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Audit of Humanitarian Assistance to South Sudan

MIDDLE EAST REGION OPERATIONS

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OFFICE OF AUDITS, Middle East Region Operations

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OIG HIGHLIGHTS

AUD-MERO-18-48

What OIG Audited

Since 2013, civil wars in South Sudan have resulted in millions of internally displaced persons (IDP) within its borders and refugees fleeing to neighboring countries. From FY 2014 to FY 2016, the Department of State (Department), Bureau of Population, Refugees, and Migration (PRM), provided \$578.8 million in humanitarian assistance for South Sudanese IDPs and refugees through cooperative agreements provided to non-governmental organizations and voluntary contributions to international organizations.

The Office of Inspector General (OIG) conducted this audit to determine whether PRM monitored humanitarian assistance provided to South Sudanese IDPs and refugees in accordance with Federal requirements, Department policies and guidance, and award terms and conditions. Specifically, OIG reviewed humanitarian assistance provided through cooperative agreements awarded to Save the Children and International Medical Corps and voluntary contributions awarded to the United Nations High Commissioner for Refugees (UNHCR) and the International Committee of the Red Cross (ICRC).

What OIG Recommends

OIG made one recommendation intended to improve PRM's monitoring of cooperative agreements awarded in support of South Sudanese IDPs and refugees. PRM concurred with the recommendation. A synopsis of management's comments follow the recommendation in the Audit Results section of this report. PRM's response to a draft of this report is reprinted in Appendix C.

What OIG Found

PRM generally complied with Federal and Department requirements regarding the monitoring of cooperative agreements. Specifically, PRM assessed programmatic and organizational risks, reviewed quarterly performance and financial reports, conducted programmatic site visits, and maintained communications with award recipients. In addition, OIG found that expenses claimed by the award recipients were generally supported and allowable. However, OIG also found instances in which the award recipients deviated from the approved budget plan and misapplied expenses. This deficiency occurred, in part, because PRM did not implement procedures to verify that award recipients were complying with approved budget plans or obtaining permission to deviate from the approved budget plans. Until such procedures are implemented, PRM will not be able to ensure award recipients apply costs to authorized budget categories.

In addition, OIG found that although PRM assessed programmatic and organizational risks of the awards, it did not fully assess all relevant country risks regarding South Sudan, such as crime and corruption. This occurred because the risk assessment worksheet used by PRM in 2016 did not include questions specifically addressing how crime and corruption could affect the award's execution. However, beginning with FY 2018 awards, PRM will apply a new risk assessment worksheet that includes a section on identifying and assessing country-specific risks. Employing this checklist will assist PRM in completing more thorough risk assessments and preparing robust monitoring plans.

OIG also found that PRM's risk assessments and monitoring of its 2016 voluntary contributions to UNHCR and ICRC were consistent with Federal and Department requirements. For example, ICRC and UNHCR provided global and country-specific performance information that PRM reviews when developing annual plans and allocating assistance for South Sudanese refugees and IDPs.

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OBJECTIVE

The Office of Inspector General (OIG) conducted this audit to determine whether the Bureau of Population, Refugees, and Migration (PRM) monitored humanitarian assistance provided to South Sudanese internally displaced persons (IDP)) and refugees in accordance with Federal requirements, Department of State (Department) policies and guidance, and award terms and conditions.

BACKGROUND

In July 2011, the United States recognized South Sudan as a sovereign, independent state following its secession from Sudan after a civil war that killed more than 2.5 million people and displaced millions more. In December 2013, conflicts between South Sudanese leaders resulted in another civil war that caused 2.7 million people to become internally displaced. As of December 2017, 1.9 million South Sudanese were internally displaced and 2.4 million fled to neighboring countries such as Sudan, Ethiopia, Kenya, Uganda, the Democratic Republic of the Congo, and the Central African Republic. To compound the strife in South Sudan, as of December 2017, 283,409 refugees from surrounding countries had migrated to South Sudan. Conflict within South Sudan and surrounding countries continues to impact the people in the region—especially in South Sudan. Figure 1 shows the location of South Sudan and surrounding countries.

Figure 1: South Sudan and Surrounding Countries



Source: OIG analysis of open-source documents, December 2017.

Note: This map does not purport to represent the Department's officially recognized international boundaries for South Sudan.

Corruption, poor infrastructure, and high crime rates in both South Sudan and Ethiopia compound the problems in the region, not only for the people living there but also for those trying to assist them. In 2016, Transparency International ranked 176 countries for their perceived levels of corruption, with 1 being the least corrupt and 176 being the most corrupt. South Sudan was ranked at 175 (the second most corrupt country), and Ethiopia was ranked at 108.¹ In addition, the 2016 South Sudan Crime and Safety Report prepared by the Department's Bureau of Diplomatic Security, Overseas Security Advisory Council, stated that the crime rate in South Sudan was critical, political violence was critical, and that inter- and intra-ethnic violence was prevalent. In its 2016 report concerning Ethiopia, the council stated that the terrorism threat was high because of two al-Shabaab operatives and other extremists in the region.²

U.S. Humanitarian Assistance to South Sudan

The United States is the largest single contributor of humanitarian assistance to South Sudan. From FY 2014 to FY 2016, PRM provided \$578.8 million in humanitarian assistance to South Sudanese IDPs—refugees in South Sudan from other countries and South Sudanese refugees in neighboring countries. Assistance to the two groups has different areas of emphasis. Assistance to IDPs is designed to help them become self-sufficient and reunite with their families. Assistance to refugees focuses on nutritional and psychosocial support, health care, sanitation and hygiene services, shelter, and recovering from the aftermath of gender-based violence. PRM provided the \$578.8 million in humanitarian assistance through two mechanisms:

- **Cooperative Agreements.** Approximately \$65.9 million of the humanitarian assistance (11 percent) was awarded through cooperative agreements. These are assistance awards that provide funding to recipients to implement a specific project or to support an existing program or activity.³ Cooperative agreements require the substantial involvement of the Federal agency, including monitoring the recipients' performance and financial management.
- **Voluntary Contributions.** Approximately \$512.9 million of the humanitarian assistance (89 percent) was awarded through voluntary contributions to international organizations. A voluntary contribution is discretionary financial assistance provided to directly support an organization's activities or to sustain its general budget and operations. The award may specify how the funding being contributed may be used, including as it relates to budgets and activities, and for earmarking funds for specific purposes.⁴

¹ Transparency International, Corruption Perceptions Index 2016. The index measures the perceived levels of public-sector corruption worldwide, taking into account political, economic, social, and environmental corruption.

² The Overseas Security Advisory Council was established to promote security cooperation between American private-sector interests worldwide and the U.S. Department of State.

³ Cooperative agreements may be awarded to domestic and foreign non-profit and for-profit organizations and institutes of higher learning.

⁴ Federal Assistance Policy Directive, January 14, 2016.

Requirements for Monitoring Award Performance and Financial Management

Oversight requirements and guidance for Department assistance awards are included in the following documents (see Appendix B for additional details regarding monitoring requirements):

- The U.S. Code of Federal Regulations (CFR), Title 2, Parts 200 and 600
- The Department's Federal Assistance Policy Directive (FAPD)⁵
- U.S. Department of State Procedural Guide: Grants and Cooperative Agreements to Non-Federal Entities not Recognized as Foreign Public Entities (Procedural Guide)⁶

PRM's Monitoring and Evaluation Strategy Papers

PRM's Policy and Program Review Committee develops and issues monitoring and evaluation strategy papers. The 2016 Policy and Program Review Committee Strategy for South Sudan and Sudan and the 2016 Policy and Program Review Committee Regional Policy Paper for the Horn of Africa included general monitoring and evaluating plans for humanitarian award recipients. Both the Procedural Guide and these strategy papers suggest employing desk reviews to verify reported information as an enhanced monitoring technique for awards in insecure or high-risk locations.

Oversight of Cooperative Agreements and Voluntary Contributions

Grants Officers, Grants Officer Representatives (GOR), Program Managers, Refugee Coordinators, and Assistant Refugee Coordinators monitor cooperative agreements and voluntary contributions for PRM. For the humanitarian assistance awards to South Sudan, the Grants Officers, GORs, and Program Managers are located in Washington, DC, and the Regional Refugee Coordinator and Assistant Refugee Coordinator are located at Embassy Addis Ababa, Ethiopia. Grants Officers are appointed and authorized by the Bureau of Administration's Office of the Procurement Executive to award and amend Federal assistance awards, such as cooperative agreements. The Grants Officers are responsible for the execution of the award, even if monitoring activities are performed by other staff members. 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. The Regional Refugee Coordinator assists the GOR and is responsible for providing oversight for and monitoring of humanitarian operations in the region with help from the Assistant Refugee Coordinator.

Voluntary contributions are made exclusively to Foreign Public Entities, which include:

⁵ The FAPD was in effect from January 2016 to May 2017, the time period in which the six awards OIG reviewed were active. Therefore, OIG used the requirements contained in the FAPD for its review. In May 2017, the Department issued the Federal Assistance Directive, which replaced the FAPD.

⁶ U.S. Department of State, Office of the Procurement Executive, U.S. Department of State Procedural Guide: Grants and Cooperative Agreements to Non-Federal Entities not Recognized as Foreign Public Entities, December 31, 2015. This document was combined with the FAPD in May 2017 to create the FAD.

- Foreign governments or foreign governmental entities.
- Entities wholly or partially owned or controlled by foreign governments.
- Entities consisting wholly or partially of one or more foreign government or foreign governmental entities.
- Public international organizations, such as the United Nations, "entitled to enjoy privileges, exemptions, and immunities as an international organization under the International Organizations Immunities Act (22 U.S.C. 288), or is otherwise designated as a [public international organization] on criteria in consultation with the Office of Legal Advisor (L)."⁷

The FAPD requires that bureaus, offices, and posts conduct risk assessments, develop strategies to mitigate risks, and establish and maintain monitoring plans for all competitive and non-competitive assistance awards. However, the FAPD also states that Foreign Public Entities are not required to subject their books and records to inspection by officials of member states, and that member states will respect the integrity of public international organizations operations.⁸ As a result, the FAPD states that many of the Department's standard terms and conditions for assistance awards do not apply to voluntary contributions. Nonetheless, the FAPD states that the terms and conditions may:

- Specify how funding may be used as it relates to budgets and activities, including earmarking funds.
- Reference specific quarterly, annual, or other periodic reporting requirements.
- Include conditions related to legal requirements attached to the funding.
- Include appropriate requirements as determined by the relationship and nature of the contribution.⁹

What OIG Reviewed

For this audit, OIG selected four cooperative agreements and two voluntary contributions for review. Table 1 lists the award number, title, recipient, and value of these awards.¹⁰

⁷ FAPD, January 14, 2016, 79.

⁸ The FAPD states, "As a general matter, [Foreign Public Entities] are not expected to subject their books and records to inspection by officials of each country making an award or contributions to the entity." The FAPD also states that "in the case of [public international organizations], member states providing awards respect the independence of the organization and the integrity of its operations within the framework of the charter." FAPD, January 14, 2016, 79.

⁹ Ibid, 88.

¹⁰ Appendix A provides additional details regarding methodology used to select the humanitarian assistance awards for this audit.

Table 1: Humanitarian Assistance Awards Reviewed by OIG

Award Number and Title	Recipient	Value
COOPERATIVE AGREEMENTS		
S-PRMCO-16-CA-1100 (7/1/2016 – 6/30/2017) Integrated Quality Education, Child Protection, and Skills Building Programme for Vulnerable Children in Doro Refugee Camp and Surrounding	Save the Children	\$1,499,993
S-PRMCO-16-CA-1060 (9/23/2016 – 9/22/2017) Building Resilience for Improved Development of Children in Ethiopia	Save the Children	\$1,000,000
S-PRMCO-16-CA-1089 (7/1/2016 – 6/30/2017) Primary Health Care Services in South Sudan	International Medical Corps	\$1,500,000
S-PRMCO-16-CA-1269 (9/1/2016 – 8/31/2017) Emergency Nutrition Needs in Ethiopia	International Medical Corps	\$1,031,246
Subtotal		\$5,031,239
VOLUNTARY CONTRIBUTIONS		
S-PRMCO-16-VC-1016 (11/17/2015 – 12/31/2016) Activities supporting South Sudanese refugees and IDPs	United Nations High Commissioner for Refugees (UNHCR)	\$118,847,635
S-PRMCO-16-VC-1038 (1/1/2016 – 12/31/2016) Activities supporting South Sudanese refugees and IDPs	International Committee of the Red Cross (ICRC)	\$33,900,000
Subtotal		\$152,747,635*
Total Value of Awards		\$157,778,874

* The voluntary contributions included earmarked funds for all UNHCR and ICRC assistance programs in South Sudan and Ethiopia as well as funds earmarked for HIV/AIDS and education programs for refugees in Ethiopia. Because the funds are not earmarked specifically for South Sudanese in either country, OIG could not ascertain what portions of the funding were allocated specifically for IDPs in South Sudan and South Sudanese refugees in Ethiopia.

Source: OIG analysis of cooperative agreement and voluntary contributions award documents.

AUDIT RESULTS

Finding A: PRM Generally Complied With Federal and Department Requirements Regarding the Monitoring of Cooperative Agreements to South Sudan but Did Not Detect Instances in Which the Award Recipient Deviated From Approved Budget Plans

PRM generally complied with Federal and Department requirements regarding the monitoring of cooperative agreements with Save the Children and International Medical Corps for humanitarian assistance to South Sudanese IDPs and refugees. Specifically, PRM assessed programmatic and organizational risks, reviewed quarterly performance and financial reports, conducted programmatic site visits, and maintained communications with award recipients. In addition, OIG found that expenses claimed by the award recipients were generally supported and allowable. However, OIG also found instances in which the award recipients deviated from the approved budget plan and misapplied expenses. This deficiency occurred, in part, because PRM did not implement procedures to verify that award recipients complied with approved

budget plans or, alternatively, obtained permission to deviate from the approved budget plans. Until such procedures are implemented, PRM will not be able to ensure that award recipients apply costs to authorized budget categories.

In addition, OIG found that although PRM assessed programmatic and organizational risks of the awards, it did not fully assess all relevant country risks to South Sudan, such as crime and corruption. This occurred because the risk assessment worksheet used by PRM in 2016 did not include questions addressing the ways that crime and corruption could affect the award's execution. However, beginning with FY 2018 awards, PRM will apply a new risk assessment worksheet that includes a section on identifying and assessing country-specific risks. Using this checklist will assist PRM in completing thorough risk assessments and preparing robust monitoring plans.

PRM Generally Complied With Federal and Department Requirements Regarding the Monitoring of Cooperative Agreements

OIG reviewed four humanitarian assistance awards—two with Save the Children and two with International Medical Corps—to assist South Sudanese IDPs and refugees. The cooperative agreements were initiated between July and September 2016 and collectively total approximately \$5 million.

OIG found that PRM generally complied with Federal requirements, Department policies and guidance, and the award terms and conditions for the four South Sudan cooperative agreements reviewed for the audit. Specifically, PRM did the following:

- Assessed programmatic and organizational risks.
- Developed monitoring plans and reviewed required quarterly performance and financial reports.
- Conducted site visits at the location of award performance to assess the execution of the award.
- Maintained communications with award recipients.

The terms and conditions for each of the four cooperative agreements included performance goals, objectives, and targets that Save the Children and International Medical Corps were expected to achieve. The awards also required Save the Children and International Medical Corps to present data and narratives on progress toward achieving the award performance goals, objectives, and targets on a quarterly basis. PRM conducted several activities to monitor whether Save the Children and International Medical Corps actually met their awards' performance goals, objectives, and targets. For example, for each award, PRM reviewed quarterly progress reports and documented its reviews in the Monitoring Plan and Report.¹¹

¹¹ Monitoring Plan and Reports are ongoing, cumulative quarterly reports that Program Managers, GORs, and Refugee Coordinators use to document monitoring activities under an award. Monitoring methods may include activities such as conducting site visits and reviewing award recipients' quarterly performance and financial reports' progress in meeting the terms and conditions of the award goals, objectives, and targets.

PRM staff also conducted site visits for each of the four cooperative agreements to observe the operations of Save the Children and International Medical Corps in South Sudan and Ethiopia. According to the awards' Monitoring and Plan Reports, as well as emails and trip reports documenting the trips, the site visits focused on both high-level issues such as camp operations and on meetings with IDPs and refugees who received assistance under the four awards. PRM staff maintained day-to-day communications with the award recipients through remote monitoring communications, such as email and phone, and documented the monitoring activities in weekly activity reports and emails to PRM Headquarters.¹²

In addition, OIG selected a sample of expenses from each of the four general ledgers to determine whether they were supported and allowable.¹³ OIG found that the documentation associated with the expenses showed that the expenses were generally supported and allowable. OIG found only a few instances in which expenses claimed were not supported. Specifically, OIG identified exceptions in one expense claimed by International Medical Corps totaling \$4,465 and one expense claimed by Save the Children for \$274. OIG reported the three transactions to International Medical Corps and Save the Children; both organizations stated that they would review the expenses to ensure they were fully supported and allowable and report the results to OIG.

PRM Did Not Detect Misapplied Expenses for Approved Budget Plans

According to CFR § 200.308, award recipients must obtain an approved budget plan, must report deviations from the project or budget scope or objectives and request prior approval for budget plan revisions.¹⁴ In addition, the Department's Standard Terms and Conditions state that "For non-construction Federal awards, non-Federal entities must request prior approvals from Federal awarding agencies for one or more of the following program or budget-related reasons:...(f) rebudgeting more than 10 [percent] of the total approved award between direct cost categories."¹⁵

OIG reviewed expenses entered into the general ledgers for each of the four cooperative agreements and found that both Save the Children and International Medical Corps applied some award costs to incorrect budget categories.^{16,17} Specifically, for the four awards reviewed,

¹² OIG verified this information by interviewing PRM officials and by reviewing PRM's fourth quarter final Monitoring Plan and Reports, trip reports, emails, and award recipients' quarterly reports for the four cooperative agreements in OIG's sample.

¹³ OIG reviewed supporting documentation for 94 expenses from Save the Children general ledgers and 101 expenses from International Medical Corps ledgers. See Appendix A for a description of the sampling methodology used.

¹⁴ CFR § 200.308, 110-111.

¹⁵ Department of State Standard Terms and Conditions, Revised April 8, 2016, 8.

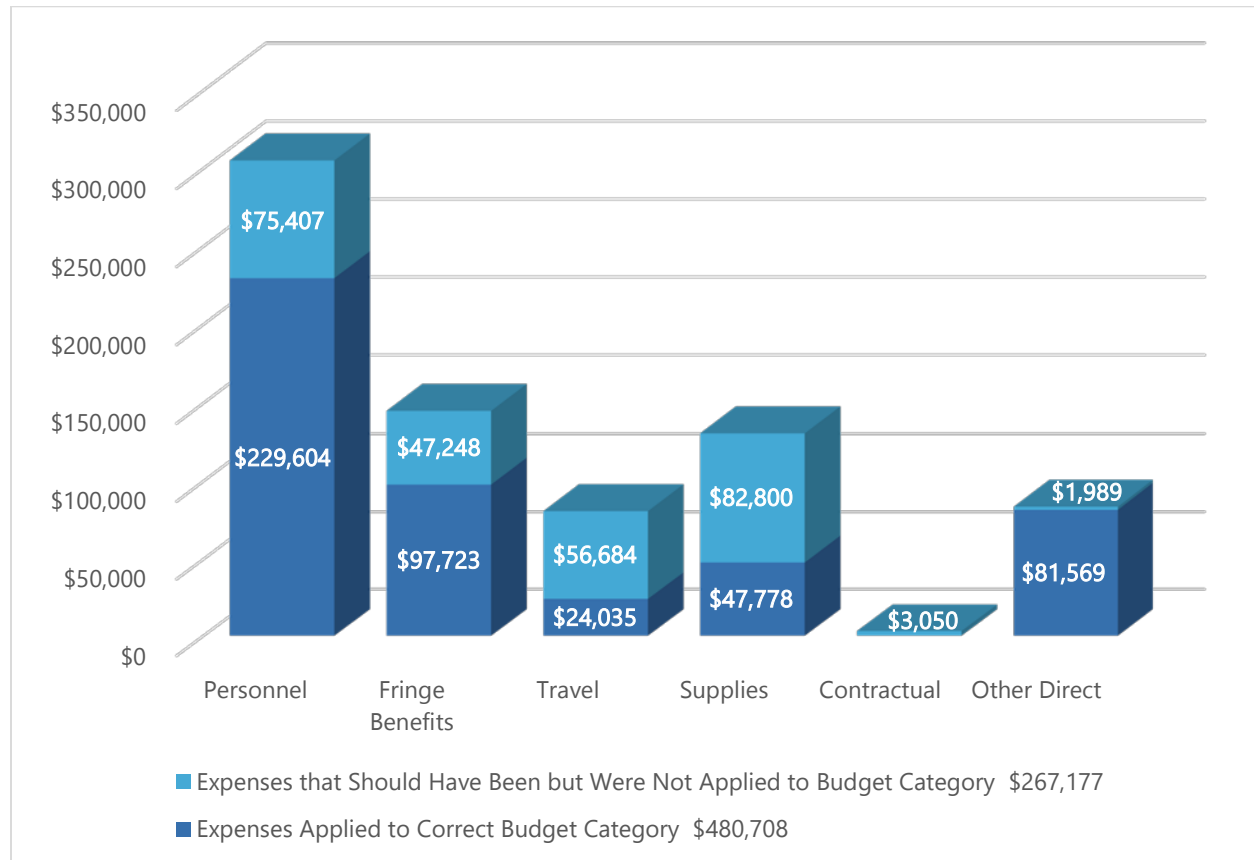
¹⁶ CFR 200 states awards can have direct and indirect costs. See CFR § 200.56 and § 200.68, 88-89. Direct costs fall under eight budget categories: personnel costs, fringe benefits, travel costs, equipment costs, supplies, contractual costs, construction costs, and other direct costs. Indirect costs include facilities and administrative costs.

¹⁷ Data from the general ledgers were as of April 2017 for the Save the Children awards and as of June 2017 for the International Medical Corp awards. The methodologies used are detailed in Appendix A.

OIG found that 658¹⁸ of 3,754 (18 percent) expenditures and \$326,778 of \$2,466,464 (13 percent) in actual costs were applied to incorrect budget categories.

For the two Save the Children awards, OIG found that 538 of 1,367 expenditures (39 percent), valued at \$267,177, were not applied to the correct budget categories. For example, Save the Children incorrectly applied \$75,407 in personnel costs to other budget categories, including fringe benefits, travel, supplies, and other direct costs. In another instance, Save the Children incorrectly applied \$47,248 in fringe benefits to other budget categories, including personnel, travel, supplies, and direct costs. Figure 2 shows the total values of expenditures correctly and incorrectly applied to each budget category for the two Save the Children awards reviewed.

Figure 2: Application of Expenses to Authorized Direct Budget Categories^a for Save the Children Awards S-PRMCO-16-CA-1100 and S-PRMCO-16-CA-1060^b



^a No funds were budgeted or expended against budget categories for "equipment" and "construction"; therefore, these categories were not included in the figure.

^b Numbers are rounded to the nearest dollar.

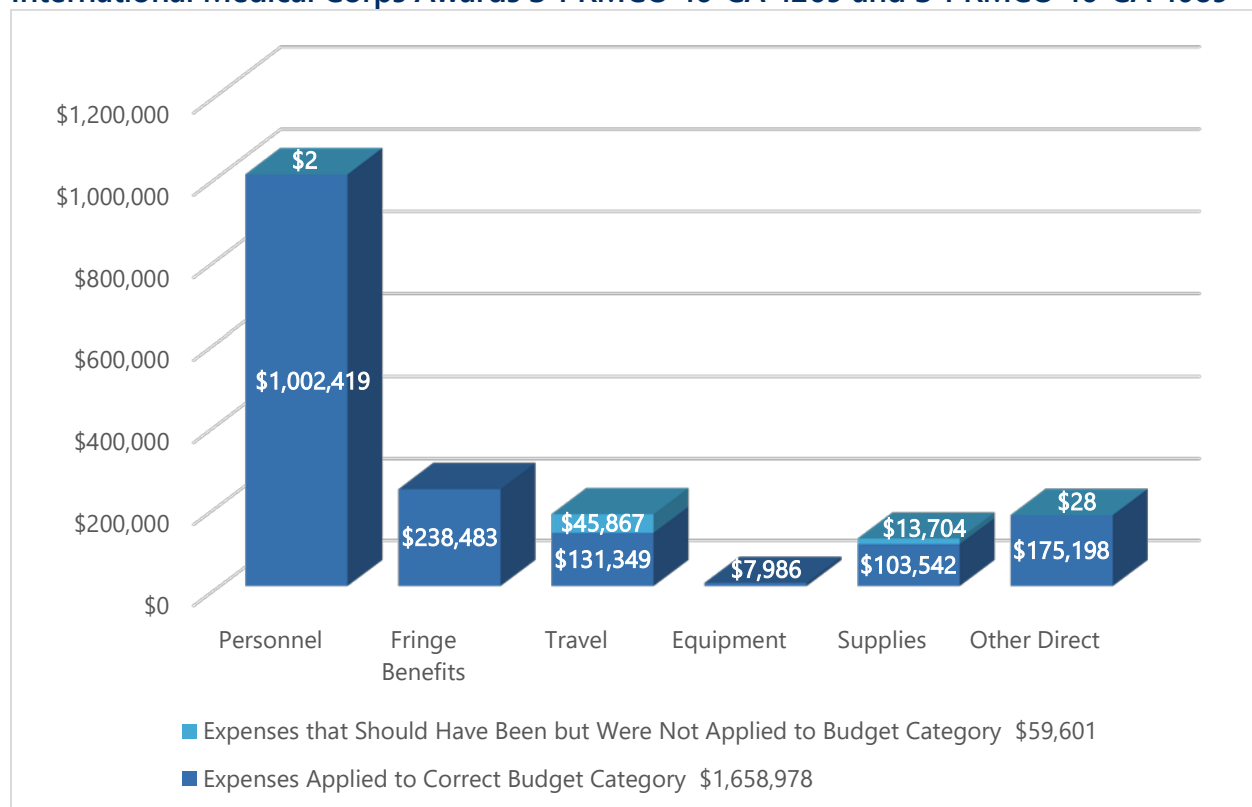
Source: OIG analysis of Save the Children financial data for awards S-PRMCO-16-1100 and S-PRMCO-16-1060.

¹⁸ The 658 is a total of 120 estimated expenditures for International Medical Corps and 538 expenditures for Save the Children.

Although the percentage of expenditures misapplied to budget categories was similar for the Save the Children awards, the percentage of total authorized costs that were misapplied differed. OIG found that Save the Children misapplied \$72,079 of the \$1 million (7 percent) authorized for award S-PRMCO-16-CA-1060, whereas it misapplied \$195,098 of \$1.5 million (13 percent) authorized for award S-PRMCO-16-CA-1100.

For the two International Medical Corps awards, OIG found that 120¹⁹ of 2,387 expenditures (5 percent), valued at a total of \$59,601, were not applied to the correct budget categories. For example, International Medical Corps incorrectly applied \$45,867 in travel expenses to the supplies budget category. In another instance, International Medical Corps incorrectly applied \$13,704 in supplies to other budget categories, including to other direct costs and to contractual costs. The latter category had not been authorized for either of its awards. Figure 3 shows the total values of expenditures correctly and incorrectly applied to each budget category for the two International Medical Corps awards reviewed by OIG.

Figure 3: Application of Expenses to Authorized Direct Budget Categories^a for International Medical Corps Awards S-PRMCO-16-CA-1269 and S-PRMCO-16-CA-1089^b



^a No funds were budgeted or expended against budget categories of "contractual" and "construction"; therefore, these categories were not included in the figure.

^b Numbers are rounded to the nearest dollar.

Source: OIG analysis of International Medical Corps financial data for awards S-PRMCO-16-1269 and S-PRMCO-16-1089.

¹⁹ The 120 is the estimated number of expenditures for International Medical Corps.

In addition to the misapplication of expenses, expenditures from both Save the Children and International Medical Corps exceeded budgeted amounts for some budget categories under their respective cooperative agreements operating in South Sudan. According to the final Federal Financial Report for award S-PRMCO-16-CA-1060, Save the Children's actual expenses for the other direct costs category exceeded the authorized budget for that category by \$28,182 (14 percent). Similarly, under award S-PRMCO-16-CA-1089, International Medical Corps' actual expenses for other direct costs exceeded the authorized budget for the category by \$5,346 (14 percent).

According to PRM officials, the misapplication of funds constitutes rebudgeting, per the Department's standard terms and conditions for awards. International Medical Corps was not required to report the misapplications of costs or overage for one category because the total value of the misapplication and overage was less than 10 percent of the total value of the awards. However, Save the Children should have reported the deviation for award S-PRMCO-16-CA-1100 because the total value of misapplied expenses exceeded the 10-percent threshold.

PRM did not detect misapplication of expenses or deviations from approved budget plans, in part, because it did not implement procedures to verify that award recipients complied with approved budget plans and obtained permission to deviate from the approved budget plans. Specifically, the Grants Officers and the GORs for the cooperative agreements with Save the Children and International Medical Corps did not review award expenditures in the general ledgers. PRM stated that the Grants Officer or the GOR reviewed the financial information provided within the recipients' Federal Financial Report but made no requests to review general ledgers and expenditures for the four awards reviewed for this audit. A senior PRM official explained that Grant Officers and GORs are not auditors and do not have time during an award's performance period to complete financial analyses similar to those that OIG completed. The official also stated that past audits of Save the Children found no material misstatements and that thorough financial reviews are conducted as part of the award closeout process, which "largely ensures any identified errors are corrected." Because none of the four awards had completed the closeout process as of April 2018, OIG could not verify whether the financial review at closeout would have identified the instances the deviations discovered during the audit.

Federal and Department requirements and guidance do not require that bureaus conduct systematic reviews of award recipients' expenses. Nonetheless, the Department encourages spot checks as a way to ensure "evidence of expenditures show that purchases are necessary, reasonable, allocable, and allowable."²⁰ In addition, the Procedural Guide and PRM's internal policies included desk reviews to verify reported information as an enhanced monitoring technique that can be employed for awards in insecure or otherwise high-risk locations. OIG concludes that it would be beneficial for PRM to employ such reviews to ensure that award costs are appropriately accounted. This issue is particularly relevant given the considerable risk for corruption and crime. On this point, OIG notes that on two occasions during this audit

²⁰ Bureau of Administration, Office of the Procurement Executive and the Foreign Service Institute, *Federal Assistance Management*, PY260 training presentation, 191.

International Medical Corps self-reported potential fraudulent activities by its employees on one of the awards (S-PRMCO-16-CA-1269) that OIG reviewed. Less scrupulous award recipients may not report such activities. Conducting trend analyses and periodic reviews of an award recipient's expenses in the general ledgers are methods that PRM can use to monitor cooperative agreements in South Sudan and neighboring countries to reduce the risks of fraud, waste, and mismanagement. Until such procedures are implemented, PRM will not be able to ensure award recipients apply both direct and indirect costs to authorized budget categories for which the award was based.

Recommendation 1: OIG recommends that the Bureau of Population, Refugees, and Migration develop and implement procedures for Grants Officers and Grants Officer Representatives to verify that award recipients comply with approved budget plans and obtain permission to deviate from approved budget plans.

Management Response: PRM concurred with the recommendation, stating it would augment its procedures for Grants Officers and GORs to ensure that recipients comply with approved budget plans and that recipients seek approval for budget adjustments as required by regulations. PRM stated it would (1) develop and implement new award provisions to certify that financial and program reporting, including line item expenditures, is in accordance with regulations; (2) review and enhance, as needed, specific award provisions pertaining to the use of funds that requires recipients to seek prior approval for budget realignment; (3) review and enhance, as needed, policies, procedures, and training for Grants Officer quarterly financial and program reviews that display budget expenditures by line item, with special emphasis on awards that may require budget realignments; and (4) develop guidance to enhance existing financial monitoring procedures for Grants Officers and GOR site visits or desk monitoring to identify awards that may have expenditures exceeding budget line item amounts or other irregularities. PRM's full response is reprinted in Appendix C.

OIG Reply: OIG considers this recommendation resolved pending further action on the basis of PRM's concurrence and stated commitment to augment its procedures for the purpose of ensuring award recipients comply with approved budget plans and that recipients seek approval for budget adjustments. This recommendation will be closed when OIG receives and accepts documentation that PRM has developed and implemented procedures to verify that award recipients comply with approved budget plans and obtain permission to deviate from those approved plans.

PRM's Risk Assessments Did Not Fully Address All Country and Regional Factors

OIG reviewed the risk assessments that PRM conducted prior to awarding the four cooperative agreements to Save the Children and International Medical Corps and found that PRM identified and assessed internal risks, such as operational, financial, and internal controls specific to the award recipients. For example, PRM assessed the risks of award recipient staff members supporting terrorist organizations. However, contrary to the Department's Procedural Guide, PRM did not address some relevant country-specific risks, such as crime and corruption.

PRM did not fully address country-specific risks for the four awards because the risk assessment worksheet it used in 2016 to guide risk assessments did not include such considerations. The worksheet consisted of 27 questions for assessing operational, financial, internal control, and terrorism-related risks associated with a potential award recipient. Although the terrorism-related section of the worksheet included questions related to security and criminal activities, the questions were about terrorism-associated activities, such as armed actors, proliferation financing, and narco-trafficking. The worksheet did not include questions related to how crime, corruption, infrastructure, and other country-specific issues could affect the performance, financial management, and monitoring of an award.

PRM officials stated that they identified country-specific risks by separately reviewing other documents such as the 2016 Policy and Program Review Committee Strategy for South Sudan and Sudan and the 2016 Policy and Program Review Committee Regional Policy Paper for the Horn of Africa. The risks identified in those documents included operating in insecure environments, terrorist activities, poor infrastructure, drought, famine, and criminal activities such as smuggling and trafficking in persons. OIG determined that these documents identified several risks associated with the region and risks specific to South Sudan that could affect assistance delivery and monitoring. However, the risk assessments for the four cooperative agreements did not, either directly or by reference, consider all the risks identified in those documents. Although PRM officials may have understood the challenges that these risks posed to managing and monitoring the awards, the only country-specific risks addressed in the awards' risk assessments and monitoring plans included those related to operating in an insecure environment.

Conducting complete and robust risk assessments would improve PRM's ability to monitor cooperative agreements. Risk assessments should identify specific areas that are susceptible to waste, fraud, abuse, and mismanagement. A tailored monitoring plan would more precisely ensure that those risks are closely monitored via specific mitigating strategies. Beginning with the FY 2018 awards, PRM will apply a new risk assessment worksheet developed by the Department's Bureau of Administration, Office of the Procurement Executive, which includes a section on identifying and assessing country-specific risks. As of March 2018, PRM had not awarded any FY 2018 cooperative agreements; therefore, OIG could not review PRM's application of the new worksheet. OIG concluded that using this checklist will assist PRM in completing more thorough risk assessments and preparing robust monitoring plans; therefore, no additional recommendation is being made.

Finding B: PRM Assessed Risks for and Monitored Voluntary Contributions With UNHCR and ICRC Were Consistent With Federal and Department Requirements

OIG found that PRM's risk assessments and monitoring of its 2016 voluntary contributions to UNHCR and ICRC were consistent with Federal and Department requirements. In addition, OIG found ICRC and UNHCR provided performance information at both the global and country

levels. For example, OIG found that ICRC identified and reported country-specific performance goals, objectives, indicators, and targets under the five assistance areas it provides in South Sudan and Ethiopia—economic security, water and habitat, healthcare, support for hospitals, and physical rehabilitation of the wounded. In addition, UNHCR provided country-specific data for 59 performance indicators across 45 performance objectives linked to the 16 Global Strategic Priorities that it tracks in each country, including for South Sudan and Ethiopia. According to PRM officials, PRM reviews ICRC’s and UNHCR’s country-specific data when developing its annual strategic plans and allocating assistance for South Sudanese IDPs and refugees.

PRM Assessed Risks Prior to Funding the Voluntary Contributions

The FAPD, which was in place during the period of performance for the voluntary contributions reviewed for this audit,²¹ required bureaus, offices, and posts to conduct risk assessments prior to implementing noncompetitive awards such as voluntary contributions.²² OIG found that PRM’s risk assessments aligned with that requirement. OIG also found that PRM completed risk assessments for UNHCR and ICRC before approving funding through the policy papers for each organization.²³ The policy paper for ICRC identified several risks affecting the organization’s operations worldwide, including the presence of armed groups in conflicts, new weapons of war, the collapse of health systems, and organized violence from armed militias, to which the Geneva Conventions²⁴ do not apply. The policy paper also included a section on risk-based assessment of terrorist financing, which stated that PRM will ensure that ICRC is aware of the Department’s policy requiring the organization to safeguard its funds so that they are not used, directly or indirectly, to provide support for individuals or organizations associated with terrorism.

OIG found that the policy paper for UNHCR included a section on risk-based assessment of terrorist financing similar to that included in the analogous paper for ICRC. The UNHCR policy paper also included a section on the need for UNHCR to exercise due diligence, specifically with respect to identifying diversion of assistance to individuals or organizations associated with terrorism. PRM officials also stated that they identified country-specific risks for the voluntary contributions to UNHCR and ICRC, similar to the manner in which they identified country-specific risks for PRM’s cooperative agreements in the same region. In addition, similar to country-specific risks identified in the UNHCR and ICRC policies papers, PRM identified country-specific risks in its 2016 Policy and Program Review Committee Strategy for South Sudan and Sudan and the 2016 Policy and Program Review Committee Regional Policy Paper for the Horn of Africa. The risks identified in those documents included operating in insecure environments,

²¹ The FAPD was in effect from January 2016 to May 2017, the period when the six awards OIG reviewed were active. Therefore, OIG used the FAPD as criteria for its review. In May 2017, the Department issued the Federal Assistance Directive, which replaced the FAPD.

²² FAPD, 6.02-C, “Risk Assessment,” 80.

²³ PRM officials stated that PRM assessed risks for ICRC and UNHCR in two policy papers: the FY 2016 Organizational Policy and Program Paper for the ICRC Movement and the UNHCR Organizational Policy Paper for FY 2016.

²⁴ The Geneva Conventions is a body of Public International Law, also known as the Humanitarian Law of Armed Conflicts, whose purpose is to provide minimum protections, standards of humane treatment, and fundamental guarantees of respect to individuals who become victims of armed conflicts.

terrorist activities, poor infrastructure, drought, famine, and criminal activities, such as smuggling and trafficking in persons.



Figure 4. UN Mission in South Sudan established Protection of Civilian Sites to help protect South Sudanese IDPs. The photograph shows Protection of Civilian Site No. 3 in Juba, South Sudan established in August 2014.

Source: OIG photograph (August 3, 2017).

PRM Established Agreements and Monitored Voluntary Contributions with UNCHR and ICRC

PRM established with UNHCR an agreement based on the strategies, risk assessments, and monitoring plans outlined in the Policy and Program Review Committee policy papers for UNHCR. The 2016–2017 Framework for Cooperation Between the United States Department of State’s Bureau of Population, Refugees and Migration and the Office of the United Nations High Commissioner for Refugees addressed the humanitarian assistance UNHCR provided globally and included agreements for accountability, coordination, and monitoring. The PRM-UNHCR Framework identified the assistance UNHCR would provide in 2016, funding requirements for that assistance, 16 Global Strategic Priorities and associated performance indicators for tracking its performance worldwide, and a schedule for performance and budgeting consultations and reports.

PRM did not have an agreement with ICRC similar to its Framework with UNHCR. However, in its annual publication *Overview of ICRC Financing*²⁵ for 2016, ICRC stated “donors’ contributions are put to best use through its planning, monitoring, and evaluation procedures that are subject to constant reviews.” The *Overview of ICRC Financing* also stated ICRC would report on field activities and results, provide regular financial updates, as well as “updates related to a given context or to a specific programme.” In addition, ICRC provided a list of performance objectives, indicators, and targets in its annual funding appeals for its assistance efforts in South Sudan and Ethiopia.

²⁵ ICRC, *Overview of ICRC Financing: A Comprehensive Overview of How the International Committee of the Red Cross is Funded—And How to Contribute*.

PRM stated that it monitored its voluntary contributions by conducting site visits of UNHCR and ICRC field operations, holding meetings and participating in training with ICRC personnel, holding ongoing conversations and exchanging frequent correspondence, and reviewing UNHCR and ICRC mid-year and year-end reports that compared actual performance with established performance targets. For example, on the basis of PRM trip reports, OIG determined that the Refugee Coordinator met with UNHCR and other assistance providers in September 2016 at the Gambella, Ethiopia, refugee camp and the Pagak refugee reception center on the Ethiopian border with South Sudan. At these meetings, participants discussed increases in South Sudanese refugees entering Ethiopia and how to address the influx. During other site visits in South Sudan and Ethiopia, PRM personnel met with assistance recipients, attended meetings with local government officials and with other organizations participating in assistance delivery, and observed service delivery and training sessions for IDPs and refugees. In another trip report from March 2017, PRM held meetings with ICRC in Juba and discussed the organization's work in South Sudan. OIG found that PRM personnel documented each of the site visits and summarized the results of meetings and observations.

ICRC and UNHCR Established Targets and Reported Performance Data Specific to its Efforts in South Sudan and Ethiopia

ICRC issued several documents presenting its plans for 2016 and reporting its performance in South Sudan during the year. Specifically, ICRC identified and reported on country-specific performance goals, objectives, indicators, and targets under the five assistance areas it provides in South Sudan and Ethiopia—economic security, water and habitat, healthcare, support for hospitals, and physical rehabilitation of the wounded. Additionally, in its mid-year and year-end reports, ICRC reported data for actual performance for each of the indicators against established performance targets. For example, the mid-year and year-end reports included statistics on the number of individuals in each country that ICRC directly assisted by helping to restore family links and visiting “people deprived of their freedom.” These reports also included narratives that explained the activities and achievements related to the indicators and challenges ICRC faced in delivering assistance. Lastly, the year-end reports for South Sudan and Ethiopia reported the personnel and funding resources applied to each of its country programs, including programmatic and administrative costs and overhead.

UNHCR also submitted to PRM mid-year and year-end reports that compared actual performance worldwide with established performance targets and performance data for its assistance specific to South Sudan and Ethiopia. In both the mid-year and year-end reports, UNHCR addressed its performance worldwide as it related to achieving the 16 Global Strategic Priorities. In addition, on its public reporting webpage, UNHCR provided country-specific data for 59 performance indicators across 45 performance objectives linked to the 16 Global Strategic Priorities that it tracks in each country, including South Sudan and Ethiopia. For example, UNHCR tracked the objective “[IDP population in South Sudan] has sufficient basic and domestic items” using two impact indicators: (1) the percentage of households whose needs for basic and domestic items are met and (2) the percentage of women with sanitary supplies. UNHCR also tracked the health status of refugee and asylum seekers in South Sudan using five impact

indicators: (1) crude mortality rate (per 1,000 population/month), (2) extent to which persons of concern have access to primary health care, (3) extent to which persons of concern have access to secondary and tertiary health care, (4) percentage of measles vaccination coverage, and (5) under-5 mortality rate (per 1,000 population/month). According to PRM officials, PRM reviews ICRC's and UNHCR's country-specific data when developing its annual strategic plans and allocating assistance for South Sudanese IDPs and refugees.

RECOMMENDATIONS

Recommendation 1: OIG recommends that the Bureau of Population, Refugees, and Migration develop and implement procedures for Grants Officers and Grants Officer Representatives to verify that award recipients comply with approved budget plans and obtain permission to deviate from approved budget plans.

APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

The Office of Inspector General (OIG) conducted this audit to determine whether the Bureau of Population, Refugees, and Migration (PRM) monitored humanitarian assistance provided to South Sudanese internally displaced persons (IDP) and refugees in accordance with Federal requirements, Department of State (Department) policies and guidance, and award terms and conditions. Specifically, OIG reviewed humanitarian assistance provided through cooperative agreements awarded to Save the Children and International Medical Corps and voluntary contributions awarded to the United Nations High Commissioner for Refugees (UNHCR) and the International Committee of the Red Cross (ICRC).

OIG conducted fieldwork from May 2017 to April 2018 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 based on the audit objectives. OIG believes that the evidence obtained provides a reasonable basis for its findings and conclusions presented in this report. OIG conducted this audit under the authority of the Inspector General Act of 1978, as amended.

To answer the audit's objective, OIG reviewed four cooperative agreements (S-PRMCO-16-CA-1060, S-PRMCO-16-CA-1089, S-PRMCO-16-CA-1100, and S-PRMCO-16-CA-1269) and two voluntary contributions (S-PRMCO-16-VC-1016 and S-PRMCO-16-VC-1038) awarded for humanitarian assistance to South Sudanese IDPs and refugees in FY 2016. The four cooperative agreements have a combined value of more than \$5.0 million, and the two voluntary contributions have a combined value of more than \$152.7 million. OIG reviewed the terms and conditions for each of the awards—including the performance goals, objectives, and targets—and then reviewed the award recipients' final reports and other documentation to determine whether the recipients met the terms and conditions. Table 1 in the Audit Results section of this report lists the award number, title, recipient, and value of the awards reviewed.

OIG reviewed the Code of Federal Regulations, the Federal Acquisition Regulation, and Office of Management and Budget policies. OIG also reviewed the Department's Foreign Affairs Handbook, Foreign Affairs Manual, and Federal Assistance Policy Directive (FAPD). OIG also reviewed prior OIG reports related to PRM's administration and monitoring of Federal award recipients.¹

For the four cooperative agreements awarded to Save the Children and International Medical Corps, OIG reviewed documentation maintained in the award files, including award proposals, notices of award and subsequent modifications, risk assessments and monitoring plans, quarterly performance and financial reports, and reports documenting PRM monitoring activities. OIG also reviewed expenses entered into the subsidiary ledgers to determine whether

¹ FAPD was in effect from January 2016 to May 2017, the period of when the six awards OIG reviewed were active. Therefore, OIG used the FAPD as criteria for its review. In May 2017, the Department issued the FAD, which replaced the FAPD.

the expenses were allowable under the terms and conditions of the awards and supported by documentation. To determine PRM's monitoring strategies and activities, OIG interviewed officials from PRM, Save the Children, and the International Medical Corps in Washington, DC, and officials in Juba, South Sudan, and Addis Ababa, Ethiopia. OIG also visited IDPs and refugee camps in Juba and Gambella, Ethiopia, to observe Save the Children and International Medical Corps operations in those locations.

For the two voluntary contributions awarded to UNHCR and ICRC, OIG reviewed the notices of award and subsequent award modifications; UNHCR and ICRC 2016 global and supplemental funding appeals; the 2016–2017 Framework of Cooperation between the U.S. Department of State's Bureau of Population, Refugees, and Migrations and the Office of the United Nations High Commissioner for Refugees; and mid-year, year-end, and other performance reports. OIG also reviewed documents summarizing the results of PRM's site visits, meetings, telephone conversations, and correspondence with UNHCR and ICRC officials in South Sudan, Ethiopia, and Geneva. OIG interviewed PRM, UNHCR, and ICRC officials in Washington, DC; Juba, South Sudan; Addis Ababa, Ethiopia; and Geneva, Switzerland. Finally, OIG also visited IDPs and refugee camps in Juba and Gambella, Ethiopia, to observe ICRC and UNHCR activities at those sites.

Work Related to Internal Controls

OIG performed steps to assess the adequacy of internal controls related to the monitoring of PRM awards, including reviewing policies, procedures, and processes applicable to the areas audited. Internal control deficiencies and weaknesses found during the audit are presented in the Audit Results section of this report.

Use of Computer-Processed Data

OIG obtained data from PRM on humanitarian assistance provided to South Sudanese refugees and IDPs from FY 2014 to FY 2016. To attest to its completeness, OIG compared PRM's data with data from GrantSolutions and the State Assistance Management System (SAMS) Domestic.² To further attest to the data's accuracy, OIG compared PRM's data with information from the six award files. OIG did not find any material discrepancies and concluded that the data were sufficiently reliable to meet the objectives of this audit.

OIG also analyzed data obtained from Save the Children's and International Medical Corps' subsidiary ledgers for cooperative agreements S-PRMCO-16-CA-1060, S-PRMCO-16-CA-1089, S-PRMCO-16-CA-1100, and S-PRMCO-16-CA-1269. First, OIG compared the value of transactions for each award budget category against the amounts authorized under the award and the amounts reported in quarterly financial reports. OIG then reviewed a non-statistical sample of transactions from each award to determine whether the transactions were allowable under the terms and conditions of the awards and supported by documentation. A summary of

² GrantSolutions and SAMS are electronic award files that contain the award risk assessments, monitoring plans, awards, and award amendments. In 2016, SAMS Domestic replaced GrantSolutions, and, in 2017, PRM began migrating its data into SAMS Domestic.

the methodology used for selecting the samples of transactions is below. The results of these analyses are presented in the Audit Results section of this report.

Detailed Sampling Methodology

From FY 2014 to FY 2016, PRM awarded 65 cooperative agreements totaling \$65.9 million to assist IDPs in South Sudan and 14 voluntary contributions valued at \$512.9 million to assist the South Sudanese refugees living in neighboring countries. OIG verified the completeness and accuracy of the data by comparing them against information from GrantSolutions and SAMS Domestic. OIG selected four cooperative agreements and two voluntary contributions awarded in FY 2016 because (1) they had the largest value, (2) FY 2014 and FY 2015 awards were no longer active, and (3) the criteria governing the oversight of the awards differed. The value of the four selected cooperative agreements represented 17 percent of the total amount provided to award recipients in FY 2016, and the value of the two selected voluntary contributions represented 99 percent of the total amount provided to international organizations in that year.

OIG obtained general ledgers for the cooperative agreements awarded to Save the Children, Nos. S-PRMCO-16-CA-1100 and S-PRMCO-16-CA-1060, as of April 24, 2017, and general ledgers for the cooperative agreements awarded to International Medical Corps, Nos. S-PRMCO-16-CA-1269 and S-PRMCO-16-CA-1089, as of June 17, 2017. The Save the Children ledgers contained 1,367 expenditures, and the International Medical Corps ledgers contained 2,434 transactions, of which 2,387 were expenditures and 47 were for payments received from PRM. For Save the Children awards, the ledgers included a description of the expense and the budget category to which the expense was applied. OIG reviewed each entry to determine the accuracy of the application. International Medical Corps ledgers included descriptions of the expenses but not the budget category to which the expense was actually applied. OIG reviewed the expense descriptions to determine to which category they should have been applied and then compared the results with the information International Medical Corps included in its Federal Financial Reports provided to PRM. The results of OIG's analyses of award recipients' expenses and budget categories are presented in the Audit Results section of this report.

To select financial transactions for detailed review, OIG then used Benford's Law to select a sample of transactions. Benford's Law compares the actual and expected number of transactions in a given range—to select transactions with an increased level of risk, error, bias, or fraud.³ OIG's application of Benford's Law identified 394 transactions from Save the Children ledgers and 482 transactions from International Medical Corps ledgers. OIG then selected nonstatistical random samples from these higher risk transactions to determine the extent to which they were allowable under the awards' terms and conditions and supported by documentation. The samples consisted of 94 (24 percent) of 394 expenditures from Save the Children's ledgers and 101 (21 percent) of 482 expenditures from the International Medical Corps ledgers. Table A.1 shows the size of the sampled expenditures selected for review.

³ For this analysis, deviations of at least 20 percent greater than the expected rate were considered significant.

Table A.1: Expenditures Selected for Review Under Save the Children and International Medical Corps

Organization	Total Expenditures	Target Universe	Sample Size
Save the Children	1,367	394	94 ^a
International Medical Corps	2,387 ^b	482	101

^a OIG originally selected for review 97 expenditure lines from Save the Children's general ledgers. OIG subsequently learned that the 97 selected expenditure lines included several hundred individual expenditures. Therefore, OIG revised its sample to include 94 individual expenditures for review.

^b For International Medical Corps, 47 additional revenue transactions were included in their general ledger for a total of 2,434 transactions. OIG selected its sample only from the 2,387 expenditures.

Source: OIG-generated from financial information provided by Save the Children and International Medical Corps.

APPENDIX B: REQUIREMENTS FOR MONITORING AWARD PERFORMANCE AND FINANCIAL MANAGEMENT

U.S. Code of Federal Regulations, Title 2, Parts 200 and 600

The Code of Federal Regulations (CFR) Part 200, which applies to all Federal awarding agencies, states that agencies must require recipients of assistance to provide financial data to support their use of the funds and that the agencies must measure recipients' performance outcomes and share lessons learned.¹ In addition, CFR Parts 200 and 600 state that Federal agencies must conduct risk assessments for all awards.²

Department of State Federal Assistance Policy Directive

The Department's FAPD "set forth the internal guidance, policies, and requirements to be complied with by all domestic and foreign grant-making bureaus and posts within the Department of State when administering Federal Financial Assistance awards."³ As such, the FAPD included the Department's policies, procedures, and guidance for implementing the requirements of CFR 200 and CFR 600.

The FAPD, which was in effect during the time period covered by this OIG audit, stated that "All Bureaus, offices and posts are required to conduct a risk assessment on all competitive and non-competitive awards."⁴ In addition, the FAPD stated that cognizant bureaus, offices, and posts must monitor awards, including reviewing program and financial reports, and must employ "A more frequent and/or in-depth monitoring process to detect fraud or potential problems."⁵ According to the FAPD, each monitoring plan "must take into account the risk assessment involved in making the award to a particular recipient."⁶

The FAPD also stated that "Many of the Department's standard terms and conditions do not specifically apply to voluntary contributions."⁷ However, "Voluntary contributions may have terms or conditions attached consistent with the purpose and use of the funds."⁸

Similar to the case with cooperative agreements, the FAPD required bureaus, offices, and posts to conduct risk assessments and develop monitoring plans prior to implementing voluntary contributions. To assess risks for voluntary contributions, the FAPD stated that risk assessments

¹ 2 CFR § 200.301, 104.

² 2 CFR § 200.205, 101; and 2 CFR § 600.205, 2.

³ FAPD, 7.

⁴ FAPD 2.03A, "Risk Management," 52.

⁵ FAPD 2.03A, at 55.

⁶ FAPD 3.01-A, "Monitoring Plan," 71.

⁷ FAPD 6.04, "Voluntary Contributions," 88.

⁸ FAPD, 6.04-B, "Notice of Award," 88.

should follow the same general framework as cooperative agreements.⁹ However, it did not explicitly address the types of risks to be assessed, nor did it require the use of the same risk assessment worksheet used for cooperative agreements to identify and assess risks.

To monitor voluntary contributions, the FAPD required both financial and performance monitoring.¹⁰ However, the FAPD also stated, “As a general matter, [foreign public entities] are not expected to subject their books and records to inspection by officials of each country making an award or contribution to the entity. In the case of [public international organizations], member states providing awards respect the independence of the organization and the integrity of its operations within the framework of its charter.”¹¹ Nonetheless, the FAPD stated that agreements under voluntary contributions “may require quarterly, annual, or other periodic progress and financial reports.”¹²

Department of State Procedural Guide

The U.S. Department of State Procedural Guide: Grants and Cooperative Agreements to Non-Federal Entities not Recognized as Foreign Public Entities¹³ (Procedural Guide) listed procedures for implementing cooperative agreements during the time period covered by this audit. The Procedural Guide required that awarding offices identify and assess programmatic, organizational, and country- or region-based weaknesses and concerns, including the likelihood of a problem developing. The Procedural Guide required Grants Officers to complete a mandatory risk assessment worksheet for all competitive and non-competitive cooperative agreements. If an award is designated as high-risk, the Procedural Guide stated that specific conditions should be included in the award to mitigate the identified risk factors. Those conditions may have included increased frequency of financial and program reports, more frequent monitoring schedules by the bureau, and more site visits at the award recipient’s headquarters and location of award activity. The Procedural Guide stated, “As a general practice, it is not appropriate for the Federal Assistance Team to request receipts or detailed expenditure reports from the recipient.”¹⁴ However, the Procedural Guide also stated that it is permissible to request supporting documentation to conduct desk monitoring spot checks in cases of irregular or excessive expenditures.

⁹ FAPD, 6.02-C, states, “Per CFR 2 200.519, the Department requires that all bureaus, offices and posts involved in the awarding of Federal financial assistance take a proactive approach to detecting early warning signs of potential risks and mitigating the probability of impact. All bureaus, offices and posts are required to conduct a risk assessment on all competitive and non-competitive awards. All bureaus, offices, and posts must adopt the Department’s risk management framework. The framework must be documented and incorporated into bureau policy and program guidelines and standard operating procedures.”

¹⁰ FAPD, 3.01, “Monitoring and Performance Reporting,” 71.

¹¹ FAPD, 6.01, “Scope and Applicability,” 79.

¹² FAPD, 6.04, at 88.

¹³ U.S. Department of State, Office of the Procurement Executive, “U.S. Department of State Procedural Guide: Grants and Cooperative Agreements to Non-Federal Entities not Recognized as Foreign Public Entities,” December 31, 2015.

¹⁴ Procedural Guide, 38.

APPENDIX C: BUREAU OF POPULATION, REFUGEES, AND MIGRATION RESPONSE



United States Department of State
Bureau of Population, Refugees, and Migration
Washington, D.C. 20520

June 22, 2018

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MEMORANDUM

TO: OIG/AUD – Norman P. Brown

FROM: PRM – Carol T. O'Connell, Acting *CTO*

SUBJECT: Draft Report on *Audit of Humanitarian Assistance to South Sudan*

Thank you for the opportunity to provide comments on the subject draft audit report. We appreciate that the report highlights the important humanitarian assistance provided to South Sudanese IDPs and refugees that the Department funds through voluntary contributions to international organizations and through cooperative agreements with non-governmental organizations (NGOs) and that PRM demonstrates compliance with Federal and Department requirements in managing this assistance.

We have addressed the specific audit recommendation in the attachment to this letter. PRM remains committed to effective management, monitoring and evaluation of its refugee assistance programs.

Attachment:

1. Recommendation and Response.

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Response to the Report, *Audit of Humanitarian Assistance to South Sudan*

Recommendation and Response

Recommendation 1. OIG recommends that the Bureau of Population, Refugees, and Migration develop and implement procedures for Grants Officers and Grants Officer Representatives to verify that award recipients comply with approved budget plans and obtain permission to deviate from approved budget plans.

Management Response to Draft Report:

Concur.

PRM will augment the procedures that are already in place for Grants Officers and Grants Officer Representatives to ensure that recipients comply with approved budget plans and that recipients seek approval for budget adjustments as required by regulation. To this end, PRM will:

- Develop and implement new award provisions for applicable recipients and assistance awards to require that recipient to certify that financial and program reporting, including line item expenditure reporting, is in accordance with regulations including the applicable cost principles and budget categories and including requirement for recipient audit verification as permitted by regulation.
- Review and enhance as needed the specific award provisions pertaining to use of funds that requires recipients to seek prior approval for budget realignments. This will include referencing the existing requirement that is stated within the Department's Standard Terms and Conditions attached to each award and within the 2 CFR 200 regulations referenced for each award regarding budget realignment prior approval.
- Review and enhance as needed the policies, procedures, and training already in place for Grants Officers to review quarterly the Federal Financial and Program Reports that display budget expenditures by line item with special emphasis on identifying awards that may require budget realignment prior approvals. In addition, PRM will develop guidance to enhance existing financial monitoring procedures for Grants Officer and Grants Officer Representatives site visits and/or desk monitoring to identify awards that may have expenditures exceeding budgeted line item amounts or other irregularities.

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Drafted: PRM/C – PThorn X39342

DAS Approval: EHembree, Acting (ok)

Cleared: PRM/C – EHembree (ok)
PRM/AFR – MMarrazza (ok)
PRM/PRP – KStehle (ok)

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ABBREVIATIONS

CFR	U.S. Code of Federal Regulations
FAD	Federal Assistance Directive
FAPD	Federal Assistance Policy Directive
GOR	Grants Officer Representative
ICRC	International Committee of the Red Cross
IDP	Internally Displaced Persons
OIG	Office of Inspector General
PRM	Bureau of Population, Refugees, and Migration
SAMS	State Assistance Management System
UNHCR	United Nations High Commissioner for Refugees

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