



# OIG HIGHLIGHTS

View Report: [ISP-I-15-36](#).

September 2015  
OFFICE OF INSPECTIONS  
Domestic Operations and Special Reports

## Review of Department of State Compliance with Program Evaluation Requirements

### What OIG Found

- From 2012 to 2014, the Bureau of Budget and Planning and the Office of U.S. Foreign Assistance Resources established a basic infrastructure for conducting evaluations, including publishing guidance and providing both evaluation training and evaluation technical assistance.
- Of the 39 Department of State bureaus and offices covered by the policy, 16 did not comply with the requirement to complete 2 to 4 program evaluations between February 2012 and the end of FY 2014.
- The Department of State would benefit from more frequent and comprehensive training for all elements of the planning and performance framework, which includes strategic planning, performance management, monitoring, and evaluation.
- The Department of State only provides guidance on conducting evaluations, but other performance management methods are also useful.
- The Department of State does not devote sufficient human or budgetary resources to evaluation.
- The Department of State's bureaus do not consistently incorporate evaluation findings into the budget and strategic planning processes.

### What OIG Inspected

OIG reviewed the Department's compliance with and implementation of the 2012 Program Evaluation Policy during January 5–March 21, 2015.

### What OIG Recommends

The OIG team recommended that the Bureau of Budget and Planning require a discussion of performance in the Bureau Resource Request for diplomatic engagement funding and that the Office of U.S. Foreign Assistance Resources, in coordination with the Bureau of Budget and Planning, should include other performance management tools in the guidance associated with the Evaluation Policy.



OIG

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# Review of Department of State Compliance with Program Evaluation Requirements

## DOMESTIC OPERATIONS AND SPECIAL REPORTS

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## KEY FINDINGS

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- From 2012 to 2014, the Bureau of Budget and Planning and the Office of U.S. Foreign Assistance Resources established a basic infrastructure for conducting evaluations, including publishing guidance and providing both evaluation training and evaluation technical assistance.
- Of the 39 Department of State bureaus and offices covered by the policy, 16 did not comply with the requirement to complete 2 to 4 program evaluations between February 2012 and the end of FY 2014.
- The Department of State would benefit from more frequent and comprehensive training for all elements of the planning and performance framework, which includes strategic planning, performance management, monitoring, and evaluation.
- The Department of State provides guidance on conducting evaluations, but other performance management methods could be responsive to requirements.
- The Department of State does not devote sufficient human or budgetary resources to evaluation.
- The Department of State's bureaus do not consistently incorporate evaluation findings into the budget and strategic planning processes.

## CONTEXT

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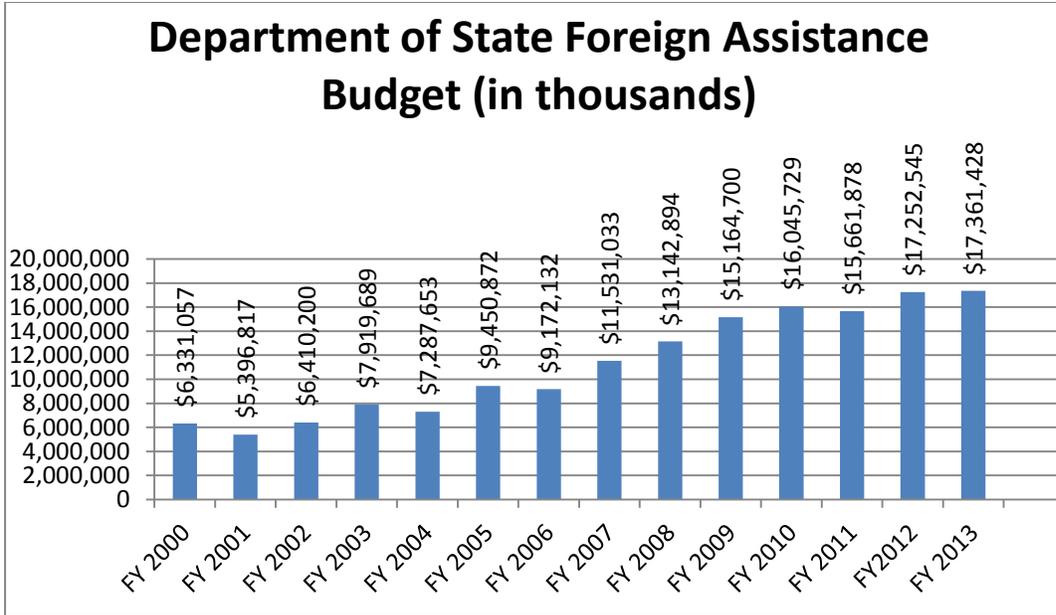
This report reviews Department of State (Department) compliance with the 2012 Program Evaluation Policy. The policy applies to 39 Department bureaus and offices, including the Bureau of Budget and Planning (budget bureau) and the Office of U.S. Foreign Assistance Resources (foreign assistance office), which are tasked with policy implementation.

The Department issued the first iteration of the program evaluation policy in October 2010; however, it only required evaluations of grant- and contract-funded programs and projects. In 2012, the Department expanded the policy to state that it applied to “evaluations of the Department’s diplomatic and development programs, projects, and activities” but retained the name Program Evaluation Policy. In the Department, however, the word “program” is most commonly used to describe foreign assistance programs.

The official Department definition of evaluation, currently found in 18 Foreign Affairs Manual (FAM) 301.1-1(B) issued February 6, 2015, reads: Evaluation is the systematic collection and analysis of information about the characteristics and outcomes of programs, projects, and processes as a basis for judgments, to improve effectiveness, and/or inform decision-makers about current and future activities. Evaluation is distinct from assessment, which may be designed to examine country or sector context to inform project design, or an informal review of projects.

As the definition says, evaluation uses data and analysis to determine how well a program or activity is meeting its goals. Evaluation looks at outcomes and achievement of objectives, not just outputs. For example, if the program is supposed to teach judges in country X to apply the rule of law to improve the sentences imposed, the number of judges trained would be an output. An evaluation would look at the outcome—whether court cases were more likely to be conducted according to local law and if the sentences imposed more closely met the requirements of the country’s law.

Evaluations are suitable for some types of programs and activities, but many other ways exist in which data and analysis can improve performance. After-action reviews allow a group to assess lessons learned, monitoring reports assess the progress of a program against the approved work plan and budget, and organizational assessments look at the performance of an organization. These examples are performance management tools that may be more appropriate than an evaluation for assessing performance.



**Figure 1.** Department of State Foreign Assistance Budgets as reported by the foreign assistance office.

The FY 2014 Department Foreign Assistance budget totaled \$17.6 billion.<sup>1</sup> The tripling of foreign assistance work at the Department since FY 2001—as well as the establishment of the foreign assistance office in 2006—served as an impetus for the Department to develop processes and tools to improve program and performance management skills, including evaluation skills, of the Department’s workforce.

## POLICY IMPLEMENTATION

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### Department Established Basic Infrastructure for Evaluations

In 2012, the Department designated the budget bureau as the coordinator for evaluations of operating account programs, projects, and activities (referred to in this report as diplomatic engagement) and the foreign assistance office as the coordinator for foreign assistance-funded

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<sup>1</sup> FY 2014 Agency Financial Report, p.44

programs, projects, and activities. The foreign assistance office and budget bureau established a basic infrastructure for conducting evaluations in the Department. For example, as required by the policy, the budget bureau and the foreign assistance office developed and published on the internal Department Web site policy guidance, a toolkit, guidelines, and a glossary and established a contracting mechanism to procure evaluation services. The foreign assistance office and the budget bureau also contracted with an outside vendor to provide evaluation training. As required by the policy, each Department bureau—and certain independent offices—identified a point of contact for evaluation, later termed a bureau evaluation coordinator (BEC), and the foreign assistance bureau and the budget bureau established an evaluation community of practice, which held meetings where BECs discussed evaluation issues. The foreign assistance office and the budget bureau also offer evaluation technical assistance, including reviewing draft statements of work, evaluation reports, and bureau evaluation plans, as well as liaison with the Office of Acquisitions.

### **Department Policy Requires Bureaus to Conduct Evaluations**

The Department issued an evaluation policy in 2012 that required all large programs, projects, and activities to be evaluated at least once in their lifetime or every 5 years.<sup>2</sup> The 2012 policy further required that each bureau evaluate two to four programs, projects, or activities from February 2012 to the end of FY 2014. This requirement was modified in a February 6, 2015 update to 18 FAM 301.1-2(A) to require completion of at least one evaluation annually for each bureau.

### **Department Did Not Conduct Required Number of Evaluations**

Of the 39 bureaus and offices covered by the policy, 16 did not comply with the requirement to complete 2 to 4 program evaluations between February 2012 and the end of FY 2014, as stated in 18 FAM 314.1(g). In total, the 39 bureaus and offices reported conducting 118 evaluations in the 2-year period; however, uniformity was lacking in the number of evaluations conducted per

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<sup>2</sup> Bureau of Resource Management Department of State Evaluation Policy, February 23, 2012. “Large programs, projects, or activities” are defined in the 2012 policy as programs whose dollar value equals or exceeds the median dollar value of the program, project, or activity for the bureau.

bureau. Evaluations were a new concept to most bureaus, and most bureaus did not yet have the staff or funding to complete evaluations. The word “program” in the policy was misleading and confusing in its application. In addition, some bureaus misinterpreted the requirement to perform evaluations as expiring at the end of FY 2014. The budget bureau and the foreign assistance office clarified the policy in a February 2015 update that removed the word “program” and changed the number of evaluations required. Not enough time has passed since the policy update for the OIG to comment on compliance with the new requirement.

## **Evaluation Findings Not Fully Integrated In Budget and Strategic Planning Processes**

Eighteen of 38<sup>3</sup> bureaus and offices covered by the evaluation policy mention evaluations in their Bureau Resource Requests. Bureau Resource Requests are planning documents each bureau prepares to explain and justify the resources required to achieve its strategic goals and objectives. Thirteen of the 19 Bureau Resource Requests that did not mention evaluations were from bureaus that receive only diplomatic engagement (operational) funding. Bureau Resource Request guidance requires bureaus to complete a separate section titled Discussion of Performance for foreign-assistance funding, in which bureaus describe how past program performance has informed their resource request. However, a separate discussion of performance is not required for diplomatic engagement funding, although the FY 2017 Bureau Resource Request guidance does include evaluations in a list of items that may be cited as justification for the budget request. According to 18 FAM 316.2 (2012) and 18 FAM 301.1-5 (2015), all bureaus, regardless of funding type, must use evaluation findings or results in planning and budget formulation processes. The purpose of the discussion of performance is to ensure that evaluation findings inform budgetary decisions and follow-on programs. Failure to use evaluations to inform decisions could result in lack of program, project, or activity improvements in planning, design, and implementation and lead to wasteful spending.

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<sup>3</sup> One office had not completed a Bureau Resource Request at the time of this review.

**Recommendation 1:** The Bureau of Budget and Planning should add a required discussion of performance section in the Bureau Resource Request for diplomatic engagement funding. (Action: BP)

## **Some Evaluations Did Not Meet Department's Definition of Evaluation**

The OIG team reviewed 88 of a total of 118 evaluations completed by bureaus and offices in the 32 months between February 2012 to October 2014, and found that 40 of the 88 did not meet the required elements of an evaluation. To determine whether the reports met evaluation standards under the Department's 2012 policy, the OIG team used a Checklist for Assessing Evaluation Reports based on the criteria contained in the policy to determine critical evaluation report elements. The OIG team assessed whether the evaluation of 88 reports reviewed met these criteria. Many of the reports were other types of performance management tools, such as organizational assessments and monitoring reports. According to 18 FAM 301.1-2(A), bureaus and independent offices are directed to prepare evaluations using uniform guidance in the policy. However, the guidance focused solely on evaluation, which is not always appropriate for measuring performance. Bureaus have developed monitoring reports, strategic mapping exercises, internal process reviews, and organizational assessments that may be more appropriate tools for meeting evaluation objectives for some bureaus or programs. The Government Performance and Results Act of 1993, Section 115(d)(7) allows agencies discretion in determining how to prepare assessments that provide objective measurement and systematic analysis of activities. Failure to provide complete guidance could result in continued noncompliance with the policy and contribute to a lack of improvements in programs, projects, or activities.

**Recommendation 2:** The Bureau of Budget and Planning, in coordination with the Office of U.S. Foreign Assistance Resources, should include other performance management tools in the guidance associated with the Evaluation Policy. (Action: BP, in coordination with F)

## **Resources Devoted to Evaluation Are Inadequate**

The Department has not devoted sufficient human or budgetary resources to evaluation. OIG prepared a survey instrument to bureaus to assess their views on implementation of the evaluation policy. Twenty of 36 BECs the OIG team interviewed did not perform evaluation duties full-time. Uniformity is lacking in the capabilities of evaluators—10 bureaus and offices told the OIG team that they had no trained, experienced evaluator on staff.

Evaluation has a longer history in the foreign assistance interagency community but is a newer concept for diplomatic engagement offices. Therefore, the BECs for diplomatic engagement programs, projects, and activities generally require more assistance with evaluations. Insufficient resources to conduct evaluations make it difficult for bureaus and offices to comply with the policy or to make evaluation a priority.

As required by 18 FAM 313.2(b) (2012), the budget bureau and the foreign assistance office provided evaluation training to assist bureaus in implementing the policy. Since 2012, 150 Department employees have received training on how to evaluate the Department's diplomatic and foreign assistance programs, projects, and activities. Department personnel interviewed had high praise for the training courses, but the courses are oversubscribed so not all who request training are accommodated. During the course of the review, the budget bureau formally requested the Foreign Service Institute to take over the training course; however, the Foreign Service Institute verbally declined to do so, citing space and staff constraints.

Despite this lack of resources, the foreign assistance office and the budget bureau have set in place since 2012 an infrastructure that has improved the Department's ability to conduct evaluations. The foreign assistance office and the budget bureau conducted four evaluation funding competitions in an effort to provide limited funding for evaluations. These competitions allowed participating bureaus and offices to develop evaluation expertise. The OIG team observed a training session run by the foreign assistance office that provided detailed guidance to bureau staff members on how to improve the designs of the evaluation statements of work in order to improve the utility of the evaluations. The foreign assistance office and, in particular, the budget bureau are also understaffed and cannot meet the demand for guidance on evaluation and related issues from bureaus and offices.

## **Transparency Requirements Are Different for Foreign Assistance and Diplomatic Engagement**

The 2015 policy update<sup>4</sup> requires that bureaus and offices post a summary of foreign assistance evaluations on a Web site available to the public, but the policy does not require such public dissemination for diplomatic engagement evaluations. Diplomatic engagement evaluations are posted internally, unless they are sensitive or classified, where they are accessible to all Department bureaus and independent offices for discussion and learning.

The budget bureau believes diplomatic engagement bureaus and offices should use evaluations internally to identify program improvements. Although Federal Government policy does not specifically require publication of internal evaluations, failure to disclose the results of evaluations is not consistent with the President's Memorandum on Transparency and Open Government, which commits agencies to place information about their operations and decisions online and make them available to the public.

In addition, the OIG team found that the Evaluation Management System, which is the software system managed by the budget bureau that serves as the system of record for all evaluations funded by diplomatic engagement funds, is not fulfilling its function as an information-sharing platform. Difficulties cited by users include the lack of a user-friendly interface; the inability of a bureau to update information on its planned, completed, and future evaluations; and the inability to remove erroneously uploaded documents. The OIG team advised the budget bureau to address the deficiencies in the system.

## **Gaps in Training and Performance Management Hamper Department's Ability to Perform Evaluations**

Because the evaluation policy and the Integrated Strategic Planning, Budgeting, Program and Performance Management Framework apply to all Department programs, projects, and activities, training needs extend beyond BECs to Department leaders, planners, and program

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<sup>4</sup> 18 FAM 319 (2015)

managers, both Civil Service and Foreign Service. However, the OIG team found gaps in training related to the entire planning and performance management framework. These gaps concern not only evaluation, but also strategic planning, budgeting, and program design and management, which are outside the scope of this review. However, effective planning, data collection, and program design contribute to production of useful evaluations, which in turn inform planning and budgeting.

The updated 2015 policy and guidance still do not provide direction to bureaus and offices on how to select and use the appropriate performance management tool. The updated guidance does not link to information regarding how to design programs, determine which data to collect, monitor programs, and incorporate evaluation information into planning. The OIG team therefore recommended that this guidance be incorporated in the guidance associated with the Evaluation Policy.

### **Evaluation Is Only One Piece of Performance Management Cycle**

Evaluation is only one piece of the Department's Integrated Strategic Planning, Budgeting, Program and Performance Framework; however, it is considered essential to the Department's ability to document program impact, identify best practices, help assess return on investment, provide input for policy and planning decisions, and assure performance and accountability for the American people (See Figure 2.).



*State Program Evaluations measure program performance, outcomes, and inputs and provide lessons learned.*

**Figure 2.** Integrated Strategic Planning, Budgeting, Program and Performance Framework (source: State Evaluation Policy Portal)

Over the past several decades, performance management, which includes evaluations as one of its many elements, has been the focus of legislation and regulation. Presidential Policy Directive/PPD-6 called for an increased investment of resources in monitoring and evaluation, with evaluation findings to be incorporated into the policy and budget process. Office of Management and Budget memoranda require agencies to evaluate programs for efficacy and cost-efficiency and demonstrate the use of evidence in budget submissions. The Department’s 2010 Quadrennial Diplomacy and Development Review also called for the Department and the U.S. Agency for International Development to plan foreign aid budgets and programs, “based not on dollars spent, but on outcomes achieved,” and highlighted the need to create better monitoring and evaluation systems.

The 2012 policy built upon the requirements in the Government Performance and Results Act (GPRA) of 1993 and the GPRA Modernization Act of 2010. GPRA requires agencies to submit a strategic plan for program activities, including a description of planned evaluations to establish or revise goals and objectives, among other requirements; and the GPRA Modernization Act discusses evaluation as one of many tools an agency may use to work toward program improvement.<sup>5</sup>

Despite the requirements to use data and analytics to improve programs, a Department-funded study<sup>6</sup> on evaluating diplomacy found that current and former senior Foreign Service officers and other bureau leaders were generally not aware of or supportive of the value of evaluation for diplomatic efforts. Lack of support from leadership can result in inadequate resources being devoted to program and performance management, including evaluation.

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<sup>5</sup> The overarching guidance for foreign assistance work in the Department, 18 FAM 005, although dated February 2015, is based on the July 2012 Department cable, 12 STATE 72171, and has not been updated.

<sup>6</sup> Exploratory Study on How to Evaluate Department of State Diplomatic Programs; March 14, 2014

## RECOMMENDATIONS

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**Recommendation 1:** The Bureau of Budget and Planning should add a required discussion of performance section in the Bureau Resource Request for diplomatic engagement funding. (Action: BP)

**Recommendation 2:** The Bureau of Budget and Planning, in coordination with the Office of U.S. Foreign Assistance Resources, should include other performance management tools in the guidance associated with the Evaluation Policy. (Action: BP, in coordination with F)

## PRINCIPAL OFFICIALS

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Title	Name	Arrival Date
Director, Office of Foreign Assistance Resources	Hari Sastry	10/14
Director, Bureau of Budget and Planning	Barbara Retzlaff	03/11

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## APPENDIX A: SCOPE AND METHODOLOGY

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This inspection was conducted in accordance with the Quality Standards for Inspection and Evaluation, as issued in 2012 by the Council of the Inspectors General on Integrity and Efficiency, and the Inspector's Handbook, as issued by OIG for the Department and the Broadcasting Board of Governors (BBG).

### Purpose and Scope

The Office of Inspections provides the Secretary of State, the Chairman of BBG, and Congress with systematic and independent evaluations of the operations of the Department and BBG. Inspections cover three broad areas, consistent with Section 209 of the Foreign Service Act of 1980:

- **Policy Implementation:** whether policy goals and objectives are being effectively achieved; whether U.S. interests are being accurately and effectively represented; and whether all elements of an office or mission are being adequately coordinated.
- **Resource Management:** whether resources are being used and managed with maximum efficiency, effectiveness, and economy and whether financial transactions and accounts are properly conducted, maintained, and reported.
- **Management Controls:** whether the administration of activities and operations meets the requirements of applicable laws and regulations; whether internal management controls have been instituted to ensure quality of performance and reduce the likelihood of mismanagement; whether instance of fraud, waste, or abuse exist; and whether adequate steps for detection, correction, and prevention have been taken.

### Methodology

In conducting inspections, the inspectors review pertinent records; as appropriate, circulate, review, and compile the results of survey instruments; conduct onsite interviews; and review the substance of the report and its findings and recommendations with offices, individuals, organizations, and activities affected by this review.

For this inspection, the OIG team conducted 62 Department interviews and 5 external (public-sector) interviews. The team conducted a survey of bureau evaluation coordinators. A total of 33 of 40 bureaus and offices responded to the survey, including 1 office that is not subject to evaluation policy requirements. The team also observed two meetings, as well as all three

information sessions held by the Budget bureau in February 2015 to introduce the revised evaluation policy and associated guidance.

The OIG team reviewed 37 bureau resource requests, 39 functional bureau strategies and joint regional strategies, and 28 bureau evaluation plans for compliance with the 2012 evaluation policy.

The team developed an internal checklist used to ensure uniformity in the team's review of evaluations against the requirements for evaluations listed in the 2012 evaluation policy.

## ABBREVIATIONS

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BBG	Broadcasting Board of Governors
BEC	Bureau evaluation coordinator
Budget bureau	Bureau of Budget and Planning
Department	Department of State
FAM	<i>Foreign Affairs Manual</i>
Foreign assistance office	Office of U.S. Foreign Assistance Resources
GPRA	Government Performance and Results Act of 1993

## INSPECTION TEAM MEMBERS

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