

GAO Highlights

Highlights of [GAO-18-87](#), a report to the Committee on Oversight and Government Reform, House of Representatives

Why GAO Did This Study

State spends millions of dollars annually on allowances to compensate its employees for costs and hardships related to foreign assignments. Many of these assignments are critical to U.S. foreign policy objectives. In accordance with U.S. law, State employees working abroad may be reimbursed for costs related to working overseas, including the cost of living in expensive locations, dependent education costs, and the costs of maintaining family members away from post. They also may be eligible for such allowances in locations where they encounter harsh or dangerous living conditions. These allowances cover over 13,000 employees across more than 275 posts.

GAO was asked to review State's administration of allowances for its employees. GAO's September 2017 report focused on State hardship and danger pay allowances ([GAO-17-715](#)), while this report (1) describes all of the allowances that State offers its employees serving overseas and (2) examines the amount State spent annually on these allowances in fiscal years 2011 through 2016. GAO analyzed State data and documents and communicated with State officials in Washington, D.C., and Charleston, South Carolina, the location of State's Bureau of the Comptroller and Global Financial Services.

View [GAO-18-87](#). For more information, contact Michael J. Courts at (202) 512-8980 or courtsm@gao.gov

November 2017

OVERSEAS ALLOWANCES

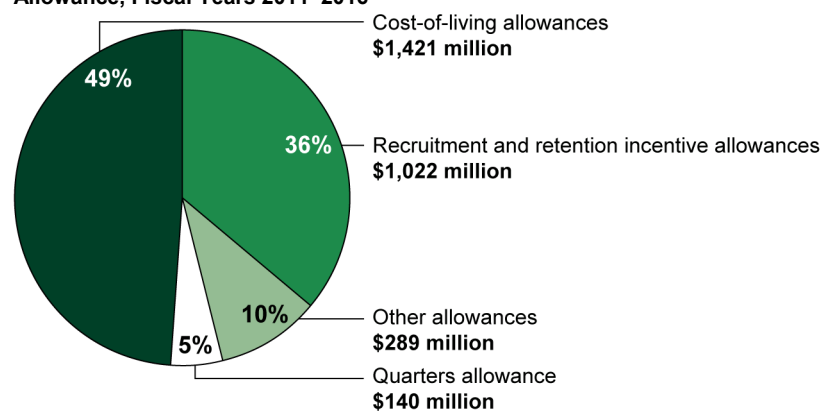
State Spends Almost \$480 Million Annually to Compensate Employees for Costs and Hardships of Foreign Assignments

What GAO Found

The Department of State (State) offers 14 different allowances to compensate State employees serving at overseas posts for costs and hardships related to foreign assignments across four categories.

- **Cost-of-living allowances** consist of six types of allowances that reimburse employees for certain costs incurred from employment overseas, such as the cost for dependent education that would normally be free in the United States.
- **Recruitment and retention incentive allowances** consist of three types of allowances that compensate employees for service at posts where conditions may be difficult or dangerous. For example, hardship pay compensates employees for service where conditions differ substantially from those in the United States.
- **Quarters allowances** consist of three types of allowances that reimburse employees for substantially all housing costs at posts where government housing is not provided. For example, the temporary quarters subsistence allowance pays for temporary housing when government-provided housing is not available.
- **Other allowances** consist of two types of allowances that reimburse employees, such as ambassadors, who must maintain an official residence in-country or employees who incur expenses representing the U.S. government in an official capacity to a foreign government.

Department of State's Spending on Allowances for Employees Serving Overseas by Allowance, Fiscal Years 2011–2016



Source: GAO analysis of Department of State data. | [GAO-18-87](#)

State spent almost \$480 million per year on its 14 allowances for employees serving overseas, totaling almost \$2.9 billion in fiscal years 2011 through 2016. Most of this amount went toward cost-of-living and recruitment and retention allowances. During this period, the three largest individual allowances accounted for about 70 percent of the total spending on all allowances. These were the education allowance, about \$853.0 million; hardship pay, about \$732.3 million; and post allowance, used to offset the higher cost of living at certain posts, about \$417.3 million.