



UNITED STATES DEPARTMENT OF STATE  
AND THE BROADCASTING BOARD OF GOVERNORS  
*OFFICE OF INSPECTOR GENERAL*

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**Compliance Followup Audit of  
Bureau of Oceans and International  
Environmental and Scientific Affairs  
Administration and Oversight of  
Funds Dedicated To Address  
Global Climate Change**

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United States Department of State  
and the Broadcasting Board of Governors

*Office of Inspector General*

PREFACE

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

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

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

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

A handwritten signature in blue ink, appearing to read "Norman P. Brown".

Norman P. Brown  
Acting Assistant Inspector General  
for Audits

## Acronyms

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|----------|--|
| A/LM/AQM | Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management      |
| A/OPE    | Bureau of Administration, Office of the Procurement Executive                                    |
| CFA      | compliance followup audit  |
| COR      | contracting officer's representative   |
| DOSAR    | Department of State Acquisition Regulation   |
| DQA      | Data Quality Assessment  |
| ESF      | Economic Support Funds   |
| F        | Office of Foreign Assistance Resources   |
| FAH      | <i>Foreign Affairs Handbook</i>  |
| FAM      | <i>Foreign Affairs Manual</i>  |
| FAR      | <i>Federal Acquisition Regulation</i>  |
| GO       | Grants Officer   |
| GOR      | Grants Officer Representative  |
| GPD      | Grants Policy Directive  |
| M        | Under Secretary for Management   |
| OES      | Bureau of Oceans and International Environmental and Scientific Affairs                          |
| OES/EGC  | Bureau of Oceans and International Environmental and Scientific Affairs, Office of Global Change |
| OIG      | Office of Inspector General  |
| OMB      | Office of Management and Budget  |
| PIB      | Procurement Information Bulletin   |
| SOP      | standard operating procedure   |
| USAID    | U.S. Agency for International Development  |

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## Executive Summary

The Government Accountability Office (GAO) identified climate change as a high-risk area within the Federal Government in February 2013.<sup>1</sup> In fact, GAO determined that climate change was a complex, crosscutting issue, where many Federal entities manage related programs and activities.<sup>2</sup> The majority, \$75 million, of the Department of State's (Department) FY 2013 foreign assistance request for \$120.5 million<sup>3</sup> for global climate change is administered through the Bureau of Oceans and International Environmental and Scientific Affairs (OES).

In 2012, the Office of Inspector General (OIG) performed an audit of OES' administration and oversight of funds dedicated to address global climate change to be responsive to global developments and the priorities of the Department.<sup>4</sup> In the audit report, OIG identified a number of areas that required greater management attention in order to improve administration and oversight of climate change programs and interagency agreements. As a result, in July 2012, OIG made 16 recommendations to OES and two recommendations to the Bureau of Administration, Office of the Procurement Executive (A/OPE). In March 2013, OIG closed eight of these recommendations (Nos. 2, 5, 6, 7, 8, 9, 14, and 15) after verifying evidence that OES had provided showing that final corrective actions had been completed. At that time, OIG considered the remaining 10 recommendations resolved, pending final action.

Because of GAO's emphasis on climate change and the Department's important role, OIG performed a compliance followup audit (CFA) to evaluate the corrective actions taken by OES and A/OPE in response to OIG's report. The objectives of this CFA were to assess the Department's actions with respect to selected open recommendations (Nos. 1, 12, 13, 17, and 18) from the prior report and determine whether they should be closed or reissued and to review one closed recommendation (No. 15) to determine whether original deficiencies were fully addressed. Following initial discussions with OES and A/OPE officials on the status of the open recommendations from AUD/CG-12-40, OIG expanded its original scope to include an assessment of the Department's actions on all open recommendations from the report.

Overall, OIG found that the Department was making progress in addressing the deficiencies identified and in implementing the corrective actions recommended in AUD/CG-12-40. All 10 remaining resolved AUD/CG-12-40 recommendations will be closed with the issuance of the new followup report. Of the original AUD/CG-12-40 recommendations, Recommendation 3 and Recommendation 4 will be closed based on evidence that the recommendations were implemented. Evidence provided in response to AUD/CG-12-40 Recommendation 18 was not sufficient to meet the recommendation's full intent, and additional actions are necessary. Consequently, OIG incorporated the intent of AUD/CG-12-40 Recommendation 18 into a new recommendation (No. 9) to the Under Secretary for Management (M) to assign authority and responsibility for the oversight, review, and approval of

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<sup>1</sup> GAO, *High-Risk Series: An Update* (GAO-13-283, Feb. 14, 2013).

<sup>2</sup> GAO, *Climate Change: Improvements Needed To Clarify National Priorities and Better Align Them with Federal Funding Decisions* (GAO-11-317, May 2011).

<sup>3</sup> FY 2013 Congressional Budget Justification, Vol. 2 - Foreign Operations (Feb. 13, 2012), p. 17.

<sup>4</sup> *Audit of Bureau of Oceans and International Environmental and Scientific Affairs Administration and Oversight of Funds Dedicated To Address Global Climate Change* (AUD/CG-12-40, July 2012).

nonacquisition interagency agreements that will ensure compliance with applicable Federal regulations and Department policies governing them. OIG has modified, as appropriate, AUD/CG-12-40 Recommendations 1, 10, 11, 12,<sup>5</sup> 13, 16, and 17 to address actions still to be taken and has reissued the recommendations as Nos. 1–8 in this report.

OIG could not determine whether the original deficiencies that led to Recommendation 15 were corrected because OES did not make any new solicitations or enter into any new interagency agreements or grants subsequent to the recommendation's implementation before the end of fieldwork. However, no matters came to OIG's attention that would lead OIG to believe that the corrective actions taken in implementing Recommendation 15, or any of the other implemented recommendations, would fail to fully address the original deficiencies identified in AUD/CG-12-40.

OIG met and discussed the results and recommendations in this report with officials from M on September 23, 2013; from A/OPE on September 25, 2013; and from OES on October 24, 2013.

### **Management Comments**

In November 2013, OIG provided a draft of this report to and requested comments from OES, A/OPE, and M.

In the December 11, 2013, response (see Appendix C) to the draft report, OES agreed with the seven recommendations addressed to it and stated that OES had completed actions related to Recommendation 4 and had begun taking action to address the remaining recommendations. For Recommendations 3 and 6, OES stated that it will complete actions after A/OPE issues Department policies on nonacquisition interagency agreements that are currently in draft. Based on this response, OIG considers Recommendations 1, 2, 3, 5, 6, and 7 resolved, pending further action, and Recommendation 4 closed. Management's responses and OIG's replies to those responses are included after each recommendation.

As of December 31, 2013, neither A/OPE nor M had responded to the draft report. Therefore, Recommendations 8 and 9 are considered unresolved.

### **Background**

GAO identified climate change as a high-risk area within the Federal Government in February 2013.<sup>6</sup> In fact, GAO has determined that climate change is a complex, crosscutting issue, where many Federal entities manage related programs and activities.<sup>7</sup> The majority, \$75 million, of the Department's FY 2013 foreign assistance request for \$120.5 million<sup>8</sup> for global climate change is administered through OES. Within OES, the Office of Global Change

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<sup>5</sup> AUD/CG-12-40 Recommendation 12 was reissued as Recommendations 4 and 5 in this report; consequently, the seven recommendations from the prior report now total eight recommendations in this report.

<sup>6</sup> GAO-13-283, Feb. 14, 2013.

<sup>7</sup> GAO-11-317, May 2011.

<sup>8</sup> FY 2013 Congressional Budget Justification, Vol. 2 - Foreign Operations (Feb. 13, 2012) p. 17.

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(OES/EGC) develops and coordinates U.S. policy on global climate change and on climate resilience and adaptation, and it funds and monitors programs on environmental aspects of clean energy and forest issues.

Between October 2011 and March 2012, OIG conducted a performance audit to determine whether the administration and the oversight by OES were sufficient to ensure that contributions made toward international climate change efforts were expended in accordance with Department policy and were contributing to the U.S. Government's global climate change goals. The resulting OIG report (No. AUD/CG-12-40), issued in July 2012, found a number of areas that required greater management attention and made 18 recommendations (listed in Appendix B) to improve OES administration and oversight of climate change programs.

Specifically, OIG found that OES did not always follow guidance on how to execute Data Quality Assessments (DQA) to ensure that data used to report and support programmatic results were accurate. In addition, OIG found that policy guidance relating to managing and monitoring climate change grants and interagency acquisition agreements was not always followed by OES. Finally, OIG determined that OES did not always administer interagency acquisition agreements in accordance with Department policies and Federal regulations. Consequently, according to Department officials, interagency acquisition agreements emanating from OES were not always efficiently and effectively administered and managed in the areas of policy application, review and approval, and overall program management, and OES did not always have reasonable assurance that funds for climate change had been expended in accordance with Department policies; that the recipient had performed program activities as stipulated in the awards or agreements; and that the program's indicators, goals, and objectives had been achieved.

OIG considers a recommendation "unresolved," "resolved," or "closed" based on the actions that the Department has taken or plans to take with respect to the recommendation.<sup>9</sup> An unresolved recommendation is one in which the Department has neither taken actions nor has stated how it plans to implement the recommendation. A resolved recommendation is one in which the Department has agreed to implement the recommendation or one in which the Department has begun, but not yet completed, actions to fully implement the recommendation. A closed recommendation is one in which the Department has completed actions necessary to implement the recommendation and OIG has determined that no additional action is required.

Based on OES' agreement with Recommendations 1-16 and A/OPE's agreement with Recommendations 17 and 18 in the draft report, OIG considered all 18 recommendations resolved upon issuance of AUD/CG-12-40. OIG considered Recommendations 2, 5, 6, 7, 8, 9, 14, and 15 closed as of March 20, 2013, based on documented evidence of actions taken by OES

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<sup>9</sup> Office of Management and Budget Circular A-50, Revised, "Audit Followup," Sept. 29, 1982. The circular requires that Federal agencies "assure the prompt and proper resolution and implementation of audit recommendations" made by Inspectors General, other executive branch audit organizations, the Government Accountability Office, and non-Federal auditors. Secs. 1, 5, 8a(2), and 8a(3) of the circular further require that agencies (1) resolve recommendations within a maximum of 6 months after the issuance of a final report; (2) implement corrective actions as rapidly as possible; and (3) specify criteria for proper resolution and corrective actions that provide for written plans for corrective actions with specified action dates, where appropriate.

to meet the intent of the recommendations. The remaining 10 recommendations were considered resolved at the start of this CFA in May 2013.

### **Compliance Followup Audit Objectives**

The objectives of this compliance followup audit were to assess the Department's actions with respect to selected open recommendations (Nos. 1, 12, 13, 17, and 18) from the prior report (No. AUD/CG-12-40) and determine whether the recommendations should be closed or reissued and whether the original deficiencies for one closed recommendation (No. 15) were fully addressed. Following initial discussions with OES and A/OPE officials on the status of the open recommendations from AUD/CG-12-40, OIG expanded its original scope to include an assessment of the Department's actions on all open recommendations from the report.

### **Compliance Followup Audit Results**

OIG found that the Department was making progress in addressing the administration and oversight deficiencies identified in AUD/CG-12-40 and was implementing the corrective actions recommended. OIG is closing all 10 of the remaining AUD/CG-12-40 resolved recommendations with the issuance of this compliance followup report. However, seven of the AUD/CG-12-40 recommendations are being revised, as appropriate, and reissued in this report as Recommendations 1–8<sup>10</sup> to address actions still to be taken. In addition, a new recommendation (No. 9) is also being issued.

Specifically, OIG found that OES had completed corrective actions for AUD/CG-12-40 Recommendations 3 and 4 of the report's recommendations and had planned corrective actions or had started taking corrective actions that should meet the intent of the other six resolved recommendations made to OES. In addition, OIG found that although A/OPE had taken considerable actions with respect to AUD/CG-12-40 Recommendations 17 and 18 by drafting new policies and procedures for interagency acquisition agreements (issued in January 2013) and nonacquisition interagency agreements (still in draft),<sup>11</sup> OIG also found that A/OPE's actions in response to Recommendation 18 would not be sufficient to meet the report's full intent. Although the Procurement Executive indicated that A/OPE would ensure that the Procurement Information Bulletin (PIB) on nonacquisition interagency agreements was codified in the *Foreign Affairs Manual* (FAM) and the *Foreign Affairs Handbook* (FAH), he also indicated that each bureau had sole responsibility for its nonacquisition interagency agreements and that neither his office nor any other entity within the Department had the authority to provide oversight and to monitor all bureaus' compliance with these requirements. Consequently, OIG incorporated the intent of AUD/CG-12-40 Recommendation 18 into a new recommendation (No. 9) to the Under Secretary for Management (M) to assign authority and responsibility for the oversight, review, and approval of nonacquisition interagency agreements that would ensure compliance with applicable Federal regulations and Department policies governing the agreements.

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<sup>10</sup> The seven recommendations from the prior report now total eight recommendations in this report because AUD/CG-12-40 Recommendation 12 was reissued as Recommendations 4 and 5 in this report.

<sup>11</sup> Nonacquisition interagency agreements are interagency agreements for other than acquisitions, referred to in the draft PIB as "Interagency Agreements."

In addition, OIG was not able to determine whether the original deficiencies that led to Recommendation 15 were corrected because OES did not write any new solicitations or enter into any new interagency agreements or grants subsequent to the recommendation's implementation. However, no matters came to OIG's attention that would lead it to believe that the corrective actions taken in implementing Recommendation 15, or any of the other closed recommendations, would fail to fully address the original deficiencies identified in AUD/CG-12-40.

OIG met with officials from OES, A/OPE, and M in September and October 2013 and discussed the results and recommendations in this report.

**AUD/CG-12-40 Recommendation 1.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs, Office of Global Change, conduct Data Quality Assessments in accordance with the six-step methodology from the annual guidance provided by the Office of U.S. Foreign Assistance Resources to ensure that the data used in reporting results are as complete, accurate, consistent, and supportable as possible.

Background: OIG made this recommendation because OES did not fully implement the guidance for conducting DQAs to help ensure that the data used in reporting programmatic results were complete, accurate, consistent, and supportable. Without fully implementing DQAs that consider appropriate sources of data, reviewing methodologies used by sources to collect and validate data, and verifying what recipients have provided with evidence of processes and raw data sources, the data used by OES to report programmatic results for climate change programs cannot be consistently relied upon by decision-makers.

Compliance Followup Audit Results: OIG found that OES was in the process of contracting for an independent company to conduct the DQA process in keeping with Office of U.S. Foreign Assistance Resources (F) standards. OES expected the DQA contract to be awarded before September 30, 2013, and the DQA process was expected to be completed in 2014. The DQA checklist for 2013 was updated to a seven-step methodology.

Status: With this report, OIG is closing AUD/CG-12-40 Recommendation 1 and modifying and reissuing it in this report as Recommendation 1 to address the unimplemented aspects of the DQA process and to reflect the seven-step DQA process.

**Recommendation 1.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs conduct Data Quality Assessments in accordance with the seven-step methodology from the annual guidance provided by the Office of U.S. Foreign Assistance Resources to ensure that the data used in reporting results are as complete, accurate, consistent, and supportable as possible.

**Management Response:** OES agreed with the recommendation and provided documentation that a contract had been awarded in September 2013 to conduct DQAs in accordance with the seven-step methodology from annual guidance provided by the Office of the Director of U.S. Foreign Assistance Resources. OES further stated that the

retained firm had conducted DQA processes against indicators in the funded portfolio and would continue these activities to help ensure that the data used in OES' reporting results are well supported.

**OIG Reply:** OIG reviewed the documentation provided and found that OES had included information in the contract to incorporate the use of the seven-step methodology from the annual guidance provided by the Office of U.S. Foreign Assistance Resources. OIG considers this recommendation resolved, pending further action. This recommendation can be closed when OES provides a timetable of when it expects to complete DQAs for current interagency agreements and copies of the first two completed DQAs.

**AUD/CG-12-40 Recommendation 2.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs, Office of Global Change (OES/EGC), implement Grants Policy Directive 16, "Designation of Grants Officer Representative," by ensuring that the Grants Officer completes current Grants Officer Representative (GOR) designation memorandums throughout the lifecycles of all grants. OES/EGC should also update its Standard Operating Procedures (SOP) manual by aligning all monitoring and evaluation responsibilities under the designated GOR, as directed by Grants Policy Directive 16, and by not allowing the re-delegation of responsibilities to other program officials unless specified in the designation memorandum.

Background: OIG made this recommendation because it found, in its review of seven climate change grants, that although all seven grants had an original GOR designation memorandum, the three designated GORs for all seven grants vacated their positions at some point during the execution of those grants and only one grant file contained a new designation memorandum for a replacement GOR to assume the original GOR's responsibilities. In lieu of a newly designated GOR for the other grants, OES representatives stated that two project management officials "tag teamed" in overseeing climate change grants and performing GOR duties. Having a designated GOR during the lifecycle of a grant is important to ensure that a bureau has an authorized representative to exercise prudent management and oversight of the award through monitoring and evaluating the recipient's performance. While additional support by Technical Leads of certain program aspects is likely to strengthen a program's overall impact, responsibilities designated to a GOR should not be re-delegated to other program officials to ensure prudent and continuous management and oversight of grant recipients' performance.

Compliance Followup Audit Results: OIG found that OES had implemented GPD 16 and that there was alignment of monitoring and evaluation responsibilities in the SOP for the designated GOR that met the intent of the recommendation.

Status: OIG closed AUD/CG-12-40 Recommendation 2 on March 20, 2013, based on the actions taken by OES that met the intent of the recommendation.

**AUD/CG-12-40 Recommendation 3.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs, Office of Global Change, ensure that the Grants Officer Representatives, in consultation with the Grants Officer, develop monitoring

plans for all future grant awards using the suggested Department of State templates included in Grants Policy Directive 42, "Monitoring Assistance Awards."

Background: OIG made this recommendation to address OES' lack of both (1) monitoring plans for any of the seven grants reviewed and (2) evidence of monitoring activities by OES GORs to ensure that the goals and objectives of the grant award were achieved and funds were spent accordingly. Without documented monitoring plans, OIG was unable to determine what monitoring activities OES' GORs had used to ensure that the goals and objectives of the grant award were achieved and funds were spent accordingly.

Compliance Followup Audit Results: OIG found that OES had developed monitoring plans using the template included in Grants Policy Directive (GPD) 42 and approved by the Grants Officer (GO) for the one grant and the one cooperative agreement that were finalized at the end of FY 2012.

Status: With this report, OIG is closing AUD/CG-12-40 Recommendation 3 based on the actions taken by OES that met the intent of the recommendation.

**AUD/CG-12-40 Recommendation 4.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs, Office of Global Change, implement the requirement in Grants Policy Directive 16, "Designation of Grants Officer Representative," for the Grants Officer Representatives (GOR) to review, analyze, and provide written evaluations of required recipient Program Performance and Financial Status Reports to verify timely and adequate performance and require the GORs' written evaluations to be documented using the template included in Grants Policy Directive 42, "Monitoring Assistance Awards."

Background: OIG made this recommendation because it did not find evidence that reviews of quarterly performance and financial reports had been documented by the GORs as required by GPD 16 and that the evaluations had been documented using the template in GPD 42. Without appropriate review, analysis, and written evaluation of grantees' performance and financial reports, OES may not always have reasonable assurance that program goals and objectives are being achieved throughout the project or that the grantee is performing program activities as dictated in the grant agreement. By documenting reviews of quarterly reports, OES could support the reported progress made in accomplishing each assistance award task, including progress by fiscal year, on meeting goals, objectives, and indicators. The documented review would also support that all expenditures were made in accordance with the approved budget and that the amount of funds expended was commensurate with the level of activity that had occurred.

Compliance Followup Audit Results: OIG found that OES had implemented the recommendation and the requirements of GPD 16 and that GORs were documenting evaluations of grantee performance and financial reporting using the template included under GPD 42.

Status: With this report, OIG is closing AUD/CG-12-40 Recommendation 4 based on the actions taken by OES that met the intent of the recommendation.

**AUD/CG-12-40 Recommendation 5.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs, Office of Global Change, take appropriate actions in accordance with the *Foreign Affairs Handbook* (4 FAH-3 H-674) when program performance reports and financial reports are not submitted in a timely manner.

Background: OIG made this recommendation after finding that quarterly performance and/or financial reports had been submitted late for all seven grants reviewed during the audit, often with no followup procedures having been performed by the program office. Without the submission of timely performance and financial reports and without proper followup by OES on delinquent reports or suspension of all payments until the overdue reports are filed, OES could not have reasonable assurance that Federal funds were spent in an appropriate manner or that program activities were performed as dictated in the grant award.

Compliance Followup Audit Results: OIG found that OES had taken appropriate action in accordance with the *Foreign Affairs Handbook* (4 FAH-3 H-674) to document when program performance reports and financial reports were not submitted in a timely manner.

Status: OIG closed AUD/CG-12-40 Recommendation 5 on March 20, 2013, based on the actions taken by OES that met the intent of the recommendation.

**AUD/CG-12-40 Recommendation 6.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs, Office of Global Change, implement the guidance provided in Grants Policy Directive (GPD) 16, "Designation of Grants Officer Representative," and GPD 42, "Monitoring Assistance Awards," and require Grants Officer Representatives to perform site visits for each grant recipient at least once during the life of the agreement or once per year for those recipients identified as "high risk." These visits should then be documented on templates similar to the Monitoring Assistance Review Guide Worksheet template included in GPD 42.

Background: OIG made this recommendation after finding that although OES had conducted two site visits for climate change programs funded via grants in September 2008 and April 2010, OES' GORs had not completed the in-depth reviews as prescribed in the Department's GPD 16 and GPD 42 during their site visits. Without active monitoring through regular site visits and data verification and without thoroughly documenting reviews of those site visits, OES cannot have reasonable assurance that data used for performance-based decision making and for reporting are valid and reliable. A program to monitor data quality with regular site visits, especially for those grant recipients considered "high-risk," may identify and prevent data from being unreliable.

Compliance Followup Audit Results: OIG found that OES was using the guidance provided in GPD 16 and GPD 42 and that GORs were performing site visits for grant recipients at least once during the term of the agreement.

Status: OIG closed AUD/CG-12-40 Recommendation 6 on March 20, 2013, based on the actions taken by OES that met the intent of the recommendation.

**AUD/CG-12-40 Recommendation 7.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs, Office of Global Change, update the language in its formal solicitation letters for grant awards, as well as the language in all formal grant awards, to include the requirement for all recipients to provide timely performance reports that describe achievements in terms of progress toward meeting indicators, as well as goals and objectives.

Background: OIG made this recommendation after finding, for the grants that it had reviewed, that (1) OES/EGC awards did not include language in the grants that required recipients to submit performance reports that described achievements in terms of progress toward meeting indicators, as well as goals and objectives; (2) OES/EGC GORs did not always notify the GO about changes to the terms and conditions of the grant agreement, which required an amendment to be executed; and (3) OES/EGC GORs did not always obtain the final performance and financial reports from the respective recipients to ensure that final deliverables were achieved, that funds were reconciled, and that the project was properly closed out.

Compliance Followup Audit Results: OIG found that OES had updated the language in its formal solicitation letters for grant awards, as well as the language in all formal grant awards, to include the requirement for all recipients to provide timely performance reports that describe achievements in terms of progress toward meeting indicators, as well as goals and objectives.

Status: OIG closed AUD/CG-12-40 Recommendation 7 on March 20, 2013, based on the actions taken by OES that met the intent of the recommendation.

**AUD/CG-12-40 Recommendation 8.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs, Office of Global Change, utilize Grants Policy Directive 28, “Roles and Responsibilities for the Award and Administration of Federal Assistance,” and the Standard Terms and Conditions for Domestic and Overseas Federal Assistance Awards to develop standard operating procedures that document responsibilities of the Grants Officer Representative for monitoring the terms and conditions of all grant awards and promptly notifying the Grants Officer (GO) of all changes that require the GO’s attention.

Background: OIG made this recommendation after finding that OES GORs did not consistently notify the GO about changes to the terms and conditions of the grant agreement, which required an amendment to be executed for two of the grants reviewed as part of OIG’s sample. It is imperative that the GOR promptly notify the GO of any changes to the award to ensure compliance with the terms and conditions dictated in the award. Without prompt notification, OES could not ensure that recipients of assistance awards were being managed prudently.

Compliance Followup Audit Results: OIG found that OES had updated its standard operating procedures for monitoring the terms and conditions of all grant awards per GPD 28 and also included a process for promptly notifying the GO of all changes requiring the GO’s attention.

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Status: OIG closed AUD/CG-12-40 Recommendation 8 on March 20, 2013, based on the actions taken by OES that met the intent of the recommendation.

**AUD/CG-12-40 Recommendation 9.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs, Office of Global Change, develop procedures to ensure that the final reports of a recipient are obtained and reviewed by the Grants Officer Representative for proper closeout of the project and that these documents are submitted in a timely manner to the Grants Officer for final review and closeout.

Background: OIG made this recommendation because OES' GORs did not obtain, for two of the seven grants OIG reviewed, the final performance and financial reports from the recipient to ensure that final deliverables were achieved, that funds were reconciled, and that the project was properly closed out. Without OES' GORs obtaining the final performance and financial reports for review and submission to the GO for proper closeout, the question of whether the program was conducted and completed in accordance with the objectives and goals of the award may be difficult to answer.

Compliance Followup Audit Results: OIG found that OES had updated standard operating procedures to include a process to require the receipt of final reports for review by the GOR for project closeout and a timeline for the submission of final reporting to the GO for final review and closeout.

Status: OIG closed AUD/CG-12-40 Recommendation 9 on March 20, 2013, based on the actions taken by OES that met the intent of the recommendation.

**AUD/CG-12-40 Recommendation 10.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs formally designate qualified and trained contracting officer's representatives for all interagency acquisition agreements in accordance with the Department's State First Policy and Department of State Acquisition Regulations, Part 642, who are knowledgeable of the monitoring and oversight duties established in the Department's Contracting Officer's Representative Handbook.

Background: OIG made this recommendation after finding that four of the five interagency acquisition agreements it reviewed contained no evidence that OES had designated a contracting officer's representative (COR) as required by the State First Policy. Without trained CORs who are designated to ensure comprehensive monitoring of interagency agreements, OES might not have reasonable assurance that the monitoring duties that would normally be carried out by a COR were, in fact, being performed and might not be able to support whether Federal funds were spent in accordance with the agreement, that the recipient performed project activities as dictated in the agreement, and that program goals and objectives were achieved.

Compliance Followup Audit Results: OIG found that OES was formally designating qualified and trained CORs for interagency acquisition agreements, in accordance with the Department's State First Policy and Department of State Acquisition Regulations (DOSAR), Part 642, who are knowledgeable of the monitoring and oversight duties established in the Department's Contracting Officer's Representative Handbook. In addition, pursuant to

Recommendations 17 and 18 of report AUD/CG-12-40, A/OPE had developed new comprehensive Department policies and procedures—PIB 2013-03, dated January 30, 2013—on the management and oversight of interagency acquisition agreements that replaced the Department’s State First Policy. A/OPE was also developing new comprehensive policies and procedures on the management and oversight of nonacquisition interagency agreements to be codified in a PIB that was in draft form at the time of this audit. After the new nonacquisition PIB is issued, OES needs to designate appropriate qualified and trained personnel to administer interagency acquisition agreements pursuant to the appropriate PIB.

**Status:** With this report, OIG is closing AUD/CG-12-40 Recommendation 10 and modifying and reissuing it in this report as Recommendation 2 to specifically cite the new A/OPE-issued PIB for interagency acquisition agreements and the yet-to-be issued PIB for interagency nonacquisition agreements, as well as DOSAR, Part 642.

**Recommendation 2.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs formally designate qualified and trained contracting officer’s representatives or other monitoring and oversight personnel for all interagency agreements in accordance with the Department’s Procurement Information Bulletin 2013-03 and the Department of State Acquisition Regulations, Part 642, or the Procurement Information Bulletin on nonacquisition interagency agreements when issued.

**Management Response:** OES agreed with the recommendation and stated that it had designated qualified and trained contracting officer’s representatives for all interagency agreements for acquisition in accordance with PIB 2013-03 and the Department of State Acquisition Regulations, Part 642. In addition, OES stated that it was consistently designating qualified and trained interagency agreement managers for all nonacquisition interagency agreements. Upon issuance of the PIB for nonacquisition interagency agreements, OES agreed to update its own standard operating procedures, as necessary, to ensure that designated OES monitoring and oversight personnel meet any new Department qualifications in accordance with that policy.

**OIG Reply:** OIG considers this recommendation resolved, pending further action. OIG reviewed the documentation provided and found that OES had formally designated CORs for its interagency acquisition agreements in accordance with the Department’s PIB 2013-03. However, full compliance with this recommendation cannot be determined until after the PIB on nonacquisition interagency agreement is issued. This recommendation can be closed when OIG reviews and accepts documentation showing that OES has formally designated qualified monitoring and oversight personnel in accordance with the PIB on nonacquisition interagency agreements when issued.

**AUD/CG-12-40 Recommendation 11.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs, Office of Global Change, request and review performance and financial supporting documentation, as advised by the Federal Assistance Policy Handbook, to substantiate the information contained in the required reports received from interagency acquisition agreement recipients and that it maintain appropriate documentation of those reviews.

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Background: OIG made this recommendation after it was unable to fully substantiate the performance and financial reports for the five climate change interagency acquisition agreements sampled. Without appropriate review and documentation of performance and financial reports submitted by the funds' recipients, OES could not have reasonable assurance that program goals and objectives were met or that activities were performed as dictated in the agreement.

Compliance Followup Audit Results: OIG found that OES had suspended action on implementing this recommendation pending A/OPE's issuance of new policies and procedures on the management and oversight of interagency agreements. As previously stated under Recommendation 10, A/OPE issued PIB 2013-03 to provide Department-wide SOPs for interagency acquisition agreements and was drafting a PIB for nonacquisition interagency agreements. After the new nonacquisition interagency agreement PIB is issued, OES needs to incorporate into its SOPs the relevant requirements for substantiating documentation for interagency agreements pursuant to those policies and guidance contained in the Federal Assistance Policy Handbook.

Status: With this report, OIG is closing AUD/CG-12-40 Recommendation 11 and modifying and reissuing it in this report as Recommendation 3 to change the action office to OES and to add a citation for the two new PIBS.

**Recommendation 3.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs request and review performance and financial supporting documentation, as advised by the Department's Procurement Information Bulletin 2013-03, or the as-yet unissued Procurement Information Bulletin on nonacquisition interagency agreements when it is issued and the Federal Assistance Policy Handbook to substantiate the information contained in the required reports received from interagency acquisition agreement recipients and to maintain appropriate documentation of those reviews.

**Management Response:** OES agreed with the recommendation and stated that OES, insofar as advised by PIB 2013-03 or the as-yet unissued PIB on nonacquisition interagency agreements when issued and the Federal Assistance Policy Handbook, will request and review performance and financial supporting documentation to substantiate the information contained in the required reports received from interagency acquisition agreement recipients and will maintain appropriate documentation of those reviews.

**OIG Reply:** OIG considers this recommendation resolved, pending further action. This recommendation can be closed when OIG reviews and accepts documentation showing that OES is requesting and reviewing performance and financial supporting documentation on interagency agreements.

**AUD/CG-12-40 Recommendation 12.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs, Office of Global Change (OES/EGC), develop appropriate standard operating procedures to ensure that reporting requirements are met by interagency acquisition agreement recipients and, if they are not, that appropriate steps are taken to address delinquent reporting. Also, OES should coordinate with the Office of U.S.

Foreign Assistance Resources to properly account for the \$600,000 in Economic Support Funds transferred to the U.S. Agency for International Development (USAID) and, if determined appropriate, work to return the funds to the Department of State for appropriate use or de-obligation.

Background: OIG made this recommendation after finding that none of the recipients of the five agreements it reviewed had filed the required reports in a timely manner and that there was no evidence that OES had had any procedures in place documenting the steps to be taken in the event of noncompliance with reporting requirements. In not ensuring the timely submission of performance and financial reports by interagency acquisition agreement recipients or by not having standard operating procedures for followup and repercussions because of noncompliance, OES could not have reasonable assurance that program activities were being performed as dictated in the agreement or that Federal funds were being spent in an appropriate manner. Specifically, without the timely submission of performance reports from USAID or appropriate followup by OES, the Department was unable to address the funds transfer promptly or account for \$600,000 in Department funds.

Compliance Followup Audit Results: OIG found that OES had updated its SOP in accordance with the *Foreign Assistance Handbook* and that it had drafted, but had not issued, Program and Policy Notice 2013-005, which outlines interagency reporting compliance and delinquency procedures. OES informed OIG that it was working to properly account for the \$600,000 in Economic Support Funds (ESF) and that it would provide OIG with documentation to support a determination on the ultimate disposition of the funds.

Status: With this report, OIG is closing AUD/CG-12-40 Recommendation 12 and modifying and reissuing it as two separate recommendations, No. 4 and No. 5, in this report in order to address the issuance of draft Program and Policy Notice 2013-005 and the \$600,000 in ESF identified in the original recommendation.

**Recommendation 4.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs formally issue Program and Policy Notice 2013-005 to ensure that reporting requirements are met by interagency acquisition agreement recipients and, if they are not, that appropriate steps are taken to address delinquent reporting.

**Management Comments on Draft Report:** In its response to the draft report, OES informed OIG that Program and Policy Notice 2013-005 had been issued and provided OIG with a copy of that notice.

**OIG Reply:** Based on the OES' response and the copy of Program and Policy Notice 2013-005, OES has met the intent of the recommendation. Therefore, OIG considers the recommendation closed, with no further action required.

**Recommendation 5.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs document the results of accounting for the \$600,000 in Economic Support Funds transferred to the U.S. Agency for International

Development and the determination regarding whether or not the funds should be returned to the Department of State.

**Management Response:** OES agreed with the recommendation and stated that OES will continue to document the results of accounting for the \$600,000 in Economic Support funds transferred to the U.S. Agency for International Development. OES also confirmed that the programmatic activity for which the funds were transferred was implemented in good faith by USAID.

**OIG Reply:** OIG considers this recommendation resolved, pending further action. This recommendation can be closed when OIG reviews and accepts documentation showing that OES has documented the results of accounting for the \$600,000 in Economic Support Funds transferred to USAID and the determination regarding whether or not the funds should be returned to the Department of State.

**AUD/CG-12-40 Recommendation 13.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs, Office of Global Change, implement the guidance provided in the Department of State's *Foreign Affairs Handbook* and the Contracting Officer's Representative Handbook and require contracting officer's representatives to perform site visits for each interagency agreement recipient at least once during the life of the agreement or once a year for those recipients identified as "high risk."

Background: OIG made this recommendation after determining that OES had conducted only one site visit for climate change programs administered via interagency acquisition agreements. The single site visit, however, did not include a review of receipts or other documentation for expenditures to substantiate financial progress or a review of documentation that supported performance reports submitted to OES, which served as evidence that activities had occurred. Without active monitoring through site visits, especially for those recipients considered "high-risk," OES could not have reasonable assurance that performance results were consistent with stated goals and objectives.

Compliance Followup Audit Results: OIG found that OES had suspended action on implementing this recommendation pending A/OPE's issuance of new policies and procedures on the management and oversight of interagency agreements. As previously stated under report AUD-CG/12-40 Recommendation 10, A/OPE had issued PIB 2013-03 to provide Department-wide SOPs for interagency acquisition agreements and was drafting SOPs for nonacquisition interagency agreements. After the new nonacquisition PIB is issued, OES needs to incorporate these relevant policies and procedures, along with guidance provided in the Department of State's *Foreign Affairs Handbook* and the Contracting Officer's Representative Handbook, into its SOPs regarding the designation of appropriate personnel and requirements for performing site visits for interagency agreement recipients.

In discussing OES' planned actions, OES officials stated that they were confused about the term "high-risk" as it applied to other Federal entities. These officials stated that they were more familiar with the term in relation to grantees, but they questioned the need or value of

labeling a Federal agency as “high-risk.”<sup>12</sup> OIG agrees that other Federal agencies would not be expected to meet the definition as it is applied to grantees. However, because not all interagency agreements are alike, prudent oversight would include developing evaluative factors that assess whether an interagency agreement may merit closer coordination and added site visits. These factors could include the nature of the services requested (for example, more or less experimental), their value, or their location.

Status: With this report, OIG is closing AUD/CG-12-40 Recommendation 13 and modifying and reissuing it in this report as Recommendation 6 to add a citation for the two new PIBS and to clarify the need for a tiered approach to the number of site visits required.

**Recommendation 6.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs implement the guidance provided in the Department’s Procurement Information Bulletin 2013-03 and the Contracting Officer’s Handbook or the as-yet unissued Procurement Information Bulletin on nonacquisition interagency agreements when issued, and the Department’s *Foreign Affairs Handbook*, as appropriate, to develop evaluative factors to identify interagency agreements that may merit closer coordination and require interagency agreement monitoring personnel to perform site visits for each interagency agreement recipient at least once during the life of the agreement or more frequently depending on the assessment of evaluative factors.

**Management Response:** OES agreed with the recommendation and stated it will develop evaluative factors in accordance with the cited guidance.

**OIG Reply:** OIG considers this recommendation resolved, pending further action. This recommendation can be closed when OIG reviews and accepts documentation showing that OES has developed evaluative factors to identify interagency agreements that may merit closer coordination and has required interagency agreement monitoring personnel to perform site visits for each interagency agreement recipient at least once during the life of the agreement or more frequently depending on the assessment of evaluative factors.

**AUD/CG-12-40 Recommendation 14.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs obtain State First waivers for all future interagency agreements and maintain approved waivers in its files, as required by State First Policy.

Background: OIG made this recommendation after finding that OES had not obtained State First waivers in advance, as required, to ensure that an interagency acquisition agreement was the best procurement approach for OES and the Department. Without these waivers, neither

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<sup>12</sup> The Code of Federal Regulations, 45 CFR 92.12, “Special Grant or Subgrant Conditions for “High-Risk Grantees,” states the following: “ a) [A] grantee or subgrantee may be considered “high-risk” if an awarding agency determines that a grantee or subgrantee: 1) Has a history of unsatisfactory performance, or 2) Is not financially stable, or 3) Has a management system which does not meet the management standards set forth in this part, or 4) Has not conformed to terms and conditions of previous awards, or 5) Is otherwise not responsible; and if the awarding agency determines that an award will be made, special conditions and/or restrictions shall correspond to the high risk condition and shall be included in the award.”

OES nor the Department could have reasonable assurance that utilizing an interagency acquisition agreement provided the best overall approach to implement climate change programs.

Compliance Followup Audit Results: OIG found that OES had obtained State First waivers for interagency agreements and was maintaining approved waivers in its files, as required by State First Policy.

Status: OIG closed AUD/CG-12-40 Recommendation 14 on March 20, 2013, based on the actions taken by OES that met the intent of the recommendation.

**AUD/CG-12-40 Recommendation 15.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs, Office of Global Change, update the language in its formal solicitation letters for interagency agreements, as well as the language in all formal interagency agreements, to include the requirement for all recipients to provide timely performance reports that describe achievements in terms of progress toward meeting indicators, as well as goals and objectives.

Background: OIG made this recommendation after finding that OES agreements did not include language that required recipients to submit performance reports that described achievements in terms of progress toward meeting indicators, as well as goals and objectives. While each agreement's scope of work included the information requested by OES in its formal solicitation letter, OIG determined that by not requiring a recipient's performance reports to report a program's progress by indicator, as well as by project outcomes and milestone achievements, OES program officials might not be able to readily discern whether climate change indicators were being met.

Compliance Followup Audit Results: OIG found that OES had updated the language in formal solicitation letters for interagency agreements and in formal interagency agreements to include the requirement that all recipients should provide timely performance reports that describe achievements in terms of progress toward meeting indicators and goals and objectives. OIG could not determine whether the original deficiencies were corrected because OES did not make any new solicitations or enter into any new interagency agreements subsequent to the recommendation's implementation. However, no matters came to OIG's attention that would lead it to believe that the corrective actions taken in implementing this recommendation would fail to fully address the original deficiencies identified in AUD/CG-12-40.

Status: OIG closed AUD/CG-12-40 Recommendation 15 on March 20, 2013, based on the actions taken by OES that met the intent of the recommendation.

**AUD/CG-12-40 Recommendation 16.** OIG recommends that the Bureau of Oceans and International Environmental Scientific Affairs, Office of Global Change, update the language in its formal solicitation letters for interagency agreements, as well as the language in all formal interagency agreements, to include, for purposes of substantiation, the requirement for all recipients to maintain supporting documentation for all financial expenditures and all project activities and pertinent achievements as reported in the recipients' performance and financial reports.

Background: OIG made this recommendation because OES agreements did not include language that required recipients to maintain supporting documentation for financial expenditures and all pertinent achievements for purposes of substantiation. While other Federal agencies should not need to be reminded of the importance of maintaining supporting documentation, OES' CORs will be better prepared to properly monitor the financial progress and programmatic performance of the agreements if specific language is included in all interagency agreements that requires recipients to maintain supporting documentation for financial expenditures and all pertinent achievements for purposes of substantiation. Implementing OIG's recommendation should ultimately enable OES to ensure that Department funds are being spent judiciously and that program indicators, goals, and objectives are being achieved.

Compliance Followup Audit Results: OIG found that OES had suspended action on implementing this recommendation pending A/OPE's issuance of new policies and procedures on the management and oversight of interagency agreements. As previously stated in OIG's discussion of the compliance review results for AUD/CG-12-40 Recommendation 10, A/OPE issued PIB 2013-03 to provide Department-wide guidance for interagency acquisition agreements and stated that it was drafting SOPs for nonacquisition interagency agreements. After the new nonacquisition PIB is issued, OES will need to incorporate these relevant policies and procedures along with its own developed requirements for the maintenance of supporting documentation into its formal solicitation letters for interagency agreements and in all formal interagency agreements. Requirements for maintaining supporting documentation should include, for purposes of substantiation, the requirement for all recipients to maintain supporting documentation for all financial expenditures, all project activities, and pertinent achievements as reported in the recipients' performance and financial reports.

Status: With this report, OIG is closing AUD/CG-12-40 Recommendation 16 and modifying and reissuing it as Recommendation 7 to update the language in its formal solicitation letters for interagency agreements and the interagency agreements themselves in accordance with the Department's PIB 2013-03 or the PIB on nonacquisition interagency agreements when issued, as appropriate.

**Recommendation 7.** OIG recommends that the Bureau of Oceans and International Environmental Scientific Affairs update the language in its formal solicitation letters for interagency agreements, as well as the language in all formal interagency agreements, in accordance with the Department's Procurement Information Bulletin 2013-03 or the Procurement Information Bulletin on nonacquisition interagency agreements when issued, to include, for purposes of substantiation, the requirement for all recipients to maintain supporting documentation for all financial expenditures, all project activities, and pertinent achievements as reported in the recipients' performance and financial reports.

**Management Response:** OES agreed with the recommendation and stated that it has already updated the language in its formal solicitation letters for interagency agreements, as well as the language in all newly issued or amended interagency agreements, to include, for purposes of substantiation, the requirement for all recipients to maintain

supporting documentation for all financial expenditures, all project activities, and pertinent achievements as reported in the recipients' performance and financial reports.

**OIG Reply:** OIG considers this recommendation resolved, pending further action. OIG reviewed the documentation provided and found that OES had updated the language in its solicitation letters and interagency agreements in accordance with the Department's Procurement Information Bulletin 2013-3 to include a requirement for all recipients to maintain supporting documentation for all financial expenditures, all project activities, and pertinent achievements. However, full compliance with this recommendation cannot be determined until after the PIB on nonacquisition interagency agreement is issued. This recommendation can be closed when OIG reviews and accepts documentation showing that the language in OES solicitation letters and interagency agreements regarding maintenance of supporting documentation meets the requirements of the final PIB on nonacquisition interagency agreements.

#### **AUD/CG-12-40 Recommendations 17 and 18**

**Recommendation 17.** OIG recommends that the Procurement Executive develop and issue standardized policies and procedures for Department of State-wide use for the administration of interagency acquisition agreements and interagency agreements in accordance with pertinent Federal regulations and revise the State First Policy to establish that the policy also applies to interagency agreements, since the policy as written represents sound business practices.

**Recommendation 18.** OIG recommends that the Procurement Executive, in coordination with the Director, Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and issue standardized policies and procedures for the review and approval of all types of interagency agreements that will ensure compliance with applicable Federal regulations and Department of State policies governing each type of agreement.

Background: Based on its review of a sample of interagency acquisition agreements administered by OES for climate change programs, a review of pertinent Federal regulations and Department policies, and discussions with officials from A/OPE and A/LM/AQM, OIG made these two recommendations after determining that OES did not consistently administer interagency acquisition agreements in accordance with pertinent Federal policies. The officials stated that this situation occurred because there were no standardized policies and procedures governing the execution of agreements by OES and other Department bureaus to ensure compliance with Federal policies. As a result, interagency agreements executed by OES—and possibly other Department bureaus—may not be efficiently and effectively administered and managed in the areas of policy application, review, and approval and overall program management.

Compliance Followup Audit Results: OIG found that A/OPE had gathered and had led a working group of key Department officials to develop standardized policies and procedures for the administration of interagency agreements. This working group convened in the fall of 2012 and, after considerable deliberation, decided that two separate sets of policies and procedures

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were needed to address the two types of interagency agreements: acquisition<sup>13</sup> versus other than acquisitions (that is, nonacquisition or assistance).

A/OPE issues PIBs, which it considers as effective as the guidance codified in the FAM, the FAH, or the DOSAR, because PIBs can be issued relatively quickly compared with the time it takes to update those three sets of regulations. A/OPE issued PIB 2013-03, "Acquisitions Agreements," dated January 30, 2013, which defines the interagency acquisition agreements for the Department. The PIB's requirements became effective on March 1, 2013, and (1) required a written Best Procurement Approach Determination drafted by the requesting bureau that establishes the business case for using another agency for Department acquisition support and (2) required that a detailed interagency acquisition agreement provides a template for defining the responsibilities of the parties. It also stated that the Director, A/LM/AQM, approves any decision to use another agency for an assisted acquisition and that agreements exceeding \$1 million will be reviewed by the Office of the Assistant Legal Advisor for Building and Acquisitions. The Procurement Executive stated that his office would update the FAM and the FAH for this PIB after a short implementation period to take into account any needed adjustments resulting from the deployment of this new PIB. These changes had not been made as of August 2013 when this CFA was being performed.

As of September 2013, the PIB for nonacquisition interagency agreements was still not issued, and A/OPE informed OIG that it expected the PIB to be issued in the fall of 2013 with an effective date of FY 2014. However, A/OPE did not share a copy of this draft with OIG. While A/OPE prescribes the Department's acquisition and Federal assistance policies, regulations, and procedures,<sup>14</sup> the Procurement Executive stated that his authority applies only to acquisitions and grants and not to other nonacquisition interagency agreements that are identified as 632(a) or 632(b) interagency transfers,<sup>15</sup> which are the subject of the second PIB. Consequently, although A/OPE has led the initiative to provide new guidance (in the form of the two PIBs) for all interagency agreements as recommended in report AUD/CG-12-40 and the Procurement Executive has indicated that A/OPE will ensure that the PIBs are revised as necessary and are codified in the FAM and the FAH, he noted that each bureau had sole responsibility for its respective nonacquisition interagency agreements. He also stated that neither his office nor any other entity within the Department had the authority to provide oversight and monitor all bureaus' compliance with these requirements. He further stated that in addition to not having the authority needed to review and oversee interagency agreements for nonacquisition transfers, his office had neither the knowledge or experience nor the resources to monitor, review, and challenge the use of nonacquisition agreements as a financial management tool. Without designating, assigning, and/or delegating an office with this responsibility, bureaus may not comply with the PIB and Federal regulations in awarding interagency agreements.

Status: OIG is modifying and reissuing AUD/CG-12-40 Recommendation 17 to address the development and issuance of standardized policies and procedures for Department-wide use

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<sup>13</sup>According to PIB 2013-03, acquisition agreements are defined as "where the principal purpose of the agreement is acquisition for goods or services via procurement."

<sup>14</sup> Per 1 FAM 212.2b(1).

<sup>15</sup> These terms are defined in the Foreign Assistance Act of 1961, as amended (Pub. L. No. 87-195, secs. 632(a) and 632(b)).

for the administration of the nonacquisition interagency agreements that are not covered by PIB 2013-03.

**Recommendation 8.** OIG recommends that the Procurement Executive develop and issue standardized policies and procedures for Department of State-wide use for the administration of nonacquisition interagency agreements in accordance with pertinent Federal regulations and revise and update the *Foreign Affairs Manual* and the *Foreign Affairs Handbook* to reflect these policies and procedures as appropriate.

**Management Response and OIG Reply:** The Procurement Executive did not provide a response to this recommendation. Therefore, OIG considers this recommendation unresolved.

OIG is closing Recommendation 18 in AUD/CG-12-40. However, the intent of the recommendation as it pertains to developing and issuing standardized policies and procedures for the review and approval of nonacquisition interagency agreements is being incorporated into a new recommendation, No. 9, in this report. This new recommendation addresses the fact that the Department has not developed policies and procedures pertaining to or identified an entity with the authority and responsibility for providing Department-wide oversight, approval, monitoring, and review of nonacquisition interagency agreements.

**Recommendation 9.** OIG recommends that the Under Secretary for Management designate a Department entity with the authority and responsibility for providing oversight of nonacquisition interagency agreements. The responsibilities should include developing, issuing, revising, and updating standardized policies and procedures for inclusion in the *Foreign Affairs Manual* and the *Foreign Affairs Handbook*; approving bureau nonacquisition interagency agreements as appropriate; and monitoring and reviewing bureau compliance with these and other requirements.

**Management Response and OIG Reply:** The Under Secretary for Management did not provide a response to this recommendation. Therefore, OIG considers this recommendation unresolved.

## List of Modified, Reissued, and New Recommendations

**Recommendation 1.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs conduct Data Quality Assessments in accordance with the seven-step methodology from the annual guidance provided by the Office of U.S. Foreign Assistance Resources to ensure that the data used in reporting results are as complete, accurate, consistent, and supportable as possible.

**Recommendation 2.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs formally designate qualified and trained contracting officer's representatives or other monitoring and oversight personnel for all interagency agreements in accordance with the Department's Procurement Information Bulletin 2013-03 and the Department of State Acquisition Regulations, Part 642, or the Procurement Information Bulletin on nonacquisition interagency agreements when issued.

**Recommendation 3.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs request and review performance and financial supporting documentation, as advised by the Department's Procurement Information Bulletin 2013-03, or the as-yet unissued Procurement Information Bulletin on nonacquisition interagency agreements when it is issued and the Federal Assistance Policy Handbook to substantiate the information contained in the required reports received from interagency acquisition agreement recipients and to maintain appropriate documentation of those reviews.

**Recommendation 4.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs formally issue Program and Policy Notice 2013-005 to ensure that reporting requirements are met by interagency acquisition agreement recipients and, if they are not, that appropriate steps are taken to address delinquent reporting.

**Recommendation 5.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs document the results of accounting for the \$600,000 in Economic Support Funds transferred to the U.S. Agency for International Development and the determination regarding whether or not the funds should be returned to the Department of State.

**Recommendation 6.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs implement the guidance provided in the Department's Procurement Information Bulletin 2013-03 and the Contracting Officer's Handbook or the as-yet unissued Procurement Information Bulletin on nonacquisition interagency agreements when issued and the Department's *Foreign Affairs Handbook*, as appropriate, to develop evaluative factors to identify interagency agreements that may merit closer coordination and require interagency agreement monitoring personnel to perform site visits for each interagency agreement recipient at least once during the life of the agreement or more frequently depending on the assessment of evaluative factors.

**Recommendation 7.** OIG recommends that the Bureau of Oceans and International Environmental Scientific Affairs update the language in its formal solicitation letters for interagency agreements, as well as the language in all formal interagency agreements, in

accordance with the Department's Procurement Information Bulletin 2013-03 or the Procurement Information Bulletin on nonacquisition interagency agreements when issued, to include, for purposes of substantiation, the requirement for all recipients to maintain supporting documentation for all financial expenditures, all project activities, and pertinent achievements as reported in the recipients' performance and financial reports.

**Recommendation 8.** OIG recommends that the Procurement Executive develop and issue standardized policies and procedures for Department of State-wide use for the administration of nonacquisition interagency agreements in accordance with pertinent Federal regulations and revise and update the *Foreign Affairs Manual* and the *Foreign Affairs Handbook* to reflect these policies and procedures as appropriate.

**Recommendation 9.** OIG recommends that the Under Secretary for Management designate a Department entity with the authority and responsibility for providing oversight of nonacquisition interagency agreements. The responsibilities should include: developing, issuing, revising and updating standardized policies and procedures for inclusion in the *Foreign Affairs Manual* and the *Foreign Affairs Handbook*; approving bureau nonacquisition interagency agreements as appropriate; and monitoring and reviewing bureau compliance with these and other requirements.

## Scope and Methodology

The objectives of this compliance review were to assess Department of State (Department) actions with respect to selected open recommendations from the July 2012 Office of Inspector General (OIG) report *Audit of Bureau of Oceans and International Environmental and Scientific Affairs Administration and Oversight of Funds Dedicated To Address Global Climate Change* (AUD/CG-12-40) and to determine whether the recommendations should be closed or reissued. In addition, OIG reviewed one closed recommendation (No. 15) to determine whether original deficiencies were fully addressed. Following initial discussions with officials from the Bureau of Oceans and International Environmental and Scientific Affairs (OES) and the Bureau of Administration, Office of the Procurement Executive (A/OPE), on the statuses of the open recommendations from AUD/CG-12-40, OIG expanded its original scope to include an assessment of the Department's actions on all open recommendations in the report.

In setting the original scope of this compliance followup audit, OIG identified five open recommendations (Nos. 1, 12, 13, 17, and 18) with which to assess the Department's actions and one closed recommendation (No. 15) with which to determine whether the original deficiencies were fully addressed. In initial discussions with officials from OES and A/OPE, it was determined that the five open recommendations selected for assessment were still awaiting final action and that implementation would not be completed during this audit. OIG also determined that OES did not make any new solicitations or enter into any new interagency agreements or grants subsequent to the recommendations' implementation, precluding an assessment of the present and future impact of the corrective actions taken for Recommendation 15—or the other closed recommendations—on the original deficiencies identified. Consequently, OIG expanded its original scope to include an assessment of the Department's actions on all open recommendations from AUD/CG-12-40.

Fieldwork was conducted between May 28 and August 26, 2013, at Department bureaus and offices located in Washington, DC, and in Rosslyn, VA.

To assess actions taken to implement Recommendations 1–16, OIG interviewed officials from OES and reviewed documentation provided as a result of those discussions. OES was responsible for implementing Recommendations 1–16. OIG also reviewed all compliance responses and supporting documentation provided by OES to OIG from the issuance of the draft report through OES' most recent response of May 17, 2013.

To assess actions taken to implement Recommendations 17 and 18, OIG interviewed officials from A/OPE and the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM). A/OPE, in coordination with A/LM/AQM, was responsible for the implementation of Recommendations 17 and 18. In addition, OIG met with representatives from the Bureau of International Narcotics and Law Enforcement Affairs, the Bureau of the Comptroller and Global Financial Services, and the Office of the Legal Advisor who were members of the working group established to address Recommendations 17 and 18 in the prior report. A/OPE officials were responsible for the implementation of Recommendations 17 and 18. OIG also reviewed all compliance responses and supporting documentation provided by A/OPE to OIG from the issuance of the draft report through A/OPE's most recent response of May 15, 2013.

This audit was conducted in accordance with generally accepted government auditing standards. Those 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 the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

**Review of Internal Controls**

OIG did not assess the adequacy of internal controls related to the area reviewed.

**Use of Computer-Processed Data**

OIG did not use computer-generated data to conduct this review.

**Original Recommendations From Report AUD/CG-12-40**

**Recommendation 1.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs, Office of Global Change, conduct Data Quality Assessments in accordance with the six-step methodology from the annual guidance provided by the Office of U.S. Foreign Assistance Resources to ensure that the data used in reporting results are as complete, accurate, consistent, and supportable as possible.

**Recommendation 2.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs, Office of Global Change (OES/EGC), implement Grants Policy Directive 16, “Designation of Grants Officer Representative,” by ensuring that the Grants Officer completes current Grants Officer Representative (GOR) designation memorandums throughout the life cycles of all grants. OES/EGC should also update its Standard Operating Procedures manual by aligning all monitoring and evaluation responsibilities under the designated GOR as directed by Grants Policy Directive 16 and not allowing the re-delegation of responsibilities to other program officials unless specified in the designation memorandum.

**Recommendation 3.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs, Office of Global Change, ensure that the Grants Officer Representatives, in consultation with the Grants Officer, develop monitoring plans for all future grant awards using the suggested Department of State templates included in Grants Policy Directive 42, “Monitoring Assistance Awards.”

**Recommendation 4.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs, Office of Global Change, implement the requirement in Grants Policy Directive 16, “Designation of Grants Officer Representative,” for the Grants Officer Representatives (GOR) to review, analyze, and provide written evaluation of required recipient Program Performance and Financial Status Reports to verify timely and adequate performance and require the GORs’ written evaluation to be documented using the template included in Grants Policy Directive 42, “Monitoring Assistance Awards.”

**Recommendation 5.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs, Office of Global Change, take appropriate actions in accordance with the *Foreign Affairs Handbook* (4 FAH-3 H-674) when program performance reports and financial reports are not submitted in a timely manner.

**Recommendation 6.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs, Office of Global Change, implement the guidance provided in Grants Policy Directive (GPD) 16, “Designation of Grants Officer Representative,” and GPD 42, “Monitoring Assistance Awards,” and require Grants Officer Representatives to perform site visits for each grant recipient at least once during the life of the agreement or once per year for those recipients identified as “high risk.” These visits should then be documented on templates similar to the Monitoring Assistance Review Guide Worksheet template included in GPD 42.

**Recommendation 7.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs, Office of Global Change, update the language in its formal

solicitation letters for grant awards, as well as the language in all formal grant awards, to include the requirement for all recipients to provide timely performance reports that describe achievements in terms of progress toward meeting indicators, as well as goals and objectives.

**Recommendation 8.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs, Office of Global Change, utilize Grants Policy Directive 28, “Roles and Responsibilities for the Award and Administration of Federal Assistance” and the Standard Terms and Conditions for Domestic and Overseas Federal Assistance Awards to develop standard operating procedures that document responsibilities of the Grants Officer Representative for monitoring the terms and conditions of all grant awards and promptly notifying the Grants Officer (GO) of all changes that require the GO’s attention.

**Recommendation 9.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs, Office of Global Change, develop procedures to ensure that the final reports of a recipient are obtained and reviewed by the Grants Officer Representative for proper close-out of the project and that these documents are submitted in a timely manner to the Grants Officer for final review and close-out.

**Recommendation 10.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs formally designate qualified and trained contracting officer’s representatives for all interagency acquisition agreements in accordance with the Department’s State First Policy and Department of State Acquisition Regulations, Part 642, who are knowledgeable of the monitoring and oversight duties established in the Department’s Contracting Officer’s Representative Handbook.

**Recommendation 11.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs, Office of Global Change, request and review performance and financial supporting documentation as advised by the Federal Assistance Policy Handbook to substantiate the information contained in the required reports received from interagency acquisition agreement recipients and that it maintain appropriate documentation of those reviews.

**Recommendation 12.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs, Office of Global Change (OES/EGC), develop appropriate standard operating procedures to ensure that reporting requirements are met by interagency acquisition agreement recipients and, if they are not, that appropriate steps are taken to address delinquent reporting. Also, OES should coordinate with the Office of U.S. Foreign Assistance Resources to properly account for the \$600,000 in Economic Support Funds transferred to the U.S. Agency for International Development and, if determined appropriate, work to return the funds to the Department of State for appropriate use or de-obligation.

**Recommendation 13.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs, Office of Global Change, implement the guidance provided in the Department of State’s *Foreign Affairs Handbook* and the Contracting Officer’s Representative Handbook and require contracting officer’s representatives to perform site visits for each interagency agreement recipient at least once during the life of the agreement or once a year for those recipients identified as “high risk.”

**Recommendation 14.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs obtain State First Waivers for all future interagency agreements and maintain approved waivers in its files, as required by State First Policy.

**Recommendation 15.** OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs, Office of Global Change, update the language in its formal solicitation letters for interagency agreements, as well as the language in all formal interagency agreements, to include the requirement for all recipients to provide timely performance reports that describe achievements in terms of progress toward meeting indicators, as well as goals and objectives.

**Recommendation 16.** OIG recommends that the Bureau of Oceans and International Environmental Scientific Affairs, Office of Global Change, update the language in its formal solicitation letters for interagency agreements, as well as the language in all formal interagency agreements, to include, for purposes of substantiation, the requirement for all recipients to maintain supporting documentation for all financial expenditures and all project activities and pertinent achievements as reported in the recipients' performance and financial reports.

**Recommendation 17.** OIG recommends that the Procurement Executive develop and issue standardized policies and procedures for Department of State-wide use for the administration of interagency acquisition agreements and interagency agreements in accordance with pertinent Federal regulations and revise the State First Policy to establish that the policy also applies to interagency agreements, since the policy as written represents sound business practices.

**Recommendation 18.** OIG recommends that the Procurement Executive, in coordination with the Director, Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and issue standardized policies and procedures for the review and approval of all types of interagency agreements that will ensure compliance with applicable Federal regulations and Department of State policies governing each type of agreement.

## Bureau of Oceans and International Environmental and Scientific Affairs Response



United States Department of State  
*Assistant Secretary of State for Oceans and  
International Environmental and Scientific Affairs*  
Washington, D.C. 20520

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December 11, 2013

**MEMORANDUM**

TO:           OIG/AUD – Norman P. Brown, Acting

FROM:        OES – Kerri-Ann Jones *KAJ*

SUBJECT: *Response to Draft Report on Compliance Followup Audit of Bureau of Oceans and International Environmental and Scientific Affairs' Administration and Oversight of Funds Dedicated To Address Global Climate Change*

The Bureau of Oceans and International Environmental and Scientific Affairs (OES) welcomes the opportunity to respond to recommendations in the Office of Inspector General's (OIG) draft compliance follow-up audit (CFA) as well as OIG's recommendations in the underlying audit AUD/CG-12-40 (July 2012).

OES programs serve a crucial strategic function in U.S. climate change diplomacy. OES program funds have enabled the United States to launch and play a leading role in high-profile initiatives that address methane and other short-lived climate pollutants, to cooperate globally on the development and deployment of key clean energy technologies, to stimulate private sector investments in deforestation and clean energy infrastructure, and to align global efforts to respond to the impacts of extreme weather and climate events. In addition to the direct benefits of these and other OES programs for developing countries, U.S. climate assistance has allowed us to deepen our relationships with international partners and has significantly enhanced U.S. standing as a leader in the effort to achieve real-world results, even as we work to negotiate an effective global approach to climate change.

We take very seriously our responsibility for sound program management and quality control. OES has worked continuously during the program's six-year existence to improve our financial planning, award development, and monitoring and evaluation procedures. As our program has grown over the past three years, we have devoted greater resources to implement Department guidance, ensure effective oversight, and enhance our ability to achieve program objectives. Since the 2012 OIG audit, we have worked diligently to improve our procedures and systems to further strengthen our program oversight capabilities. OES will continue to work closely with offices

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responsible for administering Departmental policies as these policies evolve and are implemented.

We describe below the actions we have taken in our response to specific recommendations. But some context is helpful to understand our responses. Interagency Acquisition Agreements serve a critical purpose in OES climate change assistance programming because they allow us to draw on the specialized technical expertise of other U.S. government agencies not available at the Department. This approach is consistent with the Quadrennial Diplomacy and Development Review (QDDR), which recognizes the value of collaboration with other government agencies in addressing complex foreign policy issues, and encourages a whole of government approach through greater use of other agencies for DOS programming purposes.

We welcomed OIG's July 2012 recommendation that the Office of the Procurement Executive (OPE) develop and disseminate new Department policies and procedures for developing and monitoring Interagency Agreements, and applaud OPE's subsequent issuance of Procurement Information Bulletin (PIB) 2013-03 for interagency acquisition agreements. OPE intends to issue a companion PIB to address nonacquisition interagency agreements. OES has been actively providing input to OPE on the development of these new policies in an effort to support the formulation of appropriate requirements for acquisition and nonacquisition interagency agreements and to enable successful interagency collaboration while maintaining sound managerial oversight and accountability.

OES operates in accordance with PIB 2013-03 for interagency acquisition agreements, including using 7600A/B forms and corresponding OPE guidance. Until OPE issues a new PIB on nonacquisition interagency agreements, OES will continue to operate under existing OPE policy, including using the DS-1921 form and current corresponding OPE guidance. Recommendations 3 and 6 pertain to nonacquisition interagency agreements. Once OPE establishes a policy for nonacquisition interagency agreements, OES will be in a position to complete action on these two recommendations.

Specific comments and responses to each of the OIG's recommendations follow:

**Recommendation 1. OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs conduct Data Quality Assessments in accordance with the seven-step methodology from the annual**

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**guidance provided by the Office of U.S. Foreign Assistance Resources to ensure that the data used in reporting results are as complete, accurate, consistent, and as supportable as possible.**

OES Response: The Bureau concurs with the recommendation to conduct Data Quality Assessments (DQAs) in accordance with the seven-step methodology from annual guidance provided by the Office of the Director of U.S. Foreign Assistance Resources (F). A multi-year \$1,000,000 contract was awarded in September 2013 for the purposes of conducting Data Quality Assessments in keeping with the prescribed F methodology as well as to underpin the quality of reporting by OES-funded recipients for the annual performance plan and report. Since contract initiation, the retained firm has conducted DQA processes against indicators in the funded portfolio and will continue these activities to help ensure that the data used in Bureau reporting results are well supported. Documentation of compliance with the above recommendation will be provided separately to the OIG upon transmission of this letter.

**Recommendation 2. OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs formally designate (a) qualified and trained contracting officer's representatives or (b) other monitoring and oversight personnel for all interagency agreements in accordance with the Department's Procurement Information Bulletin 2013-03 and the Department of State Acquisition Regulations, Part 642, or the Procurement Information Bulletin on nonacquisition interagency agreements when issued.**

OES Response: The Bureau concurs with the recommendation and has designated qualified and trained contracting officer's representatives for all interagency agreements for acquisition in accordance PIB 2013-03 and the Department of State Acquisition Regulations, Part 642. In addition, OES is consistently designating qualified and trained interagency agreement managers for all nonacquisition interagency agreements. Upon issuance of the PIB for nonacquisition interagency agreements, OES will update its Bureau standard operating procedures, as necessary, to ensure that designated Bureau monitoring and oversight personnel meet any new Department qualifications in accordance with that policy. Documentation of compliance with this recommendation will be provided separately to the OIG upon transmission of this letter.

**Recommendation 3. OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs request and review**

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**performance and financial supporting documentation, as advised by the Department's Procurement Information Bulletin 2013-03, or the as-yet unissued Procurement Information Bulletin on nonacquisition interagency agreements when issued and the Federal Assistance Policy Handbook, to substantiate the information contained in the required reports received from interagency acquisition agreement recipients and to maintain appropriate documentation of those reviews.**

OES Response: The Bureau concurs with the recommendation and will, insofar as advised by the PIB 2013-03, or the as-yet unissued Procurement Information Bulletin on nonacquisition interagency agreements when issued and the Federal Assistance Policy Handbook, request and review performance and financial supporting documentation to substantiate the information contained in the required reports received from interagency acquisition agreement recipients and will maintain appropriate documentation of those reviews. OES looks forward to receiving the Procurement Executive's issuance of policy regarding nonacquisition interagency agreements per recommendation 8 of the compliance followup report.

**Recommendation 4. OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs formally issue Program and Policy Notice 2013-005 to ensure that reporting requirements are met by interagency acquisition agreement recipients and, if they are not, that appropriate steps are taken to address delinquent reporting.**

OES Response: The Bureau concurs with this recommendation, and provided the final published Program and Policy Notice 2013-005 to the OIG on December 5, 2013 in compliance with this recommendation.

**Recommendation 5. OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs document the results of accounting for the \$600,000 in Economic Support Funds transferred to the U.S. Agency for International Development and the determination regarding whether or not the funds should be returned to the Department of State.**

OES Response: The Bureau concurs with the recommendation and will continue to document the results of accounting for the \$600,000 in Economic Support funds transferred to the U.S. Agency for International Development, a process that is currently ongoing. OES confirms that the programmatic activity for which the funds were transferred was implemented in good faith by the U.S. Agency for International Development. OES has continued to gather the specific information to account for the funds, meeting with representatives of the partner agency and gathering supporting documentation. Any documentation for the determination on the final disposition of funds will be provided to the OIG.

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**Recommendation 6. OIG recommends that the Bureau of Oceans and International Environmental and Scientific Affairs implement the guidance provided in the Department's Procurement Information Bulletin 2013-03 and Contracting Officer's Representative Handbook; or the as-yet unissued Procurement Information Bulletin on nonacquisition interagency agreements when issued and the Department's Foreign Affairs Handbook; as appropriate, to develop evaluative factors to identify interagency agreements that may merit closer coordination and require interagency agreement monitoring personnel to perform site visits for each interagency agreement recipient at least once during the life of the agreement or more frequently depending on the assessment of evaluative factors.**

OES Response: OES concurs with the recommendation and will implement the guidance provided in the Department's Procurement Information Bulletin 2013-03 and Contracting Officer's Representative Handbook; or the as-yet unissued Procurement Information Bulletin on nonacquisition interagency agreements when issued and the Department's *Foreign Affairs Handbook*; as appropriate, to develop evaluative factors to identify interagency agreements that may merit closer coordination and oversight. OES looks forward to receiving the Procurement Executive's issuance of policy regarding nonacquisition interagency agreements per recommendation 8 of the compliance followup report.

**Recommendation 7. OIG recommends that the Bureau of Oceans and International Environmental Scientific Affairs update the language in its formal solicitation letters for interagency agreements, as well as the language in all formal interagency agreements, in accordance with the Department's Procurement Information Bulletin 2013-03 or the Procurement Information Bulletin on nonacquisition interagency agreements when issued, to include, for purposes of substantiation, the requirement for all recipients to maintain supporting documentation for all financial expenditures and all project activities and pertinent achievements as reported in the recipients' performance and financial reports.**

OES Response: OES concurs with the recommendation and has already updated the language in its formal solicitation letters for interagency agreements, as well as the language in all newly-issued or amended interagency agreements, to include, for purposes of substantiation, the requirement for all recipients to maintain supporting documentation for all financial expenditures and all project activities and pertinent achievements as reported in the recipients' performance and financial reports. Documentation of compliance with the above recommendation will be provided separately to the OIG upon transmission of this letter.

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OR MISMANAGEMENT  
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