



OIG HIGHLIGHTS

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UNCLASSIFIED

June 2015

OFFICE OF AUDITS

Contracts and Grants Division

Audit of Department of State Oversight Responsibilities, Selection, and Training of Grants Officer Representatives

What OIG Found

OIG found instances among the 20 grants reviewed where GORs did not execute their oversight responsibilities or comply with grant monitoring requirements. For example, GORs had not created monitoring plans as required by Department policy or verified the program performance or financial data reported by the grantees. One GOR said that she did not perform detailed financial reviews because she believed that grants officers (GOs)—not GORs—were responsible for financial monitoring and that there was not always time to perform these duties. Other GORs noted that they paid scant attention to the grantee financial reports, typically reviewing only for excessively high spending. By not comprehensively monitoring grants, the Department cannot have confidence that Federal funds are being spent and grant objectives are being achieved in accordance with award terms and conditions. This audit identified more than \$7 million in unallowable costs, unsupported costs, and funds that could be deobligated and put to better use.

OIG also found that GOs had selected GORs in accordance with Department policies for 17 of 20 grants reviewed. However, one bureau, DRL, had inappropriately appointed third-party contractors as GORs for three of the four DRL grants that we reviewed. According to Department policy, third-party contractors may not be certified and therefore should not have been appointed as GORs. Without proper selection of GORs, the Department will continue to be at risk of inadequate grant oversight, which could result in grant objectives not being met and Federal assistance funds being wasted or misused.

Finally, OIG found that most of the GORs for the grants reviewed had completed the two training courses required for GOR certification. However, the third-party contractors that were appointed as GORs did not complete the required courses because Department-sponsored training is typically provided only to Government employees. Also, although most GORs had obtained the required training, the required training courses were not sufficient to train GORs in how to develop a monitoring plan or how to review and use grantee financial and progress reports, among other important GOR responsibilities. By the conclusion of our fieldwork, Department officials had recognized the training deficiencies we identified in this report, had developed two new GOR training courses, and were updating the existing GOR courses.

What OIG Audited

The purpose of this audit was to determine the extent to which the Department's grants officer representatives (GORs) were selected and trained to successfully perform their assigned grant administration and oversight responsibilities.

What OIG Recommends

OIG made 14 recommendations to improve the selection of GORs, strengthen grant oversight, and improve the management of the Department's large portfolio of grants. OIG also issued a related Management Assistance Report* specific to two Afghanistan grants in the audit sample that required immediate attention.

All responsible organizations provided comments to the May 7, 2015, draft of this report. (See Appendices C–H.) Concurring with the recommendations were the Bureaus of Political-Military Affairs, South and Central Asian Affairs, and Administration; the Office of the Procurement Executive; and Embassy Phnom Penh. The Bureau of International Narcotics and Law Enforcement Affairs concurred, or partially concurred, with recommendations to determine the allowability of costs OIG questioned. The Bureau of Democracy, Human Rights, and Labor (DRL), however, did not indicate agreement or disagreement with the recommendation to develop a process to track GOR compliance with documenting the required reviews of performance and financial reports. Based on the responses, OIG considers one recommendation closed; six recommendations resolved, pending further action; and seven recommendations unresolved.* *Management Assistance Report—Termination of Construction Grants to Omran Holding Group* (AUD-CG-14-37, Sept. 18, 2014)



OIG

Office of Inspector General

U.S. Department of State • Broadcasting Board of Governors

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Office of Audits

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CONTRACTS AND GRANTS DIVISION

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CONTENTS

OBJECTIVE.....	1
BACKGROUND.....	1
AUDIT RESULTS.....	3
Finding A: Improvements Were Needed in GOR Grant Administration and Oversight.....	3
Finding B: GORs Were Generally Selected in Accordance With Department Policies.....	19
Finding C: GORs Did Not Always Receive Required Training	23
RECOMMENDATIONS.....	24
APPENDIX A: SCOPE AND METHODOLOGY	26
Prior OIG Reports	27
Use of Computer-Processed Data.....	27
Work Related to Internal Controls.....	28
Detailed Sampling Methodology	28
APPENDIX B: RESULTS OF GRANT REVIEW	34
APPENDIX C: BUREAU OF POLITICAL-MILITARY AFFAIRS RESPONSE.....	35
APPENDIX D: EMBASSY PHNOM PENH RESPONSE	38
APPENDIX E: BUREAU OF DEMOCRACY, HUMAN RIGHTS, AND LABOR RESPONSE.....	40
APPENDIX F: BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS RESPONSE.....	46
APPENDIX G: BUREAU OF SOUTH AND CENTRAL ASIAN AFFAIRS RESPONSE.....	49
APPENDIX H: BUREAU OF ADMINISTRATION, OFFICE OF THE PROCUREMENT EXECUTIVE, RESPONSE.....	51
ABBREVIATIONS.....	52
OIG AUDIT TEAM.....	53

OBJECTIVE

The Office of Inspector General (OIG) conducted this audit to determine the extent to which the Department of State's (Department) grants officer representatives (GORs) were selected and trained to successfully perform their assigned grant administration and oversight responsibilities. See Appendix A for the scope and methodology of this audit.

BACKGROUND

According to data provided by the Bureau of Administration, Office of the Procurement Executive (A/OPE), the Department awarded approximately \$1.2 billion in grants and cooperative agreements¹ during FY 2013. The programs funded by these assistance instruments support programs worldwide, including those supporting democracy, human rights, and labor; weapons removal and abatement (de-mining); educational exchange programs; and public diplomacy programs. Due to the Department's significant commitment to Federal assistance, oversight of grantee performance is critical to ensure that taxpayer funds are spent prudently and for their intended purposes.

A/OPE is responsible for developing, issuing, and maintaining operational guidance, procedures, and policy for all Department Federal assistance programs domestically and abroad. As part of this role, A/OPE coordinates with other offices regarding the development and administration of grants financial management policies, initiatives, studies, oversight, and training. A/OPE also develops, implements and manages the Department's Federal assistance training requirements for grants management professionals. A/OPE initiated a Federal Assistance Workforce Human Capital Plan scheduled to commence in FY 2015. The purpose of the Plan is to obtain a Department-wide assessment of the number and composition of grants officers (GOs) and GORs currently on staff and the number projected for the future. It is expected that this information will assist in properly budgeting, recruiting, training, and managing the Department's Federal assistance workforce, with planning to recur on an annual basis.

A GO is authorized by a certificate of appointment issued by the Procurement Executive to award, amend, and terminate a Federal assistance award. Generally, the role of the GO is to exercise prudent management and accountability over Federal assistance funds by (1) coordinating with the requesting program office, applicants, and recipients to ensure adherence to applicable Federal regulations, rules, and policies; (2) interpreting and applying the

¹ A grant is an assistance instrument used when the principal purpose is the transfer of money, property, or services to accomplish a public purpose of support or stimulation authorized by Federal statute when it is anticipated that there will be no substantial involvement between the agency and the grantee during performance. A cooperative agreement is an assistance instrument that has the same principal purpose as a grant but, unlike a grant, it is anticipated that there will be substantial involvement between the agency and the recipient during performance.

Department's assistance policies and procedures; (3) facilitating ratification processes and procedures for unauthorized commitments, as necessary; and (4) acting as the point of contact for grant audits and addressing audit recommendations.

A GOR is the person certified by A/OPE and designated in writing by a GO to oversee certain aspects of a specific Federal assistance agreement, from award inception through closeout. GOR authority is not re-delegable other than as specified in the GO's designation letter. The GOR is responsible for ensuring that the Department exercises prudent management and oversight of the award through monitoring and evaluating the recipient's performance. Typical GOR duties include maintaining contact, including site visits and liaison, with the recipient; reviewing the recipient's reports to verify timely and adequate performance; and ensuring compliance with all of the terms and conditions of the award. Although the GO signs the GOR designation memoranda officially appointing an individual to the grant, the GOR is typically nominated by the GOR's employing bureau based on expertise in a particular grant subject matter area. For the grants we sampled during this audit, we found that the GORs had various job titles, including "program officer," "program manager," and "foreign affairs officer." Their performance was usually evaluated on elements that aligned with those job titles and was not specific to their GOR responsibilities as outlined in the designation memoranda.

Within the Department, grants and cooperative agreements are governed by Grants Policy Directives (GPDs), which are issued by A/OPE.² The GPDs detail the Department's policies associated with GOR designations, roles, and responsibilities, including those pertaining to how a GOR should monitor Federal assistance awards and conduct site visits. The following provides specific information regarding the areas of focus within our audit objective:

Oversight – GPDs 16³ and 28⁴ both specify a GOR's responsibilities for overseeing a grantee. In general, these GPDs state that a GOR assists the GO in ensuring that the Department exercises prudent management and oversight of the grant through the monitoring and evaluation of the recipient's performance. In particular, the GPDs define a GOR's responsibilities, which include (1) maintaining contact with the grantee, (2) performing site visits, (3) ensuring grantee compliance with the terms and conditions of the grant, (4) reviewing performance and financial reports submitted by the grantee, and (5) notifying the GO of any developments that could have a significant impact on the grantee's performance of the grant.

² The conclusions, findings, and recommendations in this report were based on the criteria in effect during our audit, including the Department's GPDs. However, as of March 13, 2015, the GPDs were consolidated into the "U.S. Department of State Federal Assistance Policy Directive," which sets forth internal guidance, policies, and requirements for all domestic and foreign grant-making bureaus and posts when administering Federal Financial Assistance awards.

³ GPD 16, rev. 3, "Designation of Grants Officer Representatives," Jan. 1, 2013.

⁴ GPD 28, rev. 1, "Roles and Responsibilities for the Award and Administration of Federal Assistance," Sept. 21, 2010.

Selection – Since January 1, 2013, GPD 16 has required that a GO appoint a GOR for all grants exceeding \$100,000. The GO is responsible for ensuring that individuals selected to serve as GORs are certified by A/OPE and are capable of performing GOR functions in a professional and ethical manner. According to GPD 16, special considerations when selecting GORs may include (1) training and experience in the programmatic and technical aspects of the project; (2) past experience as a GOR and adherence to responsibilities and duties outlined in the GOR designation letter; (3) knowledge of applicable laws, regulations, and policies; and (4) knowledge of the awarding office’s goals and program priorities. GPD 16 limits GOR appointments to only those individuals who are not third-party contractors.⁵ GPD 16 also requires all GORs to receive a certification from A/OPE as well as a formal designation letter from the appropriate GO prior to assuming duties as a GOR.

Training – To be certified, a GOR applicant must have completed two specific grants courses offered by the Foreign Service Institute (FSI)⁶—“Introduction to Grants and Cooperative Agreements” and “Monitoring Grants and Cooperative Agreements”—not more than 2 years before applying for certification. The GPD allows for an individual to be appointed as a GOR without having completed these courses for up to 6 months if the GO requests and A/OPE approves a waiver. In these cases, the individual must meet the training requirements before the end of the waiver period or the GO must appoint a replacement GOR. Once obtained, GOR certifications are valid for 3 years, during which time the certified individual must obtain at least 16 hours of continuous learning credits to renew the certification for another 3 years.

AUDIT RESULTS

Finding A: Improvements Were Needed in GOR Grant Administration and Oversight

According to GPD 42, Department assistance awards should be appropriately monitored to ensure that programmatic and financial management performance is adhered to for the intended purpose of the award and that the intended goals of the award are accomplished. OIG reviewed 20 grants⁷ and found that improvements were needed in how GORs perform their

⁵ GPD 16 allows personal services contractors to be certified and appointed as GORs. Personal services contractors have a direct contractual relationship with the Department, while non-personal services contractors work for another employer, which has a contractual relationship with the Department pursuant to which the non-personal services contractor provides services to the Department.

⁶ FSI is the primary training institution for the U.S. foreign affairs community. FSI provides more than 700 classroom courses, 270 custom-developed distance learning products, and about 2,700 commercial distance learning courses available through the Internet.

⁷ The 20 grants were overseen by 12 GORs: 4 (3 of which were third-party contractors) from the Bureau of Democracy, Human Rights, and Labor; 4 from the Bureau of International Narcotics and Law Enforcement Affairs; 2 from the

assigned grant administration and oversight responsibilities, especially compliance with grants monitoring requirements. For example, OIG found multiple instances where GORs had not created monitoring plans or verified the program performance or financial data reported by the grantees.

By not comprehensively monitoring grants, the Department cannot have confidence that Federal funds are being spent and grant objectives are being achieved in accordance with award terms and conditions. This audit identified more than \$7 million in unallowable costs, unsupported costs, and funds that could be deobligated and put to better use. (Our results related to questioned costs for the grants we reviewed are enumerated in Appendix B.)

Monitoring Plans

GPD 42 requires that each GOR, in consultation with the GO, develop a monitoring plan that (1) is appropriate for the program, (2) takes into account the risks involved in making the award to a particular recipient and the resources available to provide monitoring, (3) includes the frequency and types of monitoring mechanisms to be employed, and (4) includes the assessment of goals and objectives of the award and the outcomes that are expected.

OIG found that GOs and GORs did not develop monitoring plans for 8 of 20 grants (40 percent) in our audit sample. Specifically, the Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement (PM/WRA), did not develop monitoring plans for any of its seven grants in the audit sample. We also found that a grant administered by Embassy Phnom Penh to provide conservation work on a historic Cambodian temple did not have a grants monitoring plan.

The GORs we interviewed acknowledged that they had not developed monitoring plans, in part because they were not attentive to the requirement in GPD 42 to develop monitoring plans. Further, a PM/WRA official stated that that office did not have a process in place to ensure that monitoring plans were developed. Developing and executing monitoring plans provide consistency in oversight expectations among the grants that the Department awards. In addition, monitoring plans would aid GORs in times of transition because a successor GOR would be made aware of the oversight expected for a particular grant. Moreover, a monitoring plan, if developed and executed for each grant, provides an accountability measure for program managers and GOs to ensure that GORs are conducting oversight in a manner commensurate with expectations.

Recommendation 1: OIG recommends that the Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement, develop and implement a process to track

Bureau of Political-Military Affairs; 1 from the Bureau of South and Central Asian Affairs; and 1 from Embassy Phnom Penh.

grants officer representatives' compliance with the requirement to develop and use monitoring plans consistent with Grants Policy Directive 42, "Monitoring Assistance Awards."

Management Response: PM concurred with this recommendation, stating that it had developed a standard operating procedure titled "Grant Risk Assessment and Monitoring" to ensure full compliance with GPD 42. PM stated that under the new procedure, program managers must draft a risk assessment and monitoring plan for all new grants and cooperative agreements. Additionally, PM noted that the new procedure prohibits a GO from issuing a grant or cooperative agreement until the risk assessment and monitoring plan have been added to Grantsolutions.gov.⁸

OIG Reply: OIG considers this recommendation unresolved because PM did not describe procedures or the manner in which the GO or others would ensure monitoring plans are consistently used during the life of the grant or cooperative agreement. With its response, PM provided OIG a copy of its "Grant Risk Assessment and Monitoring" standard operating procedure. OIG reviewed the procedure and verified that it included detailed instructions for drafting and obtaining approval of a monitoring plan for each grant and cooperative agreement and included a requirement for a completed monitoring plan before an award could be made. While OIG recognizes and commends these efforts, the procedure does not include information that fulfills a critical part of the recommendation, which is to ensure monitoring plans are used to consistently assess the execution of the grant or cooperative agreement. This recommendation can be resolved when OIG receives and accepts PM's corrective action plan, including milestones for either revising the "Grant Risk Assessment and Monitoring" standard operating procedure or issuing additional procedures, to address the manner in which monitoring plans are used during the life of an award. This recommendation can be closed when OIG receives and accepts documentation showing PM's implementation of the procedures stated.

Recommendation 2: OIG recommends that Embassy Phnom Penh develop and implement a process to track grants officer representatives' compliance with the requirement to develop and use monitoring plans consistent with Grants Policy Directive 42, "Monitoring Assistance Awards."

Management Response: Embassy Phnom Penh concurred with the recommendation, stating that it was immediately implementing a policy to require grant files for grants issued at post to include the Monitoring Plan Worksheet from GPD 42. Additionally, the Embassy stated that responsible GOs for post-issued grants will conduct quarterly

⁸ GrantSolutions is a comprehensive grants management system provided by the Department of Health and Human Services Grants Center of Excellence. It is available to all Federal grant-making agencies, and it services all types of grants across all grant categories. It is used by both awarding agencies and recipients, and it covers the full life cycle of grants management.

reviews with their assigned GORs of open grant files to ensure compliance with the requirement to develop and use monitoring plans. For grants issued from Washington, DC, that are administered at post, Embassy Phnom Penh replied that the Deputy Chief of Mission will host quarterly reviews of all open grants with assigned GORs. In both instances, these quarterly reviews will be recorded and shared with designated officials. Finally, to ensure that this process continues indefinitely, Embassy Phnom Penh responded that it would add the responsibility for coordinating the quarterly grant reviews into the job responsibilities of the senior locally employed staff member in the Financial Management section.

OIG Reply: Based on Embassy Phnom Penh's response, OIG considers this recommendation resolved. This recommendation can be closed when OIG receives and accepts documentation showing that Embassy Phnom Penh has incorporated the policies and procedures outlined in its response into its official written policy documents.

Review and Analysis of Performance and Financial Reports

GPD 16 requires that GORs perform management and oversight of grantees by verifying timely and adequate performance through the receipt, review, analysis, and written assessment of a grant recipient's performance and financial reports. GPD 42 explains that although GORs may use various methods for monitoring the programmatic aspects of assistance awards, grant files should indicate that the required progress reports have been reviewed and reconciled with the award terms and conditions. We found that the GORs for 11 of 20 grants (55 percent) selected for testing did not document their review of the quarterly performance reports submitted by the grant recipients as required.

In addition, none of the 20 files we examined demonstrated that the GOR had obtained supporting documentation to verify the program performance data that grantees reported. The Federal Assistance Policy Handbook⁹ states that in order to validate information in the grantees' reports, the GOR "may request copies of ... documents prepared to date, or other data that should be in existence if work is proceeding according to plan." We reviewed the quarterly performance reports for each of the 20 grants in our audit sample and found, for example, reporting errors that the GOR had not identified for a Bureau of International Narcotics and Law Enforcement Affairs (INL) grant to bolster legal education in Afghanistan. Specifically, all four performance reports submitted for grant S-INLEC-12-GR-0027 were incomplete, as they did not include the required attachments documenting performance indicators associated with the reported activities. Without such attachments, there is no way to map the reported activities back to the performance indicators associated with the grant award.

According to GPD 42, financial reports should be reviewed to verify whether all expenditures are in accordance with the approved budget and the amount of funds expended is commensurate

⁹ Federal Assistance Policy Handbook (Apr. 2011), 4.5.1, "Reporting Requirements."

with the level of activity that has occurred. None of the GORs responsible for monitoring the 20 selected grants had documented their reviews of the quarterly financial reports or verified and validated the financial information reported by grant recipients because they were not attentive, for one reason or another, to the grants policies requiring them to do so. For example, one GOR, from INL, stated that she checked for grantee "burn rates" (that is, the rate at which the grantee was drawing down grant funds) but did not perform additional analyses. Another GOR, from PM/WRA, commented that he looked for items that "jump out" at him, such as a "spike in costs."

OIG reviewed the quarterly and final financial reports for each of the 20 grants in its sample and found reporting errors that GORs had not identified from the 93 quarterly and final financial reports examined. For example, an INL grant's (No. S-INLEC-12-GR-0074) financial report included several incorrectly calculated amounts dating back to the grant's inception. Specifically, the award stated the total amount as \$9,016,701 instead of the actual revision to the original award total of \$10,298,984, or a difference of \$1,282,283. For the same grant, the grantee noted a cash receipts amount of \$1,089,080 in the financial report for the quarter ending March 31, 2014, but this amount did not match the payments the grantee stated that it had received to date, \$1,303,924, in its monthly request for reimbursement as of the same date. OIG identified additional inaccuracies on financial reports for the two Bureau of South and Central Asian Affairs (SCA) construction grants valued at \$7,265,334, as reported in our September 2014 Management Assistance Report.¹⁰

GPD 42 describes various methods that the GO and GOR can use to monitor the financial and programmatic aspects of assistance awards. One such method is to conduct site visits, which provide an opportunity to look at the recipient's accounting records to ensure that adequate documentation is being maintained to support award expenditures. According to GPD 42, on-site visits substantiate sound financial management, program progress, and compliance with laws, regulations, and policies. Although the GORs for 17 of the 20 grants we tested, including grants from the Bureau of Democracy, Human Rights, and Labor (DRL), INL, SCA, and PM/WRA, had conducted at least one on-site visit during the respective grant's period of performance, we did not find evidence that the GORs verified during these site visits any of the information or amounts contained in the quarterly performance and financial reports submitted by grantees. One GOR, from INL, said that she did not perform detailed financial reviews because she believed that GOs are responsible for financial monitoring. When GORs do not review grantee financial reports, the Department cannot be assured that program funds are being spent in accordance with grant terms and conditions.

Recommendation 3: OIG recommends that the Bureau of Democracy, Human Rights, and Labor develop and implement a process to track grants officer representatives' compliance with requirements to perform and document their reviews of performance

¹⁰ *Management Assistance Report – Termination of Construction Grants to Omran Holding Group* (AUD-CG-14-37, Sept. 18, 2014).

and financial reports consistent with Grants Policy Directive 16, "Designation of Grants Officer Representatives," and Grants Policy Directive 42, "Monitoring Assistance Awards."

Management Response: DRL did not clearly indicate agreement or disagreement with this recommendation. In its multi-part response, DRL stated that it already had a tracking process for performance compliance and had provided this documented process in electronic and hard copy formats. This included, per DRL, a Programming Policies and Procedures Manual, which was approved by A/OPE and had been in use since 2013. Further, DRL stated that regardless of these documented processes, GOR designation comes officially from the GO and that therefore the authority providing the designation "should be cognizant to make sure that" GORs are compliant with monitoring requirements. Specifically, DRL stated that it was not clear that "DRL is the appropriate entity" to monitor its own compliance.

OIG Reply: Based on DRL's response, OIG considers this recommendation unresolved. The documentation that DRL referred to regarding its policies and procedures was discussed with OIG; however, that documentation was never provided to OIG for review. When OIG inquired about DRL's current processes, which would be reflective of the processes used to monitor the DRL grants in our sample, the Deputy Director for DRL's Office of Global Programs stated that DRL used procedures provided by A/OPE. Nevertheless, had DRL's tracking process for compliance with monitoring requirements been effective, OIG would not have found monitoring deficiencies in the four DRL grants reviewed.

Regarding DRL's comment that it is not responsible for monitoring GOR compliance because GOR designation comes officially from the GO and therefore the GO should be responsible for ensuring GOR compliance, OIG considers this position illogical. While OIG agrees that the GO does officially designate the GOR for a particular grant, the GOR is a bureau asset and the GOR's supervisory management chain resides within the bureau. Moreover, the effective implementation of the grant or cooperative agreement is in the interest of DRL's mission. Therefore, the responsibility for ensuring that the GOR is complying with monitoring requirements is with the GOR's supervisor, who is located within DRL. Further, this same recommendation was made to the three other bureaus reviewed in this report (INL, PM, and SCA), and all three bureaus concurred with the recommendation and agreed to take action.

This recommendation can be resolved when OIG receives and accepts DRL's corrective action plan, including milestones for the recommendation's implementation. This recommendation can be closed when OIG receives and accepts documentation showing that DRL has developed and implemented a process to track GORs' compliance with performing and documenting their reviews of performance and financial reports.

Recommendation 4: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement a process to track grants officer

representatives' compliance with requirements to perform and document their reviews of performance and financial reports consistent with Grants Policy Directive 16, "Designation of Grants Officer Representatives," and Grants Policy Directive 42, "Monitoring Assistance Awards."

Management Response: INL concurred with this recommendation, stating that its grants office would develop a master list of GOR reports by the next quarterly reporting period of July 2015 and would utilize SharePoint to track submissions for compliance.

OIG Reply: Based on INL's response, OIG considers this recommendation resolved. This recommendation can be closed when OIG receives and accepts documentation showing that INL has developed and implemented a process to track GORs' reviews of performance and financial reports.

Recommendation 5: OIG recommends that the Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement, develop and implement a process to track grants officer representatives' compliance with requirements to perform and document their reviews of performance and financial reports consistent with Grants Policy Directive 16, "Designation of Grants Officer Representatives," and Grants Policy Directive 42, "Monitoring Assistance Awards."

Management Response: PM concurred with this recommendation, stating that it had developed standard operating procedures entitled "GOR & GTM Checklist" and "Grants File Checklist" to ensure full compliance with GPDs 16 and 42. PM noted that the "Grants File Checklist" requires review of quarterly and final reports and that the "GOR & GTM Checklist" includes the requirement that site visit reports should be completed within 5 business days of the employee's return to the office. PM added that it is exploring various options to ensure that relevant exchanges and paperwork are uploaded to the site Grantsolutions.gov, including report analysis and verification.

OIG Reply: Based on PM's response, OIG considers this recommendation resolved. With its response, PM provided a copy of its "Grants File Checklist" and "GOR & GTM Checklist" standard operating procedures. OIG reviewed the procedures and verified that they require documenting reviews of quarterly and final reports and site visit trip reports. Further, PM's efforts to explore options within Grantsolutions.gov to ensure that relevant exchanges and paperwork are uploaded, including report analysis and verification, are satisfactory to track GOR compliance with these requirements. This recommendation can be closed when OIG receives and accepts documentation showing PM's implementation of its process to track GORs' compliance with performing and documenting their reviews of performance and financial reports.

Recommendation 6: OIG recommends that the Bureau of South and Central Asian Affairs develop and implement a process to track grants officer representatives' compliance with requirements to perform and document their reviews of performance

and financial reports consistent with Grants Policy Directive 16, "Designation of Grants Officer Representatives," and Grants Policy Directive 42, "Monitoring Assistance Awards."

Management Response: SCA concurred with the recommendation, stating that it had "put processes in place that track [GORs'] compliance with requirements to perform and document their review of performance and financial reports consistent with" the Department's GPDs.

OIG Reply: OIG considers this recommendation unresolved because SCA did not address how it will track GOR compliance with performing and documenting the required reviews of performance and financial reports. With its response, SCA included copies of four documents, one of which was a GOR standard operating procedure. OIG reviewed all four documents and found that while one of the documents does state that a GOR's responsibilities include providing "the GO with written assessment of the overall program performance based on the review of Program Progress and Financial Status Reports within 30 days of receipt of the reports." However, none of the documents discussed how SCA would track GOR compliance with this requirement. This recommendation can be considered resolved when OIG receives and accepts SCA's corrective action plan, including milestones for implementation, to develop a process that addresses how SCA will track GOR compliance with performing and documenting its reviews of performance and financial reports. This recommendation can be closed when OIG receives and accepts documentation indicating that SCA has implemented its proposed process.

Performance Evaluation Factors

The Department requires that the annual performance evaluation factors for contracting officer's representatives (CORs) include relevant contract administration information.¹¹ Specific language has been developed and provided to supervisors that should be used for a COR's annual performance evaluation factors. This requirement was established in recognition of the critical functions CORs perform to ensure that the Department pays only for conforming goods and services and maximizes the effectiveness of contractor support.

Similar to CORs, GORs perform critical oversight functions on their assigned grants, including monitoring grant drawdowns and financial performance and measuring accomplishments against progress indicators as disclosed in award documents. However, there is no Department requirement for GOR-related performance evaluation factors to be included in the annual review criteria for individuals appointed as GORs. Since the oversight responsibilities of CORs and GORs are similar and the risk to the Department is high, it would be reasonable for the Department to have a requirement for GORs to be annually assessed on their performance related to grants oversight.

¹¹ A/OPE and the Bureau of Human Resources jointly issued Department Notices in January and April 2011 regarding the inclusion of COR responsibilities in the performance evaluation factors for affected employees.

Further, had the GORs for the grants we audited known they would be evaluated on their grant oversight performance, maybe they might have spent more time and attention thoroughly reviewing the performance and financial reports.

Recommendation 7: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in coordination with the Bureau of Human Resources, develop and implement a policy regarding the inclusion of grants officer representative responsibilities into the annual performance evaluation factors for employees assigned as grants officer representatives.

Management Response: A/OPE concurred with this recommendation, stating that it will coordinate with the Department's Bureau of Human Resources to develop a Department-wide policy that incorporates GOR responsibilities into the annual performance evaluation factors for employees assigned as GORs.

OIG Reply: Based on A/OPE's response, OIG considers this recommendation resolved. This recommendation can be closed when OIG receives and accepts documentation showing that A/OPE has, in coordination with the Bureau of Human Resources, published a policy regarding the inclusion of GOR responsibilities in the annual performance evaluation factors for employees assigned as GORs.

Insufficient Grants Monitoring Led to Questioned Costs

OIG identified \$7,128,609 in unallowable costs, unsupported costs, and funds that could be deobligated and put to better use, which resulted from insufficient oversight and monitoring of grants. Unallowable costs are costs determined not to be reasonable, allowable, or allocable or in accordance with the applicable Federal cost principles or other terms and conditions contained in the award. Unsupported costs are costs determined not to have sufficient supporting documentation in accordance with the applicable Federal cost principles or other terms and conditions contained in the award.

We reviewed expense transactions related to the grants included in our audit sample to determine whether the expenses were allowable¹² and supported by adequate documentation. For two grants being executed by SCA in Afghanistan, our initial analysis of documentation provided by the grantee—Omran Holding Group (OHG)—generated concerns, so we reviewed all of the financial documentation provided by the grantee. This resulted in the identification of \$1,955,593 in unallowable or unsupported costs and \$5,092,874 in funds that could be deobligated and put to better use, for a total of \$7,048,467. OIG determined that the issues identified required immediate attention; therefore, we issued the report *Management Assistance*

¹² Office of Management and Budget Circular A-122, *Cost Principles for Non-Profit Organizations*, revised May 10, 2004, provides guidance on what grant expenses are allowable.

Report – Termination of Construction Grants to Omran Holding Group, in September 2014.¹³ For the remaining 18 grants, we reviewed 300 expense transactions,¹⁴ totaling \$2,412,995. Of those expense transactions, we identified 48 (16 percent), totaling \$80,391, from two bureaus, INL and PM/WRA, which did not comply with Federal requirements. Appendix B provides details on the questioned costs we noted during our testing of transactions for the grants in our sample.

Questioned Costs for SCA Grants

Two grants from our sample of 20 were awarded by SCA to OHG for the construction of media operation centers at two Afghan universities. OIG identified areas of concern with the two construction grants and issued a September 2014 Management Assistance Report,¹⁵ which outlined these deficiencies and identified \$1,706,316 of unallowable or unsupported expenses.¹⁶ Following the issuance of the Management Assistance Report, OIG identified an additional \$199,875 in questioned costs relating to OHG payments made to an undisclosed subcontractor. OIG determined that had the GOR performed adequate financial monitoring, the unallowable and unsupported costs likely would have been identified prior to the audit, resulting in savings to the Department.

During audit fieldwork, OIG was unable to obtain an accurate or complete listing of financial transactions from OHG; therefore, we reviewed all financial information provided by the grantee. Using this information, we identified numerous instances of OHG's noncompliance with Federal regulations. For example, OIG selected various expenditures from OHG and one of its subsidiaries and found unallowable costs expensed to the grant for a loan to an employee, for pre-award costs, for indirect costs, for construction materials, and for monitoring and evaluation. Specifically, OIG found the following instances of unallowable or unsupported costs within OHG's expenditures:

- OHG contracted with an undisclosed subcontractor (Karwan) to perform all of the construction of the Balkh University media operations center, and made \$199,875 in

¹³ OIG was not able to obtain accurate or complete financial documentation for grants S-AF200-13-CA-0012 and S-AF200-13-CA-0014, so we performed a detailed review of all financial information provided by the grantee. Our analysis revealed areas of concern with the grantee that required immediate attention; therefore, we issued the report AUD-CG-14-37 on Sept. 18, 2014. In the report, OIG recommended terminating both grants and recouping \$1,706,316 in unallowable and unspent funds and deobligating \$5,092,874 in remaining funds. After the report was issued, OIG identified an additional \$199,875 in questioned costs and OHG reported an additional \$49,402 in advanced funds to be refunded, for a total amount of \$7,048,467 of questioned costs or funds put to better use.

¹⁴ The 300 expense transactions included 143 from INL grants and 117 from PM/WRA grants, both of which resulted in transactions with unallowable or unsupported costs. The remaining 40 transactions reviewed were from DRL and Embassy Phnom Penh, and no exceptions were identified. Additional information on the sample is included in Appendix A.

¹⁵ Report AUD-CG-14-37, Sept. 18, 2014.

¹⁶ The original \$1,706,316 as reported in the Management Assistance Report consisted of \$502,890 in unallowable and unsupported costs and \$1,203,426 in advance funds. After the grants were terminated, OHG submitted documentation to the Department reporting that OHG had actually received \$1,252,828 in advance funds; therefore, this updated dollar amount is used in this report.

payments to this subcontractor. The grant agreement stated that OHG was responsible for “all construction and construction-related tasks,” and during the audit, OHG repeatedly represented that it, OHG, was the “construction” company. For example, when OIG visited the construction site in Mazar-e-Sharif, Afghanistan, the site manager represented to the auditors that he was an OHG employee, and we reviewed multiple documents submitted to the GOR by OHG that stated the same. OIG later learned that the construction site manager was actually affiliated with Karwan. According to the Department’s Standard Terms and Conditions for Foreign Organizations, which were incorporated into the grant agreements by reference, “Written prior approval, by way of amendment, from the Department of State’s GO is required for . . . the sub-award, transfer or contracting out of any work under the award.” No such written approval was executed, and the GO and GOR confirmed that they were unaware of the sub-award to Karwan. Therefore, we determined that payments of \$199,875 made to OHG were unallowable.

- OHG utilized grant funds to provide a \$15,000 unsecured loan to an employee to be repaid with 3.25 percent interest. There was no justification provided or GO approval for this loan. As this cost was not reasonable, allocable, or within the terms of the agreement, OIG determined that it was an unallowable cost.
- OIG found that a 12 percent overhead rate was being applied to certain direct construction costs associated with the grants, totaling at least \$31,423. OIG questioned OHG personnel because indirect cost rates were not included in the approved budgets for the awards and the grant terms and conditions did not address a negotiated indirect cost rate agreement.¹⁷ OHG personnel stated that there was not an indirect cost rate or overhead rate in the budget but that they added these costs into their direct costs as they saw fit. This is not in accordance with the Federal Acquisition Regulation¹⁸ for determining indirect costs rates; therefore, OIG found these costs to be unallowable costs.
- During September 2013, prior to the grant’s period of performance, OHG charged \$10,166 for salary expenses and \$12,000 for monitoring and evaluation expenses. OHG later stated that these expenses were not charged to the grant. However, we were not able to verify this statement because the invoices submitted did not reconcile with accounting records. The Code of Federal Regulations, 22 CFR Section 145.28, states, “Where a funding period is specified, a recipient may charge to the grant only allowable

¹⁷ GPD 41, *Close-Out of Federal Assistance Awards*, dated Jan. 2, 2013, states, “Organizations (usually U.S.-based organizations, although this can also apply to large non-U.S. (foreign) organizations) whose funding is derived from federal assistance have the option of establishing indirect cost rate agreements to capture ‘overhead’ or other administrative indirect costs. These rates are negotiated between the organization and the ‘cognizant’ federal agency. Commonly, the ‘cognizant’ federal agency is the agency that provides the largest dollar volume of federal assistance funds to the organization. The resulting [agreement] is binding on the entire U.S. government.”

¹⁸ The Federal Acquisition Regulation, FAR § 31.203(b), states, “After direct costs have been determined and charged directly to the contract . . . indirect costs are those remaining to be allocated.” The FAR further provides guidance on how to calculate indirect cost rates. OHG applied overhead rates prior to charging direct costs and without providing a reasonable basis for rate calculation.

costs resulting from obligations incurred during the funding period.” Therefore, OIG found the costs to be unallowable.

- OHG charged \$114,000 in “monitoring and evaluation” expenses¹⁹ from October 2013 through May 2014 for which OHG could not provide adequate support or explanation. Further, it appeared that OHG double-counted salary expense and accounting fees as both direct project costs and monitoring and evaluation costs. Because we could not reconcile documentation provided for these expenses, OIG determined that the monitoring and evaluation expense were unallowable.
- OHG provided an Excel spreadsheet totaling \$320,301 that appeared to be a manual inventory list as a portion of the grant expenses. OIG could not determine whether these materials were approved by the Department, as required, or if they had previously been charged to other Government-funded projects²⁰ or even if they were needed to build the media operations centers. Therefore, OIG determined that the total amount of expensed materials of \$320,301 was unallowable because it was not allocable and not in accordance with generally accepted accounting principles.
- OHG reported that it received \$1,252,828 of grant funds in advance, which was not in accordance with the grant agreements, which stated, “Each payment must be the amount of expenditures actually incurred during the requested period.” Despite this requirement, OHG requested and received advance payments for the grants by representing to the GOR that OHG “needed additional cash flow support.” OHG did not have actual immediate cash requirements, since over half of the funds received remained in the bank and had not been spent by OHG. OHG’s requests for cash advances were not for OHG’s “immediate cash requirements.”

On September 19, 2014, following the issuance of the Management Assistance Report, the Department terminated the two grants to OHG and requested a full accounting of the Federal share of non-cancellable obligations and final financial reports. OHG did not provide a full accounting of such obligations or final financial reports. Instead, it provided Settlement Proposal and Accounting Information worksheets²¹ for each grant and offered to repay the Department \$1,252,828. The Department accepted this offer of repayment and officially closed out the two grants on February 9, 2015.²² In addition, we recommended that the Department develop guidance regarding the use of Federal assistance funds for overseas construction, including the use of appropriate procurement vehicles such as contracts for construction, and that no construction grants should be issued until such guidance was developed. The Department fully concurred with that recommendation and, as such, OIG is not making any additional recommendations regarding these grants in this report.

¹⁹ The approved budgets for these grants included \$108,200 in “Project Inspection Fees,” which included fees for an independent inspector and quarterly inspection visits by the management team.

²⁰ Along with the inventory list, OHG also voluntarily provided 18 receipts for 7 items on the list. Upon review of the provided receipts, OIG found that 12 of the 18 receipts were dated prior to the grants’ periods of performance.

²¹ Standard Form (SF) 1436, Settlement Proposal (Cost Basis), and SF 1439, Schedule of Accounting Information.

²² In its response to a draft of this report, SCA stated that it required OHG to submit the SF-425 financial report, analyzed the report for unallowable costs, and recovered funds overpaid to OHG. However, OIG did not verify this information.

Questioned Costs for INL Grants

OIG reviewed 143 expense transactions for 6 INL grants and found 5 transactions (3 percent), totaling \$13,151, to be unallowable. OIG also found 2 of the 143 expense transactions (1 percent), totaling \$3,502, to be unsupported. The exceptions identified for INL grants are explained in greater detail as follows:

- INL grant S-INLEC-12-GR-0027 – OIG found that a \$9,000 travel expense was overpaid by \$4,500. The grant agreement stated that each traveler should receive \$500 per trip. However, the grantee provided travelers \$1,000 per trip.
- INL grant S-INLEC-12-GR-0027 – OIG found that the grantee paid an employee \$865 in unused sick leave for participation in the annual attendance incentive program. This amount appears to be part of the fringe benefit calculation and not a separate cost from the approved budget.
- INL grant S-INLEC-12-GR-0027 – OIG found \$5,749 charged for a scholarship and for developing teaching materials related to anti-corruption efforts. These items were not included in the grant agreement or the award budget. OIG asked the grantee for an explanation regarding why these charges may have been allowable under the grant agreement, but the grantee did not provide an explanation.
- INL grant S-INLEC-13-CA-0034 – OIG identified an expense of \$2,286 for one month's cell phone data usage, for one individual, in Dubai. OIG found the cell phone usage charge to be unreasonable when compared with the estimated \$600 a month for all employee wireless charges approved in the award budget.
- INL grant S-INLEC-12-GR-0074 – OIG found improper bidding documents were submitted for \$3,502 to support the publication of textbook materials.

Recommendation 8: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs (a) determine whether questioned costs of \$11,114 charged to grant S-INLEC-12-GR-0027 and \$2,286 charged to grant S-INLEC-13-CA-0034 are allowable and supported and (b) recover any costs determined to be unallowable or unsupported.

Management Response: INL partially concurred with this recommendation. For grant S-INLEC-12-GR-0027, INL stated that it determined that \$865 charged to the grant was inadvertent and that it had taken steps to address the charge correction. For the remaining \$10,249 in costs that OIG questioned, INL stated that it had requested additional information and documentation from the grantee to determine whether the costs were allowable. For grant S-INLEC-13-CA-0034, INL replied that it asked the grantee about the phone charges totaling \$2,286 and that the grantee provided a list of calls and accompanying explanation for the excessive phone charges. INL stated that it was reviewing the list of calls and awaiting additional information from the recipient to determine the allowability of the charges.

OIG Reply: OIG considers this recommendation unresolved because a final determination has not been made regarding all questioned costs identified. Although INL stated that it partially agreed with OIG's recommendation and was working with the recipients to determine the allowability of the charges, the response was not satisfactory to resolve the recommendation because management did not provide a decision with respect to the validity of the \$13,400 in questioned costs OIG identified. This recommendation can be resolved when OIG receives and accepts the determination(s) of the dollar value allowed and/or disallowed for the \$13,400 in questioned costs. This recommendation can be closed when OIG receives and accepts documentation demonstrating that INL took appropriate action (that is, established an account receivable or received repayment) to recover all costs that were disallowed.

Recommendation 9: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs (a) determine whether questioned costs of \$3,502 in unsupported expenses charged to grant S-INLEC-12-GR-0074 are allowable and supported and (b) recover any costs determined to be unallowable or unsupported.

Management Response: INL partially concurred with this recommendation, stating that it had asked the grantee about the questioned costs. The grantee stated that it was searching its financial records and would advise INL on the outcome of the search. INL further requested information from OIG regarding the finding of these questioned costs, to which OIG replied before this report was issued.

OIG Reply: Similar to Recommendation 8, OIG considers Recommendation 9 unresolved because a final determination has not been made regarding all questioned costs identified. Although INL stated that it partially agreed with OIG's recommendation and was working with the recipient to determine the allowability of the charges, the response was not satisfactory to resolve the recommendation because management did not provide a decision with respect to the validity of the \$3,502 in questioned costs OIG identified for grant S-INLEC-12-GR-0074. This recommendation can be resolved when OIG receives and accepts the determination of the dollar value allowed and/or disallowed for the \$3,502 in questioned costs. This recommendation can be closed when OIG receives and accepts documentation demonstrating that INL took appropriate action (that is, established an account receivable or received repayment) to recover all costs that were disallowed.

Questioned Costs for PM/WRA Grants

OIG reviewed 117 expense transactions for 7 PM/WRA grants and found 30 transactions (26 percent), totaling \$26,415, to be unallowable. OIG also found 11 of the 117 expense transactions (9 percent), totaling \$37,074, to be unsupported. The exceptions identified for PM/WRA grants are explained in greater detail as follows:

- PM/WRA grant S-PMWRA-11-GR-0015 – OIG identified three expenses, totaling \$9,525, that were not specifically identifiable with grant activity. These expenses were shown in the grantee's records as having been allocated between grants from the United States and the United Kingdom but were lacking the necessary information to indicate how the allocation had been calculated. An additional expense for this grant, valued at \$87, appeared to have been allocated between two different payments at two different exchange rates, but there was no explanation in the grantee's records to explain why two different exchange rates were used. When asked, grantee representatives were unable to provide any additional information.
- PM/WRA grant S-PMWRA-11-GR-0015 – OIG requested the time and attendance logs for March 2012 payroll transactions for \$26,553 to indicate who was at work or absent (and why) on certain days, but the logs were not provided.²³ In addition, one of the grantee's invoices contained an incomplete description for a \$521 item. Finally, the grantee claimed two expenses, totaling \$50 for wages, for what appeared to be parking, loading food and a gas balloon, and cleaning toilets.
- PM/WRA grant S-PMWRA-11-GR-0050 – OIG did not find supporting documentation for an expense of \$9,826 charged to the grant.
- PM/WRA grant S-PMWRA-12-GR-1055 – OIG could not trace five transactions of \$20 each for medical allowances to specific employees performing on the grant and for another transaction for a tax item of \$24, for a total amount of \$124 in unsupported costs.²⁴
- PM/WRA grant S-PMWRA-12-GR-1057 – OIG identified 12 expenses, totaling \$2,663, that were not specifically identifiable with grant activity.
- PM/WRA grant S-PMWRA-11-GR-0060 – OIG identified 14 expenses, totaling \$14,140, that were not specifically identifiable with grant activity. For example, OIG identified \$1,254 in wages paid for several employees. OIG asked the grantee's on-site representative in Cambodia what relationship those employees had with the activities completed under the grant. The grantee's representative explained that the employees were not assigned to a specific demining team. Rather, they were assigned to a survey team that travels to various operational areas, whether those operations are sponsored by the U.S. Government or some other donor, to scout locations. This expense for wages did not meet the test of allocability since it did not specifically relate to the demining activities paid for under this particular grant.

Recommendation 10: OIG recommends that the Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement, (a) determine whether questioned costs of

²³ Grantee representatives made a good-faith effort to provide answers to OIG auditors' questions regarding the expense transactions reviewed for this grant, including providing supporting documentation. Responses from grantee representatives enabled auditors to clear many questions, but several remained unanswered, and documentation requests were unfulfilled, which was probably attributable to language barriers with the Afghanistan-based grantee representatives.

²⁴ Because of the immaterial amount of unsupported costs associated with this grant (approximately \$124), we are not making a recommendation for PM/WRA to determine the allowability and supportability of costs for this grant.

\$2,663 charged to grant S-PMWRA-12-GR-1057, \$14,140 charged to grant S-PMWRA-11-GR-0060, and \$9,612 charged to grant S-PMWRA-11-GR-0015 are allowable and supported and (b) recover any costs determined to be unallowable or unsupported.

Management Response: PM did not indicate agreement or disagreement with this recommendation but stated that it had initiated a discussion with the applicable grantees to determine whether the questioned costs were allowable. PM further stated that it will review and disallow the costs where appropriate and work with grantees to update their cost controls to ensure that future expenses are in compliance with Office of Management and Budget requirements.

OIG Reply: OIG considers this recommendation unresolved because a final determination has not been made regarding all questioned costs identified. Although PM stated that it was working with the grantees to determine the allowability of the questioned costs, the response was not satisfactory to resolve the recommendation because management did not provide a decision with respect to the validity of the \$26,415 in questioned costs OIG identified for grants S-PMWRA-12-GR-1057, S-PMWRA-11-GR-0060, and S-PMWRA-11-GR-0015. This recommendation can be resolved when OIG receives and accepts the determination of the dollar value allowed and/or disallowed for the \$26,415 in questioned costs. This recommendation can be closed when OIG receives and accepts documentation showing that PM took appropriate action (that is, established an account receivable or received repayment) to recover all costs that were disallowed.

Recommendation 11: OIG recommends that the Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement, (a) determine whether questioned costs of \$9,826 in unsupported expenses charged to grant S-PMWRA-11-GR-0050 and \$27,124 in unsupported expenses charged to grant S-PMWRA-11-GR-0015 are allowable and supported and (b) recover any costs determined to be unallowable or unsupported.

Management Response: PM did not indicate agreement or disagreement with this recommendation but stated that it had initiated a discussion with the applicable grantees to determine whether the questioned costs were allowable. PM further stated that it will review and disallow the costs where appropriate and work with grantees to update their cost controls to ensure that future expenses are in compliance with OMB requirements.

OIG Reply: Similar to Recommendation 10, OIG considers this recommendation unresolved because a final determination has not been made regarding all questioned costs identified. Although PM stated that it was working with the grantees to determine the allowability of the questioned costs, the response was not satisfactory to resolve the recommendation because management did not provide a decision with respect to the validity of the \$36,950 in questioned costs OIG identified for grants S-PMWRA-11-GR-0050 and S-PMWRA-11-GR-0015. This recommendation can be resolved when OIG

receives and accepts the determination of the dollar value allowed and/or disallowed for the \$36,950 in questioned costs. This recommendation can be closed when OIG receives and accepts documentation showing that PM took appropriate action (that is, established an account receivable or received repayment) to recover all costs that were disallowed.

Finding B: GORs Were Generally Selected in Accordance With Department Policies

OIG found that the Department selected GORs in accordance with Department policies for 17 of 20 grants reviewed. OIG determined that the Bureau of East Asian and Pacific Affairs, INL, PM/WRA, and SCA followed applicable Department policies in selecting GORs for their grant oversight roles for all 16 of their grants in our sample. However, for three of four DRL grants in our sample, DRL inappropriately allowed the appointment of third-party contractors as GORs. According to Department policy, third-party contractors may not obtain a GOR certification from A/OPE and therefore should not have been appointed as GORs. A DRL official indicated that DRL appointed third-party contractors as GORs because the bureau did not have the staffing resources among its full-time-equivalent Government employees to provide the needed oversight for DRL's large portfolio of grants. By continuing the practice of appointing third-party contractors as GORs, there is an increased risk that prescribed oversight of grants may not be administered and Federal assistance funds may be wasted or misused.

GOR Selection

GPD 16 requires that, for every Department grant exceeding \$100,000, the GO select and appoint a GOR who (1) is not a third-party contractor;²⁵ (2) is capable of performing GOR functions in a professional and ethical manner; and (3) has completed two prescribed training courses and, based on the successful completion of this training, has been approved by A/OPE for a GOR certification.

OIG found that the Department selected GORs in accordance with Department policies for 17 of 20 grants reviewed. Specifically, four bureaus, responsible for monitoring 16 grants in our sample, followed applicable Department policies in selecting GORs for their grant oversight roles: the Bureau of East Asian and Pacific Affairs, INL, PM/WRA, and SCA.²⁶ The GORs for the grants we selected for review from those four bureaus were all Department employees who had

²⁵ According to GPD 16, this could be a Full-Time Equivalent position, which includes full-time direct-hire Americans, re-employed annuitants such as "When Actually Employed" Foreign Service or Civil Service personnel, and other temporary direct hires. In addition, GORs may be personal services contractors hired under a domestic personal services contract or a post-issued personal services agreement.

²⁶ For the grants in our sample, the Bureau of East Asian and Pacific Affairs had one GOR, based at Embassy Phnom Penh, monitoring one grant; INL had four GORs monitoring six grants; PM/WRA had two GORs monitoring seven grants; DRL had four GORs who were responsible for monitoring four grants; and SCA had one GOR, based at Embassy Kabul, who was responsible for monitoring two grants.

taken the two required training courses and who had each obtained their GOR certifications from A/OPE. The GORs for each of these bureaus had also been appointed as a GOR in writing, as required.

However, for the fifth bureau—DRL—the GORs for three of the four grants we reviewed were third-party contractors. The designation memoranda for the contractor-GORs included responsibilities and authorities that resulted in the contractors' performing inherently governmental functions, including "approving drawdown and reimbursement requests for payment" and "implementing ... recipient acquired property or the Government Furnished Property ... provisions of the award, including disposal at closeout." GPD 16 specifically states that each GOR "performs an inherently governmental function" in meeting his or her responsibilities. A memorandum sent to A/OPE by a DRL official stated that DRL lacks a sufficient number of Government employees to provide grant administration functions, including effective monitoring of the grants it has awarded. Because of a lack of personnel resources, DRL used third-party contractors to provide grant administration and oversight functions. In doing so, however, DRL did not follow Federal policy and increased its risk that important Department decisions were being made by contractors.

OMB's Office of Federal Procurement Policy's Policy Letter 11-01, Appendix A,²⁷ provides an illustrative list of functions considered to be inherently governmental and cites "performance monitoring" of grant and cooperative agreement recipients as one such inherently governmental function. GPD 16, revision 3, which became effective on January 1, 2013, reiterated OMB policy and limited GOR certification and appointment to U.S. Government personnel. Additionally, GPD 59²⁸ outlines a number of factors that Department managers must consider when determining whether to use contractors in grant administration roles. It notes a number of activities that contractors might be asked to perform related to grant administration, pointing out that these activities are not always considered to be inherently governmental. The policy states that contractors should not participate "in any situation where it might be assumed that they are agency employees or representatives."

Even though OMB and Department policy both prohibit the practice, three of four GORs overseeing DRL grants in our sample were third-party contractors. According to their GOR designation memoranda, two contractors were designated as GORs after the OMB guidance became effective and one²⁹ of the three DRL third-party contractors was appointed after GPD 16, revision 3, became effective. On February 6, 2013, a DRL official sent a memorandum to A/OPE describing the grant oversight challenges DRL faced and its continued reliance on contractors as GORs. The memorandum described a number of steps that DRL had taken to mitigate contractor-GORs performing inherently governmental functions and also noted DRL's need for additional positions for Government employees. Based on the information included in

²⁷ OMB, Office of Federal Procurement Policy, Policy Letter 11-01, "Performance of Inherently Governmental and Critical Functions," Sept. 12, 2011, App. A.

²⁸ GPD 59, "Management of Contractors Supporting Grant Administration," Jan. 25, 2012.

²⁹ This GOR's designation memorandum had an appointment date of June 17, 2013.

the memorandum, A/OPE's Director of Financial Assistance stated during a meeting with OIG officials that he had given DRL a "verbal waiver" for DRL to use contractors as GORs until the bureau obtained sufficient resources to hire additional Government employees. A/OPE's Director of Financial Assistance acknowledged that DRL did not provide any end date by which it expected to comply with existing Federal and Department policies.³⁰

OIG found that the designation memoranda for the contractor-GORs authorized them to perform inherently governmental functions. As mentioned in the preceding sections, GPD 16 expressly acknowledged that GOR responsibilities were inherently governmental functions. Among other responsibilities, DRL's contractor-GORs were authorized and/or responsible for the following:

- "Receiv[ing] and review[ing] required Recipient reports (progress, financial, or other) *on behalf of the Government* [emphasis added] to ensure that they are timely and complete."
- "With regard to preparing receiving reports and/or *approving drawdown and reimbursement requests for payment* [emphasis added] execute these documents promptly and transmit them to the designated payments office within five calendar days."
- "*Implementing* [emphasis added], if applicable, recipient acquired property or the *Government Furnished Property (GFP) provisions of the award, including disposal at closeout* [emphasis added]. GOR responsibilities with regard to GFP might include: (a) Preparing or reviewing the recipient's itemized list of GFP showing serial numbers, if any, and approximate value of each item; (b) Providing the Grant Officer with the GFP list and the Recipient's receipts for any GFP."

DRL's practice of employing contractors to perform critical grant administration and oversight tasks continued because, according to a memorandum sent to A/OPE by a DRL official, DRL lacked sufficient resources to hire U.S. Government employees. As of August 28, 2014, this DRL official reported that the bureau had 20 contractors who had been designated as GORs.³¹ The DRL official further noted that those 20 contractor-GORs each had grant administration and oversight responsibilities for up to 15 grants, with their portfolios representing approximately 25 percent of DRL's programs, or, in her estimate, slightly less than \$100 million in active grants.

DRL officials, with the consent of A/OPE officials, did not comply with Federal and Department regulations restricting contractors from performing inherently governmental functions and increased DRL's risk that important Department decisions regarding Federal assistance objectives and Department funds were being made by contractors.

³⁰ In a May 13, 2014, update to the original waiver request, a DRL official noted to A/OPE that DRL still did not have the capacity to conform to the requirements of GPD 16, revision 3. The memorandum further noted that DRL had requested the hiring of 12 additional full-time-equivalent employees by the end of calendar year 2014.

³¹ This DRL official further stated in an Aug. 28, 2014, email that this number was expected to be reduced to 12 and then further to about 4 contractors serving as GORs "in the next couple of months."

Recommendation 12: OIG recommends that the Bureau of Democracy, Human Rights, and Labor discontinue the use of third-party contractors as grants officer representatives in accordance with Office of Management and Budget and Department of State policy.

Management Response: While not indicating specific agreement or disagreement with this recommendation, DRL appeared to agree with the intent of the recommendation, stating that it had completed the hiring process for all 23 full-time (Government) personnel who will occupy GOR positions, seven of whom are awaiting final security clearance.

OIG Reply: Based on DRL's response, OIG considers this recommendation resolved. This recommendation can be closed when OIG receives and accepts documentation showing that all of DRL's grants are being monitored by full-time Government personnel rather than by third-party contractors.

Recommendation 13: OIG recommends that the Bureau of Democracy, Human Rights, and Labor, in coordination with the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, utilize all appropriate hiring, appointment, and funding authorities to assign only eligible personnel as grants officer representatives in accordance with Office of Management and Budget and Department of State policy.

Management Response: While not indicating specific agreement or disagreement with this recommendation, DRL appeared to agree with the intent of the recommendation, stating that it had completed the hiring process for all 23 full-time (Government) personnel who will occupy GOR positions, seven of whom are awaiting final security clearance.

OIG Reply: Based on DRL's response, OIG considers this recommendation resolved. This recommendation can be closed when OIG receives and accepts documentation showing that all of DRL's grants are being monitored by full-time Government personnel rather than by third-party contractors.

Recommendation 14: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, no longer grant waivers for Department of State bureaus to use third-party contractors as grants officer representatives until full-time-equivalent Federal Government employees can be hired to replace them.

Management Response: A/OPE concurred with this recommendation, stating that it had ceased granting waivers to bureaus that are using third-party contractors as GORs. Though DRL was not requested to comment on the recommendation, DRL stated in its response to a draft of this report that it had informed A/OPE of the hiring of the 23 full-time-equivalent Government personnel who will serve as GORs. According to DRL,

A/OPE stated that upon final security clearance of the seven personnel awaiting clearances, the standing waiver would be terminated.

OIG Reply: Based on A/OPE's response, OIG considers the recommendation closed, and no further action is necessary. A/OPE's actions meet the intent of the recommendation.

Finding C: GORs Did Not Always Receive Required Training

To be certified, a GOR applicant must have completed two specific grants courses—"Introduction to Grants and Cooperative Agreements" and "Monitoring Grants and Cooperative Agreements"—not more than 2 years before applying for certification. However, only 9 of 12 GORs for the 20 grants included in our audit sample were Department employees who had completed the 2 required training courses. The remaining three GORs for the grants we reviewed were contractors and, as such, did not have the FSI training made available to them. Because OIG is recommending that DRL no longer use contractors to perform GOR functions, OIG is not making a recommendation related to providing training to the contractor-GORs.

Although some GORs had obtained the required training, we found that the training required at the time of our audit was not sufficient to train GORs for their roles in performing grant administration tasks. For example, the two training courses did not address the following:

- Enforcement measures when reports were not provided in a timely manner by grant recipients.
- How to develop a monitoring plan.
- Monitoring activities that should be performed during a site visit.
- How to review and use financial and progress reports.

Since the GOR certification program was created in January 2013, A/OPE officials have collaborated with FSI to develop two new grants management courses: PY 260, "Federal Assistance Management," and PY 261, "Grants Officer Representative Training." These courses will begin to be offered in 2015. A/OPE officials also noted that while they intend to continue to offer PY 220 and PY 222, they collaborated with the audit team during fieldwork on suggestions for improving those courses and had initiated a process for updating both courses. Since the course updates had already been initiated at the time of our fieldwork and were scheduled to be completed before this report was issued, we are not making any recommendations about GOR training matters.

RECOMMENDATIONS

Recommendation 1: OIG recommends that the Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement, develop and implement a process to track grants officer representatives' compliance with the requirement to develop and use monitoring plans consistent with Grants Policy Directive 42, "Monitoring Assistance Awards."

Recommendation 2: OIG recommends that Embassy Phnom Penh develop and implement a process to track grants officer representatives' compliance with the requirement to develop and use monitoring plans consistent with Grants Policy Directive 42, "Monitoring Assistance Awards."

Recommendation 3: OIG recommends that the Bureau of Democracy, Human Rights, and Labor develop and implement a process to track grants officer representatives' compliance with requirements to perform and document their reviews of performance and financial reports consistent with Grants Policy Directive 16, "Designation of Grants Officer Representatives," and Grants Policy Directive 42, "Monitoring Assistance Awards."

Recommendation 4: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement a process to track grants officer representatives' compliance with requirements to perform and document their reviews of performance and financial reports consistent with Grants Policy Directive 16, "Designation of Grants Officer Representatives," and Grants Policy Directive 42, "Monitoring Assistance Awards."

Recommendation 5: OIG recommends that the Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement, develop and implement a process to track grants officer representatives' compliance with requirements to perform and document their reviews of performance and financial reports consistent with Grants Policy Directive 16, "Designation of Grants Officer Representatives," and Grants Policy Directive 42, "Monitoring Assistance Awards."

Recommendation 6: OIG recommends that the Bureau of South and Central Asian Affairs develop and implement a process to track grants officer representatives' compliance with requirements to perform and document their reviews of performance and financial reports consistent with Grants Policy Directive 16, "Designation of Grants Officer Representatives," and Grants Policy Directive 42, "Monitoring Assistance Awards."

Recommendation 7: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in coordination with the Bureau of Human Resources, develop and implement a policy regarding the inclusion of grants officer representative responsibilities into the annual performance evaluation factors for employees assigned as grants officer representatives.

Recommendation 8: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs (a) determine whether questioned costs of \$11,114 charged to grant S-INLEC-12-GR-0027 and \$2,286 charged to grant S-INLEC-13-CA-0034 are allowable and supported and (b) recover any costs determined to be unallowable or unsupported.

Recommendation 9: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs (a) determine whether questioned costs of \$3,502 in unsupported expenses charged to grant S-INLEC-12-GR-0074 are allowable and supported and (b) recover any costs determined to be unallowable or unsupported.

Recommendation 10: OIG recommends that the Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement, (a) determine whether questioned costs of \$2,663 charged to grant S-PMWRA-12-GR-1057, \$14,140 charged to grant S-PMWRA-11-GR-0060, and \$9,612 charged to grant S-PMWRA-11-GR-0015 are allowable and supported and (b) recover any costs determined to be unallowable or unsupported.

Recommendation 11: OIG recommends that the Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement, (a) determine whether questioned costs of \$9,826 in unsupported expenses charged to grant S-PMWRA-11-GR-0050 and \$27,124 in unsupported expenses charged to grant S-PMWRA-11-GR-0015 are allowable and supported and (b) recover any costs determined to be unallowable or unsupported.

Recommendation 12: OIG recommends that the Bureau of Democracy, Human Rights, and Labor discontinue the use of third-party contractors as grants officer representatives in accordance with Office of Management and Budget and Department of State policy.

Recommendation 13: OIG recommends that the Bureau of Democracy, Human Rights, and Labor, in coordination with the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, utilize all appropriate hiring, appointment, and funding authorities to assign only eligible personnel as grants officer representatives in accordance with Office of Management and Budget and Department of State policy.

Recommendation 14: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, no longer grant waivers for Department of State bureaus to use third-party contractors as grants officer representatives until full-time-equivalent Federal Government employees can be hired to replace them.

APPENDIX A: SCOPE AND METHODOLOGY

The objective of this audit was to determine the extent to which Department of State (Department) grants officer representatives (GORs) were selected and trained to successfully perform their assigned grant administration and oversight responsibilities. Detailed results with respect to selecting and training, including recommendations, are presented in Findings B and C, respectively. The Office of Inspector General (OIG), Office of Audits, performed fieldwork from February to August 2014 at Embassy Phnom Penh (Cambodia) and at field locations in Cambodia; at Embassy Kabul and at Mazar-e-Sharif (Afghanistan); and domestically in Washington (D.C), Stanford (California), and Seattle (Washington). OIG limited its audit work to reviewing grants that were active during FYs 2012 and 2013.

OIG conducted this performance audit 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 objectives. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives. When we initiated this audit, we included GOR positioning as an audit objective. However, during the selection of grants for testing, we discovered that there were no criteria to effectively evaluate GOR positioning. In addition, we later found that nearly half of the grants selected for testing had no monitoring plans that would help describe the optimal positioning of the GOR. Therefore, we could not reach any useful conclusions regarding GOR positioning and excluded this issue as an audit objective.

To obtain background for the audit, we researched and reviewed the Department's *Foreign Affairs Manual* and *Foreign Affairs Handbook*, data from the Department's Grants Database Management System (GDMS), the Department's Grant Policy Directives, bureau guidance, and other Department guidance. To gain an understanding of how officials executed and monitored grants, we interviewed officials in the Bureau of Democracy, Human Rights, and Labor (DRL); the Bureau of East Asian and Pacific Affairs; the Bureau of International Narcotics and Law Enforcement Affairs (INL); the Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement (PM/WRA); and the Bureau of South and Central Asian Affairs (SCA). We also met with grantee officials to gain a better understanding of their grants and to assess their understanding of the responsibilities for financial reporting. Additionally, we obtained and reviewed written procedures and other available documentation from the Bureau of Administration, Office of the Procurement Executive (A/OPE),¹ INL, PM/WRA, and Embassy Kabul to gain an understanding of GOR monitoring and reporting responsibilities.

¹ The conclusions, findings, and recommendations in this report were based on the criteria in effect during our audit, including the Department's Grants Policy Directives (GPD). However, as of March 13, 2015, the GPDs were consolidated into a single document, "U.S. Department of State Federal Assistance Policy Directive," which sets forth internal guidance, policies, and requirements for all domestic and foreign grant-making bureaus and posts when administering Federal Financial Assistance awards.

Prior OIG Reports

During FYs 2012 and 2013, OIG issued one inspection report and two audit reports related to GOR oversight responsibilities. Specifically, in the inspection report² OIG reported that GORs did not perform their monitoring and evaluation responsibilities consistently and that the Bureau of Educational and Cultural Affairs Grants Division had not been able to track and follow up on these deficiencies. In one of the audit reports,³ OIG reported that GORs did not perform financial reviews of recipient books and records when they conducted monitoring site visits for 10 grants in the audit sample. In the other audit report,⁴ OIG reported a number of areas that required greater management attention and made six recommendations regarding grants management. Among other things, OIG recommended that GOs complete GOR designation memorandums, perform site visits, develop monitoring plans and procedures for GOR responsibilities, and better implement the requirements of Grants Policy Directives (GPD) 16 and 42.⁵

In August 2014, OIG issued another audit report⁶ that identified weaknesses in grants monitoring, including oversight personnel not identifying the misuse of grant funds. Also, in September 2014, OIG issued a “management alert”⁷ on the Department’s grants management deficiencies that summarized the findings from recent inspection and audit reports as well as those found by other Federal auditing entities, such as the U.S. Government Accountability Office.

Use of Computer-Processed Data

The audit team obtained a dataset of GDMS data from A/OPE, which included data for FYs 2011–2013. The dataset listed all of the “actions” (which included both new awards and amendments to existing awards) during FYs 2011–2013 for all of the Department’s grants. To assess the reliability of the dataset, we interviewed officials knowledgeable about the data and traced the data to source documents, such as to the grant award documentation, when possible. We used this data to select a sample of 21 grants for review.⁸ Our selection procedures are detailed in the section “Detailed Sampling Methodology.”

² *Inspection of the Bureau of Educational and Cultural Affairs* (ISP-I-12-15, Feb. 2012).

³ *Audit of the Bureau of Population, Refugees and Migration Oversight of Selected Cooperative Agreements in Support of Colombian Refugees in Ecuador* (AUD-CG-13-35, July 2013).

⁴ *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).

⁵ GPD 42, “Monitoring Assistance Awards,” Sept. 2, 2010.

⁶ *Audit of the Administration and Oversight of Contracts and Grants Within the Bureau of African Affairs* (AUD-CG-14-31, Aug. 18, 2014).

⁷ *Management Alert (Grants Management Deficiencies)* (MA-14-03, Sept. 2014).

⁸ One grant selected was awarded to the National Endowment for Democracy (NED). During this audit, OIG performed the same audit steps in reviewing that grant as we had for the other grants selected for review. However, since a separate audit team had begun an audit focused exclusively on NED that would cover the Department’s grants to NED, OIG decided to avoid duplication and not to include the results of our work on that grant in this report. Removing this grant reduced the sample from the 21 grants initially selected to the 20 grants discussed in the report.

Work Related to Internal Controls

We performed steps to assess the adequacy of internal controls related to the areas audited. For example, we reviewed the GOR nomination process for the grants in our audit sample to assess whether the Department appropriately selected GORs to conduct grant administration and oversight. We also reviewed Department guidance, policies and procedures, and related controls to ensure that such guidance and policies and procedures were being implemented and followed by bureau officials, GORs, and grants officers (GOs). Significant deficiencies we identified are presented in the Audit Results section of this report.

Detailed Sampling Methodology

OIG selected grants for review from among those grants that were active during FYs 2012 and 2013.⁹ The audit team selected a sample of high-dollar grant awards with the intent of determining whether the GORs assigned to those grants were selected and trained appropriately and were adequately executing their oversight responsibilities. In making our selections from the dataset, we first sorted the data to capture high-dollar grant awards for different programs managed by a variety of bureaus. We deemed the selection of high-dollar grant awards as important because the potential effects of inadequate grant oversight and administration, such as wasted taxpayer funds and substandard program outcomes, are commensurately larger with such awards. Selecting grants from a variety of bureaus was deemed important to obtain a broad view of Department oversight execution and to determine if systemic issues existed. To avoid selecting grant awards that were lower valued and therefore lower risk, we eliminated all grant actions from the GDMS dataset that were valued at less than \$100,000, since this was the threshold at which a GO must appoint a GOR, according to Department policy. We also removed amendments from the data so that we could select from a list of grants one per line in the data, rather than potentially select several high-dollar actions for one grant. As a result, our target universe was 3,099 grants, valued at approximately \$3.2 billion.

To further narrow the scope for our audit sample selection, we sought to avoid grants, programs, and/or bureaus that had recently been, or would soon be, subject to scrutiny by other OIG audit or inspection teams. Using this criterion, we removed from consideration any grants from bureaus and/or programs such as the Bureau of Population, Refugees and Migration (PRM) (completed audit of refugee assistance grants); the Bureau of Educational and Cultural Affairs (planned audit of the Fulbright program); the Bureau of Oceans and International Environmental and Scientific Affairs (completed audit of climate change grants); and the Bureau of Near Eastern Affairs (ongoing audit of Middle East Partnership Initiative grants). This narrowed our focus to bureaus that had not been—at the time we selected our sample—reviewed for oversight of their

⁹ Though we received data for FY 2011, we eliminated from consideration those grants that had been active only during FY 2011 (or earlier) because very little information regarding the grantees' activities and the GORs' oversight of these activities would have been available for review.

grants recently. As such, this audit focused on DRL, PM/WRA, SCA, and INL, with additional grants selected from among those issued by or monitored at Embassy Kabul and Embassy Phnom Penh.

In considering which overseas locations we might visit during the audit to conduct an independent verification and validation of grant execution and oversight, we excluded grants that the data identified as having places of performance in “denied areas” (for example, Cuba, Iran, and North Korea). We also removed from consideration those grants that were noted as having places of performance in countries where security concerns would likely preclude a site visit (for example, Somalia and Syria). Since another audit team was, at the time, completing a review of the Bureau of African Affairs monitoring and oversight of grants and had visited a number of countries in Africa,¹⁰ we also removed from consideration all grants performing in countries under that bureau’s purview. Moreover, since we wanted to select grants administered by a diversity of bureaus, we excluded those foreign places of performance at which two or fewer bureaus or offices had grants that met the screening criteria noted.

After applying our screening criteria, we totaled the Department’s foreign assistance funding associated with each overseas location. Table A-1 shows the 10 countries with the largest number and value of grants.

Table A-1: Countries With Highest Grant Values After Applying Screening Criteria

Country	Number of Grants	Amount
Afghanistan	271	\$276,018,336
Iraq	103	171,068,329
Pakistan	131	95,635,674
Jordan	66	60,442,693
Turkey	32	56,795,607
Thailand	33	55,862,812
Tunisia	61	54,932,770
Argentina	6	52,749,032
China	46	51,464,839
Cambodia	23	47,360,306
Total	772	\$922,330,398

Source: OIG analysis of grant data provided by A/OPE.

Afghanistan had the largest number of grants, and also the highest value of grants among Department grants with places of performance outside the United States. Furthermore, Afghanistan had nine bureaus and/or offices represented as being responsible for monitoring the 271 grants that remained after applying our screening criteria. We noted that for the 10 highest valued grants listed as performing in Afghanistan, three bureaus and/or offices were

¹⁰ *Audit of the Administration and Oversight of Contracts and Grants Within the Bureau of African Affairs* (AUD-CG-14-31, Aug. 18, 2014)

represented. We noted that the 10 highest valued grants included three grants that appeared to be duplicates, though each of the paired grants were shown as belonging to two different bureaus. We worked with the relevant bureaus—SCA and INL—to determine whether those three pairs of grants were indeed duplicates. INL officials confirmed that the grants were duplicates and stated that INL, not SCA, was responsible for each. After removing the duplicated grants from our list, we replaced them with the next highest valued Afghanistan-based grants that were being monitored by the bureaus that were already represented in the sample. In addition, one of the replacement grants represented half of an ongoing project, so we chose to include the grant that represented the other half of the project in our review as well, bringing the total number of grants relating to Afghanistan to 11. Table A-2 shows the 11 Afghanistan-based grants we reviewed shown in order from highest value to lowest value.

Table A-2: Afghanistan-Based Grants Reviewed

	Grant Number	Awarding Entity	Requesting Entity	Grantee	Amount
1	S-INLEC-12-GR-0027	INL	INL	University of Washington	\$13,000,000
2	S-INLEC-13-CA-0034	INL	INL	Sayara	8,219,255
3	S-INLEC-12-GR-0074	INL	INL	Stanford University	7,264,219
4	S-PMWRA-11-GR-0015	PM/WRA	PM/WRA	HALO Trust	6,500,000
5	S-INLEC-13-GR-0038	INL	INL	World Justice Project	6,000,000
6	S-INLEC-11-GR-0017	INL	INL	Women for Afghan Women	5,707,079
7	S-INLEC-11-GR-0013	INL	INL	Global Rights	4,700,000
8	S-PMWRA-11-GR-0010	PM/WRA	PM/WRA	Afghan Technical Consultants	4,000,000
9	S-PMWRA-11-GR-0011	PM/WRA	PM/WRA	Demining Agency for Afghanistan	4,000,000
10	S-AF200-13-CA-0012	SCA	SCA	Omran Holding Group	3,782,986
11	S-AF200-13-CA-0014	SCA	SCA	Omran Holding Group	3,482,348
	Total				\$66,665,887

INL – Bureau of International Narcotics and Law Enforcement Affairs

PM/WRA – Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement

SCA – Bureau of South and Central Asian Affairs

Source: OIG analysis of GDMS data.

Pakistan had the second largest number of grants that remained after we applied our screening criteria (third highest value), while Iraq had the third largest number of grants (second highest value). We eliminated these locations from consideration, however, because they operated under circumstances similar to those in Afghanistan. Specifically, those countries feature security concerns and travel restrictions for U.S. Government officials, which would have limited our ability to meet with grantees and perform necessary audit steps at the grants' places of performance and would over-represent grants performing in such countries. Any findings or recommendations we might have identified had we selected only countries where travel is

heavily restricted might not have been relevant to Department grants with places of performance in countries where U.S. Government officials were able to operate more freely.

We eliminated from consideration the next six locations with the highest value of grants for various reasons. Jordan had the fourth largest value of grants that remained after applying our screening procedures, but 16 of the 19 grants there valued at more than \$1 million were monitored by just one bureau, PRM. Similarly, in Turkey, 7 of the 13 grants valued at more than \$1 million were monitored by PRM. Given that both Jordan and Turkey border Syria, we reasoned that it was likely that the PRM grants being executed in those countries related to assistance to Syrian refugees, which was then being audited as part of our oversight of assistance to Syrian refugees. Similarly, 10 of the 11 grants valued at more than \$1 million that were performing in Thailand were monitored by one bureau, PRM. In Tunisia, 18 of the 22 grants valued at more than \$1 million related to the Bureau of Near Eastern Affairs Middle East Partnership Initiative program, which was then being audited by the Office of Audits. Argentina was eliminated because it had only six grants that met the criteria for inclusion in our audit sample. Lastly, grants performing in China were eliminated because China had a high concentration of grants monitored by just one bureau, DRL.

Eliminating all of the countries noted brought us to Cambodia as the next country in our "top 10" list from Table A-1. Table A-3 provides a list of the 10 Cambodia-based grants we reviewed in order from highest value to lowest value.

Table A-3: Cambodia-Based Grants Reviewed

	Grant Number	Awarding Entity	Requesting Entity	Grantee	Amount
1	S-LMAQM-12-GR-1014	A/LM/AQM	DRL	National Endowment for Democracy	\$24,393,540*
2	S-LMAQM-11-CA-0605	A/LM/AQM	DRL	National Democratic Institute	2,970,000
3	S-PMWRA-12-GR-1057	PM/WRA	PM/WRA	HALO Trust	1,600,000
4	S-PMWRA-11-GR-0060	PM/WRA	PM/WRA	HALO Trust	1,600,000
5	S-PMWRA-12-GR-1055	PM/WRA	PM/WRA	Mines Advisory Group	950,000
6	S-PMWRA-11-GR-0050	PM/WRA	PM/WRA	Mines Advisory Group	800,000
7	S-LMAQM-13-GR-1092	A/LM/AQM	DRL	International Organization for Migration	495,000
8	S-LMAQM-12-GR-1092	A/LM/AQM	DRL	The Asia Foundation	475,000
9	S-CB600-11-CA-0015	Embassy Phnom Penh	Embassy Phnom Penh	World Monuments Fund	450,000
10	S-LMAQM-12-GR-1227	A/LM/AQM	DRL	Documentation Center of Cambodia	326,710
	Total				\$34,060,250

* This grant to the National Endowment for Democracy (NED) was included in our sample selection for determining our site visit locations. During the audit, OIG performed the same audit steps in reviewing this grant as we had for the other grants we selected for review. However, since a separate audit team had begun an audit focused exclusively on NED that would cover the Department's grants to NED, OIG decided to avoid duplication and not include the results of our work on that grant in this report. Removing this grant reduced the sample from the 21 grants initially selected to the 20 grants included in the body of this report.

A/LM/AQM – Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management

DRL – Bureau of Democracy, Human Rights, and Labor

PM/WRA – Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement

Source: OIG analysis of GDMS data.

In the process of selecting a sample of grants to review, we learned that the place of performance listed in GDMS was occasionally inaccurate and that, in some instances, only a small portion of the overall grant was performing in the listed country. For example, DRL officials stated, and we confirmed, that even though the two largest grants shown in Table A-3 were coded in GDMS as being performed in Cambodia, the sponsored activities under those grants occurred worldwide, with only a small portion of the grant work actually performed in Cambodia.

Furthermore, a few of the grants initially considered for inclusion in our scope represented awards made to international organizations (for example, the United Nations Department of Economic and Social Affairs), which are generally not required to subject their books and

records to audits or other reviews. In those cases, we removed that grant from inclusion in our audit and instead included in our sample the next highest valued grant performing in that country for one of our selected bureaus.

In total, four bureaus (INL, PM, SCA, and DRL) and two posts (U.S. Embassy Phnom Penh and U.S. Embassy Kabul) were principally responsible for monitoring the 21 grants selected for review.

For each grant in our judgment sample, we attempted to select a number of financial transactions for review. Our methodology for selecting financial transactions for review for each grant varied depending upon the number of financial transactions available for review for each grant as well as the amount and type of expenses incurred for each grant. In total, we reviewed 300 financial transactions related to the 18 grants in our sample for which we were able to obtain complete lists of transactions. For the remaining two grants in our sample, we performed a detailed review of all financial information provided by the grantee.¹¹

¹¹ OIG was not able to obtain accurate or complete financial documentation for grants S-AF200-13-CA-0012 and S-AF200-13-CA-0014, so we performed a detailed review of all financial information provided by the grantee for these grants.

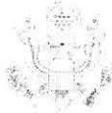
APPENDIX B: RESULTS OF GRANT REVIEW

#	Grant Number	Amounts			Total
		Unallowable	Unsupported	Deobligated	
Afghanistan					
1	S-INLEC-12-GR-0027	\$11,114	-	-	\$11,114
2	S-INLEC-13-CA-0034	\$2,286	-	-	\$2,286
3	S-INLEC-12-GR-0074	-	\$3,502	-	\$3,502
4	S-PMWRA-11-GR-0015	\$9,612	\$27,124	-	\$36,736
5	S-INLEC-13-GR-0038	-	-	-	-
6	S-INLEC-11-GR-0017	-	-	-	-
7	S-INLEC-11-GR-0013	-	-	-	-
8	S-PMWRA-11-GR-0010	-	-	-	-
9	S-PMWRA-11-GR-0011	-	-	-	-
10/ 11	S-AF200-13-CA-0012/ S-AF200-13-CA-0014*	\$702,765	\$1,252,828	\$5,092,874	\$7,048,467
Cambodia					
12	S-LMAQM-11-CA-0605	-	-	-	-
13	S-PMWRA-12-GR-1057	\$2,663	-	-	\$2,663
14	S-PMWRA-11-GR-0060	\$14,140	-	-	\$14,140
15	S-PMWRA-12-GR-1055	-	\$124	-	\$124
16	S-PMWRA-11-GR-0050	-	\$9,826	-	\$9,826
17	S-LMAQM-13-GR-1092	-	-	-	-
18	S-LMAQM-12-GR-1092	-	-	-	-
19	S-CB600-11-CA-0015	-	-	-	-
20	S-LMAQM-12-GR-1227	-	-	-	-
Total		\$742,580	\$1,293,404	\$5,092,874	\$7,128,858

* The results of our review of these grants are combined in this table because the grantee combined its expenses for these grants and the audit team was unable to determine which expenses related to each grant.

Source: OIG analysis of grantee expense records.

APPENDIX C: BUREAU OF POLITICAL-MILITARY AFFAIRS RESPONSE



United States Department of State

Washington, D.C. 20520

May 21, 2015

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MEMORANDUM FOR OIG ASSISTANT INSPECTOR GENERAL FOR AUDITS, NORMAN P. BROWN

FROM: PM – Todd Chapman, Acting *for Chapman*

SUBJECT: Response to OIG Draft Report on Audit of Department of State Oversight Responsibilities, Selection, and Training of Grants Officer Representatives

PM acknowledges receipt of the draft report of the Grants Officer Representatives working within the PM Bureau. PM submits the following response and attachments in support of PM's response to recommendations 1, 5, 10 and 11 of the OIG Draft Report on Audit of Department of State Oversight Responsibilities, Selection, and Training of Grants Officer Representatives:

Recommendation 1: *OIG recommends that the Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement, develop and implement a process to track grants officer representatives' compliance with the requirement to develop and use monitoring plans consistent with Grants Policy Directive 42, "Monitoring Assistance Awards."*

PM concurs with the recommendation and has developed the attached standard operating procedure (SOP) titled "Grant Risk Assessment and Monitoring," to ensure full compliance with GPD 42. Under the new SOP, program managers must draft a risk assessment and monitoring plan for all new grants and cooperative agreements, thus ensuring that GORs are conducting oversight in a manner commensurate with expectations and in compliance under GPD 42. Per the SOP, PM/WRA's Grants Officer cannot issue an award until the risk assessment and monitoring plan have been uploaded into Grantsolutions.gov.

Recommendation 5: *OIG recommends that the Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement develop and implement a process to track grants officer representatives' compliance with requirements to perform and document their reviews of performance and financial reports*

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consistent with Grants Policy Directive 16, "Designation of Grants Officer Representatives," and Grants Policy Directive 42, "Monitoring Assistance Awards."

PM concurs with the recommendation and has developed the attached SOPs titled, "GOR & GTM Checklist" and "Grants File Checklist," to ensure full compliance with GPDs 16 & 42. The "GOR & GTM Checklist" SOP supports documentation of monitoring through the requirement that site visit reports must be completed within five business days of the employee's return to the office and uploaded to Grantsolutions.gov. The "Grants File Checklist" SOP requires review of quarterly and final reports. On April 1, 2015, Grantsolutions.gov became the official U.S. Department of State repository of all grant-related material and PM is exploring various options to ensure that relevant exchanges and paperwork are uploaded to Grantsolutions.gov, including report analysis and verification.

Recommendation 10: *OIG recommends that the Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement (a) determine whether questioned costs of \$2,663 charged to grant S-PMWRA-12-GR-1057; \$14,140 charged to grant S-PMWRA-11-GR-0060; and \$9,612 charged to grant S-PMWRA-11-GR-0015 are allowable and supported, and (b) recover any costs determined to be unallowable or unsupported.*

PM initiated a discussion with applicable grant recipients to determine if the costs in question are allowable. PM will review and disallow the costs where appropriate and work with recipient organizations to update their cost controls to ensure that future expenses are in compliance with OMB Circular regulations.

Recommendation 11: *OIG recommends that the Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement (a) determine whether questioned costs of \$9,826 in unsupported expenses charged to grant S-PMWRA-11-GR-0050 and \$27,124 in unsupported expenses charged to grant S-PMWRA-11-GR-0015 are allowable and supported, and (b) recover any costs determined to be unallowable or unsupported.*

PM initiated a discussion with applicable grant recipients to determine if the costs in question are allowable. PM will review and disallow the costs where appropriate and work with recipient organizations to update their cost controls to ensure that future expenses are in compliance with OMB Circular regulations.

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Attachments:

- Tab 1 – WRA-RM-SOP-006 (Grant Risk Assessment and Monitoring)
- Tab 2 – WRA-RM-SOP-007 (GOR >M Checklist)
- Tab 3 – WRA-RM-SOP-014 (Grants File Checklist)

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APPENDIX D: EMBASSY PHNOM PENH RESPONSE



Embassy of the United States of America

Phnom Penh, Cambodia

May 14, 2015

Norman P. Brown
Assistant Inspector General for Audits
Office of Audits
Office of Inspector General
1700 N. Moore St., Suite 720
Rosslyn, VA 22209

Dear Mr. Brown:

Thank you for your letter dated May 7, 2015, to Ambassador Todd with the draft report of the *Audit of Department of State Oversight Responsibilities, Selection, and Training of Grants Officer Representatives*. On behalf of the Ambassador, I appreciate the opportunity to respond.

I can assure you that fiscal responsibility and oversight is one of the highest priorities for the U.S. Mission in Cambodia. We appreciate the trust that has been placed in us to use these resources properly.

We agree with Recommendation 2, which reads: "OIG recommends that Embassy Phnom Penh develop and implement a process to track grants officer representatives' compliance with the requirement to develop and use monitoring plans consistent with Grants Policy Directive 42, 'Monitoring Assistance Awards.'"

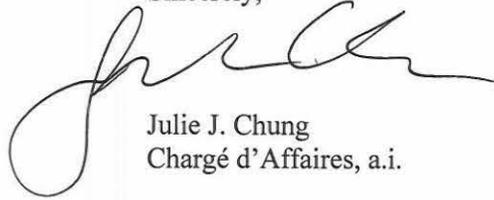
In response to this recommendation, effective immediately we are implementing the following policy.

1. For State Department grants that are issued at Post, all grant files will include the Monitoring Plan Worksheet that is included as Attachment A of Grants Policy Directive 42. In addition, each Grants Officer will conduct a quarterly grants review with all Grants Officer Representatives under his/her supervision to review all open grant files and ensure compliance with the requirement to develop and use monitoring plans. A readout of this meeting will be communicated in a record email to the Deputy Chief of Mission and the Financial Management Officer by the Grants Officer or his/her designee.

2. For grants issued by Washington that are administered at Post, the Deputy Chief of Mission will host a quarterly review of all open grants with Grants Officer Representatives. A record email of this meeting will be sent to the Deputy Chief of Mission by the Financial Management Officer or his/her designee.
3. In order to ensure that this process continues indefinitely, responsibility for coordinating the quarterly grants reviews will be added to the official responsibilities of the senior LES in the Financial Management Section.

I hope that this policy adequately addresses Recommendation 2. I am confident that these changes will improve our overall grant management processes.

Sincerely,

A handwritten signature in black ink, appearing to read 'Julie J. Chung', with a large loop at the end of the signature.

Julie J. Chung
Chargé d'Affaires, a.i.

cc: EAP/EX Jennifer V. Bonner

APPENDIX E: BUREAU OF DEMOCRACY, HUMAN RIGHTS, AND LABOR RESPONSE



United States Department of State

Washington, D.C. 20520

May 21, 2015

MEMORANDUM:

To: OIG/AUD- Norman P. Brown, Assistant Inspector General for Audits

From: DRL/GP- Katrina Fotovat, Deputy Director *KTF*

Subject: OIG Audit of Department of State Oversight of Grants Officer Representatives

We appreciate the opportunity to review the written draft report and recommendations in order to address inaccuracies and misleading statements regarding DRL's oversight and GOR duties.

Finding A: Improvements Needed in GOR Grant Administration and Oversight

Recommendation 3: OIG recommends that the Bureau of Democracy, Human Rights, and Labor develop and implement a process to track grants officer representatives' compliance with requirements to perform and document their reviews of performance and financial reports consistent with Grants Policy Directive 16, "Designation of Grants Officer Representatives," and Grants Policy Directive 42, "Monitoring Assistance Awards."

- DRL Comment: As DRL has already provided OIG in electronic and in many binders, DRL already has a tracking process for performance compliance on trainings and oversight. DRL has required site visit checklists, written GOR reviews, and annual oral GOR reviews which includes both policy and desk officer participation.
- DRL Comment: However, despite all of these already provided documents and processes. DRL would note that GOR designation is an official designation from the AQM Grants Officer. It is not clear that DRL is the appropriate entity to monitor its own compliance. As with any grantee, the authority providing the designation should be cognizant to make sure that is occurring appropriately.
- DRL Comment: DRL has already provided OIG with the DRL Programming Policies and Procedures Manual which has been utilized

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since 2013. These procedures have been reviewed and cleared by AOPE. Additionally, they directly incorporate the GPD 42 into the process. It is not clear that OIG has reviewed the documents provided.

- DRL Comment: DRL also has provided OIG with a list of DRL specific training provided by DRL which included DRL, AQM, and AOPE in training for oversight and monitoring. Additionally, AQM provides an annual GOR specific training.

Finding B- GOR's Were Generally Selected in Accordance with Department Policies

“However, for three of four DRL grants in our sample, DRL inappropriately appointed third-party contractors as GORs.

- DRL Comment: INCORRECT DRL does not have the authority to appoint GOR's. That authority lies solely with the Grants Officer in AQM (see GPD 16). Additionally, of the grants reviewed, the new GPD policy was not in effect at the time of the grant appointment. Again, DRL has worked directly with AOPE and AQM (who appoints GOR's) in transitioning to FTE GOR. Additionally, if the Department's Office of the Procurement Executive have repeatedly provided waivers DRL didn't do anything inappropriate or without permission.

According to Department policy, third-party contractors may not obtain a GOR certification from A/OPE and therefore should not have been appointed as GORs. A DRL official indicated that DRL appointed third-party contractors as GORs because the bureau did not have the staffing resources among its full-time equivalent Government employees to provide the needed oversight for DRL's large portfolio of grants. By continuing the practice of appointing third-party contractors as GORs, (please remove) thereby dismissing Department policy, there is increased risk that prescribed oversight of grants may not be administered and Federal assistance funds wasted or misused.

- DRL Comment: INCORRECT DRL does not dismiss policy. As discussed with OIG at the DRL intro meeting, DRL had met and discussed the over half a dozen high level meetings between AOPE, A, M, L, and DRL on the process and timing that we would work toward compliance. To imply DRL has “dismissed” the policy is very misleading and completely incorrect. This process was done in complete and total collaboration with AOPE. DRL has

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already provided OIG with the GOR transition plan that was provided to AOPE, without comment from AOPE. Please remove this phrasing.

GOR Selection GPD 16 requires that, for every Department grant exceeding \$100,000, the GO select and appoint a GOR who (1) is not a third-party contractor;²⁸ (2) is capable of performing GOR functions in a professional and ethical manner; and (3) has completed two prescribed training courses and, based on the successful completion of this training, has been approved by A/OPE for a GOR certification.

“However, for the fifth bureau—DRL—the GORs for three of the four grants we reviewed were third-party contractors. The designation memos for the contractor-GORs included responsibilities and authorities that resulted in the contractors performing inherently governmental functions, including “approving drawdown and reimbursement requests for payment” and “implementing ... recipient acquired property or the Government Furnished Property ... provisions of the award, including disposal at closeout.”

- DRL Comment: THIS IS INCORRECT Regardless of the GPD, these functions are ALWAYS done by the AQM grants officer on all grants. Our GOR’s only give recommendations- even if they are FTE. These duties must always be done by a Grants Officer. There is no situation where this would not have been done by a grants officer. GOR’s make recommendations only.

GPD 16 specifically states that each GOR “performs an inherently governmental function” in meeting his/her responsibilities. According to a memo sent to A/OPE by a DRL official, DRL lacks a sufficient number of Government employees to provide grant administration functions, (please remove- DRL has been noted to have very effective monitoring practices) including effective monitoring of the grants it has awarded. Due to a lack of personnel resources, DRL used third-party contractors to provide grant administration and oversight functions. In doing so, however, DRL with permission from A/OPE/FA as the policy lead for the Department and AQM who appointed the Grants Officer Representatives, did not follow Federal policy and increased its risk that important Department decisions had the appearance of being made by contractors. (no decisions were made by contractors)

Footnote 33: In a May 13, 2014, update to the original waiver request, a DRL official noted to A/OPE that DRL still did not have the capacity to conform to the

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requirements of GPD 16, revision 3. The memorandum noted that the bureau had requested the hiring of 12 additional FTEs by the end of calendar year 2014. As of the publication date of this report, however, it was not known whether those 12 additional FTEs had been hired.

- DRL Comment: As noted to OIG just a few months ago, DRL has hired all FTE GOR and is only waiting on final security clearances. As of the date of reviewing this draft report, DRL will have a total of 23 FTE for GOR positions (pending final security clearances on 7). For all grants in FY 15, the GOR designations will be FTE.

Even though OMB and Department policy both prohibit the practice, three of four GORs overseeing DRL grants within our sample were third-party contractors.

- DRL Comment: Suggested revision to remove tone making it sound as if DRL was disregarding policy arbitrarily which is completely inaccurate: DRL has been working on a transition to comply with the recent changes in the OMB and Department policy which prohibit the practice of third-party contractors as GORs. At the time of the review, three of four GORs overseeing DRL grants within our sample were third-party contractors.

According to their GOR designation memos, two contractors were designated as GORs after the OMB guidance became effective and one³² of the three DRL third-party contractors

- DRL Comment: PLEASE ADD were appointed by the AQM Grants Officer with the approval of A/OPE/FA

after GPD 16, revision 3, became effective. On February 6, 2013, a DRL official sent a memorandum to A/OPE describing the grant oversight challenges DRL faced and its continued reliance on contractors as GORs. The memorandum described a number of steps that DRL had taken to mitigate contractor-GORs performing inherently governmental functions and also noted DRL's need for additional positions for Government employees. Based on the information included in the memorandum, A/OPE's Director of Financial Assistance stated during a meeting with OIG that he had given DRL a "verbal waiver" for DRL to use contractors as GORs until the bureau obtained sufficient resources to hire additional Government employees.

- DRL Comment: PLEASE REMOVE A/OPE's Director of Financial Assistance acknowledged that DRL did not provide any end date by which it

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expected to comply with existing Federal and Department policies. *As AOPE is aware and has rescinded the waiver as soon as the final security clearances are complete.*

The bureau's practice of employing contractors to perform critical grant administration and oversight tasks continued because, according to a memo sent to A/OPE by a DRL official, it lacked sufficient resources to hire U.S. Government employees. As of August 28, 2014, this DRL official reported that the bureau had 20 contractors who had been designated as GORs.³⁴ The DRL official further noted that those 20 contractor-GORs each had grant administration and oversight responsibilities for up to 15 grants, with their portfolios representing approximately 25 percent of DRL's programs, or, in her estimate, slightly less than \$100 million in active grants.

- DRL Comment: The footnote regarding the resolution can be updated to note that DRL has hired 23 FTE, 7 security clearances are pending and the transition period will be complete. Additionally, DRL is concerned that the information regarding positive steps or resolution of issues is relegated to footnotes rather than emphasized. This makes your recommendations irrelevant and inaccurate.

Footnote 34: This DRL official further stated in an Aug. 28, 2014, e-mail that this number was expected to be reduced to 12, and further to about 4 contractors serving as GORs "in the next couple of months."

- DRL Comment: Please ADD- DRL officials, with the consent of A/OPE officials, worked carefully with the AOPE and AQM to ensure they worked within Federal and Department regulations restricting contractors from performing inherently governmental functions to avoid increasing the bureau's risk that important Department decisions regarding Federal assistance objectives and Department funds were being made by contractors. For example, all official decisions regarding the grants are made by the AQM Grants Officer in writing.)

Recommendation 12: OIG recommends that the Bureau of Democracy, Human Rights, and Labor discontinue the use of third-party contractors as grants officer representatives in accordance with Office of Management and Budget and Department policy.

- DRL Comment: DRL has completed the hiring process for all 23 FTE, 7 are awaiting final security clearance. This issue has been resolved please note in the finding.

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Recommendation 13: OIG recommends that the Bureau of Democracy, Human Rights, and Labor, in coordination with the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, utilize all appropriate hiring, appointment, and funding authorities to assign only eligible personnel as grants officer representatives in accordance with Office of Management and Budget and Department policy.

- DRL Comment: DRL has completed the hiring process for all 23 FTE, 7 are awaiting final security clearance. This issue has been resolved please note in the finding.

Recommendation 14: OIG recommends that the Bureau of Administration, Office of the Procurement Executive no longer grant waivers for Department Bureaus to use third-party contractors as grants officer representatives until full-time equivalent Federal Government employees can be hired to replace them.

- DRL Comment: DRL has already informed AOPE of the FTE hiring status of 23 FTE GOR already hired, 7 waiting final security clearance. AOPE has stated upon final security clearance the waiver is terminated.

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APPENDIX F: BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS RESPONSE



United States Department of State

Washington, D.C. 20520

MAY 20 2015

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MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITS NORMAN P. BROWN

FROM: INL/RM/EX – Mary-Pat Hayes-Crow, Acting *M.P. Hayes-Crow*

SUBJECT: (U) INL Response to the Draft Report, Audit of Department of State Oversight Responsibilities, Selection, and Training of Grants Officer Representatives (AUD-CG-15-XX, May 2015)

(U) The Bureau of International Narcotics and Law Enforcement Affairs (INL) welcomes the opportunity to comment on this draft OIG report. Please see the bureau's comments below:

INL Responses to the OIG's Draft Recommendations

(U) **Recommendation 4:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement a process to track grants officer representatives' compliance with requirements to perform and document their reviews of performance and financial reports consistent with Grants Policy Directive 16, "Designation of Grants Officer Representatives," and Grants Policy Directive 42, "Monitoring Assistance Awards."

(U) **INL Response (May 2015)**

INL agrees, noting that Grants Officers Representatives (GOR) are required to submit GOR quarterly reports after reviewing the grantees' reports. INL/RM/GAPP, the bureau's grants office will develop a master list of GOR Reports by the next quarterly reporting period of July 2015 and will utilize SharePoint to track submissions for compliance.

(U) **Recommendation 8:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs (a) determine whether questioned costs of \$11,114 charged to grant S-INLEC-12-GR-0027 and \$2,286 charged to grant S-INLEC-13-CA-0034 are allowable and supported, and (b) recover any costs determined to be unallowable or unsupported.

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- 2 -

(U) S-INLEC-12-GR-0027: (University of Washington)
OIG found a \$9,000 travel expense, overpaid by \$4,500. The grant agreement states each traveler should receive \$500 per trip. However, the grantee provided travelers with \$1,000 per trip.

(U) INL Response (May 2015)
INL partially agrees and, in response to the draft report, sent an inquiry to the University of Washington. We currently await additional information and documentation from grantee in order to determine the allowability of any other circumstances that may account for the potential overcharges.

(U) S-INLEC-12-GR-0027: (University Of Washington)
OIG found that the grantee paid an employee \$865 in unused sick leave for participation in the annual attendance incentive program. This amount appears to be part of the fringe benefit calculation and not a separate cost from the approved budget.

(U) INL Response (May 2015)
INL agrees and determined that the \$865 charged to the grant was inadvertent, and instead should have paid under the Law School's payroll budget. INL based this determination on the supporting documentation and has taken steps to address the charge correction.

(U) S-INLEC-12-GR-0027: (University of Washington)
OIG found \$5,749 charged for a scholarship and for developing teaching materials related to anti-corruption efforts. These items were not included in the grant agreement or the award budget. OIG asked the grantee for an explanation regarding why these charges may have been allowable under the grant agreement, but the grantee did not provide an explanation.

(U) INL Response (May 2015)
INL partially agrees and has already inquired with University of Washington in response to the draft report. INL awaits additional information and documentation from the grantee in order to determine allowability.

(U) S-INLEC-13-CA-0034: (SAYARA)
OIG identified an expense of \$2,286 for one month's cell phone data usage, for one individual, in Dubai. OIG found the cell phone usage charge unreasonable

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- 3 -

when compared to the estimated \$600 a month for all employee wireless charges approved in the award budget.

(U) INL Response (May 2015)

INL partially agrees and has already inquired with SAYARA in response to the draft report. In response, the Recipient provided the list of calls incurred by the employee while in Dubai. Per the recipient, the Project Director was on leave in Dubai, but the exigency of an urgent grant requirement came up to revise and adjust the project work plan; therefore the communication was done on roaming data, which is expensive. INL is currently reviewing the list of calls and awaiting additional information from the recipient to determine the allowability of the charges.

(U) Recommendation 9: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs (a) determine whether questioned costs of \$3,502 in unsupported expenses charged to grant S-INLEC-12-GR-0074 are allowable and supported, and (b) recover any costs determined to be unallowable or unsupported.

(U) S-INLEC-12-GR-0074: (STANFORD)

OIG found improper bidding documents submitted for \$3,502 to support the publication of textbook materials.

(U) INL Response (May 2015)

INL partially agrees and has already inquired with Stanford University in response to the draft report. The Recipient reported that they could not locate the expenditure in their financial records that showed the exact amount of \$3,502.00. However, they would continue searching for a period of thirty days and advise INL of the outcome of their search. INL respectfully requests additional information from the OIG that led to the finding of this questioned cost.

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APPENDIX G: BUREAU OF SOUTH AND CENTRAL ASIAN AFFAIRS
RESPONSE



United States Department of State

Washington, D.C. 20520

www.state.gov

May 26, 2015

Norman P. Brown
Assistant Inspector General for Audits
Office of Inspector General
Office of Audits
1700 N. Moore St., Suite 720
Rosslyn, VA 22209

Dear Mr. Brown:

Please find enclosed the Bureau of South and Central Asian Affairs' response to the Office of the Inspector General's report, "Audit of Department of State Oversight Responsibilities, Selection, and Training of Grants Officer Representatives."

Sincerely,

A handwritten signature in blue ink, appearing to read "Eileen O'Connor".

Eileen O'Connor
Acting Assistant Secretary
for South and Central Asia

Enclosure

**Response to the Draft Report, “Audit of Department of State
Oversight Responsibilities, Selection, and Training of
Grants Officer Representatives”**

The Bureau of South and Central Asian Affairs (SCA) submits the following in response to the Office of the Inspector General’s draft report entitled, “Audit of Department of State Oversight Responsibilities, Selection, and Training of Grants Officer Representatives.”

OIG Recommendation 6: OIG recommends that the Bureau of South and Central Asian Affairs develop and implement a process to track Grants Officer Representatives (GORs) compliance with requirements to perform and document their reviews of performance and financial reports consistent with Grants Policy Directive 16, “Designation of Grants Officer Representatives,” and Grants Policy Directive 42, “Monitoring Assistance Awards.”

SCA Response: SCA agrees with this recommendation. Since the start date of the award in question, SCA/PPD has put processes in place that track Grants Officer Representatives (GORs) compliance with requirements to perform and document their reviews of performance and financial reports consistent with Grants Policy Directive 16, “Designation of Grants Officer Representatives,” and Grants Policy Directive 42, “Monitoring Assistance Awards.” Please see attached Standard Operating Procedures for your reference.

Additionally, under the sub-paragraph entitled, “Questioned Costs for SCA Grants,” we would like to clarify that SCA/PPD required Omran to submit the SF-425 financial report (page 12), analyzed it to determine if there were any unallowable costs (page 10), and then recovered all funds that were overpaid to Omran.

Attachments:
Standard Operating Procedures

APPENDIX H: BUREAU OF ADMINISTRATION, OFFICE OF THE PROCUREMENT EXECUTIVE RESPONSE

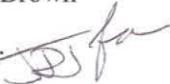


United States Department of State

Washington, D.C. 20520

May 22, 2015

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MEMORANDUM

TO: OIG/AUD – Norman P. Brown
FROM: A/OPE – Corey Rindner 
SUBJECT: Draft Report on *DoS Oversight Responsibilities, Selection and Training of Grants Officer Representatives*

Thank you for the opportunity to comment on the subject draft report.

The following is A/OPE's response to Recommendations 7 and 14. Jeffrey Johnson is the point of contact for these recommendations. He can be reached at 703-812-[Redacted] (b) (6) or via email [Redacted] (b) (6)@state.gov.

Recommendation 7: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in coordination with the Bureau of Human Resources, develop and implement a policy regarding the inclusion of grants officer representative responsibilities into the annual performance evaluation factors for employees assigned as grants officer representatives.

A Bureau Response: A/OPE concurs with the recommendation and will coordinate with the Bureau of Human Resources on a Department wide policy which incorporates Grants Officer Representative responsibilities into the annual performance evaluation factors for employees assigned as grants officer representatives.

Recommendation 14: OIG recommends that the Bureau of Administration, Office of the Procurement Executive no longer grant waivers for Department Bureaus to use third-party contractors as grants officer representatives until full-time equivalent Federal Government employees can be hired to replace them.

A Bureau Response: A/OPE concurs with the recommendation and have ceased to grant waivers to Bureaus that are using third-party contractors as grants officer representatives.

ABBREVIATIONS

A/OPE	Bureau of Administration, Office of the Procurement Executive
COR	Contracting Officer's Representative
DRL	Bureau of Democracy, Human Rights, and Labor
FSI	Foreign Service Institute
GDMS	Grants Database Management System
GO	Grants Officer
GOR	Grants Officer Representative
GPD	Grants Policy Directive
INL	Bureau of International Narcotics and Law Enforcement Affairs
OHG	Omran Holding Group
OIG	Office of Inspector General
PM/WRA	Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement
PRM	Bureau of Population, Refugees, and Migration
SCA	Bureau of South and Central Asian Affairs

OIG AUDIT TEAM

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