



032135

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

INTERNATIONAL DIVISION

December 31, 1974

Mr. Edward N. Gulli, Director
Financial Systems Development
BF/FMS-Room 1801
Department of State

DLG 65774

Dear Mr. Gulli:

During our past audits of the Department's Foreign Accounts we noted that many Posts were paying cash awards to American employees but were not withholding Federal income taxes from the awards as required by law, nor could we determine that the awards were included in the employees' payroll records as taxable income.

Your regulations covering the above subject are found in the Foreign Affairs Manuals 4 FAM 553.5 and 3 FAM 643.4. In accordance with these regulations, the awards are vouchered on Form FS-455, rather than on payrolls.

To solve this problem, we suggest that you amend the regulations, instructing the Posts to process all future cash award payments as a part of their payrolls.

We will appreciate receiving your views on this matter.

Sincerely yours,

Frank M. Zappacosta

Frank M. Zappacosta
Assistant Director

BEST DOCUMENT AVAILABLE

114092