications.

Management Response: MED concurred with the recommendation, stating that it will develop internal procedure documents with a target completion date of October 2020.

OIG Reply: On the basis of MED's concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that MED has implemented internal policies and procedures to guide and document the processes followed to review and authorize SNEA applications.

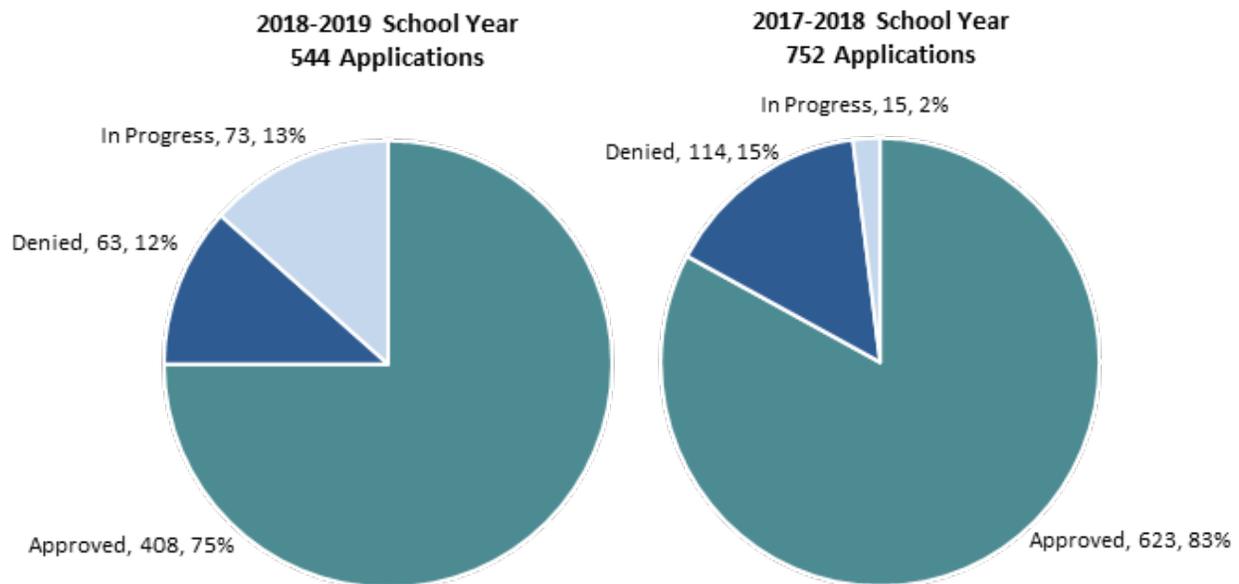
⁶⁸ GAO-14-704G, § 12.05, at 56–57.

Use of eMED To Evaluate and Report SNEA Information Needs Improvement

As part of its guidance requiring the use of quality data, GAO explains that “management obtains relevant data from reliable internal and external sources in a timely manner. . . . Relevant data have a logical connection with, or bearing upon, the identified information requirements . . . are reasonably free from error and bias . . . so that they can be used for effective monitoring.”⁶⁹

OIG found that the availability of SNEA application information prior to 2017 was not readily available. In 2017, eMED was introduced to track and report approved, disapproved, and in-progress SNEA requests. According to SNEA data from eMED, 75 percent of SNEA applications were approved in the 2018–2019 school year and 83 percent were approved in the 2017–2018 school year. Figure 5 shows the SNEA application data OIG obtained from eMED for the 2018–2019 and 2017–2018 school years.

Figure 5: SNEA Application Data From eMED for the 2018–2019 and 2017–2018 School Years



Source: OIG generated from analysis of SNEA data contained in eMED and interviews with MED officials.

A MED official stated that, before eMED’s implementation in 2017, CFP physically counted SNEA cables to identify the number of SNEA participants in any given year. However, even with the introduction of eMED, CFP continued to physically count SNEA authorization cables to identify the total number of approved SNEA applicants. A MED official stated that CFP has not used eMED to its fullest potential because of a lack of staff and resources. In addition, MED officials stated that the eMED system must be manually updated on a case-by-case basis to

⁶⁹ GAO-14-704G, § 13.04, at 59.

reflect whether a SNEA authorization cable has been issued. This manual process increases the risk that eMED automated reports will not reflect real-time data and that various categories of applicants are not accurately reported. Therefore, MED should implement policies and procedures to guide the effective use of eMED and ensure it has quality information to make informed decisions about SNEA. Obtaining relevant data from reliable internal sources in a timely manner, processing data into quality information, and evaluating the processing of that information can help ensure the quality of SNEA-related information. OIG is therefore offering the following recommendation.

Recommendation 13: OIG recommends that the Bureau of Medical Services develop and implement internal policies and procedures to guide the effective use of eMED to document the Special Needs Education Allowance application status. The policies and procedures should ensure accurate, real-time data are available to appropriate Department of State officials.

Management Response: MED did not expressly concur or non-concur with the recommendation. MED stated that “eMED is a proprietary program developed to manage Medical Clearances, and is not a tool that lends itself to data collection and data-mining.” However, MED stated that, until the Bureau fully implements an Electronic Health Record, which is estimated to occur in the first quarter of 2021, MED will, to the extent possible, “work with existing infrastructure to regularly track and report available data to Department officials.”

OIG Reply: On the basis of MED’s planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that MED has implemented internal policies and procedures to document the status of SNEA applications to ensure accurate, real-time data are available to appropriate Department of State officials.

SNEA Rate Setting Methodology Is Inexact and Outdated

OIG found that the methodology used by ALS analysts for determining the SNEA school at post and school away from post⁷⁰ rates published in the DSSR was inexact. This occurred, in part, because ALS did not include an evaluation of the sources of data for reliability or quality and, moreover, used deliberately selected data to ensure only the highest costs were included in the rate calculations.

According to ALS standard operating procedures for SNEA rate setting, which refer to the DSSR,⁷¹ the school at post SNEA rate components are tuition, related services, and transportation and the school away from post SNEA rate components are tuition, room, board, related services, and transportation. To determine the components of tuition, room, board, and

⁷⁰ See “Education Allowance for Employees Serving Overseas” in the Background section of this report for additional information on education rates.

⁷¹ DSSR § 276.8.

related services, ALS procedures are to contact U.S. public and private schools from a list provided by MED, review information available on the school websites, and survey the schools for special needs education costs if the information is not readily available on the websites. To determine the transportation component, ALS procedures are to use eAllowances⁷² to generate both school at post and school away from post transportation costs.

OIG found that the rate-setting methodology used by ALS does not include any provision to evaluate the external sources of data for reliability or quality. OIG notes that implementation of its Recommendations 8 and 9—requiring processes to accurately track SNEA expenditures—would facilitate ALS’s ability to conduct such evaluation. Moreover, in the current system, ALS analysts may use other schools’ data (i.e., schools not included on the list from MED) or data from prior years if they do not receive a response from a school surveyed. For example, the 2018 SNEA school at post rate calculated by ALS included 2016–2017 tuition rates from one local area public school, whereas tuition rates for the other schools used in the calculation were for the 2018–2019 school year.

In addition, to determine both 2018 SNEA rates, ALS selected only the highest costs identified from its survey rather than using all data collected. Specifically, to calculate the SNEA school at post rate, ALS averaged the costs of four of the five most expensive public schools and four of the seven most expensive private schools and added the highest school at post transportation cost component of the education allowance rates listed in eAllowances. To calculate the SNEA school away from post rate, ALS averaged the costs of the 9 most expensive out of 11 private schools surveyed and added the highest school away from post transportation cost component of the education allowance rates listed in eAllowances.

ALS officials stated they have used this methodology since 2010 because it establishes a rate high enough to minimize the number of appeals from employees requesting more than the published SNEA rate. ALS officials stated they would prefer to use actual SNEA expenditure data to calculate the rates; however, this information is not available within the Department. As described in Finding A, in July 2019, the Acting Comptroller approved a permanent SNEA project code for use in tracking SNEA costs in the Department’s accounting system and directed communication of guidelines for the mandatory use of the project code to track SNEA costs. However, this notification had not been disseminated to appropriate officials as of December 31, 2019.

Using an average of the most expensive surveyed schools to calculate SNEA allowance rates rather than an average of all surveyed schools can lead to inflated SNEA rates published in the DSSR and incorrect budgeting of SNEA-related expenditures by posts and regional bureaus. OIG offered two recommendations (Recommendations 8 and 9) that, when implemented, will provide the necessary SNEA expenditure data for use by ALS.

⁷² eAllowances is an IT application used by ALS to convert cost-of-living information into a post allowance rate.

OIG also found that ALS did not annually review and update the SNEA rates and the methodology used to review the rates, as required by ALS standard operating procedures. Specifically, OIG found that SNEA rates were not reviewed by ALS in 2014 or 2015 and the methodology used by ALS to review and set the SNEA rates was only updated once in the past 9 years. According to the Green Book, management should use quality information to achieve the entity's objectives and implement control activities through policies.⁷³ Specifically, management should evaluate information for completeness and accuracy when using it to make informed decisions and periodically review procedures for continued relevance and effectiveness in achieving objectives and addressing related risks.⁷⁴

SNEA rates are required to be reviewed annually, along with the methodology used to set the rate, so the rate reflects any changes in tuition rates and schools used during the survey. However, an ALS official explained that revisions to the SNEA rate-setting methodology had been delayed pending the implementation of SNEA working group remedies, including efforts by CGFS to create a SNEA project code so that SNEA expenditures could be identified and tracked.⁷⁵ Nevertheless, failing to review and update the SNEA rates and using an inexact methodology to calculate SNEA rates can lead to overinflated SNEA rates and incorrect budgeting of SNEA-related expenditures by posts and regional bureaus.

Recommendation 14: OIG recommends that the Bureau of Administration, Deputy Assistant Secretary for Operations, Office of Allowances, develop and implement internal controls to ensure the Special Needs Education Allowance rates are reviewed annually, as required by Office of Allowances standard operating procedures.

Management Response: The Bureau of Administration concurred with the recommendation, stating that it will develop internal controls and include them in standard operating procedures to ensure SNEA rates are reviewed annually.

OIG Reply: On the basis of the Bureau of Administration's concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the Bureau of Administration has implemented internal controls to ensure SNEA rates are reviewed annually, as required by the ALS standard operating procedures.

Recommendation 15: OIG recommends that the Bureau of Administration, Deputy Assistant Secretary for Operations, Office of Allowances, update its methodology for calculating the Special Needs Education Allowance school at post and school away from post rates to require the use of actual Special Needs Education Allowance expenditures as the basis for the establishing rates.

⁷³ GAO-14-704G, § 13.01, at 59, and § 12.01, at 56.

⁷⁴ GAO-14-704G, §§ 13.04-05, at 59-60, and § 12.05, at 56.

⁷⁵ See Finding A in the Audit Results section of this report for additional details.

Management Response: The Bureau of Administration agreed with the recommendation, stating that it “will coordinate with CGFS to use the actual data based on the previous year’s expenditure to establish the [SNEA] maximum rates for both at post and school away from post education allowances.”

OIG Reply: On the basis of the Bureau of Administration’s concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the Bureau of Administration has updated its methodology for calculating the SNEA school at post and school away from post rates using actual SNEA expenditures.

RECOMMENDATIONS

Recommendation 1: OIG recommends that the Under Secretary for Management designate the “M Family Special Needs Committee” as a permanent coordinating body to complete implementation of the Special Needs Education Allowance reform remedies and to identify and execute additional internal controls that are necessary to effectually administer the Special Needs Education Allowance. The Foreign Affairs Manual should be updated to reflect the formal establishment of the committee, its membership, and responsibility for Special Needs Education Allowance administration.

Recommendation 2: OIG recommends that the Under Secretary for Management develop and publish specific guidance in the Foreign Affairs Manual to clarify guidance on obtaining a medical clearance based on educational needs, as it relates to the Special Needs Education Allowance. At a minimum, the guidance should describe the process to obtain medical clearances for children with special needs.

Recommendation 3: OIG recommends that the Under Secretary for Management develop and incorporate specific guidance in the Foreign Affairs Manual for the Special Needs Education Allowance eligibility determination process. At a minimum, the guidance should describe the process to determine eligibility for the allowance and a process to appeal an ineligible determination.

Recommendation 4: OIG recommends that the Under Secretary for Management incorporate in the Foreign Affairs Manual the guidance outlined in the Department of State Standardized Regulations concerning the allowability of special needs children to reside at post when not in school.

Recommendation 5: OIG recommends that the Under Secretary for Management update guidance in the Foreign Affairs Manual, 3 FAM 3284, “Required Documentation,” to include specific, detailed, required contents of an Individual Learning Plan for children with special needs that mirror the requirements prescribed by the Individuals with Disabilities Education Improvement Act for an individualized education program.

Recommendation 6: OIG recommends that the Under Secretary for Management update guidance in the Foreign Affairs Manual, 3 FAM 3285, “Department of State Policy,” to establish parameters and guidance for decision makers regarding the term “as flexibly as possible” used in reference to authorizing the Special Needs Education Allowance so that it complies with the requirements of the Department of State Standardized Regulations.

Recommendation 7: OIG recommends that the Bureau of the Comptroller and Global Financial Services, in coordination with the Bureau of Medical Services, develop and implement a centralized review and payment process for Special Needs Education Allowance reimbursement claims. At a minimum, the process should require review of appropriate documentation to validate that a Special Needs Education Allowance expenditure claim was appropriate and in compliance with Department policy.

Recommendation 8: OIG recommends that the Bureau of the Comptroller and Global Financial Services incorporate in the Foreign Affairs Manual or the Foreign Affairs Handbook required use of a Special Needs Education Allowance project code or a budget object code to record expenditures in the Department’s financial management system.

Recommendation 9: OIG recommends that the Bureau of the Comptroller and Global Financial Services establish and disseminate instructions to posts on the proper use of the Special Needs Education Allowance project code or budget object code (referenced in Recommendation 8) to accurately track expenditures in the Department’s financial management system.

Recommendation 10: OIG recommends that the Under Secretary for Management (a) direct the “M Family Special Needs Committee” (as designated in Recommendation 1) to develop and implement monitoring activities for administering the Special Needs Education Allowance that, at a minimum and in accordance with the *Standards for Internal Control in the Federal Government*, include establishing a baseline, monitoring internal controls, and evaluating the results and (b) incorporate the responsibilities for monitoring the Special Needs Education Allowance in the Foreign Affairs Manual.

Recommendation 11: OIG recommends that the Under Secretary for Management (a) direct the “M Family Special Needs Committee” (as designated in Recommendation 1) to develop and implement a process to identify, evaluate, and remediate deficiencies identified with the Special Needs Education Allowance, that at a minimum and in accordance with the *Standards for Internal Control in the Federal Government*, include the reporting of issues, evaluations of issues, and corrective action documentation and (b) incorporate the responsibilities for the processes in the Foreign Affairs Manual.

Recommendation 12: OIG recommends that the Bureau of Medical Services develop and implement internal policies and procedures to guide and document the processes followed to review and authorize Special Needs Education Allowance applications.

Recommendation 13: OIG recommends that the Bureau of Medical Services develop and implement internal policies and procedures to guide the effective use of eMED to document the Special Needs Education Allowance application status. The policies and procedures should ensure accurate, real-time data are available to appropriate Department of State officials.

Recommendation 14: OIG recommends that the Bureau of Administration, Deputy Assistant Secretary for Operations, Office of Allowances, develop and implement internal controls to ensure the Special Needs Education Allowance rates are reviewed annually, as required by Office of Allowances standard operating procedures.

Recommendation 15: OIG recommends that the Bureau of Administration, Deputy Assistant Secretary for Operations, Office of Allowances, update its methodology for calculating the Special Needs Education Allowance school at post and school away from post rates to require the use of actual Special Needs Education Allowance expenditures as the basis for the establishing rates.

APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

The Office of Inspector General (OIG) conducted this audit to determine whether the Department of State (Department) established and applied selected internal controls from the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*¹ to effectually administer the Special Needs Education Allowance (SNEA) in accordance with Department requirements.

OIG conducted this audit from March to October 2019 in the Washington, DC, metropolitan area. In addition, OIG updated draft audit results in January 2020 to reflect significant SNEA policy revisions published in the Foreign Affairs Manual (FAM) in December 2019. The scope of this audit was limited to the Department's efforts to administer SNEA from 2018 to 2019. OIG faced delays in completing this work because of the COVID-19 pandemic and resulting operational challenges. These challenges included limitations on our presence at the workplace and related difficulties within the agencies we oversee, which also affected their ability to respond to our requests. OIG conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objective. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objective.

To obtain background information, including criteria, OIG researched and reviewed Federal laws and regulations as well as Department guidance and policies relating to SNEA, such as the FAM, the Foreign Affairs Handbook, and the Department of State Standardized Regulations (DSSR). OIG also interviewed key personnel, including the Special Needs Implementation Coordinator, as well as individuals from the Bureau of Administration, Deputy Assistant Secretary for Operations, Office of Allowances (ALS) and Office of Overseas Schools; the Bureau of the Comptroller and Global Financial Services (CGFS); the Bureau of Human Resources (HR); and the Bureau of Medical Services (MED), Mental Health Programs, Office of Overseas Mental Health Services, Office of Child and Family Programs (CFP).

In addition, OIG reviewed and analyzed standard operating procedures and other Department guidance related to internal controls for SNEA. Furthermore, OIG reviewed Functional Bureau Strategies issued by the Bureau of Administration, CGFS, HR, and MED to determine whether SNEA was linked to bureau strategic goals and objectives.

Data Reliability

As reported in the Other Matters section of this report, OIG obtained SNEA application data from the eMED system, the Department's electronic medical record system. According to a MED official, data in the eMED system are updated manually after a SNEA authorization cable is issued. The MED official further stated that ensuring the accuracy of the data regarding

¹ GAO, *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014).

approved and denied SNEA applications would involve reconciling the eMED data to SNEA authorization cables. OIG did not verify or validate the accuracy of the SNEA application data. Accordingly, OIG did not use or rely upon computer-processed data as evidence for the findings or recommendations in this audit report.

Work Related to Internal Control

During the audit, OIG considered a number of factors, including the subject matter of the project, to determine whether internal control was significant to the audit objective. On the basis of its consideration, OIG determined that internal control was significant for this audit. OIG then considered the components of internal control and the underlying principles included in the *Standards for Internal Control in the Federal Government* to identify internal controls that were significant to the audit objective. Considering internal control in the context of a comprehensive internal control framework can help auditors determine whether underlying internal control deficiencies exist.

For this audit, OIG concluded that three of five internal control components from the *Standards for Internal Control in the Federal Government*, control activities, information and communication, and monitoring were significant to the audit objective. The control activities component includes the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity’s information system. The information and communication component relates to the quality information that management and personnel communicate and use to support the internal control system. The monitoring component relates to activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other review. OIG also identified and reviewed seven principles related to the selected components that were significant to the audit objective. Table A.1 describes the internal control component and principles identified.

Table A.1: Internal Control Components and Principles Identified

Components	Principles
Control Activities	<ul style="list-style-type: none"> • Management should design control activities to achieve objectives and respond to risks. • Management should implement control activities through policies.
Information and Communication	<ul style="list-style-type: none"> • Management should use quality information to achieve the entity’s objectives. • Management should internally communicate the necessary quality information to achieve the entity’s objectives. • Management should externally communicate the necessary quality information to achieve the entity’s objective.
Monitoring	<ul style="list-style-type: none"> • Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results. • Management should remediate identified internal control deficiencies on a timely basis.

Source: GAO-14-704G, at 44, 58, 64.

OIG then interviewed Department officials, reviewed documents, and performed walkthroughs of SNEA administration processes to obtain an understanding of the internal controls related to the components and principles identified as significant to this audit. OIG performed procedures to assess the design and implementation of key internal controls. Specifically, OIG:

- Reviewed the DSSR, the FAM, and the Foreign Affairs Handbook to obtain information regarding allowances and guidance specific to SNEA.
- Reviewed ALS, CGFS, HR, and MED standard operating procedures to determine the extent to which each bureau had established and applied control activities and information and communication components of internal control to administer SNEA and to review and monitor the SNEA rates.
- Interviewed individuals from ALS, CGFS, HR, and MED to determine their specific roles and responsibilities in the SNEA administration and rate determination processes.
- Reviewed and assessed SNEA Reform Action Plan remedies to determine the extent to which the reforms were designed and implemented for the Department to effectually administer SNEA.

Internal control deficiencies identified during the audit that are significant within the context of the audit objective are presented in the Audit Results section of this report.

Prior Office of Inspector General Reports

In August 2017, OIG reported² that, although the Department generally followed the established process to determine post education allowance rates for dependents of employees living at seven posts audited, rate decisions were based on incomplete data. OIG also reported that it could not determine if two of three audited posts appropriately paid employees for education allowances because of insufficient documentation and inconsistencies in the approach used to track education allowance payments. OIG made three recommendations to the Department to develop and implement standard operating procedures related to maintaining and updating base schools lists. As of February 2020, these recommendations had been implemented and closed. In addition, OIG recommended that the Department develop and implement uniform guidance for use by overseas posts to identify education allowance payments by student to comply with the DSSR. As of February 2020, this recommendation remained open but was considered resolved, pending further action.

² OIG, *Audit of Select Cost-of-Living Allowances for American Employees Stationed in Foreign Areas* (AUD-FM-17-51, August 2017).

APPENDIX B: DEPARTMENT EFFORTS TO ASSESS AND REFORM THE SPECIAL NEEDS EDUCATION ALLOWANCE

The Department of State (Department) has been studying the Special Needs Education Allowance (SNEA) administration and attempting to improve SNEA processes since 2015. Officials from the Bureau of Administration, Deputy Assistant Secretary for Operations, Office of Allowances (ALS), and the Bureaus of the Comptroller and Global Financial Services (CGFS), Human Resources (HR), and Medical Services (MED) began planning a SNEA working group in 2015 with the objective of examining how SNEA was currently implemented, authorized, and certified. The working group's goals were to propose SNEA vouchering improvements to enhance oversight and efficiency, to identify modifications to the Department of State Standardized Regulations (DSSR) to improve clarity and compliance, and to draft updated SNEA guidance to the field. The working group anticipated project completion through the implementation of proposals by May 2016; however, results were limited. For example, the DSSR was not modified as it relates to SNEA and, although a centralized voucher examination and approval process was proposed, it was not implemented. Nevertheless, one outcome of the SNEA working group was the establishment of a SNEA project accounting code by CGFS. The project code was established at the request of ALS in 2016 so the Department could have an accurate view of how much it spends on SNEA annually. ALS issued guidance to regional bureaus to instruct Financial Management Officers to use the SNEA project code in April 2016; however, use of the project code was not mandatory.

In September 2017, MED proposed, and the Acting Director General approved, the creation of an inter-bureau SNEA Working Task Force led by MED to assess and address current issues related to administering SNEA for qualifying Department employees because the “[e]fforts over the past [2] years to improve the SNEA process have not yielded the desired results.” The task force was composed of officials with SNEA administration experience from MED; HR; CGFS; ALS; the Family Liaison Office;¹ the Office of Legal Advisor; and the Bureau of Administration, Deputy Assistant Secretary for Operations, Office of Overseas Schools, and included representatives from each regional bureau. Task force meetings were expected to take place monthly and had a goal of completing work within 6 months. The task force was to “provide the Under Secretary for Management with a report that would detail how the SNEA program should best be formulated to meet the requirements of the Department and its employees, along with specific recommendations including whether the current medical and educational clearance processes should be changed, whether different assignment actions should result from those changes, and/or whether the DSSR should be amended.” The task force drafted, but did not issue, a report and plan to address issues related to five thematic areas² for the Under Secretary for

¹ HR's Family Liaison Office is an advocate for quality-of-life issues for Foreign Service and other U.S. Government agency employees and family members assigned to posts abroad. The office represents concerns to management, develops programs, and provides client services in various areas, including education.

² The five thematic areas were institutional support for SNEA administration, standardization and financial management, process flow and coordination, clearance category and appeal process, and communication.

Management. However, major components of the draft report were included in the subsequent SNEA reform effort.

In November 2018, the Deputy Under Secretary for Management dissolved the SNEA Working Task Force and established the “M Family Special Needs Committee,” composed of staff from the Bureau of Administration, CGFS, MED, HR, and the Office of the Legal Advisor, and appointed a Special Needs Implementation Coordinator³ to implement a SNEA reform strategy. The approved “Supporting Our Families with Children with Special Needs Action Plan” was intended to address the most pressing issues identified by the SNEA Working Task Force then move “iteratively” to additional issues. The Action Plan described the issues identified by the prior task force in 4 thematic groups (process flow and coordination, institutional support, financial management, and communication) that aligned 12 specific issues with 15 associated “remedies.” As detailed in Findings A and B in the Audit Results section of this report, the Department must complete implementation of all remedies to meet the Committee’s goal of enhancing support for employees with children with special needs and must establish a process to evaluate the effectiveness of the remedies, once implemented.

³ A Deputy Assistant Secretary for Human Resources was designated as the Special Needs Implementation Coordinator to serve as the Under Secretary for Management’s representative and to mediate processes and adjudicate intra-M Family policy disagreements.

APPENDIX C: SPECIAL NEEDS EDUCATION ALLOWANCE REFORM ACTION PLAN ISSUES, REMEDIES, TARGETED COMPLETION DATES, AND IMPLEMENTATION STATUS

Issue and Remedy Number	Description	Target Completion	Implementation Status
Issue 1. Scattered responsibilities, authorities, and resources have resulted in complaints, misinformation, and reform-killing bureaucratic stagnation.			
1	Designate Special Needs Implementation Coordinator (SNIC) to be the Under Secretary for Management's representative and coordinate and oversee Special Needs Education Allowance (SNEA) reform efforts.	Completion "Day 1"	Completed November 20, 2018
2	Disband prior SNEA working group.	Completion "Day 1"	Completed November 20, 2018
3	Establish Special Needs Committee.	Completion "Day 1"	Completed November 20, 2018
Issue 2. The Bureau of Medical Services' (MED) Office of Child and Family Programs (CFP) is understaffed.			
4	Approve exception to hiring freeze to enable CFP to fill five positions.	Approved by "Day 10"	Completed November 20, 2018
Issue 3. Foreign Service assignment process is burdensome for employees with special needs children.			
5	CFP and the Bureau of Human Resources (HR) to devise a streamlined bidding process for employees with special needs children. Develop proposal for HR approval.	Proposed for approval by "Day 45"	Pilot program approved March 2019 and implemented September 2019 ^a
Issue 4. Misunderstanding of how MED makes medical clearance determinations and SNEA authorizations.			
6	CFP, in coordination with the Office of the Legal Advisor, will create a Foreign Affairs Manual (FAM) chapter on SNEA that includes medical clearance and eligibility processes.	Cleared by "Day 45"	Partially implemented ^b
Issue 5. Absence of a documented process for an employee to appeal CFP decision on SNEA eligibility, reimbursements, or whether proposed school is sufficient.			
7	CFP will create an appeals process, cleared by the Office of the Legal Advisor, that includes practitioners not involved in an original determination.	To be included in remedy 6	Not implemented ^b

Issue and Remedy Number	Description	Target Completion	Implementation Status
Issue 6. Class-2 medical clearances related solely to educational needs are precluding a child from being eligible for “away from post” allowance because the schools at post cannot accommodate the child’s need and therefore the child cannot reside at post.			
8	The Office of the Legal Advisor and CFP will draft revision to the FAM to clarify certain interpretations of clearances to allow a child with special needs to reside at post when school is not in session, thereby making the child eligible for “away from post” allowances.	In clearance by “Day 30”	Not implemented ^b
Issue 7. SNEA reimbursements are sometimes inconsistent because approvers are post officers who lack an understanding of SNEA and are reluctant to request more details because of the sensitive nature of the allowance.			
9	MED and the Bureau of the Comptroller and Global Financial Services (CGFS) will create a centralized voucher process and authorization for new position to review SNEA claims.	Completion “Day 60”	Partially implemented ^b
Issue 8. The Department of State (Department) cannot determine how much is spent on SNEA.			
10	CGFS will create a new project code for use on all SNEA payments and notify appropriate officials.	Completion “Day 45”	Partially implemented ^b
Issue 9. Claims that the Department is asking parents to repay expenses that used to be approved but no longer are allowable expenses.			
11	Develop talking points to respond to inaccurate media claims.	Completion “Day 14”	Completed December 2018
Issue 10. SNEA-related authorities, Department policies, and post-specific medical clearance processes are often misunderstood.			
12	CFP and HR will draft a SNEA engagement strategy.	Draft by “Day 30”	Completed August 2019 ^c
Issue 11. Employees with special needs children have noneducational needs that may be offset by state funding or local grants if the employee resides in the United States.			
13	CFP and HR will develop plan to better publicize and explain how noneducational SNEA expenditures are treated.	To be included in remedies 6 and 12	Completed August 2019 ^c
14	The Bureau of Administration, Deputy Assistant Secretary for Operations, Office of Allowances (ALS) and other relevant bureaus will explore the feasibility of a “small-amount” SNEA-related allowance for which employees serving overseas with special needs children would be eligible to cover expenses not necessarily related to an Individual Learning Plan (ILP).	Convene study by “Day 15”	Completed March 2019 ^d

Issue and Remedy Number	Description	Target Completion	Implementation Status
Issue 12. Communication with external organizations and parent affinity groups should continue to be a part of the SNEA Action Plan effort.			
15	CFP and HR will develop a plan to increase engagement with groups and stakeholders.	Draft plan by "Day 30" SNIC will hold first quarterly meeting with groups by "Day 31"	Completed August 2019 ^c

^a According to the 2-year pilot program approved by the Director General of the Foreign Service and Director of Human Resources, effective with the summer 2020 bid cycle, it is no longer a requirement for Eligible Family Member's medical clearances to be valid before the employee can be registered or paneled to an overseas assignment. Eligible Family Members must have a valid medical clearance for the post of assignment prior to travel to post.

^b See Finding A for additional details.

^c The "Rollout Strategy" issued August 2019 included communication plans for all Department employees, external organizations and affinity groups, and Department employees with children with special needs.

^d According to a March 2019 SNEA status memo, the working group transformed this remedy to explore the feasibility of expanding SNEA to cover up to \$5,000 of services if they are recommended in a child's ILP. In April 2019, the Deputy Under Secretary for Management approved ALS to draft revisions to the Department of State Standardized Regulations (DSSR) to allow SNEA to cover up to \$5,000 for recommended services in an ILP if provided without cost in U.S. public schools. Ultimately, ALS excluded payment limitations for recommended services from the draft DSSR revisions because, like required services, recommended services would be reimbursable without limitation, per DSSR 276.81, "Costs of Services Exceed Maximum."

Source: OIG generated from analyses of Department of State November 20, 2018, memorandum, "Supporting Our Families With Special Needs Children: Next Steps," and its attachment, "Supporting Our Families with Children with Special Needs Action Plan," SNEA Action Plan Implementation status reports, Department notices, and FAM and DSSR guidance pertaining to SNEA.

APPENDIX D: UNDER SECRETARY FOR MANAGEMENT RESPONSE



United States Department of State

Washington, D.C. 20520

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May 26, 2020

MEMORANDUM

TO: OIG – Normal P. Brown

FROM: Under Secretary for Management (M) – Brian J. Bulatao

SUBJECT: Response to the Draft Report – Audit of Selected Internal Controls for the
Special Needs Education Allowance

Thank you for the opportunity to review the draft report of the Audit of Selected Internal Controls for the Special Needs Education Allowance.

I provide one comment and responses to the eight recommendations outlined in the draft report for which I am the action office below.

Management comment: On page 5 of the draft report, in the section entitled, “External SNEA Concerns,” the first paragraph references media articles describing Department actions such as “slashed benefits” and “decreasing support.” The Department considered those claims to be inaccurate, and developed talking points to respond, as confirmed on page 13 of the draft report. It is also noteworthy that, due to confidentiality and privacy concerns, MED was unable to refute some of the allegations in the referenced media articles. The Department is concerned that the underlying facts in these media articles have not been properly investigated or verified by the OIG, and respectfully requests that a note be added to this section to explain accordingly.

- Recommendation 1: OIG recommends that the Under Secretary for Management designate the “M Family Special Needs Committee” as a permanent coordinating body to complete implementation of the Special Needs Education Allowance reform remedies and to identify and execute additional internal controls that are necessary to effectually administer the Special Needs Education Allowance. The Foreign Affairs Manual should be updated to reflect the formal establishment of the committee, its membership, and responsibility for Special Needs Education Allowance administration.

Management Response: M concurs with the recommendation to designate the “M Family Special Needs Committee” as a permanent coordinating body to complete implementation of the Special Needs Education Allowance reform remedies and, once those activities are complete, to convene regularly (i.e. annually) for high-level administration such as identifying and executing additional internal controls that are necessary to effectually administer the Special Needs Education Allowance. M will work with the appropriate offices to incorporate language into the Foreign Affairs Manual, and report to the OIG once it is complete, with a target date of December 2020.

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- Recommendation 2: OIG recommends that the Under Secretary for Management develop and publish specific guidance in the Foreign Affairs Manual for the medical clearance process as it relates to the Special Needs Education Allowance. At a minimum, the guidance should describe the process to obtain medical clearances for children with special needs.

Management Response: In consultation with MED, M respectfully requests that the OIG consider that this recommendation be changed to, "... develop and publish specific guidance in the Foreign Affairs Manual to clarify guidance on obtaining an medical clearance based on educational needs, as it relates to the Special Needs Education Allowance." With this addition, M concurs with the recommendation and will work with the appropriate offices to incorporate language into the Foreign Affairs Manual, and report to the OIG once it is complete, with a target date of December 2020.

- Recommendation 3: OIG recommends that the Under Secretary for Management develop and incorporate specific guidance in the Foreign Affairs Manual for the Special Needs Education Allowance eligibility determination process. At a minimum, the guidance should describe the process to determine eligibility for the allowance and a process to appeal an ineligible determination.

Management Response: M concurs with the recommendation and will work with the appropriate offices to incorporate language into the Foreign Affairs Manual, and report to the OIG once it is complete, with a target date of December 2020.

- Recommendation 4: OIG recommends that the Under Secretary for Management incorporate in the Foreign Affairs Manual the guidance outlined in the Department of State Standardized Regulations concerning the allowability of special needs children to reside at post when not in school.

Management Response: Given that the Department of State Standardized Regulations (DSSR) provide the pertinent regulations for the interagency, in consultation with MED and GTM, M proposes that DSSR remain the policy in place on this issue, and that the Foreign Affairs Manual be updated to refer to the DSSR on this topic. With that, M concurs with the recommendation and will work with the appropriate offices to incorporate language into the Foreign Affairs Manual, and report to the OIG once it is complete, with a target date of December 2020.

- Recommendation 5: OIG recommends that the Under Secretary for Management update guidance in the Foreign Affairs Manual, 3 FAM 3284, "Required Documentation," to include specific, detailed, required contents of an Individual Learning Plan for children with special needs that mirror the requirements prescribed by the Individuals with Disabilities Education Improvement Act for an individualized education program.

Management Response: In consultation with MED, M notes that the requirements are very individualized and may not lend themselves to specific and detailed content. With that caveat, M concurs with the recommendation and will work with the appropriate offices to incorporate language into the Foreign Affairs Manual that provides further details to the extent possible, and report to the OIG once it is complete, with a target date of December 2020.

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- Recommendation 6: OIG recommends that the Under Secretary for Management update guidance in the Foreign Affairs Manual, 3 FAM 3285, "Department of State Policy," to establish parameters and guidance for decision makers regarding the term "as flexibly as possible" used in reference to authorizing the Special Needs Education Allowance so that it complies with the requirements of the Department of State Standardized Regulations.

Management Response: M concurs with the recommendation and will work with the appropriate offices to incorporate language into the Foreign Affairs Manual, and report to the OIG once it is complete, with a target date of December 2020.

- Recommendation 10: OIG recommends that the Under Secretary for Management (a) direct the "M Family Special Needs Committee" (as designated in Recommendation 1) to develop and implement monitoring activities for administering the Special Needs Education Allowance that, at a minimum and in accordance with the Standards for Internal Control in the Federal Government, include establishing a baseline, monitoring internal controls, and evaluating the results and (b) incorporate the responsibilities for monitoring the Special Needs Education Allowance in the Foreign Affairs Manual.

Management Response: As stated in Recommendation 1, M concurs with the recommendation to designate the "M Family Special Needs Committee" as a permanent coordinating body to complete implementation of the Special Needs Education Allowance reform remedies and, once those activities are complete, to convene regularly (i.e. annually) for high-level administration such as identifying and executing additional internal controls that are necessary to effectually administer the Special Needs Education Allowance. M will work with the appropriate offices to incorporate language into the Foreign Affairs Manual, and report to the OIG once it is complete, with a target date of December 2020.

- Recommendation 11: OIG recommends that the Under Secretary for Management (a) direct the "M Family Special Needs Committee" (as designated in Recommendation 1) to develop and implement a process to identify, evaluate, and remediate deficiencies identified with the Special Needs Education Allowance, that at a minimum and in accordance with the Standards for Internal Control in the Federal Government, include the reporting of issues, evaluations of issues, and corrective action documentation and (b) incorporate the responsibilities for the processes in the Foreign Affairs Manual.

Management Response: As stated in the responses to Recommendations 1 and 10, M concurs with the recommendation to designate the "M Family Special Needs Committee" as a permanent coordinating body to complete implementation of the Special Needs Education Allowance reform remedies and, once those activities are complete, to convene regularly (i.e. annually) for high-level administration such as identifying and executing additional internal controls that are necessary to effectually administer the Special Needs Education Allowance.

In addition, as stated in the response to Recommendation 3, M will work with the appropriate offices to establish a process to determine eligibility for the allowance and a process to appeal an ineligible determination.

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However, in consultation with GTM and MED, M considers the appeals process to be that which identifies, evaluates, and remediates deficiencies with the Special Needs Education Allowance.

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Approved: M/SS – Jim Schwab

Drafted: M/SS – Camille Pellegrino, 202-647-1285

Cleared:

M/SS: B Pomainville (OK)

M: L Ockerman (OK)

MED: M Cohen (OK)

GTM: PDAS Merten (OK)

A: M Yu (OK)

CGFS: M Rush (OK)

L/M: K King (OK)

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APPENDIX E: BUREAU OF ADMINISTRATION RESPONSE



United States Department of State

Washington, D.C. 20520

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May 13, 2020

MEMORANDUM

TO: OIG/AUD – Norman P. Brown

FROM: A/OPR – Keith D. Hanigan 

SUBJECT: OIG Draft Report – Audit of Selected Internal Controls for the Special Needs Education Allowance (AUD-FM-20-XX, April 2020).

The Bureau of Administration was tasked with action on recommendation 14 and 15 of the aforementioned Audit report. Debra Smoker-Ali of A/OPR/ALS is the point of contact and can be reached on 703-399-1872. Per your memorandum of April 28, 2020, the following recommendation and responses are as follows:

Recommendation 14: OIG recommends that the Bureau of Administration, Deputy Assistant Secretary for Operations, Office of Allowances, develop and implement internal controls to ensure the Special Needs Education Allowance rates are reviewed annually, as required by Office of Allowances standard operating procedures.

Response (revised 05/12/20): Management agrees with the recommendation and will develop internal controls and include them in the standard operating procedures to ensure the Special Needs Education Allowance rates are reviewed annually.

Recommendation 15: OIG recommends that the Bureau of Administration, Deputy Assistant Secretary for Operations, Office of Allowances, update its methodology for calculating the Special Needs Education Allowance school at post and school away from post rates to require the use of actual Special Needs Education Allowance expenditures as the basis for the establishing rates.

Response: Management agrees with the recommendation and will coordinate with CGFS to use the actual data based on the previous year's expenditure to establish the Special Needs Education Allowance maximum rates for both at post and school away from post education allowances.

cc:
A/EX/CSM – Joesph McGuire
A Front Special Assistants

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Drafter: A/OPR/ALS – Alexandra S. Aitken (b) (6)

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APPENDIX F: BUREAU OF THE COMPTROLLER AND GLOBAL FINANCIAL SERVICES RESPONSE



United States Department of State
Comptroller
Washington, DC 20520

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May 26, 2020

MEMORANDUM

TO: OIG/AUD – Norman P. Brown

FROM: CGFS – Jeffrey C. Mounts, Acting *Jeffrey C. Mounts*

SUBJECT: Response to the Draft Report – Audit of Selected Internal Controls for the Special Needs Education Allowance

The Bureau of the Comptroller and Global Financial Services (CGFS) appreciates the opportunity to provide comments on the OIG's draft report of the Audit of Selected Internal Controls for the Special Needs Education Allowance.

Recommendation 7: OIG recommends that the Bureau of the Comptroller and Global Financial Services, in coordination with the Bureau of Medical Services, develop and implement a centralized review and payment process for Special Needs Education Allowance reimbursement claims. At a minimum, the process should require review of appropriate documentation to validate that a Special Needs Education Allowance expenditure claim was appropriate and in compliance with Department policy.

CGFS Response: In consultation with MED, a centralized approval and voucher process has been created utilizing existing functionality in E2 Solutions to electronically route claims to M/MHS/CFP for approval and onto the Post Support Unit (CGFS/PSU) for certification and payment. An ALDAC is currently in the clearance process to announce this new process and NEA and SCA will be the first bureaus to have it implemented. M/MHS/CFP, as the most knowledgeable office, will review appropriate documentation to validate each SNEA claim as appropriate and in compliance with Department policy. All approved SNEA claims will then be routed to the Post Support Unit (PSU) for certification and payment.

Recommendation 8: OIG recommends that the Bureau of the Comptroller and Global Financial Services incorporate in the Foreign Affairs Manual or the Foreign Affairs Handbook required use of a Special Needs Education Allowance project code or a budget object code to record expenditures in the Department's financial management system.

CGFS Response: CGFS concurs with the recommendation and will incorporate into the FAM or FAH a required use of the SNEA project code.

Recommendation 9: OIG recommends that the Bureau of the Comptroller and Global Financial Services establish and disseminate instructions to Posts on the proper use of the Special Needs

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Education Allowance project code or budget object code (referenced in Recommendation 8) to accurately track expenditures in the Department's financial management system.

CGFS Response: CGFS concurs with the recommendation and will issue guidance to Posts on the proper use of the Special needs Education allowance project code to accurately track expenditures in the Department's financial management system. An ALDAC with this information is currently in the clearance process.

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APPENDIX G: BUREAU OF MEDICAL SERVICES RESPONSE



United States Department of State

Washington, D.C. 20520

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May 22, 2020

MEMORANDUM

TO: OIG – Norman P. Brown

FROM: Bureau of Medical Services (MED) - Mark J. Cohen, MD, Chief Medical Officer

SUBJECT: Response to the Draft Report – Audit of Selected Internal Controls for the Special Needs Education Allowance

Thank you for the opportunity to review the draft report of the Audit of Selected Internal Controls for the Special Needs Education Allowance.

I provide responses to the two recommendations outlined in the draft report for which MED is the action office below.

- Recommendation 12: OIG recommends that the Bureau of Medical Services develop and implement internal policies and procedures to guide and document the processes followed to review and authorize Special Needs Education Allowance applications.

MED Response: MED concurs with this recommendation and will develop internal procedure documents consistent with ISO-9001:2015 document management. The target to complete this is October 2020.

- Recommendation 13: OIG recommends that the Bureau of Medical Services develop and implement internal policies and procedures to guide the effective use of eMED to document the Special Needs Education Allowance application status. The policies and procedures should ensure accurate, real-time data are available to appropriate Department officials.

MED Response: eMED is a proprietary program developed to manage Medical Clearances, and is not a tool that lends itself to data collection and data-mining. To the extent possible – and until the Bureau fully implements an Electronic Health Record (est. Q1 CY 2021) – MED will work with existing infrastructure to regularly track and report available data to Department officials.

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Approved: MED – Mark J. Cohen (OK)

Drafted: M/SS – Camille Pellegrino, 202-647-1285

Cleared:

M/SS: C Pellegrino (OK)

M: L Ockerman (OK)

GTM: PDAS Merten (OK)

A: M Yu (OK)

CGFS: M Rush (OK)

L/M: K King (OK)

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ABBREVIATIONS

ALS	Bureau of Administration, Deputy Assistant Secretary for Operations, Office of Allowances
CFP	Mental Health Programs, Office of Overseas Mental Health Services, Office of Child and Family Programs
CGFS	Bureau of the Comptroller and Global Financial Services
DSSR	Department of State Standardized Regulations
FAH	Foreign Affairs Handbook
FAM	Foreign Affairs Manual
FMO	Financial Management Officer
GAO	Government Accountability Office
HR	Bureau of Human Resources
IDEIA	Individuals with Disabilities Education Improvement Act
ILP	Individual Learning Plan
MED	Bureau of Medical Services
OIG	Office of Inspector General
SNEA	Special Needs Education Allowance
SNIC	Special Needs Implementation Coordinator

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