



OIG

Office of Inspector General

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

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AUD-MERO-17-08

Office of Audits

November 2016

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# Audit of the Bureau of Near Eastern Affairs Middle East Partnership Initiative

## MIDDLE EAST REGION OPERATIONS

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# OIG HIGHLIGHTS

AUD-MERO-17-08

## What OIG Audited

The Department of State's (Department) Bureau of Near Eastern Affairs (NEA) is responsible for managing the multimillion-dollar Middle East Partnership Initiative (MEPI) program. During FYs 2013 and 2014, NEA managed 400 separate MEPI awards, with total Federal funding of \$461.3 million. MEPI provides funding to non-governmental organizations, civil society organizations, educational institutions, local governments, and private businesses to implement projects that promote political, economic, and social reform.

The Office of Inspector General (OIG) conducted this audit to determine whether the goals and objectives of the MEPI program were being achieved and whether NEA effectively monitored the MEPI grants and cooperative agreements. To do this, OIG reviewed 30 MEPI awards executed during FYs 2013 and 2014.

## What OIG Recommends

OIG made five recommendations to NEA to improve the performance management and oversight of MEPI awards. NEA concurred with all five recommendations, which OIG considered resolved, pending further action. NEA's response to the recommendations (see Appendix C) and OIG's replies are presented after each recommendation.

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Middle East Region Operations

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### What OIG Found

NEA could not systematically demonstrate that MEPI was achieving its goals and objectives to promote political, economic, and social reform in the Middle East and North Africa. OIG found that NEA created performance indicators that did not facilitate decisionmaking or lacked baseline data and performance targets. Specifically, OIG found that 194 of the 357 performance indicators measured outputs—the amount of services provided—rather than outcomes, which measure the effectiveness of a program, and less than half of the indicators fully met Performance Management Guidebook criteria for indicator appropriateness. In addition, NEA staff members did not establish baselines for 114 or targets for 80 of the 357 indicators. Also, OIG verified that NEA achieved only 43 percent of performance targets. NEA officials explained that performance indicators were poorly created, in part, because the assistance award process was compartmentalized and their personnel received inconsistent training. Although NEA cited anecdotal successes for the MEPI program, it could not provide systematic evidence of MEPI's success or provide useful information to decision makers managing the multimillion-dollar program.

OIG also found that NEA did not sufficiently monitor the 30 MEPI awards. Specifically, 27 of the 30 awards reviewed did not have required monitoring plans, and the plans for the remaining 3 awards did not focus on achieving targets and objectives. Further, NEA staff members did not conduct site visits for 10 of the 30 awards, conducted only one site visit each for 18 of the 30 awards, and did not focus on whether the award recipients were achieving the award objectives during site visits. In addition, OIG found that NEA reviews of the recipients' quarterly reports often were not thorough and lacked meaningful comments: 91 of the 137 reports contained no comments or were limited to comments such as "OK" and "on track." NEA officials said that they limited the number of monitoring staff to make available more funds for the award recipients. As a result of insufficient monitoring, MEPI objectives may not be met and opportunities to correct performance challenges may be missed.

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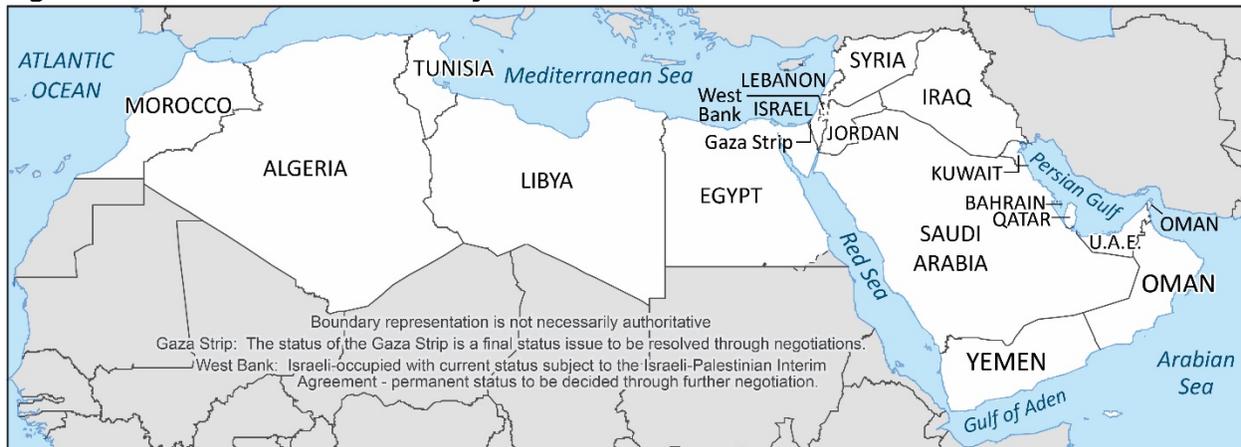
## OBJECTIVE

The Department of State (Department), Office of Inspector General (OIG), initiated this audit to determine whether the Bureau of Near Eastern Affairs (NEA) Middle East Partnership Initiative (MEPI) program was achieving its goals and objectives and whether NEA effectively monitored its MEPI grants and cooperative agreements.

## BACKGROUND

MEPI is an NEA program designed to promote political, economic, and social reform in 18 locations in the Middle East and North Africa. MEPI provides support through cooperative agreements and grants<sup>1</sup> to civil society organizations, community leaders, and private-sector groups to implement projects designed to directly engage and invest in the people of the Middle East and North Africa region. Through these partnerships, MEPI aims to help build the capacity of the region's agents of change, including local business leaders, scholars, students, and lawmakers. Figure 1 shows the countries in which MEPI is currently active.

**Figure 1: Locations With MEPI Projects**



Source: U.S. Department of State MEPI Program.

During FYs 2013 and 2014, NEA managed 400 separate MEPI awards, with total Federal funding of \$461.3 million.<sup>2</sup> Congress appropriates funds to MEPI through the Economic Support Fund. Table 1 shows the amounts Congress appropriated to MEPI each year from FY 2012 to FY 2015.

<sup>1</sup> Although governed by the same policies, grants and cooperative agreements have slightly different requirements. Both award types transfer funds from the Federal agency to the recipient; however, cooperative agreements require substantial involvement between the Federal agency and the recipient in carrying out the agreement, whereas grants do not.

<sup>2</sup> The \$461.3 million includes all funding for each award, some of which may have been multi-year awards and thus included funds obligated before FYs 2013 and 2014.

**Table 1: Annual Appropriations to MEPI—FYs 2012–2015**

<b>Fiscal Year</b>	<b>Amount</b>
2012	\$70,000,000
2013	\$67,510,000
2014	\$75,000,000
2015	\$40,800,000
<b>Total</b>	<b>\$253,310,000</b>

**Source:** Department of State Congressional Budget Justifications.

In 2010, NEA established three overall goals for the MEPI program:<sup>3</sup>

- **Promoting pluralistic societies** where diversity is reflected in social organizations, politics, business, media, and government, and where all citizens have equal standing, protected by guaranteed rights and by independent and effective courts of law.
- **Promoting participatory societies** where citizens have regular opportunities to play an active role in making decisions that affect their lives and in holding their governments accountable.
- **Supporting prosperous societies** where education, specialized skills training, and an environment conducive to business development inspire innovation and create a foundation for long-term economic growth and an internationally competitive private sector.

## Department Guidance for Performance Management

Two Department documents provide guidance and requirements for planning and monitoring assistance awards.

The first document, the Performance Management Guidebook (Guidebook), sets standards for planning Department operations. The Guidebook outlines a systematic process for monitoring the achievement of program activities; analyzing performance to track progress toward planned results; and using performance information and evaluations to influence decisionmaking, resource allocation, and program implementation and results.<sup>4</sup>

The Guidebook states that a bureau, program, or project should establish goals, which are defined as statements of the desired outcomes or long-term results. The Guidebook also states that bureaus, programs, and projects should have specific, measurable, outcome-oriented

<sup>3</sup> See MEPI Results Framework, Bureau of Near Eastern Affairs, September 9, 2010.

<sup>4</sup> The Government Performance and Results Act Modernization Act of 2010 requires Federal agencies to establish performance indicators to be used in measuring progress toward performance goals, such as efficiency and output, and outcome indicators to provide a basis for comparing actual program results with the established performance goals (GPRA Modernization Act of 2010, Pub. L. No. 111-352, § 1115(b)(6-7), 124 Stat. 3866). Although the act does not refer to performance indicators in the context of grants and cooperative agreements, establishing performance indicators at the level and using them as a basis for performance indicators at higher levels is one means of ensuring the accuracy of the agencies' performance reporting. OIG selected the Performance Management Guidebook as a criterion for evaluating the performance indicators which NEA's Office of Assistance Coordination established because it was the only Department-wide guidance available.

objectives for the near- to mid-term; performance indicators to measure progress toward achieving desired outcomes; and baseline data and performance targets for each indicator. A baseline is the starting value of a performance indicator against which future progress will be measured, and performance targets are specific, planned levels of results to be achieved within a defined period.

The second document, Grants Policy Directive (GPD) 42, "Monitoring Assistance Awards," focuses on the monitoring necessary to determine whether an award recipient is progressing toward achievement of a program's intended objectives. GPD-42 applies to all Federal assistance actions in the Department. It requires grants management personnel to ensure that the award's goals have been accomplished and that award recipients comply with the award terms and conditions, financial and program reporting requirements, and implementation of project activities in a timely manner. On March 13, 2015, GPD-42 was consolidated into the Department's newly established Federal Assistance Policy Directive. The Federal Assistance Policy Directive did not substantially change the requirements set forth in the GPDs.<sup>5</sup>

## Oversight of MEPI Grants and Cooperative Agreements

NEA's Office of Assistance Coordination (NEA/AC)<sup>6</sup> manages MEPI. NEA/AC is responsible for developing and implementing a coherent and comprehensive assistance policy and ensuring that assistance programs support Department and overall U.S. Government priorities and policies for the region.<sup>7</sup> NEA/AC serves as NEA's lead office in areas such as assistance policy, grants management, project monitoring and evaluation, budget preparation, sector programming, and development issues.

Grants officers, grants officer representatives (GOR), grants management specialists, program coordinators, and locally employed grants management staff members all contribute to the management of the MEPI program. The Bureau of Administration, Office of the Procurement Executive (A/OPE), authorizes grants officers by a certificate of appointment to award, amend, and terminate grants and cooperative agreements.<sup>8</sup> Grants offices are located in Washington, DC, and in the MEPI regional offices in Rabat, Morocco, and Kuwait City, Kuwait. A grants officer in Washington, DC, issues all awards greater than \$250,000, and the grants officers in the regional offices issue most of the awards for lesser amounts.

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<sup>5</sup> Because the grants and cooperative agreements reviewed in this audit were active during FYs 2013 and 2014, OIG used the GPDs—not the Federal Assistance Policy Directive that superseded them—as criteria when conducting this audit.

<sup>6</sup> This section refers to NEA/AC because it discusses the internal organization and procedures of that office. The remainder of the report refers only to NEA, which provides oversight to NEA/AC. The report's recommendations are addressed to NEA.

<sup>7</sup> MEPI was previously a separate office within NEA. In June 2014, NEA consolidated all of its foreign assistance coordination functions into one central office, NEA/AC, in Washington, DC. The purpose of this reorganization was to more effectively and efficiently coordinate and link assistance to overall U.S. Government policy.

<sup>8</sup> GPD-28, rev. 1, "Roles and Responsibilities for the Award and Administration of Federal Assistance."

Department policy requires the grants officer to designate a GOR for awards exceeding \$100,000. The GOR is certified by A/OPE and should have technical expertise related to program implementation. The GOR's role is to help the grants officer ensure that the Department exercises prudent management and oversight of the award through the monitoring and evaluation of the recipient's performance.<sup>9</sup> GORs are located at NEA/AC and at embassies where the work is performed.

Up to five grants management specialists also work in the NEA/AC Washington, DC, office, coordinating with award recipients and reviewing quarterly performance reports that the award recipients submit. A Foreign Service Officer at each embassy serves as coordinator for the MEPI program. The locally employed staff assist in the management of the program by coordinating with award recipients.

## What OIG Audited

OIG selected 30 of the 400 MEPI awards that were active at some point in FYs 2013 and 2014 (see Appendix A, "Purpose, Scope, and Methodology").<sup>10</sup> This sample covered 10 selected countries or areas and, with some exceptions, included the highest value awards in each of them.<sup>11</sup> Together, the 30 awards in OIG's sample had a combined value of approximately \$106.3 million—almost one-fourth of the \$461.3 million<sup>12</sup> total for all active awards during those 2 years. Table 2 shows the number and total value of MEPI awards OIG reviewed by country or location. See Appendix B for a list of the awards sampled.

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<sup>9</sup> GPD-16, rev. 3, "Designation of Grants Officer Representatives."

<sup>10</sup> OIG obtained data from USAspending.gov, System for Awards Management System (SAMS), and NEA. OIG and compared the data from each source with the others to ensure that they were the data was complete and sufficiently reliable to serve as a basis for the audit conclusions.

<sup>11</sup> To select 30 different high dollar award recipients, OIG chose the highest value award recipients in each country. Where an award recipient had already been selected in another country, OIG selected the next highest dollar value award recipient. This eliminated any duplication of award recipients.

<sup>12</sup> The total value of the awards includes funding from years prior to FY 2013. The value of each award equals the total amount that was recorded as an obligation in the Department's financial system when the award was made and when additional funding was added. Characters 9 and 10 of the award number (see Table B.1 in Appendix B) indicate the fiscal year of the initial award. For example, award "S-NEAPI-09-CA-0286" was awarded in 2009.

**Table 2: Number and Value of MEPI Awards in OIG’s Audit Sample by Place of Performance**

Location/Country	Number of Awards	Value of Awards (\$Million)
Egypt	3	11.3
Israel	3	1.4
Jordan	2	1.2
Lebanon	5	23.8
Libya	1	5.0
Middle East and North Africa Regional Awards	1	4.5
Morocco	2	2.9
Syria	2	27.0
Tunisia	7	26.8
West Bank & Gaza	4	2.4
<b>Total</b>	<b>30</b>	<b>\$106.3</b>

**Note:** Total may be affected by rounding.

**Source:** Generated by OIG from data provided by NEA and USASpending.gov.

OIG reviewed program management plans for each of the 30 awards. These awards had a combined total of 357 performance indicators.<sup>13</sup> OIG then reviewed the work plans from the award recipients for the 30 awards. The work plans for these awards scheduled achieving the targets for 222 of the 357 performance indicators during FYs 2013 and 2014. OIG reviewed all 357 performance indicators to determine (1) the extent to which the indicators met Guidebook criteria for indicator appropriateness; (2) whether NEA established baselines and performance targets for the performance indicators; and (3) whether the award recipients had achieved the 222 performance targets scheduled for completion during FYs 2013 and 2014. OIG also reviewed award documentation provided by NEA to evaluate the thoroughness of NEA’s oversight and monitoring.

## AUDIT RESULTS

### Finding A: NEA Could Not Demonstrate MEPI Was Achieving Its Goals and Objectives

NEA could not systematically demonstrate that MEPI was achieving its goals and objectives to promote political, economic, and social reform in the Middle East and North Africa. OIG found the following: (1) more than half the performance indicators created by NEA focused on outputs rather than outcomes, (2) slightly less than half the performance indicators fully met Guidebook criteria for indicator appropriateness to facilitate decisionmaking, and (3) almost a third of

<sup>13</sup> Although the Guidebook does not provide criteria as to the number of indicators for each award, U.S. Agency for International Development guidance for developing performance indicators for assistance awards states that the number of indicators is influenced by the complexity of the program. However, that guidance also does not provide specific criteria. (See USAID’s Performance Monitoring & Evaluation TIPS: Selecting Performance Indicators, Number 6, 2nd Edition, 2010.)

performance indicators lacked baseline data or performance targets. Specifically, OIG's review of 30 MEPI awards executed in FYs 2013 and 2014 found that 194 of the 357 performance indicators measured outputs rather than outcomes, 175 of 357 of the performance indicators did not fully meet Department guidance for indicator appropriateness, and grants management staff members did not establish baselines for 114 of the 357 indicators or establish performance targets for 80 of the performance indicators reviewed. In addition, OIG verified that NEA achieved only 96 (43 percent) of the 222 performance targets. NEA officials explained that performance indicators, baselines, and targets were poorly created, in part, because at the time NEA managed these awards in FYs 2013 and 2014, the award process was compartmentalized and NEA personnel did not receive consistent training on their formulation and implementation.<sup>14</sup> As a result, NEA cannot demonstrate MEPI's success or provide useful information to decisionmakers who manage the multimillion-dollar program. Although NEA cited several specific examples of success within the MEPI program, such examples are anecdotal and do not reflect the results of systematic analyses connecting program actions with specific outcomes.

### ***MEPI Performance Indicators Focused on Outputs Rather Than Outcomes***

The Guidebook states that a bureau, program, or project should establish goals, which are defined as statements of the desired outcomes or long-term results. The Guidebook also states that bureaus, programs, and projects should have specific, measurable, outcome-oriented objectives for the near- to mid-term planning and performance indicators that focus on the result or effect caused by or attributable to the bureaus, programs, and projects. The Guidebook also explains that without such concrete outcomes, it is not possible to measure performance or progress. Moreover, without an emphasis on outcomes, output-oriented indicators, which focus on the quantity of products, goods, and services provided under the programs and efforts, are likely to be measured. Finally, the Guidebook states that "focusing attention on what to achieve as opposed to what activities to perform is central to successful strategic planning."

The Guidebook further provides that appropriate performance indicators may be quantitative or qualitative. As an illustration, the Guidebook provides examples of two performance indicators, both measuring progress toward an objective that "Civil Society Organizations ... achieve positive change (as defined specifically) for their causes." The quantitative indicator measures the "adoption of local, national, or regional policies espoused by the organizations," and the qualitative indicator measures the progress by consulting a panel of experts to evaluate the quality of the advocacy provided using predetermined standards. In that example, the subjectivity of the qualitative indicator is mitigated by the predetermined standards which provide the subjective, qualitative, indicator with some measure of objectivity. Moreover, the quantitative performance indicator is causally connected with the program's goals and does more than measure quantities of goods, products, or services provided.

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<sup>14</sup> In FYs 2013 and 2104, NEA's process was to develop the performance indicators with input from the implementing partners and its stakeholders, such as the public affairs officer or economics counselor at the U.S. embassy in the country where the award is being implemented.

OIG found that more than half the performance indicators—194 of the 357 indicators—measured the number of quantity of products, goods, and services provided rather than the results of MEPI activities. For example, 39 indicators focused on the number of people attending training courses or the number of organizations receiving assistance. Such indicators included the number of individuals who received MEPI-assisted political party training, attended advocacy training, and received voter and civic education with MEPI support. Three awards included indicators that measured the number of civil society organizations receiving U.S. Government assistance engaged in advocacy interventions but did not measure the outcomes of such advocacy. Some performance indicators focused on the products of the award recipients rather than the accomplishments that resulted from the award. For example, one indicator measured the number of laws or amendments civil society organizations drafted to ensure credible elections but did not determine whether the draft laws and amendments were adopted or determine whether they would have ensured credible elections if they were adopted<sup>15</sup> and implemented to produce the desired results. Other output-oriented indicators included the number of state institutions that support youth councils, the number of journalists familiarized with relevant election rules, the number of public reports and statements issued by the recipients, and the number of companies or business people who participated in surveys.

### *Performance Indicators Not Constructed To Facilitate Decisionmaking*

OIG found that less than half the performance indicators associated with the 30 awards fully met Department guidance for the characteristics of appropriateness—characteristics that facilitate decisionmaking. The Guidebook listed six characteristics to consider when determining whether an indicator is appropriate and can be used as a measurement to help assess whether the program achieves its goals:

1. **Meaningful**—Is the indicator useful for budgetary, planning, and policy decisions?
2. **Objective**—Is the indicator unambiguous about what is being measured?
3. **Adequate**—Does the indicator sufficiently capture progress toward a given result?
4. **Direct**—Does the indicator closely track the result it is intended to measure?
5. **Practical**—Can data for the indicator be obtained in a timely way at reasonable cost?
6. **Timely**—Is information available when it is relevant to decisionmaking?

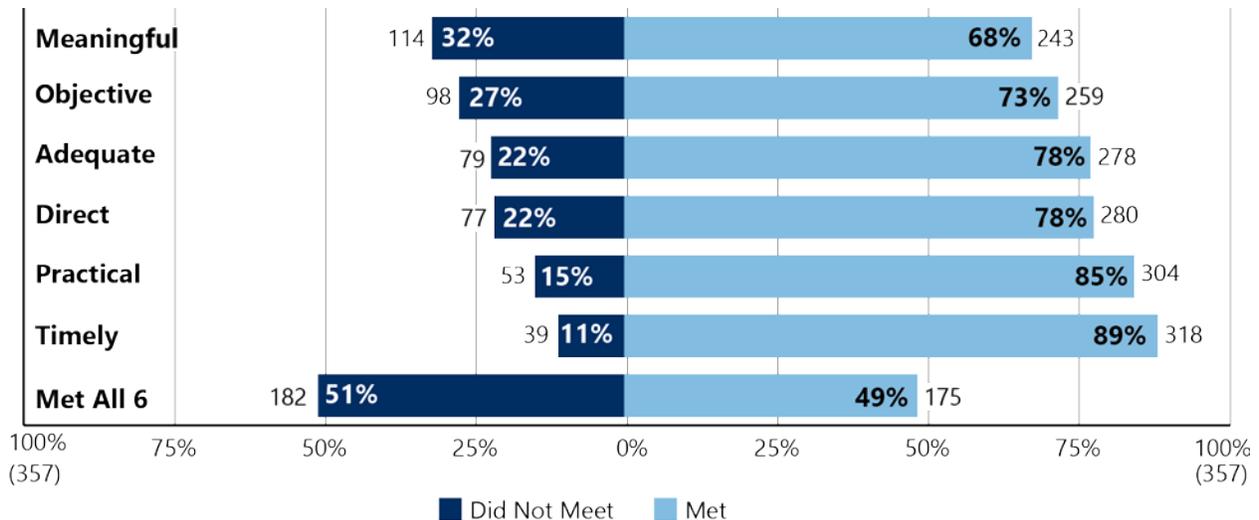
NEA officials stated that since 2011, the office has used standards for establishing performance indicators called “SMART.” NEA uses these standards to determine whether performance indicators are specific, measurable, achievable, relevant, and timely. Although the two systems use different terminology, the Guidebook and SMART standards are compatible because all the attributes in SMART are consistent with the standards in the Guidebook. Therefore, OIG considers the six characteristics from the Guidebook to be adequate measurements of indicator appropriateness.

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<sup>15</sup> This performance indicator was one of 23 indicators measuring progress toward the objective of building local capacity to ensure a credible election process; however, none of the 23 measured whether the public believed the elections were or would be credible.

Overall, OIG found that 182 of 357 of the performance indicators—slightly more than half—did not meet one or more of the Guidebook’s indicator appropriateness characteristics. Figure 2 summarizes the degree to which the performance indicators from the 30 MEPI assistance awards reviewed met the Guidebook’s 6 indicator appropriateness characteristics.

**Figure 2: Degree to Which Performance Indicators in Sampled Awards Met Characteristics of Appropriateness**



**Source:** OIG analysis of performance indicators based on data from the Assistance Coordination Performance Reporting System maintained by NEA.

The most frequently missed characteristic was the *meaningful* attribute—that is, the characteristic of being useful for budgetary, planning, and policy decisions. OIG found that 114 of the 357 indicators were not meaningful. For example, one award in Tunisia, established to enhance civic education and the leadership capacity of women and youth in civil society organizations, included an indicator that measured the number of youth-to-youth dialogues organized by the award recipient. However, the types, content, or relevance of the dialogues the award recipient should track for this indicator were not indicated. Moreover, the indicator focuses on an output—the number of dialogues—but does not include some measure of the value of these dialogs, such as whether the dialogues would lead to positive change, for example, by leading to policy changes or strengthening pluralistic institutions. It is therefore unclear how the information would be useful for making budgetary, planning, and policy decisions.

Similarly, an award in Syria aimed at improving the capacity and effectiveness of civil society organizations included an indicator that measured the number of those organizations receiving U.S. Government assistance to improve their performance. However, the award did not define what performance should be improved or how improvement is determined, which could cause varied interpretations and a lack of consistent reporting. Similar to the Tunisia example, it is unclear how the data collected for this indicator would be useful for making budgetary,

planning, and policy decisions, given that it reports a simple output number rather than an effect.

In addition, OIG found that 98 of the 357 indicators were not *objective*—that is, they were ambiguous about what was being measured, multidimensional (measured more than one phenomenon at a time), or not precisely defined. For example, one award in Morocco was for developing the capacity of commercial development organizations such as trade associations, cooperatives, and chambers of commerce. The award included an indicator that measured the number of businesses with new access to capital tools and services offered by program-supported organizations; however, the indicator was not specific as to what new access entailed so that it could be measured. Further, an award in Lebanon for the purpose of providing scholarships to disadvantaged students included an indicator that measured the number and quality of leadership and civic education opportunities provided to the scholarship students. This indicator was multidimensional because it measured two distinct concepts—the number of opportunities and the quality of opportunities—and it could have up to four types of possible results: the number of leadership education opportunities, the number of civic education opportunities, the quality of leadership education opportunities, and the quality of civic education opportunities. Because the indicator was vague and did not define expected results, it was unclear what the data for this indicator represented.

Furthermore, OIG found that 79 of the 357 indicators were not *adequate*—that is, they did not sufficiently capture progress toward a given result. In some cases, a single indicator was aligned with an award objective, but that indicator was not sufficient to measure the result. For example, one award in Israel, which was intended to help Arab citizens acquire professional experience and gain employment in Israel's hi-tech industry, included an indicator that measured the "Percentage increase in the level of computer skills and English among trained Arab Citizens." Although the indicator measured an increase in skills, it did not measure whether participants actually obtained employment. Because the indicator was the only one for that objective, it was not sufficient to capture progress toward achieving the award objective. For an award in Egypt, the objective "Sustainable civic leadership scholarship program graduates 26 students from disadvantaged backgrounds" was measured by two indicators: "Number of scholarship recipients who graduate within 5 years of enrollment" and "Student capstone projects<sup>16</sup> exhibit advanced leadership skills and result in a tangible improvement for the target community." Together, these indicators did not measure the sustainability of the leadership program or determine that the 26 students were from disadvantaged backgrounds. Therefore, these indicators did not provide results for the stated objective.

OIG also found that 77 of the 357 indicators were not *direct*—that is, they did not closely track the result they intended to measure. For example, an award performed in the Gaza Strip, which was intended to promote the economic well-being of vulnerable rural women, included an indicator that measured the number and percentage of "target citizens who show positive

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<sup>16</sup> The award required that students in their final year at the university to complete a capstone project. These projects may take a variety of forms, such as developing a community service program that teaches English to parents and grandparents, developing a recycling awareness campaign, and creating an association to show how the accounting concepts of checks and balances can be applied to non-governmental organizations and the local government.

change in level of political knowledge, civic skills and democratic values.” Although the indicator might provide some useful information, it was unclear how assessing political knowledge and civic skills directly addressed economic well-being. In addition, it was also unclear how an indicator for an award in Libya, “The number of elected officials benefitting from [U.S. Government] sponsored activities,” related to its corresponding objective, “Political processes and institutions encourage effective participation.” Neither of these examples provided sufficient specificity directly linked to the stated objectives.

OIG also found that 53 of the 357 indicators were not *practical*—that is, data for the indicators could not be obtained in a timely manner at reasonable cost. For example, one award for work in Lebanon had as an objective “Enabling municipal councils to develop a more responsive and accountable relationship with the people of those municipalities.” One of the performance indicators measured the number of communities trained by “youth shadow councils”<sup>17</sup> on the principles of good governance, transparency, and accountability, as well as on citizens’ rights, including the right to access public services. This indicator was not practical because the award work plan did not include a means to measure the amount by which a community had been trained on those principles or how changes in such beliefs and practices in the community could be attributed to the activities of the award recipient. Measuring such changes in attitudes would have required the award recipient to conduct public opinion polls before and after the award performance; however, this could not be done with the resources that the award made available.

Lastly, OIG found that 39 of the 357 indicators were not *timely*—that is, they did not make information available when it was relevant to decisionmaking. For example, for an award in Tunisia, the indicator “improved laws related to political participation (freedom of assembly, political party formation and operations, act of voting)” does not indicate when these laws would be enacted; thus it is difficult for NEA to assess progress or to make award assistance decisions on the basis of this indicator. Indeed, improvement of the laws is not within the control of the award recipient and can occur at any time or perhaps not at all. In this instance, the performance indicator target could have been focused on intermediate steps in the legislative process so that NEA and the award recipient could measure progress throughout the course of the award.<sup>18</sup>

### ***Performance Indicators Lacked Baseline Data and Performance Targets***

OIG also found that performance indicators often lacked baseline data and performance targets. According to the Guidebook, a baseline is the starting value for a performance indicator against which future progress is measured. Developing baselines establishes the basis for “before and after” analyses used to determine whether an outcome actually occurred. Performance targets are specific, planned levels of results to be achieved within a defined timeframe.

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<sup>17</sup> The youth shadow councils were 300 people aged 18 to 29 who were recruited to receive training and then advocate for transparency and good governance with their fellow citizens and local elected officials.

<sup>18</sup> Note that this performance indicator is also not objective because “improved” is not defined. The indicator also is not practical because there were no means to determine whether any laws passed were the result of the award recipient’s actions.

OIG found that grants management staff members did not establish baselines for 114—almost one-third—of the 357 indicators. For example, one award in Libya provided training to local city councils to increase their ability to communicate with their constituents. This award included an indicator measuring the number of town halls and public meetings the local city councils held but did not establish a baseline for the number of town halls and public meeting councils held prior to the award and training. As a result, it is unclear whether the actual number of public and town hall meetings that councils reported as being held was greater than, equal to, or less than the number of meetings held prior to the award and training.

In addition, OIG found that NEA did not establish performance targets for 80 of the 357 indicators. For example, one performance indicator measured the percentage of persons from target groups who vote and another measured the number of election officials trained on electoral processes. Because no targets were set for the indicators, it was difficult to ascertain whether the awardee achieved intended targets. Without baselines and performance targets, NEA was unable to determine whether the award recipient achieved the award's stated objectives.

### ***NEA Could Not Demonstrate Award Recipients Met Performance Requirements***

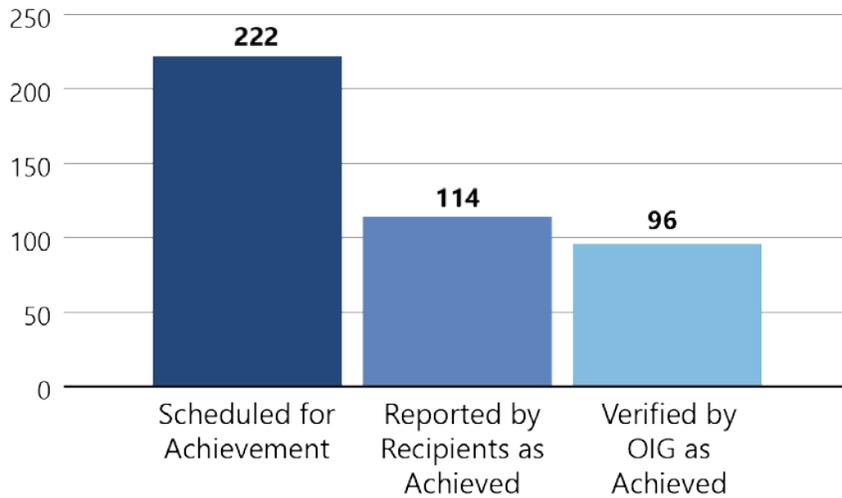
Almost two-thirds of the 357 performance indicators had targets that were scheduled to be achieved during FYs 2013 and 2014. OIG evaluated these 222 indicators to assess whether the targets were indeed achieved.<sup>19</sup> OIG reviewed the award recipients' quarterly reports and found the recipients reported achieving 114—slightly more than half—of their scheduled performance targets.<sup>20</sup> If a recipient's quarterly reports did not contain sufficient documentation supporting the recipient's claim that a performance indicator had been achieved, OIG asked the recipient for additional documentation. As a result of this review, OIG verified that only 96 (43 percent) of the 222 performance targets had been achieved. Figure 3 summarizes the number of performance targets OIG evaluated and the number that had been achieved.

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<sup>19</sup>These 222 performance indicators excluded awards that were scheduled to be achieved on a date before the beginning of FY 2013 or after the end of FY 2014.

<sup>20</sup> In some instances, award recipients provided documentation as an appendix to the quarterly report. In other instances, recipients provided sufficient detail in the narrative section of the quarterly report so that OIG could determine that the performance indicator target had been achieved.

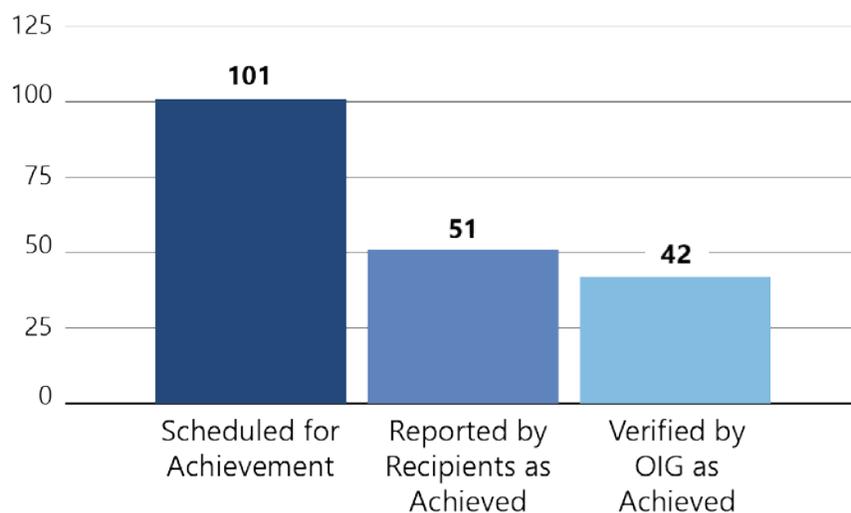
**Figure 3: Success in Meeting Performance Targets Scheduled To Be Achieved in FYs 2013 and 2014**



**Source:** OIG analysis of performance indicators from the Assistance Coordination Performance Reporting System.

OIG found a similar pattern of award recipients not achieving targets for performance indicators designed to measure award outcomes. Of the 222 indicators scheduled for completion during FYs 2013 and 2014, OIG determined that 101 were designed to measure outcomes. In their quarterly reports, the recipients reported achieving 51 of the outcome-based performance targets. However, after reviewing the award recipients' documentation, OIG was able to confirm that only 42 of the 101 outcome-based performance targets had been achieved. Figure 4 summarizes the number of outcome-based performance targets that OIG evaluated and verified as achieved.

**Figure 4: Success in Meeting Outcome Performance Targets Scheduled To Be Achieved in FYs 2013 and 2014**



**Source:** OIG analysis of performance indicators from the Assistance Coordination Performance Reporting System.

A variety of reasons contributed to the award recipients' failure to achieve the performance targets. In one instance, the award required working with a specific local partner to develop five legal curricula based on international legal and human rights standards. However, the performance indicator target was not achieved because the local partner's director departed. Instead, the award recipient worked with other partners to complete three curricula.

In other instances, the award recipients did not understand the target. For example, one target required governmental issuance of a financial regulation, but the financial regulation was not issued. However, the award recipient counted the target as achieved because it had provided training related to the regulation and communicated with regulators about the benefits of the proposed regulation.<sup>21</sup>

In addition, award recipients told OIG that many performance targets were not attainable because they had not been properly developed. In one example, an indicator required that 100 percent of students graduate within the grant period of performance. According to the award recipient, this was not realistic because students occasionally drop out of the program just as college students do at any other university. Another award recipient said a performance indicator requiring pre- and post-action surveys was challenging to meet because it was difficult to find the same women who completed the pre-award survey so they could also complete the post-award surveys. As a result, the award recipient conducted post-action surveys with whatever women were available. Therefore, the results of the survey could not be used to measure change. Further, another award recipient explained that a performance indicator target of 12 women serving as representatives on a parliamentary committee was beyond the award recipient's control because political parties selected the committee representatives and party bylaws precluded the award recipient from participating in the process.

Award recipients told OIG that NEA, in some cases, included an indicator, even though the award recipient did not think the indicator was reasonable. For example, one indicator required the award recipient to achieve a target of developing four media outlets in Tunisia with sustainability plans. Staff members of the award recipient who were involved with implementing the award during that time were not available to discuss the matter with OIG. However, the current staff told OIG that this target should not have been included because it was unrealistic to expect media outlets in the country of operation to develop sustainability plans. Although the award recipient reported during eight quarters that no progress was being made, OIG found no evidence that either NEA or the award recipient attempted to modify this indicator.

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<sup>21</sup> Many of the awards focus on the U.S. policy of helping other nations to improve governance, civic participation, and fair and honest elections. In countries with partisan political parties, the award recipients provide aid to a variety of parties to avoid favoritism. When the national government objects to the nature of the awards MEPI provides, the funding is moved to other countries.

### *Compartmentalization and Inconsistent Training Contributed to Poorly Constructed Indicators*

NEA officials stated that failure to consistently establish effective performance indicators with valid baselines and performance targets occurred because the process of awarding grants and cooperative agreements was compartmentalized. Specifically, NEA officials told OIG that grants officers focused on fiscal issues for awards and program personnel<sup>22</sup> focused on developing the statements of work. The officials stated that program personnel without experience developed the indicators and that this lack of experience resulted in indicators that were not appropriate for collecting, analyzing, and reporting performance data. The officials stated that output-oriented indicators were selected because they were easier to track than outcome indicators and because they simply involved presenting readily available data on the activities the award recipients performed.

The NEA officials also stated that NEA has taken steps to improve the quality of performance indicators. The officials stated that the reorganization of MEPI and other NEA assistance offices into NEA/AC provided the opportunity to exchange and improve ideas among the sections. In addition, the officials stated that the award process now includes greater collaboration among program and grants management personnel and that grants management staff members are now more engaged in the development of performance indicators and targets.

In its October 2016 response to a draft of this report (see Appendix C), NEA stated for the first time that it provided training to overseas staff about the construction of performance indicators. This and future training will help NEA measure its progress and will assist evaluation and program management personnel in developing effective performance indicators. However, consistent terminology and more specific standards in the NEA/AC Grants Management Policies and Procedures Manual are also needed to ensure that NEA develops effective performance indicators in the future.

**Recommendation 1:** OIG recommends that the Bureau of Near Eastern Affairs develop and implement written procedures for all awards to ensure performance indicators meet the Performance Management Guidebook standards for indicator appropriateness and include appropriate baseline data and performance targets. These written procedures should be incorporated into the Bureau of Near Eastern Affairs Office of Assistance Coordination Grants Management Policies and Procedures Manual.

**Management Response:** NEA concurred with this recommendation, stating the Grants Management Policies and Procedures Manual, v. 1.1 (February 2016), specifically addresses the recommendation.

**OIG Reply:** Based on NEA's concurrence with the recommendation, OIG considers this recommendation resolved, pending further action. NEA/AC Grants Management Policies and Procedures Manual, v. 1.1, requires that monitoring and evaluation staff members review

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<sup>22</sup> Program personnel are located at embassies and consulates in the region and at NEA in Washington, DC

performance indicators before they are finalized in a results monitoring plan.<sup>23</sup> The Manual also added a reference to SMART as the source criteria for effective indicators. However, the Manual lacks clarity with respect to two points.

First, the February 2016 manual refers to a document that does not exist in the same form as described in the Assistance Coordination Performance and Reporting System (ACPRS),<sup>24</sup> which is the web-based application that NEA uses for managing awards during award and implementation. Specifically, the February 2016 Manual refers to a results monitoring plan that includes a description of the project, an activity list, and a proposed timeline for project implementation. ACPRS does include a results monitoring plan, but unlike the Manual, that document does not include a description of the project or a proposed timeline for project implementation. That is, there is a discrepancy between the instructions in the Manual and the system that MEPI actually uses. Second, although the February 2016 Manual refers to SMART, it does not define the acronym or describe its purpose. There is a hyperlink to a site that may provide more information, but the hyperlink did not work when OIG attempted to use it. This recommendation will be closed when OIG receives and accepts documentation demonstrating that NEA has clarified and updated its grant management policies and procedures as recommended.

**Recommendation 2:** OIG recommends that the Bureau of Near Eastern Affairs provide standard procedures and training to its personnel on developing appropriate indicators.

**Management Response:** NEA concurred with this recommendation, stating that its regional MEPI training for all post administrators and coordinators includes a session on indicator development and that it had provided training in October 2015 and October 2016.

**OIG Reply:** Based on NEA's concurrence with the recommendation, OIG considers this recommendation resolved, pending further action. While this report was being processed, NEA provided documentation showing that the training conducted in 2015 and 2016 addressed performance indicator development. This recommendation will be closed after OIG determines that the documentation demonstrates that the development of performance indicators was adequately addressed in the referenced training.

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<sup>23</sup> A "results monitoring plan" is different from a "monitoring plan." A monitoring plan provides guidance on the type and frequency of monitoring conducted by grants officers, GORs, and overseas program coordinators based on a risk assessment. The monitoring plan should be updated throughout the award on an as-needed basis based on the results of monitoring and newly identified risks. In contrast, a results monitoring plan includes a brief project description (derived from the proposal) and a work plan section that outlines the various objectives of the project and their accompanying indicators, as well as a list of activities and the proposed timelines for those activities.

<sup>24</sup> NEA/AC created a web-based application for monitoring performance indicator development and reporting system called "the Assistance Coordination Performance and Reporting System (ACPRS)" to comply with Department grants management guidance. NEA/AC uses ACPRS to maintain documents and track progress of MEPI projects. Although it is a repository for many of the award documents, the ACPRS database is not the official award file. Those paper files are maintained at NEA/AC, the embassies, or the MEPI regional offices.

### *Additional NEA Comments*

In addition to the comments in response to the recommendations, NEA took issue with OIG's finding that MEPI could not demonstrate that it was achieving its goals. Specifically, NEA stated that OIG's finding that 194 of 357 (55 percent) of MEPI indicators were outputs and not outcomes does not acknowledge that the Department's Guidebook "notes the value of outputs and their associated indicators as a core component of project design." NEA also stated, "[I]n dynamic operating environments, outputs assist the grantee and NEA to determine if activities are on track to achieve the project's intermediate results and desired outcomes." Further, NEA cited examples in which it "has found repeated benefits from information, relationships and capacity built through MEPI programming and implementers" from 2011 through 2015. NEA presented examples pertaining primarily to Tunisia but also to Jordan and Yemen and noted that past MEPI program participants had received Nobel prizes.

**OIG Reply:** OIG's findings in this report primarily address flaws in MEPI's ability to *measure* success and its progress toward meeting its goals, not whether MEPI has *had* some successes. As described, in addition to OIG's finding that 54 percent of MEPI indicators were outputs rather than outcomes, MEPI awardees met only 43 percent (96 of 222) of the performance targets scheduled for completion during FYs 2013 and 2014. OIG also does not dispute that output measures have some utility, including determining whether awardees provided the goods, products, and services specified within their respective awards' statements of work. However, as noted in the Guidebook, output measures do not measure changes in condition that can be directly attributed to the success of an award. Thus output measures are more an indication of an awardee's activities than a measure of the positive benefits and results achieved. OIG therefore maintains that determining whether an awardee's efforts were effective is best achieved when outcome-based indicators are developed and used to determine program success.

In addition, NEA provided no systematic assessment or data to support its contention that the program is effective. Rather, NEA provided a series of anecdotes, some of which were only tangentially related to the program and which should not be confused with systematic analysis or causality. For example, NEA cannot state that the program is a success because a past awardee won a Nobel Prize subsequent to the completion of, but not necessarily because of, an award.

### **Finding B: NEA Did Not Sufficiently Monitor MEPI Grants and Cooperative Agreements**

NEA did not sufficiently monitor the 30 MEPI awards OIG reviewed to determine whether award recipients met the performance requirements for their respective awards. OIG found that 27 of the 30 awards reviewed did not have required monitoring plans and that the plans for the remaining 3 awards did not require review or verification of reported activities or progress toward achieving targets and objectives. In addition, grants management staff members did not conduct site visits for 10 of the 30 awards and conducted only one site visit each for 18 of the 30 awards during FYs 2013 and 2014. For the site visits that did occur, the grants management staff

focused primarily on financial management issues rather than on performance issues. In addition, OIG's review of the comments by grants managers on the recipients' quarterly reports found that many were not meaningful or did not demonstrate a thorough review. In fact, in 91 of the 137 reports, OIG found that they contained no grants managers' comments or only included comments such as "OK" and "on track." NEA officials stated that they limited the number of monitoring staff members to make more funds available for the award recipients. As a result of the lack of monitoring, MEPI objectives may not be met and opportunities to correct performance challenges may be missed.

### ***NEA Did Not Establish Monitoring Plans for Most of the Awards***

GPD-42 requires Grants Officers Representatives, in consultation with the grants officer, to establish monitoring plans that include an assessment of goals and objectives of the award and the outcomes that are expected and that focus on technical assistance and continuous improvement. This technical assistance consists of providing award recipients with feedback on improving areas of need, identifying project strengths, and recognizing significant achievements. According to GPD-42, the monitoring plan should take into account the risks involved in making the award to a particular recipient and the resources available to provide monitoring. Additionally, the monitoring plan should include the frequency and types of monitoring mechanisms to be employed.

OIG found that NEA grants management staff did not establish monitoring plans for 27 of the 30 awards. Regarding the three awards for which the grants management staff did establish monitoring plans, those plans did not include review or verification of reported activities or progress toward achieving performance targets and award objectives. One of the three monitoring plans was not developed until April 2015<sup>25</sup> despite the award beginning in December 2012 and increasing in value from \$7 million to \$20 million in May 2013.

### ***Performance of Most Award Recipients Not Reviewed During Site Visits***

GPD-42 includes site visits of award recipients as one monitoring method to substantiate sound financial management; program progress; and compliance with laws, regulations, and policies. In addition, if the award recipient has subrecipients, the visits provide the opportunity to ensure the award recipient is implementing a monitoring plan to evaluate the performance and financial management of those subrecipients.

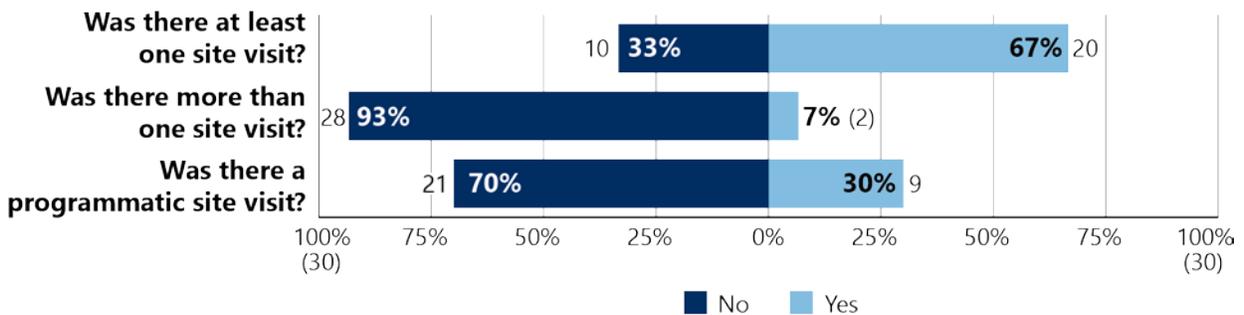
OIG reviewed documentation from each of the 30 awards to determine the extent to which grants managers conducted site visits to verify the award recipients' reported activities and

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<sup>25</sup> The OIG report, *Audit of Department of State Management and Oversight of Non-Lethal Assistance Provided for the Syrian Crisis* (AUD-MERO-15-39, September 2015), stated that the only documentation of monitoring of the award included one review of expenditures and some pictures provided by a sub-recipient. In the report, OIG recommended that NEA implement a process to verify that grants officers and the Grants Officer Representatives develop monitoring plans. The monitoring plan cited in the current MEPI report was developed in response to that previous audit, which identified the lack of a monitoring plan during fieldwork conducted during April 2014 to March 2015.

progress. During the 2-year period reviewed, grants officers, grants management specialists, and program personnel conducted no site visits for 10 of the 30 awards and conducted only a single site visit for another 18 of the awards. Only two award recipients were visited on multiple occasions during the course of the award. Furthermore, of the 20 awards that had at least 1 NEA site visit, only 9 included any programmatic-related reviews and the remaining 11 focused solely on financial monitoring.<sup>26</sup> For example, the grants manager made only one site visit to an award recipient that received \$6 million to provide 4-year university scholarships. Furthermore, that site visit focused only on financial controls and did not include any review of whether the recipient was meeting the performance indicators and the project’s goals and objectives. Even when grants management staff members did conduct site visits, in most cases they did not document the results of their reviews or verify program accomplishments. Figure 5 shows the number and types of site visits that NEA performed for the 30 MEPI awards.

**Figure 5: Site Visits Performed by NEA Program Managers**



Source: OIG analysis of site visit documentation in the Assistance Coordination Performance Reporting System.

**Limited Review of Quarterly Performance Reports**

GPD-42 requires NEA to monitor foreign assistance awards and recommends an array of methods to do so, including a policy that award recipients should provide financial status and progress reports.<sup>27</sup> The directive states that reports should include relevant details for assessing the status of an award’s performance, including the impacts and outcomes of the award. The reports also should provide grants management personnel the opportunity to identify tasks that are not progressing according to plan and determine what difficulties may threaten on-time completion of those activities, the reason for the difficulties, specific recommendations for remedial action, and additional resources that may be required. To ensure that the progress reports fulfill these purposes, GPD-42 requires that grant files demonstrate that progress reports have been reviewed and also requires that the results of these reviews be shared with recipients as appropriate.

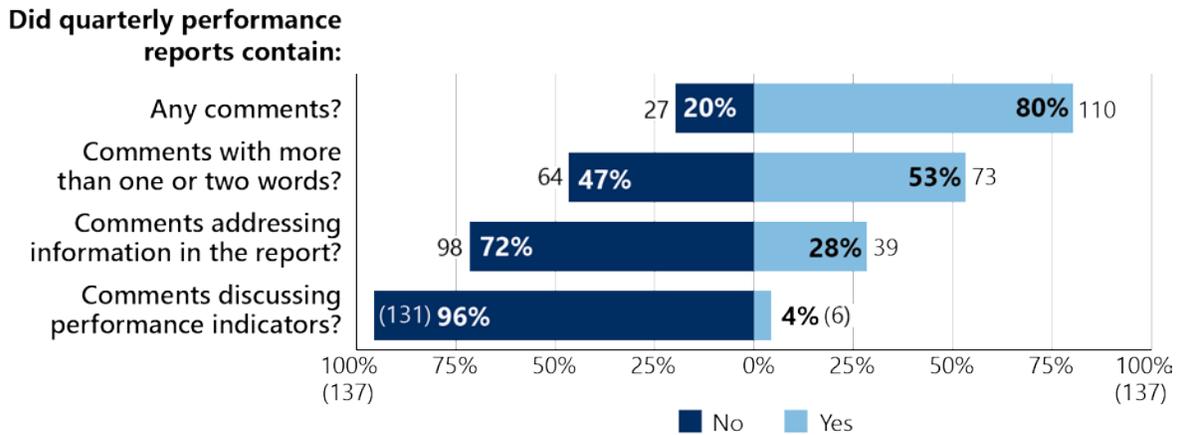
<sup>26</sup> The OIG report, *Audit of Bureau of The Department of State’s Financial Management of Grants and Cooperative Agreements Supporting the Middle East Partnership Initiative* (AUD-MERO-16-42, May 2016), focused on the quality of this financial monitoring.

<sup>27</sup> GPD 42 states that the content and frequency of these reports is determined by specific bureau, program, and award conditions. The statements of work for MEPI grants all require quarterly performance reports.

OIG reviewed the comments NEA grants management staff provided to award recipients on the 137 quarterly performance reports the recipients submitted for their work during FYs 2013 and 2014. In 91 of the 137 reports, OIG found that the reports either contained no grants managers' comments or contained comments such as "OK" and "on track." Specifically, 27 reports had no comments, and 64 did not include any information that would indicate that the grants management staff had reviewed the report thoroughly. For example 32 of these 64 reports had comments such as "OK" and "on track." Only 39, or slightly more than one-quarter, of the 137 reports had comments that demonstrated some extent of meaningful review either by inquiring about the information provided or by requesting a change or correction to the information provided in the report. Comments on six of the reports specifically discussed the performance indicators—a demonstration that NEA staff had reviewed the performance indicators.

According to NEA staff members, the extent to which the performance reports are reviewed and documented depends on the time available and the preference of the grants management specialist. Figure 6 summarizes the level of review of quarterly performance reports as demonstrated by comments to those reports.

**Figure 6: NEA Review of Quarterly Performance Reports by Level of Comments Provided**



**Source:** OIG analysis of quarterly performance report documentation in the Assistance Coordination Performance Reporting System.

***Monitoring Activities Not Prioritized***

As discussed, OIG found that NEA did not establish monitoring plans for 90 percent of the awards, did not review performance indicators during most site visits, and conducted limited reviews of the quarterly performance reports. NEA officials stated that these monitoring procedures were not always conducted because even though they were required, they were not prioritized. NEA officials stated that performance monitoring throughout the Government had not matured to a sophisticated level at the time the awards were made. NEA officials cited the Federal Government's implementation of the Government Performance and Results Act of 1993 and the Government Performance and Results Modernization Act of 2010 as indications of the

gradually maturing standards for monitoring performance. NEA officials also stated that they had fewer monitoring and evaluation specialists and less coordination between the grants staff and the program staff before the reorganization in 2014 and the creation of NEA/AC.

NEA officials said they have made monitoring procedures a higher priority since the 2013-2014 timeframe when the 30 awards OIG reviewed were in effect, including by making improvements to their grants management policies. OIG confirmed that NEA developed a new manual, the Grants Management Policies and Procedures Manual, in February 2016.<sup>28</sup> However, in reviewing the manual, OIG found the manual does not provide specific guidance on developing monitoring plans, conducting programmatic site visits, or documenting the review of quarterly performance reports, all of which would help ensure award recipients are achieving the objectives of the award. For example, the manual does not specify what information the monitoring plan should include. In addition, the manual does not require the programmatic site visit to include an assessment of the performance indicators.

NEA officials also stated that they hired two additional monitoring and evaluation specialists to improve their monitoring of MEPI award performance. Given the importance of monitoring MEPI awards specifically to assess whether the awards are achieving results, NEA should establish additional policies and procedures to require that award monitoring plans include assessments of progress toward achieving the goals, objectives, and expected outcomes of awards and performance monitoring during site visits. In addition, the policies and procedures should provide a template on how that monitoring should be conducted and document the review of quarterly performance reports to demonstrate that grants management staff assessed progress for each performance indicator.

As a result of NEA's lack of monitoring, the risk of MEPI objectives not being met and funds spent on the program being wasted is increased. In particular, without monitoring plans, site visits, or reviews of the award recipient's reporting that include assessments of progress on achieving the goals, objectives, and expected outcomes, NEA has limited visibility about the actual performance of that award. If the award is not meeting MEPI objectives, program funds may be better put to use on awards that are meeting MEPI objectives.

In a response to a draft of this report, NEA contended that OIG did not "acknowledge the real-time reporting of many MEPI programs" through means such as e-mail, phone, and personal meetings. Although such communications may, of course, be useful, they do not qualify as a systematic, documented monitoring process that addresses the concerns articulated herein. In the same response, NEA also described a "Monitoring Tool Kit" that it had begun using in October 2006 and stated that a GAO review had concluded that this tool kit was effective and that its "grants database supported further monitoring and tracking." OIG does not agree with NEA's description of the 2005 GAO report. More importantly, OIG received no information on the monitoring tool kit during its audit work and, in any event, found that even if it were being used, additional steps needed to be implemented.

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<sup>28</sup> NEA/AC Grants Management Policies and Procedures Manual, Version 1.0, February 11, 2016.

**Recommendation 3:** OIG recommends that the Bureau of Near Eastern Affairs establish and implement additional policies and procedures to require that award monitoring plans include assessments of progress toward achieving the goals, objectives, and expected outcomes of awards and the technical assistance that may be provided. These written procedures should be incorporated into the Bureau of Near Eastern Affairs Office of Assistance Coordination Grants Management Policies and Procedures Manual.

**Management Response:** NEA concurred with the recommendation.

**OIG Reply:** Based on NEA's concurrence, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that NEA has established and implemented the policies and procedures recommended.

**Recommendation 4:** OIG recommends that the Bureau of Near Eastern Affairs establish and implement additional written policies and procedures to require performance monitoring during site visits and provide a template on how that monitoring should be conducted. These written procedures should be incorporated into the Bureau of Near Eastern Affairs Office of Assistance Coordination Grants Management Policies and Procedures Manual.

**Management Response:** NEA concurred with the recommendation.

**OIG Reply:** Based on NEA's concurrence, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that NEA has established and implemented the policies and procedures recommended.

**Recommendation 5:** OIG recommends that the Bureau of Near Eastern Affairs establish and implement additional written policies and procedures to require documentation of the review of quarterly performance reports to ensure that progress is being made toward achieving award objectives. These written procedures should be incorporated into the Bureau of Near Eastern Affairs Office of Assistance Coordination Grants Management Policies and Procedures Manual.

**Management Response:** NEA concurred with the recommendation.

**OIG Reply:** Based on NEA's concurrence, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that NEA has established and implemented the policies and procedures recommended.

## RECOMMENDATIONS

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**Recommendation 1:** OIG recommends that the Bureau of Near Eastern Affairs develop and implement written procedures for all awards to ensure performance indicators meet the Performance Management Guidebook standards for indicator appropriateness and include appropriate baseline data and performance targets. These written procedures should be incorporated into the Bureau of Near Eastern Affairs Office of Assistance Coordination Grants Management Policies and Procedures Manual.

**Recommendation 2:** OIG recommends that the Bureau of Near Eastern Affairs provide standard procedures and training to its personnel on developing appropriate indicators.

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**Recommendation 4:** OIG recommends that the Bureau of Near Eastern Affairs establish and implement additional written policies and procedures to require performance monitoring during site visits and provide a template on how that monitoring should be conducted. These written procedures should be incorporated into the Bureau of Near Eastern Affairs Office of Assistance Coordination Grants Management Policies and Procedures Manual.

**Recommendation 5:** OIG recommends that the Bureau of Near Eastern Affairs establish and implement additional written policies and procedures to require documentation of the review of quarterly performance reports to ensure that progress is being made toward achieving award objectives. These written procedures should be incorporated into the Bureau of Near Eastern Affairs Office of Assistance Coordination Grants Management Policies and Procedures Manual.

## APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

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The Office of Inspector General (OIG) conducted this audit from May 2015 to May 2016 in accordance with generally accepted government auditing standards. These standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions on the basis of audit objectives. OIG believes that the evidence obtained provides a reasonable basis for its findings and conclusions on the basis of the audit objectives. OIG conducted this audit under the authority of the Inspector General Act of 1978, as amended.

OIG's audit objective was to determine whether

- The Middle East Partnership Initiative (MEPI) program was achieving its goals and objectives.
- The Bureau of Near Eastern Affairs (NEA) effectively monitored MEPI grants and cooperative agreements.

To accomplish the objective, OIG conducted fieldwork and interviews in Washington, DC, with officials from NEA's Office of Assistance Coordination (NEA/AC) and award recipients. OIG also interviewed MEPI regional officials, including embassy grants officers; grants officer representatives; and award recipient officials in Morocco, Tunisia, Lebanon, Egypt, Jordan, Israel, and West Bank and Gaza.

To obtain background information for this audit, OIG researched and reviewed Federal laws and regulations, as well as internal Department of State (Department) policies and procedures related to assistance awards. The audit team reviewed applicable sections of the Code of Federal Regulations, the Federal Acquisition Regulation, and Office of Management and Budget policies. In addition, the audit team reviewed applicable sections of the Department's policies and procedures, including the Foreign Affairs Handbook, the Foreign Affairs Manual, and Grants Policy Directives (GPD). OIG also reviewed prior OIG reports related to the Department's administration of the program and the monitoring of recipient program effectiveness. Finally, OIG compared NEA's administration and monitoring of these assistance instruments with Federal and Department guidance to determine the extent to which administration and monitoring were conducted in accordance with applicable laws and guidance. Further, OIG reviewed the Department's GPD-42, "Monitoring Assistance Awards," which focuses on the monitoring that is necessary to ensure that awards achieve the intended results and the recipients manage the awards accordingly.

OIG reviewed MEPI cooperative agreements and grants and their amendments to determine the requirements set out in their statements of work and award requirements. OIG also reviewed the award recipients' quarterly progress reports and final reports to determine whether the award recipients met the requirements. In addition, OIG compared the Department's guidance, as outlined in the Performance Management Guidebook (Guidebook), with the actual award indicators.

To gain additional insight into those standards, OIG referred to U.S. Agency for International Development guidance contained in its Performance Monitoring & Evaluation Tips: Selecting Performance Indicators. That document provides practical advice and suggestions to U.S. Agency for International Development managers on issues related to performance monitoring and evaluation.

As part of this process, OIG compared the performance indicators in the awards with the standards contained in the Guidebook. The Guidebook includes six characteristics to determine whether an indicator is appropriate and can be used to measure whether the program achieves its goals of being meaningful, objective, direct, adequate, practical, and timely.

To determine whether an indicator was *meaningful*, OIG reviewed the language of the indicator for a given objective to determine whether the performance data gathered would be useful for budget, planning, and policy decisions by measuring the changes over time showing the project's progress in achieving its objective. OIG also determined whether changes were measured at a rate that enabled management to make decisions and take actions such as corrections to and improvements in the project.

To determine whether an indicator was *objective*, OIG reviewed the language of the indicator to determine whether the indicator was unambiguous about what was being measured, measured only one phenomenon at a time, and was precisely defined.

To determine whether an indicator was *direct*, OIG reviewed the language of the indicator to determine whether the indicator closely tracked the result it was intended to measure. OIG considered the indicator a reasonable proxy when cost or other factors precluded a more direct indicator.

To determine whether an indicator was *adequate*, OIG reviewed the language of all the indicators for a given objective to determine whether they sufficiently captured progress toward a given result. OIG also reviewed the indicators for each objective to determine whether the indicators were the minimum number necessary for cost-effective program management depending on the complexity of the result being measured, the amount of information needed to make reasonably confident decisions, and the amount of resources available.

To determine whether an indicator was *practical*, OIG reviewed the language of the indicator as well as the indicator's data source and collection method to determine whether the performance data could be obtained in a timely way and at reasonable cost relative to how management would use the data.

To determine whether an indicator was *timely*, OIG reviewed the indicator's collection method to determine whether the performance data gathered would be available when relevant to decisionmaking.

## Work Related to Internal Controls

OIG performed steps to assess the adequacy of internal controls related to the monitoring of MEPI awards, including reviewing policies, procedures, and processes applicable to the areas audited. As noted in this appendix, OIG performed tests of internal controls, including a review of the Department's procedures for tracking and monitoring grants and cooperative agreements. OIG summarized weaknesses found in the monitoring of MEPI awards under the Audit Results section of this report.

## Use of Computer-Processed Data

OIG obtained data from three sources and compared the data from each source with data from the other sources to ensure the data was sufficiently reliable to serve as a basis for audit conclusions. First, OIG obtained data from USAspending.gov and from the System for Awards Management (SAMS) for awards that were active during FYs 2013 and 2014 and were identified by Catalog of Federal Domestic Assistance catalog number 19.5, which is the identifier for MEPI. USAspending.gov receives its data from obligations established across the Federal Government. Next, OIG obtained lists of MEPI awards from NEA, active during FYs 2013 and 2014. Finally, OIG identified all MEPI awards from the Department SAMS. All assistance awards actions must be maintained in SAMS, and this system is used to maintain data about the value of Federal assistance awards throughout the Department. As a result, OIG concluded that the data provided by the bureaus and obtained from the SAMS was sufficiently reliable for the purposes of this report.

## Detailed Sampling Methodology

The sampling objective was to select a judgment sample<sup>1</sup> to determine whether the goals and objectives of MEPI awards were being achieved and whether NEA was conducting effective monitoring. To do this, OIG compared award data obtained from NEA with two external sources—USAspending.gov and SAMS—to create a universe of awards and ensure that the universe was complete. OIG selected the judgment sample on the basis of the largest awards within a selected number of countries that maximized the dollar amount of awards to evaluate the awards. OIG determined that 30 awards would be considered an appropriate judgment sample from the time spent on previous audit work reviewing grant files.

From a universe of 400 MEPI awards, valued at \$461.3 million and associated with 18 countries or locations, OIG selected 30 awards that were active at some point during FYs 2013 and 2014

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<sup>1</sup> OIG selected a judgment sample versus a statistical sample because the number of awards in a statistical sample would have been too large to conduct the fieldwork with the time and resources available for such work. In addition, OIG excluded some countries from the sample because the small number and value of awards limited the cost effectiveness of travel to such countries. Lastly, security concerns in Yemen prevented OIG staff from traveling in that country. Collectively, the sample selected represents 7.5 percent of the awards but 23.0 percent of the obligations. OIG considers the sample sufficient for assessing the performance of the program and determining the basis for recommendations on improving the program.

for review and were valued at \$106.3 million. Obligations for these awards represented 23 percent of the obligations in the universe. OIG selected awards performed in eight places—Egypt, Israel, Jordan, Lebanon, Morocco, Tunisia, the United States, the West Bank, and Gaza—for two reasons.<sup>2</sup> First, OIG could reasonably expect that security conditions would allow travel in these countries and second, collectively, these places represented 77 percent of the awards and 92 percent of the obligations. OIG then selected the awards with the highest dollar values within each country. When an award recipient had already been selected in that country or another, OIG removed that recipient from further consideration and went down to the next one on the list. To evaluate each award, OIG obtained cooperative agreement and award documents, as well as amendments, from NEA's Assistance Coordinate Performance Reporting System, an online database of award documentation. To evaluate performance indicators and NEA oversight, OIG also obtained documents for each directly from award recipients. OIG confirmed the completeness of this information with NEA in instances when OIG used this information as a basis for conclusions.

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<sup>2</sup> Documentation available before the audit fieldwork indicated that seven of the awards were performed in the United States; however, OIG subsequently determined that two awards were actually performed in Syria, one was performed in Libya, one was intended to be performed throughout the Middle East and North Africa, and the remaining three were performed in the other countries that were previously selected.

## APPENDIX B: MEPI GRANTS/COOPERATIVE AGREEMENTS SELECTED FOR REVIEW

Table B-1: MEPI Cooperative Agreements and Grants in Judgment Sample as of 9/30/2014  
(\$ in Millions)

Award Number	Country or Place of Performance	Program Goal	Award Value (Millions)
<b>Cooperative Agreements</b>			
S-NEAPI-06-CA-0229	Egypt	GOAL I: Pluralistic Societies	\$ 6.8
S-NEAPI-11-CA-0341	Egypt	GOAL II: Participatory Societies	0.8
S-NEAPI-11-CA-0357	Egypt	GOAL III: Prosperous Societies	3.5
S-NEAPI-09-CA-0286	Israel	GOAL I: Pluralistic Societies	0.6
S-NEAPI-13-CA-1026	Israel	GOAL II: Participatory Societies	0.6
S-NEAPI-11-CA-0350	Jordan	GOAL II: Participatory Societies	0.4
S-NEAPI-13-CA-1018	Jordan	GOAL II: Participatory Societies	0.8
S-NEAPI-06-CA-0230	Lebanon	GOAL I: Pluralistic Societies	6.4
S-NEAPI-11-CA-0324	Lebanon	GOAL II: Participatory Societies	1.0
S-NEAPI-12-CA-1006	Lebanon	GOAL I: Pluralistic Societies	4.4
S-NEAPI-14-CA-1002	Lebanon	GOAL III: Prosperous Societies	2.0
S-NEAPI-14-CA-1005	Libya	GOAL II: Participatory Societies	5.0
S-NEAPI-13-CA-1032	Middle East & N. Africa	GOAL II: Participatory Societies	4.5
S-NEAPI-12-CA-0036	Morocco	GOAL III: Prosperous Societies	1.0
S-NEAPI-14-CA-1003	Morocco	GOAL III: Prosperous Societies	1.9
S-NEAPI-13-CA-XXXX	Syria	GOAL II: Participatory Societies	20.0
S-NEAPI-14-CA-XXXX	Syria	GOAL I: Pluralistic Societies	7.0
S-NEAPI-11-CA-0329	Tunisia	GOAL I: Pluralistic Societies	2.0
S-NEAPI-11-CA-0335	Tunisia	GOAL II: Participatory Societies	4.9
S-NEAPI-11-CA-0336	Tunisia	GOAL II: Participatory Societies	5.0
S-NEAPI-11-CA-0338	Tunisia	GOAL II: Participatory Societies	2.3
S-NEAPI-11-CA-0344	Tunisia	GOAL II: Participatory Societies	5.2
S-NEAPI-11-CA-0359	Tunisia	GOAL II: Participatory Societies	5.4
S-NEAPI-11-CA-0363	Tunisia	GOAL I: Pluralistic Societies	2.0
S-NEAPI-08-CA-0288	West Bank & Gaza	GOAL III: Prosperous Societies	1.5
S-NEAPI-13-CA-1014	West Bank & Gaza	GOAL III: Prosperous Societies	0.8
<b>Subtotal of Cooperative Agreements</b>			<b>\$ 96.0</b>
<b>Grants</b>			
S-NEATU-13-GR-015	Israel	GOAL III: Prosperous Societies	\$ 0.1
S-NEAPI-13-GR-1006	Lebanon	GOAL I: Pluralistic Societies	10.0
S-NEAAB-14-GR-056	West Bank & Gaza	GOAL III: Prosperous Societies	0.1
S-NEATU-13-GR-060	West Bank & Gaza	GOAL I: Pluralistic Societies	0.1
<b>Subtotal of Grants</b>			<b>\$ 10.3</b>
<b>Total</b>			<b>\$106.3</b>

Source: Generated by OIG from data provided by the Department of State. Rounding may affect totals.

## APPENDIX C: BUREAU OF NEAR EASTERN AFFAIRS RESPONSE TO DRAFT REPORT

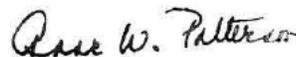
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October 25, 2016

UNCLASSIFIED  
**MEMORANDUM**

TO: OIG/AUD – Norman P. Brown

FROM: NEA – Assistant Secretary Anne Patterson



SUBJECT: Draft OIG Report on Audit of the Performance and Management of the Middle East Partnership Initiative (MEPI)

Thank you for providing NEA the opportunity to provide comments on the Office of Inspector General (OIG) draft report. Below please find comments and feedback regarding actions we have taken or plan to take in response to all five recommendations, as well as overall feedback related to the report.

NEA concurs with all five of the recommendations in the report, and notes that the recommendation for written procedures was addressed in February 2016 in the Bureau of Near Eastern Affairs Office of Assistance Coordination Grants Management Policies and Procedures Manual, providing standard procedures and training to its personnel on developing appropriate indicators. NEA addressed the second recommendation during NEA/AC's regional MEPI training for all posts' MEPI administrators and coordinators in October 2015, and again in October 2016. Training is also provided throughout the year for Washington, DC based staff. We hope this will enable the close out of these two recommendations.

The report's executive summary includes broad statements about the monitoring and oversight of MEPI grants that do not correlate to the recommendations or to NEA's experience with the impact of the MEPI program. Statements in the report such as "NEA could not demonstrate MEPI was achieving its goals" and "NEA could not demonstrate MEPI's success or provide useful information to decision makers" simply do not reflect NEA's experience.

NEA has found repeated benefits from information, relationships and capacity built through MEPI programming and implementers. In Yemen, for example, a MEPI grant supported Women Journalists without Chains and its leader, Tawakkol Karman. Ms. Karman earned a Nobel Peace Prize in 2011 for her numerous efforts to promote the full participation of women in peace-building work and her work as an outspoken advocate for reform. Similarly, in Tunisia, all four winners of the

2015 Nobel Peace Prize, labor and civil society leaders, were past beneficiaries of MEPI programming. NEA is proud to support civil society organizations like these throughout the region as they address challenging needs and work to build better futures for their communities and countries.

NEA's MEPI programming throughout the 2013-2014 time period was dynamic and responsive to NEA and U.S. government priorities in the region. The OIG's finding that 198 of 357 (55%) of MEPI indicators were outputs and not outcomes does not acknowledge that the Department's Handbook notes the value of outputs and their associated indicators as a core component of project design. Particularly in dynamic operating environments, outputs assist the grantee and NEA to determine if activities are on track to achieve the project's intermediate results and desired outcomes. Outputs are particularly important in economic projects, where the outcome is long-term change. In Tunisia, for example, technical assistance provided to public and private sector stakeholders paved the way for streamlined, transparent and efficient processes to open franchises, resulting in 29 new franchise agreements, including the recent signature of 15 agreements between local entrepreneurs and U.S. companies (such as Chili's, Pizza Hut, and RE/MAX). In Jordan, the output of technical assistance activities for public sector institutions and private sector companies also included improvement of the business and registration process and increasing dialogues between more than 30 small business associations and policy-makers about the registration process to promote growth of small and medium sized enterprises.

Throughout the post-Arab Spring transitions, MEPI-funded programming also focused on outcomes, making strategic investments in more stable countries, such as Tunisia and Morocco. In 2012, MEPI funded the Organization for Economic Cooperation and Development to support critical reforms for the Open Government Partnership (OGP), an effort that led to the Government of Tunisia making meaningful improvements in governance and, in January 2014, becoming the newest member of OGP.

In addition, the OIG's report did not acknowledge the real-time reporting of many MEPI programs, the daily communication via e-mail, phone, and personal meetings that were occurring between staff and implementers and the consistent assessment of progress and feedback. In advance of Tunisia's October 2011 National Constituent Assembly elections, for example, MEPI programming trained a cadre of 232 master trainers who subsequently delivered training on Election Day procedures to more than 50,000 poll workers throughout the country. MEPI funded an observation mission from the National Democratic Institute, the International

Republican Institute, and the Carter Center, that deployed 65 observers, visiting 272 polling stations, to monitor polling, counting, and tabulation to validate and report that the process met international standards for a free and fair election. These projects provided real-time reporting as they supported the Tunisian government's efforts to achieve its goals with support of the international community.

Further, each MEPI award had terms and conditions, reporting requirements, and an active team of *at least three* NEA staff. In 2005, the GAO found that the Near Eastern Affairs Middle East Partnership Initiative office (NEA/PI) had effectively deployed a Monitoring Tool Kit in October 2006 that provides every member of the MEPI staff with guidance to effectively monitor and evaluate its programs. GAO also found that NEA's grants database supported further monitoring and tracking. In subsequent years, NEA staff deployed various training and updates to that plan to ensure new staff were monitoring according to department standards, a practice that NEA/PI's successor, the Office of Assistance Coordination (NEA/AC), continues to do.

MEPI implementers operating across the region, such as the American Bar Association, International Republican Institute, National Democratic Institute, and Search for Common Ground, actively work to address programming challenges in NEA countries and respond to immediate needs and policy priorities. These implementers are conducting quality programming in cooperation with local civil society groups, labor organizations, and other key stakeholders, and NEA believes in the effectiveness and contributions of their programming to MEPI's goals.

### **Recommendation Responses**

#### OIG Report Recommendation 1:

OIG recommends that the Bureau of Near Eastern Affairs (NEA) develop and implement written procedures for all awards to ensure performance indicators meet the Performance Management Guidebook standards for indicator appropriateness and include appropriate baseline data and performance targets. These written procedures should be incorporated into the Bureau of Near Eastern Affairs Office of Assistance Coordination Grants Management Policies and Procedures Manual.

#### NEA Response:

NEA concurs with this recommendation and addressed this in the Grants Management Policies and Procedures Manual, Version 1.1, effective February 11, 2016.

OIG Report Recommendation 2:

OIG recommends that the Bureau of Near Eastern Affairs provide standard procedures and training to its personnel on developing appropriate indicators.

NEA Response:

NEA concurs with this recommendation with explanation. NEA/AC's regional MEPI training for all posts' MEPI administrators and coordinators includes a session on M&E indicator development. This training was conducted in October 2015 and most recently provided again at the MEPI training on October 18, 2016. This training was also provided to personnel based in the Washington, DC office in October 2015.

OIG Report Recommendation 3:

OIG recommends that the Bureau of Near Eastern Affairs establish and implement additional policies and procedures to require that award monitoring plans include assessments of progress toward achieving the goals, objectives, and expected outcomes of awards and the technical assistance that may be provided. These written procedures should be incorporated into the Bureau of Near Eastern Affairs Office of Assistance Coordination Grants Management Policies and Procedures Manual.

NEA Response:

NEA concurs with this recommendation.

OIG Report Recommendation 4:

OIG recommends that the Bureau of Near Eastern Affairs establish and implement additional written policies and procedures to require performance monitoring during site visits and provide a template on how that monitoring should be conducted. These written procedures should be incorporated into the Bureau of Near Eastern Affairs Office of Assistance Coordination Grants Management Policies and Procedures Manual.

NEA Response:

NEA concurs with this recommendation.

OIG Report Recommendation 5:

OIG recommends that the Bureau of Near Eastern Affairs establish and implement additional written policies and procedures to require documentation of the review of quarterly performance reports to ensure that progress is being made toward achieving award objectives. These written procedures should be incorporated into

the Bureau of Near Eastern Affairs Office of Assistance Coordination Grants Management Policies and Procedures Manual.

NEA Response:

NEA concurs with this recommendation.

Should you have any additional questions or concerns, please contact the Division Chief of the Grants Management Department in the Office of Assistance Coordination, Greg Young ([YoungGM@state.gov](mailto:YoungGM@state.gov)).

Approved: NEA: Anne W. Patterson

Drafted: NEA/AC - MDaher-Mansour, ext. 6-8617; and NEderton ext. 6-8631

Cleared:

NEA/FO	LSchwartz (ok)
NEA/AC	RAlbright (ok)
NEA/AC	BAggeler (ok)
NEA/AC	BWilson (ok)
NEA/AC/GM	GYoung (ok)
NEA/AC/PPC	AViehe (ok)
NEA/AC/PBE	STaylor (ok)
NEA/AC/PBE	NDonahue (ok)
NEA/AC/PBE	MEhounou (info)

## ABBREVIATIONS

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A/OPE	Bureau of Administration, Office of the Procurement Executive
GOR	Grants Officer Representative
GPD	Grants Policy Directive
MEPI	Middle East Partnership Initiative
NEA	Bureau of Near Eastern Affairs
NEA/AC	NEA Office of Assistance Coordination
SAMS	System for Awards Management

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