



OIG HIGHLIGHTS

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APRIL 2015
OFFICE OF AUDITS
Security and Intelligence Division

Audit of Bureau of International Security and Nonproliferation Administration and Oversight of Foreign Assistance Funds Related to the Export Control and Related Border Security Program

What OIG Audited

The objective of this audit was to determine whether the Department of State (Department), Bureau of International Security and Nonproliferation, Office of Export Control Cooperation's (ISN/ECC) administration and oversight of foreign assistance funding dedicated to the Export Control and Related Border Security (EXBS) Program ensures that funding was expended in accordance with Department policies, achieved desired results, and contributed to meeting the President's National Security Strategy.

What OIG Recommends

OIG made eight recommendations to ISN/ECC that are intended to improve the administration and oversight of the EXBS Program. Two recommendations involve ISN/ECC working with the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, to establish and implement a process to monitor contracting officer's representative (COR) files and grants officer representative (GOR) files. Four recommendations involve establishing and/or implementing policies to improve award administration and oversight. Two recommendations involve the maintenance of EXBS Program contract and grant data and end-use monitoring procedures. ISN/ECC concurred with all eight recommendations and has already implemented two recommendations.

What OIG Found

ISN/ECC provides assistance to foreign governments to support strategic trade control systems that meet international standards. ISN/ECC is responsible for developing, implementing, and managing the EXBS Program to help partner countries establish, strengthen, and enforce strategic trade control systems and policies consistent with international nonproliferation practices.

OIG found that ISN/ECC headquarters personnel did not adequately administer and oversee foreign assistance funding dedicated to the EXBS Program in Jordan, Mexico, and Morocco during FYs 2012–2013:

- ISN/ECC's COR and GOR files were incomplete;
- ISN/ECC did not maintain complete and accurate information related to awards issued and funds obligated;
- OIG found that ISN/ECC personnel purchased equipment that could not be used by the partner country, failed to communicate with stakeholders in a timely manner, and did not require contractors/grantees to submit key deliverables and performance reports; and
- ISN/ECC personnel did not properly retain documentation and information to provide to successive officials.

As a result, ISN/ECC headquarters personnel could not ensure that award performance indicators were being achieved, nor could they demonstrate that they had safeguarded the integrity of funds or reduced financial risk to the EXBS Program.

OIG found that EXBS personnel in two of three countries conducted required oversight of in-country EXBS Program activities and equipment donations and validated that award performance indicators were achieved and accurately reported.

Further, ongoing collaborations between ISN/ECC and U.S. agency partners helped to lower the risk of potential overlap between the EXBS Program and other interagency partners and promoted the whole-of-government approach outlined in the President's 2010 National Security Strategy.

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April 2015

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SECURITY AND INTELLIGENCE DIVISION

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OBJECTIVE

The objective of this audit was to determine whether the Department of State (Department), Bureau of International Security and Nonproliferation, Office of Export Control Cooperation's (ISN/ECC) administration and oversight of foreign assistance funding dedicated to the Export Control and Related Border Security (EXBS) Program ensures that funding was expended in accordance with Department policies, achieved desired results, and contributed to meeting the President's National Security Strategy.

BACKGROUND

According to the President's 2010 National Security Strategy,¹ there is no greater threat to the American people than weapons of mass destruction, particularly the danger posed by the pursuit of nuclear weapons by violent extremists and their proliferation to additional states. Accordingly, one of the goals in the National Security Strategy is "a world without nuclear weapons."

Bureau of International Security and Nonproliferation, Office of Export Control Cooperation

In support of the President's National Security Strategy, ISN's mission is to prevent, disrupt, and roll back where possible, the proliferation of weapons of mass destruction—nuclear, biological, chemical, or radiological; their delivery systems; and destabilize conventional weapons.² ISN/ECC provides assistance to partner countries to support strategic trade control systems³ that meet international standards. This program aids in the establishment of independent capabilities to regulate transfers of weapons of mass destruction and related items, conventional arms, and related dual-use items;⁴ and to detect, interdict, investigate, and prosecute illicit transfers of such items. One key mission of ISN/ECC is developing, implementing, and managing the EXBS Program to help partner countries establish, strengthen, and enforce strategic trade control systems and policies consistent with international nonproliferation practices. The EXBS Program

¹ http://www.whitehouse.gov/sites/default/files/rss_viewer/national_security_strategy.pdf (accessed on Dec. 18, 2014).

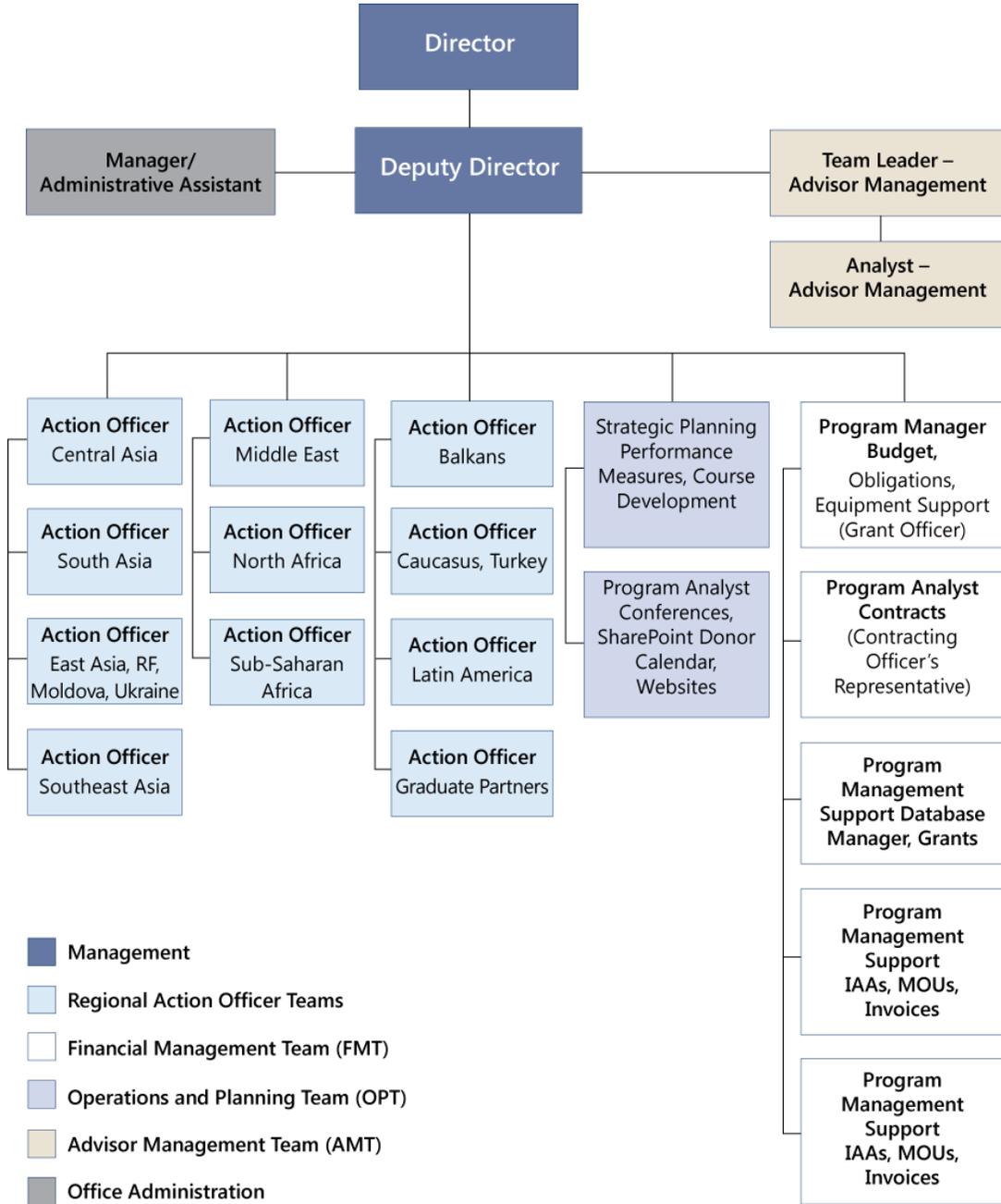
² Conventional weapons include (a) battle tanks, (b) armored combat vehicles, (c) large-caliber artillery systems, (d) combat aircraft, (e) attack helicopters, (f) warships, (g) missiles and missile launchers, and (h) small arms.

³ Strategic trade control systems address: (1) laws and regulations, (2) licensing, (3) enforcement, (4) government-industry cooperation, and (5) interagency and international cooperation and coordination. The EXBS Program provides host-governments (elsewhere in this report, we also refer to them as "partner countries") with training and assistance in these core areas to prevent the proliferation of weapons of mass destruction and the destabilizing accumulation and irresponsible transfer of conventional weapons.

⁴ Dual-use items are goods designed for civil use but that can be used for military purposes, such as machine tools, electronic equipment, computers, telecommunications equipment, cryptographic goods, sensors and radar, navigation and avionics equipment, marine equipment, and space and propulsion equipment.

seeks to accomplish this goal through different activities, including providing training and donating equipment to partner countries.

Figure 1: ISN/ECC Organizational Chart



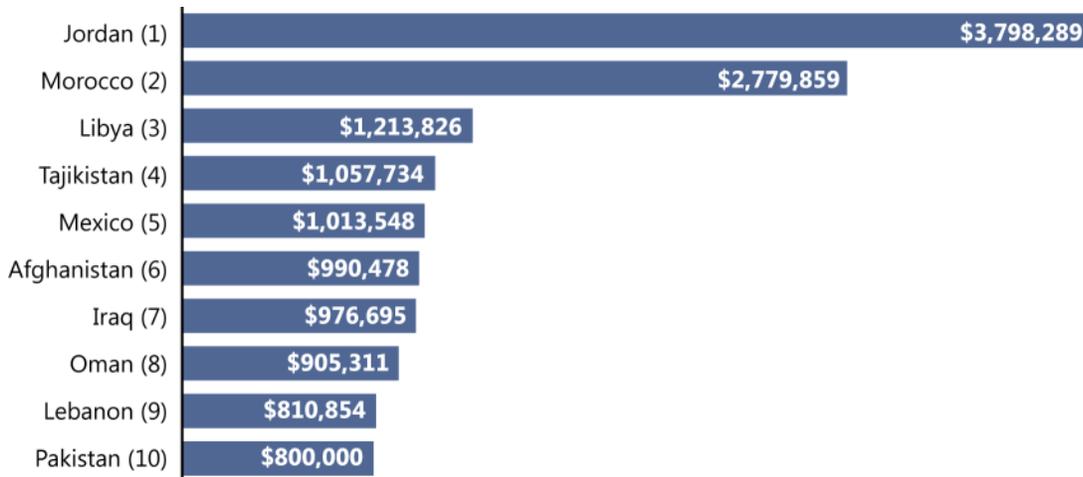
Note: An Action Officer is designated as a Grants Officer Representative or a Government Technical Monitor when a grant or contract is issued involving one of his or her applicable countries. As a result, each grant and/or contract is assigned multiple Grants Officer Representatives and Government Technical Monitors.

Source: ISN/ECC.

EXBS Training and Equipment

The EXBS Program uses contractors/grantees to provide training on strategic trade control systems to partner countries. Training courses include topics such as proliferation awareness for senior policymakers, legal/regulatory models, licensing practices, commodity identification, and detection and enforcement techniques at air, land, sea, and rail borders. The EXBS Program also provides detection equipment⁵ and equipment training to partner countries. In FY 2013, the EXBS Program was active in more than 60 countries with a budget of approximately \$55.6 million, \$10 million of which was awarded as contracts and \$5.4 million that was awarded as grants. Figure 2 provides information on the amount obligated in the top 10 EXBS Program partner countries during FYs 2012–2013.

Figure 2: Top 10 EXBS Program Partner Countries During FYs 2012–2013



Source: ISN/ECC Dashboard Data, March 2014.

EXBS Collaboration and Partnerships

According to ISN/ECC, the White House mandates the office to coordinate U.S. Government assistance in the area of export and related border control assistance. ISN/ECC chairs the Interagency Working Group on Nonproliferation Export and Border Control Assistance (IWG), and through the IWG, ISN/ECC coordinates the efforts of other U.S. Government agencies that have independent nonproliferation strategic trade control/border security programs to help ensure an integrated U.S. Government effort. In order to coordinate efforts, representatives from U.S. Government agencies such as the Department of Homeland Security (DHS) Customs and Border Protection, DHS Immigration and Customs Enforcement, DHS U.S. Coast Guard, Department of Energy, Department of Justice, Department of Commerce, and Department of Defense's Defense Threat Reduction Agency, participate in IWG meetings and present

⁵ Detection equipment includes radiation detection pagers (that is, pagers that will alert users if they are near a radiation source, cargo container scanners, and x-ray machines).

information on their agencies' activities related to border security and nonproliferation. ISN/ECC also works with interagency partners to sponsor training events around the world.

EXBS Action Officers

Action Officers, who work from ISN/ECC headquarters, are responsible for managing the provision of EXBS Program foreign assistance to partner countries within an assigned geographic region. Action Officers also oversee the efforts of in-country EXBS Advisors, as described below, to engage partner governments, identify requirements to factor into EXBS Program strategic plans, and implement EXBS Program activities. In addition, Action Officers routinely lead interagency planning meetings, formulate budget recommendations for their country programs, and oversee implementation. They inform the ISN/ECC Director and Deputy Director of any significant developments in assigned countries/regions, as well as serious problems with contractors/grantees, embassies, or EXBS Advisors. Action Officers are also responsible for keeping backup Action Officers informed of developments in countries in their portfolios and informally guide, coach, and mentor new Action Officers. According to ISN/ECC policy, when managing contract and grant awards, the Action Officers are also considered the Government Technical Monitors (GTM).⁶

EXBS Advisors and Coordinators

The EXBS Advisor is the lead "in-country" contact that reports to ISN/ECC and works closely with their EXBS Action Officer to evaluate and outline the direction of the EXBS Program in their country. The EXBS Advisor is further required to verify that EXBS equipment is deployed, operational, and used for intended purposes and to submit reports on the status of the partner country's nonproliferation policies, strategic trade control system, and border control capabilities resulting from EXBS Program support. The EXBS Advisor serves under the Chief of Mission while assigned to the embassy and should work closely with the country team⁷ to help ensure that the EXBS Program complements other nonproliferation assistance activities.

The EXBS Coordinator is a locally employed staff member, who is primarily responsible for monitoring local developments relevant to EXBS Program operations; coordinating logistics for trainings, equipment donations, site visits, and conferences; and liaising with local government officials, other embassy staff, and ISN/ECC.

⁶ The contracting officer may appoint a GTM to assist the contracting officer's representative in monitoring a contractor's performance because of a GTM's physical proximity to the contractor's work site or because of the GTM's special skills or knowledge necessary for monitoring the contractor's work.

⁷ The country team is the Ambassador's "cabinet." It generally consists of the senior representative from each section and each agency represented at post.

Contracting Officer's Representative, Grants Officer Representative, and Government Technical Monitor

The two key officials involved in contract management are the contracting officer (CO) and the contracting officer's representative (COR). The CO is the U.S. Government's authorized agent for dealing with contractors and has sole authority to solicit proposals; negotiate, award, administer, modify, or terminate contracts; and make related determinations and findings on behalf of the U.S. Government. The CO performs duties at the request of the requirements office and relies on that office for technical advice concerning the supplies or services being acquired. ISN/ECC awards and administers contracts with the assistance of Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management COs.

The COR is responsible for oversight, inspection, and acceptance of goods, services, and construction. To that end, as required by the Federal Acquisition Regulation (FAR), each COR is required to maintain a file including a copy of his/her COR delegation letter, a copy of the contract administration functions that are not delegated to the COR, and documentation of COR actions taken in accordance with the delegation of authority.⁸ However, it is important to note that responsibility for ensuring the Department exercises prudent management and oversight of its contracts is shared with the CO, the COR, and program managers in ISN/ECC. For example, the COR has no authority to make any commitments or changes that affect price, quality, quantity, delivery, or other terms and conditions of the contract. This can only be done by the CO. Additionally, the CO may appoint a GTM to assist the COR in monitoring a contractor's/grantee's performance because of special skills or knowledge necessary for monitoring the contractor's/grantee's work. At ISN/ECC, the EXBS Action Officers often are appointed as the GTMs for awards.

The two key officials involved in grant management are the grants officer (GO) and the grants officer representative (GOR). The GO is authorized to award, amend, or terminate a grant and is charged with exercising prudent management over grant funds. The GOR should have technical expertise related to program implementation and is designated, in writing, by the GO to administer certain aspects of a specific grant, including monitoring and evaluation of performance and closeout. ISN/ECC awards the majority of its grants internally, in which case, ISN/ECC personnel with grant warrants are assigned as the GO.

The GOR is certified by the Bureau of Administration, Office of the Procurement Executive, Federal Assistance Division, and designated, in writing, by the GO to oversee certain aspects of a specific Federal assistance agreement from the award's inception through closeout. The GOR assists with ensuring that the Department exercises prudent management and oversight of the award through the monitoring and evaluation of the recipient's performance. However, like the relationship among the CO, COR, and GTM, responsibility for ensuring the Department exercises

⁸ FAR Subpart 1.604, "Contracting Officer's Representative (COR)."

prudent management and oversight of its grants is shared among the GO, the GOR, and program managers in ISN/ECC.

AUDIT RESULTS

Finding A: ISN/ECC's Administration and Oversight of the EXBS Program at the Headquarters Level Did Not Comply With Policies

The Office of Inspector General (OIG) determined that ISN/ECC maintained ongoing collaboration with U.S. agency partners to strengthen and promote the EXBS Program. However, ISN/ECC's administration and oversight of foreign assistance funding dedicated to the EXBS Program at the headquarters level was not performed in accordance with Department policies. OIG found that ISN/ECC headquarters personnel did not:

- maintain COR and GOR files that included evidence of funding and performance oversight;
- accurately track all EXBS Program-funded contracts and grants;
- have a documented vetting policy in place prior to awarding contracts;
- reinforce its Action Officers' communication policy;
- ensure that Action Officers were satisfactorily monitoring contractors/grantees' performance; and
- ensure that all EXBS Program-related documents were passed to succeeding officials at the headquarters level.

These weaknesses occurred because ISN/ECC management did not take systematic and proactive measures to ensure that EXBS Program data was relevant and reliable as required by the *Foreign Affairs Manual*⁹ and Office of Management and Budget (OMB) Circular A-123. As a result, ISN/ECC headquarters personnel could neither ensure that award performance indicators were being achieved nor demonstrate that they had safeguarded the integrity of funds or reduced financial risk to the EXBS Program.

Lack of Evidence of Oversight in EXBS Program COR Files

The FAR states that COs are "responsible for ensuring performance of all necessary actions for effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships."¹⁰ The *Foreign Affairs Handbook*¹¹

⁹ 2 FAM 021.2, "Authorities and Requirements The authority to establish, maintain, evaluate, improve, and report on management controls throughout the Department is derived from the statutory requirements listed in this section. The relevant U.S. Office of Management and Budget (OMB) guidance and the U.S. Government Accountability Office (GAO) internal control standards for implementing these requirements are also noted. Additional statutory requirements are contained in OMB Circular A-123, Section III."

¹⁰ FAR Subpart 1.602-2, "Responsibilities."

requires CORs to “set up and maintain a file for each contract under his or her administration.” Each file must contain, at a minimum, copies of the following materials:

- the CO’s letter of designation and other documents describing the COR’s duties and responsibilities;
- all progress reports submitted by the contractor;
- all correspondence to and from the contractor;
- documentation of acceptability or unacceptability of deliverables; and
- all invoices/vouchers and a payment register indicating the balance of funds remaining.

ISN/ECC’s COR files did not contain evidence that ISN/ECC conducted oversight of EXBS Program contracts. OIG concluded that ISN/ECC management and Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, COs did not have a process in place to monitor the COR files to ensure that the files included all required information. OIG reviewed the COR files for 20 selected¹² EXBS Program task orders¹³ (out of 81 task orders identified) valued at \$30,001,283 that were awarded or modified in FYs 2011–2013. As shown in Table 1, none of the 20 COR files reviewed contained all of the materials prescribed by the *Foreign Affairs Handbook*.

Table 1: OIG Review of Selected ISN/ECC COR Files

| Task Order # SAQMMA | Identified Deficiencies | | | | |
|----------------------|---------------------------|---------------------|-------------------|--|--|
| | No COR Designation Letter | No Progress Reports | No Correspondence | No Documentation of Acceptability or Unacceptability of Deliverables | No Invoices, Vouchers, or Payment Register |
| 10F5264 | X | X | X | X | X |
| 11F2322 | X | X | X | X | X |
| 11F4596 | X | X | X | X | X |
| 12F4574 | X | X | X | X | X |
| 12F0865 | X | X | X | X | X |
| 12F1588 | X | X | X | X | X |
| 12F4309 | X | X | X | X | X |
| 13F4011 ^a | X | N/A | N/A | N/A | N/A |
| 13F4052 ^a | X | N/A | N/A | N/A | N/A |
| 13F4332 ^a | X | N/A | N/A | N/A | N/A |
| 11F2750 | X | X | X | X | X |

¹¹ 14 FAH-2 H-517, “Standard Contracting Officer’s Representative (COR) Working File,” incorporates and expands upon the COR file requirements of FAR Subpart 1.604, “Contracting Officer’s Representative.”

¹² Additional information on the sample selected is included in Appendix A.

¹³ According to the FAR Subpart 2.1, Definition, a “task order” is an order for services placed against an established contract or with Government sources.

Identified Deficiencies

| Task Order # SAQMMA | No COR Designation Letter | No Progress Reports | No Correspondence | No Documentation of Acceptability or Unacceptability of Deliverables | No Invoices, Vouchers, or Payment Register |
|----------------------|---------------------------|---------------------|-------------------|--|--|
| 12F4267 | X | X | | X | X |
| 13F1322 | X | X | | X | N/A ^b |
| 11F4229 | X | X ^c | X | X | X |
| 11F4358 | X | | | X | X |
| 13F4274 ^a | X | N/A | N/A | N/A | N/A |
| 13F4336 ^a | X | N/A | N/A | N/A | N/A |
| 11F4321 | | X | X | X | X |
| 11F4413 | X | X | X | X | X |
| 12F4706 | X | X | X | X | N/A ^d |

^a The Department awarded these contracts at the end of the audit scope period. OIG did not review the files to determine whether they met performance reporting requirements.

^b According to the contractor, they have not billed the Department for this contract as of August 2014.

^c The award did not require the contractor to submit progress reports.

^d The invoices were outside the audit scope period.

Source: OIG generated based on analysis of a sample of 20 ISN/ECC COR files.

Failure to maintain required documents inhibits the COR's ability to accurately report contractors' progress to the CO. For example, three of the task orders that we reviewed included a performance standard in which 80 percent of the training participants are to report through course evaluations that the training was clear, comprehensive, accurate, and helpful. However, OIG reviewed the COR file and found that it did not contain any course evaluations. Without this documentation, the COR had no way to demonstrate to the CO that the contractor had met the performance standard.

The incompleteness of COR files occurred because CORs did not comply with the standards prescribed by the Foreign Affairs Handbook and the FAR. ISN/ECC officials stated that the missing documentation was related to personnel turnover in the Financial Management Team¹⁴ during 2012 and 2013; that it was duplicative to maintain copies of invoices in a COR file, as these records were maintained in a Department software system;¹⁵ and that managing the large number of contract awards and modifications, as well as the urgency to obligate funding, was overwhelming. Although the OIG agrees that software systems have made some file retention requirements duplicative, maintaining a complete COR file is required by the Foreign Affairs Handbook, and ISN/ECC should have maintained complete COR files.

¹⁴ The ISN/ECC Financial Management Team is responsible for tracking, compiling, and managing all EXBS Program assistance data, which includes financial data, equipment donation records, and the persons trained database.

¹⁵ ISN/ECC uses Metastorm, a business process management program, to maintain contract invoicing data.

Incomplete COR files inhibit access to technical contract information and hinder the transition of oversight responsibilities when a new COR is assigned. In addition, when files are incomplete, the Government may not have the necessary documentation to defend its position of contractor nonconformance with contract terms, potentially resulting in paying for goods and services that do not meet contract requirements. Further, if the COR does not provide complete and accurate information related to contractor performance, the CO cannot ensure performance of all necessary actions, compliance with contract terms and conditions, or the safeguarding of U.S. interests. ISN/ECC's failure to maintain adequate COR files therefore creates financial risk and demonstrates a lack of internal control over contract actions.

Recommendation 1: OIG recommends that the Bureau of International Security and Nonproliferation, Office of Export Control Cooperation, in coordination with the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, establish and implement a process to monitor contracting officer's representatives' contract files to ensure that all required information is documented in accordance with Department policies and the Federal Acquisition Regulation.

Management Response: ISN/ECC concurred with the recommendation, stating that it had begun coordination efforts with the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, to establish procedures and contingency plans to ensure more consistent oversight by CORs.

OIG Reply: OIG considers the recommendation resolved. This recommendation can be closed when OIG reviews and accepts documentation showing that ISN/ECC has established and enacted oversight procedures for COR files.

Lack of Evidence of Oversight in EXBS Program GOR Files

The Department of State Federal Assistance Policy Handbook outlines the mandatory use of the Federal Assistance File Folder, or Form DS-4012, for all Department Federal assistance actions. To assist GORs in conducting grant oversight, the Federal Assistance Policy Handbook requires all awards to have a monitoring plan with due dates, requirements for progress, final financial status, and performance reporting. In addition, the Department's Grant Policy Directive Number 23¹⁶ provides guidelines for maintaining the official Department file for a Federal assistance award. Grant Policy Directive Number 23 requires that each Federal assistance award file include the following documentation:

- signed original Federal assistance agreement;
- GOR designation letter;
- any amendments;

¹⁶ Grants Policy Directive Number 23, rev. 2, "Subject: Federal Assistance File Folder, Form DS-4012."

- monitoring plan;
- requests for advance or disbursement;
- documentation for disallowance;
- appeal documents;
- significant correspondence pertaining to the award; and
- financial statement reports and performance evaluations.

ISN/ECC's GOR files did not contain evidence that ISN/ECC conducted oversight of EXBS Program grants. OIG concluded that ISN/ECC did not monitor the GOR files to ensure that the files included all required documentation. OIG reviewed ISN/ECC's GOR files for 8 selected grants and cooperative agreements¹⁷ (out of 41 grants identified) valued at \$8,069,042 awarded or modified in FYs 2011–2013, from a universe of \$23,199,075 awarded or modified during this period.¹⁸ As shown in Table 2, OIG found that none of the eight grant files reviewed included all of the required oversight documentation. In fact, OIG found that ISN/ECC had contacted grantees to obtain key deliverables, such as monthly progress reports, only after OIG had announced its audit.

Table 2: OIG Review of Selected ISN/ECC GOR Files
Identified Deficiencies

| Grant # | No Signed Federal Assistance Agreement | No GOR Designation Letter | No Amendments* | No Monitoring Plan | No Request for Advance or Disbursement | No Appeal Document | No Correspondence | No Financial Statement Reports | No Performance Evaluations |
|--------------------|--|---------------------------|----------------|--------------------|--|--------------------|-------------------|--------------------------------|----------------------------|
| S-LMAQM-07-GR-163 | | X | | X | X | X | | X | X |
| S-PMECO-12-CA-1003 | | | | X | X | X | | | X |
| S-PMECO-13-GR-1002 | | X | | X | X | X | | | |
| S-PMECO-10-GR-0029 | | | | | X | X | X | X | X |
| S-PMECO-12-CA-0053 | | | N/A | X | X | X | | X | |
| S-PMECO-12-CA-1007 | | | | X | X | X | X | X | X |
| S-PMECO-12-GR-5001 | | X | X | X | X | X | X | X | X |
| S-PMECO-12-GR-5003 | | X | X | X | X | X | X | X | X |

*When applicable.

Source: OIG generated based on analysis of a sample of eight ISN/ECC grant files.

The incompleteness of GOR files occurred because GORs did not comply with the standards prescribed by the Department's Federal Assistance Policy Handbook and Grant Policy Directive

¹⁷ Cooperative agreements are referred to as grants for the remainder of this report.

¹⁸ Additional information on the sample selected is included in Appendix A.

Number 23. ISN/ECC management stated that personnel turnover in the Financial Management Team during 2012 and 2013 contributed to inconsistencies in how the GOR files were maintained.

When GOR files are incomplete, the Government may not have the necessary documentation to defend its position of grantee nonconformance with grant terms, potentially resulting in paying for goods and services that do not meet the grant terms and conditions. ISN/ECC's failure to maintain adequate GOR files therefore creates financial risk and demonstrates a lack of internal control over ISN/ECC's grant actions.

Recommendation 2: OIG recommends that the Bureau of International Security and Nonproliferation, Office of Export Control Cooperation, in coordination with the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management when applicable, establish and implement a process to monitor grants officer representatives' grant files to ensure that all required information is documented in accordance with Department policies.

Management Response: ISN/ECC concurred with the recommendation, stating that it had begun coordination efforts with the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, and other Department bureaus and offices to establish procedures and contingency plans to ensure more consistent oversight by GORs.

OIG Reply: OIG considers the recommendation resolved. This recommendation can be closed when OIG reviews and accepts documentation showing that ISN/ECC has established and enacted oversight procedures for GOR files.

Lack of Reliable Information on Contracts and Grants Awarded

OMB Circular A-123, "Management's Responsibility for Internal Control," requires that agency managers take systematic and proactive measures to ensure data is relevant and reliable. Additionally, the *Foreign Affairs Manual*¹⁹ requires the Department to "establish, maintain, evaluate, improve, and report on management controls," and it references OMB Circular A-123 for guidance. In order to administer and oversee contracts and grants in accordance with Department policies, ISN/ECC needs to have a complete and accurate listing of contracts and grants that have been awarded. OIG analyzed the contract and grant data provided by ISN/ECC and determined that the office does not maintain complete and accurate data related to EXBS Program contract and grant actions. OIG identified numerous discrepancies between ISN/ECC contract and grant data and Government-wide contract and grant data systems. ISN/ECC personnel were unable to fully explain many of the discrepancies. However, officials stated that some of the errors resulted from similarities between "Task Order Request for Proposal" numbers, which were used to track obligations, rather than the individual task order numbers.

¹⁹ 2 FAM 021.2, "Management Controls – Authorities and Requirements."

Further, ISN/ECC officials indicated that Financial Management Team personnel did not have access to the Department's accounting system. By not accurately tracking its contract and grant data, ISN/ECC cannot ensure that it fully knows how and to what extent EXBS Program funds are being expended and thereby cannot make fully informed decisions as to how to best implement the EXBS Program.

Contract Data Inaccuracies

OIG requested a listing of all contract actions that occurred during FY 2012 and FY 2013.²⁰ ISN/ECC provided a spreadsheet containing 91 contract actions associated with 54 task orders. OIG tested the information to ensure that it was complete and accurate. OIG compared ISN/ECC records to contract data included in the Federal Procurement Data System – Next Generation (FPDS-NG)²¹ and identified one or more inconsistencies with 58 of 91 records of ISN/ECC's contract data. OIG found the following conditions:

| | | | |
|---------------------------------------|--|---|---|
| 1 RECORD | 9 RECORDS | 12 RECORDS | 38 RECORDS |
| was included in the spreadsheet twice | contained incorrect task order numbers | contract actions that occurred outside the audit scope period | could not be matched to FPDS-NG obligation data |

Note: Many of ISN/ECC's contract action records contained multiple deficiencies; however, OIG considered these as a single deficiency when quantifying inconsistencies between ISN/ECC and FPDS-NG data.

OIG also identified 16 task orders that were awarded or modified in FY 2012 or FY 2013 and that ISN/ECC did not include in its list of contract actions. ISN/ECC officials stated that one task order was erroneously omitted from the original submission, and three were not included because they were no longer active and were in the process of being closed out. However, OIG determined that these task orders should have been included in the original submission, as they were awarded or modified in FY 2012 and/or FY 2013. ISN/ECC officials stated that the remaining 12 task orders were not related to the EXBS Program. However, OIG researched these 12 task orders and determined that all 12 were associated with the EXBS Program. This data inconsistency indicates that ISN/ECC could not provide and was not aware of the full universe of awards.

Grant Data Inaccuracies

OIG requested a listing of all grant actions that occurred during FY 2012 and FY 2013.²² ISN/ECC provided a spreadsheet containing 49 grant actions associated with 33 grants. OIG tested the

²⁰ This data request took place during the audit planning phase. Once fieldwork began, OIG expanded the audit scope and also requested updated contract data related to FY 2011.

²¹ FPDS-NG is a public web-based tool for U.S. Government agencies to report contract actions.

²² This data request took place during the audit planning phase. Once fieldwork began, OIG expanded the audit scope and also requested updated grant data related to FY 2011.

information to ensure that it was complete and accurate. OIG compared ISN/ECC records to grant data from USAspending.gov²³ and identified one or more inconsistencies with 24 of 49 records of ISN/ECC's grant data. OIG found the following conditions:

| | | | |
|--|---|---|--|
| 1 RECORD did not correspond to USAspending.gov obligation data | 8 RECORDS were not reported on USAspending.gov | 10 RECORDS were reported on USAspending.gov under different grant numbers | 13 RECORDS represented grant actions prior to FY 2012 |
|--|---|---|--|

Note: Many of ISN/ECC's grant action records contained multiple deficiencies; however, OIG considered these as a single deficiency when quantifying inconsistencies between ISN/ECC and USAspending.gov data.

In addition, OIG identified 11 additional grant awards that were reported on USAspending.gov but were not included in ISN/ECC's spreadsheet. ISN/ECC personnel explained that one grant was related to another office in the Bureau of International Security and Nonproliferation; one was inadvertently omitted from the original submission; and the remaining nine grants were not included in ISN/ECC's spreadsheet because they were no longer active. OIG determined that the nine inactive grants should have been included in ISN/ECC's submission, as they were awarded or modified in FY 2012 or FY 2013.

Officials Did Not Have Access to Financial Information

At the time of OIG's review, only one member of ISN/ECC's Financial Management Team had direct access to the Global Financial Management System, and the office had developed the EXBS "Dashboard" as the primary tracking mechanism for obligations and expenditures. OIG identified issues with ISN/ECC's EXBS "Dashboard" data for both contracts and grants. For contract actions, ISN/ECC provided OIG with FYs 2011–2013 "Dashboard" data, which included three previously unidentified task orders. OIG found that two of these task orders were not related to EXBS Program activities in Mexico and Jordan, as the "Dashboard" indicated. OIG also identified issues with ISN/ECC's EXBS "Dashboard" data related to grants. Two awards were not reported on USAspending.gov. In addition, OIG found that ISN/ECC records did not accurately reflect the timeframe of obligations related to four awards.

ISN/ECC officials were unable to explain the cause of many of the discrepancies. However, ISN/ECC personnel explained that some of the discrepancies resulted from ISN/ECC's use of the "Task Order Request for Proposal" number to track obligations, rather than the individual task order numbers assigned by the Department's Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management. ISN/ECC personnel demonstrated that there

²³ The Federal Funding Accountability and Transparency Act of 2006 requires that OMB establish a single searchable website, which includes the following for each Federal award: name of the entity receiving the award; amount of the award; information on the award including transaction type, funding agency, etc.; location of the award recipient; and a unique identifier of the entity receiving the award. USAspending.gov was launched in December 2007 to fulfill these requirements. It receives and displays data pertaining to obligations, not outlays or expenditures.

are similarities between Task Order Request for Proposal numbers. With regard to the FPDS-NG data discrepancies, ISN/ECC personnel stated that they were unfamiliar with FPDS-NG and USASpending.gov, and could not determine the reason for the differences between the two data sets.

By not accurately tracking its contract and grant data, ISN/ECC cannot ensure that it fully knows how and to what extent EXBS Program funds are being expended and thereby cannot make fully informed decisions as to how to best implement the EXBS Program. In a July 2014 OIG inspection report, OIG recommended that ISN request access to the Global Financial Management System for financial management staff in the program offices. As of December 2014, four staff in ISN/ECC had access and three additional staff were awaiting training in order to receive access.

Recommendation 3: OIG recommends that the Bureau of International Security and Nonproliferation, Office of Export Control Cooperation, provide all Financial Management Team personnel with direct access to the Global Financial Management System to accurately track all Export Control and Related Border Security Program-funded contract and grant obligations, de-obligations, and unliquidated obligations.

Management Response: ISN/ECC concurred with the recommendation, stating that it had established Global Financial Management System accounts for nine staff (six within the Financial Management Team).

OIG Reply: OIG considers the recommendation resolved. This recommendation can be closed when OIG reviews and accepts documentation showing that all Financial Management Team personnel have direct access to the Global Financial Management System.

Lack of Communication With Program Contractors/Grantees

Action Officers are required to provide guidance, oversight, and support to contractors/grantees. In addition, according to ISN/ECC management, personnel designated as GTMs, CORs, or points of contact are expected to communicate with contractors/grantees regarding the implementation of the contracts and grants for which they are responsible. OIG found that Action Officers did not always communicate effectively with program contractors/grantees. For example, two of four contractors stated that they did not always receive feedback via the Contractor Performance Assessment Reporting System, the Government-wide evaluation reporting tool for all past performance reports on contracts and orders. One contractor stated that it only received one Contractor Performance Assessment Report System report from ISN/ECC, despite the fact that the contracts for export control training and inspection and detection equipment have been in place for years.

Furthermore, three contractors/grantees stated that a former Action Officer's communications were lacking. For example, one grantee provided emails demonstrating that for approximately

1 year, it did not receive any responses from the Action Officer, despite the fact that the award required a high degree of interaction. A contractor stated that the former Action Officer's communication with it was "spotty." For example, rather than responding to individual emails in a timely manner, the Action Officer would send a consolidated response to multiple emails at a later date.

The former Action Officer informed OIG that she did not respond to emails or phone calls if she did not have anything to say. According to ISN/ECC management, they counseled the Action Officer multiple times. In some instances, ISN/ECC management attended meetings and communicated with contractors/grantees on the Action Officer's behalf and intervened directly by providing information and guidance to contractors/grantees. OIG determined that ISN/ECC did not enforce its communications policies and this negatively impacted program implementation. For example, despite the Action Officer's counseling with ISN/ECC management, one contractor/grantee stated that communication did not improve. As a result, the project stalled, and the contractor/grantee believed that it lost the host-government's trust and goodwill.

Recommendation 4: OIG recommends that the Bureau of International Security and Nonproliferation, Office of Export Control Cooperation, direct Action Officers to review and implement the office's communication policy.

Management Response: ISN/ECC concurred with the recommendation, stating that it will reiterate the office's communication policy verbally and in a memorandum. Further, ISN/ECC will revise a document developed in 2014 clarifying the roles and responsibilities of Action Officers, EXBS Advisors, and locally employed staff.

OIG Reply: OIG considers the recommendation resolved. This recommendation can be closed when OIG reviews and accepts documentation showing that ISN/ECC has directed Action Officers to review and implement the office's communication policy.

ISN/ECC Did Not Always Vet Required Acquisition Plans

The FAR²⁴ requires Federal agencies to develop an acquisition plan before awarding a contract that includes a brief statement of need, summarizes the technical and contractual history of the acquisition, and documents any related in-house effort. OIG generally found that ISN/ECC officials developed plans before acquiring equipment. However, in one instance (out of 20 task orders), ISN/ECC did not ensure that an equipment purchase was fully vetted prior to purchasing the equipment for an EXBS Program partner country. Specifically, OIG found that ISN/ECC purchased two Vehicle and Cargo Inspection System (VACIS)²⁵ container scanners that employ

²⁴ FAR Subpart 7.1, "Acquisition Plans."

²⁵ VACIS scanners use gamma-ray technology to produce images of tankers, commercial trucks, sea and air containers, and other vehicles for border officials to screen for illicit materials.

gamma-ray technology, valued at \$2.8 million total, for the Government of Morocco. However, after the equipment was purchased and the Government of Morocco was notified of the upcoming donation of the equipment, Government of Morocco officials stated that they did not request this specific equipment and that they could not use the VACIS scanners, due to the scanners' reliance on gamma-ray technology. By the time the Government of Morocco was made aware that ISN/ECC was providing VACIS scanners, the systems were already in the process of being manufactured and were beyond the point of "stop work." In addition, the VACIS scanners could not be retrofitted or rebuilt to meet the Government of Morocco's specifications. See Appendix B for a timeline that details the significant events involved in this equipment purchase.

Because ISN/ECC did not document or vet the validity of the Government of Morocco's requirement for VACIS scanners prior to purchase, ISN/ECC spent \$2.8 million on equipment that according to Government of Morocco officials was not requested and could not be utilized. In addition, redirecting the VACIS scanners to two different countries had a proposed additional cost to the taxpayer of \$144,814.²⁶ Furthermore, this situation led to diplomatic tensions. A high-ranking EXBS Program official stated, "The [Government of Morocco] has told us absolutely and incontrovertibly that they reject, will not accept, and do not want gamma equipment. The [Government of Morocco] will not accept it, and they will be very angry." The official also contacted Government of Morocco officials, acknowledging the problem and offering to collaborate to identify potential solutions.

Recommendation 5: OIG recommends that the Bureau of International Security and Nonproliferation, Office of Export Control Cooperation, establish and implement a policy to require that all procurement requests be documented and vetted through headquarters, the embassy, and the host-government prior to contract award.

Management Response: ISN/ECC concurred with the recommendation, stating that it developed and implemented a new Standard Operating Procedure on Equipment Procurement that includes a requirement to document agreement by all relevant parties on specific equipment needs and the partner country's willingness to accept the equipment before the procurement process is initiated.

OIG Reply: OIG reviewed the Standard Operating Procedure on Equipment Procurement and confirmed that it includes a requirement to document agreement by all relevant parties on specific equipment needs and the partner country's willingness to accept the equipment before the procurement process is initiated. OIG considers the recommendation closed.

²⁶ As of January 2015, this modification had not been approved.

Deficiency in Performance Oversight

According to ISN/ECC and Department of State Acquisition Regulation policy, when an Action Officer acts as the GTM for an award, he or she is also responsible for monitoring the contractor/grantee's performance.²⁷ OIG identified 23 instances in which Action Officers did not sufficiently monitor the performance of the contractors/grantees for which they were responsible. For one grant, the terms and conditions required that the grantee submit a monthly report to the GOR.²⁸ However, according to the grantee, the Action Officer thought this requirement was redundant and directed the grantee to stop submitting monthly reports. It is important to note that Action Officers do not have the authority to change the reporting requirements of a grant.

In another instance, a grantee did not submit its training course materials or its final attendance list, which were key deliverables.²⁹ According to the grantee, they were not aware that the award agreement listed key deliverables nor did the Action Officer require the grantee to submit them.

ISN/ECC did not have a process in place to ensure that Action Officers were satisfactorily monitoring contractors/grantees' performance. By not ensuring that contractors/grantees submit key deliverables and performance reports, ISN/ECC cannot ensure that award performance indicators³⁰ are being achieved and accurately reported.

Recommendation 6: OIG recommends that the Bureau of International Security and Nonproliferation, Office of Export Control Cooperation establish and implement a process to monitor whether contractors/grantees meet all reporting and deliverable requirements.

Management Response: ISN/ECC concurred with the recommendation, stating that it will establish a standard operating procedure on monitoring implementer performance and perform "spot checks" on at least a quarterly basis to ensure that the standard operating procedure is being implemented.

OIG Reply: OIG considers the recommendation resolved. This recommendation can be closed when OIG reviews and accepts documentation showing that ISN/ECC has established and enacted a standard operating procedure on monitoring implementer performance.

²⁷ Department of State Acquisition Regulation, Subpart 642.271(a).

²⁸ This award was valued at \$374,746.

²⁹ This award was valued at \$200,000.

³⁰ Performance indicators measure a particular characteristic or dimension of an intervention's (management effort) outputs or outcomes. Some examples of EXBS Program award performance indicators include: equipment delivery; high quality operator and maintenance training; cost control; high quality, professional training support services; and efficient and effective logistical support. In addition, EXBS Program grants identified short-term and long-term goals for activities conducted.

Unavailability of Contract and Grant Information for New Action Officers

The ISN/ECC EXBS Advisor Handbook requires Action Officers to keep back-up officers informed of developments in their portfolios to ensure that back-up officers have all relevant information. During the course of this audit, OIG interviewed five Action Officers, including an Action Officer who recently departed ISN/ECC. According to ISN/ECC management, a former Action Officer working on the Morocco portfolio did not leave any records for her successor when she left her position. According to the ISN/ECC Director, after becoming aware of the issue with the former Action Officer, ISN/ECC has been rigorous about providing new Action Officers with the contractors/grantees' historic monthly progress reports to assist in acclimating new Action Officers. In addition to the contractors/grantees' monthly progress reports, the ISN/ECC Director stated that the office also uses a shared network drive and SharePoint to store documents. Maintaining records in a central electronic repository is an effective method for ensuring that back-up officers have all relevant information.

ISN/ECC has not developed a specific policy to ensure that relevant information and documentation related to EXBS Program activities is retained and provided to succeeding officials. Failure to share historical and current documentation and knowledge disrupts the continuity of the EXBS Program and makes it difficult for new Action Officers and EXBS Advisors to assume responsibility for managing ongoing activities and awards.

Recommendation 7: OIG recommends that the Bureau of International Security and Nonproliferation, Office of Export Control Cooperation, establish and implement policies to retain and electronically maintain central, accessible, and complete files for all Export Control and Related Border Security Program-related documents.

Management Response: ISN/ECC concurred with the recommendation, stating that it will finalize an office policy that will provide guidance on how and where to store documents.

OIG Reply: OIG considers the recommendation resolved. This recommendation can be closed when OIG reviews and accepts documentation showing that ISN/ECC has established and enacted the office policy.

ISN/ECC Personnel at the Headquarters Level Maintained Ongoing Collaboration With United States Agency Partners

The President's 2010 National Security Strategy promotes a whole-of-government approach in which diplomats, development experts, and others in the U.S. Government "work side-by-side to support a common agenda," that is, a world without weapons of mass destruction. OIG found that ISN/ECC personnel at the headquarters level maintained ongoing collaboration with U.S. agency partners to strengthen and promote the EXBS Program. This collaborative relationship is fostered by monthly IWG meetings at both the executive and director levels, which the ISN Deputy Assistant Secretary and ISN/ECC Director chair respectively. During the meetings, various agency representatives provide presentations and discuss ongoing activities in

EXBS Program partner countries. The presentations, meeting agenda, and meeting minutes are stored on the EXBS SharePoint site, to which all interagency partners have access. In addition, the SharePoint site also hosts an IWG calendar, detailing all planned events in EXBS Program partner countries. Further, during the meetings, ISN/ECC representatives encourage interagency collaboration.

ISN/ECC also strengthened collaboration via one-on-one or ad hoc meetings with interagency representatives. For example, an ISN/ECC official met regularly with leadership from a partner agency in an attempt to strengthen the agency's support of the EXBS Program by emphasizing the mutual benefits of collaboration. In another instance, ISN/ECC conducted ad hoc meetings and phone calls with representatives from another U.S. Government agency to discuss training and identify ideas for information exchanges that would be of mutual benefit. ISN/ECC's ongoing collaborations with U.S. agency partners helped to lower the risk of potential overlap between the EXBS Program and other interagency partners and promoted the whole-of-government approach outlined in the President's 2010 National Security Strategy.

Finding B: EXBS Program Officials in Two of Three Countries Conducted Required Oversight of In-Country EXBS Program Activities

EXBS Advisors and Coordinators in Mexico and Morocco conducted required oversight of in-country EXBS Program activities in accordance with ISN/ECC policy. OIG found that EXBS Program officials in Jordan, Mexico, and Morocco conducted performance oversight of EXBS Program training events. Further, OIG found that EXBS officials conducted end-use monitoring (EUM) for EXBS Program-donated equipment in Mexico; however, Jordan personnel did not conduct EUM in FY 2011-FY 2013 because ISN/ECC did not enforce the requirement until FY 2014.³¹ Furthermore, EXBS Program personnel in the selected countries maintained ongoing collaboration with U.S. agency partners to strengthen and promote the EXBS Program.

Oversight of EXBS Program-Sponsored Training Events

The ISN/ECC 2013 EXBS Advisor Handbook states that when overseeing contractor/grantee performance, the EXBS Advisor's main objectives are ensuring that the U.S. Government receives what it pays for, at the agreed-upon time, and for the agreed-upon price. The EXBS Advisor Handbook includes an "EXBS Implementer [contractor/grantee] Performance Rating Worksheet," which provides basic course information, including the contractors/grantees' name, task order/interagency agreement/grant number, a brief course description, and the date that the course was completed. Further, the worksheet assigns an overall performance rating from "Blue" (superior performance) to "Red" (unacceptable performance), as well as sections in which to note contractors/grantees' strengths and weaknesses.

³¹ According to ISN/ECC records, Morocco had not received any EUM-eligible equipment donations in FY 2011-FY 2013, so no EUM took place during the time period under audit review.

Although the three EXBS Advisors did not generally complete the “Implementer [contractor/grantee] Performance Rating Worksheet,” OIG determined that the EXBS Advisors’ various methods of conducting oversight and providing feedback, such as monthly reporting cables, emails, and phone conversations, were sufficient to ensure that award performance indicators were achieved and accurately reported. The EXBS Advisors and Coordinators for Jordan, Mexico, and Morocco informed OIG that they work with contractors/grantees to coordinate logistics for training, including dates, location, venue, number of participants, lodging and transportation costs, and course content. At least one EXBS Advisor or Coordinator in each country also met with instructors, attended each course, answered questions, and met with participants to discuss the course and obtain feedback. The EXBS Coordinators maintained records of training participants and submitted these records to ISN/ECC at least annually. The EXBS Advisors at the three posts generally provided monthly reporting cables to ISN/ECC that included information on the training courses, such as the dates of the training, location, number of participants, and content of each course.

One positive impact of the oversight of the EXBS Program-sponsored training programs was that Mexican and Moroccan government officials who participated in the training programs were pleased with the training they received.³² For example, Moroccan officials who received training on legislation and regulations stated that they found the course helpful in developing Morocco’s strategic trade control laws. Mexican government officials were also pleased with the courses that they received and several officials who received a “train-the-trainer” course were able to teach the course to other Mexican government officials.

EXBS Program-Donated Equipment Monitoring

ISN/ECC’s *EXBS Property Transfer Agreements, Master Equipment Inventory and EUM Database, and EUM Standard Operating Procedure* requires EXBS Advisors to develop country-specific annual EUM plans for all donated equipment that meets applicable per unit cost thresholds and is donated within established timeframes.³³ Annual EUM plans should include sites to be visited, approximate dates for visits, general types of equipment that should be at each site, and remarks regarding the degree of difficulty (for example, remoteness from embassy location, security in the area, and limitations on access). EXBS Advisors are required to document the use, condition, and location of the items. EUM should be conducted on all eligible equipment once

³² OIG was unable to meet with officials from Jordan because, due to Ramadan and embassy staff rotations, U.S. Embassy Amman was not able to accommodate OIG’s request for a site visit. For more information, see Appendix A.

³³ For 2012 and 2013, the requirements were defined as all EXBS Program-granted items within the grant period that met one of the following conditions: the item per unit cost exceeded \$3,000 or the item was a piece of inspection/detection equipment with per unit costs exceeding \$500. Also in 2012 and 2013, EXBS Advisors were required to monitor items with per unit costs exceeding \$25,000 for a period of 10 years from the original transfer date.

every year in the normal course of visiting ports of entry such as seaports and airports; EXBS Advisors must regularly report relevant EUM observations in monthly reporting cables.

OIG obtained records of FYs 2011–2013 EXBS Program-donated equipment for Jordan, Mexico, and Morocco. For Mexico, OIG obtained a copy of the 2012 and 2013 EUM plans and corresponding EUM reports. EXBS Mexico EUM plans included sites to be visited, the general types of equipment that should be at each site, and remarks regarding degree of difficulty for performing EUM, as required. In addition, the 2012 and 2013 EXBS Mexico EUM plans included detailed monitoring schedules for equipment donated to Mexico’s Customs Administration and plans to inspect equipment donated to other Mexican government agencies. However, the plans did not include approximate dates of planned site visits. Although including this information in the plan is required, OIG concluded that including approximate dates of site visits in annual EUM plans would have been impractical because both Mexican government and EXBS Program personnel require flexibility to conduct EUM. Therefore, EXBS Mexico’s 2012 and 2013 EUM plans met all ISN/ECC key requirements.

OIG reviewed 3 EXBS Mexico EUM reports from FY 2012 and 11 EXBS Mexico EUM reports from FY 2013, which represent the total universe of Mexico EUM reports. While seven of these reports were not completed in accordance with EXBS Mexico’s annual EUM plans, OIG determined that the reports included information related to the use, condition, and location of EXBS Program-donated equipment, as required. In addition, the 2013 EXBS Mexico EUM reports included pictures of sites visited, operations observed, and inspected equipment, as shown in Figures 3 and 4. This additional information, though not required, demonstrated EXBS Mexico personnel’s commitment to oversight. These procedures constitute a best practice that ISN/ECC may wish to implement in EXBS Program partner countries worldwide.



Figure 3: (Left) Sample of EXBS Personnel EUM Activities in Mexico.



Figure 4: (Right) Eight of the 10 pagers have damage to the plastic lid that covers the batteries, thereby not providing the right amount of pressure for the batteries to make enough contact for the pagers to work correctly. (EXBS Mexico EUM - July 10, 2013).

Despite the fact that in FYs 2011–2013 Jordan received EXBS Program-donated equipment that exceeded EUM thresholds, the EXBS Jordan Advisor stated that EXBS Jordan personnel did not develop annual EUM plans for this time period, as required. In FY 2011, Jordan received EUM-eligible, EXBS Program-donated equipment valued at \$262,448; however, the EXBS Jordan Advisor did not provide any EUM reports to ISN/ECC. Similarly, in FY 2012, Jordan received EUM-eligible, EXBS Program-donated equipment valued at \$516,167. The EXBS Jordan Coordinator submitted one EUM report to the EXBS Jordan Advisor in FY 2012; however, for unexplained reasons, the EXBS Jordan Advisor did not provide this or any other formal EUM reports to ISN/ECC. Further, in FY 2013, Jordan received equipment valued at \$601,318. The EXBS Jordan Advisor reported seven EUM site visits in FY 2013 via the EXBS Jordan monthly reporting cable. However, none of these narratives included a discussion of the location, use, condition, or program impact of the equipment that was inspected. The EXBS Jordan Coordinator reported two additional EUM site visits in FY 2013; however, the EXBS Jordan Advisor did not report these visits to ISN/ECC. At ISN/ECC's direction, in FY 2014, EXBS Jordan personnel developed the country's first EUM plan. OIG determined that EXBS Jordan personnel did not perform or report EUM of EXBS Program-donated equipment in accordance with ISN/ECC policies because ISN/ECC personnel did not enforce established EUM policies.

As a result of EXBS Jordan personnel's failure to perform EUM in accordance with ISN/ECC policies, there is no assurance that EXBS Program-donated equipment is in its intended locations, is in the possession of its intended custodians, or is being used for its intended purposes. In addition, the condition of the EXBS Program-donated equipment is unknown. Missing or broken equipment should be marked as such during EUM activities in order for replacement equipment to be incorporated into ISN/ECC country plans.

Recommendation 8: OIG recommends that the Bureau of International Security and Nonproliferation, Office of Export Control Cooperation, direct EXBS Advisors and Coordinators to conduct end-use monitoring for Export Control and Related Border Security Program-donated equipment in accordance with policies.

Management Response: ISN/ECC concurred with the recommendation, stating that it revised the Standard Operating Procedure on EUM, outlining a more efficient and effective policy to monitor and record the end-use of equipment. ISN/ECC stated that the new standard operating procedure was implemented in January 2014 and the first cycle of annual reporting was completed in February 2015.

OIG Reply: OIG reviewed the revised Standard Operating Procedure on EUM and confirmed that it directs EXBS Advisors to conduct EUM for eligible equipment items at least once a year and provides additional detail on equipment that requires EUM. OIG considers the recommendation closed.

ISN/ECC Personnel in Morocco, Mexico, and Jordan Maintained Ongoing Collaboration with U.S. Agency Partners

The President's 2010 National Security Strategy promotes a whole-of-government approach in which diplomats, development experts, and others in the U.S. Government "work side-by-side to support a common agenda," that is, a world without weapons of mass destruction. OIG found that EXBS Program personnel in Morocco, Mexico, and Jordan maintained ongoing collaboration with U.S. agency partners to strengthen and promote the EXBS Program. EXBS Program officials formed cooperative working relationships with other U.S. Government agencies and coordinated with third-country representatives to expand the program's security and nonproliferation effort, avoid duplication of effort, and strengthen foreign assistance.

Morocco

At U.S. Embassy Rabat, EXBS Program officials have well-established working relationships with interagency partners. The EXBS Advisor is a member of the country team and the Law Enforcement Working Group,³⁴ along with representatives from multiple agencies that play a role in security and nonproliferation, including the Department of Defense, the Defense Attaché Office, and DHS. Coordination activities included providing the names of potential training participants to partner agencies for vetting to ensure that officials were not referred for training that may not have been needed. Additionally, interagency partners coordinated with EXBS Program officials to sponsor training and multiple interagency partners reported collaborating with host-government officials on EXBS Program-sponsored projects. In cooperation with DHS, the EXBS Program sponsored two Moroccan Gendarmerie Royale officers for 2 weeks of Operational Maritime Law training at the Malta Maritime Safety and Security Training Center.

Mexico

At U.S. Embassy Mexico City, EXBS Program officials have well-established working relationships with interagency partners. The EXBS Advisor is a member of the country team and several working groups. Interagency partners coordinated with EXBS Program officials to sponsor training and multiple interagency partners reported collaborating with host-government officials on EXBS Program activities. For example, EXBS Mexico hosted the Nonproliferation Working Group in November 2011. This was a bi-lateral meeting between the Government of Mexico and other interagency partners. Interagency partner presenters included officials from DHS Customs and Border Protection, the Office of Defense Cooperation, and the Department of Energy.

EXBS Program officials also coordinated visits to host-government sites with interagency partners. For example, a DHS Customs and Border Protection official stated that if EXBS Program officials were traveling to Mexican seaports and land borders, she would also attend in order to

³⁴ The Law Enforcement Working Group was established in 2007 to serve as a Mission's primary policy and operational coordinating forum on law enforcement issues.

establish contacts with host-government officials. In another instance, the Office of Defense Cooperation introduced representatives from Mexico's Army, Air Force, Navy, and Marine Corps to EXBS Program officials. The Office of Defense Cooperation also shared training opportunities with EXBS Program officials. In one instance, EXBS Program officials helped to advertise a U.S. Southern Command-sponsored training and identified participants to attend.

Jordan

At U.S. Embassy Amman, the Regional EXBS Advisor and in-country Coordinator reported collaborating with interagency partners, including the Department of Energy, DHS Immigration and Customs Enforcement, DHS Customs and Border Protection, and the Department of Defense's Defense Threat Reduction Agency and OIG confirmed that EXBS Jordan personnel have well-established working relationships with interagency partners. Since the Regional EXBS Advisor for Jordan is not located in country,³⁵ the collaboration between the EXBS Program and other interagency partners was limited to emails and, when possible, face-to-face meetings. The in-country EXBS Coordinator met with interagency partners, such as the Department of Energy and DHS Immigration and Customs Enforcement, when those agencies conducted training. For example, in FY 2011, EXBS Jordan conducted meetings between the Department of Energy and Jordan Customs officials. The focus was to develop a commodity identification curriculum, which would be used to train officers on the identification of common dual-use items that may be traded in or transit through Jordan. In FY 2011, EXBS Jordan and DHS hosted International Cargo Interdiction training. In FY 2013, DHS provided training for 32 Jordan customs border security officials on passenger and cargo inspection, smuggling interdiction, and training on how to use EXBS Program-donated equipment.

EXBS Advisors' ongoing collaborations with U.S. agency partners helped to lower the risk of potential overlap between the EXBS Program and other interagency partners and promoted the whole-of-government approach outlined in the President's 2010 National Security Strategy.

³⁵ The Regional EXBS Advisor for Jordan is located at U.S. Embassy Ankara, Turkey. The advisor oversees the EXBS Program in Jordan, Lebanon, and Turkey, with assistance from in-country EXBS Coordinators.

RECOMMENDATIONS

Recommendation 1: OIG recommends that the Bureau of International Security and Nonproliferation, Office of Export Control Cooperation, in coordination with the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, establish and implement a process to monitor contracting officer's representatives' contract files to ensure that all required information is documented in accordance with Department policies and the Federal Acquisition Regulation.

Recommendation 2: OIG recommends that the Bureau of International Security and Nonproliferation, Office of Export Control Cooperation, in coordination with the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management when applicable, establish and implement a process to monitor grants officer representatives' grant files to ensure that all required information is documented in accordance with Department policies.

Recommendation 3: OIG recommends that the Bureau of International Security and Nonproliferation, Office of Export Control Cooperation, provide all Financial Management Team personnel with direct access to the Global Financial Management System to accurately track all Export Control and Related Border Security Program-funded contract and grant obligations, de-obligations, and unliquidated obligations.

Recommendation 4: OIG recommends that the Bureau of International Security and Nonproliferation, Office of Export Control Cooperation, direct Action Officers to review and implement the office's communication policy.

Recommendation 5: OIG recommends that the Bureau of International Security and Nonproliferation, Office of Export Control Cooperation, establish and implement a policy to require that all procurement requests be documented and vetted through headquarters, the embassy, and the host-government prior to contract award.

Recommendation 6: OIG recommends that the Bureau of International Security and Nonproliferation, Office of Export Control Cooperation establish and implement a process to monitor whether contractors/grantees meet all reporting and deliverable requirements.

Recommendation 7: OIG recommends that the Bureau of International Security and Nonproliferation, Office of Export Control Cooperation, establish and implement policies to retain and electronically maintain central, accessible, and complete files for all Export Control and Related Border Security Program-related documents.

Recommendation 8: OIG recommends that the Bureau of International Security and Nonproliferation, Office of Export Control Cooperation, direct EXBS Advisors and Coordinators

to conduct end-use monitoring for Export Control and Related Border Security Program-donated equipment in accordance with policies.

APPENDIX A: SCOPE AND METHODOLOGY

The Office of Inspector General (OIG), Office of Audits, conducted this performance audit to determine whether the Department of State (Department), Bureau of International Security and Nonproliferation, Office of Export Control Cooperation's (ISN/ECC) administration and oversight of foreign assistance funding dedicated to the Export Control and Related Border Security (EXBS) Program ensures that funding was expended in accordance with Department policies, achieved desired results, and contributed to meeting the President's National Security Strategy.

OIG conducted fieldwork for this performance audit from May to September 2014 at ISN/ECC headquarters, U.S. Embassy Rabat (Morocco), and U.S. Embassy Mexico City (Mexico). In addition, OIG conducted site visits to various contractors/grantees in the District of Columbia/Northern Virginia area; Athens, Georgia; and Albuquerque, New Mexico.

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 its findings and conclusions based on its audit objective. OIG believes that the evidence obtained provides a reasonable basis for its findings and conclusions based on the audit objective.

To obtain background information for this audit, OIG researched and reviewed Federal laws and regulations, as well as Department internal guidance. OIG reviewed the Federal Acquisition Regulation; the *Foreign Affairs Manual*; the *Foreign Affairs Handbook*; the Code of Federal Regulations; Office of Management and Budget Circular A-123; Department of State, Bureau of Administration, Office of the Procurement Executive, Grants Policy Directives; and the Department of State Acquisition Regulation.

To obtain an understanding of ISN/ECC contract, grant, and cooperative agreement¹ administration and oversight procedures, OIG met with ISN/ECC officials at headquarters; EXBS Advisors, Coordinators, and host-government officials in Mexico and Morocco; and interagency partners both at the two of three selected overseas locations and headquarters. OIG reviewed and analyzed contract and grant documentation. To validate that contract and grant terms and conditions were met, OIG reviewed monthly reporting documents, training records (for example, course evaluation sheets and sign-in sheets), and training presentations; interviewed training participants in Mexico and Morocco; and conducted end-use monitoring for EXBS Program-donated equipment in Mexico.

¹ Cooperative agreements are referred to as grants for the remainder of this report.

Limitations

Due to Ramadan and embassy staff rotations, U.S. Embassy Amman (Jordan) was not able to accommodate OIG's request for a site visit until after November 2014, which was beyond our planned fieldwork period. Accordingly, OIG did not conduct a site visit to U.S. Embassy Amman, nor did we conduct interviews with Jordanian government officials who received EXBS Program-sponsored training or conduct end-use monitoring for EXBS Program-donated equipment in Jordan. However, OIG did conduct teleconference interviews with the Regional EXBS Jordan Advisor and the EXBS Jordan Coordinator.

Prior Reports

In 2014, OIG issued an inspection report on ISN. Additionally, in 2014, OIG issued two Management Alerts to the Department related to contract file and grant management. Further, in 2012, the Bureau of Administration, Office of the Procurement Executive, conducted one related assessment. Below is a synopsis of the prior work conducted by these organizations:

- A September 2014 OIG Management Alert, *Grants Management Deficiencies, MA-14-03*, emphasized significant deficiencies in the Department's grant management process, including: 1) insufficient oversight caused primarily by a small number of employees managing a large number of grants; 2) deficiencies related to the training of grant officials; and 3) inadequate documentation and significant delays in the grant closeout process. OIG urged the Department to take immediate action to ensure that adequate numbers of properly trained grant officers and grants officer representatives are assigned, required documentation is maintained in grant files, and expired grants are closed out in a timely manner. Similar to the Management Alert for Contract File Maintenance, the Under Secretary for Management and the Bureau of Administration, Office of the Procurement Executive agreed with their respective recommendations and have taken steps to implement them, but the recommendations remain open and will continue to be tracked through our audit compliance process until they have been fully implemented.
- A July 2014 OIG inspection report, *Inspection of the Bureau of International Security and Nonproliferation (ISP-I-14-19)*, found that management of prior year unliquidated obligations in ISN/ECC was inadequate. ISN routinely failed to use foreign assistance funding prior to the end of the 5-year period of availability. OIG found that approximately \$2 million in ISN foreign assistance funds were cancelled at the end of FY 2013 and approximately \$2.2 million was cancelled at the end of FY 2012. Many obligations also showed long and unexplained periods of inactivity (from 2 to 5 years). ISN/ECC staff members stated that they reviewed unliquidated obligations regularly, but were unable to provide documentation to justify keeping these funds tied up in long, inactive agreements. Failure to reconcile these and other prior-year balances precluded their use for other purposes and reflected a lack of attention to financial management at the office and bureau levels. OIG issued several recommendations to ISN regarding

oversight and management of ISN's foreign assistance funding; ISN agreed with all of the recommendations.

- A March 2014 OIG Management Alert, *Contract File Management Deficiencies, MA-A-0002*, identified significant vulnerabilities in the management of contract file documentation that could expose the Department to substantial financial losses. Over the past 6 years, OIG identified contracts with a total value of more than \$6 billion in which contract files were incomplete or could not be located at all. The failure to maintain contract files adequately creates significant financial risk and demonstrates a lack of internal control over the Department's contract actions. The Management Alert contained recommendations to the Under Secretary for Management and to the Bureau of Administration, Office of the Procurement Executive for improving contract oversight. Both entities agreed with their respective recommendations and have taken steps to implement them, but the recommendations remain open and will continue to be tracked through our audit compliance process until they have been fully implemented.
- An April 2012 Bureau of Administration, Office of the Procurement Executive, Review of ISN/ECC assessed regulatory compliance and identified best practices. Observations included: (1) ISN/ECC did not have a formal standard operating procedure for grants management; (2) post-award activities were maintained electronically and not in the official grant award file; (3) ISN/ECC was allowing recipients to adjust budget line items up to 15 percent of the total budget without prior approval by the grants officer; (4) advisors' reporting cables did not link EXBS Program activities to a specific award; and (5) grants officer representatives did not consistently provide monitoring and site visit reports to the grants officer.

Work Related to Internal Controls

To assess the adequacy of internal controls related to policies, procedures, and processes related to the areas audited, OIG took the following actions:

- obtained and reviewed the policies, procedures, and processes related to the administration and oversight of EXBS Program-related contracts and grants;
- interviewed ISN/ECC personnel responsible for the administration and oversight of EXBS Program-related contracts and grants;
- reviewed contract files for significant deficiencies and noncompliance with Federal and the Department regulations; and
- interviewed ISN/ECC personnel and interagency partners to identify the extent of collaboration to meet the President's National Security Strategy.

OIG identified a number of internal control weaknesses, which are summarized in the Audit Results section of this report.

Use of Computer-Processed Data

OIG used computer-generated data obtained from ISN/ECC to identify ISN/ECC's contract and grant awards and modifications in FYs 2011–2013.² However, after testing the data, OIG determined that the data was not reliable (see Finding A). To assess the reliability of computer-processed data, OIG interviewed officials knowledgeable about the data, traced the data to source documentation, and compared ISN/ECC-compiled data to publicly available information in the Federal Procurement Data System-Next Generation (FPDS-NG) and USAspending.gov.

With regard to contract data, OIG reconciled ISN/ECC-provided data to information on awards obtained via a query of FPDS-NG. OIG identified significant discrepancies between the two data sources. ISN/ECC included actions that were outside OIG's scope (prior to FY 2011 and after FY 2013); a number of ISN/ECC's records were identified by an incorrect task order number (OIG was able to match the dates and value of funding obligated to FPDS-NG data related to other task orders); almost half of ISN/ECC's records did not correspond to FPDS-NG obligation data; and more EXBS Program-related contract actions were reported in FPDS-NG than in the listing provided by ISN/ECC. The audit team traced FPDS-NG data to contract documentation in the Global Financial Management System to confirm the inconsistencies with ISN/ECC-provided data.

With regard to grant data, OIG reconciled ISN/ECC-provided data to information on awards obtained via a query of USAspending.gov. OIG identified significant discrepancies between the two data sources. ISN/ECC identified nine grants that were not reported in USAspending.gov; a number of ISN/ECC's records were reported in USAspending.gov under different grant numbers; ISN/ECC did not include several EXBS Program-related grants in its submission because they were no longer active (OIG determined that these nine inactive grants should have been included in the original submission, as they were awarded or modified in FY 2012 or FY 2013); and ISN/ECC personnel erroneously identified the timing of obligations (i.e., indicated that funding was obligated in FY 2011, despite the fact that the grant was not awarded until FY 2012).

These discrepancies gave rise to the concern that the data that ISN/ECC provided was not accurate or complete. Although the universe of contracts and grants that ISN/ECC provided was not reliable, OIG obtained additional information related to EXBS Program contracts and grants from FPDS-NG; USAspending.gov; the Global Financial Management System; Bureau of Administration, Office for Logistics Management, Office of Acquisitions Management; contract files; and contractors/grantees' files. OIG concludes that this additional data related to the

² During the audit planning phase, OIG focused on FY 2012 and FY 2013. Once fieldwork began, OIG expanded the audit scope to include contract and grant actions that occurred during FY 2011.

contracts and grants selected for review was sufficient to support its findings, and the evidence obtained provides a reasonable basis for determining the deficiencies identified in the report.

Detailed Sampling Methodology

Using a non-statistical sampling method known as judgmental sampling, OIG identified a sample consisting of 8 grants and 20 unique task orders that were associated with 5 indefinite delivery/indefinite quantity contracts.³

Identification of the Universe

Prior to defining its audit scope, OIG requested that ISN/ECC personnel provide information related to all contracts and grants awarded or modified during FY 2012 and FY 2013. OIG conducted an entrance conference with ISN/ECC in May 2014, after which OIG decided to expand the audit scope to include FY 2011 contract and grant data. OIG obtained and reviewed a listing of EXBS Program-related contracts from FPDS-NG, as well as a listing of EXBS Program-related grants from USAspending.gov for the FYs 2011–2013 timeframe in order to assess the reliability of the project universe used for the sample design. OIG found that the data did not match. The data inconsistencies, in conjunction with the data reliability tests performed, indicates that ISN/ECC could not provide the full universe of awards. Nevertheless, OIG determined that contracts and grants could be judgmentally selected for review based on the data provided, and the contracts and grants included in OIG’s review represent a sample that could be used to support our findings and recommendations.

Selection of Contracts and Grants

OIG selected contracts that ISN/ECC awarded or modified between FY 2011 and FY 2013 for review. Specifically, OIG judgmentally selected 20 task orders (of 81 task orders that OIG identified)⁴ valued at \$30,001,283 that were awarded under 5 indefinite delivery/indefinite quantity contracts. ISN/ECC valued its universe of FYs 2011–2013 contracts at \$49,352,065. To obtain a broad sample selection, OIG used the following criteria in selecting the 20 task orders: OIG obtained a country-specific list of EXBS Program funding for FY 2011, FY 2012, and FY 2013; OIG selected those countries that received EXBS Program funding of \$1 million or more. OIG also considered those countries’ level of corruption.⁵ The 20 selected task orders are shown in Table A.1.

³ FAR 16.501-2 states that an indefinite-delivery indefinite-quantity contract is one that may be used to acquire supplies or services when exact times and exact quantities of future deliveries are not known at the time of the contract award.

⁴ ISN/ECC provided OIG 91 records of contract actions associated with 54 task orders. Through data reliability testing, OIG identified a total universe of 81 task orders.

⁵ Transparency International is a non-governmental organization that monitors and publicizes corruption in international development. Its Corruption Perceptions Index ranks countries based on how corrupt a country’s public sector is perceived to be, drawing from expert and business surveys carried out by a variety of independent institutions. Scores range from 0 (highly corrupt) to 100 (very clean). Jordan’s score is 45; Morocco’s score is 37; Mexico’s score is 34. In comparison, the United States’ score is 73.

Table A.1: Sample Selection of ISN/ECC EXBS Program Contracts

| | Contractor | Task Order # SAQMMA | Country and Description |
|----|---------------------------------------|--------------------------------|---|
| 1 | Los Alamos Technical Associates, Inc. | 10F5264 | Jordan/Mexico; procure and deliver inspection and detection equipment. |
| 2 | Los Alamos Technical Associates, Inc. | 11F2322 | Jordan; provide training to host-government officials. |
| 3 | Los Alamos Technical Associates, Inc. | 11F4596 | Mexico; procure and deliver inspection and detection equipment. |
| 4 | Los Alamos Technical Associates, Inc. | 12F4574 | Jordan/Mexico; procure and deliver inspection and detection equipment. |
| 5 | Los Alamos Technical Associates, Inc. | 12F0865 | Jordan; assist the host-government in drafting legislation and implementing regulations. |
| 6 | Los Alamos Technical Associates, Inc. | 12F1588 | Jordan; provide training to host-government officials. |
| 7 | Los Alamos Technical Associates, Inc. | 12F4309 | Mexico/Morocco; conduct in-country assessments of strategic trade control systems. |
| 8 | Los Alamos Technical Associates, Inc. | 13F4011 | Mexico; develop and provide training to host-government officials. |
| 9 | Los Alamos Technical Associates, Inc. | 13F4052 | Mexico; develop and provide training to host-government officials. |
| 10 | Los Alamos Technical Associates, Inc. | 13F4332 | Morocco; provide training to host-government officials. |
| 11 | Culmen International, LLC | 11F2750 | Jordan; procure and deliver inspection and detection equipment. |
| 12 | Culmen International, LLC | 12F4267 | Jordan; procure and deliver inspection and detection equipment. |
| 13 | Culmen International, LLC | 13F1322 | Jordan; transfer and deliver inspection and detection equipment. |
| 14 | Potomac River Group, LLC | 11F4229 | Jordan; provide training to host-government officials. |
| 15 | Potomac River Group, LLC | 11F4358 | Jordan; procure and deliver inspection and detection equipment. |
| 16 | Potomac River Group, LLC | 13F4274 | Mexico/Morocco; procure and deliver inspection and detection equipment. |
| 17 | Potomac River Group, LLC | 13F4336 | Jordan; procure and deliver inspection and detection equipment. |
| 18 | Commonwealth Trading Partners, Inc. | 11F4321 | Mexico; provide fully-functional Internal Control Programs tools and provide training to host-government officials. |
| 19 | Commonwealth Trading Partners, Inc. | 11F4413 | Mexico; assist the host-government in establishing and implementing an effective licensing officer training program |

| Contractor | Task Order # SAQMMA | Country and Description |
|--|---------------------|--|
| | | and provide training to host-government officials. |
| 20 Commonwealth Trading Partners, Inc. | 12F4706 | Mexico; provide training to host-government officials. |

Source: OIG-generated based on data provided by ISN/ECC; the Bureau of Administration, Office for Logistics Management, the Office of Acquisitions Management; FPDS-NG; and the Global Financial Management System.

In addition to the task orders selected above, OIG selected 8 grants (of 41 grants that OIG identified)⁶ valued at \$8,069,042. ISN/ECC valued its universe of FYs 2011–2013 grants at \$23,199,075. OIG employed the same methodology in selecting the grants as in selecting contracts. The eight grants selected are shown in Table A.2.

Table A.2: Sample Selection of ISN/ECC EXBS Program Grants

| | Grantee | Grant # | Country and Description |
|---|---|--------------------|---|
| 1 | University of Georgia Research Foundation, Inc. | S-LMAQM-07-GR-163 | Jordan/Mexico; provide training to host-government officials. |
| 2 | University of Georgia Research Foundation, Inc. | S-PMECO-12-CA-1003 | Morocco; provide consultations to assist in establishing a functioning, effective strategic control system. |
| 3 | University of Georgia Research Foundation, Inc. | S-PMECO-13-GR-1002 | Mexico/Morocco; provide the Security and Strategic Trade Management Academy to EXBS Program-sponsored students. |
| 4 | Wisconsin Project on Nuclear Arms Control | S-PMECO-10-GR-0029 | Mexico; provide Risk Report access and training to host-government officials. |
| 5 | Mr. Toomas Raba | S-PMECO-12-CA-0053 | Jordan; provide legal and technical assistance by conducting a legislative gap analysis of existing laws and identifying deficiencies in the existing strategic trade control system. |
| 6 | Organization of American States | S-PMECO-12-CA-1007 | Mexico; assist in implementing United Nations Security Council Resolution 1540. |
| 7 | World Customs Organization | S-PMECO-12-GR-5001 | Mexico; conduct a conference on Strategic Dual Use Goods and Related Border Controls. |
| 8 | United Nations Office of Drugs | S-PMECO-12-GR-5003 | Morocco; conduct Container Control |

⁶ ISN/ECC provided OIG 49 records of grant actions associated with 33 grants. Through data reliability testing, OIG identified a total universe of 41 grants.

| Grantee | Grant # | Country and Description |
|----------------|----------------|---|
| and Crime | | Program activities in selected countries. |

Source: OIG-generated based on data provided by ISN/ECC and USASpending.gov.

APPENDIX B: TIMELINE FOR EQUIPMENT PURCHASE

The timeline below details the significant events involved in the Bureau of International Security and Nonproliferation, Office of Export Control Cooperation's (ISN/ECC) purchase of two Vehicle and Cargo Inspection System (VACIS) container scanners, valued at \$2.8 million, for the Government of Morocco.

| | |
|--------------------|---|
| September 2009 | An ISN/ECC cable documented that, during an Export Control and Related Border Security (EXBS) Program event, a Government of Morocco official "provided an official request listing their current stock and scanning needs." The Government of Morocco requested: <ul style="list-style-type: none"> • 5 Z Backscatter X-Ray drive-through systems for light vehicles • 5 Mobile Scanning systems with a minimum power of 4.5 MeV |
| March 2010 | The Embassy Rabat mission strategic plan includes the Government of Morocco's request for "high quality scanning devices to meet international standards and obligations." |
| March 10, 2012 | The FY 2012 EXBS Morocco Program Plan stated that the EXBS Program was "prepared to provide a VACIS container scanner unit for Morocco's use," as well as training related to "equipment maintenance, use, and X-ray image analysis." |
| September 30, 2013 | ISN/ECC awarded a contract for "mobile container scanning system: gamma ray imaging for space-limited French environments mounted on a rugged truck chassis; able to scan 60 or more trucks with containers per hour (such as MobileVACIS® Truck Mobile NII Cargo Inspection System)." |
| January 23, 2014 | ISN/ECC modified the contract to purchase extended 2-year warranties for the two VACIS scanners. The modification increased the cost from \$2,456,991.39 to \$2,875,407.99. |
| January 31, 2014 | The EXBS Morocco Advisor stated in a monthly reporting cable (14 RABAT 76) that "EXBS Washington announced January 28 purchase of two mobile VACIS scanners for delivery to Morocco." |
| February 18, 2014 | The Government of Morocco sent Embassy Rabat a formal Diplomatic Note stating that it did not want gamma-ray scanners and would like to replace them with X-ray scanners. |
| March 28, 2014 | The implementer sent the Government of Morocco a letter requesting clearances and permits for the impending delivery of two VACIS scanners. |
| April 2, 2014 | The EXBS Morocco Advisor stated in a monthly reporting cable (14 RABAT 294) that "[Government of Morocco official] repeated his request for additional X-ray scanners for use at Tangier Med. The [Ministry of Foreign Affairs] has submitted a formal request with X-ray specs, which we sent previously to [ISN/ECC]. The Moroccans cannot accommodate gamma scanners." |

APPENDIX C: DEPARTMENT OF STATE RESPONSE



United States Department of State
*Bureau of International Security and
Nonproliferation*
Washington, D.C. 20520

MAR 10 2015

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MEMORANDUM

TO: OIG/AUD – Norman P. Brown

FROM: ISN/ECC – Andrew P. Church, Acting 

SUBJECT: Draft Report on Audit of the Bureau of International Security and Nonproliferation's Administration and Oversight of Foreign Assistance Funds Related to the Export Control and Related Border Security Program

Thank you for the opportunity to respond to the recommendations in the subject draft report. Enclosed are our responses to your preliminary recommendations.

Since its creation, ISN/ECC has continually sought to improve its management of the Export Control and Related Border Security (EXBS) Program and better achieve results. We are proud of our record of accomplishment in advancing U.S. nonproliferation objectives, including the recent adoption by several countries of comprehensive strategic trade control legislation, establishment in a number of countries of targeting and risk management capabilities to detect and interdict illicit transfers, expansion of nonproliferation awareness to the financial sector, and successfully leveraging partnerships with international organizations to promote better enforcement practices among a large group of countries.

We welcome the OIG's recommendations to improve our administration and oversight of the EXBS Program. We have already implemented or begun to implement some of the recommendations and look forward to establishing and implementing more effective processes to further strengthen our program.

If you have any questions concerning our response, please contact me at (202) 647-
 or Melissa Moore at (202) 647-

Attachments: (1) ISN/ECC Draft Report Audit Response
(2) ISN/ECC SOP on EXBS Equipment Procurement Process
(3) SOP on Property Transfer Agreement, Master Inventory List, and End Use Monitoring

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ISN/ECC's RESPONSE TO THE DRAFT OIG AUDIT REPORT

ISN/ECC's Response to the Draft Audit Report March 10, 2015

Recommendation 1: OIG recommends that the Bureau of International Security and Nonproliferation, Office of Export Control Cooperation, in coordination with the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, establish and implement a process to monitor contracting officer's representatives' contract files to ensure that all required information is documented in accordance with Department policies and the Federal Acquisition Regulation.

RESPONSE: Concur with this recommendation. The Bureau of International Security and Nonproliferation, Office of Export Control Cooperation (ISN/ECC) has begun coordination efforts with the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM) to establish procedures and contingency plans to ensure more consistent oversight by qualified and trained contracting officer's representatives (COR) throughout the lifecycle of all ECC contracts. ECC anticipates that the new process will be established by end of fiscal year 2015, and will commence its implementation immediately thereafter. This timeline reflects the need for further coordination and consultation among the respective AQM and ISN/ECC personnel.

ISN/ECC's Financial Management Team now utilizes a central location within the shared drive, in addition to hard copy files, to maintain copies of COR/GTM designation letters, progress reports, limited correspondence, contractor performance assessment reporting system (CPARS) input, modifications, and payment reports from the Global Financial Management System (GFMS). The Financial Management Team is currently working on an internal standard operating procedure on storing expenditure related data.

Recommendation 2: OIG recommends that the Bureau of International Security and Nonproliferation, Office of Export Control Cooperation, in coordination with the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management when applicable, establish and implement a process to monitor grant officer representatives' grant files to ensure that all required information is documented in accordance with Department policies.

RESPONSE: Concur with this recommendation. ISN/ECC has begun coordination efforts with A/LM/AQM, the Office of Procurement Executive (OPE), OPE's Federal Assistance Office (A/OPE/FA), and the Bureau of the Comptroller and

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ISN/ECC's RESPONSE TO THE DRAFT OIG AUDIT REPORT

Global Financial Services (CGFS/DCFO) to establish procedures and contingency plans to ensure more consistent oversight by qualified and trained grant officer's representatives (GOR) throughout the lifecycle of all ECC grants. ECC anticipates that the new process will be established by the end of fiscal year 2015, and will commence its implementation immediately thereafter. This timeline reflects the need for further coordination and consultation among the respective AQM, OPE, DCFO, and ECC personnel.

Within the past six months, ISN/ECC's Financial Management Team has continued to experience personnel turnover; however, the program gained an additional GS-14 employee in January 2015 to serve as a full-time Grants Management Specialist and transferred a Foreign Service Officer position to the Financial Management Team, effective in August 2014, that contributes part-time assistance with grants management. Moving forward, by having adequate manpower that is solely focused on grants, ECC can effectively comply with the standards prescribed by the Department's Federal Assistance Policy Handbook and Grant Policy Directives.

Recommendation 3: OIG recommends that the Bureau of International Security and Nonproliferation, Office of Export Control Cooperation, provide all Financial Management Team personnel with direct access to the Global Financial Management System to accurately track all Export Control and Related Border Security Program-funded contract and grant obligations, de-obligations, and unliquidated obligations.

RESPONSE: Concur with this recommendation. To date, ISN/ECC has established GFMS accounts for nine staff; six of those personnel are within the Financial Management Team. With access to GFMS, ISN/ECC can now more effectively track its contract and grant data, ensuring awareness of how and to what extent EXBS program funds are being expended.

With access to GFMS, coupled with additional manpower and coordination with our implementers, ISN/ECC has effectively tracked, reconciled, and verified expenditures in order to close-out contracts and request the de-obligation and reclassification of over \$3.38 million in unliquidated obligations across four fiscal years. In December 2014, ISN/ECC de-obligated and reclassified \$507,000 and, in March 2015, requested to de-obligate and reclassify \$2,874,983.

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It should be noted that ISN/ECC's access to GFMS is still limited, as are the benefits of such access. An OIG/ISP memorandum of February 26, 2015, entitled "Management Assistance Report-Department Financial Systems Are Insufficient to Track and Report on Foreign Assistance Funds, ISP-I-15-14," stated that the Department's core financial system program's (GFMS and RFMS) efforts to facilitate tracking and managing of foreign assistance programs and related reporting have been piecemeal. The memo also clearly indicates that a long-term, comprehensive plan with target completion dates is required to address stakeholders' needs related to tracking assistance funds by program, project, country, region, and purpose (sector). ISN/ECC would benefit greatly from a more robust version of GFMS that tracks expenditures by country, so that the office can use it as the primary and authoritative source of accounting data for the entire program.

Recommendation 4: OIG recommends that the Bureau of International Security and Nonproliferation, Office of Export Control Cooperation, direct Action Officers to review and implement the office's communication policy.

RESPONSE: Concur with this recommendation. The work commitments for ISN/ECC Action Officers include the following: "Provides guidance, support and oversight to program implementers to ensure effective use of program funds." The ISN/ECC Director and Deputy Director will reiterate to the Action Officers the importance of such communication with program implementers during a March 2015 staff meeting and in a memorandum circulated to Action Officers by the end of March 2015. To formalize this guidance, ISN/ECC will revise a document it developed in mid-2014 clarifying the roles and responsibilities of Action Officers, Advisors, and Locally Employed Staff to include specific requirements related to Action Officers' communication with program implementers.

Recommendation 5: OIG recommends that the Bureau of International Security and Nonproliferation, Office of Export Control Cooperation, establish and implement a policy to require that all procurement requests be documented and vetted through headquarters, the embassy, and the host-government prior to contract award.

RESPONSE: Concur with this recommendation. ISN/ECC developed a new Standard Operating Procedure (SOP) on Equipment Procurement to provide a consistent, coordinated, and comprehensive approach for all EXBS equipment procurements, including a requirement to document agreement by all relevant

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parties on specific equipment needs, and the partner country's willingness to accept the equipment, before the Financial Management Team will initiate the procurement process. The new SOP, enclosed with this memo, was distributed in February 2015 to all ISN/ECC personnel, EXBS Program Advisors, and EXBS Program LE Staff.

Recommendation 6: OIG recommends that the Bureau of International Security and Nonproliferation, Office of Export Control Cooperation establish and implement a process to monitor whether contractors/grantees meet all reporting and deliverable requirements.

RESPONSE: Concur with this recommendation. ISN/ECC will establish an office SOP on monitoring implementer performance with the objective to ensure that performance indicators are being achieved and accurately reported. The SOP will reference the below listed actions that are now taking place and guidance from existing COR/GOR requirements, as listed in the FAR and Department of State Acquisition Regulations, and place emphasis on processes that ensure GTMs are tracking task order/grant deliverables and performance reports. ISN/ECC expects to complete the SOP during the fourth quarter of fiscal year 2015. ISN/ECC management will perform spot checks on at least a quarterly basis to ensure that the SOP is being implemented.

Since November 2014, ISN/ECC has been more engaged with the performance and financial review of existing task orders and grants and communication between the Action Officers and Financial Management Team on contract/grant deliverables. This has been accomplished and documented through various means such as:

- Annual CPARS evaluations: Evaluations are inputted into CPARS by the COR on the Financial Management Team. These evaluations are based upon input submitted by each Action Officers/GTM in ISN/ECC. Each submission assesses a contractor's performance and provides a record, both positive and negative, on a given contractor during a specific period of time. Each assessment is based on objective facts and supported by program and contract management data, such as cost performance reports, customer comments, quality reviews, technical interchange meetings, financial solvency assessments, construction/production management reviews, contractor operations reviews, functional performance evaluations, and earned contract incentives.
- Quarterly ULO reviews: The Financial Management Team distributes DoS-GFMS ULO reports to each implementer, requesting feedback on

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the status of the contract-deliverable-invoice, verification of ULO amount, and period of performance dates. The Action Officers then verify the feedback received from the implementers.

- Bi-weekly Action Officers' and the Financial Management Team meetings: Bi-weekly meetings including the Financial Management Team and the Action Officers are held to discuss a myriad of topics, to include any issues (positive or negative) regarding any contracts and grants.
- COR/GOR evaluation: Prior to the execution of modification requests to contracts and grants, the Action Officer is required to provide a brief evaluation of the contract/grant in question.
- Payment clearance process: Prior to the approval of contract and grant payments, the Financial Management Team verifies financial records and contacts the Action Officers if there are any questions, and provides the Action Officers the invoices for their review and approval prior to payment.

Recommendation 7: OIG recommends that the Bureau of International Security and Nonproliferation, Office of Export Control Cooperation, establish and implement policies to retain and electronically maintain central, accessible, and complete files for all Export Control and Related Border Security Program-related documents.

RESPONSE: Concur with recommendation. ISN/ECC continues to work on the re-organization of office files on both the shared drive and SharePoint in order to ensure that relevant information and documentation related to EXBS program activities are retained and provided to succeeding officials.

Enhancements have been made to the SharePoint site so that its access and functionality permits use as an efficient repository for key program documents and a tickler system for transaction requests. In addition, the office has created guides on how to properly navigate through SharePoint and locate documents. ISN/ECC will finalize an office policy that will provide guidance on how and where to store various types of documents during the third quarter of fiscal year 2015.

Recommendation 8: OIG recommends that the Bureau of International Security and Nonproliferation, Office of Export Control Cooperation, direct EXBS Advisors and Coordinators to conduct end-use monitoring for Export Control and Related Border Security Program-donated equipment in accordance with policies.

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RESPONSE: Concur with this recommendation. ISN/ECC revised its SOP on End-use Monitoring (EUM), outlining a more efficient and effective policy to monitor and record the end-use of transferred equipment, within legal and reasonable limits. The SOP states that on an annual basis, EXBS Advisors, working with Post, Action Officers and the EXBS Property Manager, shall update the EUM for each country. The Annual EUM Plan reflects how the EXBS Program plans to monitor all EUM-eligible, EXBS-donated equipment over the coming year. At the completion of each calendar year, EXBS Advisors, working with Post, Action Officers and the EXBS Property Manager, will produce an Annual EUM Report for each of their countries that address the results of all monitoring efforts over the previous year. The Annual EUM Report will describe the extent to which planned EUM activities were accomplished, including all positive outcomes/impacts, problems encountered, remedial steps taken, and considerations for future EUM activities. All EUM plans and reports will be filed on the ECC shared drive and SharePoint in order to ensure that relevant EUM information and documentation related to EXBS Program activities are retained and provided to succeeding officials. The new SOP was implemented in January 2014 and the first cycle of annual reporting was completed in February 2015.

ABBREVIATIONS

| | |
|---------|---|
| CO | Contracting Officer |
| COR | Contracting Officer's Representative |
| DHS | Department of Homeland Security |
| ECC | Office of Export Control Cooperation |
| EUM | End-use monitoring |
| EXBS | Export Control and Related Border Security |
| FAR | Federal Acquisition Regulation |
| FPDS-NG | Federal Procurement Data System – Next Generation |
| GO | Grants Officer |
| GOR | Grants Officer Representative |
| GTM | Government Technical Monitor |
| ISN | Bureau of International Security and Nonproliferation |
| IWG | Interagency Working Group |
| OIG | Office of Inspector General |
| OMB | Office of Management and Budget |
| VACIS | Vehicle and Cargo Inspection System |

OIG AUDIT TEAM

Regina Meade, Director
Security and Intelligence Division
Office of Audits

Soraya Vega, Audit Manager
Security and Intelligence Division
Office of Audits

Nina Lin, Senior Auditor
Security and Intelligence Division
Office of Audits

Rachel Kell, Senior Auditor
Security and Intelligence Division
Office of Audits

Christopher Yu, Management Analyst
Security and Intelligence Division
Office of Audits

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